2013 年度報告

Annual Report 2013

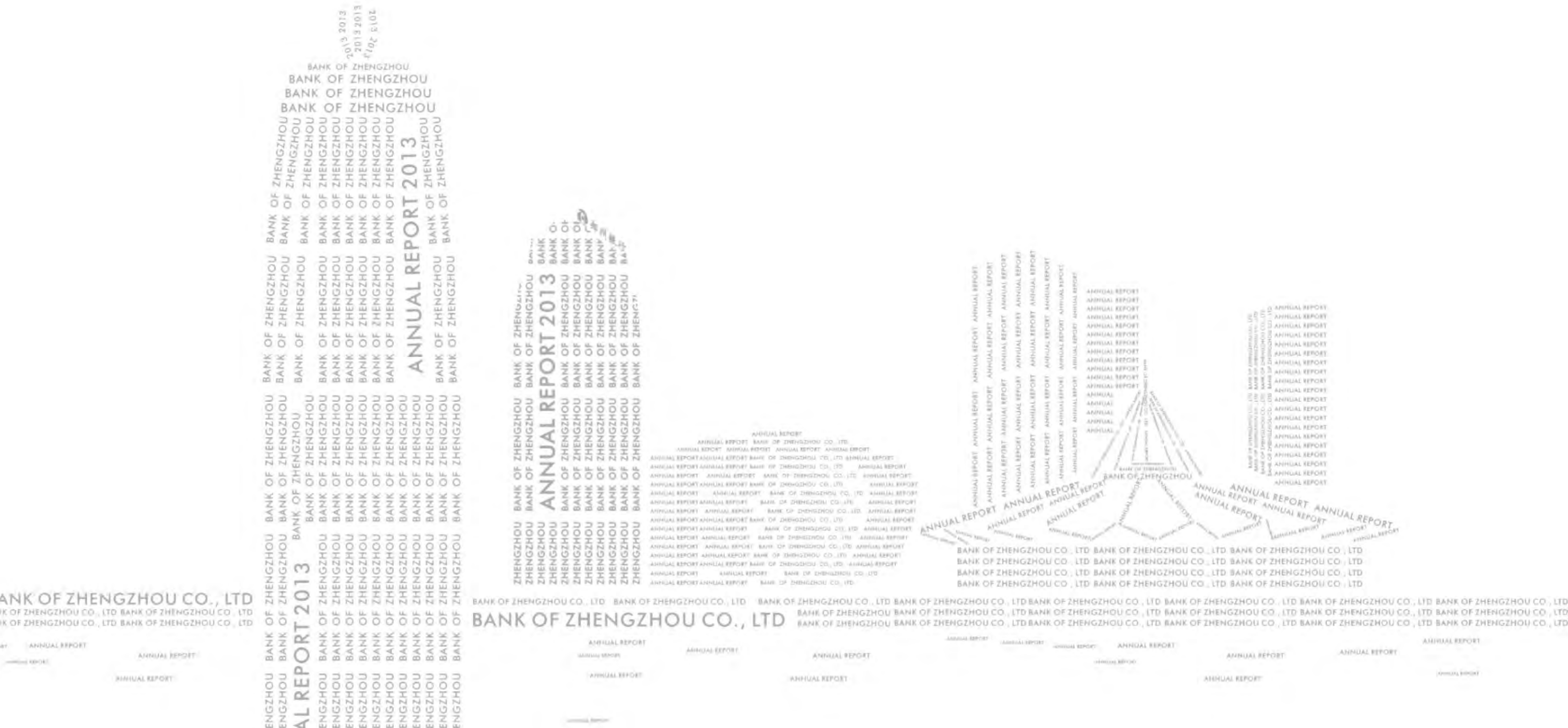
郑州银行股份有限公司
BANK OF ZHENGZHOU CO.,LTD.

2013年度報告

Annual Report 2013

郑州银行股份有限公司

BANK OF ZHENGZHOU CO.,LTD.



Contents

腾飞中的郑州银行

TAKEOFF IN THE BANK OF ZHENGZHOU

ADDRESS BY THE BOARD CHAIRMAN

2003 is the breakthrough year and good harvest year in the progress path of Bank of Zhengzhou. In this year, under the strong support of Municipal Party Committee, Municipal Government, fields of society, and all shareholders, under the scientific instruction of People' s Bank of China and supervision department, under the correct decision of board of directors, this company operation level leads all personnel of this bank, with determined spirit, and obtains inspiring achievement in all work.

Up to the end of 2013, this company' s asset reaches 149,300 million Yuan, 45,600 million Yuan increased comparing with the beginning of the year, with growing rate 44%; generic deposit breaks 100 billion Yuan and reaches 10.21 billion Yuan (excluding interbank deposit 14.2 billion Yuan), 27.4 billion Yuan increased comparing with the beginning of the year, with growing rate 37%; loan balance is of 62.9 billion Yuan, 12.8 billion Yuan increased comparing with the beginning of the year, with growing rate 26%; all operation achievements make the new good records in their history. Capital adequacy ratio is of 12.08%; non-performing loan ratio is of 0.53%; provision coverage is of 425.15%. All supervision indexes meet the supervision requirement and keep good level.

In 2013, this company' s key works continuous breakthrough. Firstly, deposit breaks 100 billion Yuan big record, and realizes historical breakthrough. Secondly, institution construction advances stably, and Luoyang Branch is successively established, and Anyang Branch preparation has been finished. Thirdly, foreign exchange service has been approved and landed, which make up the blank in this service field. Fourthly, this company has become the first one successfully issuing small and micro enterprise financial bond in this whole province, and the debt management realizes diversification. Fifthly, postdoctoral center has been successively established, and talent team has been richer. Sixthly, independently issuing credit card business application has been submitted for approval, and the service function has been better.

Good operation performance and excellent work breakthrough promote this company' s brand image. And it is mainly reflected by following aspects：Firstly, China Lianhe Credit Rating and other famous credit evaluation company promote this company from AA- to AA class, and two years continuous promotion has been realized. Secondly, this company has been listed into top 1000 world banks by UK magazine The Banker for four consecutive years, and the rank has been promoted 42 classes into 529th. Thirdly, during evaluation of "Chinese Financial Institutes Gold List, Golden Dragon" launched by Financial Times and Institute of Finance and banking, Chinese Academy of Social Sciences, this company continuously obtains the name of "Annual most competitive small and medium bank".

In 2014, this company will take propelling transformation development as the center, and take capital supplement, network points distribution, and system perfection as important works, and further make solid foundation, strictly control risks, and keep on improving market competition power. The asset amount reaches over 185 billion Yuan, and all deposits' balance reaches over 125 billion Yuan (excluding interbank deposit); all loans' balance reaches over 77.5 billion Yuan; it ensures main supervision index meet the standard and keeps the supervision evaluation class at Class 2, and realizes Bank of Zhengzhou' s healthy sustainable development.

ADDRESS BY THE PRESIDENT

2003 is the breakthrough year, good harvest year and surpassing year in the progress path of Bank of Zhengzhou. For a whole year, under the complex and volatile international environment, the entire bank actively practices requirements of supervision department and board of directors, and further makes solid foundation, performs strict administration, implement diversified competition. For this whole year, stable, healthy and fast development has been achieved.

Up to the end of 2013, the entire bank asset amount reaches 149.334 billion Yuan, 45.6 billion Yuan increased comparing with the beginning of the year, with growing rate 44%; deposit balance breaks through 100 billion Yuan, and reaches 102.097 billion Yuan (excluding interbank deposit 14.213 billion Yuan), 27.442 billion Yuan increased comparing with the beginning of the year, with growing rate 37%, 19.3 pct. more than average growth of Henan province bank industry. Loan balance is of 62.944 billion Yuan, 12.783 billion Yuan increased comparing with the beginning of the year, with growing rate 26%.10.56 pct. more than average growth of the whole province bank industry. In the system of Bank of Zhengzhou, comparing with the same period of last year, the growth in respect of deposit and loan ranks the fist; deposit amount ranks to the fifth position from sixth position; loan amount keeps at the sixth position; deposit market share grows from 7% of the beginning of the year to 8.09%; loan market share grows from 7.06% of the beginning of the year to 7.66%; in Henan province city commercial bank system, asset increment of this company takes 45%, and deposit increment takes 40%; loan increment takes 33%. Both of market share and competition have been promoted greatly. Capital adequacy ratio is 12.8%. Non-performing loan ratio is 0.53%. Provision coverage ratio is 425.15%; all main supervision indexes meet the supervision requirement and keep good level. In 2013, this company is evaluated as "Small and micro enterprise financial service advancing unit of bank financing institution" by China Banking Regulatory Commission; in April, 2013, during Ninth China Finance (Experts) Annual Meeting, this company is evaluated as "Top ten good brand small and medium banks in 2012"; and it is evaluated as "Small and micro enterprise financial service advancing unit" by China Banking Regulatory Commission; during evaluation of "Chinese Financial Institutes Gold List, Golden Dragon" launched by Financial Times and Institute of Finance and banking, Chinese Academy of Social Sciences; it also gets the name of "Annual most competitive small and medium bank".

The above achievement relies on the support of investors, customers and social fields. Hereby I represent Bank of Zhengzhou, to express the gratitude to all friends from all fields that care and support the development of Bank of Zhengzhou.

In 2014, this company deeply implements the instruction of the Third Plenary Session of the 18th CPC Central Committee, Central Economic Work Conference, national and provincial financial work conferences, and further makes solid foundation, performs strict administration, makes strong head bank, promotes business transformation, promotes market competition power, thus to realize the healthy and sustainable development of Bank of Zhengzhou.

ADDRESS BY THE CHIEF SUPERVISOR

2013 is a special year. Facing the impact of internet finance, constant advancing of interest rate liberalization, and the constant deepening supervision, this company creatively promotes the development, and plans the transformation through reformation. Under great support of leaders and social sectors of society, all personnel of the bank work hard together and achieve good accomplishment. And the shining points of work spread widely, including: supervision evaluation class upgrades to be Class 2; deposit amount breaks 100 billion record for the first time; international business operation is approved; the first city commercial bank Post-doctoral research station establishment has been approved; for the whole year, all main supervision indexes keeps good level, and the development speed and quality are at the best level of history.

2013 is a critical year for new board of supervisors performing supervision functions. Board of supervisors strictly follows national laws and regulations, and the rules of this company, focuses on development strategy of this bank, creates new supervision methods, carefully perform supervision function, targets at protecting legal interest of commercial bank, shareholders, workers, creditors, and other stakeholders, and performs effective supervision to financial activities, internal control, risk management, legal operation of this bank, and performance of board of directors and high level management level.

In 2014, board of supervisors will keep efficient communication and close cooperation with board of directors and upper management level, to further improve the working method, expands working thought, highlight supervision key points, improve risk supervision prompt effect. It will realize the new breakthrough in respect of dare to supervise and be good at supervising, make new progress on stable, healthy and fast development of Bank of Zhengzhou, and achieve good accomplishment on promoting and perfecting company governance structure, and perform better supervision and service effect of director of supervisors.

年报 ANNUAL REPORT 2013

第壹章 重要提示

CHAPTER I IMPORTANT NOTICES

The board of directors and all members of the directors hereby represent and warrant that this report contains no false representations, misleading statements or material omissions, and shall assume the joint and several liabilities for the authenticity, accuracy and completeness of the contents.

The 6nd meeting of the 4th board of directors of the Bank audited and approved this annual report and its abstract on April 27, 2014. 10. 14 directors shall attend the meeting, while actually attended number is 8 and authorized representative is 4with 0 absent.

KPMG Huazhen CPA Firm (special ordinary partnership) has audited the annual financial statements of the Bank and issued the unqualified auditing Report according to Chinese auditing principle.

Board of the Directors of Bank of Zhengzhou

Wang Tianyu, the Board Chairman of Party Committee, Shen Xueqing, the President, and Mao Yuezhen, the Chief Accountant of the Bank guarantee the authenticity and completeness of the financial statements in the annual report.

SIGNATURE OF DIRECTORS:

WangTianyu	Zhang Rongshun
Shen Xueqing	Qiao Jun’an
Liu Rui	Xu Jianxin
Zhang Jingguo	Liang Songwei
Ji Hongjun	Zhu Zhihui
Ma Lei	Wang Zhenmin
Wei Xin	Wang Shihao

I. Introduction

(I) Legal name in Chinese: Bank of Zhengzhou Co., Ltd. (short for Bank of Zhengzhou, hereinafter called as "the Bank").

Legal name in English: BANK OF ZHENGZHOU CO., LTD.. (short for BANK

(II) Legal representative: Wang Tianyu, Chairman of the board

(III) Registered address: No. 22, Shangwu Outer Ring Road, Zhengdong New District, Zhengzhou, China

Office address: No. 22, Shangwu Outer Ring Road, Zhengdong New District, Zhengzhou, China

P.C.: 450046

(IV) Newspapers selected by the Bank for information disclosure: Financial Times and Zhengzhou Daily

The Bank's annual report is available at: office of the board of directors of the Bank

Tel: 86-371-67009868

Fax: 86-371-67009868

E-mail: dshbgs@zzbank.cn

(V) Other related information

Date of the first registration: Nov. 16, 1996

Registration change date: December 17, 2011

Registered No. of license for business corporation: YGSQ410000100052554

Corporation license No. for financial institutes: B1036H241010001

Appointed Chinese CPA Firm: KPMG Huazhen CPA Firm (special ordinary partnership)

Office address: Floor 8, East Block 2, Dongfang Square, No.1 East Chang'an Street, Beijing

Appointed law firm: Beijing Dacheng Law Offices (Zhengzhou Law Offices)

Office address: Floor 21, News Building, No. 85 Huayuan Road, Jinshui District, Zhengzhou City

(VI) This report is compiled in Chinese-English. If there are any different meanings, please give priority to Chinese statements.

I. Main financial data during the reporting period

Unit: RMB/10,000Yuan

Item	Amount
Gross profits	250,749
Net profits	190,185
Net profits deducting incidental profits and losses	186,923
Operating profits	247,487
Investment yields	236
Net amounts of non-operating income and expenditure	3,262
Net cash flow from operating activities	1,171,817
Net increase amounts of cash and cash equivalent	131,432

Note: 1. Gross profits refer to gross profits before tax.

2. The deducted non-operating profits and losses refer to net amounts of non-operating income and expenditure of RMB 32,620,000Yuan, including the non-operating incomes of RMB 38,410,000Yuan and non-operating expenditures of RMB 5,790,000Yuan.

Unit: RMB/10,000Yuan

Items of non-operating profits and losses	Amount
Non-operating incomes	**3,841**
Inc: other payables clear income of long term hanging accounts	2278
Government subsidy	110
Estimated debt reversing	475
Forfeits and penalty receipts	35
Cashier rest incomes	2
Other non-operating incomes	941
Non-business expenditure	**579**
Inc: Donation expenses	450
Compensation, liquidated damages and forfeit	18
Other non-operating expenditures	111
Net non-operating income and expenditure	**3,262**

II. Main accounting data and financial indicators of the last three years as at end of reporting period

Unit: RMB/10,000Yuan

Item	2013	2012	2011
Main operating incomes	425,463	330,373	222,964
Net profits	190,185	146,030	94,841
Gross profits	**250,749**	**192,280**	**124,944**
Total assets	**14,933,428**	**10,373,401**	**7,089,933**
Total liabilities	**13,979,782**	**9,606,266**	**6,468,895**
Equity of shareholders at end of year	953,647	767,135	621,039
Basic earnings per share (Yuan)	0.48	0.37	0.66
Diluted earnings per share (Yuan)	0.48	0.37	0.66
Net assets per share (Yuan)	2.42	1.95	1.58
Net cash flow per share from operating activities (Yuan)	2.98	2.43	1.36
Cost-income ratio (%)	26.94	28.05	31.28
Weighted average return on net assets (%)	22.11	21.04	29.20
Weighted average return on net assets (%) after deducting non-current profit and loss	21.73	20.63	30.71

III. Supplemental financial data of the last three years as at end of reporting period

Unit: RMB/10,000Yuan

Item	2013	2012	2011
Total liabilities	**13,979,782**	**9,606,266**	**6,468,895**
Total deposits	**10,209,680**	**7,465,447**	**5,497,643**
Inc: corporate deposits	7,227,165	5,373,256	4,013,406
savings deposits	2,982,515	2,092,191	1,484,237
Inter-bank borrowing	200,000	20,000	-
Total assets	**14,933,428**	**10,373,401**	**7,089,933**
Total loans	**6,294,375**	**5,016,102**	**3,740,705**
Inc: ordinary loans	5,839,902	4,278,612	3,317,303
discounting amount	435,992	737,490	423,402
imprest	18,481	-	-

Notes: 1. Total deposits include the corporate deposits and the savings deposits while the former includes the current deposits, corporate deposits at notice, fixed deposits, remittances outstanding, deposited security money, structured deposits, fiscal deposits, and the latter includes the current savings deposits, individual notice savings and fixed savings deposits.

2. The total loans include the ordinary loans, discounting amount and imprest.

IV. Supplemental financial indicator of the last three years as at end of reporting period

Unit: RMB/10,000Yuan、%

Item	Supervision indicator	2013	2012	2011
Rate of core capital adequacy ratio	⩾4%	10.28	12.79	15.23
Rate of capital adequacy ratio	⩾8%	12.08	15.26	18.04
Ratio of bad loans	⩽3%	0.53	0.47	0.44
Deposit-loan ratio	⩽75%	61.74	67.19	68.13
Assets current ratio	⩾25%	43.50	36.47	36.97
Borrowing funds ratio	⩽4%	1.96	0.27	-
Lending funds ratio	⩽8%	0.87	-	-
Rate of interests recovery	⩾80%	98.87	99.14	100.17
Concentration degree of loans of single client	⩽10%	3.53	4.04	4.60
Credit concentration degree	⩽50%	33.04	43.24	40.66

Note: 1. The calculation of deposit-loan ratio includes the discounting amounts; the calculation of ratio of bad loans includes the imprest.

V. Shareholders equity changes during the reporting period

Unit: RMB/10,000Yuan

Items of shareholders equity	Amount at beginning of reporting period	Increases in current period	Decreases in current period	Amount at end of reporting period
Paid-up capital	394,193	-	-	394,193
Capital reserve	11,461	1,387	5,061	7,787
Surplus reserve	46,559	19,019	-	65,578
Generic risk preparation	103,320	59,000	-	162,320
Undistributed profits	211,602	190,185	78,019	323,769
Total of shareholders equity	767,135	269,591	83,080	953,647

Note: conditions for shareholders equity changes:

1. Capital reserve increased by 13,870,000 Yuan in this fiscal year, including 1,300,000 Yuan of acuturial gains, and 12,570,000 Yuan of deferred income tax influence incurred by change in fair value of available-for-sale financial assets; capital reserve decreased by 50,610,000 Yuan in this fiscal year, including 50,280,000 Yuan of change of fair value of available-for-sale financial assets, and 330,000 Yuan deferred income tax influence incurred by actuarial gains.

2、Surplus reserve increased by 190,190,000 Yuan in this fiscal year, referring to withdrawal legal surplus reserve.

3、The general reverse increased by RMB 590 million Yuan, referring to the ordinary risk reserve deducted at the end of year.

4、Increased RMB 1,901,850,000 Yuan undistributed profits of this year belonged to current net profits, the reduced RMB 780,190,000 Yuan included RMB 190,190,000 Yuan of advanced legal surplus reserve reserves, and RMB 590 million Yuan of general reserves.

VI. Capital composition and changes

Unit: RMB/10,000Yuan

Item	2013
Core tier 1 capital	
Paid-in capita	394,193
Capital surplus eligible amount	7,787
Surplus reserve	65,578
Generic risk preparation	162,320
Undistributed profits	323,769
Minority shareholders capital eligible amount	
Subtotal	**953,647**
Adjusting item for core tier I capital	
Core tier 1 capital investment to financing institution with control power but with no consolidation	-11,916
Other intangible assets (except for land using right)	-3,688
Subtotal	**-15,604**
Net amount of core tier 1 capital	938,042
Other tier 1 capital	
Net amount of tier 1 capital	938,042
Tier 2 capital	
Tier 2 capital tool and its eligible amount of premium	62,100
Over loan loss preparation	101,668
Eligible amount of minority shareholders	
Subtotal	**163,768**
Total capital net amount	**1,101,810**
Risk-weighted asset amount	**9,120,805**

Note: from Jan.1, 2013, this bank calculates capital adequacy ratio as per requirement of CBRC Commercial Bank Capital Management Method (Trial) and other relevant provision.

I. Stock changes

(I) Capital stock construction condition sheet

单位：万股

Item		At end of 2013	At end of 2012
Total capital stocks		394,193	394,193
State-owned stocks	Holding stocks	50,874	51，770
	Proportion	12.91%	13.13%
Other corporate stocks	Holding stocks	337,464	336，511
	Proportion	85.61%	85.37%
Natural person’s stocks	Holding stocks	5,855	5，912
	Proportion	1.48%	1.5%
Inc.: internal staff stocks	Holding stocks	3,585	3，585
	Proportion	0.9%	0.9%

(II) General capital change condition

During reporting period, there is no general capital change in this company.

Ⅱ. Introduction of shareholders

(I) Top ten shareholders as at the end of the reporting period

Unit: stocks、%

S/N	Title of shareholder	Holding stocks	Proportion (%)
1	Zhengzhou Municipal Financial Bureau	490,904,755	12.45%
2	Yutai International (Henan) Real Estate Development Co., Ltd.	262,000,000	6.65%
3	Henan Xingye Real Estate Development Co., Ltd.	250,000,000	6.34%
4	Zhengzhou Investment Holding Co., Ltd.	234,800,000	5.96%
5	Henan Chendong Industry Co., Ltd.	226,000,000	5.73%
6	Zhongyuan Trust Co., Ltd.	205,000,000	5.20%
7	Henan Guoyuan Trade Co., Ltd.	195,000,000	4.95%
8	Bridge Trust Investment Co., Ltd.	124,865,750	3.17%
9	Henan Shengrun Holding Group Co., Ltd.	100,000,000	2.54%
10	Henan Zhenghong Real Estate Co., Ltd.	100,000,000	2.54%
Total		**2,126,320,505**	**53.95%**

(II) Introduction to shareholders holding up 5% stock rights

1.Zhengzhou Municipal Financial Bureau

Zhengzhou Municipal Financial Bureau is a comprehensive functional department of Zhengzhou Municipal People’s Government implementing general management of financial revenues, governing financial supervision and attending macro-control for national economy.

2.Yutai International (Henan) Real Estate Development Co., Ltd.

The second largest shareholder of the Bank was Yutai International (Henan) Real Estate Development Co., Ltd. established in December 1992, and with a registered capital of RMB 223,960,000 Yuan. Its business covers the development and sale of real estates.

3. Henan Xingye Real Estate Development Co., Ltd.

Henan Xingye Real Estate Development Co., Ltd. was founded in 1998 with a registered capital of 50 million Yuan. Its business covers the development and operation of real estates and the sale of building materials.

4.Zhengzhou Investment Holding Co., Ltd.

Zhengzhou Investment Holding Co., Ltd. (former body: Zhengzhou State-owned Assets Operation Co., Ltd.) was founded 2005 as a wholly state-owned company with a registered capital of 800 million Yuan. Its business covers the property right of state-owned assets of municipal sated-owned enterprises with the approval of government, and the rights to use the income of sated-owned assets for investment, and be responsible to finance and turn over the funds of reform, employee arrangement, reorganization and resettlement of state-owned enterprises.

5. Henan Chendong Industry Co., Ltd.

Henan Chendong Industry Co., Ltd. was founded 2003 with a registered capital of 1,200 million Yuan. Its business covers the sale of building materials, chemical materials (excluding flammable and explosive chemical products), industrial arts, furniture, hardware, textile, general merchandise, computer software and hardware, daily sundries, mechanical and electronic equipment (excluding automobiles) and cloths.

6.Zhongyuan Trust Co., Ltd.

With the approval of China Banking Regulatory Commission, Zhongyuan Trust Co., Ltd. was founded in 1985 with a registered capital of 1,202 million Yuan . Its business covers the capital trust, movable property trust, real estate trust, security trust and trust of other assets or property rights; investment fund business as the sponsor of investment funds or fund management company.

III. Pledged and attached share of this company’s shareholders

Within report period, this company’s shareholder stock rights pledged accumulative total 2,258.26 million shares, taking 57.28% of total equity. And the closed down shareholder stock rights is of 6,048,094 shares, taking 0.79% of the general capital.

I. Introduction to current directors, supervisors and executives

(I) Basic introduction to directors

Name	Post	Gender	Age	Tenure beginning and ending dates	Tenure unit and duties	Salary (√)	Holding stocks (stocks)
Wang Tianyu	Board Chairman Secretary of the Party Committee,	Male	47	2012.2-2015.2	Secretary of the Party Committee, Board Chairman of Bank of Zhengzhou	√	18,928
Zhang Rongshun	Vice Board Chairman	Male	54	2012.2-2015.2	Vice Board Chairman of Bank of Zhengzhou	√	51,612
XuJianxin	Vice Board Chairman	Male	60	2012.2-2015.2	Board chairman of Yutai International (Henan) Real Estate Development Co., Ltd.		0
Shen Xueqing	President, Deputy Secretary of the Party Committee, executive director	Male	48	2012.2-2015.2	President and Deputy Secretary of the Party Committee of the Bank of Zhengzhou	√	0
Qiao Jun´an	Vice president, executive director	Male	59	2012.2-2015.2	Vice president of Bank of Zhengzhou	√	0
Liu Rui	Director	Male	50	2012.2-2015.2	Party secretary and director of Zhengzhou Finance Bureau		0
Zhang Jingguo	Director	Male	50	2012.2-2015.2	Board Chairman and President of Henan Xingye Real Estate Development Co., Ltd.		0
Liang Songwei	Director	Male	45	2012.2-2015.2	General Manger of Zhengzhou Investment Holding Co., Ltd.		0
Ji Hongjun	Director	Male	50	2012.2-2015.2	Vice President of Zhongyuan Trust Co., Ltd.		0
Zhu Zhihui	Director	Male	44	2012.2-2015.2	Board Chairman of Henan Guoyuan Trade Co., Ltd.		0
Ma Lei	Director	Male	45	2012.2-2015.2	President of Bridge Trust Investment Co., Ltd.		0
Wang Zhenmin	Independent director	Male	47	2012.2-2015.2	Professor and tutor of doctorate and postgraduate candidates of Tsinghua University, and Dean of the College of Law	√	0
Wei Xin	Independent director	Male	58	2012.2-2015.2	Board Chairman of Founder Group	√	0
Wang Shihao	Independent director	Male	63	2012.2-2015.2	Director of capital liquidating center of city commercial bank	√	0

(II) Basic introduction to supervisors

Name	Post	Gender	Age	Tenure beginning and ending dates	Tenure unit and duties	Salary (√)	Holding stocks (stocks)
Fan Dalu	Chief supervisor	Male	49	2012.2-2015.2	Chief supervisor of Bank of Zhengzhou	√	0
Tang Yunwei	Exterior supervisor	Male	69	2012.2-2015.2	Chairman of Accounting Society of Shanghai	√	0
Liu Yuhui	Exterior supervisor	Male	43	2012.2-2015.2	Director of Chinese Economic Evaluation Center, and Chinese Academy of Social Sciences	√	0
Zhu Donghui	Shareholder supervisor	Male	58	2012.2-2015.2	Director General of Henan Non-ferrous Geology and Mineral Resources Bureau		0
Meng Jun	Shareholder supervisor	Female	42	2012.2-2015.2	Vice president of Henan Zhenghong property company		0
Duan Ping	Employee supervisor	Female	47	2012.2-2015.2	Vice director of Luoyang Branch of Bank of Zhengzhou	√	0
Zhang Chunge	Employee supervisor	Female	45	2012.2-2015.2	Director of the Weiyi Road Sub-branch of the Bank of Zhengzhou	√	0

(III) Basic introduction to executives

Name	Post	Gender	Age	Entire period of actual financial experience	Beginning date of holding the post	Duties	Salary	Holding stocks (stocks)
Shen Xueqing	President	Male	48	24	2011.12	Take charge of overall work of operation and management and office	√	0
Xia Hua	Vice president	Male	46	23	2011.12	Take charge of credit approval department, risk management department, compliance department, and legal affairs department	√	0
Qiao Jun'an	Vice president	Male	59	38	2005.1	Take charge of small enterprise financing business department	√	0
Zhao Lijuan	Vice president	Female	51	31	2008.5	Take charge of accounting settlement department, administration department, science and technology development department and labor union	√	0
Bai Xiaofeng	Vice president	Male	46	29	2008.5	In charge of fund operation department and investment banking department	√	0

(IV) Basic introduction to other executives

Name	Post	Gender	Age	Entire period of actual financial experience	Beginning date of holding the post	Duties	Salary	Holding stocks (stocks)
Zhao Maicheng	Secretary of commission for disciplinary inspection	Male	44	22	2008.3	Take charge of discipline inspection commission (inspection office), security department, the Party and the mass work department, organization development department	√	0
Guo Zhibin	Assistant of president	Male	45	15	2011.1	Take charge of business department and trade financing department	√	0
Zhang Wenjian	Assistant of president	Male	48	28	2011.1	Take charge of remote bank department, retail business department, and credit card department	√	0
Sun Haigang	Assistant of president	Male	36	4	2011.3	Take charge of Luoyang Branch	√	0
Mao Yuezhen	Chief accountant	Female	50	32	2011.9	Take charge of finance and accounting department	√	7,603
Fu Chunqiao	Secretary of board of directors	Male	41	18	2013.10	Concurrently holds office director	√	0
Zhang Mingli	HR inspector-general	Male	42	18	2013.10	Concurrently holds HR general manager	√	0
Wang Yanli	Risk management inspector-general	Female	43	22	2013.10	Concurrently holds general manger of credit approval department	√	111,515

(V) Working experience and tenure introduction to current directors, supervisors and executives

1. Directors

Name	Post	Working experience
Wang Tianyu	Secretary of the party Committee, Board Chairman ,	Male, postgraduate, senior accountant, the current Board Chairman , Secretary of the Party Committee, President of the Bank of Zhengzhou. Now he is Secretary of the Party Committee and President of Bank of Zhengzhou. He had assumed the Deputy Director of Yugong Urban Credit Cooperatives, President of Zhengzhou Urban Cooperative Banks Jingwu Road Sub-branch, Vice President of the Commercial Bank of Zhengzhou, President and Secretary of the Party Committee of the Commercial Bank of Zhengzhou, and President and Secretary of the Party Committee of the Bank of Zhengzhou
Zhang Rongshun	Vice Board Chairman	Male, postgraduate, senior economic manager. Now he is the Member of Party Committee and Vice Board Chairman of Bank of Zhengzhou. He had assumed the Deputy Office Director of People's Bank of Zhengzhou; Secretary of the Party Committee and Director of Zhengzhou Urban Credit Cooperatives; Assistant Secretary of the Party Committee and President of Zhengzhou Urban Cooperative Banks; Vice President and member of the Party Committee of the Commercial Bank of Zhengzhou.

Name	Post	Working experience
Xu Jianxin	Vice Board Chairman	Male, postgraduate. Now he is the board chairman of Yutai International Real Estate Development Co., Ltd., the chief delegate of Henan Delegates in Yutai International to the representative office of Kingdom of Thailand, and the board chairman of Yutai International (Henan) Real Estate Development Co., Ltd.. He had assumed the assistant engineer of Henan Plastic Industry Company, the vice manager of Henan Arts & Crafts Industry Company, the vice manager of Henan Plastic Industry Company, the general manager of Henan Light Industrial Products Imp. And Exp. Group Co., Ltd., and the executive vice general manager of Yugang Enterprise Co., Ltd..
Shen Xueqing	Bank president, deputy party secretary	Male, postgraduate, senior economist. Now he is the president and deputy secretary of Party Committee of Bank of Zhengzhou. He had assumed section member, deputy chief and deputy director of financial and trade committee office of Pingdingshan, Henan, comprehensive department manager, business department manager and assistant of president in Zhengzhou branch Huayuan Road sub-branch of Guangdong Development Bank Co. Ltd., assistant of president, vice president and president in Zhengzhou branch Dongming Road sub-branch of Guangdong Development Bank Co. Ltd., office general manager in Zhengzhou branch of Guangdong Development Bank Co. Ltd., general manager of three parts in Zhengzhou branch of Guangdong Development Bank Co. Ltd., president of Anyang branch of Guangdong Development Bank Co. Ltd. and vice president and member of the party committee of Changsha branch of Guangdong Development Bank Co. Ltd.
Qiao Jun’an	Vice president, executive director	Male, undergraduate, economist. Now he is the Member of Party Committee and Vice President of Bank of Zhengzhou. He had assumed the Director of Credit Department of People’s Bank of Linying County; Director for Commercial Credit Department, Comprehensive Planning Department and Real Estate Credit Department, and General Manager of International Service Department of Industrial & Bank of China (ICBC) Luohe Branch; Director of Business Department of ICBC Luohe Branch; President of ICBC Luohe Renmin Road Sub-branch; Member of Party committee and Vice President of ICBC Hebi Branch; Member of the Party Committee and Vice president of Commercial Bank of Zhengzhou.
Liu Rui	Director	Male, postgraduate, senior accountant. Now he is Party secretary and director of Zhengzhou Finance Bureau. He had ever held the post of deputy division chief, division chief, chief accountant, deputy director, deputy Party secretary, deputy managing director of budge office of Zhengzhou Finance Bureau, and director of Zhengzhou Non-tax Revenue Authority.
Zhang Jingguo	Director	Male, postgraduate. Now he is the Board Chairman and President of Henan Xingye Real Estate Development Co., Ltd., and the Board Chairman and General manager of Zensun Real-Estate Group. He had assumed the Vice General Manager of Henan Light Industry Company.
Liang Songwei	Director	Male, postgraduate. Now he is the General Manager of Zhengzhou Investment Holding Co., Ltd.. He had assumed the Business Manager of Henan Native Produce I/E Corporation, the Board Chairman of Henan Baihe International Road Science and Technology Co., Ltd., and the Vice General Manager of Zhengzhou Baiwen Group Co., Ltd..
Ji Hongjun	Director	Male, postgraduate. Now he is the Vice President of Zhongyuan Trust Co., Ltd.. He had assumed a member, deputy director and director of Finance Division and Foreign Economy Division of Henan Planned Economy Committee, the deputy director of Veteran Cadres Division of Henan Planning Committee, the deputy director of Fixed Asset Investment Division of Henan Planning Committee, the deputy director of Finance Division of Henan Development Planning Committee, and the deputy director of Credit Division I of China Development Bank Henan Branch.
Zhu Zhihui	Director	Male, undergraduate. Now he is the Board Chairman of Zhengzhou Huida Real Estate Group Co., Ltd., and the Board Chairman of Henan Guoyuan Trade Co., Ltd.. He had assumed the Vice General Manager of Henan Light Industrial Products Imp. And Exp. Group Co., Ltd..
Ma Lei	Director	Male, postgraduate, senior economist. Now he is the President of Bridge Trust Investment Co., Ltd.. He had assumed the manager of business department, the manager of planning finance department and the general manager assistant, deputy general manager of Zhengzhou Trust Investment Company, and the vice president and executive president of Bridge Trust Investment Co., Ltd.

