郑州银行

年报 2012

Annual report 2012

郑州银行股份有限公司

Bank of Zhengzhou Co. Ltd

2012 年度报告

Annual report 2012

郑州银行股份有限公司
Bank of Zhengzhou Co. Ltd

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腾飞中的郑州银行

Bank of zhengzhou takeoff in the

Address by the Board Chairman

In 2012, the Bank of Zhengzhou increased its capital, expanded its share, renewed its board of directors, confirmed its new leadership, and achieved its leaping development. In this year, against the domestic and foreign complex and variable economic situations and with the increasingly fierce competition in banking industry, all staffs and managers of the Bank cooperated and worked hard to accomplish the outstanding achievement and build up a new development phase of the Bank under the guidance of the board of directors and the executives.

In 2012, the total assets of the Bank broke through 100 billion, and reached 103,734 million Yuan; the balance held on deposits was 74.654 billion Yuan; the balance of various loans was 50.161 billion Yuan under such conditions that the increases of loan and deposit in this current rank first and second in all the local financial institutions, its market share increased stably and its primary index among all the city commercial banks became stronger; the rate of capital adequacy ratio was 15.26%, the rate of non-performing loan was 0.47% and the rate of provision coverage rate was 425.28% under such condition that both operation and management were improved qualitatively; the micro-business bank debentures of 5 billion were approved, the stock equity syndication and strategic indraught were boosted smoothly. The Bank had won the titles of the annual medium and small banks growing fastest, the annual medium and small banks serving the small and micro enterprises best and so on successively. The market competition ability of The Bank increased greatly, which built up a firm foundation for the future development.

Catch the opportunity, meet the challenge and seek the development. 2013 is a critical year for the Bank to quicken its development and realize "2011-2015" development plan. The Bank will tightly catch the historical opportunities of the Central Plains Economic Region and the Zhengzhou Comprehensive Experimental Zone for Airport-based Economy, actively meet the competition of financial market and the bank management transformation challenge, and with the "Special Bank of Zhengzhou" as center, focus on the development, firm the management foundation, strictly implement the risk management and control, improve the mechanism, promote the healthy, fast and continuous development of each task so as to achieve the capitals of 130 billion Yuan, the deposit balance of 90 billion Yuan and the loan balance of 64 billion Yuan at end of 2013, and compose its new development.

Address by the President

2012 is an unusual year in the development history of the Bank of Zhengzhou. In this year, under the international and domestic complex and variable economic situations, the Bank actively fulfilled various requirements of the supervision department and the board of directors, overcame various bad factors, implemented operation management, promoted the construction of the "Special Bank of Zhengzhou" stably, fulfilled the 5-year strategic plan effectively, carried out the diversified competition, and kept a faster development trend in the whole year.

As of the end of 2012, the capital of the Bank reached RMB 103,734 million Yuan, 32,835 million Yuan more than and 46.31% higher than the last year; the balance of ordinary deposits totaled RMB 74,654 million Yuan, 19,678 million Yuan more than and 35.79% higher than the last year; the balance on loans totaled RMB 50,161 million Yuan, and RMB 12,754 million Yuan was loaned in this year, 34.1% higher than the last year; the profits before provision of the whole year totaled RMB 2,251 million Yuan, 892 million Yuan more than and 65.60% higher than the last year. The increases and scales of assets, deposits and profits were higher than before; the increase of main operation indicator was in the front rank in all the city commercial banks in China and still leaded all the city commercial banks in Henan Province; in the banking system of Zhengzhou City, the deposit and loan scale was No. 6, and the increases of deposit and loan were No. 2 and No. 1 respectively. Of the Bank, the rate of capital adequacy ratio was 15.26%, the rate of non-performing loan was 0.47%, the rate of provision coverage rate was 425.28%, the current ratio was 36.47%, the loan-deposit ratio was 67.19%, the capital return rate was 21.04%, and the asset return rate was 1.67%. Every indicator has met the supervision requirements and has the good system adaptability. The Bank had won the titles of the annual medium and small banks growing fastest, the annual medium and small banks serving the small and micro enterprises best, the cooperate culture advanced unit in the national financial system, the best retail bank among the national city commercial banks, the advanced unit in the fostering of "Small Giant" enterprises of Henan Province and so on.

In 2013, the Bank will abide by the guidance of "Foundation Tamping, Management Control and Healthy Development", insist on the careful and active development strategy, and with the scientific development view as guide and the special Bank of Zhengzhou as center, tamp the management foundation, strictly control the risks, work hard to compose the new development of the Bank of Zhengzhou.

Address by the Chief Supervisor

2012 is an unusual year. In this year, facing the increasingly complex operation environment and the continuously deepening of interest rate liberalization and financial disintermediation, the Bank continued the enterprising and innovation. Under the strong supports of all the leaders and all sectors of society, the cadres and employees of the Bank worked hard to acquire the outstanding achievement. Its assets broke through 100 billion Yuan, and its deposits were more than 80 billion Yuan (including the inter-bank deposits), making the best record. Every supervision indicator continued the good trend, and the innovation was created continuously.

In 2012, the board of supervisors of the Bank was renewed successfully. The new Board of Supervisors will strictly abide by the national laws and regulations and the statutes of the Bank, closely surround the development strategic plan of the Bank, carefully fulfill its supervision duties, deepen the supervision innovation, do well in the duty elevation and the financial, risk and internal control supervision, create the new supervision phase, and actively promote the continuous healthy development of the Bank. In the last year, the board of supervisors kept the efficient communication and close cooperation with the board of directors and the exectives. Its supervision advices and clews have been actively responded by the board of directors and the exectives. The board of supervisors effectively exerted its supervision function and promoted the continuous improvement of the management level of the Bank.

In 2013, the board of supervisors will continuously strengthen its construction, further advance the duty performance of supervisors, perform its duties diligently, do the supervision during service, really carry out its supervision function, well serve and actively promote every business of the Bank, and do well its job for the new striding and excellent achievement of the Bank.

Wang Tianyu, Chairman and Party Secretary (right 7th)

Shen Xueqing, President (left 7th)

Fan Dalu, Chief Supervisor (right 6th)

Li Wenbin, President level leader(left 6th)

Zhang Rongshun, Vice Chairman (right 5th)

Xiahua, Vice President (left 5th)

Qiao Jun’an, Vice President (right 4th)

Zhao Lijuan, Vice President (left 4th)

Biao Xiaofeng, Vice President (right 3rd)

Zhao Maicheng, Secretary of Discipline Inspection Committee (left 3rd)

Sun Haigang, President Assistant (right 2nd)

Guo Zhibin, President Assistant (left 2nd)

Zhang Wenjian, President Assistant (right 1st)

Mao Yuezhen, Chief Accountant (left 1st)

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

Website for annual report disclosure: http://www.chinamoney.com.cn/, and http://www.chinabond.com.cn

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: Henan Shengda Law Firm

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	**192,280**
Net profits	146,030
Net profits deducting incidental profits and losses	143,153
Operating profits	**188,392**
Investment yields	2,752
Subsidy incomes	-
Net amounts of non-operating income and expenditure	3,888
Net cash flow from operating activities	958,354
Net increase amounts of cash and cash equivalent	341,354

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 38,880,000Yuan, including the non-operating incomes of RMB 288,720,000Yuan and non-operating expenditures of RMB 249,840,000Yuan.

3. Operating profits refer to the balances of gross profits minus the net amounts of non-operating income and expenditure.

Unit: RMB/10,000Yuan

Items of non-operating profits and losses	Amount
Non-operating incomes	**28,872**
Inc.: forfeits and penalty receipts	32
gains from disposal of assets	0
Cashier rest incomes	3
Donation incomes	0
Other non-operating incomes	28,837
Non-business expenditure	**24,984**
Inc.: Loss from disposal of assets	24,154
Fines outlay	155
Donation expenses	370
Pending action debt	0
Other non-operating expenditures	305
Total	**3,888**

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Inc.: Loss from disposal of assets	24,154
Fines outlay	155
Donation expenses	370
Pending action debt	0
Other non–operating expenditures	305
Total	**3,888**

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

Unit: RMB/10,000Yuan

Item	2012	2011	2010
Main operating incomes	330,373	222,964	147,015
Net profits	146,030	94,841	62,911
Gross profits	**192,280**	**124,944**	**82,794**
Total assets	**10,373,401**	**7,089,933**	**5,772,673**
Total liabilities	**9,606,266**	**6,468,895**	**5,495,353**
Equity of shareholders at end of year	767,135	621,039	277,320
Basic earnings per share (Yuan)	0.37	0.66	0.44
Diluted earnings per share (Yuan)	0.37	0.66	0.44
Net assets per share (Yuan)	1.95	1.58	1.93
Net cash flow per share from operating activities (Yuan)	2.43	1.36	3.21
Cost−income ratio (%)	28.05	31.28	35.85
Weighted average return on net assets (%)	21.04	29.20	25.74
Weighted average return on net assets (%) after deducting non−current profit and loss	20.63	30.71	25.45

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

Unit: RMB/10,000Yuan

Item	2012	2011	2010
Total liabilities	**9,606,266**	**6,468,895**	**5,495,353**
Total deposits	**7,465,447**	**5,497,643**	**4,462,880**
Inc: corporate deposits	5,373,256	4,013,406	3,339,002
Savings deposits	2,092,191	1,484,237	1,123,878
Total assets	**10,373,401**	**7,089,933**	**5,772,673**
Total loans	**5,016,102**	**3,740,705**	**2,679,987**
Inc: ordinary loans	4,278,612	3,317,303	2,259,752
Discounting amount	737,490	423,402	420,235
Imprest	–	–	–

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 and 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	2012	2011	2010
Rate of core capital sufficiency	≥4%	12.79	15.23	8.42
Rate of capital sufficiency	≥8%	15.26	18.04	11.61
Ratio of bad loans	≤3%	0.47	0.44	0.51
Deposit-loan ratio	≤75%	67.19	68.13	59.37
Assets liquidity ratio	≥25%	36.47	36.97	35.80
Borrowing funds ratio	≤4%	0.27	-	-
Lending funds ratio	≤8%	-	-	-
Rate of interests recovery	≥80%	99.14	100.17	101.73
Concentration degree of loans of single client	≤10%	4.04	4.60	8.77
Credit concentration degree	≤50%	43.24	40.66	70.73

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	11,394	1,514	1,447	11,461
Surplus reserve	31,956	14,603	-	46,559
General reserves	55,320	48,000	-	103,320
Undistributed profits	128,175	146,030	62,603	211,602
Total of shareholders equity	621,038	210,147	64,050	767,135

Note: conditions for shareholders equity changes:

1. Capital reserve increased by 15,140,000 Yuan in this fiscal year, including 2,850,000 Yuan of income tax incurred by precise calculating loss, and 12,290,000 Yuan of change in fair value of available-for-sale financial assets; capital reserve decreased by 14,470,000 Yuan in this fiscal year, including 3,070,000 Yuan of income tax incurred by available-for-sale financial assets, and 11,400,000 Yuan of precise calculating loss.

2. Surplus reserve increased by 146,030,000 Yuan in this fiscal year, referring to withdrawal legal surplus reserve.

3. The general reverse increased by RMB 480 million Yuan, referring to the ordinary risk reserve deducted at the end of year.

4. Increased RMB 1,460,300,000 Yuan undistributed profits of this year belonged to current net profits, the reduced RMB 626,030,000 Yuan included RMB 146,030,000 Yuan of advanced legal surplus reserve reserves, and RMB 480 million Yuan of general reserves.

VI. Capital composition and changes

Unit: RMB /10,000 Yuan

Item	2012	2011	2010
Core capital	**760,060**	**615,884**	**276,624**
Inc.: Paid-in capital/common stock	394,193	394,193	143,393
Capital reserve	7,293	8,148	6,572
Surplus reserve	46,559	31,956	61,758
Undistributed profits	208,695	126,266	64,901
Minority interests	–	–	–
Deducting item of core capital	**8,320**	**7,804**	**2,364**
Inc.: insufficient withdrawal provisions for possible loan losses	–	–	–
Net core capital	**751,740**	**608,080**	**274,261**
Affiliate capital	153,530	120,070	101,605
General reserves	79,362	47,362	36,713
Calculable value of affiliate capital (within the limit of 100% net core capital)	153,530	120,070	101,605
Deducting item	16,640	15,608	4,727
Inc.: insufficient withdrawal provisions for possible loan losses	–	–	–
Net capital	**896,950**	**720,346**	**378,229**
Risk-weighted assets	5,876,263	3,993,443	3,257,353

I. Stock changes

Stock changes during the reporting period of the Bank were as follows:

Unit: 10,000 stocks

Item		At end of 2012	At end of 2011
Total capital stocks		**394,193**	**394,193**
State-owned stocks	Holding stocks	51,770	51,770
	Proportion	13.13%	13.13%
Other corporate stocks	Holding stocks	336,511	336,511
	Proportion	85.37%	85.37%
Natural person' s stocks	Holding stocks	5,912	5,912
	Proportion	1.5%	1.5%
Inc.: internal staff stocks	Holding stocks	3,585	3,585
	Proportion	0.9%	0.9%

Ⅱ. Shareholders and changes

(I) Introduction of shareholders

At end of reporting period, total shareholders of the Bank were 4,481, including 386 corporate shareholders and 4,095 natural person shareholders.

(II) Transfer and increase of shareholders' stock equities

During the reporting period: the Bank had no any new shareholder or stock equity transfer.

III. Top ten shareholders as at the end of the reporting period

Unit: 10,000 stocks

No.	Title of shareholder	Holding stocks	Proportion (%)
01	Zhengzhou Municipal Financial Bureau	49,090	12.45%
02	Yutai International (China) Real Estate Development Co., Ltd	26,200	6.65%
03	Henan Xingye Real Estate Development Co., Ltd	25,000	6.34%
04	Zhengzhou Investment Holding Co., Ltd	23,480	5.96%
05	Henan Chendong Industry Co., Ltd	22,600	5.73%
06	Zhongyuan Trust Co., Ltd	20,500	5.20%
07	Henan Guoyuan Trade Co., Ltd	19,500	4.95%
08	Bridge Trust Investment Co., Ltd	14,275	3.62%
09	Henan Shengrun Holding Group Co., Ltd	10,000	2.54%
10	Henan Zhenghong Real Estate Co., Ltd	10,000	2.54%
Total		**220,645**	**55.97%**

IV. Mortgage and sequestration of shareholders' stocks

During the reporting period, no share of any shareholder of the Bank was closed down, and totally 2,074,400,000 shares of shareholders' stock equity mortgage of the Bank, namely 52.62% of all shares were impawned.

V. Introduction to shareholders holding up 5% stock rights

(I) 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.

During the reporting period, Zhengzhou Municipal Financial Bureau held 490,900,000 stocks of the Bank, occupying 12.45% of total stocks of the Bank. The above stocks of the Zhengzhou Municipal Financial Bureau are the buy-back payment of the project of BT-mode Investment and Construction Proposal of Zhengzhou Ring Road Speediness Engineering Project that it has duly and completely paid, and its mortgage guarantee offered to SINOHYDRO Bridge Engineering Co., Ltd..

(II) 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.

During the reporting period, Yutai International (Henan) Real Estate Development Co., Ltd. held 262,000,000 stocks of Bank of Zhengzhou, occupying 6.65% of total stocks of the Bank, including the 228,000,000 stocks impawned to Bridge Trust Investment Co., Ltd. and the Bank of Pingdingshan for a fund of 640 million Yuan.

(III) 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.

During the reporting period, Henan Xingye Real Estate Development Co., Ltd. held 250,000,000 stocks of Bank of Zhengzhou, occupying 6.34% of total stocks of the Bank including the 228,300,000 stocks impawned to Zhongyuan Trust Investment Co., Ltd. and Minsheng Bank for a fund of 320 million Yuan.

(IV) 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.

During the reporting period, Zhengzhou Investment Holding Co., Ltd. held 234,800,000 stocks of Bank of Zhengzhou, occupying 5.96% of total stocks of the Bank, and those stocks are impawned to CITIC Bank Zhengzhou Branch for a fund of 200 million Yuan.

(V) Henan Chendong Industry Co., Ltd.

Henan Chendong Industry Co., Ltd. was founded 2003 with a registered capita 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.

During the reporting period, Henan Chendong Industry Co., Ltd. held 226,000,000 stocks of Bank of Zhengzhou, occupying 5.73% of total stocks of the Bank. There was no mortgage or dispute arising from these stocks.

(VI) 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 as a provincial state-owned non-bank financial institution with financial trust as main business. 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.

During the reporting period, Zhongyuan Trust Co., Ltd. held 205,000,000 stocks of Bank of Zhengzhou, occupying 5.20% of total stocks of the Bank. There was no mortgage or dispute arising from these stocks.