Name	Post	Working experience
Wang Zhengmin	Independent director	Male, doctor. Now he is the professor, tutor of doctorate and postgraduate candidates and dean of the College of Law of Tsinghua University. He had assumed the instructor, vice professor, dean assistant and deputy dean, vice president of the law department of the College of Law.
Wei Xin	Independent director	Male, doctor. Now he is the Secretary of Party Committee and the Board Chairman of Founder Group. He had assumed the Executive Deputy director of Higher Education Research Institute of Beijing University, the Deputy director of Finance Department, Management Science Research Center, and School-run Industry Management Committee of Beijing University, the Executive Director of Founder Holding Company listed in Hong Kong of Founder Group, and the Vice Board Chairman of Founder Group.
Wang Shihao	Independent director	Male, postgraduate. Now he is the Director of capital liquidating center of city commercial bank. He had assumed the member, section chief, deputy director general and director general of Shanghai Branch of the People's Bank of China, the director of Shanghai Urban Credit Union Cooperation, and the vice president of the Bank of Shanghai.

2. Supervisors

Name	Post	Working experience
Fan Dalu	Chief supervisor	Male, postgraduate, Post-doctor of Finance. Now he is a Member of Party Committee and Chief Supervisor of the Bank of Zhengzhou. He had assumed the Secretary of Party Committee, Executive Deputy General Manager and Preside of Labor Union of Chongqing Poolking Software Co., Ltd., subsidiary of China Jialing Group which is a national enterprise; Financial Professor of Henan University of Finance and Economics, and Director of Institute of security and investment; Member of the Party Committee and Vice president of Commercial Bank of Zhengzhou.
Tang Yunwei	Exterior supervisor	Male, postgraduate, doctor of economy (accounting), senior accountant, professor and exterior supervisor of the Bank. Now he is a member of the China Accounting Standards Committee and the Audit Committee of the Ministry of Finance of the People’s Republic of China, and the Chairman of Shanghai Accounting Society. He had assumed the President of Shanghai University of Finance and Economics, and the senior accountant and senior consultant of Ernst & Young Dahua CPA Firm. Mr. Tang Yunwei is an honorary professor of the University of Hong Kong and the City University of Hong Kong, a honorary member of UK CPA Society, and an outstanding international visit professor of American Accounting Association.
Liu Yuhui	Exterior supervisor	Male, postgraduate, doctor of quantity economy, post-doctor researcher of the Institute of Finance and Banking, Chinese Academy of Social Sciences, and the exterior supervisor of the Bank. Now he is the Director of Finance Key Lab, Chinese Academy of Social Sciences, the director of Chinese Economy Evaluation Center, the special professor of the College of Postgraduate of Chinese Academy of Social Sciences and other universities, the senior academic visitor of Hong Kong Monetary Authority, and the risk management consultant of Ernst & Young CPA Firm, Agricultural Bank of China and other financial institutes on the macro economy, international economy and financial market, etc.
ZhuDonghui	Shareholder supervisor	Male, postgraduate, doctor of law, the Secretary of Party Committee and the Director General of Henan Non-ferrous Geology and Mineral Resources Bureau, and the shareholder supervisor of the Bank. He had assumed the Director Assistant of Zhengzhou Economy and Trade Bureau, the Deputy Director of Economy and Trade Committee, the Deputy Director of Division 7 of Mayor Office of Henan People’s Government, the Deputy Director of Foreign Trade Division of General Office of Henan People’s Government, the Deputy Director and Director of Port Office of Henan People’s Government, the Deputy Director of Henan Tourism Bureau, an Outstanding Member of Kaifeng Municipal Committee of CPC and the Director of Organization Department.

Name	Post	Working experience
MengJue	Shareholder supervisor	Female, undergraduate, senior international finance manager, accountant, the shareholder supervisor of the Bank. Now, she is the vice president of Henan Zhenghong Real Estate Co., Ltd.. She had assumed the president assistant and chief finance supervisor of Henan Zhenghong Real Estate Co., Ltd..
Duan Ping	Employee supervisor	Female, undergraduate, senior political engineer, and the employee supervisor of the Bank. Now she is the Vice President of Luoyang Branch of the Bank of Zhengzhou. She had ever worked in Wulibao Urban Credit Union, the Wulibao Sub-branch, Party Office, Planning Division, and Planning Fund Department of Zhengzhou Urban Cooperative Bank, the Planning Fund Department, Human Resource Department of the Commercial Bank of Zhengzhou, and the Human Resource Department of the Bank of Zhengzhou.
ZhangChunge	Employee supervisor	Female, postgraduate, economist, and the employee supervisor of the Bank. Now she is the Director of Weiyi Road Sub-branch of the Bank of Zhengzhou. She had assumed the director of Wugang Urban Credit Union, and the manager of the marketing department of the Bank of Zhengzhou.

3. Executives

Name	Post	Working experience
Shen Xueqing	president	Male, postgraduate, senior economist. Now he is the president and deputy secretary of party committee of the Bank of Zhengzhou. He had assumed section member, deputy chief and deputy director of financial and trade committee office of Pingdingshan, Henan, comprehensive department manager, business department manager and assistant of president in Zhengzhou branch Huayuan Road sub-branch of Guangdong Development Bank Co. Ltd., assistant of president, vice president and president in Zhengzhou branch Dongming Road sub-branch of Guangdong Development Bank Co. Ltd., office general manager in Zhengzhou branch of Guangdong Development Bank Co. Ltd., general manager of three parts in Zhengzhou branch of Guangdong Development Bank Co. Ltd., president of Anyang branch of Guangdong Development Bank Co. Ltd. and vice president and member of the party committee of Changsha branch of Guangdong Development Bank Co. Ltd.
Xia Hua	Vice president	Male, postgraduate, senior economist. Now he is member of party committee and vice president of Bank of Zhengzhou. He had assumed member of administration department of People’s Bank of China in Luoyang, vice president of Yichuan branch of People’s Bank of China, senior staff member in rural cooperative medical service department of Henan branch of People’s Bank of China, principal staff member in rural cooperative medical service department of Henan branch of People’s Bank of China, principal staff member of financial institution of Zhengzhou supervision agency of Jinan branch of People’s Bank of China, principal staff member of Agricultural Bank supervision agency of Zhengzhou supervision agency of Jinan branch of People’s Bank of China, principal staff member of NO.1 bank supervision agency of Henan Banking Regulatory Bureau, deputy director of NO.1 bank supervision agency of Henan Banking Regulatory Bureau, deputy director of municipal commercial bank supervision agency of Henan Banking Regulatory Bureau, supervision investigator of municipal commercial bank supervision agency of Henan Banking Regulatory Bureau.
Qiao Jun´an	Vice president	Male, undergraduate, economist. Now he is the Member of Party Committee and Vice President of Bank of Zhengzhou. He had assumed the Director of Credit Department of People’s Bank of Linying County; Director for Commercial Credit Department, Comprehensive Planning Department and Real Estate Credit Department, and General Manager of International Service Department of Industrial & Bank of China (ICBC) Luohe Branch; Director of Business Department of ICBC Luohe Branch; President of ICBC Luohe Renmin Road Sub-branch; Member of Party committee and Vice President of ICBC Hebi Branch; Member of the Party Committee and Vice president of Commercial Bank of Zhengzhou.
Zhao Lijuan	Vice president	Female, postgraduate, economist, senior political engineer. Now she is the Member of Party Committee, President of Labor Union and Vice President of Bank of Zhengzhou. She had assumed the Accountant Director (Director) of Zhengzhou Wulibao Urban Credit Cooperatives; Vice President of Zhengzhou Urban Cooperative Banks Wulibao Sub-branch; President of Commercial Bank of Zhengzhou Wulibao Sub-branch; Member of the Party Committee, Vice president and President of Labor Union of Commercial Bank of Zhengzhou.

Name	Post	Working experience
Bai Xiaofeng	Vice president	Male, postgraduate. Now he is the Member of Party Committee and Vice President of Bank of Zhengzhou. He has ever assumed the Deputy director of Administration Department and Finance Management Department of People's Bank of China Sanmenxia Branch; Vice Leader of Preparation Team of Sanmenxia Urban Credit Cooperatives; Vice President of Zhengzhou Sub-branch Shangjie Sub-branch and Xinzheng Sub-branch People's Bank of China, and Principal Staff Member of Policy Bank Supervision Department of Zhengzhou Financial Supervision Office of People's Bank of China Jinan Branch; Manager of Credit Management Department, Assistant of President of Wenhua Road Sub-branch, Vice President and President of Jinshui Road Sub-branch of Guangdong Development Bank Zhengzhou Branch; Member of the Party Committee and Vice president of Commercial Bank of Zhengzhou.
Zhao Maicheng	Secretary of commission for disciplinary inspection	Male, undergraduate, economist, senior political engineer. Now he is the Member of Party Committee and Secretary of Commission for Disciplinary Inspection of Bank of Zhengzhou. He had assumed the Vice General Manager and Manager of Human Resource Department of Bank of Zhengzhou; Member of the Party Committee and Secretary of Discipline Inspection Commission of Commercial Bank of Zhengzhou.
Guo Zhibin	President assistant	Male, postgraduate, economist. Now he is the assistant of president of the Bank of Zhengzhou. He had assumed deputy director of Henan labor urban credit union office, the manager and vice general manager of comprehensive department of Henan Yutai Commercial Building Co, Ltd., the director assistant and deputy director of Hongzhuan Road Sub-branch, Zhengzhou Branch, vice general manager of No.2 business department of the company and general manager of property security department of Everbright Bank.
Zhang Wenjian	Assistant of president	Male, undergraduate, economist. Now he is the president assistant of the Bank of Zhengzhou . He had assumed vice chief of accounting section and director of banking office of ICBC Jinshui Branch, the vice general manager of financial and accounting department, general manager of accounting department, and general manager of business department of the Commercial Bank of Zhengzhou.
Sun Haigang	Assistant of president	Male, postgraduate. Now he is the president assistant of the Bank of Zhengzhou. and vice president of Luoyang Branch of the Bank of Zhengzhou. He had worked in BaoShan Iron&Steel Co., Ltd. and BaoSteel Group Corporation, and assumed the planning manager of BaoSteel Group Corporation.
Mao Yuezhen	Chief accountant	Female, undergraduate, accountant. Now she is the chief accountant of the Bank of Zhengzhou. She had been a teacher in Henan Banking School and Henan Financial College for managerial personnel training. She had assumed the manager of accounting department in Henan Jinyu Experimental Bank, chief accountant and deputy director of Zhengzhou Urban Cooperative Bank Hongqi Road Sub-branch, deputy director of Audit Department of Zhengzhou Urban Cooperative Bank, general manager of Audit and Supervision Department, director of Appraisal Department, general manager of Capital Planning Department, general manager of Finance and Accounting Department of the Commercial Bank of Zhengzhou and general manager of Finance and Accounting Department of the Bank of Zhengzhou.
Fu Chunqiao	Secretary of board of directors	Male, postgraduate, economist. Now he is the secretary of board of director of Bank of Zhengzhou and he concurrently holds office director of board of director. He had ever been vice general manger of planning department of Zhengzhou city cooperation bank, vice general manager of planning fund department of Zhengzhou commercial bank, vice general manger of fund operation department of Bank of Zhengzhou, and general manager of fund operation department.
Zhang Mingli	HR inspector-general	Male, undergraduate, senior administration engineer, National Class I for Human Resource. Now he is chief human resource officer and HR department general manger. He had ever worked as team leader of Central Guards regiment, and guard officer; deputy director of inspection office of Zhengzhou Commercial Bank discipline inspection commission; he had ever worked as director of inspection office of Zhengzhou Commercial Bank discipline inspection commission, and vice chairman of labor union, secretary of Youth league committee, director of inspection office, and office director.
Wang Yanli	Risk management inspector-general	Female, postgraduate, accountant, economist. Now she is Risk management inspector-general of Bank of Zhengzhou, and general manger of credit approval department. She had ever worked in north energy section of Zhengzhou Railway Bureau, and had ever been deputy director of Urban Credit; she had ever been the vice president of Jinhai Avenue of Jinhai Branch of Zhengzhou city cooperative bank, the president of Jinhai Avenue of Jinhai Branch, president of Dashiqiao Branch of Zhengzhou Commercial Bank; and she had ever been director of business department, and general manager of risk management department of Head Office of Bank of Zhengzhou.

(VI) Introduction to annual salary

The board of directors decided to determine the salaries of executives in accordance with the annual management objectives evaluation.

The Bank paid RMB 900,000 Yuan totally to its directors, supervisors, independent supervisors and exterior supervisors from its shareholders. The annual salaries of 14 executive directors and executives totaled RMB 20,640,000 Yuan; the annual salaries of 2 employee supervisors totaled RMB 630,000 Yuan.

II. Changes of directors, supervisors and executives during the reporting period

On Jun.8, 2013, *Proposal for Mr. Li Dongming Resigning Board Director of Bank of Zhengzhou* has been passed during Stockholder Annual Meeting of 2012 by this company.

On Jun.8, 2013, during The First Short Time Meeting in 2013 of The Fourth Stockholder Meeting, *Proposal for Recruiting Fu Chunqiao as Secretary of Board of Directors of Bank of Zhengzhou* has been passed by this company. And his qualification has been verified by Henan Regulatory Bureau on Oct. 18, 2013.

On Jun.8, 2013, during The First Short Time Meeting in 2013 of The Fourth Stockholder Meeting, *Proposal for Recruiting Zhang Mingli as HR Director of Bank of Zhengzhou* has been passed by this company.

On Jun.8, 2013, during The First Short Time Meeting in 2013 of The Fourth Stockholder Meeting, *Proposal for Recruiting Wang Yanli as Risk Management Director of Bank of Zhengzhou* has been passed by this company.

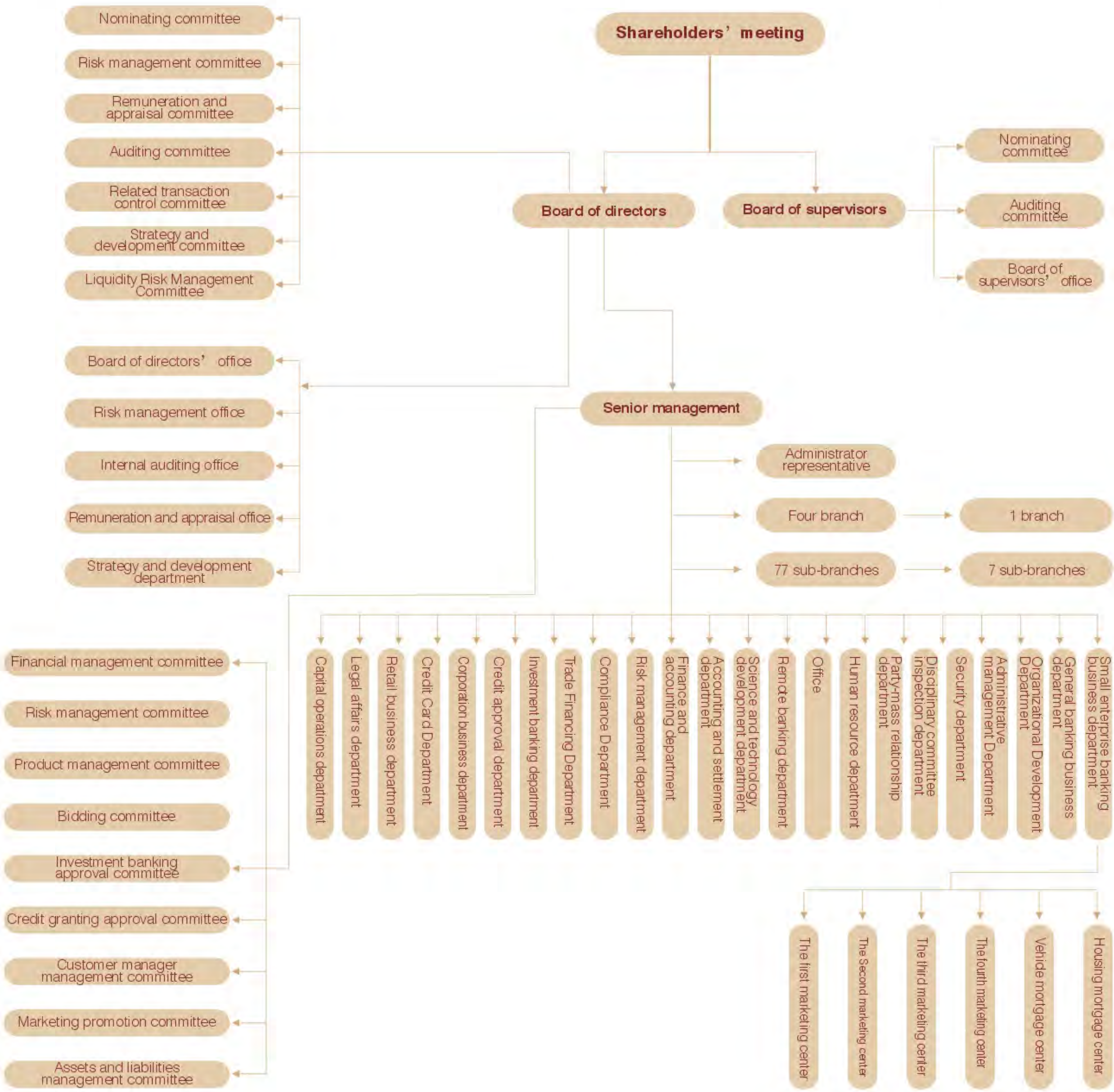
III. Personnel condition

During the reporting period, the number of working personnel of this company is of 2631, and the early retirement personnel number is of 300. There are 355 newly recruited students graduated from university. And the personnel with postgraduate education and higher education level take 4.9%, and personnel with bachelor education take 69.14%, and personnel with junior college education take 22.39%, and personnel with education level lower than the foresaid take 3.57%.

I. Corporate management during the reporting period

(I)Governance structure of the Bank

During the reporting period, the Bank positively pushed forward scientific decision and effective supervision and made effort to promote the management level of the *company according to laws and regulations such as Company Law of the People' s Republic of China, and Law of City Commercial Banks of the People' s Republic of China, etc.* "Three meetings and one level" company governance steps into reasonable development track. Personnel quality has been promoted, and the management decision has been made in good order; responsibility and duty are specific; system becomes perfect, and behaviors become more standard.



(II) Corporate shareholders and shareholders' meeting

During the reporting period, the fourth Board of Directors of the Bank held one shareholders' meetings. On these meetings 10 proposals were reviewed and approved, including the annual reports of the boards of directors and supervisors, budget performance report, profit trueness audit report, profit distribution plan, financial budget program, dividends distribution plan. In this meeting, the evaluations of the board of directors on the directors and independent directors and the evaluations of the board of supervisors on supervisors and exterior supervisors were reported, and the annual supervision opinion of Henan Banking Regulatory Bureau on the Bank and modification report of the Bank were declared.

Hainan Zetian Law Firm witnessed the legal effectiveness and provided the legal opinion for the organization, procedure, qualification of presenting shareholders, proposal, voting procedure, and other items of the meeting.

III Directors and the board of directors

(I) Composition and working of the board of directors

The board of directors of the company has 14 directors. Of which there are 3 independent directors. During the reporting period, the directors positively fulfilled their responsibility, attended meetings seriously and discussed the major events of the development of the company, worked scrupulously to fulfill duties and are diligent and responsible. They constantly improve the operating system of the board of directors, strengthen the management of the company, impel strategy management, implement scientific decision, boost steady operation, form effective decision and supervision mechanism, constantly propel the modern financial enterprise construction progress of the company, and safeguard the profit of the company and shareholders.

During the reporting period, the board of directors of the Bank held 8 director meetings, including 4 regular meetings and 4 temporary meetings. On these meetings 76major items were included, and they are report of the board of directors, reports of all the professional committees of the board of directors, work report of the Operating Department, annual financial situation report of this company, profits distribution plan, website planning, etc.

(II) Operating condition of special committees of the board of directors

There are 7 committees under the jurisdiction of the board of directors, i.e. strategy and development committee, risk management committee, fluidity risk management committee, related party transaction control committee, audit committee, payment and appraisal committee and nomination committee. The board of directors sets up various professional committee, to strengthen the independent directors' supervision to the company and intensify the supervision functions concerning strategy, related party transaction, capital quality, payment, internal control, etc., and has a positive effect on increasing management level, improving management structure and protecting the legal rights of the investors.

During reporting period, the commission under the board of directors hold 24 times meeting and audited 35 issues. And these meetings are mainly to audit the items such as setting Zhongding Fund Management Co., Ltd., adjusting intermediate term development planning, town bank establishment planning of Bank of Zhengzhou in 2014, critical related transaction and salaries of executives of this company, etc.

III Corporate supervisors and the board of supervisors

The board of supervisors of the Bank is composed of 7 members, including 3 shareholder supervisors, 2 exterior supervisors and 2 employee supervisors. The number and constitution of personnel for the board of supervisors, qualification of the members, electoral procedure, etc. shall all conform to the provisions of laws and regulations and the articles of the company.

During the reporting period, the supervisors of the company shall hold the spirit of being responsible to the shareholders, seriously fulfill all the supervision functions and practically safeguard the legal rights of shareholders and stakeholders.

IV Information disclosure and transparency

According to information disclosure requirements of China banking regulatory departments, the Bank had improved the timeliness, accuracy and trueness of information disclosure through different modes, and ensured all shareholders can get corporate information timely. During the reporting period, the Bank timely revised the Provisional Measures for the Corporate Information Disclosure, normalized disclosure procedures, and laid the foundation for this work; compiled the annual report 2012, made convenience for corporate shareholders and relevant interest personnel via website, local media, industrial newspapers and business network.

The Bank took shareholders' letter, phone, visit and consultation seriously, settled practical problems and earnestly maintained corporate shareholders especially medium and minority shareholders' interests.

V. Duty fulfillment of independent directors and exterior supervisors

During reporting period, this company sets 3 independent board directors and 2 external supervisors. Both independent board directors and external supervisors can participate in meeting of board of directors and propose their ideas and suggestions, which would be paid attention and adopted by operation level, and they perform good supervision duty and provide active and effective facilitation for correct decision making of this company.

(I) Independent board directors presenting on the meeting

Name of independet board directors	Number of time that they should participate in meeting of board of directors	Presenting times	Entrusting times	Absenting times
Wang Zhenmin	8	6	2	0
Wei Xin	8	6	2	0
Wang Shihao	8	7	1	0

(II) External supervisors presenting on the meeting

Name of independet board directors	Number of time that they should participate in meeting of board of directors	Presenting times	Entrusting times	Absenting times
Tang Yunwei	5	4	1	0
Liu Yuhui	5	5	0	0

VI Managerial decision-making system

During reporting period, high authority of the Bank was the shareholders' meeting. The board of directors took charge of managerial decision-making, while the chief supervisor took charge of business management and financial supervision. However, they were all answerable to the shareholders' meeting. President of the bank, appointed by the board of directors, enforced full power to routine business activities and was answerable to the board of directors. The Bank implemented one-level corporation system, all sub-branches were non-independent accounting units, whose business management activities were authorized and taken charge by parent bank.

VII Evaluation, excitation and restriction mechanism for executives

During reporting period, the Bank paid the executive directors and executives according to the *Salary Management Method of Responsible People of the Bank of Zhengzhou Co., Ltd. (Interim), Performance Assessment Method of Responsible People of the Bank of Zhengzhou Co., Ltd. (Interim)*, and Salary Management and Performance Assessment Method of Leaders of the Bank of Zhengzhou (Interim), and paid the employee supervisors according to the employee salary management method of the Bank.

40% of performance rewards of the executive directors and executives of the Bank are delayed for 3 years. In 2013, the salary management organization structure of the Bank of Zhengzhou consisted of the shareholders' meeting, the boards of directors and supervisors, and executives. The shareholders' meeting was responsible to approve the salaries of directors and supervisors; the board of directors was responsible to review the salaries of executives and authorize its salary and assessment committee to assess the executives.

第柒章 股东大会情况简介

CHAPTER VII INTRODUCTION TO SHAREHOLDERS' MEETING

BANK OF ZHENGZHOU CO., LTD

I. Introduction to shareholders' meeting during the reporting period

During reporting period, this company hold 1 shareholders' meeting, and this meeting votes and passes 10 proposals, and the specific conditions are as following:

Shareholders' meeting is held on Jun.8, 2013, at 29 floor of multi-function room of Head Office of Bank of Zhengzhou. In this meeting, it audits and passes the following items: *Proposal about Making 'Voting Method of Shareholders' Meeting for Bank of Zhengzhou (draft)', 2012 Annual Work Report of Fourth Meeting of Board of Directors for Bank of Zhengzhou, 2012 Annual Work Report of Fourth Meeting of Board of Supervisors for Bank of Zhengzhou, 2012 Annual Budget Performance Condition Report of Bank of Zhengzhou, 2013 Annual Budget Program Proposal of Bank of Zhengzhou, 2012 Annual Profit Authenticity Audit Report of Bank of Zhengzhou, 2012 Duty Performance Duty Performance Report of Independent Board Directors and Board Directors of Bank of Zhengzhou, 2012 Duty Performance Duty Performance Report of Senior Management of Bank of Zhengzhou, and Proposal for Mr. Li Dongming Resigning Board Director of Bank of Zhengzhou.*

II. Election and changes introduction to directors and supervisors

During report period, there is no election, board director or supervisor change in this company.

I. Corporate business condition during the reporting period

(I) Business scopes

The main business of the Bank is to offer the banking and related financial services. Please refer to the notes of financial statements that have been audited for the details.

(II) General description on business conditions during the reporting period

The executives of the Bank seriously carried out all development plans determined by the board of directors, insisted on benefits as center, based on preventing financial risk and improving assets quality, continuously perfected interior control system construction and business mechanism, and strengthened market development. As a result, all business gained sustaining and rapid development. During the reporting period, main business conditions of the Bank were as follows:

1. Completion of main business indicators

During the reporting period, the capital of the Bank reached RMB 149,334 million Yuan; the balance of ordinary deposits totaled RMB 102,097 million Yuan (excluding the inter-bank deposits of 14,213 million Yuan); the balance on loans totaled RMB 62,944 million Yuan; the profits before provision of the whole year totaled RMB 2,907 million Yuan; the rate of capital adequacy ratio was 12.08%; the rate of non-performing loan was 0.53%; the rate of provision coverage rate was 425.15%; the current ratio was 43.50%, the loan-deposit ratio was 61.74%, the capital return rate was 22.11%, and the asset return rate was 1.51%. Every indicator has reached the supervision requirements and had good system adaptability.

2. Risk control and risk solvency

During report period, this company cooperates with professional company to perform overall risk management construction, and start overall risk construction work, explicit the core content and frame, project planning and process of overall risk management; and it focuses on doing up the system and work flow, and makes and revises 493 systems, optimizes credit risk data regulatory and credit flow, and rebuilds this company' s credit system and credit rating system.

During reporting period, there are 39 non-perform loans formed in this company, 286.6687 million Yuan, and the collected non-performance loan for the whole year is of 171.7407 million Yuan. Up to Dec.31, 2012, the balance of collected non-performance loan of this company is of 330.8185 million Yuan, 115.0319 million Yuan more than the beginning of the year, and the non-performance loan rate is of 0.53%.

3. Institutional resource allocation

During the reporting period, 130 automatic equipment outlets were arranged, including 82 in-bank outlets and 48 off-bank outlets. The number of automatic equipments reached 509 units (including 187 ATMs, 105 CDMs, 115 query equipments, 2 cash islands and 100 E-bank equipments). The automatic equipment has become a vital channel of individual business of the Bank, and plays a more and more important role in detaching the counter clients, boosting the clients' experience and promoting the increase of median income.

4. Development of bank card and intermediary business

During the reporting period, surrounding the special positioning of "business logistic bank, small-medium business financing expert and community bank", the Bank produced the dragon card, Silver base co-branded card, Shangding payment card and Fast loan credit card. Totally 1,954,500 cars, 12 special types, were issued. On average, RMB 15,209.51 Yuan was used on each individual card.

During report period, this company enhances the marketing guidance and enlarges the marketing scope through marketing activities in various forms. On one hand, it promotes the willingness level of pay by swiping card, and on the other hand, according to the demand of customer, enhance the issuing frequencies and consistency of self-run finance products, and keeps on agent product line, and newly adds agent insurance, agent financing, and agent precious metal transaction business; it extends the intermediate business income channel and realizes better intermediate business income growth. For this year, the issued self-run finance products are of 38 items, agent finance products are of 8 items, and the total scale reaches 11.4 billion Yuan, 7 billion Yuan increased comparing with last year, with growth rate 158%. And the issued agent insurance, fund, precious metal products are of 81 items.

5. Personal loan and development situation

During reporting period, through performing differentiation area management policy, this company realizes fast development of personal loan business; through carrying out loan marketing competition activities, this company enhances the enthusiasm of branches performing marketing personal loan. This company launches various product modes, and effectively uses credit funds, controls this company’ s risk. For this year, personal loan balance is of 15.176 billion Yuan, and the net growth is of 4.989 billion Yuan comparing with 10.187 billion Yuan at the beginning of the year, with 48.97% growing rate.

6. Small-micro business loan and development

During reporting period, this company has successfully issued 5 billion small and micro enterprise financial bond and finished the launch within this year. The retail special branches have been added by 10, and micro loan branch centers have been added by 9. This company has developed small and micro financing after-sales service system, and put out joint guaranty loan, flow loan and other new products. The small and micro business management means and products systems have become more colorful. Small and micro loan balance is of 30.5 billion Yuan, 3.2 billion Yuan increased comparing with last year. This company has successfully finished “Two Beyonds” supervision target. This company has received “2012 outstanding small and micro enterprise financing service performance bank” , and it is the only one selected bank in Henan.

7. Financial scientific construction

During report period, this company greatly increases science and technology input, and newly develops 43 on-line large and medium projects. The support from science and technology business is significantly enhanced; it has established remote disaster backup system and new city-wide disaster backup center, supervision system, enhanced operation and maintenance, testing and outsourced work management; the scientific technical system becomes safer, more stable and efficient. Science and technology management capability and support capability have been further enhanced, and the information science risk management and control capability has been further enhanced.

8.Cost expense control

The Bank continuously carried out all financial systems strictly, strengthened corporate cost calculation and management, controlled all expenses, and improved input-output ratio to the utmost extent. During the reporting period, cost-income ratio of the Bank was 28.05%, under the influence of macroeconomic environment, the amplification of interest expense between financial institutions is larger than that of the corresponding period, and the cost income raised a little than last year.

9.Construction of corporation cultural

During reporting period, this company’ s culture construction work targeting unifying personnel mind, standardizing business operation, improving good service, establishing good social image, making concerted effort for promoting healthy development of businesses of this company; through carrying a series of enterprise construction activities, this company makes its personnel practice the enterprise culture in their daily life. This company makes use of the business operating links to actively create enterprise culture long term effectiveness system, and makes this company’ s culture be implemented into real work and become working rule, value guidance and pursuit target for personnel in this company.

(III) Main operating incomes

Item	Amount
	Unit: RMB/10,000Yuan
Income of interest on loan	408,813
Current interest income of financial institutes	49,793
Interest income	233,496
Current interest income of financial institutes	19,805
Investment yields	236
Variable loss and profit of fair values	-2,189
Other service	975
Total	**710,929**

(IV) Main financial products and services or service market share

1.Assets service

Corporate: loan on credit; loan on guarantee; loan on mortgage; real estate loan; corporate hypothecated loan on certificate of time deposit; corporate small loan on security of laid-off and unemployment; discount of banker's acceptance bill; rediscount of banker's acceptance bill; bond deals; bond underwriting, distribution and buy-back, etc.

Individual: individual hypothecated loan on certificate of time deposit; individual house refurbishing loan; individual housing loan, vehicle loan, small loan on security of laid-off and unemployment; individual re-deal housing loan (old house loan); personal loan on production operations; personal comprehensive consumption revolving loan, and personal financing product pledged loan, etc.

2. Liability service

Corporate: corporate current deposit, fixed deposit, agreed deposit, deposit at notice, corporate structural deposits, corporate agreement deposit, and inter-bank deposit, etc.

Individual: individual current deposit; time deposit of lump-sum deposit and withdrawal; time deposit of small savings for lump-sum withdrawal; time saving big money and small drawing; interest withdrawal for a principal deposited; savings/time optional deposits; deposit at notice and education deposit; etc.

3. Intermediary service

Corporate: banker's acceptance bill; letter of guarantee; entrusted loans; capital verification and increase; banker’s confirmation requests; corporate certificate of deposit; corporate Instant Financial Messaging System (FMS); bank regulatory business on housing refurbishing; domestic factoring, trade acceptance draft acceptance guarantee, financing to prepayment under the mode of seller taking charge of goods, etc..

Individual: individual FMS and certificate of deposit; salary payment; fees collection for China Mobile and China Unicom, information fees collection for the China Administration of Video Film and Television; mobile payment; public utility collections such as water, electricity, gas fees, heating fees and health-insurance contributions; Credit card debt payment for CMSB and CGB, administrative undertaking charge for Zhengzhou City, flow loan, joint guaranty loan.

4. Financial services

During reporting period, the business, such as agent financial service, agent insurance business, agent precious metal processing gold, agent commemorative album sales business, has been formally put online. This company totally issues self-run financial products 38 items, agent financial products 8 items, and the issuing scale reaches 11.424 billion Yuan, 7 billion Yuan grew comparing with sales scale of financial product in 2012, with 158.23%. The expected profit rate for due cash products has been obtained and due cash products has been cashed on time.

5. Other service

Corporate: bank draft, check; remittance; collection; collection and acceptance, etc.

Individual: Shangding card; Shangtong card; Xuanyuan card; student card; Shangding beauty card, Shangding Chinese zodiac card, Wolong card, fuel subsidy card, Shangding charge card, Silver base co-branded card, Shangding payment card and Fast loan credit card, etc..

(V) Top five industries with maximum loans and proportion

Unit: RMB/10,000Yuan%

S/N	Business	Grant amount	Proportion%
1	Wholesale and retail	2,508,168.934	42.89
2	Manufacturing	1,226,983.976	20.98
3	Construction industry	569,305.05	9.74
4	Agriculture, forestry, animal husbandry and fishing	260,218.39	4.45
5	Real estate industry	208,693	3.57
Total		4,773,369.35	81.63

Note: the above loan items include corporate loans and personal loan on production operations.

(VI) Balances of main off-balance sheet items and risk control

1. Main off-balance sheet items

Unit: RMB/10,000Yuan

S/N	Off-balance sheet item	Balance of Dec. 2013
1	Banker’s acceptance bill	1,729,603
2	Issuance of letter of guarantee	32,635
3	Entrusting loan	401,069

2. Risk control

During reporting period, for off-balance sheet business management, this company begins from the following aspects: firstly, strict admittance procedure, for which during this link, strict audit has been set to ensure customer quality; secondly, it makes scientific and reasonable system flow, by which it effectively avoids non-compliance operation and prevents potential risk occurring; thirdly, law affair department strictly audits the relating and same issues, to prevent potential legal disputes and ensure this company's fund safety. Up to the end of 2013, this company's advance in cash for acceptance bill is of 184.8069 million Yuan, and there is no advance in cash condition for L/G, and entrusted loans have no disputes.

II. Abstract for main business data of bank

(I) Establishment conditions of corporate functional departments and sub-branches at end of the reporting period

1. Establishment of all functional departments

The internal functional departments for this company are as following: office for board of directors, risk management office for board of directors, internal audit office for board of directors, payment and assessment office for board of directors, strategy development department of board of directors, supervisors' office, office, HR department, safety and security department, company business department, credit audit and approval department, risk management department, retail business department, small enterprise finance business department, fund operation department, remote bank department, investment bank department, finance and accounting department, accounting and settlement department, science and technology development department, administration department, discipline inspection commission (inspection office), Party and the masses work department, institution development department, law affair department, compliance department, credit card department, trade financing department, business department of head office of the bank.

2. Basic conditions of sub-branches

The Bank applies one-level corporation system and "parent bank-branch" two-level business system, comprising totally 78branches (inc. business department of headquarters and secondary affiliates) during reporting period, of which there are 3branches and 75sub-branches (inc. business department of headquarters).It is shown as follows:

01 Business Department
No. 22, Shangwu Waihuan road, Zhengdong New Area, Zhengzhou, Henan province
0371-67009122

02 Nanyang Branch
No. 200, Wolong road, Wolong district, Nanyang city, Henan province (Xingda Business Building at crossing of Wolong road and Gongye road)
0377-67776918

03 Sub-branch of Xinxiang
No.278, Xiangyang road, Xinxiang, Henan province
0373-3555298

04 Luoyang Branch
Longan Building at the crossing of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province
0379-65872916

05 Baihua Road Sub-branch
No. 29, Baihua road, Zhongyuan district, Zhengzhou, Henan province
0371-67426772

06 Baolongcheng Sub-branch
1st floor of the building near the street, No. 105, Block B, Baolong Square on the south of East Nongye Road and the east of Tianze Street in Zhengdong New District
0371-66287336

07 North Ring Road Sub-branch
No.19 Yuantian Road, Jinshui district, Zhengzhou, Henan province
0371-63756671

08 Finance & Economics Sub-branch
No. 92, Fengchan road, Zhengzhou, Henan province
0371-65851853

09 Dashiqiao Sub-branch
No. 87, Jinshui road, Zhengzhou, Henan province
0371-66229857

10 Daxue Road Sub-branch
No. 18, Daxue road, Erqi district, Zhengzhou, Henan province
0371-66957731

11 Dongming Road Sub-branch
Kelacheng Building 1-6, No. 143, East
0371-66720066

12 East Area Sub-branch
No. 82, Hongzhuan road, Zhengzhou, Henan province
0371-65726365

13 Er' ligang Sub-branch
No. 245, Chengdong road, Guancheng district, Zhengzhou, Henan province
0371-66323074

14 Funiu Road Sub-branch
No. 67, West Zhongyuan road, Zhongyuan district, Zhengzhou, Henan province
0371-67638011

15 High & New Technology Development Zone Sub-branch
No. 7, Dongqing street, High & New Technology Development Zone, Zhengzhou, Henan province
0371-67988377

16 Guancheng Sub-branch
No. 206, Shangcheng road, Guancheng district, Zhengzhou, Henan province
0371-66223361

17 Middle Hanghai Road Sub-branch
No. 1, Building No.1, Hanghai Middle road, Erqi district, Zhengzhou, Henan province
0371-68731209

18 Sub-branch of Air port zone
The northwest corner, crossing of the Yingbin road and the Xingang road at the air port zone, Zhengzhou, Henan province
0371-86507163

19 Huzhu Road Sub-branch
No. 73, Huzhu road, Zhongyuan district, Zhengzhou, Henan province
0371-67181148

20 Flower Market Sub-branch
No. 6, Guoji road, Zhengzhou, Henan province
0371-63729339

21 Huaihe Road Sub-branch
Southeast of crossing of Huaihe road and Gongren road, Zhengzhou, Henan province
0371-68981190

22 Huanghe Road Sub-branch
Crossing of Huanghe road nad Dongming road, Zhengzhou, Henan province
0371-65958835

23 Exhibition Center Sub-branch
Crossing of Shangwu Waihuan road and East 4th Business road, Zhengdong New Area, Zhengzhou, Henan province
0371-67881197

24 Huiji Sub-branch
At gate of Huiji District Government, Qinghuayuan road, Zhengzhou, Henan province
0371-63639110

25 Jianshe Sub-branch
No. 66, Gongren road, Zhongyuan district, Zhengzhou, Henan province
0371-67942460

26 Jincheng Sub-branch
No. 71, North Jingsan road, Zhengzhou, Henan province
0371-65706208

27 Jinhai Avenue Sub-branch
No. 55, Middle Longhai road, Erqi district, Zhengzhou, Henan province
0371-67719806

28 Jinshui Sub-branch
No. 109, Jinshui road, Zhengzhou, Henan province
0371-65947957

29 Economy & Technology Development Zone Sub-branch
Crossing of East Hanghai Road and the 3rd street, Zhengzhou Economy & Technology Development Zone
0371-66781098

30 Jingyi Road Sub-branch
Corssing of Fengchan road and Jingyi road, Zhengzhou, Henan province
0371-65743705

31 Ruhe Road Sub-branch
#2 building of Zhongyuanxincheng, No.92 Ruhe Road, Zhongyuan District, Zhengzhou, Henan Province
0371-67660118

32 Longhai Sub-branch
No. 98, Middle Longhai road, Zhengzhou, Henan province
0371-68756636

33 Minzhu Road Sub-branch
No. 2, Minzhu road, Erqi district, Zhengzhou, Henan province
0371-66223450

34 Mingli Road Sub-branch
Hall B, Fairmont Furniture Logistics Center at crossing of Shangdu Road and west of Mingli Road, Zhengdong New District, Zhengzhou, Henan Province
0371-86558905

35 Nanyang Road Sub-branch
No. 113, Nanyang road, Zhengzhou, Henan province
0371-63736614

36 Nongye Road Sub-branch
No.52, Nongye Road, Zhengzhou, Henan Province
0371-86501830

37 East Nongye Road Sub-branch
No. 19, East Nongye road, Zhengzhou, Henan province
0371-65711341

38 No. 19, East Nongye road, Zhengzhou, Henan province
Attached No. 140, No 39, south Qilihe road, Zhengdong New Area, Zhengzhou, Henan province
0371-55683527

39 Shangding Road Sub-branch
Northeast of crossing of Shangding road and Huanghe road, Zhengdong New Area
0371-60171590

40 Shangdu Sub-branch
No. 91, Zijingshan road, Guancheng district, Zhengzhou, Henan province
0371-66353383

41 Commodity World Sub-branch
No. 125, World Commodity Market, crossing of Zhengbian road and Yufeng road, Zhengzhou, Henan province
0371-66347098

42 Shangjie
No. 70, Jiyuan road, Shangjie district, Zhengzhou, Henan province
0371-68923763

43 South Songshan Road Sub-branch
No. 123 (No. 128, Changjiang road), Building No. 53, Zone 7, "Yaxing Shengshi" home community, northeast of crossing of Changjiang road and South Songshan road, Erqi district, Zhengzhou, Henan province
0371-67972218

44 Ceramics Market Sub-branch
Crossing of Shangdu road and Zhongzhou road, Guancheng district, Zhengzhou, Henan province
0371-68095568

45 Tianming Road Sub-branch
1st floor, Kerry tower, No. 86, Tianming road, Zhengzhou, Henan province
0371-63764896

46 Weier Road Sub-branch
No. 8, Weier road, Zhengzhou, Henan province
0371-65906218

47 Weiwu Road Sub-branch
No. 12, Weiwu road, Zhengzhou, Henan province
0371-65946708

48 Weiyi Road Sub-branch
No. 3 (6-10), Weiyi road , Zhengzhou, Henan province
0371-65904453

49 Weilai Road Sub-branch
No. 1-6 building, Weilai Mingjia, No. 866, Weilai road, Guancheng district, Zhengzhou, Henan province
0371-63815986

50 Wenbo Sub-branch
No. 22-7, Jingqi road, Zhengzhou, Henan province
0371-63943438

51 Wulibao Sub-branch
No. 125, East Zhongyuan road, Zhengzhou, Henan province
0371-67713058

52 Sidajie Road Sub-branch
No. 55, Huaihe road, Zhengzhou, Henan province
0371-66610518

53 West Building Material Market Sub-branch
No. 55, Huaihe road, Zhengzhou, Henan province
0371-68850299

54 West Area Sub-branch
No. 36, Gongren road, Zhengzhou, Henan province
0371-67931334

55 Xinji Road Sub-branch
Building D, east of Xinji Flavour & Kitchen Ware Square, Zhengzhou, Henan province
0371-60103763

56 Xinghua Street Sub-branch
No. 59, South Xinghua street, Erqi district, Zhengzhou, Henan province
0371-67180273

57 Yihe Road Sub-branch
No. 115-1, Gongren road, Zhengzhou, Henan province
0371-67445411

58 Sub-branch of Yinji trade center
The floor 1 and 2 of the Storefront 4, No.8, Yinji trade center, the first road, Guancheng district, Zhengzhou, Henan province
0371-66956682

59 North Yousheng Road Sub-branch
No. 1, North Yousheng road, Jinshui district Zhengzhou, Henan province
0371-63915443

60 Zhenghua Road Sub-branch
No. 36, Zhenghua road, Zhengzhou, Henan province
0371-65507551

61 Zhengtong Road Sub-branch
1st floor, Gobal International Plaza, No. 62, Zhengtong road, Erqi district, Zhengzhou, Henan province
0371-68887844

62 Zhongbo Sub-branch
No. 89, Household Electrical Appliances Market, Zhengbian road, Zhengzhou, Henan province
0371-66511742

63 Zhongyuan Road Sub-branch
No.43, Zhongyuan West Road, Zhengzhou, Henan Province
0371-67626296

64 Zhengguang road sub-branch
Crossing of Zhengguang road and Xinyi road, Zhengdong New Area, Zhengzhou, Henan province
0371-55001685

65 Xinzheng Sub-branch
Southeast corner of crossing of Renmin road and Yuqian road, Xinzheng city
0371-62695599

66 Gongyi Sub-branch
No. 66, Renmin road, Gongyi city, Henan province
0371-60328299

67 Xinmi Sub-branch
5 Xidajie Street, Xinmi City
0371-85803999

68 Dengfeng Sub-branch
Zhengwei Business Building, No. 212, Songyang road, Dengfeng city, Henan province
0371-62836226

69 Xingyang Sub-branch
East side building of the People' s Bank of Xingyang, No. 001, North Jingcheng road, Xingyang city, Henan province
0371-63258865

70 Zhongmu sub-branch
Building No.8, Shangdu Holiday Habor, Shangdu road, Zhongmu, Henan province
0371-62259001

71 Sub-branch of Dushan road in Nanyang
Building 12, Shengtang commercial club, crossing of Dushan road and Binhe road, Nanyang, Henan province
0377-67776927

72 Sub-branch of Shaolin road in Dengfeng
No.28, Shaolin road, Dengfeng, Henan
0371-62851288

73 Gongyi Huiguo Town Sub-branch
No.252, Renmin Road, Huiguo Town, Gongyi, Henan province
0371-56909600

74 Zhongmou Wanbang Logistics Sub-branch
#2 Building, Henan Wanbang International Agricultural Products Logistics City, No.8 Wanhong Road, Zhongmou, Henan province
0371-85391778

75 Jinyi City Community Sub-branch
Street shop, #4 Building, Jinyi International Huadu, No.2 Maintang West Road, Zhengzhou, Henan province
0371-55186100

76 Xinzheng Longhu Town Sub-branch
Middle of Taishan Road, Longhu Town, Xinzheng, Henan province
0371-62560111

77 Xingyang Suohe Road Sub-branch
North west corner, Crossing of Suohe Road and Wanshan Road, Xingyang, Henan province
0371-63250289

78 Xinmi East Street Sub-branch
No. 17, East street, Xinmi, Henan province
0371-69887773

3. Changes of branches

——During the reporting period, the changes of branches are as follows:

——On Jan.16, 2013, the original Longhai West Road Sub-branch was moved to #2 Building, Zhongyuanxincheng, No.92, Ruhe Road, Zhongyuan District, Zhengzhou, Henan province, and renamed as Ruhe Road Sub-branch;

——On Jun.16, 2013, the original Sanhuan Sub-branch was moved to Hall B, Fairmont Furniture Logistics Center at crossing of Shangdu Road and west of Mingli Road, Zhengdong New District, Zhengzhou, Henan Province, and renamed as Mingli Road Sub-branch

——On Sept. 4, 2013, Nongye Road Sub-branch was set up in urban district, and the business address is No.52, Nongye Road, Zhengzhou, Henan Province;

——On Sept. 17, 2013, Xinzheng Longhu Town Sub-branch was set up, and the business address is middle of Taishan Road, Longhu Town, Xinzheng, Henan province;

——On Sept. 30, 2013, the original Zhongyuan Road Sub-branch was moved to No.43, Zhongyuan West Road, Zhengzhou, Henan province, with the same name;

——On Oct.27, 2013, Luoyang Branch was set up, and the business address is Longan Building at the crossing of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province;

——On Nov.11, 2013, Xingyang Suohe Road Sub-branch was set up, and the business address is the north west corner, Crossing of Suohe Road and Wanshan Road, Xingyang, Henan province;

——On Dec.24, 2013, Xinmi East Street Sub-branch was set up, and the business address is No. 17, East street, Xinmi, Henan province.

(III) "Five-category" classification of credit assets

Unit: RMB/10,000Yuan

Five-category classification	Balance	Proportion %
Normal credit assets(include discounting amount)	6,214,717	98.73
Specially-noticed credit assets	46,576	0.74
Substandard credit assets	24,523	0.39
Doubtful credit assets	8,559	0.14
Losses credit assets	0	0
Total	**6,294,375**	**100.00**

(IV) Depreciation reserves for investment, mortgage debt assets and other prime assets

As at the end of the reporting period, the Bank didn't withdraw any depreciation reserves for investment or mortgage debt assets.

(V) Balances of loans and proportion in net capital of top ten clients

Unit: RMB/10,000Yuan%

S/N	Name of lender	Balances of loans	Proportion%
01	China Pingmei Shenma Group Energy & Chemical Group Co., Ltd.	40,000	3.51
02	Zhengzhou Ronghui Construction & Development Co., Ltd.	38,960	3.42
03	CHUYING AGRO-PASTORAL GROUPCO.,LTD	35,000	3.07
04	Henan Sanyuan Grains and Oils Co., Ltd.	34,320	3.01
05	Henan Yinji Real Estate Development Co., Ltd.	30,000	2.63
06	Xinmi Caiyuan Urban Development and Construction Co., Ltd.	30,000	2.63
07	Xingyang Land Reserve Development Center	29,500	2.59
08	First Engineering Bureau of Henan Water Conservancy	28,930	2.54
09	Shenma Industrial Co., Ltd.	27,487	2.41
10	Zhengzhou Land Reserve Center	26,900	2.36
Total		321,097	28.16

(VI) Risk control for the credit-granting business of group client s

During the reporting period, the company prepared General Credit Management Method to limit the credit balance to single client and group client. Control the total group credit by systematic management way. Be prudent to marketing of large client, and invest the scare concentrated resource to key high-quality client in province.

(VII) Composition of ordinary loan types

Unit: RMB/10,000Yuan

S/N	Guarantee method	At the end of 2013
1	Ensure	2,726,064.27
2	Mortgage	1,703,121.78
3	Pledge	1,299,596.60
4	Credit	129,600.63
Total		5,858,383.28

Note: 1. The classification is carried out according to the guarantee method of the ordinary loan.
2. Discount is not included in the above loan balance.

(VIII) Aging analysis of overdue loans

During the reporting period, overdue loan balance of the Bank is 449.4225 million yuan, of which, normal category balance is 20.2001 million yuan, which is 4.49% of the overdue loan; loan balance of the specially-noticed category is 98.8282 million yuan, which is 21.99% of the overdue loan); loan balance of the substandard category is 244.8046 million yuan (54.47% of the overdue loan); loan balance of the doubtful category is 85.5896 million yuan, which is 19.04% of the overdue loan.

(1) Loan balance of 24 clients with an overdue period less than 90 days (3 months) is 103.5704 million yuan, and the risk category is identified to be in the normal category; another 11 clients with a balance of 82.9396 million yuan, under risk classification identified to be in the specially-noticed category; the other 2 clients with a balance of 0.4703 million yuan is identified to be in the doubtful category.

2. Loan balance of 13 clients with an overdue period between 90 days (3 months) and 180 days (6 months) is 44.1461million yuan, of which 7 clients with balance of 14 million yuan, the risk is identified as specially-noticed category; 5 clients with balance of 29.8561 million yuan, the risk is identified as substandard category; 1 client with balance of 0.29 million yuan, the risk is identified as doubtful category.

3. Loan balance of 23 clients with an overdue period between 180 days (6 months) and 360 days (12 months) is 216.8371million yuan. Of which, 2 clients with balance of 1.8886 million yuan, the risk is identified as specially-noticed category; 21 clients with balance of 214.9485 million yuan, the risk is identified as substandard category.

4. Loan balance of 8 clients with an overdue period not less than 360 days (12 months) is 84.8689 million yuan, the risk is identified as doubtful category.

(IX) The holding wholesale government bonds as at the end of the reporting period

Unit: RMB/10,000Yuan%

Name of bonds	Issuing date	Due date	Interest Rate	Interest rate	Denomination
03 national debt 09(030009)	2003-10-24	2018-10-24	Fixed	4.18%	10,000.00
08 national debt 10(080010)	2008-06-23	2018-06-23	Fixed	4.41%	15,000.00
08 national debt 23(080023)	2008-11-27	2023-11-27	Fixed	3.62%	30,000.00
08 national debt 25(080025)	2008-12-15	2018-12-15	Fixed	2.90%	20,000.00
09 Coupon bearing national debt 17(090017)	2009-07-30	2016-07-30	Fixed	3.15%	20,000.00
09 Coupon bearing national debt 27(090027)	2009-11-05	2019-11-05	Fixed	3.68%	20,000.00
10 Coupon bearing national debt 27(100027)	2010-08-19	2017-08-19	Fixed	2.81%	6,000.00
10 Coupon bearing national debt 38(100038)	2010-11-25	2017-11-25	Fixed	3.83%	27,000.00
11 Coupon bearing national debt 02(110002)	2011-01-20	2021-01-20	Fixed	3.94%	40,000.00
11Coupon bearing national debt 03(110003)	2011-01-27	2018-01-27	Fixed	3.83%	20,000.00
11 Coupon bearing national debt 15(110015)	2011-06-16	2021-06-16	Fixed	3.99%	20,000.00
11Coupon bearing national debt 19(110019)	2011-08-18	2021-08-18	Fixed	3.93%	5,000.00
13Coupon bearing national debt 08(130008)	2013-04-18	2020-04-18	Fixed	3.29%	11,000.00
13Coupon bearing national debt 13(130013)	2013-05-30	2018-05-30	Fixed	3.09%	70,000.00
13Coupon bearing national debt 15(130015)	2013-07-11	2020-07-11	Fixed	3.46%	117,000.00

(X) Balance, type and proportion of mortgage debt assets

During the reporting period, the Bank had no mortgage debt assets.

(XI) Investment abroad and self-operating entity as at the end of the reporting period

By the end of the reporting period, the investment abroad of the Bank is 73.60 million yuan. The Bank had no self-operating entity.

Long-term exterior equity investment detail list

Unit: RMB/10,000Yuan

S/N	Invested entity	Share proportion	Investment amount	Registration Place	Type	Registered capital	Date of approval for establishment/being a shareholder
1	China Union Pay Investment	0.27%	800	Shanghai	shareholding system	29300	2002 February
2	Clearing Center for City Commercial Banks	1.33%	40	Shanghai	shareholding system	3015	2002 September
3	Xinmi Town Bank of Bank of Zhengzhou co., ltd.	20%	2000	Xinmi	shareholding system	10000	2010 June
4	Zhongmou Town Bank of Bank of Zhengzhou co., ltd.	20%	2720	Zhongmou	shareholding system	13000	2009 December
5	Yanling Town Bank of Zhengyzhou Bank co., Ltd.	30%	1800	Yanling	shareholding system	6000	2011 July
Tota			7360				

(XII) Main measures and effects on bad loans management

During reporting period, to improve the credit risk control capacity, and control the rebound in bad loans, the company mainly strengthened the credit risk control from the following aspects,

1. Strengthen the credit risk pre-warning. Prepare Credit Pre-warning Management, Newly-added Bad Loan Accountability, etc. complete the risk pre-warning account, standardize load risk processing flow, dynamic monitoring, track the credit risk status; hold the credit risk disposal meeting regularly, focus on the analysis of client risk with potential risk, pre-warning signal, loan quality deterioration and overdue loan, so as to further grasp clients' business condition, and prepare specific management measures according to the risk features of different client, thus making sure the loan capital safe.

2. Strengthen the post-loan management work. Establish post-loan management enforcement regulation, clear post-loan management responsibilities, and set up dynamic communication platform for risk management, etc. to standardize the working process, promote advanced experience, summarize case analysis, and continuously improve the professional level of post-loan supervision. Meanwhile strengthen the daily post-loan management, day to day supervision to loan flow, enterprise business fund and settlement account; pay attention to mortgage value changes, and retest regularly; strengthen the standardization and quality of post-loan management report; adhere to normalized risk examination, and combine with all around examination, crossed examination, key examination and real-time examination,.

3. Strengthen the accountability. Further clear the loan management responsibility in the Newly-added Bad Loan Accountability, so as to strict the assessment of newly-added bad loan, and increase their clearing and recovery. Newly add bad loan business, and conduct strict accountability and punishment to anyone responsible for the unqualified due diligence investigation.

Under the pressure of national downward economic situation and great rebound pressure of bad bank loan in 2013, several measures were taken to obtain better effect, and the overall situation of whole bank loan quality is good, and thus realizing double-control for bad loan balance and defect rate.

(XIII) Over outstanding debts

During the reporting period, the Bank has no overdue outstanding debts.

III. Risk factors and countermeasures facing the Bank

(1) Main management measures against credit risks

The main credit risk management measures of the company include: 1, conduct overall risk management and construction work, perfect the related system establishment of credit risk, strengthen the identification, monitoring, measurement and control management system for credit risk, clear the report route and method of credit risk, so as to lay good basis for credit risk management. 2. Set up the entrusted payment management post according to the requirement of "three methods and one guidance" issued by the China banking regulatory commission, strengthen the payment audit of fixed assets and working capital, personal loan meeting the entrusted payment terms. 3. Carry out special inspection for credit business, conduct special inspection for deep credit business for credit product, high risk branch and credit intensive industries, etc. according to credit risk, so to continuously strengthen the special post-loan inspection for individual. 4. Conduct liquid risk test and market risk test according to Guidelines for the Stress Testing of Commercial Bank prepared by China banking regulatory commission and General Plan of Stress Testing of the company, and strengthen the risk prevention and management level. 5. Establish the post-loan monitoring report system for credit business, gradually reflect the credit business compliance, implement of enforcement conditions, usage and data factors, etc. so as to improve the daily management ability of risk. 6. Continue to carry out the credit policy of "forward and backward, guarantee and stress", adjust and optimize the credit structure, and strictly execute the credit limit of single client and group client, compress the super proportion of loans, over-quota loans, and reduce the concentration risk. 7. Refine the loan risk classification, improve the accuracy of classification work, lower the degree of deviation, and play the role of pre-warning function and assessment function of classification. 8. Improve the strength of provision and withdrawing, fully cover the credit risk.

(2) Main management measures against market risks

The main measures of company to prevent market risk include: 1. Perfect the market risk management system and analysis report model, carry out market risk business inspection evaluation. Combine the risk management department with capital department and finance and accounting division, so as to enhance the market risk management and liquidity management, and continuously improve the comprehensive level of market risk management. 2. Perfect the business management system, improve risk management level. The company has carried out overall risk management and construction work during the reporting period, further revised and perfected Market Risk Management Method, Stress Test Plan and Emergency Disposal Plan for Sudden Market Risk and other basic documents about risk control and improvement of the company' s business management capacity/ 3. Positively contact the developer of money transaction and market risk system, determine the successful bidding agency and implement the system, making the Comstar system on line during reporting period, so as to lay basis for overall risk management and construction. 4. Implement the national rate policy in strict way, positively deal with the interbank interest rate marketization, and continuously improve the loan rate risk pricing mechanism. 5. Organize to conduct special inspection on business with high market risk such as bond investment and rediscount, carrying out overall inspection for permission setting, business processes and safety measures, etc. 6. Conduct limit management, positively carry out market-to-market, and constantly perfect the authorization and credit line system. 7. Continue to conduct stress test for rate sensitivity analysis and scenario analysis, evaluate the risk status and influence faced by the company under extreme risk situation, so as to improve the company' s anti-risk ability in investment business.

(3) Main management measures against operation risks

The main measures of company to prevent operation risk include: 1. constantly improve the post monitoring and risk pre-warning system model, so as to realize the integration of internal audit, post-monitoring, front desk control of accounting. 2. Improve the mechanism, give full play to the role of sales director, accounting supervisor, centralized supervisor, post-supervision, internal audit and discipline inspection, so as to perfect the prior, in the process of and post collaboration mechanism of supervisor, avoid the duplication of labor, improve the inspection efficiency and effect. 3. Continue to promote the standards of "Business Hall Management Standardization", "Teller Standardized Operation", to standardize the business operation of front desk. 4. Summarize the work experience, compile monthly monitoring report, and give timely notification, improve the staff' s risk awareness and risk identification level on the basis of rectification rate improvement. 5. Adjust and prepare post-monitoring key inspection plan, further standardize business operation, and effectively identify, control and reveal business risk items, thus improving the monitoring efficiency and quality. 6. Implement the rotation communication for important post and important link person. 7. Strengthen the "Illegal accountability", and record the points for offences. 8. Conduct the operation risk examination and case prevention inspection in phases and levels, so that everyone and everything is compliant, and gradually cultivate and form good compliance culture. 9. Successfully complete the banks and enterprises reconciliation, and effectively prevent the potential risk through the strengthening of reconciliation information feedback and control.

(4) Main management measures against liquidity risks

The main measures of company to prevent liquidity risk include: Constantly optimize the structure of assets liabilities, control the size of loan, keeping the bond investment, to enhance asset liquidity, and reduce the interest-free and low-interest assets. 2. Conduct liquidity stress test quarterly, combining duration gap analysis and cash flow analysis through pressure test, objectively analyze the company' s ability to undertake liquidity risk impact and emergency financing ability in the macroeconomic regulation and control, changes in the external market environment and internal operating pressure, and analyze the company's liquidity risk situation and the problems existing in the management.3. Strengthen the management of daily cash position, improve the ability of active liability, conduct repo transactions through money market, and reasonably arrange long and short-term debt combination, to reduce the financing cost. 4. To strengthen the interbank cooperation, broaden the financing channels, establishing hierarchical mobility preparation. 5. Strictly carry out the policies of the central bank rates, pay the statutory deposit reserve timely and accurately every ten days. 6. Increase financial investment, improve the service efficiency of funds. 7. Follow the principle of "business development and system first", in order to meet the investment business development requirements, standardize the financing business operation, and make the wealth-management business operation process.

(5) Main management measures against compliance risks

The main measures of company to prevent compliance risk include: 1. Set up compliance department during reporting period, be responsible for the compliance risk management of the company. 2. Continue to advance the system dynamic adjustment and process optimization, ensure that our company systems conform to the laws and regulations and regulatory requirements, repeal, revise and improve the systems that are not suitable to business development or do not conform to the supervision requirements, embed and cure each post operation requirements in the business operation system and management system, establish process standardization, control systematic compliance management system. 3. Carry out the responsibility of new staff and new guard employees, sign Post Compliance Responsibility and Letter of Commitment, and strengthen the staff' s compliance consciousness and responsibility consciousness via personally transcribing and compliance commitment signing; prepare compliance training plan and carry out internal and external compliance training. 4. Organize compliance inspection, find the problem, and strengthen the employees' career development planning and professional ethics construction training, increase the overall compliance awareness. 5. Combine the compliance department with legal affairs department, and constantly improve compliance management framework and system of the bank, set up compliance supervisor team, to further clarify the compliance risk management policy. 6. Strengthen legal documents review, have the authority to query, answer the legal consultation, and provide the compliance and legal guidance and help to the business department and operators.7. Carry out learning system in the company, make the staff of the company to understand the latest legal knowledge in a timely manner, implement responsibility of the position dutifully. 8. Organize legal knowledge and typical cases training, examination and knowledge contests and essay, conduct franco-prussian propaganda for all staff, improve the legal consciousness. 9. Further promote the compliance culture in the activity of "Compliance long-term mechanism construction year", advocate the compliance mechanism, improve compliance execution, make whole compliance risk management level be improved. Meanwhile, further promote the long-term construction mechanism of compliance execution culture, further improve the learning, education, training and promotion mechanism, deeply root the compliance culture idea.

(6) Main management measures against information technology risks

The main measures of company to prevent IT risk include: 1. Perfect the IT risk management mechanism. Include the IT risk into the company' s overall risk management system, set IT risk management post, and deploy professional talents of science and technology. Fully play the role of constraint by safe inspection of science and technology department, risk monitoring and risk department and audit supervision of audit department, forming effective supervision and restriction mechanism. 2. Improve the IT risk management system construction. Revise and perfect the IT Risk Management Method of the company and prepare Business Continuity Management Method according to Banking Financial Institutions Information System Risk Management Guidelines of Banking Regulatory Commission, check and supplement the possible loopholes, adjust and optimize, making it systemic and operable. 3. Improve the IT pre-warning mechanism. Timely and effectively make risk information collection, processing, and summary and analysis, compile IT risk management report. Follow up and rectify the implementation of recommendations, monitoring information security threat and irregularities events, etc., further strengthen the risk prevention measures of technology risks. 4. Improve the IT emergency disposal mechanism. Strengthen the construction of risk emergency and disposal mechanism, and steadily raise the level of emergency management. Enhance the information backup, disaster recovery and business continuity management. Conduct emergency plan training and exercise regularly, promote the emergency and disaster preparedness work from the technical management level to the comprehensive, more departments integration and coordinated control level, to ensure that the extreme event can be disposed orderly in the shortest possible time in accordance with the established plan.

(7) Main management measures against reputation risks

The main measures of company to prevent product risk include: 1. Straighten out the development process of new product in all bank according to the related system of new product development, strictly examine the newly developed product and business, complete and perfect the risk assessment mechanism of product before examination based on product examination, conduct access control to improve the management level and strength of newly developed product of the bank. 2. Add the Development and Management Measures for Financial Product and Development and Operation Measures for Financial Product for detailed provisions of R&D of new product, which can effectively prevent the product risk. 3. Strengthen the compliance review of new product contract, agreement, etc. prevent the legal disputes caused by product risk. 4. Study the advanced ideas of other industry about new product design, marketing, management and other links combining related business department, so as to enhance the product R&D and risk management level of the company.

VI. Financial standing and business result analysis of the Bank during the reporting period

(I) Main items whose amplitude of variation exceeds above 30% in the financial statement and reason

Unit: RMB/10,000Yuan

Item	2013	2012	Change range	Main reasons
Deposit money of inter-bank and other financial institutions	619,605	208,451	197.24%	Adjust asset structure
Lending funds	88,600	0	100.00%	Adjust asset structure
Redemptory monetary capital for Sale	726,736	218,132	233.16%	Adjust asset structure
Interest receivable	71,194	41,631	71.01%	Increased asset scale
Financial assets available for sale	58,808	290,608	-79.76%	Adjustment of bond structure
Held-to-maturity investment	1,673,040	709,754	135.72%	Adjustment of bond structure
Accounts receivables investment	2,241,150	1,317,330	70.13%	Adjustment of investment structure
Long-term equity investment	12,756	9,150	39.41%	Distribution of associated company's profit
Deferred income tax assets	25,132	16,660	50.86%	Accrual of asset impairment provision
Loan from the Central Bank	17,501	0	100.00%	Adjustment of financing structure
Same trade and other financial institution deposit fund	1,421,274	792,781	79.28%	Broaden financing channel and developed business of the same trade
Borrowing funds	200,000	20,000	900.00%	Broaden financing channel and developed business of the same trade
Accepted money deposits	10,209,680	7,465,447	36.76%	Enlarged scale of operation
Tax payable	30,266	13,836	118.75%	Income increases, tax bearing increases
Interests payable	123,963	60,795	103.90%	Deposit ratio rose

Unit: RMB/10,000Yuan

Item	2013	2012	Change range	Main reasons
Estimated Liabilities	500	1,065	-53.06%	Partial case has been settled
Bond payable	569,000	69,000	724.64%	Broaden financing channel
Surplus reserve	65,578	46,559	40.85%	Profitability level promote
General provision of risk	162,320	103,320	57.10%	Count and draw general provision of risk
Undistributed profits	323,769	211,602	53.01%	Profitability level promote
Interests income	692,102	477,434	44.96%	Profitability assets such as loan, discount, etc increase, rate of return raise
Interests expense	281,882	158,445	77.91%	Deposit and counter purchase amount increase, rate of payment of interest raise
Fee and commission income	19,805	7,557	162.06%	Intermediary business income increases
Fee and commission expense	3,583	1,330	169.44%	Increase of fee expense
Investment income/(loss)	236	2,752	-91.44%	Investment profit
Fair value change (loss)/income	-2189	1,332	-264.31%	Frequent fluctuation of market interest rate
Business tariff and annex	23,354	16,485	41.67%	Income increases, tax bearing increases
Non-business income	3,841	28,872	-86.70%	No significant non-operating income
Non-operating expense	579	24,985	-97.68%	No significant non-operating expense

V. Changes and effects of management environment, macropolicies, laws and regulations

During the reporting period, the business condition of banking industry is still very severe. First, the international condition is still complicated and the unceasing recovery of economy of USA laid a main foundation for a boom recovery of global economy, however global economic recovery is still going on a slow and twisting way. Second, the boosting of market-oriented interest reform makes deposit and loan margin reduced further, profit of bank lessened, profit increase range greatly slowed and banking competition intensified. Third, the slowdown of macroeconomic growth makes loan demand declined and non-performing loan increased, which continuously constitutes the pressure on banking credit asset and puts forward higher requirement for risk prevention and control capability of bank. Fourth, supervision institution increasingly strengthen on a careful macro supervision and the intermediate business, financing product and capital and other fields are more strictly supervised; the formal effective of new capital management measure puts forward more strict supervision requirement on provisions level, leverage and liquidity management and higher requirement for the profit and capital management capacity of bank. Fifth, the application of shadow banking, internet and mobile technologies on third party payment platform makes more financial disintermediation, thus the traditional business of banking is confronting with an unprecedented severe competition.

Although the international condition in 2013 is complicated and changeable and there are still some deep problems in the domestic economic operation to be solved, there are many advantages in the banking development in China. First, the recovery of global economic trend leading by USA increases many advantages and slightly improves the economic growth. Second, with the confirmed stable recovery trend of domestic economic speedup, continuous boosting on the big principle of stable currency and continuous execution of active financial policy, the policy environment of banking development is becoming favorable. Third, in aspect of supervision, new capital management measure is appropriately strict, reduces the capital requirement of micro-small enterprise, consumer credit, export trade and encourages bank to support the transformation of industrial structure, with great development potentials. In comparison with the same trade, this company is currently of small scale and is in strategic transformation development stage. However, if we play full special advantage of the Bank, grasp the development opportunities and improve the core competitiveness, a stable and sound development is certain to be realized.

In 2013, global economy appears a slow recovery trend, however the recovery foundation is week, new growth power source is still not clear, international market keeps in fluctuation and the economic financial trend is still complex and changeable. The debt crisis of Eurozone, USA, Greece, Spain and Japan becomes not better but worse, which gets global financial development confronted with greater challenge. The Federal Reserve' s declaration to officially exit the quantized loose monetary policy and the differentiation of other countries in monetary policy also brings many uncertain factors to the stability of global financial market. During the reporting period, domestic economy appears stable and better development trend, however due to the complex and changeable international trend, domestic economic operation is still confronting with difficulties and challenges. The asset debt scale of commercial bank is in stable growth, the ratio of capital sufficiency and asset quality keeps stable, however the tightened short-term liquidity and increased credit risk shall not be underestimated. Especially from Jan.1, 2013, the officially executed Commercial Bank Capital Management Method (Trial) has stricter requirement for the management of bank. In 2013, this company strictly executed each policy of the central bank, continuously strengthened the management on asset and various risks and perfected the governing of the Bank while giving attention to the Bank' s benefit.