I. Introduction to current directors, supervisors and executives

(I) Basic introduction to directors

Name	Post	Gender	Age (year)	Tenure beginning and ending dates	Tenure unit and duties	Salary(√)	Holding stocks (stocks)
Wang Tianyu	Board Chairman Secretary of the Party Committee,	Male	46	2012.2-2015.2	Secretary of the Party Committee, Board Chairman of Bank of Zhengzhou	√	18928
Zhang Rongshun	Vice Board Chairman	Male	53	2012.2-2015.2	Vice Board Chairman of Bank of Zhengzhou	√	51612
Xu Jianxin	Vice Board Chairman	Male	59	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	47	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	58	2012.2-2015.2	Vice president of Bank of Zhengzhou	√	0
Liu Rui	Director	Male	49	2012.2-2015.2	Deputy Secretary of the Party Committee, and Executive Deputy Director General of Zhengzhou Municipal Financial Bureau, and Director General of Zhengzhou Non-tax Income Administration		0
Zhang Jingguo	Director	Male	49	2012.2-2015.2	Board Chairman and President of Henan Xingye Real Estate Development Co., Ltd.		0
Liang Songwei	Director	Male	44	2012.2-2015.2	General Manager of Henan Chendong Industry Co., Ltd.		0
Li Dongming	Director	Male	30	2012.2-2015.2	General Manger of Zhengzhou Investment Holding Co., Ltd.		0
Ji Hongjun	Director	Male	49	2012.2-2015.2	Vice President of Zhongyuan Trust Co., Ltd.		0
Zhu Zhihui	Director	Male	43	2012.2-2015.2	Board Chairman of Henan Guoyuan Trade Co., Ltd.		0
Ma Lei	Director	Male	44	2012.2-2015.2	President of Bridge Trust Investment Co., Ltd.		0
Wang Zhenmin	Independent director	Male	46	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	57	2012.2-2015.2	Board Chairman of Founder Group	√	0
Wang Shihao	Independent director	Male	62	2012.2-2015.2	Director of capital liquidating center of city commercial bank	√	0

(II) Basic introduction to supervisors

Name	Post	Gender	Age (year)	Tenure beginning and ending dates	Tenure unit and duties	Salary(√)	Holding stocks (stocks)
Fan Dalu	Chief supervisor	Male	48	2012.2-2015.2	Chief supervisor of Bank of Zhengzhou	√	0
Tang Yunwei	Exterior supervisor	Male	68	2012.2-2015.2	Chairman of Accounting Society of Shanghai	√	0
Liu Yuhui	Exterior supervisor	Male	42	2012.2-2015.2	Director of Chinese Economic Evaluation Center, and Chinese Academy of Social Sciences	√	0
Zhu Donghui	Shareholder supervisor	Male	57	2012.2-2015.2	Director General of Henan Non-ferrous Geology and Mineral Resources Bureau		0
Meng Jun	Shareholder supervisor	Female	41	2012.2-2015.2	Vice General Manager of Henan Zhenghong Real Estate Company		0
Duan Ping	Employee supervisor	Female	46	2012.2-2015.2	Director of party-mass work department of the Bank of Zhengzhou	√	0
Zhang Chunge	Employee supervisor	Female	44	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	47	23	2011.12	Take charge of overall work of operation and management and office	√	0
Xia Hua	Vice president	Male	45	22	2011.12	Take charge of capital operation department, risk management department and mechanism development department	√	0
Qiao Jun'an	Vice president	Male	58	37	2005.1	Take charge of small business credit department, credit examination and approval department, assets security department, bureau and banking department	√	0
Zhao Lijuan	Vice president	Female	50	30	2008.5	Take charge of accounting settlement department, administration department, science and technology development department and labor union	√	0
Bai Xiaofeng	Vice president	Male	45	28	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	43	21	2008.3	Take charge of discipline inspection office, security department and party– mass work department	√	0
Guo Zhibin	Assistant of president	Male	44	14	2011.1	Take charge of business department and trade financing department	√	0
Zhang Wenjian	Assistant of president	Male	47	27	2011.1	Take charge of Nanyang Branch	√	0
Sun Haigang	Assistant of president	Male	35	3	2011.3	Act as the General Manager of Strategic Development Department of the board of directors, and take charge of remote banking department and operation department	√	0
Mao Yuezhen	Chief accountant	Female	49	31	2011.9	Take charge of finance and accounting department	√	7603

(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,Chairman of the board,	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 representitive 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	President, Deputy Secretary of the Party Committee, executive director	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 offcie 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, economic manager. 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, undergraduate, senior accountant. Now he is the deputy secretary of party committee and the Executive Deputy Director General of Zhengzhou Municipal Financial Bureau, and the Director General of Zhengzhou Non-tax Income Administration. He had assumed the deputy director and director of the budget division of Zhengzhou Municipal Financial Bureau, and the chief accountant and deputy director general of Zhengzhou Municipal Financial Bureau.
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..
Li Dongming	Director	Male, undergraduate. Now he is the General Manager of Henan Chendong Industry Co., Ltd.. He had assumed the client manager of the investment banking department of Shanghai Everbright Securities, the manager of marketing department of Zhengzhou Yinji Trade Center Co., Ltd., the General Manager of Zhengzhou Yinji Trade Center Co., Ltd., and the General Manager of Henan Chendong Industry 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..

Name	Post	Working experience
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 Compny, and the vice president and executive president of Bridge Trust Investment Co., Ltd..
Wang Zhenmin	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.
Zhu Donghui	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
Meng Jun	Shareholder supervisor	Female, undergraduate, senior international finance manager, accountant, the shareholder supervisor of the Bank. Now, she is the vice general manager and chief finance supervisor 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 Chairman of the Labor Union, the Secretary of Youth League Committee, and the Director of Party-mass Work Department 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.
Zhang Chunge	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 presiden	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 presiden	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 presiden	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	Assistant of president	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 and the Director of Nanyang Branch. 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 and general manager of board strategy development department 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.

(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 825,000 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 10820,000 Yuan; the annual salaries of 2 employee supervisors totaled RMB 470,400 Yuan.

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

(I) Change of directors and supervisors during the reporting period

On February 26, 2012, the Bank held the first temporary shareholders' meeting of 2012, and reviewed and approved Proposal about Election of the 4th Board of Directors of the Bank of Zhengzhou Co., Ltd.. On this meeting, Liu Rui, Xu Jianxin, Zhang Jingguo, Li Dongming, Liang Songwei, Ji Hongjun, Zhu Zhihui, Ma Lei, Wang Tianyu, Shen Xueqing, Zhang Rongshun, Qiao Jun' an, Wang Zhenmin, Wei Xin and Wang Shihao were elected as the directors of the 4th Board of Directors of the Bank, among whom, Wang Tianyu, Shen Xueqing, Zhang Rongshun and Qiao Jun' an act as the executive director, and Wang Zhenmin, Wei Xin and Wang Shihao act as the independent director. The qualifications of Xu Jianxin, Zhang Jingguo, Li Dongming, Liang Songwei, Ji Hongjun, Zhu Zhihui, Ma Lei, Shen Xueqing, Qiao Jun' an, Wang Zhenmin, Wei Xin and Wang Shihao have been approved by the banking supervision authority. On this meeting, the Proposal about Election of the 4th Board of Supervisors of the Bank of Zhengzhou Co., Ltd. was reviewed and approved, and Fan Dalu, Meng Jun, Zhu Donghui, Tang Yunwei and Liu Yuhui were elected as the supervisors, among whom Tang Yunwei and Liu Yuhui act as the exterior supervisor.

On February 24, 2012, the second labor union held its first meeting in 2012, and elected Duan Ping and Zhang Chunge as the employee supervisors of the Bank.

(II) Change of executives

1. On February 26, 2012, the Bank held the first meeting of its 4th Board of Directors, reviewed and approved Proposal about Election of the 4th Board Chairman and Vice Board Chairman of the Bank of Zhengzhou Co., Ltd., and elected Wang Tianyu as the 4th Board Chairman, Zhang Rongshun, and Xu Jianxin as the 4th Vice Board Chairman.

2. On February 26, 2012, the Bank held the first meeting of the 4th Board of Supervisors, reviewed and approved Proposal about Election of the Chief Supervisor of 4th Board of Supervisors of the Bank of Zhengzhou Co., Ltd., and elected Fan Dalu as the Chief Supervisor.

III. Introduction to employees

As of 2012, employees on the job of the Bank were 2,199 persons, 376 persons retired internally, and 228 undergraduates were recruited.