VI. 2014 annual operation plan

(I) Guiding principle

In 2014, the overall guiding principle on operation and management of the whole bank is: to deeply put into effect the instruction of the Third Plenary Session of the 18th CPC Central Committee, Central Economic Work Conference, national and provincial financial work conferences, and further makes solid foundation, to make strong head bank, promote business transformation, promote market competition power, thus to realize the healthy and sustainable development of Bank of Zhengzhou.

(II) Main operation and management objectives

——To get capital more than 185billion yuan;

——To get the balance held on each item of deposit more than 125 billion yuan (excluding in the same trade);

——To get the balance held on each item of loan reaching 77.5 billion yuan;

——To realize a profit of more than 3.37 billion yuan prior to provision;

——To get intermediate business income more than 300million yuan;

——To get the loan speedup of micro-small enterprise higher than the loan speedup of the whole bank and the increase higher than that of the last year;

——To maintain the ratio of capital sufficiency more than 10.5%, control non-performing loan ratio within 0.6%, maintain provision coverage more than 350% and ensure main supervision index up to the standard;

——To keep the supervision level at level 2;

——To ensure there is no case and serious accident.

VII. Profit distribution scheme during the reporting period

According to the unqualified auditing Report issued by KPMG Huazhen CPA Firm (special ordinary partnership), the Bank withdraws 190.19 million yuan as legal earned surplus reserves advanced according to prescribed proportion 10%, withdraws generic risk reserve 590 million yuan, realizes 1901.85 million Yuan profits after tax, and accumulates balance of undistributed profit at the end of the period 3,237.69 million yuan.

According to the demand for development of the Bank, over the research of the board of directors, at the end of 2013 it is planned to distribute dividends to shareholders, taking 3,941，931,900 shares of capital shock as the base number, 0.15 yuan per share (including tax), which requires for 591,289,785 yuan in total. Such plan will be submitted to the general meeting of shareholders for consideration.

VIII. Routine work of the Board of Directors

(I) Meetings and resolutions of the board of directors during the reporting period

During the reporting period, the Bank held 8 meetings of the board of directors, wherein there are 4 regular meetings and 4 temporary meetings and 76 proposals are passed. The meeting audits and passes some important items such as: 2012 Annual Work Report of Operating Department of the Bank of Zhengzhou, 2012 Annual Work Report of the Fourth Board of Directors of the Bank of Zhengzhou, 2012 Annual Budget Performance Condition Report of the Bank of Zhengzhou, Proposal on 2012 Annual Profit Distribution Scheme of the Bank of Zhengzhou, Proposal on 2013-2018 Capital Sufficiency Ratio Up-To-Standard Planning of the Bank of Zhengzhou, Proposal on the Planning For Establishing Zhongding Fund Management Co., Ltd. of the Bank of Zhengzhou, 2013-2015 Mechanism Development Planning of the Bank of Zhengzhou, Proposal on the Overall Risk Management Construction Planning Scheme of the Bank of Zhengzhou, Proposal on Revising the Management Measures For Associated Transaction Between the Bank of Zhengzhou and its Internal Personnel and the Shareholders, Proposal on Purchasing Foreign Exchange Capital of the Bank of Zhengzhou, 2014 Town Bank of Bank of Zhengzhou Establishment Planning of the Bank of Zhengzhou, Proposal on the Planning for Establishing Zhongding Financial Lease Co., Ltd of the Bank of Zhengzhou, Proposal on Donating Money to Zhengzhou Charity Federation for Supporting the Construction of Zhengzhou "City Card" Project, Proposal on Developing Foreign Exchange Business of the Bank of Zhengzhou and the Proposal on Establishing Pingdingshan Branch of the Bank of Zhengzhou.

(II) Execution of the board of directors to the resolutions of shareholders' meeting

During the reporting period, the Bank prepared and held one general meeting of shareholders. The ten proposal considered and passed on the meeting has been fully put into act.

I. Introduction to the meeting of the board of supervisors

During the reporting period, the board of supervisors held 5 meetings, wherein there are 4 regular meetings and one temporary meeting. The meeting audits and passes 20 proposals such as: 2012 Annual Work Report of the Fourth Board of Supervisors for Bank of Zhengzhou, 2012 Annual Profit Distribution Scheme of the Bank of Zhengzhou, 2013 Annual Working Program of the Fourth Board of Supervisors for Bank of Zhengzhou, 2013 Annual Working Program of the Nominating Committee of the Fourth Board of Supervisors for Bank of Zhengzhou, 2013 Annual Working Program of the Superintendence Committee of the Fourth Board of Supervisors for Bank of Zhengzhou, 2012 Annual Business Performance Authenticity Audit Scheme of Bank of Zhengzhou, Proposal on Inviting External Intermediary Organs to Audit the 2012 Annual Business Performance Authenticity of Bank of Zhengzhou, Audit Report on the Economic Responsibility of the Vice President of Bank of Zhengzhou Qian Jun' an During its Term of Office, Evaluation on the 2012 Annual Duty Performance of the Board of Directors by the Board of Supervisors of Bank of Zhengzhou, Evaluation on the 2012 Annual Duty Performance of Directors by the Board of Supervisors of Bank of Zhengzhou, Evaluation on the 2012 Annual Duty Performance of Senior Management by the Board of Supervisors of Bank of Zhengzhou, Evaluation on the 2012 Annual Duty Performance of Senior Management Members by the Board of Supervisors of Bank of Zhengzhou, 2012 Annual Business Performance Authenticity Audit Report of Bank of Zhengzhou, Special Audit Report on Commercial Network Finishing Project of the Bank of Zhengzhou, 2012 Annual Profit Distribution Scheme of the Bank of Zhengzhou, 2013 Annual Business Performance Authenticity Audit Scheme of Bank of Zhengzhou, Proposal on Inviting External Intermediary Organs to Audit the 2013 Annual Business Performance Authenticity of Bank of Zhengzhou and etc.

II. Committees under its jurisdiction and holding situation of committee meeting

The board of directors set nomination committee and audit committee under its jurisdiction.

During the reporting period, the committee under the board of supervisors held 6 meetings and made a consideration on 13 themes. The meeting mainly made a consideration on some key items such as the duty performance of the Bank' s board of directors and the directors, senior management and its members, the 2013 annual business performance authenticity of the Bank and inviting external intermediary organs and so on.

III. Situation of attending the shareholder meeting

During the reporting period, supervisors of the Bank attended once in the general meeting of shareholders, with an attendance rate of 90%.

IV. Situation of attending the board of directors meeting

During the reporting period, supervisors of the Bank attended 4 times in the regular meetings of the board of directors, all with an attendance rate of 90%

V. The board of supervisors issue independent opinion concerning relevant items

During the reporting period, board of supervisors, in accordance with relevant regulations specified in Company Law and Articles, conducted supervision to the Bank, and supervisors by way of attending shareholders' meetings, meetings of board of directors and relevant meetings of executives employee (as a non-voting member) and independent inspection, conducted supervision to performance of directors and executives employee. The corresponding conclusions are as follows:

(1) Operation of the Bank pursuant to law

During the reporting period, the directors and executives are careful, serious and diligent when fulfilling their duties in the business operation and management of the Bank ; there was no violation of laws, rules and Articles of Association, as well as behaviors damaging the Bank and shareholders' interests.

(2) Authenticity of financial reports of the Bank

The financial report of this year has been audited by KPMG Huazhen CPA Firm (special ordinary partnership) in accordance with Accounting Standards for Business Enterprises, and KPMG has provided a standard unqualified auditing report. The financial report demonstrates financial conditions and operation results of the Bank under a true and objective basis.

(3) Asset purchase/sell activities of the Bank

During the reporting period, the Bank has no material activity concerning asset purchase/sell.

(4) Affiliate transactions of the Bank

During the reporting period, affiliate transactions of the Bank are made on fair and equal basis without anything damaging shareholders' and the Bank's interests.

(5) Implementation of decisions of the shareholders' meeting

The board of supervisors approved all reports and proposals submitted by the board of directors for the review of shareholders' meeting. Board of supervisors has conducted supervision to implementation of decisions made by the shareholders' meeting, and concluded that board of directors of the Bank can seriously perform what the shareholders' meeting decides.

(6) Internal control

During the reporting period, the board of supervisors approved all explanation made by board of directors on internal control of the Bank.

I. Description of important matters

During the reporting period, the Bank approved and issued the 5billion yuan small enterprise financial debt.

II. Increase and decrease of registered capital, matters of division and incorporation

During the reporting period, the Bank did not increase or decrease registered capital and had no division or incorporation.

III. Major lawsuit, arbitration matters and major cases

During the reporting period, the Bank still relates to 31.48 million yuan concerning pending actions as the party complained.

IV. Matters of related party transactions

(I) During the reporting period, any shareholder of the Bank had no assets trusteeship

(II) Transactions and relationship of the related parties

1. Relationship of the related parties

The related parties of the Bank include shareholders owning not less than 5% shares of the Bank and other related parties. The related parties of the Bank also include affiliated companies of the Bank.

Shareholders owning not less than 5% shares of the Bank include:

	2013 share proportion	2012 share proportion
Zhengzhou Finance Bureau	12.45%	12.45%
Yutai International (Henan) Real Estate Development Co., Ltd.	6.65%	6.65%
Henan Xingye Real Estate Development Co., Ltd.	6.34%	6.34%
Zhengzhou Investment Holding Co., Ltd.	5.96%	5.96%
Henan Chendong Industry Co., Ltd.	5.73%	5.73%
Zhongyuan Trust Co., Ltd.	5.20%	5.20%

2. Affiliate transactions except key management employee

Profit and loss amount of transactions with related parties this year is as follows:

	2013	2012
		Unit: RMB/10,000Yuan
Interests income	51,148	59,305
Non-business income	196	24,154
Interests expense	392	486

Balance of transactions with related parties at the date of assets liability is as follows:

	Dec.31.2013	Dec.31.2012
		Unit: RMB/10,000Yuan
Asset item		
Due from banks and other financial institution money	11,000	
Receivables investment	685,000	808,570
Total amount of granted of loan and imprest	3,953	2,654
Interest receivable	25	2,728
Receivables from related companies	1,127	8,627
Total	**701,105**	**822,579**
Liability item		
Same trade and other financial institution deposit fund	136,003	20,865
Accepted money deposits	35,750	21,886
interests payable	327	12
Payables to related companies	6,428	6,429
Total	**178,508**	**49,192**

(III) Major matters of related party transactions

During the reporting period, the Bank realized the related party transactions to be constricted within the regulatory indicators.

S/N	Name of related party	Client code	Amount involved	Matters of related party transactions
				Unit: RMB/10,000Yuan
1	Henan Zhengyang Construction Project Co., Ltd	75519016-4	40,000	The Bank offered to buy the Special-purpose Single Capital Trust of Zhengyang Construction Loan project of Anxin Trust Co., Ltd.
2	Zensun Real Estate Group	27171822-5	2,971.63	The Bank bought the property room of " Zhengshangmingzuan" near-street store chain project developed by Zensun Real Estate Group, to be used as planned branch operation network of the Bank.
Total			**42,971.63**	

(IV) Balances of bad loans in related party transactions, proportions of balances in total amounts of bad loans and related party transaction

During the reporting period, this company related transaction amount is of 429.7163 million Yuan. There is no any non-performing loan involved with related party transactions of the Bank.

(V)Shareholders with bad loans tendency, title of related party, balances and form of loans, and briefly describe the reasons.

NO

(IV) Shareholders with bad loans tendency, title of related party, balances and form of loans, and briefly describe the reasons.

(I) Major matters concerning trusteeship, contract and lease: during the reporting period, the Bank had no major matters of trusteeship, contract and lease.

(II) Major security: during the reporting period, except for financial security business within business scope approved by China Banking Regulatory Commission, the Bank had no other major security matters need to be disclosed.

(III) Other major contracts and the execution of contracts: during the reporting period, all business contracts went normal, and the Bank had no major contract dispute.

VI. Commitment of the Bank

During the reporting period, the company doesn't need to explain acceptance items.

VII. Appointment and dismissal of CPA firm

During the reporting period, the Bank appointed KPMG Huazhen CPA Firm (special ordinary partnership) to audit financial statement of the Bank.

VIII. Punishment of directors, supervisors and executives

During the reporting period, the Bank, board of directors and directors themselves, supervisors and executives suffered no punishment.

年报 ANNUAL REPORT 2013

第拾壹章

财务会计报告

CHAPTER X IMPORTANT MATTERS

BANK OF ZHENGZHOU CO., LTD

I. Audit report

Financial statement of the Bank had been audited by KPMG Huazhen CPA Firm (special ordinary partnership) according to domestic auditing rules, signed by CPAs Pu Hongxia and Huang Aizhou, with the issued KPMG No.1401066 standard unqualified auditing Report.

BANK OF ZHENGZHOU CO., LTD

AUDIT REPORT

KPMG No.1401066

Shareholders of Bank of Zhengzhou,

We have already audited the attached financial statements, which were published on page 1 to page 104, of Commercial Bank of Zhengzhou (hereinafter called as your Bank), including balance sheet on December 31, 2013, 2013 annual profit statement, statement of changes in shareholders' equity and statement of cash flow as well as note to financial statements.

I. Responsibilities of executives for financial statements

The management of your Bank shall bear responsibility for compiling the financial statements. The responsibility includes: (1) prepare financial statements in accordance with Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and realize fair reflection; (2) design, implement and maintain internal control relating to financial statements for the purpose of avoiding significant misstatement in financial statements due to malpractices or mistake.

II. Responsibilities of CPA

Our responsibility is to express audit opinion based on the implementation of auditing work. We carried out auditing work according to Chinese CPA auditing standards. The Chinese CPA auditing standards required us to comply with professional ethics to plan and implement auditing work in order to obtain reasonable guarantee for inexistence of significant misstatement in financial statements.

The audit work involves the implementation of auditing procedure to obtain the audit evidence for relevant amounts of financial statements and disclosure. The selected auditing procedure is determined by certified public accountant's judgment, including the evaluation of significant misstatement risk in financial statements due to malpractices or mistake. During the period of risk evaluation, we took internal control relevant to financial statements into consideration to design right auditing procedure; however, the purpose was not to express an opinion on the validity of internal control. Auditing work also includes appraising the felicitousness of accounting policy selected by management layer, determining the rationality of accounting estimate and appraising the whole list of financial statements.

We believe that the audit evidence we obtained is sufficient, proper, and it lays the foundation for expressing audit opinion.

III. Audit opinion

We acknowledge that the financial statements of your Bank are compiled in accordance with provisions of Enterprise Accounting Standards and the Financial Rules for Financial Enterprises issued by Ministry of Finance, and fairly reflect the financial standing on December 31, 2013 and 2013 annual business results and cash flow of your Bank in all aspects.

KPMG Huazhen CPA Firm
(special ordinary partnership)
Beijing, China

Chinese CPA: Ma Chun' an 蒲红霞 [seal: 蒲红霞印]

Chinese CPA: Ma Chun' an 黄艾舟 [seal: 黄艾舟印]

Apr. 27, 2014

Balance Sheet

The preparation of units:Bank of Zhengzhou Co., Ltd. Dec. 31, 2013 Amount unit is RMB thousand yuan

	Note appended	2013	2012
Assets			
Cash and due from the Central Bank	5	22,980,122	18,435,841
Deposit money of inter-bank and other financial institutions	6	6,196,052	2,084,506
Lending capital	7	886,000	-
Tradable financial assets	8	7,990,374	6,704,531
Redemptory monetary capital for sale	9	7,267,355	2,181,318
Interest receivable	10	711,940	416,310
Granted loan and imprest	11	61,535,982	49,153,253
Financial assets available for sale	12	588,080	2,906,076
Held-to-maturity investment	13	16,730,401	7,097,535
Receivables investment	14	22,411,503	13,173,303
Long-term investment on stocks	15	127,561	91,500
Fixed assets	16	926,061	738,527
Intangible assets	17	54,846	43,619
Deferred income tax assets	18	251,322	166,597
Other assets	19	676,685	541,097
Total assets		**149,334,284**	**103,734,013**

Balance Sheet

The preparation of units:Bank of Zhengzhou Co., Ltd. Dec. 31, 2013 Amount unit is RMB thousand yuan

	Note appended	2013	2012
Liabilities			
Borrowing from the Central Bank	21	175,010	-
Same trade and other financial institution deposit fund	22	14,212,739	7,927,810
Borrowing from banks and other financial institutions	23	2,000,000	200,000
Financial assets sold for repurchase	24	13,490,141	11,328,308
Accepted money deposits	25	102,096,803	74,654,469
Payroll payable	26	213,779	191,215
Taxes payable	27	302,663	138,359
Interest payable	28	1,239,628	607,953
Estimated Liabilities	29	5,000	10,652
Bond payable	30	5,690,000	690,000
Other liabilities	31	372,055	313,898
Total liabilities		**139,797,818**	**96,062,664**
Shareholder' s equity			
Capital stock	32	3,941,932	3,941,932
Capital surplus	33	77,872	114,605
Surplus reserve2	34	655,777	465,592
General risk reserves	35	1,623,200	1,033,200
Undistributed profits	36	3,237,685	2,116,020
Total of shareholders equity		9,536,466	7,671,349
Total liabilities and shareholder' s equity		**149,334,284**	**103,734,013**

Profit and Loss Statement

The preparation of units:Bank of Zhengzhou Co., Ltd. 2013 Amount unit is RMB thousand yuan

	Note appended	2013	2012
Income from operations			
Income from interest		6,921,020	4,774,342
Expenditure for interest		(2,818,824)	(1,584,452)
Net income from interest	37	4,102,196	3,189,890
Net income from handling charges and commission fee		198,047	75,572
Income from handling charges and commission fee		(35,828)	(13,297)
Net income from handling charges and commission fee	38	162,219	62,275
Investment yields (deficiency)	39	2,357	27,519
Income from change of fair value	40	(21,885)	13,319
Other business income		9,747	10,729
Total operation income		**4,254,634**	**3,303,732**
Expenditure for operation			
Business tax and surcharge	41	(233,541)	(164,849)
Business and administration expense	42	(1,146,180)	(926,815)
Asset depreciation loss	43	(400,000)	(328,100)
Other business expenditure		(43)	(43)
Total operation expenditure		**(1,779,764)**	**(1,419,807)**
Profit from operation		**2,474,870**	**1,883,925**
Add: Non-operating income		38,407	288,723
Less: Non-operating expenditure		(5,786)	(249,845)
Total profits		**2,507,491**	**1,922,803**
Less: Income tax expense	44	(605,641)	(462,503)
Net profits		**1,901,850**	**1,460,300**
Other consolidated income	45	(36,733)	664
Total consolidated income		**1,865,117**	**1,460,964**

Cash Flow Statement

The preparation of units:Bank of Zhengzhou Co., Ltd.	2013	Amount unit is RMB thousand yuan	
	Note appended	2013	2012
Cash flows from operating activities			
Net increase amount of accepted money deposits		27,442,334	19,678,041
Same trade and other financial institution deposit fund			
Net increase of borrowing		6,284,929	6,316,578
Net increase of borrowings from the Central Bank		175,010	-
Net increase amount of borrowing from banks and other financial institutions		1,800,000	200,000
Net decrease amount of transaction monetary asset		2,161,833	5,533,308
Cash received of interest, handling charge and commission fee		5,194,597	3,450,325
Other cash received relating to operating activities		95,580	308,596
Sub-total of cash inflows of operating activities		**43,154,283**	**35,486,848**
Net increase amount of deposit money of inter-bank and other financial institutions		(12,789,534)	(12,753,974)
Net increase amount of due from Central Bank		(4,292,504)	(3,729,634)
Deposit money of inter-bank and other financial institutions		(3,875,001)	(1,049,000)
Net increase amount of lending capital		(110,000)	-
Net increase amount of transaction monetary asset		(1,307,728)	(2,545,520)
Net increase amount of redemptory monetary capital for sale		(5,086,037)	(2,181,318)
Net decrease amount of Borrowings from Central Bank		-	(770,000)
Cash paid of interest, handling charge and commission fee		(2,178,128)	(1,212,241)
Cash paid to and on behalf of employees		(540,644)	(366,324)
Taxes paid		(758,236)	(895,169)
Other cash paid relating to operating activities		(498,300)	(400,124)
Sub-total of cash outflows of operating activities		**(31,436,112)**	**(25,903,304)**
Net cash flow from operating activities	46(1)	**11,718,171**	**9,583,544**

Cash Flow Statement (continued)

The preparation of units:Bank of Zhengzhou Co., Ltd.	2013	Amount unit is RMB thousand yuan	
	Note appended	2013年	2012年
Cash flows from investing activities			
Cash received from return of investment		11,041,497	5,876,670
Cash receive from investment earning		1,732,074	1,317,216
Cash income from disposal of fixed assets and other assets		99,460	1,945
Sub-total of cash inflows of investment activities		**12,873,031**	**7,195,831**
Cash paid to acquire investments		(27,724,980	(12,925,566)
Cash paid to acquire fixed assets,			
intangible assets and other long-term assets		(507,050)	(395,417)
Sub-total of cash outflows of investment activities		**(28,232,030)**	**(13,320,983)**
Net cash flows from investing activities		(15,358,999)	(6,125,152)
Cash flows from financing activities			
Cash obtained by issuing bonds		5,000,000	-
Sub-total of cash inflows of financing activities		5,000,000	-
Cash repayments of debt interests		(44,850)	(44,850)
Cash payments for distribution of dividends		-	(1)
Sub-total of cash outflows of financing activities		(44,850)	(44,851)
Net cash flows from financing activities		**4,955,150**	**(44,851)**
Net increase amounts of cash and cash equivalent	46(2)	1,314,322	3,413,541
Plus: Cash and cash equivalents balance at beginning of the year		6,305,543	2,892,002
Cash and cash equivalents balance at end of the year	**46(3)**	**7,619,865**	**6,305,543**

Statement of Changes of Shareholders' Equity

The preparation of units:Bank of Zhengzhou Co., Ltd.		2013				Amount unit is RMB thousand yuan	
	Note appended	Capital stock	Capital surplus	Surplus reserve	General risk reserves	Undistributed profits	Total owner's equity
Balance at Janurary 1, 2013		**3,941,932**	**114,605**	**465,592**	**1,033,200**	**2,116,020**	**7,671,349**
Amount variation in this year							
1. Net profit		-	-	-	-	1,901,850	1,901,850
2. Other consolidated income	45	-	(36,733)	-	-	-	(36,733)
Subtotal of above (I) and (II)		-	**(36,733)**	-	-	**1,901,850**	**1,865,117**
3. Profit distribution							
-Deduction of surplus reserves	34	-	-	190,185	-	(190,185)	-
-Withdraw general reserves	35	-	-	-	590,000	(590,000)	-
Total variation in this year		-	**(36,733)**	**190,185**	**590,000**	**1,121,665**	**1,865,117**
Balance at December 31, 2013		**3,941,932**	**77,872**	**655,777**	**1,623,200**	**3,237,685**	**9,536,466**

Statement of Changes of Shareholders' Equity (continued)

The preparation of units:Bank of Zhengzhou Co., Ltd.		2013				Amount unit is RMB thousand yuan	
	Note appended	Capital stock	Capital surplus	Surplus reserve	General risk reserves	Undistributed profits	Total owner's equity
Balance at Janurary 1, 2012		**3,941,932**	**123,938**	**315,397**	**553,200**	**1,347,280**	**6,281,747**
Modification of previous error		-	(9,997)	4,165	-	(65,530)	(71,362)
Balance at Janurary 1, 2012		**3,941,932**	**113,941**	**319,562**	**553,200**	**1,281,750**	**6,210,385**
Amount variation in this year							
1. Net profit		-	-	-	-	1,460,300	1,460,300
2. Other consolidated income	45	-	664	-	-	-	664
Subtotal of above (I) and (II)		-	**664**	-	-	**1,460,300**	**1,460,964**
3. Profit distribution							
-Deduction of surplus reserves	34	-	-	146,030	-	(146,030)	-
– Withdraw general reserves	35	-	-	-	480,000	(480,000)	-
Total variation in this year		-	**664**	**146,030**	**480,000**	**834,270**	**1,460,964**
Balance at December 31, 2012		**3,941,932**	**114,605**	**465,592**	**1,033,200**	**2,116,020**	**7,671,349**

BANK OF ZHENGZHOU CO., LTD.

FOOT-NOTES TO FINANCIAL STATEMENTS

(Amount unit is RMB thousand yuan, unless otherwise regulated)

I. Basic condition

Bank of Zhengzhou Co., Ltd (hereinafter called as "the Company") (former "Commercial Bank of Zhengzhou Co., Ltd") was a joint-stock commercial bank established on February 2000 with the approval of the People's Bank of China (JYF (2000) No.64), and Henan Provincial, Zhengzhou Municipal Financial Bureau as its majority shareholders. On December 17, 2009, its name as changed to Bank of Zhengzhou Co., Ltd with financial permit No. B1036H241010001. It was registered by Henan Bureau of Commerce and Industry, and obtained license for Business Corporation with registered No. 410000100052554, registered capital RMB 3,941,931,900.00 Yuan; legal representative is Wang Tianyu; registered office in Hezhong Plaza, No.1 North Yousheng Road, Zhengzhou City.

The Company owns the B1036H241010001 financial license approved by China Banking Regulatory Commission (hereinafter referred to as CBRC), and the license of the business corporation (registration number: 410000100052554) certified by the State Administration for Industry and Commerce. The Company is under supervision of CBRC authorized by the state council.

The Company is engaged in financial operations. During the reporting period, its main business includes: absorbing public deposit, granting short-term, medium-term and long-term loans, handling domestic settlement, handling note discount, issuing financing bond; supplying the issuance, payment and selling of governmental bond, purchasing and selling the governmental bond, conducting the inter-bank borrowings, supplying guarantee, supplying safety-deposit box business, dealing with the payment and insurance business, handling the consignment loan of local financial credit for working capital use of funds entrusted to keep lending and so on; other businesses approved by the banking regulatory authority of the State Council.

By December 31, 2013, the Company has established 1 business department and 73 sub-branches in Zhengzhou, and 1 branch and 1 sub-branch in Nanyang, 1 branch in Xinxiang. Operation activities of the Company mainly occurs in Henan.

II. Compilation basis of financial statements

The financial statements was compiled by the Company on the basis of sustainable operation.

(1) Statement of compliance with accounting standards for business enterprises

The financial statements compiled by the Company conform to the requirements of Accounting Standards for Enterprises-Basic Principles and 38 detailed accounting rules issued by Ministry of Finance of the People' s Republic of China (hereinafter referred to as "Ministry of Finance") on February. 15, 2006 and application guides of Accounting Standards for Enterprises, interpretations of Accounting Standards for Enterprises and other relevant reserves (hereinafter collectively referred to as "Accounting Standards for Enterprises") issued thereafter, reflecting the financial conditions on December 31, 2013, and operation achievements and cash flows in 2013 truly and completely.

(2) Accounting period

The fiscal year of the Company was from January 1 to December 31 (Gregorian calendar).

(3) Measurement attributes

When compiling the financial statements, the Company generally adopts historical cost method for measurement; however, assets and liabilities that are measured based on the fair value as described in note 3 (3) are excluded.

(4) Accounting standard money and presentation currency

RMB is taken as the accounting standard money of the Company, and it is also adopted when compiling the financial statements. The bases for the Company to select the accounting standard money are valuation and settlement currency of main business income and expenditure.

III. Main accounting policies and accounting estimate

(1) Conversion of foreign currency

The Company converts the invested capital in the form of foreign currency into RMB as per current spot exchange rate when it receives the capital from the investor and converts the capital used for other foreign currency transactions into RMB as per the spot exchange rate on the transaction date or approximate exchange rate of spot exchange rate on the transaction date when it is recognized initially.

Spot exchange rate refers to foreign exchange quotation of RMB published by the People' s Bank of China, foreign exchange quotation published by State Administration of Foreign Exchange or the cross exchange rate calculated according to the published foreign exchange quotation. Approximate exchange rate of spot exchange rate refers to the average exchange rate of the current period that is determined by systematic and reasonable method and approximates the spot exchange rate on the transaction date.

In case of foreign currency monetary items on the date of balance sheet, the exchange differences are included in the profits and losses of the current period, adopting spot exchange rate that day for conversion. In case of foreign currency non-monetary items measured as per historical costs, their accounting standard money is not changed. In case of foreign currency non-monetary items measured as per fair value, spot exchange rate on the date when the fair value is determined is used for conversion and the exchange differences incurred thereof belong to differences of foreign currency non-monetary items of available for sale financial assets and are included in capital surplus as other consolidated incomes; other differences are included in the profits and losses of the current period.

(2) Cash and cash equivalent

Cash and cash equivalent include cash on hand, cash reserves that are deposited in the Central Bank and can be withdrawn at any time, deposit money of inter-bank and other financial institutions with a short term, lending funds, redemptory monetary capital for sale and investment held meeting 4 requirements, i.e. short term, strong liquidity, readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(3) Financial instruments

(a) Recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the balance sheet when they become a party to contract clause of relevant financial instruments of the Company.

The Company divides financial assets and financial liabilities into different categories according to the purpose of financail assets acquired and financial liabilities borne: financial assets and financial liabilities measured as per fair value and with their changes iucluded in the profits and losses of the current period (including trading financial assets and liabilities), loan and account receivable, held-to-maturity investment, available for sale financial assets and other financial liabilities.

When financial assets and financial liabilities are recognized initially, they are measured as per fair value. For financial assets or financial liabilities measured as per fair value and with their changes included in the profits and losses of the current period, the transaction expenses thereof shall be directly included in the profits and losses of the current period; for other categories of financial assets or financial liabilities, transaction expenses thereof shall be included in the initially recognized amount. After initial recognition, financial assets and financial liabilities are subjected to subsequent measurement as follows:

——Financial assets and financial liabilities measured as per fair value and with their changes included in the profits and losses of the current period (including trading financial assets and liabilities);

Financial assets and financial liabilities held by the Company for sale or buy-back in the near future and derivative instruments fall into this category.

After initial recognition, financial assets and financial liabilities measured as per fair value and with their changes included in the gains and losses of the current period are measured as per fair value, and the profits or losses incurred from the change of fair value are included in the profits and losses of the current period.

——Accounts receivable

Accounts receivable refer to the non-derivative financial asset for which there is no quoted price in the active market and of which the report amount is fixed or determinable.

After initial recognition, accounts receivable are measured on the basis of the amortized costs by adopting the actual interest rate method.

——Held-to-maturity investment

The Company classifies non-derivative financial assets with a fixed date of maturity, a fixed or determinable amount of report price and which the Company holds for a definite purpose and the Company is able to hold until its maturity into held-to-maturity investment.

After initial recognition, held-to-maturity investment is measured on the basis of the amortized costs by adopting the actual interest rate method.

——Available for sale financial assets

The Company will classify non-derivative financial assets that are designated as assets available for sale during the initial recognition and financial assets that are not classified into other categories into available for sale financial assets.

The investment of an equity instrument available for sale for which the fair value cannot be reliably measured is measured based on cost after initial recognition; other financial assets available for sale are measured as per fair value after initial recognition, gains or losses incurred by change of fair value are included in the capital surplus as other consolidated incomes and are transferred out when the recognition of available for sale financial assets is terminated to be included in the profits and losses of the current period except the exchange differences incurred by impairment loss and foreign currency monetary financial assets are included in the profits and losses of the current period. Cash dividends of equity instrument investment available for sale are included in the profits and losses of the current period when the invested entity grants the granting of dividends. Interests of available for sale financial assets calculated by actual interest rate method are included in the profits and losses of the current period (see note 3(14)(a)).

(b) Impairment of financial assets

Expect for the financial assets measured as per the fair value and their change included in the profits and losses of the current period, the Company inspects the book value of other financial assets on the date of balance sheet and should make the impairment provision where there is any objective evidence showing that one financial asset impairment. The objective evidence of impairment of financial assets refers to the event that actually occurs after initial recognition and influences the expected cash flow of the financial asset and the Company can measure the influence reliably.

- The issuer or the debtor is in severe financial difficulties;

- The debtor breaches the contract clause, for example, the debtor breaches the contract or exceeds the time limit when paying the interests or principal;

- The Company makes concessions to the debtor in financial difficulties due to economic or legal factors etc.;

- The debtor will probably become bankrupt or carry out other financial reorganizations;

- If whether the cash flow of certain asset in a group of financial assets cannot be identified, but it is found that the expected future cash flow of this group of financial assets actually decreases and can be measured since inital recognition after an overall evaluation of cash flow based on public data, for example, the payment ability of debtor of this group of financial assets gradually deteriorates or the unemployment rate of the country or region where the debtor is located increases, the price of guarantee in the region where the debtor is located greatly decreases and the debtor's industry is in depression etc.;

- Major adverse changes of technology, market, economy or legal environment where the debtor carries out business occur, which results in the investor of equity instrument cannot recover the investment cost;

- If the issuer is in major financial difficulty, it cannot continue to trade this financial asset in the active market;

- The fair value of equity instrument investment drops significantly or drops below the cost not temporarily; and

- Other objective evidences showing that the financial asset is impaired.

If the financial asset is impaired, its book value should be written down to present value of expected future cash flow (exc. the future credit loss that has not occurred), and the decreased value is recognized as asset impairment loss and is included in the profits and losses of the current period.

The losses that may be caused by expected future events shall not be recognized as impairment loss no matter how great possibility of its occurrence.

(a)Loan and accounts receivable and held-to-maturity investment

Evaluation by single way

The Company carries out an independent impairment test on the loans and accounts receivable and held-to-maturity investment with large single amount. Where there is any objective evidence showing that they have been impaired, the book value of the asset is written down to present value of expected future cash flow determined according to original actual interest rate discounting of this financial asset, and the decreased amount is recognized as asset impairment loss and is included in the profits and losses of the current period.

If there is a very small difference between the expected future cash flow of short-term loans and accounts receivable and held-to-maturity investment and their present values, discounting is not conducted when determining relevant asset impairment loss. For the present value of expected future cash flow of loan with mortgage and accounts receivable, expenses for obtaining and selling the mortgage will be deducted, no matter whether the mortgage will be recovered.

Evaluation by combined way

The Company carries out an impairment test by combined way on the loan and imprest from clients of same kind with small personal amount, loans and accounts receivable and held-to-maturity investment without impairment in the evaluation by single way. Where there is any evidence showing that expected future cash flow of certain financial asset declines significantly since initial recognition, the impairment loss will be recognized and included in the profits and losses of the current period.

For the loan and imprest from clients of same kind with small personal amount, the Company evaluates the combined impairment loss by the roll interest rate. This method uses the statistical analysis of breach probability and historical loss experience to calculate the impairment loss and makes adjustment based on the observable data reflecting current economic conditions.

For loans and accounts receivable and held-to-maturity investment without impairment in the evaluation by single way, the Company includes them into financial asset combination of similar credit risk characteristics first and then carries out an impairment test. Factors considered in the impairment provision evaluated by the combined way include: (i) Historical loss experience of similar credit risk characteristics; (ii) Time required from the occurrence of loss and the identification of loss; and (iii) Current economic and credit environments and the management makes a judgment on the inherent loss in the current circumstances based on historical experience.

The time required from the occurrence of loss and the identification of loss is determined by the management according to historical experience in the business environment.

Recognition of impairment loss by the combined way is the transitional step before the impairment loss of single asset (evaluated by single way) is identified in the financial asset combination evaluated by the combined way.

Evaluation by combined way covers loans and accounts receivable that are impairment at the end of reporting period but can be recognized through recognition of single item in the future. If the impairment loss of single asset in the financial asset combination can be determined based on objective evidence, this asset will be excluded from the financial asset combination.

(b)Reversal of impairment and loan charge-off

After the impairment loss of loans and accounts receivable and held-to-maturity investment is recognized, where there is any objective evidence showing that this financial asset value has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment losses as originally recognized shall be reversed and be included into the profits and losses of the current period. However, the reversed book amount shall not be more than the amortized costs of the said financial asset on the day of reverse under the assumption that the impairment provision is not made.

If the Company cannot recover loan after conducting all necessary legal procedure or other procedures, it will determine to write off the loan and corresponding loss provision. If the Company recovers the loan that has been written off after this period, the recovered amount shall be used to offset the impairment loss and included in the profits and losses of the current period.

Restructured loan

Restructured loans mean the loan project formed when the Company re-determines loan terms for the borrower who is in deteriorated financial situation or who cannot pay the loan on schedule where appropriate. During the restructuring, the Company will evaluate the restructured loan as the impaired loan by single way. The Company will supervise the restructured loan continuously, and the restructured loan won’t be determined as the restructured loan after review if it reaches specific standard after the restructuring observation period ends.

Available for sale financial assets

Where available for sale financial assets are impaired, the Company will transfer out the accumulative losses arising from the decrease of the fair value originally directly included in the owner’s equity and included in the profits and losses of the current period.

As for the debt instruments available for sale whose impairment losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment losses are recognized, the originally recognized impairment losses shall be reversed and be included in the profits and losses of the current period. As for the equity instruments available for sale whose impairment losses have been recognized, their impairment losses shall not be reversed through the profits and losses. Any rise of fair value of such assets shall be included in the shareholders’ equities directly.

(c) Termination of recognition of financial assets and financial liabilities

Where the contractual rights for collecting the cash flow of the said financial asset are terminated or nearly all of the risks and rewards relating to the ownership have been transferred, the Company will terminate recognizing the said financial asset.

Where the overall transfer of a financial asset satisfies the conditions for terminating the recognition, the difference between the amounts of the following 2 items shall be included in the profits and losses of the current period by the Company;

——The book value of the transferred financial asset;

——The sum of consideration received from the transfer, and the accumulative amount of the changes in the fair value originally included in the shareholders’ equities.

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly by the Company.

(d) Offset and presentation of financial assets and financial liabilities

Financial assets and financial liabilities are listed in the balance sheet separately, which are not offset mutually. However, if financial assets and financial liabilities meet the following conditions simultaneously, net amount after mutual offset shall be listed in the balance sheet.

——The Company has a legal right to offset the recognized amount, and such legal right is executable presently;

——The Company plans to conduct settlement as per net amount, or realize said financial asset and pay off said financial liabilities simultaneously.

(e) Determination of fair value

As for the financial assets or financial liabilities for which there is an active market, the Company determines the fair values thereof as per quoted prices in the active market. Where there is no active market for a financial instrument, the Company shall adopt value appraisal techniques to determine its fair value. Value appraisal methods adopted include referring to the closing cost of market transaction conducted by each party who is familiar with the situations and is willing to transact and the current market price of other financial instruments of same nature;

(f) Equity instrument

Equity instrument refers to the contracts which can prove that a certain enterprise holds the surplus equities of the Company' s assets after the deduction of all the debts.

The consideration received by the Company due to the issuance of equity instrument shall be included in the shareholders' equities after the transaction costs are deducted. If the consideration and transaction costs are paid for repurchasing the equity instrument of the Company, the shareholders' equities shall be reduced.

(4) Redemptory monetary capital for sale and financial assets sold for buy-back

Redemptory monetary capital for sale refers to the funds financed out by the Company by buying in the financial assets under resale agreement first and then reselling them at a fixed price. Financial assets sold for buy-back refers to the funds financed in by the Company by selling the financial assets under buy-back agreement first and then repurchasing them at a fixed price.

Redemptory monetary capital for sale and financial assets sold for buy-back shall be entered into the account book as per their actually paid or received amount when the business is incurred, and shall be reflected in the balance sheet. Redemptory monetary capital for sale with underlying assets bought in shall not be recognized and shall be registered off the balance sheet for future reference; underlying assets sold for buy-back shall still be reflected in the balance sheet.

The bid-ask spreads for businesses of redemptory monetary capital for sale and financial assets sold for buy-back shall be amortized by adopting the actual interest rate method during relevant transaction, which shall be recognized as interest income and interest expense separately.

(5) Long-term investment on stocks

(a) Investment on associated enterprises

Associated enterprises refer to the enterprises on which the Company can exert a great influence.

The Company adopts the following principle to recognize initial investment when it obtains the right to conduct investment on the associated enterprises: For long-term investment on stocks obtained by paying cash, the Company takes the purchase price as initial investment cost.

During the subsequent measurement, the Company conducts accounting by the equity method on long-term investment on stocks of associated enterprises.

Specific accounting treatment when the Company conducts accounting by the equity method includes:

——If the initial investment cost of a long-term investment on stocks is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the former shall be taken as the cost of long-term investment on stocks; if the initial cost of a long-term investment on shocks is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the latter shall be taken as the cost of long-term investment on stocks and the difference between the cost of long-term investment on stocks and initial investment cost shall be included in the profits and losses of the current period.

——After the Company obtains the right to conduct investment on the associated enterprises, it shall recognize the investment profits and losses and adjust the book value of the long-term investment on stocks in accordance with the attributable share of the net profits or losses of the invested entity that it shall share or assume; the Company shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of long-term investment on stocks correspondingly.

——When calculating the attributable share of the net profits or losses of the invested entity that it shall share or assume, the Company shall conduct recognition after making adjustment according to the accounting policies and accounting period on the ground of the fair value of identifiable net assets of the invested entity. The portion of unrealized profits and losses incurred by internal transaction between the Company and the associated enterprises that is attributable to the Company according to the share proportion shall be offset when conducting accounting by the equity method. Unrealized loss incurred by internal transaction shall be recognized fully if there is evidence showing that the loss is caused by relevant asset impairment.

——If net losses of associated enterprises are caused by the Company, the Company shall not only bear additional losses, but also recognize net losses of associated enterprises until the book value of the long-term investment on stocks and other long-term rights and interests which substantially form the net investment made to the invested entity are written down to zero. If the associated enterprises realize any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

——Where any change is made to the owner's equity other than the net profits and losses of the associated enterprises, the Company shall adjust the book value of the long-term investment on stocks and include it into the owner's equity.

The Company makes the impairment provision for long-term equity on stocks according to the principle in the note 3(10).

(b) Other long-term investment on stocks

Other long-term investment on stocks refers to long-term investment on stocks for which the Company does not conduct control, joint control and have significant influence on the invested entity, which has no offer in the active market and whose fair value cannot be reliably measured.

The Company conducts subsequent measurement on other long-term investment on stocks by the cost method and the Company recognizes the investment income according to attributable cash dividends or profits granted by the invested entity except for the cash dividends or profits declared but not granted, which are included in the actually-paid price or consideration when the investment is obtained; the Company does not divide net profits realized by the invested entity before and after the investment, but the cash dividends or profits declared but not granted, which are included in the actually-paid price or consideration when the investment is obtained are excluded.

The Company shall check the book value of other long-term investment on stocks on balance sheet date and shall conduct evaluation personally if there is objective evidence showing that said investment on stocks is subject to impairment; if the book value of said investment on stocks is greater than present value determined according to the discount between current market return of similar financial asset and future cash flow, the difference between them shall be recognized as the impairment loss and included in the profits and losses of the current period. Such impairment loss shall not be reversed.

(6) Fixed assets and projects under construction

Fixed assets refer to the tangible assets which are owned by the Company for operation management and whose useful life is over one accounting year.

Fixed assets are subject to initial measurement as per cost. Costs of purchased fixed assets include the purchase price, related taxes and expenditure attributable to said asset incurred before the asset is constructed to reach its intended condition for use. Initial costs of self-built fixed assets include engineering materials, direct labor and other necessary expenditures incurred before the asset is constructed to reach its intended condition for use.

Fixed assets shall be listed in the balance sheet after subtracting the accumulated depreciation and impairment provision from the cost (note 3(10)). Projects under construction shall be listed in the balance sheet after subtracting impairment provision from the cost (note 3(10)). Fixed assets are transferred in after projects under construction reach the intended condition for use. Projects under construction shall not be depreciated.

Subsequent expenditure of fixed assets including expenditure related to replacement of certain component of fixed asset shall be included in the fixed asset cost when the recognition conditions of fixed assets are met, and the book value of substituted part shall be deducted; the expenditure related to routine maintenance of fixed asset shall be included in the profits and losses of the current period when it is incurred.

Profits and losses incurred by retirement or disposal shall be the difference between the net amount of proceeds obtained from disposal and the project carrying amount and shall be recognized on the retirement or disposal date.

The Company conducts depreciation by the age limit average method during the useful life of fixed assets after deducting the cost of fixed asset from expected net residual value and accumulated impairment provision. The useful life, expected net residual value rate and depreciation rate of various fixed assets are as follows:

	Expected useful life	Expected net residual value rate	Depreciation rate
Houses and buildings	20-50	5%	1.90%-4.75%
Machines devices	5-10	5%	9.50%-19.00%
Means of communication	5	5%	19.00%
Electronic equipment and others	5	5%	19.00%

The Company will recheck the useful life, expected net residual value and depreciation method of fixed asset at the end of each year.

(7) Lease

(a) Assets acquired under operating leases

Rental expenses of assets acquired under operating leases shall be recognized as costs or expenses of relevant assets by the straight-line method within the lease term.

(b) Assets rent out under operating leases

Fixed assets rent out under operating leases shall be depreciated according to the depreciation policy described in note 3(6) and shall be subject to impairment provision according to accounting policy described in note 3(10). The rental income from operating lease shall be recognized as income by straight-line method within the lease term. Initial direct costs incurred by assets rent out under operating leases shall be capitalized and shall be included by stages in the profits and losses of the current period according to basic stage same as the recognized rent in the entire lease term if the amount is larger and shall be included in the profits and losses of the current period if the amount is smaller.

(8) ntangible assets

Intangible assets of the Company are assets with limited useful life, which are listed in the balance sheet after subtracting the accumulated amortization and impairment provision from the cost (note 3(10)). The Company amortizes the cost of intangible assets by straight-line method in the expected used life after subtracting the expected net residual value and impairment provision from the cost

Amortization years of various intangible assets are as follows:

	Amortization years
Land use right	30-50 year
Computer software	3-5 years

(9) Debt assets

The Company can possess the mortgage through leagl procedure or get the mortgage delivered by the borrower voluntarily after the impairment loan and imprest are recovered. If the Company intends to realize the asset according to the reserves and does not require the borrower to repay, the debt assets will be listed in "other assets".

If the Company uses the debt assets as compensatory financing and imprest and loss of interest receivable, the debt assets will be entered into the account book as fair value, and related payable taxes, advanced litigation expenses and other costs for acquiring debt assets shall be included in the book value of debt assets. The debt assets shall be listed in the balance sheet after subtracting the impairment provision from the book value.

Impairment losses of initial recognition and subsequent evaluation shall be included in the profits and losses of the current period.

(10) Impairment provision of non-financial assets

The Company shall determine whether the following assets have impairment indication on the balance sheet date according to internal and external information, and the assets include:

——Long-term investment on stocks;

——Fixed assets;

——Projects under construciton;

——Intangible assets.

The Company shall conduct impairment test on the asset with impairment indication and estimate the recoverable amount of asset. The recoverable amount should be the higher value between the net amount of asset fair value minus disposal costs and present value of estimated future cash flow of assets.

Net amount of asset fair value minus disposal costs is determined by subtracting the amount that can be directly attributable to disposal costs of said assets from the price in the sales agreement in the fair trade. The present value of estimated future cash flow of assets shall be determined according to its discounted amount obtained by appropriate pre-tax discount rate that is selected based on the estimated future cash flow of assets incurred when the assets are used continuously and disposed finally.

The estimated result of recoverable amount shows that the book value of asset will be written down to recoverable amount if the recoverable amount of asset is lower than its book value, the decreased amount shall be recognized as the impairment loss of asset and included in the profits and losses of the current period; meanwhile, correpsonding impairment provision of asset shall be made.

Once the impairment loss of asset is recognized, it will not be reversed in the future accounting period.

(11) Salary of the employee

Salary refers to various types of rewards and other related expenditures provided by the Company for obtaining the service from the staffs. Except the termination benefits and internal retirement benefit, the Company recognizes the salary payable as the debt during the accounting period when the staff provide service and increases the asset cost or expenses of current period accordingly.

(a) Social security benefits and housing provident fund

According to relevant regulations of China, the staffs of the Company participate in social security system established and managed by government organization. The Company pays social insurance premiums including basic endowment insurance, basic medical insurance, unemployment insurance, employment injury insurance and maternity insurance and housing provident fund for the staffs. The above social insurance and housing provident fund shall be included in the profits and losses of the current period according to the accrual basis.

(b) Retirement benefits

The Company will pay retirement benefits to the staffs after they retire according to certain standards. Present value of retirement benefits calculated according to actuarial method shall be recognized as the salary payable when the staffs provide service, and the change shall be included in the profits and losses of the current period or other consolidated income of the current period.

(c)Early retirement benefits

The Company reaches an agreement with the staffs who are below the retirement age specified by the state and apply to quit their jobs (hereinafter referred to as "staffs retiring early") as follows: If staffs retiring early accept the arrangement of early retirement and stop to provide service for the Company, the Company will recognize the present value of salaries and social insurance premiums to be paid during the period from the date when staffs retiring early stop to provide service to normal retirement date that is estimated according to actuarial method (hereinafter referred to as "early retirement benefits") as salary payable and include it in the profits and losses of the current period or other consolidated income of the current period.

Early retirement benefits and retirement benefits are collectively referred t as "supplement retirement benefits".

(d) Termination benefits

When the Company terminates labor relations with the staffs before the labor contract expires, or puts forward a compensation suggestion for encouraging the staffs to accept the layoff voluntarily, the Company shall recognize the estimated liabilities incurred by compensation for terminating labor relations with the staffs and shall include them in the profits and losses of the current period if the following conditions are met simultaneously:

——The Company has developed a formal plan for terminating labor relations or put forward voluntary reduction suggestion and is to execute them soon;

——The Company cannot unilaterally withdraw the termination of labor relations or reduction suggestions.

(12) Financial guarantee, estimated liabilities or contingent liabilities

(a) Financial guarantee

Financial guarantee refers to that the issuer ("guarantor") pays designated proceeds according to the clauses of debt instruments to compensate the loss of the guarantee beneficiary ("holder") incurred due to that a specific debtor cannot pay the debt due. If the Company provides a financial guarantee to the client, the fair value guaranteed i.e. the guarantee fee charged shall be recognize as deferred income initially and listed as other liabilities. The deferred income shall be amortized in the guarantee period and shall be recognized as the income of financial guarantee provided in the profit statement. Besides, if the guarantee holder may claim to the Company according to this guarantee and the claimed amount is expected to be higher than corresponding book value of this guarantee in other liabilities, namely the amount obtained by the initially recognized amount minus the accumulated amortization, the estimated liabilities shall be recognized according to note 3(12)(b).

(b) Estimated liabilities and contingent liabilities

If the obligations related to the contingent liabilities are current obligations undertaken by the Company, the fulfillment of said obligations is likely to result in the economic interests flow out from the Company and relevant amount can be measured reliably, the Company will recognize the estimated liabilities. The estimated liabilities shall be measured according to the best estimates of expenditure for fulfilling relevant current obligations. The Company shall take risks, uncertainty, time value of currency and other factors related to the contingent items into comprehensive consideration when determining the best estimates. In case of time value of currency with significant influence, the estimated liabilities shall be determined according to the amount after the discounting of expected future cash outflow.

As for potential obligations formed by the past transactions or items, their existence should be confirmed by the occurrence or nonoccurrence of future uncertain items; as for current obligations formed by past transactions or items, if the fulfillment of said obligations is not likely to result in that the economci interests flow out from the Company or the amount of said obligations cannot be measured reliably, the Company will disclose said potential obligations or current obligations as contingent liabilities.

(13) Entrusted business

The Company acts as the administrator, trustee or agent of the client in the entrusted business. The balance sheet of the Company does not include the assets held by the Company for the entrusted business and the commitment of returning said assets to the client, because the risks and benefits of said assets shall be borne by the client.

The Company can get funds ("entrusted funds") from the client by signing entrusted loan agreement with the client, and it shall grant loan to the third party according to the client's instructions ("entrusted loan"). Because the Company does not take the risks and returns of entrusted loans and relevant entrusted funds, the entrusted loans and entrusted funds shall be recorded as the off-balance sheet items; meanwhile, any impairment provisions shall not be made for these entrusted loans.

(14) Revenue recognition

Revenue refers to gross inflow of economic interests that is formed in daily activities, can increase the shareholders' equities and is unrelated to the capital invested by the shareholders. The revenue shall be recognized when the revenue amount and relevant cost can be measured reliably, relevant economic interests are likely to flow into the Company and other recognition conditions of the following different kinds of revenues can be met simultaneously:

(a) Interest revenue

Interest revenue of financial assets shall be included the profits and losses of the current period according to the time when the right to use the transferred funds is available and the time when actual interest rate is incurred.

(b) Revenue from handling charges and commission fee

Revenue from handling charges and commission fee shall be included in the profits and losses of the current period when relevant service is provided.

(c)Dividend revenue

Dividend revenue of investment on stocks shall be included in the profits and losses of the current period when the invested entity declares the granting of dividend.

(d) Other revenues

Other revenues shall be recognized according to the accrual basis.

(15) Income tax

The Company will include the current income tax and deferred income tax in the profits and losses of the current period except for the influence caused by income tax arising from the transaction or item directly included in the shareholders' equities (including other consolidated incomes).

Current income tax includes the taxable income amount of the current period, expected payable income tax calculated as per the tax rate specified in the tax law and the adjustment of payable income tax of previous years.

On the balance sheet date, if the Company has a legal right of conducting settlement as per net amount and intends to conduct settlement as per net amount or the acquirement of assets and liquidation of liabilities are conducted simultaneously, the current income tax assets and current income tax liabilities shall be listed by net amount after offset.

Deferred income tax asset and deferred income tax liability shall be determined according to differences between deductible temporary differences and taxable temporary differences separately. Temporary differences refer to the difference between the book value of asset or liability and its tax basis, including deductible loss and tax credits that can be carried forward. Taxable income amount that can be obtained to deduct deductible temporary difference shall be taken as the limit to recognize deferred income tax asset.

If the transaction is not enterprise combination, and it affects neither accounting profits nor taxable income amount (or deductible loss) when the transaction occurs, the temporary differences incurred in the transaction won' t result in deferred income tax.

On the balance sheet date, the Company shall measure the book value of the deferred income tax asset and liability adopting the applicable tax rate during the period when the recovery of said asset or liquidation of said liability is intended by the expected realization or settlement method of deferred income tax asset and liability according to tax law regulations issued.

On the balance sheet date, the Company shall recheck the book value of deferred income tax asset. If enough taxable income amounts cannot be obtained in the future to deduct the interest of deferred income tax asset, the book value of deferred income tax asset shall be written down. If it is likely to obtain enough taxable income amounts, the amount written down shall be written back.

On the balance sheet date, deferred income tax asset and deferred income tax liability shall be listed by the net amount after offset when the following conditions are met simultaneously:

——The taxpayer has a legal right of settling current income tax asset and current income tax liability as per net amount;

——Deferred income tax asset and deferred income tax liability are related to income tax collected by the same tax collection administration on the same taxpayer or different taxpayers; but the taxpayer concerned intends to settle current income tax asset and liability as per net amount or acquire the asset and liquidate the liability simultaneously during the reversal of significant amount of deferred income tax asset and liability in the future.

(16) Profit distribution

After the balance sheet date, the profit to be distributed in the profit distribution plan approved by review shall not be recognized as the liability on the balance sheet date and shall be disclosed in the note personally.

(17) Related party

Related party refers to that the Company conducts control and joint control on the other party or exerts a great influence on the other party; or the other party conducts control and joint control on the Company or exerts a great influence on the Company; or the Company and the other party are controlled and jointly controlled by a party. Related party can be an personal or enterprise. The enterprises only related to state control without existence of related party relationship are not related party of the Company. Related party of the Company shall include but not be limited to:

(a) The investors conducting joint control or exerting a great influence on the Company;

(b) The enterprise or personal subject to control and joint control from one party together with the Company;

(c) The associate enterprise of the Company, including subsidiaries of the associate enterprise;

(d) Main investors and family members with close relationship with them of the Company;

(e) Key management personnel and family members with close relationship with them of the Company;

(f) Other enterprises subject to control and joint control from main investors, key management personnel or family members with close relationship with them of the Company.

(18) Operating subdivision

Operating subdivision of the Company shall be determined based on internal report, and main operation decision makers of the Company shall allocate resources to the subdivision according to regular evaluation of internal report and evaluate the performance of subdivision. The Company shall determine the report subdivision, comprehensively consider the product and service, geographical area, supervision environment and other factors involved when the management organizes the management, add the operating subdivision meeting the conditions and disclose the operating subdivision meeting the quantification limit separately.

The purpose of measurement conducted by the Company on the items of each subdivision is mainly to facilitate main operation decision makers in distributing resources to the subdivision and evaluating the performance of subdivision. When the Company is compiling the subdivision report, the trading revenues among each subdivision shall be measured based on actual trading price. Accounting policies adopted for compiling the subdivision report shall be consistent with those adopted for compiling the financial statement of the Company.

(19) Main accounting estimate and judgment

When compiling the financial statement, the Company' s management needs to conduct estimates and assumptions that will influence the application of accounting policies and amounts of assets, liabilities, revenues and expenses. Actual conditions may differ from these estimates. The Company' s management shall conduct continuous evaluation on key assumptions involved in the estimate and judgment of uncertain factors, and the influence of change of accounting estimates shall be recognized in the current period of change and in the future.

(a) Impairment of loans, accounts receivable and held-to-maturity investment

The Company shall review loans, accounts receivable and held-to-maturity investment to evaluate whether they are impaired and shall evaluate specific amount of impairment loss in case of impairment. The objective evidences of impairment include observable data showing that expected future cash flow of personal loan and accounts receivable and held-to-maturity investment declines significantly, observable data showing that the repayment status of debtor and issuer in the investment combination or the asset default in the combination caused by the change of national or regional economic conditions etc.

The impairment loss amount of loans and accounts receivable evaluated by single way is net reduction amount of present value of expected future cash flow of said loans and accounts receivable. The Company shall evaluate the impairment loss of held-to-maturity investment based on the observable market value of such financial instrument on the evaluation date.

When assessing the impairment loss by combined way, the impairment loss amount shall be determined according to experience reguarding historical loss of assets with credit risk characteristics similar to the above financial assets and shall be adjusted according to observable data reflecting present economic conditions. The management shall review the method and assumption adopted for predicting future cash flow regularly to reduce the difference between anticipated loss and actual loss.

(b) Impairment of financial assets availabe for sale

The Company shall review the inancial assets availabe for sale regularly to evaluate whether impairment appears and shall evaluate specific amount of impairment loss in case of impairment.

The objective evidences of bond investment available for sale include observable data showing that expected future cash flow declines significantly, observable data showing that the repayment status of debtor and issuer in the investment combination or the asset default in the combination caused by the change of national or regional economic conditions etc. The impairment loss of bond investment available for sale is the difference between the acquired loss (offset of principal repayment and amortization) and fair value minus the impairment loss that has been recognized in the profits and losses.

The objective evidences of impairment of investment on stocks available for sale include the fair value of investment that has declined below the cost seriously or nontemporarily. It is needed to make a judgment when deciding whehter the fair value has declined seriously or nontemporarily. The Company will consider the hisitorical record of market fluctuation and historical price of such investment on stocks and performance of industry of the invested entity and its financial situation and other factors when making the judgment.

(c) Classification of held-to-maturity investment

For the non-derivative financial assets with a fixed date of maturity, a fixed or determinable amount of repo price, if the Company can hold them for a definite purpose and the Company is able to hold them until their maturity, they shall be classified as held-to-maturity investment. When evaluating whether a financial asset meets the conditions for being classified as held-to-maturity investment, the management needs to make a significant judgment. If the judgment made by the Company concerning whether it can hold the financial asset for a definite purpose and it is able to hold the financial asset until its maturity, the whole investment combination to which the investment belongs shall be reclassified as available for sale financial assets.

(d) Fair value of finanical instruments

For the fair value of financial instruments transacted in the active market, market price on the day when the valuation is conducted. The market price is from the active market that can provide price information from the exchange or broker' s quotation immediately and frequently, and such price information represents the market transaction that occurs actually and frequently on the basis of fair transaction.

For other financial instruments, the Company adopts the valuation techniques including discounted cash flow model and other valuation models to determine their fair values.

The objective of valuation techniques is to determine a fair value reflecting that the market participant can determine a same fair value on the basis of fair transaction on the reporting day.

(e) Impairment of fixed assets, intangible assets and other assets

The Company shall conduct impairment evaluation on fixed assets, intangible assets and other assets to determine whether recoverable asset amount has declined below its book value. If it is found that the book values of fixed assets, intangible assets and other assets may not be recovered completely according to actual condition, relevant assets shall be regarded as impairment assets and the impairment loss shall be recognized accordingly.

When predicting present value of future cash flow, it is needed to make a significant judgment on such assets, relevant operating cost and discount rate used when calculating present value. The Company will use all relevant data available when estimating recoverable amount, including making a prediction concerning selling price and relevant operation cost according to reasonable and supportable assumption.

(f) Depreciation and amortization of fixed assets, intangible assets and other assets

The Company shall conduct depreciation and amortization for fixed assets and intangible assets within their useful lives, taking their residual values into account. The Company shall review useful lives of relevant assets to determine the amount of depreciation and amortization expenses that will be included in each reporting period. Useful life of asset shall be determined by the Company according to past experience of same kinds of assets combining anticipated techniques. If previous estimates changes significantly, the amount of depreciation and amortization expenses shall be adjusted in the future.

IV. Taxes

Main taxes and tax rates applicable to the Company are as follows:

(1) Business tax

Business tax shall be calculated and paid according to taxable income. The business tax rate is 5%.

(2) Urban maintenance and construction tax

It shall be calculated and paid according to 7% of business tax paid.

(3) Education surcharges

It shall be calculated and paid according to 3% of business tax paid.

(4) Local education surcharges

It shall be calculated and paid according to 2% of business tax paid.

(5) Income tax

The income tax rate applicable to the Company in 2012 is 25% (2011：25%).

V. Cash and due from the Central Bank

	Note	2013	2012
Cash		685,206	716,702
Due from the Central Bank			
Legal deposit reserves	(i)	17,435,543	13,150,609
Excess reserves	(ii)	4,736,608	4,453,335
Fiscal deposits		122,765	115,195
Total		22,980,122	18,435,841

(i) Legal deposit reserves are deposit reserves deposited in the People' s Bank of China by the Company according to regulations. These legal deposit reserves cannot be used for daily business operation of the Company. The deposit ratio of deposit of the Company is as follows on the balance sheet date:

	2013	2012
Deposit ratio of RMB deposit	18.00%	18.00%

(ii) Excess reserves deposited in the People' s Bank of China are mainly used for capital liquidation.

VI. Deposit money of inter-bank and other financial institutio ns

	2013	2012
Conduct an analysis according to the area and type of counterparty.		
In China		
Bank	6,193,624	2,082,082
Other financial institution	2,489	2,485
Total amount	6,196,113	2,084,567
Less: impairment provision	(61)	(61)
Book value	6,196,052	2,084,506

VII. The lending funds

	2013	2012
In China		
Bank	886,000	-
Total amount	886,000	-
Less: impairment provision	-	-
Book value	886,000	-

VIII. Transaction financial asset

	2013	2012
Conduct an analysis according to the issuer.		
Bond investment		
Government	817,410	49,468
Policy bank	1,658,089	1,987,968
Bank and other financial institutions	1,176,744	1,109,290
Enterprise entity	4,338,131	3,557,805
Total	7,990,374	6,704,531

IX. Redemptory monetary capital for sale

(1) Conduct an analysis according to the area and type of counterparty.

	2013	2012
In China		
Bank	4,519,273	-
Other financial institution	2,748,082	2,181,318
Total amount	7,267,355	2,181,318
Less: impairment provision	-	-
Book value	7,267,355	2,181,318

(2) Conduct an analysis according to the category of guaranty.

	2013	2012
Bonds	4,177,082	2,181,318
Directional asset management plan	3,090,273	-
Total amount	7,267,355	2,181,318
Less: impairment provision	-	-
Book value	7,267,355	2,181,318

X. Interest receivable

	2013	2012
Interest on investment receivable	531,897	296,257
Interest on Granted loan and imprest receivable	123,826	94,992
Other	75,614	44,458
Total	**731,337**	**435,707**
Less: impairment provision	(19,397)	(19,397)
Book value	**711,940**	**416,310**

XI. Granted loan and imprest

(1) Conduct an analysis according to the nature.

	2013	2012
Enterprise loan and imprest		
Ordinary loans	43,407,471	32,598,681
Discount loans	4,359,919	7,374,905
Subtotal	**47,767,390**	**39,973,586**
Personal loan and imprest		
Operation loans	8,976,463	4,962,387
Housing loans	3,583,463	3,153,090
Car loans	1,096,798	1,148,966
Consumption loans	1,519,477	921,679
Other	161	1,315
Subtotal	**15,176,362**	**10,187,437**
Total amount	**62,943,752**	**50,161,023**
Less: Reserve for loan loss		
Single allotment amount	(134,975)	(123,127)
Combined allotment amount	(1,272,795)	(884,643)
Book value	**61,535,982**	**49,153,253**

(2) Conduct an analysis according to the industry distribution of client.

	2013		2012	
Company loan	Amount	%	Amount	%
Wholesale and retail	**16,666,521**	**26.48%**	**10,789,647**	**21.51%**
Manufacturing	11,561,790	18.37%	8,851,595	17.65%
Construction industry	5,538,237	8.80%	4,103,964	8.18%
Real estate industry	2,130,033	3.38%	2,663,407	5.31%
Rent and commercial service	1,947,550	3.09%	1,122,778	2.24%
Farming, forest, farming, animal husbandry and fishery	1,156,300	1.84%	1,077,676	2.15%
Mining	986,838	1.57%	874,950	1.75%
Production and supply industry of electricity, gas and water	807,349	1.28%	809,370	1.61%
Accommodation and catering industry	674,110	1.07%	596,901	1.19%
Traffic, storage and postal industry	634,052	1.01%	463,540	0.92%
Education	487,300	0.77%	418,400	0.83%
Other	817,391	1.30%	826,453	1.65%
Subtotal	43,407,471	68.96%	32,598,681	64.99%
Personal loan and imprest	15,176,362	24.11%	10,187,437	20.31%
Discount bills	4,359,919	6.93%	7,374,905	14.70%
Total amount of loan and imprest	**62,943,752**	**100.00%**	**50,161,023**	**100.00%**
Less: Loan loss reserve				
Single allotment amount	(134,975)		(123,127)	
Combined allotment amount	(1,272,795)		(884,643)	
Loan loss reserve	**(1,407,770)**		**(1,007,770)**	
Book value of loan and imprest	**61,535,982**		**49,153,253**	

(3) Conduct an analysis according to the distribution of guarantee method

	2013	2012
Loan on credit	**1,296,006**	**305,631**
Loan on guarantee	**27,260,643**	**19,842,748**
Attached guarantee loan	30,027,184	22,637,739
Among them: mortgage loan	17,031,218	13,592,001
Pledge loan	12,995,966	9,045,738
Subtotal	**58,583,833**	**42,786,118**
Discount	4,359,919	7,374,905
Total amount of loan and imprest	**62,943,752**	**50,161,023**
Less: Loan loss reserve		
Single allotment amount	(134,975)	(123,127)
Combined allotment amount	(1,272,795)	(884,643)
Loan loss reserve	**(1,407,770)**	**(1,007,770)**
Book value of loan and imprest	**61,535,982**	**49,153,253**

(4) Analysis of overdue period of overdue loans

	2013				
	Overdue: Not more than 3 months	Overdue: 3 months to 1 year (including 1 year)	Overdue: 1~3 years (including 3 years)	Overdue: More than 3 years	Total
Loan on credit	29	44	-	-	73
Loan on guarantee	242,004	68,117	-	-	310,121
Attached guarantee loan					
Of which mortgage loan	8,279	225,016	790	84,079	318,164
Pledge loan	321,155	1,880	-	-	323,035
Total	571,467	295,057	790	84,079	951,393

	2012				
	Overdue: Not more than 3 months	Overdue: 3 months to 1 year (including 1 year)	Overdue: 1~3 years (including 3 years)	Overdue: More than 3 years	Total
Loan on credit	15	-	-	-	15
Loan on guarantee	47,422	39,680	200	-	87,302
Attached guarantee loan					
Of which mortgage loan	183,574	132,787	140	83,939	400,440
Pledge loan	118,420	-	-	-	118,420
Total	349,431	172,467	340	83,939	606,177

Overdue loans refer to loans whose all or some principals or interests have been overdue for one day or above.

(5) Evaluation method analysis according to loan loss reserve

	December 31, 2013				
	Evaluation of loans and advances for loss or depreciation reserve as per combination mode(note(i))	Depreciation reserve of impaired loans and advances(note(ii))		Total amount	Percentage of total impaired loans and advances in total loan and advances
		Its loss or depreciation reserve is evaluated as per combination mode	Its loss or depreciation reserve is evaluated as per individual mode		
Book value of loan loss reserve for total loans and advances issued	62,612,934	34,248	296,570	62,943,752	
	(1,262,555)	(10,240)	(134,975)	(1,407,770)	0.53%
	61,350,379	24,008	161,595	61,535,982	

	December 31, 2012				
	Evaluation of loans and advances for loss or depreciation reserve as per combination mode(note(i))	Depreciation reserve of impaired loans and advances(note(ii))		Total amount	Percentage of total impaired loans and advances in total loan and advances
		Its loss or depreciation reserve is evaluated as per combination mode	Its loss or depreciation reserve is evaluated as per individual mode		
Book value of loan loss reserve for total loans and advances issued	49,924,055	4,098	232,870	50,161,023	
	(882,825)	(1,818)	(123,127)	(1,007,770)	0.47%
	49,041,230	2,280	109,743	49,153,253	

(i) Loan and imprest for impairment loss reserve evaluated by combined ways include the granted loan and imprest graded as normal or interest.

The impaired loan and imprest include the loan and imprest which are impairment proved by objective evidence and evaluated by the following methods:

Single evaluation(include company loan and imprest that graded as secondary, doubt or loss); or Combined evaluation, which means loan combination of the same kind(include personal loan and imprest that graded as secondary, doubt or loss).