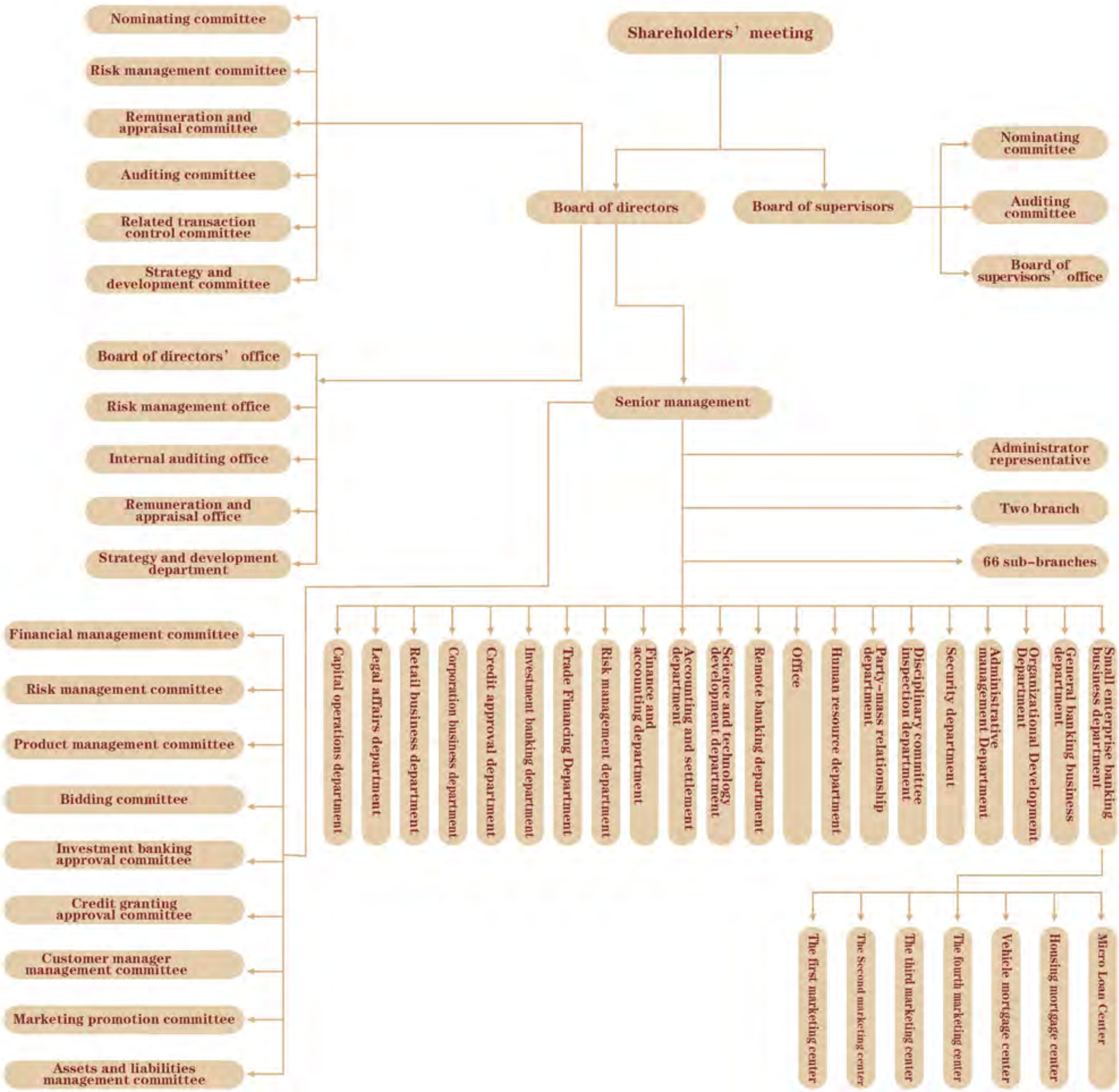
Statistics of personnel structure of the Bank of Zhengzhou (December 2012)

			Age							Education				title			
Personnel category	No. (Persons)	Female employees	Younger than 25	26 to 29	30 to 34	35 to 39	40 to 44	45 to 49	Older than 50	Above graduate	Undergraduate	Subordinate college	Below subordinate colleg	High title	Medium title	Primary title	No title
Total	2199	1310	349	717	198	335	395	167	38	92	1448	534	125	17	272	283	1473
Percentage (%)		59.57	15.87	32.61	9.00	15.23	17.96	7.59	1.73	4.18	65.85	24.28	5.68	0.77	12.37	12.87	66.98

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. During the reporting period, the boards of directors and supervisors were changed successfully. The new boards of directors and supervisors are composed of excellent shareholders delegates and domestic famous experts. The strengthened decision ability and level and the scientific and timely decision guidance and political support have created a good condition, and offered a powerful strategic support for the development of the Bank.



(II) Corporate shareholders and shareholders' meeting

During the reporting period, the fourth Board of Directors of the Bank held two shareholders' meetings. On these meetings 17 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, issuance of small-micro business bank debentures. In addition, the 4th board of directors and supervisors were elected, 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.

Henan Shengda Law Firm witnessed the holding and holding procedures of this meeting, qualifications of the shareholders attending the meetings and the validity of proposals and voting procedures in this meeting, and issued its legal opinion letter.

II Directors and the board of directors

(I) Composition and working of the board of directors

The board of directors of the company has 15 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 9 director meetings, including 5 regular meetings and 4 temporary meetings. On these meetings 53 major items were reviewed and approved, including the report of the board of directors, reports of all the professional committee of the board of directors, work report of the Operating Department, annual financial situation report of the Bank, profits distribution plan, website planning, election of candidates for the 4th Board of Directors, election of the Chairman and the Vice Chairman of the 4th Board of Directors, and issuance of small-micro business bank debentures.

(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 chairman of committee of the related party transaction control committee, nomination committee and audit committee shall be taken by the independent director. The board of directors sets up various professional committee, to strengthen the directors' supervision of 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 the reporting period, the strategy and development committee evaluated the Development Strategic Plan of the Bank of Zhengzhou Co., Ltd. from 2011 to 2015 from scale, benefit, quality, structure, market share and son on, held two meetings, and reviewed 5 proposals, especially the outward investment issues.

The risk management committee held 7 meetings, and reviewed 12 proposals. Mainly discuss all the risk items and credit items, constantly strengthen supervision and inspection, reinforce the process supervision, strictly observe risk base line, improve the risk control structure, cultivate the risk culture, and improve the comprehensive risk control capacity of the board of directors.

The related party transaction control committee held 5 meeting and reviewed 6 proposals. Seriously implement relevant supervision requirements and spirits, track the credit situation and information of the related party timely, discuss relevant related transaction matters, control the related transaction risks and do well in the management of related transaction risks.

The audit committee held 1 meeting and reviewed 1 proposal. Through the pertinent inspection, further confirm the management level and duty, improve the management method, strengthen the capacity to identify and evaluate risk, boost the safe and steady operation of the company and constantly strengthen the control capability of the board of directors.

The payment committee held 1 meeting and reviewed 1 proposal. Mainly based on the wide investigation, draft the salary and allowance standards for the independent directors, exterior supervisors and shareholder directors (supervisors), further standardize the salary management of directors and supervisors, make that the salary standard of independent directors and exterior supervisors meet the market standard, and urge them to perform their duties effectively in the management of the company.

The nomination committee held 1 meeting and reviewed 7 proposals. Mainly based on the election standard of directors and independent supervisors, propose 4 executive directors and 3 independent directors to the board of directors, and review the qualifications of 8 directors recommended by shareholders initially.

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 2011, 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

According to the requirements of the Guide for Corporate Management of Joint-stock Commercial Bank and Guide for Independent Directors and Exterior Supervisors System of Joint-stock Commercial Bank, the Bank had established independent director and exterior supervisor system, which exerted active functions to corporate decisions.

During the reporting period, 3 independent directors fulfilled their obligations and exerted active functions, which embodied in: they attended the board meeting and expressed their opinions, maintained corporate interests; at the same time of strictly controlling related party transactions, establishing archives of affiliate personnel, directors and supervisors, and reviewing financial statement, leaders of related party transactions control committee, nominating committee and auditing committee comprehensively understood risk control flows and supervision policies, had the capacity of accurate judgment for the trueness, completeness and accuracy of corporate risk, rules-obeying conditions and financial statement, guided business development and made effective promotion to the right decision of the board of directors.

During the reporting period, two external supervisors cared the development and risk prevention of the Bank, notices to study and improvement of self quality, worked hard, independently expressed opinions and brought forward advice on relevant resolutions, and gained attention and acceptance of business level. This exterior supervisor carefully performed the duties as a supervisor.

VI. Managerial decision-making system

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

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 2012, 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.

I. Introduction to shareholders' meeting during the reporting period

During the reporting period, the Bank held two shareholders' meetings in 2012, including one annual shareholder meeting and one temporary shareholder meeting, and voted for 17 proposals through vote as follows:

The annual shareholders' meeting was held on June 10, 2012 in the multi-function hall on Floor 29 of the Headquarters of the Bank, and voted for 10 proposals, including Voting Method of Shareholders' Meeting 2011 of the Bank of Zhengzhou Co., Ltd., Work Report 2011 of the 3rd Board of Directors of the Bank of Zhengzhou Co., Ltd., Work Report 2011 of the 3rd Board of Supervisors of the Bank of Zhengzhou Co., Ltd., Financial Budget Plan 2012 of the Bank of Zhengzhou Co., Ltd., Profit Trueness Audit Report 2011 of the Bank of Zhengzhou Co., Ltd., Duty Performance Report of Executives 2011 of the Bank of Zhengzhou Co., Ltd., Proposal about Paying Salaries and Allowances to Directors of the Bank of Zhengzhou Co., Ltd., Proposal about Paying Salaries and Allowances to Supervisors of the Bank of Zhengzhou Co., Ltd., Annual Report 2011 and Its Abstract of the Bank of Zhengzhou Co., Ltd., and Proposal about Profits Distribution Plan 2011 of the Bank of Zhengzhou Co., Ltd..