(6) Change situation of loan loss reserve

	2013			
	Evaluation of loans and advances for loss or depreciation reserve as per combination mode(note(i))	Depreciation reserve of impaired loans and advances(note(i))		Total
		Its loss or depreciation reserve is evaluated as per combination mode	Its loss or depreciation reserve is evaluated as per individual mode	
Balance at the beginning of the year	882,825	1,818	123,127	1,007,770
Allotment amount this year	379,730	8,422	66,058	454,210
Reversal amount this year	-	-	(54,210)	(54,210)
Balance at the end of the year	1,262,555	10,240	134,975	1,407,770

	2012			
	Evaluation of loans and advances for loss or depreciation reserve as per combination mode(note(i))	Depreciation reserve of impaired loans and advances(note(i))		Total
		Its loss or depreciation reserve is evaluated as per combination mode	Its loss or depreciation reserve is evaluated as per individual mode	
Balance at the beginning of the year	585,883	3,439	98,448	687,770
Allotment amount this year	296,942	-	54,209	351,151
Reversal amount this year	-	(1,621)	(29,530)	(31,151)
Balance at the end of the year	882,825	1,818	123,127	1,007,770

(7) Fair value of guaranty

The fair value of overdue but not impairment enterprise’s loan guaranty on the balance sheet date:

	2013	2012
Land, houses or buildings	138,835	108,534
Other assets	-	1,209
Total	**138,835**	**109,743**
Loan balance corresponding to guaranty	**261,714**	**232,870**

The fair value of overdue but not impairment enterprise’s loan guaranty on the balance sheet date:

	2013	2012
Land, houses or buildings	34,163	149,143
Other assets	485,610	23,000
Total	**519,773**	**172,143**
Loan balance corresponding to guaranty	**563,855**	**130,770**

The fair values of above mortgages shall be determined through adjustment made by the management according to the disposal experience of mortgage and current market conditions on the basis of the newest external evaluation value that can be obtained. The mortgages mainly include house, land, building and equity etc.

XII. Saleable financial assets

	2013	2012
Analysis according to issuer		
Bond investment		
Policy bank	45,249	1,908,840
Bank and other financial institutions	162,831	647,246
Enterprise entity	-	19,990
Subtotal	**208,080**	**2,576,076**
Investment on stocks	300,000	300,000
Other	80,000	30,000
Total	**588,080**	**2,906,076**

XIII. Held-to-maturity investment

	2013	2012
Analysis according to issuer		
Bond investment		
government	4,273,600	2,484,534
Policy bank	5,523,260	3,478,364
Bank and other financial institutions	3,437,425	670,393
Enterprise entity	3,496,116	464,244
Total amount	**16,730,401**	**7,097,535**
Less: impairment provision	-	-
Book value	16,730,401	7,097,535
Fair value of held-to-maturity investment	**16,189,339**	**7,210,069**

XIV. Receivables investment

	Notes	2013	2012
Trust plan	(i)	18,136,900	11,000,700
Directional asset management plan		3,848,000	1,388,500
Financing lease usufruct		412,500	550,000
Financial products		30,000	250,000
Total amount		**22,427,400**	**13,189,200**
Less: impairment provision		(15,897)	(15,897)
Book value		**22,411,503**	**13,173,303**

(i) Conduct an analysis according to industry distribution of investment direction of trust plan:

	2013		2012	
	Amount	%	Amount	%
Investment direction of trust plan				
Water conservancy, environment and public facility management	4,059,000	22.39%	4,406,700	40.06%
Traffic, storage and postal industry	3,436,000	18.95%	3,060,000	27.82%
Real estate industry	2,740,000	15.11%	1,250,000	11.36%
Construction industry	2,104,000	11.60%	990,000	9.00%
Mining industry	1,800,000	9.92%	-	-
Wholesale and retail industry	1,576,700	8.69%	-	-
Manufacturing industry	1,228,200	6.77%	-	-
Agriculture, forestry, animal husbandry and fishery industry	454,000	2.50%	-	-
Rent and commercial service	307,000	1.69%	290,000	2.64%
Other industries	432,000	2.38%	1,004,000	9.12%
Total	**18,136,900**	**100.00%**	**11,000,700**	**100.00%**

(i) Analysis according to industry distribution of investment direction of trust plan:

	2013	2012
Credit	500,000	439,700
Guarantee	8,897,000	6,577,000
Attached guaranty		
In which: Mortgage	5,392,000	3,090,000
Pledge	3,347,900	894,000
Total	**18,136,900**	**11,000,700**

XV. Long-term investment on stocks

	Note	2013	2012
Investment on associated companies	(1)/(2)	119,161	83,100
Others		8,400	8,400
Subtotal		**127,561**	**91,500**
Less: impairment provision		-	-
Total		**127,561**	**91,500**

(i) The Company conducted an investment analysis on the associated companies on Dec. 31, 2013 as follows:

	2013	2012
Zhongmou Village Bank of Bank of Zhengzhou	79,166	45,015
Xinmi Village Bank of Bank of Zhengzhou	20,840	20,066
Yanling Village Bank of Bank of Zhengzhou	19,155	18,019
Subtotal	119,161	83,100
Less: impairment provision	-	-
Total	**119,161**	**83,100**

(ii) Basic conditions of associated companies in the analysis conducted by the Company on Dec. 31, 2013 are as follows:

					Unit: RMB/10,000Yuan
Name of invested entity	Registration place	Nature of business	Registered capital	The Company´s proportion of shares	Proportion of the Company´s voting power in the invested entity
Zhongmu Zhengyin village bank	Zhongmou, Henan	Commercial Bank	130,000	20%	20%
Xinmi Zhengyin village bank	Xinmi, Henan	Commercial Bank	100,000	20%	20%
Yanling Zhengyin village bank	Yanling, Henan	Commercial Bank	60,000	30%	30%

The main financial information of the joint venture enterprises are as follows:

				Unit: RMB/10,000Yuan
Name of enterprise	End of the year Total assets	End of the year Total liabilities	This year Business receipt	This year Net profit
Zhongmu Zhengyin village bank	4,623,851	4,228,027	339,038	170,751
Xinmi Zhengyin village bank	737,660	633,459	27,044	3,584
Yanling Zhengyin village bank	187,334	123,482	11,247	3,872

XVI.Fixed assets

	House and building	Electronic equipment	Transport means	Machine equipment and others	construction in process	Total
Cost						
Jan. 1, 2013	732,349	191,793	13,350	83,814	-	1,021,306
Increase in this year	54,488	61,566	1,068	23,624	106,100	246,846
Decrease in this year	(1,899)	(9,404)	(120)	(2,079)	-	(13,502)
December 31, 2013	784,938	243,955	14,298	105,359	106,100	1,254,650
Less: accumulated depreciation						
Jan. 1, 2013	(129,655)	(100,699)	(7,563)	(40,198)	-	(278,115)
This year.	(17,594)	(27,561)	(1,710)	(12,357)	-	(59,222)
Depreciation charge-off	1,754	8,932	114	1,952	-	12,752

XVI.Fixed assets

	House and building	Electronic equipment	Transport means	Machine equipment and others	construction in process	Total
Cost						
December 31, 2013	(145,495)	(119,328)	(9,159)	(50,603)	-	(324,585)
Less: impairment provision						
Jan. 1, 2013	(2,015)	(1,893)	-	(756)	-	(4,664)
This reversal	660	-	-	-	-	660
December 31, 2012	(1,355)	(1,893)	-	(756)	-	(4,004)
Book value						
Jan. 1, 2013	600,679	89,201	5,787	42,860	-	738,527
December 31, 2013	638,088	122,734	5,139	54,000	106,100	926,061

On Dec. 31, 2013, the property right of house and building with a book value of RMB 1.06810 billion Yuan (on Dec. 31, 2012: RMB 0. 53126 billion Yuan) included in the fixed assets of the Company was still being handled. The management of the Company predicts that significant cost won' t arise from the handling of property right.

XVII. Intangible assets

	Land use rights	Software	Total
Cost			
Jan. 1, 2013	29,385	30,839	60,224
Increase in this year	-	19,280	19,280
December 31, 2013	29,385	50,119	79,504
Less: accumulated amortization			
Jan. 1, 2013	(10,798)	(5,662)	(16,460)
This year.	(479)	(7,574)	(8,053)
December 31, 2013	(11,277)	(13,236)	(24,513)
Less: impairment provision			
Jan. 1, 2013	(145)	-	(145)
December 31, 2013	(145)	-	(145)
Book value			
Jan. 1, 2013	18,442	25,177	43,619
December 31, 2013	17,963	36,883	54,846

XVIII. Deferred income tax assets

(1) Analysis according to the nature of asset

	2013		2012	
	Deductible/(taxable) temporary differences	Deferred income tax assets	eductible/(taxable) temporary differences	Deferred income tax assets
Deferred income tax assets				
Asset impairment provision	821,620	205,405	567,116	141,779
Salary payable	189,037	47,259	171,155	42,789
Variable loss and profit of fair values	(10,368)	(2,592)	(82,536)	(20,634)
Estimated Liabilities	5,000	1,250	10,652	2,663
Total	**1,005,289**	**251,322**	**666,387**	**166,597**

(2) Change of deferred income tax

	Asset impairment provision Note(I)	Salary payable Note(II)	Variable loss and profit of fair values Note(III)	Estimated Liabilities	Total
Jan. 1, 2013	141,779	42,789	(20,634)	2,663	166,597
Included in the profits and losses of the current period	63,626	4,796	5,472	(1,413)	72,481
Included in other consolidated incomes	-	(326)	12,570	-	12,244
December 31, 2013	**205,405**	**47,259**	**(2,592)**	**1,250**	**251,322**

Note:

(i) The Company shall make loan loss reserves according to Accounting Standards for Enterprises. The reserves for loan impairment loss are determined according to estimated recoverable amount of relevant assets on the balance sheet date. However, the impairment loss amount that can be used as pre-tax deduction refers to 1% of total book value of relevant asset conforming to Income Tax Law of PRC and written-off amount of asset loss conforming to the write off standard and approved by tax authorities. The difference between them is taken as deductible temporary difference to recognize the deferred income tax asset.

(ii) Retirement benefits shall be disbursed from pre-tax income during actual payment, and the amount withdrawn from the profits and losses of the current period and other consolidated incomes listed in the salary payable shall be taken as deductible temporary difference to recognize deferred tax asset.

(iii) For unrealized profits and losses of available for sale financial assets incurred by the change of fair value, the income tax shall be levied when they are realized.

(iv) On Dec. 31, 2013, there was not any significant unrecognized deferred income tax assets in the Company (2012: none).

XIX. Other assets

	2013	2012
Advance payment for purchase of fixed assets	542,210	338,097
Long-term deferred expenses	53,302	32,503
Case compensation receivable	28,971	28,971
Payables to affiliated companies	11,274	86,274
term fees to be	10,497	7,145
Accounts receivable for liquidation of fixed assets	697	33,716
Other account receivable	**33,518**	**30,494**
Total amount	**680,469**	**557,200**
Less: impairment provision	(3,784)	(16,103)
Book value	676,685	541,097

XX. Statement of changes in impairment provision of assets

		2013					
		Book balance at the beginning of year	Allotment amount this year	Reversal amount this year	Amount transferred in/out this year	Amount written off this year	Book balance at the end of year
Deposit money of inter-bank and other financial institutions	6	61	-	-	-	-	61
Interest receivable	10	19,397	-	-	-	-	19,397
Granted loan and imprest	11	1,007,770	454,210	(54,210)	-	-	1,407,770
Receivables investment	14	15,897	-	-	-	-	15,897
Fixed assets	16	4,664	-	-	(660)	-	4,004
Intangible assets	17	145	-	-	-	-	145
Other account receivable	19	16,103	-	-	(12,319)	-	3,784
Total		**1,064,037**	**454,210**	**(54,210)**	**(12,979)**	**-**	**1,451,058**

		2012					
		Book balance at the beginning of year	Allotment amount this year	Reversal amount this year	Amount transferred in/out this year	Amount written off this year	Book balance at the end of year
Deposit money of inter-bank and other financial institutions	6	61	-	-	-	-	61
Interest receivable	10	19,649	-	(252)	-	-	19,397
Granted loan and imprest	11	687,770	351,151	(31,151)	-	-	1,007,770
Receivables investment	14	3,510	12,387	-	-	-	15,897
Fixed assets	16	4,664	-	-	-	-	4,664
Intangible assets	17	145	-	-	-	-	145
Other account receivable	19	20,138	-	(4,035)	-	-	16,103
Total		**735,937**	**363,538**	**(35,438)**	**-**	**-**	**1,064,037**

XXI. Loan from the Central Bank

	2013	2012
Loan from the Central Bank	175,010	-

XXII. Same trade and other financial institution deposit fund

	2013	2012
China inland		
Bank	13,802,810	7,686,755
Other financial institution	409,929	241,055
Total	**14,212,739**	**7,927,810**

XXIII. Borrowing from banks

	2013	2012
China inland		
Bank	2,000,000	200,000
Total	**2,000,000**	**200,000**

XXIV. Financial assets sold for buy-back

(1) Conduct an analysis according to the area and type of counterparty:

	2013	2012
China inland		
Bank	12,890,141	11,128,308
Other financial institution	600,000	200,000
Total	**13,490,141**	**11,328,308**

(2) Conduct an analysis according to the category of guaranty.

	2013	2012
Bond	13,490,141	11,082,400
Bill	-	245,908
Total	**13,490,141**	**11,328,308**

XXV. Accepted money deposits

Conduct an analysis according to the nature of deposit.

	2013	2012
Current deposit		
Company client	41,820,826	34,875,121
Personal client	10,311,432	7,938,611
Subtotal of current deposit	**52,132,258**	**42,813,732**
Fixed deposit		
Company client	28,002,487	18,731,010
Personal client	19,513,719	12,983,298
Subtotal of fixed deposit	**47,516,206**	**31,714,308**
Structural deposit	2,391,000	-
Remittances remitted and outstanding	53,197	117,251
Fiscal deposit to be settled	4,142	9,178
Total	**102,096,803**	**74,654,469**
Inc.:		
Security deposit		
Acceptance bill security deposit	10,939,845	9,351,220
Guarantee bond	1,474,699	1,145,125
Marginal deposit	648,800	-
Other	451,655	410,851
Total marginal deposit	**13,514,999**	**10,907,196**

XXVI. Employee payment payable

	Note	Jan. 1, 2013	Withdrawal amount this year	Decreased amount this year	December 31, 2013
Salary, award,					
allowance and subsidy		15,472	319,271	(316,170)	18,573
Welfare for workers and staff		-	60,108	(60,093)	15
Social insurance premiums and					
housing provident fund		13	84,447	(83,010)	1,450
Employee education expenses		270	8,668	(10,464)	(1,526)
Labor union expenditure		4,305	6,924	(4,999)	6,230

	Note	Jan. 1, 2013	Withdrawal amount this year	Decreased amount this year	December 31, 2013
Enterprise annuity		-	18,189	(18,189)	
supplementary medical insurance		-	13,050	(13,050)	
Supplement retirement benefits	(i)	171,155	44,805	(26,923)	189,037
Other		-	7,746	(7,746)	-
Total		**191,215**	**563,208**	**(540,644)**	**213,779**

(i) Supplementary retirement benefit

The Company pays the supplement retirement benefits of designated benefits to the qualified employees who retire and retire early. The employees who can enjoy such benefits include in-serviceemployees, retirees and early retirees.

XXVII. Tax payable

	2013	2012
Income tax payable	237,341	90,387
Business tax and additional tax payable	62,038	44,276
Other	3,284	3,696
Total	**302,663**	**138,359**

XXVIII. Interest payable

	2013	2012
Interest payable of accepted money deposits	975,153	540,826
bond interest payable	144,744	-
Interest payable of inter-bank deposit and borrowings from banks	110,533	28,258
Interest payable of financial assets sold for buy-back	9,198	38,869
Total	**1,239,628**	**607,953**

XXIX. Estimated Liabilities

Unit: RMB/10,000Yuan

	Balance at the beginning of the year	Increase for this year	Repayment for this year	Reversal for this year	Balance at the end of the year
Pending action	10,652	-	-	(5,652)	5,000
Total	**10,652**	**-**	**-**	**(5,652)**	**5,000**

XXX. Pending litigation

	2013	2012
Subordinated bonds	690,000	690,000
Financial bond	5,000,000	-
Total	**5,690,000**	**690,000**

The Company issued subordinated bonds with a 10-year fixed interest rate of RMB 0.69 billion Yuan on Dec. 31, 2009, and the coupon rate of the first five interest-bearing years is 6.5%; if the Company does not execute redemption right, the coupon rate will be increased to 9.5% from the sixth interest-bearing year to the maturity date of bond. On Dec. 31, 2013, the fair value of subordinated bonds was RMB 0.68443 billion Yuan (on Dec. 31, 2012: RMB 0.69713 billion Yuan).

The Company issued fixed interest rate bonds with the book value of RMB 5 billion Yuan on May. 16, 2013, the details are as follows:

(a) Financial bonds with a 3-year fixed interest rate in 2013, with the book value of RMB 2.4 billion Yuan and annual coupon rate 4.58%, and the interest shall be paid once a year. The fair value of these bonds on Dec. 31, 2013 is about RMB 2.3 billion Yuan.

(b) Financial bonds with a 5-year fixed interest rate in 2013, with the book value of RMB 2.6 billion Yuan and annual coupon rate 4.80%, and the interest shall be paid once a year. The fair value of these bonds on Dec. 31, 2013 is about RMB 2.427 billion Yuan.

XXXI. Other liabilities

	Notes	2013	2012
Account payable of agency business		76,803	67,490
Account which is not withdrawn after suspended for a long term		74,775	70,129
Accounts payable of affiliated company		64,285	64,285
Dividend payable	(i)	14,764	14,764
Housing raised funds payable		14,670	14,670
Project funds payable		12,740	12,414
Other		114,018	70,146
Total		**372,055**	**313,898**

(i) The balance of dividend payable refers to the dividend which has been declared at the early stage but have not been drawn by the shareholders.

XXXIICapital stock

The structure of capital stock on the balance sheet date shall be as follows:

	2013	2012
Corporative share	3,882,612	3,882,812
Personal shares	59,320	59,120
Total	**3,941,932**	**3,941,932**

XXXIII. Capital reserve

	Premium on capital stock	Change of fair value of financial assets available for sale	Actuarial gains /(losses)	Other	Total
Jan. 1, 2013	35,654	32,827	(18,550)	64,674	114,605
Change of fair value of financial assets available for sale financial assets	-	(50,281)	-	-	(50,281)
Actuarial loss	-	-	1,304	-	1,304
nfluence of deferred income tax caused by the above change	-	12,570	(326)	-	12,244
December 31, 2013	35,654	(4,884)	(17,572)	64,674	77,872

XXXIV. surplus reserve

	2013			
	Balance at the beginning of the year	Allotment in this year	Decrease in this year	Balance at the end of the year
Legal surplus reserve	417,395	190,185	-	607,580
Other surplus reserve	48,197	-	-	48,197
Total	**465,592**	**190,185**	**-**	**655,777**

The Company should withdraw legal earned surplus reserve according to 10% of net profit. The Company can stop withdrawing the legal earned surplus reserve when its accumulated amount reaches 50% of registered capital. After the Company withdraws the legal earned surplus reserve, it can withdraw discretional surplus reserve from net profit upon the approval of shareholders' meeting..

The legal earned surplus reserve can be used to compensate the loss (if any) or transferred registered capital of previous years. However, when the legal earned surplus reserve is transferred to capital, the retained balance of said reserve shall not be less than 25% of registered capital before transfer.

XXXV. General risk reserves

	2013	2012
On Jan. 1	1,033,200	553,200
Withdrawal general risk reserves	590,000	480,000
On Dec. 31	1,623,200	1,033,200

According to relevant provisions of Ministry of Finance, the Company shall withdraw general risk reserve through the after-tax profits according to certain proportion of asset balance of risk and loss undertaken by it at the end of each year to compensate possible loss not identified yet. Since Jul. 1, 2012, the balance of general risk reserve should not be lower than 1.5% of balance at the end of risk asset period within a transition period of 5 years. The Company will meet the above requirements in the above transition period gradually.

XXXVI. Distribution of profits

(1) Withdrawal of profits this year and distribution of profits other than the dividend declared

	2013	2012
Withdrawal: Legal earned surplus reserve	190,185	146,030
General risk reserves	590,000	480,000
Total	**780,185**	**626,030**

According to the approval of the board of directors on Mar. 3, 2014, the legal earned surplus reserve withdrawn by the Company is about RMB 190.19 million Yuan, and general risk reserves is RMB 590 million Yuan.

(2) Dividend proposed to be distributed after the balance sheet date

On Mar. 3, 2013, the board of directors passed the profit distribution plan through review, suggesting that taking the total equity until Dec. 31, 2013, namely RMB 3.94193 billion shares as basis, totally distribute cash dividends of RMB 591.29 million Yuan, RMB 0.15 Yuan per share. The above mentioned dividend distribution shall be issued to the shareholders of the Company after being reviewed and passed by the annual shareholder' s meeting, and that shall not be determined as liability on the balance sheet date.

XXXVII. Net income from interest

	2013	2012
Interest income is from:		
Due from the Central Bank	256,197	188,932
Deposit money of inter-bank and other financial institutions	143,343	20,362
Funds for inter-bank lending	21,511	758
Granted loan and imprest		
Company loan and imprest	2,790,430	2,131,931
Personal loan and imprest	851,281	739,360
Discount bills	428,355	305,172
Import and Export documentary bills	18,063	-
Investment	2,334,962	1,358,785
Redemptory monetary capital for sale	76,878	29,042
Subtotal of interest income	**6,921,020**	**4,774,342**

	2013	2012
Interest expense is from:		
Loan from the Central Bank	(6,046)	(1,806)
Same trade and other financial institution deposit fund	(506,592)	(212,724)
Borrowing from banks	(35,269)	(355)
Financial assets sold for buy-back	(428,614)	(254,858)
Accepted money deposits	(1,652,709)	(1,069,859)
Bond payable	(189,594)	(44,850)
Subtotal of interest expense	(2,818,824)	(1,584,452)
Net income from interest	**4,102,196**	**3,189,890**

XXXVIII. Net income from handling charges and commission fee

	2013	2012
Net income from handling charges and commission fee		
From agency handling charges	85,920	27,743
From guarantee handling charges	49,415	19,316
From bank card handling charges	22,356	13,423
From handling charges of securities underwriting business	16,702	8,528
From advisory consultancy service handling charges	16,270	3,652
From settlement handling charges	3,544	1,893
From commission handling charges	2,601	690
Other	1,239	327
Subtotal of handling charges and commission income	**198,047**	**75,572**
Handling charges and commission income	**(35,828)**	**(13,297)**
Net income from handling charges and commission income	**162,219**	**62,275**

XXXIX. Investment yields

	2013	2012
Transaction monetary asset	(60,458)	14,401
Financial assets available for sale	26,435	(1,774)
Long-term investment on stocks	36,380	14,892
Total	**2,357**	**27,519**

XL. Add change of fair value assets

	2013	2012
Transaction monetary asset	(21,885)	13,319
Total	**(21,885)**	**13,319**

XLI. Business tax and surcharges

	2013	2012
Business tax	208,519	147,187
Urban maintenance and construction tax	14,596	10,303
Additional education fees	10,426	7,359
Total	**233,541**	**164,849**

XLII. Business and administration expense

	2013	2012
Payroll Salary expenses incurred		
Salary, award, allowance and subsidy	319,271	236,956
Social insurance premiums and housing provident fund	84,447	67,683
Welfare for workers and staff	60,108	38,992
Employee education expenses	8,668	6,525
Labor union expenditure	6,924	5,220
Supplementary retirement benefit	46,109	62,866
Enterprise annuity	18,189	-
supplementary medical insurance	13,050	-
Other	7,746	4,627
Subtotal	**564,512**	**422,869**
Property and equipment expenditure		
Depreciation and amortization charges	83,613	66,953
Maintenance expense	47,371	34,104
Operation expenditure of electronic equipment	45,004	36,610
Rental charge	41,994	29,776
Low-value consumables	11,780	16,356
Subtotal	**229,762**	**183,799**
Other general and administrative expenses	351,906	320,147
Total	**1,146,180**	**926,815**

XLIII. Loss from asset impairment

	2013	2012
Loss from asset impairment		
Granted loan and imprest	400,000	320,000
Receivables investment	-	12,387
Other	-	(4,287)
Total	**400,000**	**328,100**

XLIV. Income tax expense

(1) Income tax expense

	2013	2012
Current income tax	672,495	510,766
Deferred income tax	(72,481)	(48,263)
Final settlement difference for previous years	5,627	-
Total	**605,641**	**462,503**

(2) The relathionship between income tax expense and accounting profit is as follows:

	2013	2012
Pre-tax profits	2,507,491	1,922,803
Statutory tax rate	25%	25%
Expected income tax calculated according to statutory tax rate	626,873	480,701
Final settlement difference for previous years	5,627	-
Influence of income tax that cannot be used as tax to deduct the expenditure		
Business reception expenses	2,914	2,496
Welfare for workers and staff	3,003	613
Other	25	7,438
Influence of income tax of non-taxable income items		
Interest income of national debt	(23,706)	(25,022)
Other	(9,095)	(3,723)
Income tax expense	**605,641**	**462,503**

XLV. Other consolidated income

	2013	2012
Change of fair value of available-for-sale financial assets		
The change of fair value included in:		
Other consolidated(loss)/income	(13,332)	25,536
rolled out to current profit and loss because of disposition	(36,949)	(13,247)
Influence of fir value change on income tax	12,570	(3,072)
Actuarial loss	1,304	(11,404)
Influence of income tax caused by actuarial loss	(326)	2,851
Total	(36,733)	664

XLVI. Supplementary material of statement of cash flow

(1) Adjust net profit to be cash flow of operating activity:

	2013	2012
Net profits	1,901,850	1,460,300
Plus: Loan impairment loss	400,000	320,000
Other impairment losses	-	8,100
Depreciation of fixed assets and amortization of intangible assets and long-term deferred expense	83,613	66,953
Investment income	(2,357)	(27,519)
Income/loss caused by fair value change	21,885	(13,319)
Disposal of net losses of fixed assets, intangible assets and other assets	(3,672)	976
Increase/decrease of deferred income tax assets	(72,481)	(48,263)
Reversal of expected liabilities	(5,652)	(37,676)
Bond interest income	(1,816,074)	(1,358,785)
Interest expenditure of issued bond	189,594	44,850
Increase of operating items receivable	(27,575,575)	(22,266,343)
Increase of operational item payable	38,597,040	31,434,270
Net amount of cash flow incurred by the operating activity	**11,718,171**	**9,583,544**

(2) Net change of cash and cash equivalent:

	2013	2012
Cash and cash equivalent	7,619,865	6,305,543
Less: Balance of cash and cash equivalent at the beginning of year	6,305,543	2,892,002
Increased amount of cash and cash equivalent	1,314,322	3,413,541

(3) The analysis of cash and cash equivalent is as follows:

	2013	2012
Cash in treasury	685,206	716,702
Excess deposit reserves deposited in Central Bank	4,736,608	4,453,335
Deposit money of inter-bank and other financial institutions due within three months after the date of acquisition	1,272,051	1,035,506
Borrowing from inter-bank and other financial institutions due within three months after the date of acquisition	776,000	-
Bond investment due within three months after the date of acquisition	150,000	100,000
Subtotal	**6,934,659**	**5,588,841**
Total	**7,619,865**	**6,305,543**

XLVII. Capital adequacy ratio

The capital management of the Company includes the management of capital adequacy ratio, financing management and economic capital management.

Capital adequacy ratio management is the core of the capital management of the Company. The Company calculates its capital adequacy ratio, which reflects the ability of prudent operation and risk defense according to the regulation of China Banking Regulatory Commission. The target of capital adequacy ratio management of the Company is to determine the capital adequacy ratio target by referencing the capital adequacy ratio level of the inter-bank and combining the operation situation of the Company according to the actual risk situation, provided that it meets the legal supervision requirements.

The Company predicts, plans and manages its capital adequacy ratio by adopting the methods such as scenario simulation or pressure test according to strategy development planning, business expansion situation, risk change trend and other factors. The Company summits the required information to China Banking Regulatory Commission quarterly, annually and every half-year.

From Jan. 1, 2013, the Company calculated its capital adequacy ratio according to the requirements of Commercial Bank' s Capital Management Approach (trial) of China Banking Regulatory Commission and other regulations.

The capital of the Company includes core tier 1 capital, other tier 1 capital and tier 2 capital.

The on-balance sheet weighted risk assets are calculated by adopting different risk weight, which is determined according to the credit of each asset and the transaction opponent, market situation and other relevant risks, as well as the influence of qualified mortgage and guarantee. Off-balance sheet exposure is calculated by adopting the same method and making proper adjustment against the characteristics of its loss contingency.

By Dec. 31, 2012, the Company calculated its capital adequacy ratio according to the Measures for the Management of Capital Adequacy Ratios of Commercial Banks of China Banking Regulatory Commission and other regulations.

The capital adequacy ratio and other data are calculated on the basis of the financial statement which is compiled by according to China accounting standard. During the repost period, the Company is in compliance with the capital requirement specified by the China Banking Regulatory Commission.

The adequacy ratio of core tier 1 capital, tier 1 capital adequacy ratio, and capital adequacy ratio that calculated by according to the Commercial Bank' s Capital Management Approach (trial) of China Banking Regulatory Commission and other regulations are as follows:

	Dec. 31, 2012
Core tier 1 capital	
Paid-in capital	3,941,932
Part that can be included in capital reserve	77,872
Surplus reserves	655,777
General risk reserve	1,623,200
Undistributed profit	3,237,685
Part that can be included in minority shareholder capital	-
Subtotal	**9,536,466**
Adjusted items of core tier 1 capital	
Core tier 1 capital investment on the controlled financial institutions	(119,161)
Other intangible assets(excluding land use right)	(36,883)
Subtotal	**(156,044)**
Net core tier 1 capital	9,380,422
Other tier 1 capital	-
Net tier 1 capital	9,380,422
Tier 2 capital	
Part that can be included in the tier 2 capital and premium	621,000
Excessive loan loss reserves	1,016,678
Part that can be included in minority shareholder capital	-
Subtotal	**1,637,678**
Total net capital	11,018,100
Total risk-weighted asset	91,208,047
Adequacy ratio of core tier 1 capital	10.28%
Tier 1 capital adequacy ratio	10.28%
Capital adequacy ratio	**12.08%**

The core capital adequacy ratio and capital adequacy ratio on Dec. 31, 2012 that calculated by according to the Management of Capital Adequacy Ratios of Commercial Banks of China Banking Regulatory Commission and other regulations are as follows:

	2012年12月31日
The core capital adequacy ratio	12.79%
Capital adequacy ratio	15.26%

XLVIII. Relationship and trade of related parties

(1) Relationship of related parties

Related parties with control relationship do not exist in the Company. The legal person related parties of the Company are mainly shareholders who dispatch director in the Company and exert a great influence on the Company and the enterprises under control or joint control of said shareholders.

Shareholders holding 5% of shares and more than 5% of shares of the Companyx include:

	2013 Shareholding ratio	2012 Shareholding ratio
Zhengzhou Bureau of Finance	12.45%	12.45%
Yutai International Real Estate Development Co., Ltd.	6.65%	6.65%
Henan Xingye Real Estate Development Co., Ltd.	6.34%	6.34%
Zhengzhou Investment Holdings Limited	5.96%	5.96%
Henan Chendong Industry Co., Ltd.	5.73%	5.73%
Zhongyuan Trust Co., Ltd.	5.20%	5.20%

(2) PayrollSalary of key management personnel

Key management personnel of the Company refer to personnel who have right and responsibility of planning, directing and controlling the Company' s activities, including director, supervisor and the Company' s senior executives.

	2013	2012
Key management personnel remuneration	20,636	11,645

(3) Related-party transactions other than payrollsalary of key management personnel

Amount of profits and losses for trade between the Company and the related party of current year are as follows:

	Notes	2013	2012
Interests income		511,481	593,052
Non-operating income	(i)	1,964	241,540
Interests expense		3,921	4,864

(i) According to the spirit of ZZH[2005] No.71 document issued by the People' s Government of Zhengzhou City, State-owned Assets Supervision and Administration Commission of the People' s Government of Zhengzhou City transferred the total assets of RMB 6.28214 billion Yuan of Zhengzhou International Exhibition Center and Henan scenic spots of Zhengzhou to Zhengzhou Shangdu Assets Investment Management Co., Ltd (hereinafter called as Shangdu Company), used for exchanging the bad assets with same amount of the Company by Shangdu Company, and made an agreement to redeem the above assets not later than Dec. 31, 2015. In 2008, according to asset reorganization plan, Shangdu Company redeemed the assets of Henan scenic spots of Zhengzhou with a price of RMB 1.5 billion Yuan and other accumulated amount was decreased by RMB 0.46892 billion Yuan; meanwhile, Shangdu Company handled transfer procedures for Zhengzhou International Exhibition Center. In 2011, Zhengzhou Bureau of Finance, the redemption assignee of Shangdu Company redeemed the replaced assets of Zhengzhou International Exhibition Center with RMB 4.31322 billion Yuan. The Company has finished the transfer procedure in 2012 and paid related taxes of RMB 0.24154 billion Yuan, Zhengzhou Bureau of Finance returned related taxes, and the Company included the above money in non-operating expenditure and non-operating income of 2012 respectively.

The balance of trade with related parties on the balance sheet date is shown below:

	2013	2012
Asset item		
Deposit money of inter-bank and other financial instiutions	110,000	-
Receivables investment	6,850,000	8,085,700
Total granted loan and imprest	39,529	26,535
Interest receivable	252	27,285
Amount of affiliated company receivable	11,274	86,274
Total	**7,011,055**	**8,225,794**
Liability item		
Same trade and other financial institution deposit fund	1,360,028	208,650
Accepted money deposits	357,497	218,860
Interests payable	3,273	124
Amount of affiliated company payable	64,285	64,285
Total	**1,785,083**	**491,919**

The above trade with related parties shall be conducted according to general commercial terms and conditions or related agreements.

XLIX. Segment reporting

The Company shall divide the business into different groups according to regions to manage the business. The Company determined reporting subdivisions in Zhengzhou, Nanyang and Xinxiang on the basis of reginonal subdivision. Becuase the Compay's business is mainly in Zhengzhou, the disclosure of its subdivision performance evaluation does not have a great reference significance.

L. Agency trade

(a) Entrusted loan business

The Company shall provide entrusted loan service for the enterprise and individual. All entrusted loans are granted as per the instruction of these enterprises and individuals and all the funds used for granting these loans are from the entrusted funds of these enterprises and individuals.

The Company does not bear credit risks of related entrusted assets and liabilities business. The Company holds and manages these assets and liabilities according to the client' s instructions and collects handling charges of service provided.

The entrusted assets are not recognized in the balance sheet because they do not belong to the Company' s assets. The excess entrusted funds shall be entered in the account book as other liabilities. The revenues obtained for providing related service shall be recognized in the handling charges in the profit statement.

Entrusted assets and liabilities on the balance sheet date are shown below:

	2013	2012
Entrusted loans	4,010,688	2,524,373
Entrusted assets	4,010,688	2,524,373

(b) Financing service

Financing business of the Company mainly refers to that the Company sells the financing product to the enterprise or individual to raise money for investing in national debt, bills of People' s Bank of China, bonds of policy bank, financial bond of commercial bank, enterprise bond, equity pledge trust plan, trust plan, bond buy-back, deposit money of inter-bank and borrowings from banks and other types of investment. Credit risk, liquidity risk and interest rate risk related to financing products shall be borne by the investor. The revenues of the Company obtained from said business mainly include the handling charges of sale and investment management of financing product.

Financing products and money raised are not assets and liabilities of the Company, which won' t be recognized in the balance sheet. Money raised from the financing business client shall be disposed as client money payable before the investment and recorded as accepted money deposits.