The temporary shareholders' meeting was held on February 26, 2012 in the multi-function hall on Floor 29 of the Headquarters of the Bank, and voted for 7 proposals, including Proposal about Voting Method of Shareholders' Meeting 2011 of the Bank of Zhengzhou Co., Ltd., Budget Performance Report 2011 of the Bank of Zhengzhou Co., Ltd., Duty Performance Report of Supervisors and Exterior Supervisors 2011 of the Bank of Zhengzhou Co., Ltd., Proposal about Selection of the 4th Board of Directors of the Bank of Zhengzhou Co., Ltd., Proposal about Election of the 4th Board of Supervisors of the Bank of Zhengzhou Co., Ltd., Proposal about Issuance of Small-micro Business Bank Debentures of the Bank of Zhengzhou Co., Ltd..

II. Election and changes introduction to directors and supervisors

On February 26, 2012, the Bank held the first temporary shareholders' meeting of 2012, voted through 7 proposals, and reviewed and approved Proposal about Election of the 4th Board of Directors of the Bank of Zhengzhou Co., Ltd. and Proposal about Election of the 4th Board of Supervisors of the Bank of Zhengzhou Co., Ltd.

On this meeting, Liu Rui, Xu Jianxin, Zhang Jingguo, Li Dongming, Liang Songwei, Ji Hongjun, Zhu Zhihui, Ma Lei, Wang Tianyu, Shen Xueqing, Zhang Rongshun, Qiao Jun' an, Wang Zhenmin, Wei Xin and Wang Shihao were elected as the directors of the 4th Board of Directors of the Bank, among whom, Wang Tianyu, Shen Xueqing, Zhang Rongshun and Qiao Jun' an act as the executive director, and Wang Zhenmin, Wei Xin and Wang Shihao act as the independent director.

The qualifications of Xu Jianxin, Zhang Jingguo, Li Dongming, Liang Songwei, Ji Hongjun, Zhu Zhihui, Ma Lei, Shen Xueqing, Qiao Jun' an, Wang Zhenmin, Wei Xin and Wang Shihao have been approved by the banking supervision authority.

On this meeting, Fan Dalu, Meng Jun, Zhu Donghui, Tang Yunwei and Liu Yuhui were elected as the supervisors, among whom Tang Yunwei and Liu Yuhui act as the exterior supervisor.

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

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 103,734 million Yuan; the balance of ordinary deposits totaled RMB 74,654 million Yuan (excluding the inter-bank deposits of 7,928 million Yuan); the balance on loans totaled RMB 50,161 million Yuan; the profits before provision of the whole year totaled RMB 2,251 million Yuan; the rate of capital adequacy ratio was 15.26%; the rate of non-performing loan was 0.47%; the rate of provision coverage rate was 425.28%; the current ratio was 36.47%, the loan-deposit ratio was 67.19%, the capital return rate was 21.04%, and the asset return rate was 1.67%. Every indicator has reached the supervision requirements and had good system adaptability.

2. Risk control and risk solvency

During the reporting period, the Bank attached more importance to the risk preventive system construction, execution of overall risk control, interior control construction and interior control improvement so that its risk control abilities increased a lot and risk degree gradually decreased.

(I) The comprehensive risk management system is improved gradually.

During the reporting period, the Bank further improved the comprehensive risk management system, worked out the Continuous Risk Management Policy, revised many systems and methods, settled the documents concerning this system, added 18 new systems, repeal 6 systems and modify 82 systems. As of the end of December 2012, there were 335 documents about this system. Through the establishment and revision of policy, method and plan, the system frame, right and duty of comprehensive risk management were improved, and a firm foundation was set up for the deep implementation of comprehensive risk management system.

(II) Risk management and internal control methods becomes much richer

Firstly, through establishing the internal quality control target of 2012, continue to improve the setting of internal control target, boost the understanding and cognition of the system operation, and offer a powerful support to the construction of comprehensive risk management system. Secondly, through the comprehensive risk examination and compliance examination in 2012, offer the reference for the deep understanding of the implementation of comprehensive risk management, the prevention of various risks, and the improvement of comprehensive risk management system and process. Thirdly, examine the employees' behaviors inside and outside the 8 working hours, and urge the employees to notice their behaviors. As the importance of banking case prevention and control, the individual professional integrity risk prevention is the strong guarantee that prevents the illegal case, reduces and avoids the asset loss. Fourthly, import and put the ComStar fund trade and market risk management system into use in March 2013, initially realize the "electronic process, standard management, quantitative risk and automatic calculation" of business management, and further advance the risk control and profit abilities of the Bank.

(III) Risk culture construction enjoys popular support gradually.

The Bank gradually construct the perfect risk management system framework, constantly complete the risk management system culture, meanwhile further improve the awareness of the risk culture concept, and make the concept of risk culture become much popular. Firstly, improve the psychological quality of employees from policy, consensus, theory, value, living method and so on, and guide the employees to agree the risk management concept of the Bank from many views, sides, levels and methods. Secondly, use various incentive methods to implement the risk management concept in the work, study and life of employees, and flexibly combine the guidance with the self education, the psychological education with the behavior restriction to form the comprehensive introject, and boost the sentiment and quality of employees, and thus advance the risk management level of the Bank. Thirdly, cultivate and construct a high–quality risk management team. People are the main creating the culture and the carrier inheriting the culture so the construction of risk management culture should stick on the human–oriented operation concept. When establishing the risk management culture, the Bank not only cultivates the professional abilities of risk management staff consciously from the work, but also exercises and fosters the risk management staff and boosts the risk management risk through centralized training, competition, risk campaign month and other activities.

(IV) Risk settlement

During the reporting period, the balance on the non–performing loan of the Bank totaled RMB 236,968,100 Yuan, 71,702,900 Yuan more than the beginning of the year; the rate of non–performing loan was 0.47%.

3. Institutional resource allocation

During the reporting period, 110 automatic equipment outlets were arranged, including 70 in–bank outlets and 40 off–bank outlets. The number of automatic equipments reached 465 units (including 178 ATMs, 70 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 "bussiness logistic bank, small–medium business financing expert and community bank", the Bank produced the dragon card, special oil allowance card for taxi, Shangding payment card and other special bank cards. Totally 1696,400 cars were issued and the balance of the deposits in those cards totaled RMB 8,284 million Yuan, 1,629 million Yuan more than the last year. 2192,300 POS trades were made, and the amount involved totaled RMB 23,848 million Yuan. On average, RMB 14,057 Yuan was used on each individual card.

During the reporting period, on one hand the Bank increased the clients' wills to pay by card; on the other hand, the Bank increased the issuing frequency and total scale of financing products, produced the new noble metal agency and fund commission selling businesses, continued the good pricing policy and effective marketing promotion system, and acquired RMB 67,810,000 Yuan return from intermediate business including RMB 33,150,000 Yuan return from retail intermediate business, accounting for 48.88% of total return from intermediate business. The return of agency business was a little lower than the last year.

5. Personal loan and development situation

During the reporting period, the Bank continued to enlarge the step to develop personal loan business. The balance of personal loan totaled RMB 10,187 million Yuan, RMB 1,762 million Yuan more than and 20.91% higher than the amount at the beginning of year RMB 8,425 million Yuan. Main measures: Firstly, adopt the personalized service and attract clients with characteristic products and services, which are the breakthrough for the Bank to promote market competitiveness; set up the product research team, and powerfully promote such personal loan products as "individual consumption credit loan", "financing product mortgage loan" and "individual production and operation credit loan". Secondly, adopt the reasonable promoting policies: (1) implement the diversified deposit/load ratio assessment policy, urge the branches to develop the small enterprise and personal loan businesses; (2) increase the assessment weight of small enterprise (individual) loan increase of branches; (3) carry out the small enterprise and personal loan marketing competition, and strengthen the internal drive of branch to develop the finance business of small–micro enterprises. Thirdly, promote the scientific and technical innovation, and realize the independent operation of small enterprise and personal credit system. Establish the independent small enterprise and personal credit system to improve the review efficiency, and strengthen the statistics and query accuracy of small credit data.

6. Small–micro business loan and development

During the reporting period, as the leader serving the small–micro business clients in Henan Province, the Bank adhered to its market position "serving the local economy, medium and small enterprises and urban residents". Under the pressure of the slowing of current economy growth and the institution reform of China, the Bank renewed its concept, produced the new product and service, established the post–loan management center and product R&D center, cooperated with FICO to improve the new after–sale service management system of small–micro business, and cooperated with Germany IPC to adopt the micro loan technology and widen the financing change of small–micro business. In the whole year, the Bank issued RMB 22,543 million Yuan to small–micro business, increased the loan balance and growth of small–micro business, and successfully accomplished the supervision target stipulated by Henan Banking Regulatory Bureau that "the increase speed should be higher than that of all loans, and the growth should be higher than the last year". The Bank won the prize of Annual Best Medium-small Bank Serving the Small-micro Business elected by "Golden Dragon Prize of Chinese Financial Institutes Gold Card List" sponsored by Finance Times and the Institute of Finance and Banking of Chinese Academy of Social Sciences.