Assets and liabilities related to financing business on the balance sheet date are shown below:

	2013	2012
Investment of financing service	1,890,870	1,211,350
Funds obtained from the financing service	1,890,870	1,211,350

LI.Risk Control

The Company faces the following main risks when using financial instruments: Credit risk, interest risk, foreign exchange risk, liquidity risk and operation risk. The Company will mainly describe the above risk exposures and causes of their formation, risk management objective, policy and process and risk measurement method in the following contents.

The purpose of the Company to conduct risk management is to obtain appropriate balance between the risk and income and try to reduce the adverse effect of financial risk on the financial performance of the Company. Based on such risk management objective, the Company develops policies and procedures to identify and analyze the above risks, defines appropriate risk limit and control mechanism, and monitor these risks and limits by the management information system.

(1) Credit risk

Credit risk refers to the risk that is caused by a debtor or counterparty to the Company by failing to perform the obligations or undertaking to the Company as agreed in the contract. Credit risk is mainly from the loan combination, investment combination and various types of guarantees of the Company.

Credit businss

The credit risk management of the Company includes pre-loan investigation of credit business, credit approval, management after loan and other flows and processes. Through the pre-loan investigation, the client manager evaluates the credit risk and loan item income of borrower and develops evaluation report; through the credit approval, the credit business shall be approved by the eligible approver; through the management after loan, the Company takes preventative measures and controls the risk for the events that may have significant impact on the repayment ability of the borrower. To reduce the risk, the Company requires the borrower to provide mortgage or other mortgages.

The Company adopts loan risk classification method to monitor the status of loan portfolio risk. The loan can be classified into 5 categories according to risk level, namely normal, interest, secondary, doubt and loss. The last three categories are regarded as impaired loan and imprest and are defined as impaired loan and imprest if one or more events occur showing that objective impairment evidence exists and loss may be caused. The Provisions for impairment loss of impaired loan and imprest shall be evaluated by the single or combined way as appropriate.

Main definitions of the above 5 categories of loan and impreset classified by the Company are as follows:

Norma	The borrower can execute the contract; there is no reason to doubt that the loan principals and interests cannot be repaid fully on time.
Interest	Although the borrower is capable of repaying the loan principals and interests presently, there are some factors having adverse effect on repayment.
Secondary	The repayment ability of the borrower has obvious problems, the loan principals and interests cannot be repaid fully through its normal business income completely, and some losses may be caused even if the guarantee is executed.
Doubt	Doubt-The borrower cannot repay the loan principals and interests fully and greater losses will be caused undoubtedly even if the guarantee is executed.
Loss	The principals and interests cannot be recovered yet or very few of them can be recovered after all possible measures or all necessary legal procedures are taken.

The Company determines the category of loan based on a series of factors. The classification factors of loan include: (i) Repayment ability of the borrower; (ii) Repayment history of the borrower; (iii) Repayment willingness of the borrower; (iv) Net value obtained from selling the mortgage; (v) Economic outlook of the guarantor. The Company will consider the time of overdue repayment of loan principals and interests simultaneously.

Capital business

The Company sets the credit limit according to transaction product, counterparty and geographic region of counterparty, conduct real-time monitoring on the using condition of credit limit through the system and reviews and upgrades the credit limit regularly.

Besides bonds and other money market products, the Company also invests in the financing products of policy banks and other commercial bank. Before making an investment decision, the Company will evaluate the management capabilities of issuer of financing products and credit risk of investment object itself.

Moreover, the Company also invests in the trust products designed and sold by the trust company. Before making an investment decision, the Company will evaluate the management capabilities of issuer of trust products and credit risk of investment object itself.

The largest credit risk exposure borne by the Company is the book value of each financial asset in the balance sheet and the contract amount of credit commitment. Besides the credit commitment made by the Company as described in note 53(1), the Company does not provide any other guarantee that may cause the Company to bear credit risk.

The Granted loan and imprest, deposit money of inter-bank and other financial instiutions, redemptory monetary capital for sale and investment are listed below according to credit quality:

	2013			
	Granted loan and imprest	Deposit money of inter-bank and other financial institutions	Redemptory monetary capital for sale	Investment, note (i)
Impaired				
Evaluate by the single way				
Total amount impaired	296,570	61	-	-
Provisions for impairment loss	(134,975)	(61)	-	-
Net amount	**161,595**	-	-	-
Evaluate by the combined way				
Total amount impaired	34,248	-	-	-
Provisions for impairment loss	(10,240)	-	-	-
Net amount	**24,008**	-	-	-
Overdue but not impaired				
Overdue for within 3 months(including 3 months)	571,032	-	-	-
Overdue for 3 months to 1 year(including 1 year)	49,851	-	-	-
Overdue for more than 1 year	-	-	-	-
Total amount	**620,883**	-	-	-
Provisions for impairment loss	(55,145)	-	-	-
Net amount	**565,738**	-	-	-
Neither overdue nor impaired				
Total amount	61,992,051	7,082,052	7,267,355	47,436,255
Provisions for impairment loss	(1,207,410)	-	-	(15,897)
Net amount	**60,784,641**	**7,082,052**	**7,267,355**	**47,420,358**
Book value	**61,535,982**	**7,082,052**	**7,267,355**	**47,420,358**

	2012			
	Granted loan and imprest	Deposit money of inter-bank and other financial institutions	Redemptory monetary capital for sale	Investment, note (i)
Impaired				
Evaluate by the single way				
Total amount impaired	232,870	61	-	-
Provisions for impairment loss	(123,127)	(61)	-	-
Net amount	**109,743**	-	-	-
Evaluate by the combined way				
Total amount impaired	4,098	-	-	-
Provisions for impairment loss	(1,818)	-	-	-
Net amount	**2,280**	-	-	-
Overdue but not impaired				
Overdue for within 3 months(including 3 months)	329,251	-	-	-
Overdue for 3 months to 1 year(including 1 year)	39,842	-	-	-
Overdue for more than 1 year	200	-	-	-
Total amount	**369,293**	-	-	-
Provisions for impairment loss	(64,327)	-	-	-
Net amount	**304,966**	-	-	-
Neither overdue nor impaired				
Total amount	49,554,762	2,084,506	2,181,318	29,597,342
Provisions for impairment loss	(818,498)	-	-	(15,897)
Net amount	**48,736,264**	**2,084,506**	**2,181,318**	**29,581,445**
Book value	**49,153,253**	**2,084,506**	**2,181,318**	**29,581,445**

Note: (i) The investment includes trading financial assets, financial asset bond investment available for sale, held-to-maturity investment and investment of accounts receivable.

(2) Market risk

Market risk refers to the potential loss of future income, fair value and future cash flow caused by the change of market conditions. Market risk appears due to the effect of general or specific market change on the interest rate, foreign exchange and security price position. Market risk exists in all financial assets sensitive to it, including the security and equity and balance sheet or structural position.

Interest rate risk is mainly caused by the interest-bearing assets, interest-paying liabilities and time difference on the repricing date.

The distribution of assets or liabilities listed in the following table on the balance sheet date according to the next expected repricing date of interest rate (or date of maturity, whichever is earlier):

	2013					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year~ 5 years	More than 5 years
Asset						
Cash and due from the Central Bank	22,980,122	685,206	22,294,916	-	-	-
Deposit money of inter-bank and other financial institutions	7,082,052	2,000	2,640,052	2,576,500	1,863,500	-
Redemptory monetary capital for sale	7,267,355	-	6,167,355	1,100,000	-	-
Granted loan and imprest	61,535,982	-	50,553,538	10,968,477	13,505	462
Investment (note (ii))	47,847,919	127,562	4,878,433	7,673,298	27,420,629	7,747,997
Other assets	2,620,854	2,620,854	-	-	-	-
Total assets	**149,334,284**	**3,435,622**	**86,534,294**	**22,318,275**	**29,297,634**	**7,748,459**

	2013					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year~ 5 years	More than 5 years
Liabilities						
Loan from the Central Bank	175,010	-	175,010	-	-	-
Deposit money of inter-bank and other financial institutions	16,212,739	-	9,572,739	5,140,000	1,500,000	-
Financial assets sold for buy-back	13,490,141	-	12,689,100	801,041	-	-
Accepted money deposits	102,096,803	53,197	66,334,989	24,444,085	11,264,509	23
Bond payable	5,690,000	-	-	690,000	5,000,000	-
Other liabilities	2,133,125	2,133,125	-	-	-	-
Total liabilities	139,797,818	2,186,322	88,771,838	31,075,126	17,764,509	23
Asset liability gap	**9,536,466**	**1,249,300**	**(2,237,544)**	**(8,756,851)**	**11,533,125**	**7,748,436**

The distribution of assets or liabilities listed in the following table on the balance sheet date according to the next expected repricing date of interest rate (or date of maturity, whichever is earlier):

	2012					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year~ 5 years	More than 5 years
Asset						
Cash and due from the Central Bank	18,435,841	716,702	17,719,139	-	-	-
Deposit money of inter-bank and other financial institutions	2,084,506	2,000	2,082,506	-	-	-
Redemptory monetary capital for sale	2,181,318	-	2,181,318	-	-	-
Granted loan and imprest	49,153,253	-	40,221,499	8,915,221	16,016	517
Investment (note (ii))	29,972,945	91,500	6,616,271	3,556,135	13,209,652	6,499,387
Other assets	1,906,150	1,906,150	-	-	-	-
Total assets	**103,734,013**	**2,716,352**	**68,820,733**	**12,471,356**	**13,225,668**	**6,499,904**

	2012					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year~ 5 years	More than 5 years
Liabilities						
Loan from the Central Bank						
Deposit money of inter-bank and other financial institutions	8,127,810	-	3,439,310	4,438,500	250,000	-
Financial assets sold for buy-back	11,328,308	-	9,721,308	1,607,000	-	-
Accepted money deposits	74,654,469	117,251	51,351,316	17,308,982	5,876,920	-
Bond payable	690,000	-	-	-	690,000	-
Other liabilities	1,262,077	1,262,077	-	-	-	-
Total liabilities	96,062,664	1,379,328	64,511,934	23,354,482	6,816,920	-
Asset liability gap	**7,671,349**	**1,337,024**	**4,308,799**	**(10,883,126)**	**6,408,748**	**6,499,904**

(i) The granted loan and imprest of the Company that is due within 3 months as listed above include the overdue amount with a balance of RMB 0.762 billion Yuan (the provisions for impairment loss are deducted) on Dec. 31, 2013(Dec. 31, 2012: RMB 0.392 billion Yuan).

(ii) The investment includes trading financial assets, financial asset bond investment available for sale, held-to-maturity investment, investment of accounts receivable and long-term investment on stock. The Company measures the possible effect of interest rate change on the Company' s net interest income by the sensitivity analysis. The results of sensitivity analysis of interest rate according to assets and liabilities on Dec. 31, 2013 and Dec. 31, 2012are listed in the below table.

				Unit:RMB thousand Yuan
	Change of interest rate on Dec. 31, 2013 (basic point)		Change of interest rate on Dec. 31, 2012 (basic point)	
	(100)	100	(100)	100
Calculate net interest income according to annual interest rate	**88,052**	**(88,052)**	**38,535**	**(38,535)**

The above sensitivity analyss is based on the fact that asset and liability have a static structure of interest rate risk. Related analysis only measures the change of interest rate in a year and reflects the effect of repricing of the Company' s asset and liability on the calculation of interest income according to annual interest rate in a year. Based on the following assumptions: (i) It is assumed that all assets and liabilities that are repriced or due within and after three months but within one year shall be repriced or due within relevant period (i.e. all assets and liabilities that are repriced or due within three months are repriced or due in real time; all assets and liabilities that are repriced or due after three months but within one year are repriced or due within three months); (ii) The yield curve moves parallelly with the change of interest rate; and (iii) The combination of assets and liabilities does not have any other changes, and all positions will be held and renewed after the date of maturity. This analysis does not consider the effect of adopting risk management method by the management. Based on the above assumptions, the increase and decrease of interest rate can result in that the actual change of the Company' s net interest income may differ from the result of the sensitivity analysis.

Foreign exchange risk

Change of exchange rate can mainly influence the financial situation and current flow of the Company. Because of the little foreign currency business of the Company, foreign exchange risk has no significant influence on the Company.

The foreign exchange risk exposure of the assets and liabilities items of the Company on the balance sheet date are as follows:

	2013			
	RMB	USD	Others	Total
Assets				
Cash and due from the Central Bank	22,980,122	-	-	22,980,122
Deposit money of inter-bank and other financial institutions	6,960,982	121,070	-	7,082,052
Redemptory monetary capital for sale	7,267,355	-	-	7,267,355
Granted loan and imprest	61,535,982	-	-	61,535,982
Investment(note(i))	47,847,919	-	-	47,847,919
Other assets	2,620,854	-	-	2,620,854
Total assets	**149,213,214**	**121,070**	**-**	**149,334,284**
Liabilities				
Borrowing from the Central Bank	175,010	-	-	175,010
Deposit money of inter-bank and other financial institutions	16,212,739	-	-	16,212,739
Financial assets sold for repurchase	13,490,141	-	-	13,490,141
Accepted money deposits	102,096,750	6	47	102,096,803
Bond payable	5,690,000	-	-	5,690,000
Other liabilities	2,133,125	-	-	2,133,125
Total liabilities	**139,797,765**	**6**	**47**	**139,797,818**
Net position	**9,415,449**	**121,064**	**(47)**	**9,536,466**
Credit commitment	**20,706,906**	**-**	**-**	**20,706,906**

(i) Investments include investments such as trading financial assets, available-for-sale financial assets, held-to-maturity investment, amount receivable and long-term investment on stocks.

				Unit:RMB thousand Yuan
	Change of interest rate on Dec. 31, 2013 (basic point)		Change of interest rate on Dec. 31, 2012 (basic point)	
	100	(100)	100	(100)
Calculate net interest income according to annual interest rate	148	(148)	-	-

The above sensitivity analysis is based on the assets and liabilities, which has static exchange rate risk structure and simplified assumptions. The relevant analysis is based on the following assumptions: (i) various exchange rate sensitivity mean the exchange gain or loss caused by the absolute value fluctuation for 100 basic point of closing (middle rate) exchange rate of each currency for RMB on the report date; (ii) fluctuation of exchange rate of each currency for RMB simultaneously and in the same direction; (iii) the calculated foreign exchange exposures include spot foreign exchange exposure, future exchange exposure and option, and all the positions will be withholded and renewed after overdue. The analysis will not consider the influence of the risk management methods adopted by the management. Based on the above mentioned assumptions, the actual change of net exchange profit or loss of the Company caused by exchange rate change might be different with the result of the sensitivity analysis.

In 2012, the Company had not developed foreign currency business and possessed any foreign currency assets or liabilities, so there is no exchange rate risk.

(3) Liquidity risk

Liquidity risk refers to the risk that results in that the payment obligations cannot be fully fulfilled due to mismatch of asset liability cash flow, i.e. the Company does not have engough funds to pay the debt on the date of maturity, or fails to borrow the funds from the market without guarantee or even with guarantee at an acceptable and reasonble price to meet existing and expected payment commitment. The Company faces requirements for various daily cash withdrawals, including requirements for current deposit, fixed deposit due, withdrawal of client loan and guaranteed payment. According to historical experience, a significant portion of deposits due won' t be withdrawn on the date of maturity immediately, on the contrary, they are renewed in the Company; however, to ensure meeting the unexpected fund demands, it is needed to specify the lowest liquidity ratio to manage the liquidity risk.

Maintaining the structure mathcing on the date of maturity of asset and liability and effectively controlling of matching difference are extremely important to the management of the Company. Becasue the business is of uncertain period and different categories, the Company can seldom maintain the exact matching of asset and liability. The unmatched position may increase the income, but it also increases the liquidity risk.

The Company measures the liquidity risk mainly by liquidity gap analysis.

The following table is the analysis of the Company' s assets and liabilities on the balance sheet date made according to relevant remaining payment date due:

	2013						
	Repayment on demand	Within 3 months	3 months ~ 1 year	1~5 years	More than 5 years	Dateless note (i)	Total
Asset						17,558,308	22,980,122
Cash and due from the Central Bank	5,421,814	-	-	-	-	-	7,082,052
Deposit money of inter-bank and other financial institutions	188,052	2,454,000	2,576,500	1,863,500	-	-	7,267,355
Redemptory monetary capital for sale	-	6,167,355	1,100,000	-	-	596,373	61,535,982
Granted loan and imprest（note (II)）	33,776	13,142,423	40,035,322	3,679,680	4,048,408	127,561	47,847,919
Investment (note(iii)(iv))	-	478,795	5,872,394	33,621,172	7,747,997	1,908,914	2,620,854
Other assets	-	711,940	-	-	-		
Total assets	**5,643,642**	**22,954,513**	**49,584,216**	**39,164,352**	**11,796,405**	**20,191,156**	**149,334,284**

	2013年						
	Repayment on demand	Within 3 months	3 months ~ 1 year	1~5 years	More than 5 years	Dateless note (i)	Total
Liabilities							
Loan from the Central Bank	-	175,010	-	-	-	-	175,010
Deposit money of inter-bank and other financial institutions	-	9,572,739	5,140,000	1,500,000	-	-	16,212,739
Financial assets sold for buy-back	-	12,689,100	801,041	-	-	-	13,490,141
Accepted money deposits	52,378,219	14,009,967	24,444,085	11,264,509	23	-	102,096,803
Bond payable	-	-	690,000	5,000,000	-	-	5,690,000
Other liabilities	63,541	1,862,082	14,003	98,960	-	94,539	2,133,125
Total liabilities	52,441,760	38,308,898	31,089,129	17,863,469	23	94,539	139,797,818
Net position	**(46,798,118)**	**(15,354,385)**	**18,495,087**	**21,300,883**	**11,796,382**	**20,096,617**	**9,536,466**

The following table is the analysis of the Company' s assets and liabilities on the balance sheet date made according to relevant remaining payment date due:

	2012						
	Repayment on demand	Within 3 months	3 months ~ 1 year	1~5 years	More than 5 years	Dateless note (i)	Total
Asset							
Cash and due from the Central Bank	5,170,037	-	-	-	-	13,265,804	18,435,841
Deposit money of inter-bank and other financial institutions	35,506	1,000,000	-	1,049,000	-	-	2,084,506
Redemptory monetary capital for sale	-	2,181,318	-	-	-	-	2,181,318
Granted loan and imprest（note (II)）	62,369	10,858,584	31,432,912	2,999,429	3,644,768	155,191	49,153,253
Investment (note(iii)(iv))	-	609,297	2,018,201	19,390,475	7,863,472	91,500	29,972,945
Other assets	-	416,310	-	-	-	1,489,840	1,906,150
Total assets	**5,267,912**	**15,065,509**	**33,451,113**	**23,438,904**	**11,508,240**	**15,002,335**	**103,734,013**

	2013						
	Repayment on demand	Within 3 months	3 months ~ 1 year	1~5 years	More than 5 years	Dateless note (i)	Total
Liabilities							
Deposit money of inter-bank and other financial institutions	482,310	2,957,000	4,438,500	250,000		-	8,127,810
Financial assets sold for buy-back	-	9,721,308	1,607,000	-	-	-	11,328,308
Accepted money deposits	43,063,225	8,405,342	17,308,982	5,876,920	-	-	74,654,469
Bond payable	-	-	-	690,000	-	-	690,000
Other liabilities	7,363	1,021,336	5,849	131,985	-	95,544	1,262,077
Total liabilities	43,552,898	22,104,986	23,360,331	6,948,905	-	95,544	96,062,664
Net position	**(38,284,986)**	**(7,039,477)**	**10,090,782**	**16,489,999**	**11,508,240**	**14,906,791**	**7,671,349**

Note:

(i) The amount without time limit in the cash and due from the Central Bank refers to the legal deposit reserves and fiscal deposits. The amount without time limit in the investment refers to the part and long-term investment on stocks that have been impaired or overdue for more than one month.

(ii) The category "without time limit" in the granted loan and imprest includes all the granted impaired loan and imprest and the loan overdue for more than one month. The unimpaired loan overdue for not more than one month shall be classified as "repayment on demand".

(iii) The investment includes trading financial assets, Financial assets available for sale, held-to-maturity investment, investment of accounts receivable and long-term investment on stock.

(iv) For the financial assets and Financial assets available for sale measured as per fair value and with their changes included in the profits and losses of the current period, the remaining date of maturity shall not represent that the Company intends to hold them to final date of maturity.

(4) Operation risk

Operation risk includes the risk causing direct or indirect loss due to the failure of technique, flowprocess, infrastrucutre and personnel resulted from an event or action and other risks having impact on the operation.

The Company formulates a series of policies and procedures in the environment where priority is given to internal control measures to identify, evaluate, control, manage and report the risk. This set of mechanism covering all business aspects involves the finance, credit, accounting, settlement, savings, capital, intermediary business, application and management of computer system, asset preservation and legal affairs etc. Through such mechanism, the Company can identify and determine internal operation risk in main product, activity, flow process and system.

LII. Fair value

(1) Financial assets

Financial assets of the Company mainly includ cash, deposit in the Central Bank, money payable of inter-bank and other financial institutions, granted loan and imprest and investment.

Interests of deposit in the Central Bank and deposit money payable of inter-bank and other financial institutions are calculated according to market interest rate and will be due within one year. Therefore, the book values of such accounts approximate fair value.

Most of granted loan and imprest shall be priced according to floating interest rate approximating interest rate of People's Bank of China. Therefore, he book values of such loan and imprest approximate fair value.

Trading financial assets and Financial assets available for sale shall be listed as per fair value; the book value and fair value of held-to-maturity investment shall be disclosed in note 13; the book value and fair value of secondary bond shall be disclosed in note 30; the fair value of investment on accounts receivable is estmiated according to present value of expected future cash flow, and the discount rate is market interest rate on the balance sheet date, the fair value of which on the balance sheet date approximates the book value.

(2) Financial liabilities

Financial liabilities of the Company mainly include money payable of inter-bank and other financial institutions, accepted money deposits and other money payable. The fair value of above financial liabilities approximates the book value.

(3) Hierarchy disclosure of financial instruments

The book values of financial instruments measured as per fair value on Dec. 31 are listed in the following table according to three hierarchies of fair value. The hierarchy used in the measurement of fair value depends on the input value of the lowest hierarchy having great significance on the entire measurement. The definitions of three hierarchies are described below:

The 1st hierarchy: The quotation of same asset or liability in the active market (unadjusted);

The 2nd hierarchy: The input value of related asset or liabilities other than market price that can be observed directly (for example, obtained from the price) or indirectly (for example, calculated according to price);

The 3rd hierarchy: The input value of asset or liabilities determined based on the variable other than observable market data (unobservable input value).

The hierarchy information of fair value disclosed according to specific category of financial instruments is listed as follows based on the above judgment standard for the financial instruments measured as per the fair value:

The hierarchy information of fair value disclosed according to specific category of financial instruments is listed as follows based on the above judgment standard for the financial instruments measured as per the fair value:

	The 1st hierarchy note (i)	The 2nd hierarchy note (i)	The 3rd hierarchy	Total
Balance on Dec. 31, 2013				
Transaction monetary asset	-	7,990,374	-	7,990,374
Financial assets available for sale	-	208,080	380,000	588,080
Total	**-**	**8,198,454**	**380,000**	**8,578,454**

	The 1st hierarchy note (i)	The 2nd hierarchy note (i)	The 3rd hierarchy	Total
Balance on Dec. 31, 2012				
Transaction monetary asset	-	6,704,531	-	6,704,531
Financial assets available for sale	-	2,606,076	300,000	2,906,076
Total	**-**	**9,310,607**	**300,000**	**9,610,607**

(i) Any significant hierarchy transfer does not occur between the hierarchies of the first and the second fair values of the above fiscal years.

LIII. Commitments and contingent items

(1) Irrevocable off-balance sheet credit business

The credit commitment of the Company includes loan guarantee and finance guarantee.

Acceptance bill is the acceptance commitment of the Company for the bill signed by the client; it is expected that most of the acceptance bills of the Company will be paid off along with the repayment for client. Loan guarantee is the loan commitment, about which contract has been signed, that has been approved by the Company but has not been used yet. Financial guarantee is the client performance guarantee for the third-party provided by the Company.

The classification of contract amount committed by the credit is listed as follows. The listed amount borne by the loan is the amount when all the assumed limits are disbursed for use; the amount of letter of guarantee and acceptance bill refers to the largest potential loss amount confirmed by the Company on the balance sheet date if the counterparty fails to execute the contract.

	2013	2012
Acceptance bill	17,296,031	14,533,617
Loan commitment	1,631,730	1,183,120
Letter of credit	1,452,800	-
Issuance of letter of guarantee	326,345	70,473
Total	**20,706,906**	**15,787,210**

(2) Weighted amount of credit risk

	2013	2012
Weighted amount of credit risk of contingent liability and commitment	**5,719,158**	**5,053,839**

Weighted amount of credit risk is calculated based on the conditions of counterparty and maturity characteristics according to relevant rules specified by the China Banking Regulatory Commission. The risk weight adopted for the contingent liability and commitment ranges from 0% to 100%.

(3) Capital commitments

Capital commitments that have been authorized by the Company on the balance sheet date are shown below:

	2013	2012
Acquired properties and equipment —The contract has been signed.	**46,391**	**17,483**

(4) Operating lease commitments

The Company rents some properties by the operating lease. The period of these leases are generally one year to twenty years, and there may be a right for them to choose renewal, and all the clauses can be agreed again then. Minimum lease payments that should be paid by the Company on the balance sheet date according to irrevocable operating lease agreements of house and building in the following years are as follows:

	2013	2012
Within one year	23,322	20,576
One year to two years	21,238	20,251
two year to three years	19,054	14,375
three year to five years	31,367	21,519
More than five years	88,486	95,916
Total	**183,467**	**172,637**

(5) Pending action and dispute

On Dec. 31, 2013, the Company still has some pending lawsuits and disputes as the party accused and total amount of claim reimbursement involved is RMB 31.48 million Yuan. The Company shall confirm the expected liabilities based on the possibility of cases and disputes involved according to the opinions of in-house lawyer and outside handling lawyers (note (29)). The Company believes that the expected liabilities withdrawn are reasonable and sufficient.

(6) Securities underwritting commitments

On Dec. 31, 2013and Dec. 31, 2012, the Company did not have any undue securities underwriting commitments.

(7) Bond acceptance commitments

On Dec. 31, 2013 and Dec. 31, 2012, the Company did not have any undue bond acceptance commitments.

LIX. Events after the balance sheet date

Apart from note 36, as of the approval date of the balance sheet, the Company did not have any important events after the balance sheet date that needs to be disclosed or adjusted.

LV. Figures of last year for comparison

During the comparison, some data have been reclassified according to method listed in the financial statements of this year.

II. Financial situation statement

(I) Assets and liabilities

During the reporting period, the Bank' s total asset is 149,334,280,000 Yuan, increased by 45,600,270,000 Yuan comparing with that in 2012, with an amplification of 44% and increased by 78,434,950,000 Yuan comparing with that in 2011, with an amplification of 111%. Wherein, balance of loan at the end of the year is 62,943,750,000 Yuan, increased by 12,782,730,000 Yuan comparing with that in 2012, with an amplification of 26% and increased by 25,536,700,000 Yuan comparing with that in 2011, with an amplification of 69%.

During the reporting period, the Bank' s total liabilities is 139,797,820,000 Yuan, increased by 43,735,150,000 Yuan comparing with that in 2012, with an amplification of 46% and increased by 75,108,870,000 Yuan comparing with that in 2011, with an amplification of 117%. Wherein, the balance held on deposits at the end of the year is 102,096,800,000 Yuan, increased by 27,442,330,000 Yuan comparing with that in 2012, with an amplification of 37% and increased by 47,120,370,000 Yuan comparing with that in 2011, with an amplification of 86%.

(II) Shareholder' s equity

During the reporting period, the Bank' s shareholder' s equity is 9,536,470,000 Yuan, increased by 1,865,120,000 Yuan comparing with that in 2012, with an amplification of 25% and increased by 3,326,080,000 Yuan comparing with that in 2011, with an amplification of 54%.

(III) Financial operation

During the reporting period, in the Bank' s account, there is an income of 7,147,690,000 Yuan totally and an expense of 4,640,200,000 Yuan totally. The total profit is 2,507,490,000 Yuan, increased by 584,690,000 Yuan comparing with that in 2012, with an amplification of 31% and the net profit in account is 1,901,850,000 Yuan, increased by 441,550,000 Yuan comparing with that in 2012, with an amplification of 31%. Loan and deposit, investment and other business keeps in a fast, sustainable and sound development trend. The returns level keeps increasing and financial condition optimized.

(IV) Realization and distribution of profit and payment of taxes

During the reporting period, in the Bank' s account, there are returns of 2,507,490,000 Yuan, withdrawn business income tax of 605,640,000 Yuan and net profit after taxes of 1901,850,000 Yuan. After withdrawing legal surplus of 190,190,000 Yuan and general risk reserve of 590,000,000 Yuan, there is 3,237,690,000 Yuan undistributed profit in the account at the end of 2013.

(V) Main indexes

1. Ratio of loan and deposit: in 2013, the ratio of loan and deposit is 61.74% and the loan put into circulation is well controlled.

2. Return on assets: in 2013, due to the fast expansion of asset scale, the ratio of return on assets is 1.51%, decreased by 0.17% than 1.68% in the last year.

3. Rate of capital sufficiency: in 2013, the Bank' s rate of capital sufficiency reaches 12.08%, decreased by 3.18% than 15.26% in the last year.

(VI) Others:

None.

I. Brief introduction of the Bank’ s internal control system

(I) Internal control environment

The Bank strictly abides by provisions of the Company Law of the People’ s Republic of China, and the Law of City Commercial Banks of the People’ s Republic of China and other laws and regulations to unceasingly perfect and normalize the internal control framework and risk management framework of the company and internal auditing system for independent exertion, realizes a continuous, systematic and clear internal control and ensures the normal operation and effective operation of the general meeting of shareholders, board of directors and board of supervisors of the Bank.

The Bank abides by the Guidance on Corporate Governance of Joint Stock Commercial Banks to further perfect various rules and regulations of the general meeting of shareholders, board of directors and board of supervisors, adjust related authorization of special committees under the board of directors so as to ensure the effectively exercise their right to make decision, executive power and right of supervision. By separating ownership from management right and effective excitation and restriction mechanism, the Bank’ s is ensured with a sound and sustainable development and optimized shareholders value.

The Bank carries out an overall risk management, unceasingly perfects the risk management framework by setting and adjusting mechanism and post. The risk management framework system is composed of the board of directors, the board of supervisors, the senior management, the risk management committee, associated transaction control committee, audit committee, risk management office and internal audit office under the board of directors, and the risk management committee under the senior management, risk management department, other posts of departments and branches with risk management functions. Each organs and post is responsible for its individual duty of risk management, to ensure a scientific management and control and effective risk solution on the business operation of the head office, each department and branches.

(II) Establishment of the Bank’ s internal control system

The Bank, based on the quality and internal control management principle of “be lawful, customer first, precise process, continue creation, precise risk governing and fast control”, establishes a complete internal control system covering various business process and operation management. The Bank pays attention to keep perfecting the control system and revising, supplementing and canceling various control systems with the change of operation condition, supervision policy, laws and regulations and other internal and external conditions, to make a more perfect and effective internal control system for the Bank. During the reporting period, the Bank put all of the system documents into order. Currently in the Bank, there are 495 system documents, where 24 documents are constitutions (basic system), 280 documents are management measures and 191 documents are operation procedures (plans and rules).

The Bank attaches great importance to strengthen and supervise the executive force of the internal control system and the executive force of the internal control system of each department, office and branches of the Bank is inspected and supervised by the routine supervision and inspection of the risk manager of compliance department, audit and check of internal audit department, management and review of senior management and audit and check of external specialized organs. The Bank’ s system is annually improved both in perfectness and executive force, realizes a good internal control and management and basically realizes various internal control and management objectives.

(III) Evaluation and determination on the effectiveness of the internal control system

The board of directors of the Bank holds that the Bank has established a perfect internal control system according to the requirement of ISO9001:2008 quality management system and supervision department, shows good completeness, justification and effectiveness in the internal control, risk prevention, business operation and asset protection and safety and other aspects and provides a good system support for a crossover development of the Bank. Although with the further development of the Bank’ s business, change of external conditions and increase of management requirement, the internal control system still requires for continuous improvement. However, the existing internal control system is of no serious defect on the design and execution, but with effective internal control currently.

II. The Bank’ s 2013 annual internal control and auditing report BMWHZZZ1400441

Special Report on 2013 Internal Control and Risk Management System Evaluation Report of Bank of Zhengzhou Co., Ltd.

KPMGZZ No. 1400441

Shareholders of Bank of Zhengzhou:

As entrusted by the client, we have audited the 2013 financial statements prepared by Bank of Zhengzhou Co., Ltd. (hereinafter referred to as "your bank") pursuant to the Accounting Standards for Business Enterprises promulgated by Finance Ministry of People' s Republic of China, including balanced sheet dated December 31st, 2013, and 2013 profits sheet, cash flow sheet, shareholder equity change sheet and financial statement note (hereinafter collectively referred to as "financial statements"), and we issues a unqualified auditing Report on April 27th, 2014. The preparation of financial statements lies with the management level of your bank, and our responsibility is to give opinions on these financial statements based on the auditing work done by us.

During auditing process, we have surveyed the internal control related to the auditing of financial statements of your bank pursuant to the requirements on surveying internal control of the organization being audited as stipulated in China Registered Accountants Auditing Standards No. 1211: Identification and Evaluation of Material Misstatement Risks by Understanding the Entity and its Environment, in order to evaluate the major misstatement risks and design the nature, time and scope of the further auditing procedure. Meanwhile, as an integral part of the executing the further auditing procedure, we have also performed relevant control tests on the internal control related to the financial statements when necessary, pursuant to requirements on control tests as stipulated in China Registered Accountants Auditing Standards No. 1231: Countermeasures against Evaluated Material Misstatement Risks. The above-mentioned survey and testing on the internal control are not special auditing on the internal control, and are not intended to discover internal control defects, frauds and malpractices. The creation and improvement of and the effective execution of the internal control lie with your bank. During the survey and testing of the internal control, we have executed those procedures we deem necessary according to the actual situation of your bank, including enquiry, observation, inspection and tracking of the processing of transactions in the financial report information system, and re-execution.

The internal control has its inherent restriction, and has the possibility of failing to prevent and discover misstatement. In addition, as the changes may lead to the inappropriateness of internal control or to the reduction of degree of compliance with control policies and procerdures, estimating the effectiveness of internal control in future based on the results of internal control evaluation may bring a certain risk.

As entrusted by your bank, and pursuant to *Notice on Standardization of Contents of Annual Reports of Joint-stock Commercial Banks (YJF [2004] No.8 document)* issued by China Banking Regulatory Commission, we have made following special report conclusions about internal control and risk management system related to the preparation of financial statements in *Bank of Zhengzhou Co., Ltd. 2013 Internal Control and Risk Management System Evaluation Report:*

We have read Bank of *Zhengzhou Co., Ltd. 2013 Internal Control and Risk Management System Evaluation Report* prepared by the management level of your bank. We have found no major discrepancy between the internal control and risk management system related to the preparation of financial statements in *Bank of Zhengzhou Co., Ltd. 2013 Internal Control and Risk Management System Evaluation Report* and the findings of auditing of the above-mentioned financial statements of your bank.

This report is only used for the preparation of 2013 annual report by your bank. Without written approval, it shall not be used for any other purposes.

KPMG Huazhen CPA Firm
(special ordinary partnership)

Beijing, China

Chinese cpa: 蒲红霞

Chinese cpa: 黄艾舟

April 27, 2014

Bank of Zhengzhou Co., Ltd. 2013 Internal Control and Risk Management System Evaluation Report

Part I: Purpose and Scope

Part I: Purpose and Scope

Based on Company Law of the People' s Republic of China, Law of the People' s Republic of China on Regulation and Supervision over the Banking Industry, Guidelines for the Internal Control of Commercial Banks, Law of The People's Republic of China on Commercial Banks, and Implementation Guidelines for Enterprise Internal Control, the Bank of Zhengzhou Co., Ltd. has established a internal control system which is composed of internal control environment, risk identification and evaluation, control activities, internal supervision, information and communication, etc., and has improved and perfected it during practice, in order to improve and enhance the sufficiency and effectiveness of the Bank' s internal control system, thus to exert its functions efficiently and improve the stable operation and long-term development.

It is the responsibility of the board of directors and management of this Company to establish, improve and implement the internal control effectively. The board of directors and management of this Company continuously pay great attention to the establishment and improvement of the internal control system of the Bank. The target for the Bank' s internal control is: Reasonably ensure the legal operation and management, ensure the assets safety, and ensure the financial report and relevant information are true and complete, improve the operation efficiency and effect and improve to realize the Bank' s development strategy. During its operation process, the Bank insists on the quality and internal control management policy of " Obey the laws and regulations, customers always come first, make the process be accurate, make continuous innovation, control the risks seriously and make success by high speed" and improves the internal control system continuously.

In 2013, the Bank established a comprehensive risk management project establishment office, invited professional consultant companies to assist in the comprehensive risk management project establishment and made a plan for comprehensive risk management project establishment, which involving 9 large modules such as credit risk, operation risk, market risk, etc. and 28 sub-projects. The plan had been started in August 2013; it was planned to finish the establishment of Phase I of the project in 2014, and continue the establishment of Phase II of the project based on the previous achievement and continuously improve the accurate management level of comprehensive risk.

Part II Internal environment

The board of directors of the Bank pays close and continuous attention to its internal control situation, establishes good internal control culture, and supervises the operation and risk management situation of the operation and management tier.

I. Company management

(I) Company management structure

The Bank has built a company management structure cantered by the shareholder meeting, board of directors, board of supervisors and executives. Under the board of directors, seven special committees, namely, strategy and development, risk management, related party transaction control, nomination, salary and examination, auditing, and liquidity risk management, are set up. Each committee has its own definite responsibilities. Under the board of supervisors and the executives, special committees are set up to work diligently, responsibly and effectively, forming a clearly-defined and effectively-balanced sound management pattern.

(II) Company management rules and regulations

The Bank implements its functions according to Company Law of the People' s Republic of China, Law of the People's Republic of China on Commercial Banks and Articles of Associations. The board of directors has made perfect rules of procedure. After the rules such as Working System of the Board of Directors, Rules of Procedure of the Board of Directors, and Management Method of Independent Director had been issued by the board of directors, its subordinate professional committee had established some rules of procedure and working rules such as Working Rules of Strategy and Development Committee of the Board of Directors, Working Rules of Salary and Assessment Committee of the Board of Directors, Working Rules of Risk Management Committee of the Board of Director, Working Rules of Related Party Transaction Control Committee of the Board of Director, Working Rules of Audit Committee of the Board of Directors and so on.

The board of supervisors has made the systems such as Working System of the Board of Supervisors, Rules of Procedure of the Board of Supervisors, Working Rules of Nominations Committee of the Board of Supervisors, Working Rules of Supervision Committee of the Board of Supervisors and so on.

(III) Operation of the company management body

The shareholder' s meeting of the Bank is convened and held in strict accordance with the relevant regulations of the Company Law of the People' s Republic of China and Articles of Associations.

In 2013, the Bank held the Annual shareholder' s meeting of 2012, which audited and discussed on 11 proposals such as work report of the board of directors, work report of the board of supervisors, performance of profit, expense and budget, authenticity of the operation achievement, profit and operating expenses budget program, profit distribution program, duty-performing situation report of directors and independent directors, duty-performing situation of supervisors and external supervisors, etc..

In 2013, the Bank held 8 board meetings, which audited and discussed on the work report of the board of directors, the board of supervisors and management tiers, annual financial situation report, annual report, branch planning, performance of profit, expense and budget, financial expense budget program, change and authorization of shareholders, etc..

In 2013, the Bank held 3 meetings of nomination committee of the board of supervisors and 3 meetings of supervision committee, in which relevant issues were audited and discussed according to specified procedures; audit on profit authenticity were implemented and independent opinion was given; Supervision Guidance and View of the Board of Supervisors were issued to the management tier; the annual duty-performing situation of the management tier and its members were supervised and judged; Provisional Regulations on Investigation and Tour of the Board of Supervisors was made, work investigation and inspection were implemented deeply in the basic level, and relevant meetings of the board of directors; management tier were attended and independent opinions were given; supervision was implemented during the service process.

In 2013, the operation management tier and each professional committee of the board of directors reported their work to the board of directors in strict accordance with the rules, and the board of directors reported their work to the shareholders' meeting; the board of directors established a tracking system for the determined issues by the shareholders' meeting and the board of directors and reported the implementation situation of the previously determined issues in each board meeting.

II. Organizational structure

(I) Institutional setup

According to its scale and development stage, the Bank continuously strengthened the reform of organizational structure and business process reengineering implements the operation system under the authorization of level I legal person system, established and improved the modern company management structure of "three meetings and one tier" and simplified and efficient organizational structure system. In respect of business process, the Bank divided its structure system into foreground department, middle ground department, background department and branch institutions, added compliance department, credit card department and trade financing department, and changed the original capital construction office into institution development department; in the branch institutions, it set " five departments and one office" in the branch banks, which meets the requirements of business development and management and ensures the effective operation of each work.

In 2013, to adapt to the requirements of operation management, the sub-branches newly set retail departments and offices; Luoyang branch was newly set, Anyang branch was financed and constructed, 9 sub-branches were added and 10 sub-branches were relocated, reorganized and expanded; the institution distribution became more optimized.

(II) Distribution of power and responsibilities

The operation and management authorization of the Bank means that the legal representative of the Bank, on behalf of the head office and in the legal operation scope, authorize each department, branch institution and personnel on key post to conduct various businesses operation and management.

In 2013, after obtaining the approval of the board of directors, the Bank made the Authorization Management Method covering the management bodies of the whole Bank, further improved the management structure, strengthened the internal control and risk management, optimized the resource allocation, assisted in the legal implementation of the business of branch institutions and functional departments. Meanwhile, it added and adjusted the professional authorization of foreign currency, trade financing business and legal matters in the authorization system, which made the authorization become more scientific, formal and efficient; it adjusted the capital operation business authorization timely and improved the approval efficiency of the board of directors.

III. Enterprise culture establishment

The Bank pays great attention to the enterprise culture establishment of the whole bank and integrates it into the wok scope of the board of directors as strategic work of the whole bank.

In 2013, firstly, the Bank started the brand establishment work officially and established a brand management center; based on the sufficient pre-investigation, it cooperated with professional brand company to make brand establishment plan, then an enterprise culture development pattern of co-integration and co-development of brand establishment and enterprise culture was formed preliminary and the development level and influence of enterprise culture were improved remarkably.

Secondly, it made the Enterprise Culture Manual as the important carrier of "Ding" culture of the Bank, which explains the "Ding" culture concept comprehensively; in addition, it made detailed specifications on regulation, behaviour and material level and issued them to each leader and employee of the whole bank.

Thirdly, it continued with the implementation of history education, core slogan promotion, flag-raising ceremony, pre-post warning and education and other activities to make the employees have deeper understanding of the operation concept, enterprise culture spirit, advertisement slogan, core value and value criterion of the Bank.

IV. Internal audit

(I) Organizational structure of internal audit

According to the development strategy of the Bank, the Bank put the internal audit department under the management of the board of directors in order to improve the independence and authority of the internal audit department, set up internal audit office of the board of directors (hereafter referred to as internal audit office), which, as the specific administrative body of audit committee of the board of directors, reported its work directly to the board of directors and it was independent considerably.

(II) Report route of internal audit

According to the supervision requirements and relevant regulations, the internal audit office implemented its duties seriously, reported the audit work situation to the board of directors and the board of supervisors regularly, submitted the audit report timely and informed the operation management tier.

(III) Work measures of internal audit

Oriented by risk and based on the supervisory requirements and project inspection situation of last year, the Bank made work plan for the year and implemented various audits combining with the business development situation and main business of the Bank. The work included: continuously implementing routine inspection on branch institutions, paying special attention to the newly setup branch institutions, new larders of branch institutions and branch institutions with many problems, and evaluating the internal control of each branch institution based on the inspection results. For problems found in the audit and inspection, it asked the inspected unit to rectify the problems in a limited period, and the rectifying efficiency will influence the performance appraisal of the leader of branch institutions; it delivered internal audit warning to the business competent department about the problems concerning the management department of the head office which were found during the inspection on branch institutions and asked the competent department to answer in a limited period. It conducted targeted and professional inspection, paid close attention to the main business and tracked the new business, in order to find out and eliminate the hidden danger earlier. It conducted leaving-post inspection in proper times, determined the economic responsibilities during the tenure and prevented the risk. At the same time, it continuously improved the internal audit system, made the Internal Audit Charter of Bank of Zhengzhou and Field Internal Audit Operation Procedure and other system documents, revised Internal Audit Punishment Method for many times to strengthen the punishment and improve the compliance awareness and management level of branch institutions.

V. Information communication and feedback

(I) Communication and feedback of external information

This company strictly executes the information disclosure regulation in accordance with the Corporation Law, the Commercial Banking Law and the Commercial Banking Information Disclosure Method issued by the China Banking Regulatory Commission and relevant laws, regulations and supervision requirements so that the shareholders of the company, the regulator and the public to understand the operation and management information of this company timely and accurately. The company governance is enhanced through such measures as the establishing and improving of information disclosure management system, the constantly improving of coordination mechanism and information communication mechanism, the improving of investor relations management, and the strengthening of training on the directors so as to improve the timeliness and effectiveness of internal control management.

1. To carry out public disclosure of information truly, accurately and timely. In 2013, this company collected the materials or information to be disclosed of the entire bank in terms of the organizational structure for information disclosure, the scope, contents, method, channel and management of information disclosure in strict accordance with the provisions in Commercial Banking Information Disclosure Method and relevant supervision requirements as well as in Information Disclosure Management Method of this company to develop the annual report of 2012 of this company and submit it to the board of directors for approval. On April 27, 2013, the information is disclosed publicly on the domestic newspapers such as Zhengzhou Daily and Financial Times as well as the "China Currency Network" and "China' s bond information network".

2. To establish information communication platform and improve the daily communication mechanism of directors, supervisors and management layer. The chairman and president and other leaders of the bank enhance the communication with the shareholders and directors and promote the understanding and communication with directors, management layer and shareholders in various forms such as visiting, discussion and report, etc.

3. To organize the directors to participate in special training to improve their duty ability and level. In 2013, this company invited the experts from the well-known accounting firm to give lessons to the directors and supervisors with respect to the knowledge about company governance such as new capital management method of commercial bank and the management method on connected transaction between bank employees and shareholders so as to further enhance the understanding of the directors on the business condition of this company, the advanced practice of other banks and external supervision requirements and constantly improve personal ability, duty consciousness and professional level to lay a solid foundation for actively performing of duty and effective making of decision.

4. To establish perfect opinion monitoring mechanism. The report concerning this company in news media such as newspaper, website, radio and television station, etc, shall be monitored all the time every day, meanwhile, the corporation with Henan Branch of Xinhua News Agency shall be enhanced. The Public Opinion Report should be prepared by using the professional channel and power of Xinhua News Agency in time. The management layer and supervision department shall be timely reported if any important situation is found so as to deal with it in time and properly.

5. To establish news spokesman system. The news spokesman group shall be established to develop the news spokesman system for this company, disclose major work, decisions and things, and to monitor the external positive public opinions and various public opinions in other industries and markets that may cause risk or is related to the business so as to lay a solid foundation for the correct guidance of opinions and the development of crisis management.

(II) Communication and feedback of internal information

The general meeting of shareholders, the board of directors and the management layer of this company can carry out the work according to their respective functions and powers. The implementation of the decision shall be reported regularly. The management layer shall report to the board of directors seasonally, and the board of directors shall report to the general meeting of shareholders yearly. Each specialized committee of the board of directors shall report to the board of directors regularly. The management layer shall attend the board of directors and the specialized committee meeting to timely master the important information and major work arrangement of this company. As for major events, the management layer shall submit the report in time to the specialized committee of the board of directors for review within their functions and powers, followed by the review by the board of directors. The resolution on the board of directors and the general meeting of shareholders and the meeting minutes shall be submitted to management layer and relevant departments within 3 working days after the date that the meeting is hold. The relevant administrative bodies of the board of directors shall attend relevant meeting of management layer to ensure the timely, smooth and efficient transmission of information.

Meanwhile, the risk management, monitoring and report system shall be improved constantly and the independent and professional risk management and report system shall be established and executed to prevent and mitigate the risks actively and promote the structural adjustment, thus improving the integrated risk management ability gradually.

Firstly, it' s required to guide and constrain the effective development of risk management work through strategic plan, annual plan and overall risk management project planning; secondly, it' s required to define the designated management department of risk and duties according to several major risks, systematically accumulate data and information, and to constantly pay attention to and detect the development of relevant risks; thirdly, it' s required to do well in specific work such as risk management and report of this department and this line by each business department, management line and grass-roots business unit of the entire bank; fourthly, it' s required to define the requirements on risk management information feedback, the route and frequency of risk report, and risk response, etc, and to report various risk management reports to the board of directors and the board of supervisors regularly so that the board of directors and the board of supervisors can fully understand the risk profile and control of this company so as to offer a basis for the mastering of risk profile and making of the risk decision by the board of the directors.

VI. Internal supervision

(I) Supervision on internal control by the board of the directors

In 2013, the global economic and financial situation was complex and volatile. The economic growth in China declined, the marketization of interest rate was speeded up, and the financial disintermediation was increasingly significant. The board of directors paid high attention to the effect of the change of financial situation on the operation and management of this company, and actively understood the enactment and perfection of various supervision measures at home and abroad, and laid emphasis on the updating and introduction of new risk management method and model to further enhance the overall risk management and improve the level of internal control.

Firstly, it' s required to hold meetings regularly, review relevant risk plan, and to listen to the analysis report of loan portfolio of management layer by the board of directors and risk management committee; secondly, it' s required to continuously carry out routine inspection of branches, execute outgoing (off-post) inspection in good time, perform special examination, and to constantly improve the internal audit system by a risk- oriented approach, by the internal audit office under the instruction of audit committee of the board of the directors, so as to improve the compliance awareness and management level of branches.

(II) To carry out supervision, inspection and rectification tracking by compliance department

In 2013, the compliance department was founded by this company in order to enhance internal supervision and classify the risk management functions rationally. The functions of the second line of defence is strengthened together with the risk management department through continuous executing of internal supervision, inspection and rectification tracking, and timely tracking of the latest focus of regulation and the prominent problems found in internal and external inspection, followed by suggesting improvements and supervision of rectification.

(III) To strengthen supervision and inspection by internal audit office

1. To carry out various internal audit review by a risk-oriented approach. Firstly, it' s required to pay more attention to new branches, the newly appointed leader of branches and the branches which have more problems in previous inspections while the routine inspection of branches is carried out continuously, and to give comments to the internal control of branches according to inspection result and ask the responsible unit to rectify the problems found in audit, secondly, it' s required to carry out special inspection, focus on key business, and to track new business to prevent crises before they emerge; thirdly, it' s required to execute outgoing (off-post) inspection to define the economic responsibility of his term of office and prevent risks.

2. To increase penalties and improve risk awareness. Firstly, in 2013, additional 20 items were specified after 20 key inspection items for internal audit (namely 20 items for internal audit) are published in 2012. The one who violated the "20 items for internal audit" of 2012 will be reported to the human resources department for dissolution of the labour contract, and the one who violated "20 items for internal audit" of 2013 shall be given a heavier punishment according to Punishment Measures for Internal Audit and will be circularized a criticism within the entire bank; secondly, it' s required to execute evaluation on the internal control of branches according to internal audit result, and the score of evaluation will be linked with the star evaluation of Branch President, director of business department and the manager of marketing manager. The problems related to divisional management of head office shall be reflected to the business management department in good time; fourthly, it' s required to explain the typical cases found during inspection at the relevant routine meetings for specialized personnel and analyze their causes by the internal auditor so as to develop the role of education, warning and prevention.

Part III Identification, evaluation and management of risk

I. Risk management framework

The risk management organization system of this company is composed of the board of the directors, the board of the supervisors, the management layer, the risk management committee, the related transaction control committee and the audit committee of the board of the directors, the risk management committee of the management layer, the risk management department of the board of the directors, the internal audit department, the risk management department, other departments and branches and the post with risk management functions in branches. All the institutions and posts cooperate each other to control various risks faced by this company according to their respective duties, with related functions separated properly.

The board of the directors is the highest institution for risk management and decision making, which bears the ultimate responsibility of overall risk management of this company. The board of the supervisors is the supervisory body of this company, which is responsible to track and supervise the executing of duties of the board of the directors and the management layer with respect to overall risk management. The management layer executes the overall risk management strategy, general policy and system approved by the board of directors. The risk management department shall be kept relatively independent of other functional departments. The foreground and background of the transaction department shall be separated strictly. The internal audit office shall be independent of the management layer, affiliated with the board of the directors, for independent audit.

II. Risk management measures and effects

(I) Credit risk management

The company has established complete credit management system, to enhance the credit risk management and control through credit management procedures such as pre-loan, during loan, and post-loan, to standardize the investment orientation of credit and loan as well as crediting operation, and to reinforce risk management. In 2013, in order to reduce the moderate risks, based on the principle of "enhance business base, stick to risk baseline, active business transformation, and promote comprehensive income", we adjusted and optimized credit structure, strictly enforced the credit limit for single customers and group customers, compressed the loans over proportion or limit. We will continue to reinforce the small business credit "6-item mechanism" establishment, refine the classification criteria of credit risk, improve the provision recovery rate, intensify post-loan management, vigorously carry out bad loans control work, perfect accountability system, and improve the credit risk management level.

Firstly, based on department responsibility and business approval process adjustment demands, to timely clean up and perfect all kinds of systems, adjust Management Method for Group Customer's Crediting Business and incorporate it into General Crediting Management Method. General crediting business that requires 2 (at least) single legal persons from group customer to apply in this company, or requires parent company of enterprise group to apply in this company uniformly shall be incorporated into group customer crediting management.

Secondly, to standardize credit conferring examination and approval, improve its efficiency and carry out its standardized construction, divide the credit conferring examination and approval into acceptance step, examination step, verification step, and approval step, and make clear each step's examination standard, to make the credit operations be more standardized and easier to operate. In addition, incorporate the quality of customer credit survey report into business line for examination.

Thirdly, implement differentiated regional management policy for small and micro businesses loans, to mainly invest the Central Plains Economic Region planning zone, industrial cluster, and specialized market. Preferentially support the regional advantaged industries with good development prospect, state or local government encouraged modern new agriculture, as well as industries related to high technology, new energy, energy saving and emission reduction, low carbon economy, urbanization construction, people's livelihood and consumption that in line with national industrial policy.

Fourthly, fourthly carry forward the electronization process of examination and approval through internal process innovation to realize entire linkage, put time limited work system into effect, improve transaction efficiency, try best to create specialized, standardized, and streamlined operation mode.

Fifthly, establish post-loan monitoring report system for company credit operations, perfect first line supervision network; give full play to the post-loan management and supervision responsibilities of compliance manager, timely coach, supervise, and check branches' post-loan management activities, and improve the rectification and reformation ration on scene.

Sixthly, enhance and complete credit risk pre-warning mechanism, carry out pre-warning business process through manners such as check pre-warning aging, collect credit archives, give out risk hint, and verify after rectification and reformation, to recognize and monitor the risks and improve risk discovery ability.

Seventhly, organize and implement credit operations special examination. As per risk status of credit operation, implement deep credit operations special examination on the basis of credit products, high risk branch, and credit intensive industry, continuously intensify special account and special item post-loan check force and bring forward handling suggestion, and put the handling and rectification into practice.

Eighthly, to standardize business examination and approval procedure and credit risk management through ISO9001 series quality certification, strictly follow the system provisions to carry out credit conferring, examination and approval, and post-loan management, mainly to reinforce the executive force of business system.

(II) Market risk management

As per the relevant provisions of Market Risk Management Guidance of CBRC (China Banking Regulatory Commission), the company' s board reinforced the guidance and management to bond investment risks, made clear the market risk report approach, took part in the establishment, evaluation, and adjustment of company related investment policy and business means, to examine and approve index such as total bond investment and risk limitation as per market risk management policy and procedure. In 2011, the company' s board fourthly reinforced the supervision and management to market risk status, organized board meeting, and approved the company' s Market Risk Management Policy through deliberation, made clear market risk management responsibility requirement and post setting, and determined the market risk level within the company' s endurance range, and urged the senior management to take necessary measures to recognize, measure, monitor, and control market risk. Through the senior management periodic report mechanism, the board can obtain the report on market risk nature, level, and status, so as to reinforce the monitoring and evaluation of the globality and effectiveness of market risk management as well as the resumption condition of senior management in aspect of market risk management.

Firstly, as required by market risk management policies, establish market risk report approach and incorporate it into contents of Full Risk Management Report.

Secondly, the bond investment administration office to organize meeting at regular intervals so as to analyze and report the bond investment business status, investment strategy, bond investment business risk pressure test condition, bond investment risk construction, etc..

Thirdly, set up market risk management post and intensify market risk management. Because starts later, the company' s market risk management mainly depends on mastery and judgement to risk of operational sector in business operating process, hence, the company set up market risk management post in risk management sector to implement full-time market risk management, so as to reinforce the reorganization, measuring, monitoring, and control of market risks.

(III) Operation risk management

In 2013, the whole bank continued to improve new business operating system and to enhance operation risk management and control by using science and technology means. To complete the inner control mechanism step by step, with system process as core, supplement and complete risk factor' s control and prevention measures, establish and perfect daily risk information collection mechanism, major risk monitoring and pre-warning mechanism and emergency plan so as to realize the real time dynamic management to operation risk in daily operation management course and to timely discover and promptly and properly settle operation risks, hence, the risk accident occurrence possibility and effects thereof were largely reduced.

1. Case prevention and control situation. In 2013, the whole bank actively carried out all items of work, increase case prevention publicity; constantly promote compliance cultural development, continuously enhance all personnel' s risk and case prevention awareness to prevent the case occurrence, which guaranteed the compliance operation, sound and orderly development of the bank' s all works. In 2013, the bank was free of case occurrence.

2. Job rotation and imperative vacation of key posts. As per Regulations on Job Rotation and Imperative Vacation of Key Posts of the Bank of Zhengzhou Co., Ltd, the company, at the beginning of 2013, established job rotation communication plan, carry out the job rotation to 5 department indoor principals, 9 branch presidents, 30 directors of business department, and 38 comprehensive tellers in total, meanwhile, carry out the imperative vacation to 5 senior management persons, 57 middle-level persons, and 68 directors of business department in batches.

3. Bank' s account checking situation. In 2013, the company sent 122,548 bank-enterprise statement of account in total and recovered 121,453 ones, with the recovery ratio of 99.13%; in which, the comprehensive statement of account recovery reaches 96.5%, while the main statement of account recovery reaches 99.96%.

4. Behaviour of staffs within and out of eight hours. The company closely center on " compliance long-term mechanism establishment" activity theme, highlight the important personnel risk management and control, and increase screening efforts, so as to guarantee standardized staff behaviours within and out of eight hour and promote the continuous realization of the company' s case prevention and control work.

5. Emergency exercises of sudden events. In 2013, the head office organized multi-time drills by simulating all kinds of sudden events on site and organizing staffs to take the corresponding measures, which improves the whole bank's emergency ability and level of the whole bank efficiently.

(IV) Liquidity risk management

In 2013, the company took the measures as follows: firstly, reinforce capital constraint, implement liquidity limitation management, and control the average daily loan-deposit ration within 70%, liquidity ration above 35%, and bond repurchase ratio within 60%; secondly, adjust asset structure, maintain proper high quality and liquid assets combination; thirdly, vigorously organize deposit, keep the deposit growth and improve the deposit stability; by increasing cooperation in the same business, perfect interest rate pricing mechanism, attract financial institutions' deposit, increase inter-bank lending limitation, cultivate market, and increase funding resources; fourthly, increase the monitoring of liquidity ratio, report the position situation timely every day; organize operating plan meeting with the managers of different operating departments in at a fixed time of each month, to formulate principal operational indicators plan and put it into practice; fifthly, reinforce daily liquidity management, report and record the large amount transfer in advance, control the provision at proper level through fund procurement.

Part IV Internal control and management

I. Internal control of crediting business

Firstly, the 2013 credit work opinions are formulated to specify the crediting policies and key regulate and control points. Secondly, the crediting examination discussion system is established, and the accountability system is initiated against the branch organization which produces bad assets to enhance the management over engagement and accountability to the crediting work. Thirdly, the surrounding crediting business is appropriately expanded to gradually reduce the risk of local concentration of crediting business. Fourthly, the size of capital is enlarged by increasing the capital and shares and by expanding the self accumulation, to enhance the anti-risk capability. Fifthly, the crediting process standardization requirements are stipulated to specify the examination standards and responsibility division of all processes. Sixthly, the full-course management, including pre-loan survey, credit evaluation, post-loan management, and credit guarantee, is enhanced. Seventhly, the crediting business qualification management is executed, and the admission system and employment system are adopted for the employment of the client manager and the manager of the market department. Eighthly, the inter-bank crediting management is standardized, and a inter-bank organization business cooperation operation mode centered by "bonds, notes and financing" is created. The Financial Organization Crediting Management Method is prepared to enhance the communication with large-sized state-owned stock banks and city commercial banks and standardize the inter-bank crediting process. Ninthly, the off-balance-sheet crediting business management is standardized to strictly examine the authenticity of the off-balance-sheet crediting business transaction background and the compliance of relevant procedures, ensuring that the proportion of guarantee conforms to requirements of the Bank and that the guarantee measure for the exposure part conforms to requirements of the Bank. The lower limit of proportion of the acceptance guarantee is specified based on the client's credit level. The exposure of the bank acceptance bill is integrated into the uniform crediting management over clients. Tenthly, by examining the total bond investment, risk limit and other indexes, the management and guidance on the bond investment risks of the Bank is enhanced. The "Bond investment management office" is set up under the asset liability management committee by the exectives to regularly evaluate and analyze the strategy, orientation, object, level, authorization, transaction, risk conditions of the bond market and bond investment, discuss reports related to the bond investment business, and guide and adjust the investment business in the subsequent phase. Eleventhly, the related party crediting management is standardized to strictly control the related party crediting risks. Twelfthly, Work Plan on Regular Meetings on Identification and Analysis of Risks in Key Crediting Fields is prepared, the credit risk analysis meetings are hold on a regular basis, and the early warning and disposal plans are prepared against credit risks. Thirteenthly, the cooperative guarantee companies are inspected and their admission is strictly controlled and the management over them is standardized to prevent the risks in the cooperation between the bank and guarantee company.

II. Internal control of finance and accounting

Firstly, Financial Expense Management Method, Financial Accounting Management System and other financial management standardization documents are printed and released to specify the expense approval procedure, original document compliance and accrual basis. Secondly, 38 accounting operation sequence systems and methods are fully revised. Thirdly, the accounting personnel job accountability system is created and improved. The director of business department is assigned, and the director of business department, accounting director and comprehensive bank teller are reasonably set. Fourthly, the bank and enterprise accounting management system is executed to strictly audit and manage the accounts on a regular basis pursuant to relevant requirements. Fifthly, the internal inspection, post supervision and reporting system is established and improved, and an effective pre-event, amid-event and post-event supervision system is created through the risk early warning system. Sixthly, the management of accounting business seals is improved. Seals are fabricated and delivered in a centralized way and handed over definitely, and used and kept by and in charge of a dedicated person, and the seal shall be used only whenever it is required. Seventhly, the accountants (bank teller) are required to make a leave, and key employees and the accounting director are changed periodically. Eighthly, the control over preparation and examination of accounting statements is enhanced, and the automatic generation by the system and the manual reconciliation for auditing and examination are adopted. The data connection and articulation of various statements are strictly defined. The monthly, quarterly, semiyearly and yearly statements are examined by the statement compiler, reinspector, director and general manager, and also by the financial leader. The disclosed annual consolidated financial statements are audited by the accountant office, and the audit report is issued and disclosed after it is approved by the board of directors.

III. Internal control of fund business

Firstly, the assets liability management committee will hold monthly meeting to track the execution of the assets liability allocation plan. Secondly, the internal fund transfer pricing (FTP) mechanism is implemented to reinforce the centralized fund management and funding mismatch capability, and to divert the fund to the high-profitability asset business. Thirdly, by paying attention to the influence of interest rate marketization, financing product, financial disintermediation, shadow banking and other factors on the bank liquidity, the business transformation is expedited and the deposits are attracted through multiple channels to reinforce the fund source. Fourthly, the multi-level liquidity guarantee and liquidity risk mitigation measures are prepared to reinforce the routine fund position management, dynamically fill up the cash flow gap and improve the fund efficiency. Fifthly, the crediting structure is optimized and the crediting resources is reasonably allocated according to liquidity management requirements, and the loan releasing and returning plan management is reinforced to control the crediting cycle. Sixthly, the performance incentive mechanism is improved to maintain the steady growth of deposits. Seventhly, attention is paid to the changes of domestic and international economic environments and the credit risks of the inter-bank transaction counterparty in the same industry is strictly controlled. Eighthly, the financing product design is standardized and the risk evaluation is enhanced. Ninthly, the follow-up tracking is constantly carried out to reinforce the risk monitoring. The financial market financing capability rehearsal and off-line emergency transaction rehearsal are organized to verify the response speed in the emergency.

IV. Internal control of anti-money laundering

Firstly, the anti-money laundering organization management system is improved to ensure the responsibility stratification and strict control of the anti-money laundering work. Secondly, documents, such as " Money laundering risk prompt" , are issued to enhance the prompting of compliance risk. Thirdly, the special inspection integrating non-field inspection and field guidance is organized to enhance the inspection and guidance on the anti-money laundering work of the branch organization. Fourthly, the anti-money laundering data reporting process is optimized, the data rectification rules are improved, and valuable large-amount transaction and suspicious transaction reports are submitted to the supervision department. Fifthly, the training on anti-money laundering is organized, and by attending the external training, the business quality of anti-money laundering personnel is improved. Sixthly, the social recognition is enhanced by integrating the everyday propaganda and intensive propaganda and by constantly providing anti-money laundering work. Seventhly, the Bank actively assists People' s Bank of China to develop the anti-money laundering work.

V. Internal control of intermediate business

Firstly, the payment and settlement business is strictly carried out pursuant to Law of the People' s Republic of China on Negotiable Instruments and Payment and Settlement Methods to effectively monitor the large-amount payment and doubtful payment. Secondly, the intermediate business is proactively explored, and the performance examination focuses on the intermediate business to encourage the business renovation. Thirdly, the lower limit of proportion of acceptance margin ratio is specified based on the credit level of the client. Fourthly, the analysis on the fluctuation rate and non-performing rate of the financing product is enhanced, and the internal auditing department provides special inspection and evaluation on the financing business.

(VI) Internal control of computer system

Firstly, the scientific information management system and nearly 20 emergency plans are revised, and Bank of Zhengzhou Information Security Accountability System, Scientific Information System Event Management Method and Computer System Security Management Code are established to specify the information accountability, major event decision-making and event report process in details. Secondly, the information scientific management committee meetings are held on a regular basis, the boundary of information system of each quarter is defined, and the work progress of the last quarter is evaluated, to ensure the matching between the business goals and scientific & technical goals. Thirdly, the scientific & technical development department and the risk management department cooperate with each other to identify risks and issue a risk identification report. The scientific & technical development department will perform at least one overall cruise inspection over branch organizations and one overall risk evaluation over the scientific & technical information, with the annual cruise inspection report and scientific & technical risk self-examination report issued. Fourthly, 6 emergency rehearsals have been organized to adapt to the establishment of the disaster recovery center at the in-city application level. Fifthly, the execution of the information security management, project development and many times operation and maintenance are enhanced according to relevant system requirements. Sixthly, Bank of Zhengzhou Business Continuity Management Policies and business continuity polices are established to carry out the continuity management work. Seventhly, the internal auditing office carries out overall auditing and risk evaluation on the scientific & technical development department in joint efforts with the external consultation company.

VII. Internal control of related party transaction

Firstly, the Articles of Association of the Bank and Method of Management of Related Party Transaction between Bank of Zhengzhou and Internal Persons and Shareholders specify the recognition of related parties, declaration and registration of related party transactions, approval procedure and related party transaction management and so on. Secondly, the related party and related person declaration procedure is strictly executed, all business relations between related parties and the Bank are defined, and the information correlation system is registered to realize the centralized management and opportune monitoring. Thirdly, by specifying the "related person" of the related party in the Bank and by strictly executing the related person evasion system in the shareholder credit survey and approval process, the credit business risk of shareholders and related parties is reduced. Fourthly, the relation crediting is reached on the agreement by both transaction parties. The interest rate of the loan is determined by the market price, and the crediting conditions are no superior than those for other borrowers in the same type of business and in the same period. The price of related party transaction is objective and fair, without jeopardizing the benefits of the Bank and non-related shareholders.

V. Conclusion of evaluation on internal control and risk management system

The Bank has self-evaluated the effectiveness of design and operation of internal control and risk management system up to December 31st, 2013. According to the results of evaluation and in combination with routine and special inspection and supervision, no major defect with respect to the design or execution of internal control and risk management system is found, and individual items to be improved, such as risk management technology and internal control system execution, have been identified by the Bank, against which improvement measures have been taken, causing no material influence on the soundness and effectiveness of internal control and risk management system of the Bank and on the feasibility of financial report.

No major change which may cause material influence on the conclusion of evaluation has occurred during the period from the base date of evaluation report to the issuing date of the report. Meanwhile, as the internal control and risk management features dynamic change, the Bank will constantly improve itself to further optimize the internal control and risk management system, complete the internal control system, upgrade risk management technologies, enhance the execution of internal control measures, strengthen the internal inspection and supervision, and reinforce the competitiveness by taking the external environment, operation scale, business development and management requirements into accounts, in order to ensure the sound and sustainable development of the Bank.

年报 ANNUAL REPORT 2013

第拾叁章 备查文件

CHAPTER XIII REFERENCE DOCUMENT CATALOG

I.ORIGINAL ANNUAL REPORT SIGNED BY BOARD CHAIRMAN OF THE BANK;

II.ACCOUNTING STATEMENTS SIGNED AND SEALED BY BOARD CHAIRMAN, PRESIDENT AND FINANCE CHIEF OF THE BANK;

III.ORIGINAL AUDIT REPORT SIGNED CPA AND SEALED BY CPA FIRM AND CPA;

IV.ORIGINAL INTERNAL CONTROL AND AUDITING REPORT SIGNED CPA AND SEALED BY CPA FIRM AND CPA;

V. *REGULATION OF THE BANK OF ZHENGZHOU.*

郑州银行

Address: No. 22, Shangwu Outer Ring Road,
Zhengdong New District, Zhengzhou, China
Web site: www.zzbank.cn
Tel: 0371-67009868
Fax: 0371-67009868
Telephone banking: 967585
Zip code: 450046