7. Financial scientific construction

During the reporting period, the Bank firstly guaranteed the Sci-Tech construction investment, strengthen the Sci-Tech development, completed the development of 10 large projects and 14 medium projects, over-fulfilled the development target of the whole year, almost met the requirements of new business operation, operation and management, comprehensively completed the construction of in-city application disaster recovery system and alien data disaster recovery system, insisted on the Level 6, the highest level of in-city application disaster recovery system in the bank industry, and practiced one emergency plan drill every month to ensure the safety, stability and efficient operation of its information system and assure the continuity of its business.

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 macro economic 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 the reporting period, on the premise of sound and fast bussiness development, the Bank focused on the construction of corporation culture, contained to promote the culture establishment, shot and processed its Bank song, presented the enterprise cultural publicity slogans on the wall, actively participated in the corporation culture of stated-owned asset system of Zhengzhou City, and continued to strengthen its core cohesion through various and wonderful culture activities. Firstly, focus on its social responsibilities: successively donate RMB 2 million Yuan to Zhengzhou Charity Federation, RMB 1 million to Henan Province Aged Care Federation, and RMB 200,000 Yuan to China Volunteer Service Foundation, actively join in the charity activities and social commonweal project to pay back the public with development achievement. Secondly, focus on the interaction with the clients: successfully held the spring client appreciation meeting, the Mid-autumn medium and small business client friendship meeting and other activities to stabilize the old clients, attract the new clients, boost the mutual understanding, deepen the mutual cooperation, promote the business development and strengthen the social influence. Thirdly, focus on the employees' life: organize the "March 8" fan competition, spring mountaineering activity, single youth friendship activity, and employee birthday card, and other activities to richen the employees' lift and show its humanistic care. Fourthly, focus on the team construction: successfully held the first employee sports meeting, fully show the bullheaded, striving and competitive spirit of the staff of the Bank of Zhengzhou, and exhibit the active and enthusiastic team sense of its employees. The Bank won the title of advanced enterprise culture construction unit in national finance system 2011-2012.

(III) Main operating incomes

Unit: RMB/10,000Yuan

Item	Amount
Income of interest on loan	288,719
Current interest income of financial institutes	188,715
Current interest income of financial institutes	7,557
Investment yields	2,752
Variable loss and profit of fair values	1,332
Other service	1,073
Total	**490,148**

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

1. Assets 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 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; etc.

2. Liability service

Corporate: corporate current deposit, fixed deposit, agreed deposit, deposit at notice 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. 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, etc..

(V) Top five industries with maximum loans and proportion

Unit: RMB/10,000Yuan%

No.	Business	Grant amount	Proportion%
1	Wholesale and retail	1,546,336	38.27
2	Manufacturing	922,069	22.82
3	Construction industry	412,407	10.21
4	Real estate industry	312,667	7.74
5	Agriculture,forestry, animal husbandry and fishing	119,706	2.96

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
No.	Off-balance sheet item	Balance of Dec. 2012
1	Banker' s acceptance bill	1,453,361.75
2	Issuance of letter of guarantee	7,047.34

2. Risk control

Off-balance sheet activities share the same feature that the liability guarantee provided to customers comes from own credit resources but not funds, which contains risks including credit risks, liquidity risks, business risks and regulatory risks. The Bank takes corresponding risk control measures: `1) adheres to the principle of real commodity transaction for bank acceptance bill business and prevents activities of financial demand arbitrage.2) strengths credit analysis and assessment on guarantee customers (letter of guarantee), adheres to customer entry criteria and renegotiates contract clauses regularly in case of long-term guarantee requirements.3) in order to reduce risks, perfect guarantee measures for parts of bank acceptance bill and exposure guarantee letters where risks exists.4) subject to the principle of "unified standards, hierarchical authorization, regular assessment and proper adjustment" for credit business authorization, furthers to perfect the system of authorization and credit granting. 5) perfect the operating regulations and system of off-balance sheet activities, and intensify internal auditing and inspections.

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

Functional departments of the Bank were: the office, risk control office and internal auditing office of the Board of Directors, salary and evaluation office, office of the Chief supervisor, office, departments of human resources, security guard, corporate business, credit examination, risk control, retail service, small enterprise financial services, funds operating, accounting finance, accounting settlement, auditing, scientific development and administrative management, disciplinary inspection commission, labor union and party and mass affairs work, legal affaris department and Trade Financing Department and business department.

2. Basic conditions of sub-branches

The Bank applies one-level corporation system and "parent bank-branch" two-level business system, comprising totally 73 branches (inc. business department of headquaters and secondary affiliates), of which there are 2 branches and 71 sub-branches (inc. business department of headquaters).It is shown as follows:

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

02 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

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

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

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

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

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

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

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

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

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

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

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

14 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

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

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

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

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

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

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

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

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

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

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

25 Economy & Technology Development Zone Sub-branch
Crossing of East Hanghai Road and the 3rd street, Zhengzhou Economy & Technology Development Zone
0371-66781010

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

27 West Longhai Road Sub-branch
No. 97-6, West Longhai road,
Zhongyuan district, Zhengzhou,
Henan province
0371-67624928

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

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

30 South Third Ring Road Sub-branch
No.1 of Bank Building, South gate of New Huazhong Food Town,
Zhengzhou, Henan province
0371-67972218

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

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

33 Qilihe sub-branch
Attached No. 140, No 39, south Qilihe road, Zhengdong New Area,
Zhengzhou, Henan province
0371-55683527

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

35 Sub-branch of Wanbang logistics in Zhongmou county
Building 2, Wanbang International Agricultural Commodity Logistics Center, No.8, Wanhong road,
Zhongmou county, Henan province
0371-85391778

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

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

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

39 South Songshan Road Sub-branch
No. 123 (No. 128, Changjiang road),
Buliding 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

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

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

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

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

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

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

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

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

48 Sidajie Road Sub-branch
No. 180, West street, Zhengzhou, Henan province
0371-66610518

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

50 Sub-branch of the community of Jinyi City
Building 4, Jinyihuadu, No.2, west Mianfang road, Zhengzhou, Henan province
0371-55186100

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

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

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

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

55 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

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

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

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

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

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

61 Zhongyuan Road Sub-branch
1st floor, Zhongyuan Hotel, No. 200, Tongbai road, Zhengzhou, Henan province
0371-67626296

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

63 Xinzheng Sub-branch
Southeast corner of crossing of Remin road and Yuqian road, Xinzheng city
0371-62695599

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

65 Sub-branch of Huiguo town
No.252, Renmin road, Huiguo town, Gongyi, Henan province
0371-56909600

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

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

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

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 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

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

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

(II) Establishment of internal functional departments and cancellation of sub-branches

1. Changes of internal functional departments

During the reporting period, the changes of internal functional departments are as follows:

——The Trade Financing Department is newly established;

—— "Capital construction office" is renamed "Organizational Development Department".

2. Changes of branches

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

——On March 28, 2012, the Bank established Sub-branch of Dushan road in Nanyang city, which is located at building 12, Shengtang commercial club, crossing of Dushan road and Binhe road, Nanyang, Henan province;

——On July 6, 2012, the Bank established Sub-branch of Shaolin road in Dengfeng, which is located at No.28, Shaolin road, Dengfeng, Henan province;

——On July 6, 2012, the Bank established Sub-branch of Huiguo town in Gongyi, which is located at No.252, Renmin road, Huiguo town, Gongyi, Henan province;

——On September 8, 2012, Sub-branch of the textile center was moved to the northwest corner, crossing of the Yingbin road and the Xingang road at the air port zone, Zhengzhou, Henan province, and renamed Sub-branch of Airport zone;

——On October 14, 2012, Sub-branch of Buchang street was moved to the floor 1 and 2 of the Storefront 4, No.8, Yinji trade center, the first road, Guancheng district, Zhengzhou, Henan province, and renamed Sub-branch of Yinji trade center;

——On December 17, 2012, the Bank established Sub-branch of Wanbang logistics in Zhongmou county, which is located at Building 2, Wanbang International Agricultural Commodity Logistics Center, No.8, Wanhong road, Zhongmou county, Henan province;

——On December 17, 2012, the Bank established Sub-branch of Jinyi City community, which is located at street-side rooms of building 4 , Jinyihuadu, No.2, west Mianfang road, Zhengzhou, Henan province;

——On December 19, 2012, the Bank established Sub-branch of Xinxiang, which is located at No.278, Xiangyang road, Xinxiang, Henan province.

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

Unit: RMB/10,000Yuan

Five-category classification	Balance	Proportion %
Normal credit assets(include discounting amount)	4,899,937	97.69
Specially-noticed credit assets	92,469	1.84
Substandard credit assets	15,018	0.30
Doubtful credit assets	8,678	0.17
Losses credit assets	0	0.00
Total	**5,016,102**	**100**

(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

Involved branche	Name of lender	Balances of loans	Proportion%
Dengfeng	Zhengzhou Dengcao Group jinling Coal Co., Ltd	36,220	4.04
Shangding road	Henna Wanbang international agricultural commodity logistics Co., Ltd.	34,500	3.85
Business Department	Henan Yinji real estate Co., Ltd.	30,000	3.34
Exhibition Center Branch	Henan Xingaodi Holdings Co., Ltd.	30,000	3.34
Business Department	Zhengzhou Baoke trade Co., Ltd	30,000	3.34
Business Department	Shenma Industrial Co., Ltd	28,461	3.17
Shangding road	Henan Huiyi Real Estate	25,000	2.79
Wei 2 road	Hebi Coal Industry (Group) Co., Ltd.	25,000	2.79
Wei 2 road	Henan Coal and Chemical Industry Group Guolong Logistics Co., Ltd	25,000	2.79
Daxue road	Zhengzhou Tianyuan Industrial Investment Co., Ltd.	25,000	2.79
	Total loans of 10 biggest clients	**289,181**	**32.24**

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

Within the reporting period, loan balance of the biggest single clients of the Bank is 362 million yuan with a loan concentration degree of 4.04%; loan balance of the biggest 10 clients is 2892 million yuan with a loan concentration degree of 32.24%; credit balance of the biggest corporate client is 500 million yuan with a credit concentration degree of 5.57%.Loan concentration degree of the biggest single client, loan concentration degree of the biggest 10 clients and credit concentration degree of the single corporate client are all kept within the range of supervision indicators. Key measures taken include: 1) proceeds to establish supervision account and supervise variation of loan concentration depending on increase of net capital, takes intensive control on newly added credit line given to the single client to prevent disproportion; 2) be careful to big client development and distribute valuable concentration sources to key and high-quality clients within Henan province, develop loans to small and micro businesses as well as trade and logistics industries to prevent blind focusing on big clients.

(VII) Composition of ordinary loan types

Unit: RMB/10,000Yuan

No .	Guarantee method	At the end of 2012
1	Ensure	1,984,275
2	Mortgage	1,359,200
3	Pledge	904,574
4	Credit	30,563
Total		**4,278,612**

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 (note: the following loan balances are principal)

By the end of December, 2012, overdue loan balance of the Bank is 229.696,4 million yuan. Of which, normal category balance is 7.23 million yuan (3.15% of the overdue loan); loan balance of the specially-noticed category is 135.679,8 million yuan (59.07% of the overdue loan); loan balance of the substandard category is 148.3 thousand yuan (0.06% of the overdue loan); loan balance of the doubtful category is 86.638,3 million yuan (37.72% of the overdue loan).

(Ⅰ) Loan balance of 10 clients with an overdue period less than 90 days (3 months) is 138.213,8 million yuan, guarantee method of which usually is real estate mortgage, risk of which may thus be relatively low.3 clients out of the above mentioned with a balance of 310,0 thousand yuan, under risk classification, is identified to be in the normal category; another 3 clients with a balance of 134.95 million yuan, under risk classification, is identified to be in the specially-noticed category; the other 3 clients with a balance of 148.2 thousand yuan is identified to be in the substandard category; the rest 1 client with a balance of 15.6 thousand is identified to be in the doubtful category.

(Ⅱ) Loan balance of 8 clients with an overdue period not less than 90 days (3 months) but less than 180 days (6 months) is 5.663,4 million yuan.5 clients out of the above with a balance of 4.8598 thousand yuan belong to policy-based loan for laid-off and unemployment (of which 3 clients with a balance of 4.13 million yuan is identified to be in the normal category, 2 clients with balance of 729.8 thousand yuan is identified to be in the specially-noticed category); the rest 3 clients with a balance of 803.6 thousand yuan belong to real estate mortgage, which, although few risk may be occurring, under risk classification and based on the principle of "being careful", is identified to be in the doubtful category since the overdue period is very long.

(Ⅲ) Loan balance of 1 client with an overdue period not less than 180 days (6 months) but less than 360 days (12 months) is 1.74 million yuan, guarantee method of which is subject to personal joint liability, which, under risk classification, is identified to be in the doubtful category since it is of a long overdue period and a higher risk.

(Ⅳ) Loan balance of 6 clients with an overdue period not less than 360 days (12 months) is 84.0791 million yuan, guarantee method of which is mortgage of real estate, machines and equipments. Although few risk may be occurring, 1 client with a loan balance of 100 yuan, under risk classification and based on the principle of "being careful", is identified to be in the substandard category and the other 5 clients with a balance of 84.0790 million yuan is identified to be in the doubtful category since the overdue period is very long.

(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
06 national debt 01(060001)	2006-02-27	2013-02-27	Fixed	2.51	10,000
08 national debt 05(080005)	2008-04-21	2013-04-21	Fixed	3.69	10,000
08 national debt 10(080010)	2008-06-23	2018-06-23	Fixed	4.41	15,000
08 national debt 23(080023)	2008-11-27	2023-11-27	Fixed	3.62	30,000
08 national debt 25(080025)	2008-12-15	2018-12-15	Fixed	2.9	20,000
09 Coupon bearing national debt 17(090017)	2009-07-30	2016-07-30	Fixed	3.15	20,000
09 Coupon bearing national debt 27(090027)	2009-11-05	2019-11-05	Fixed	3.68	20,000
10 Coupon bearing national debt 27(100027)	2010-08-19	2017-08-19	Fixed	2.81	6,000
10 Coupon bearing national debt 38(100038)	2010-11-25	2017-11-25	Fixed	3.83	27,000
11 Coupon bearing national debt 02(110002)	2011-01-20	2021-01-20	Fixed	3.94	40,000
11 Coupon bearing national debt 03(110003)	2011-01-27	2018-01-27	Fixed	3.83	20,000
11 Coupon bearing national debt 15(110015)	2011-06-16	2021-06-16	Fixed	3.99	20,000
11 Coupon bearing national debt 19(110019)	2011-08-18	2021-08-18	Fixed	3.93	5,000
11 Coupon bearing national debt 14(110014)	2012-08-16	2017-08-16	Fixed	2.95	18,000

(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

NO.	Invested entity	Share proportion	Investment amount	Registration Place	Type	Registered capital	Date of approval for establishment/being a shareholder
1	China Union Pay Investment	0.48%	800	Shanghai	shareholding system	16,500	February,2002
2	Clearing Center for City Commercial Banks	2.22%	40	Shanghai	shareholding system	3,015	September,2002
3	Xinmi Town Bank of Bank of Zhengzhou co., ltd.	20%	2,000	Xinmi	shareholding system	10,000	June,2010
4	Zhongmou Town Bank of Bank of Zhengzhou co., ltd.	20%	2,720	Zhongmou	shareholding system	13,000	December,2009
5	Yanling Town Bank of Zhengyzhou Bank co., ltd.	30%	1,800	Yanling	shareholding system	6,000	July,2012
Total			**7,360**				

(XII) Main measures and effects on bad loans management

During the reporting period, affected by factors including slowdown of macro-economy growth, scant demand from both domestic and international market, monetary policy, folk credit and others, business operation of medium-sized and small enterprises belonging to private economy and being focused on export processing and trade at home and abroad have suffered stagnation, capital chain tension, which leads to a apparent rebound trend of non-performing loans. By the end of 2012, non-performing loans of the Bank is 236.968,1 million yuan, increasing by 71.702,8 million yuan compared to the beginning of the year; non-performing loan ratio is 0.47%, increasing by 0.03% compared to the beginning of the year. Under a large increase of credit assets, the Bank takes multiple measures to control rebound of non-performing loans, and the non-performing loan ratio, though non-performing loans takes on a little increasing, still maintains a low level. Main measures mentioned above are as follows:

1. "Double-down" meetings are held regularly to strengthen recovery and settlement of non-performing loans, find out progress and problems during recovery and settlement, and adjusted the recovery measures timely according to the schedule and operation change of enterprise.

2. Total amount control is applied to loans of key areas to strengthen policy conduction. The first thing is to meet requirements of total amount control to areas including real estate, governmental financing platform and "2 high and 1 residual" industries, and utilize the opportunity that the macro-economy has not been stabilized and enterprises' operation conditions have changed to adjust and quit projects that have more and more unpromising operation performance in the credit business. The second thing is to further to specify credit policy applied to the adjusted industries, and lead credit business distributed more to encouraged areas including micro and small enterprises, trade and logistics, agricultural industries by virtue of applying strict entry criteria, differential interest standards and so on.

3. Adhere to compliance and strengthen early-warning. The first thing is to put compliance to a more preferable position and perform duties with care under the worsening situation of credit risks. The second thing is to improve risk awareness and master conditions respecting enterprise operation change and variation of mortgage value so as to perform subsequent management of loans, and detect and solve risks at an early stage. The third thing is to pay close attention to change of state macro-economy policies and industry policies as well as how these policies influence enterprise operation, and to avoid policy risks. Credit clients that do not conform to state industry policies and are not able

to conduct technology update shall be applied timely with a repayment schedule to take control of related conditions for the purpose of quitting early.

4. Re-develop the corporate client credit rating system to improve the capability to identify client risks. In order to further construction of an overall risk management system, the Bank has, by way of public bidding, hired professional companies to redevelop the client credit rating system based on IRB and business characteristics of the Bank. Construction of the new system, firstly, can greatly improve the capability of the Bank to analyze and assess credit conditions of clients, and make assessment on client value and debt repayment more precisely and more correctly to control client acceptance. Secondly, construction of this system can improve capability of client managers to identify credit risks of clients and form the credit management culture based on risk management and fully improve risk and capital management.

(XIII) Over outstanding debts

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

III. Risk factors and countermeasures facing the Bank

(I) Main management measures against credit risks

Main management measures against credit risks taken by the Bank include: 1. strengthening adjustment of the credit structure. The Bank fully conforms to credit policies, industrial policies and regulatory requirements, and performs the work of loan approval well based on the principle of "combination of encourage and control". During reporting period, the newly add loans of the Bank is directed to advantageous industries, key projects and medium-sized and small enterprises supported by state industry policies and credit policies; credit client structure, industry structure, term structure and guarantee structure are further optimized, and loan operation quality is improved continuously. 2. Conducting basic management of credit well: a number of credit business systems including Management Method on General Credit Granting Business, Management System of Credit Granting Business, Management on Credit Granting Business for Corporate Clients have been made and perfected to further specify credit risk management and control system as well as operating procedures; system control has been optimized to strengthen credit employee training and improve capabilities to identify, measure, control and compensate credit risks; 3. level of sophistication and scientificalization of credit management has been improved. "3 methods and 1 guidance" shall be fully implemented to further regulate loan modes of a whole process management and perfect management on loan granting and payment; work including internal credit inspection, audit and early-warning monitoring have been implemented to strengthen subsequent management of loans; recovery work has been strengthened to prevent against loan risks and improve credit operation quality as a whole. 4. By virtue of a number of measures including compression and recovery, additional guarantee, reconstruction of terms and interest rate, credit granting to single clients and corporate clients shall be performed strictly. 5. The subsequent monitoring report system of each loan has been established to reflect compliance of each credit business operation, implementation conditions, application, information and improve daily risk management level.

(II) Main management measures against market risks

Measures taken by the Bank against market risks mainly include: 1. accelerate development of a capital risk management system. During the reporting period, the ComStar capital trading and market risk management system that can owns a series of middle risk management functions including value speculation, liquidity management, limit management, VAR value measurement and calculation, sensitivity test, scenario analysis and pressure test has been put into use successfully. 2. Perfect investment decision making procedures: pay close attention to macro-economy situations and monetary policy change, and timely adjust investment strategy according to market conditions and control key investment policy indicators including investment scale, kind and portfolio duration to reduce decision risks with full effort. 3. Perfect system of identification, measurement, monitoring, early-warning and reporting against market risks. After the system of capital trading and market risk management is put into use, implementation conditions of market risk limit indicator is daily monitored, market risk pressure tests are taken regularly, market risk management data are accumulated, models within market risk regulatory capital are fully verified, and back testing is perfected continuously to improve the capability to predict and control market risks. 4. Capital portfolio weighted duration is strictly controlled to improve due capital liquidity and thus to reduce market risks with full effort. 5. Capital business innovation research is timely developed to seek for transitional investments and relieve pressure coming from capital application.

(III) Main management measures against operation risks

Measures taken by the Bank against operation risks mainly include: 1. further sort organization structure of operation risk management to establish clear responsibility and authorization management system, and to continuously perfect the system of identification, assessment, detection, consultation and reporting for operation risks to identify and avoid risks occurring in operation and management activities effectively. 2. Perfect internal control and prevention system and business system procedures to make the internal control system to meet requirements of business development. 3. Strengthen balance among posts and businesses and adhere to the regular and compulsive vacation, post rotation and interchange system for employee working on key posts so as to detect, solve/avoid problems and risks at an early stage. 4. Perfect training systems to improve continuity, systematicness and directivity of training; strengthen employee training to make employee familiar with post responsibilities and master the whole business procedures and key risk points so as to establish a protective awareness against operation risks and increase enthusiasm. 5. A well-structured account processing and verification system has been established to perform effective inspection and supervision on correctness of accounting and prevent operation risks of accounting effectively. 6. By virtue of continuous accounting inspection, the system application force has been improved, and business faults and weak points of management system have thus been detected to perfect internal control system and reduce operation risks. 7. Key point supervision plan for post supervision and concentrated supervision has been made and adjusted to further regulate business operation and identify, control, demonstrate issues containing business risks effectively and improve supervision efficiency and quality.

(Ⅳ) Main management measures against liquidity risks

Measures taken by the Bank against liquidity risks mainly include: 1. Perfect management system and organizational structure of liquidity risks to form an overall process liquidity risk management system ranging from strategy to operation. 2. Further to set the liquidity risk management process to ensure operability and consistency of the management strategy, management technical methods, management limit applied to liquidity risks. 3. Based on the principle of a diversified capital structure, establish a liquidity risk control system by which capital operation is restricted by capital resources to strengthen daily monitoring capability of liquidity risks and perfect the sheet system and the reporting system focused on regulatory indicators. 4. Keep perfecting precaution plan of liquidity risk issues and pressure tests, and conduct to implement liquidity pressure tests regularly to improve level of liquidity management technology. 5. Intensify management on daily capital position to improve initiative debt capability, and make proper arrangement on long/short term liability portfolio depending on buy-back deal at the money market to reduce financing cost. 6. Strengthen inter-bank cooperation to widen financing channel and set a hierarchical preparation for liquidity.

(Ⅴ) Main management measures against compliance risks

Measures taken by the Bank against compliance risks mainly include: 1. organize all employee to sign the 2012 Commitment Letter of Post Compliance Responsibility to clarify corresponding compliance responsibility and obligation to employee of the Bank. 2. Establish a incentive system for compliance suggestions to improve awareness of employee for compliance. 3. Punishment methods for Supervision and Inspection of Bank of Zhengzhou Business lines has been formulated to ensure a regulatory environment for each business. 4. Compliance inspection has been conducted to strengthen career development planning and career ethics construction training for employee that are enrolled recently to improve compliance awareness of all the employee. 5. Revise and alteration to regulations of the Bank are made timely where issues concerning imperfect business process or unsatisfied system regulations due to business development. 6. Strengthen review on legal documents, assist and cooperate with authorized organizations, answer legal questions, provide compliance and legal guidance/assistance to business departments and operative employee. 7. Promote study system in the Bank to help employee to get to know the newest legal knowledge so as to perform their duties well.

(Ⅵ) Main management measures against information technology risks

Measures taken by the Bank against information technology risks mainly include: 1. conduct consistent business management under well-structured plans. In accordance with Regulatory Guidance on Business consistency of Commercial Banks, Management Policy on Business Consistency of Bank of Zhengzhou is formulated to form a management structure of business consistency which is of proper work division, clear responsibility and obligation, interactive balance and definite leadership. 2. Perfect information technology management system: Management Methods on Application Demand for Information System at Bank of Zhengzhou (trial) is issued for use to perfect the information technology management system of the Bank and facilitate to development of project management of information technology. 3. A disaster precaution work leader team of Bank of Zhengzhou, a disaster recovery leader team, a disaster recovery implementation team and a disaster recovery daily operation team are established; team members and specific responsibilities are defined to improve construction of disaster precaution system of the Bank, and our capability to prevent and solve serious disasters has been further improved. 4. In accordance with the guidance concept of "2 locations and 3 centers", the application-level Zhengzhou disaster precaution center of Bank of Zhengzhou has been established, and emergency drills of important information systems have been conducted, and free switching of the application system between 2 data centers has been realized; the local disaster precaution system of the Bank has been the highest level of that of the disaster precaution in the industry (level 6) by now. 5. Enlarge information technology support provided to business development. In accordance with the strategic development plan of 5 years of the Bank, exterior consultation companies are invited to sort information technology management of the Bank so as to improve scientificalization and systematicness of construction of information technology system.6. Promote construction of information technology talent team orderly, and enroll a number of scientific employee by way of internal selection and exterior introduction based on demand of information technology construction for information technology talent building and reserve.

(Ⅶ) Main management measures against reputation risks

Measures taken by the Bank against reputation risks mainly include: 1. establish a well-structured reputation risk management system. In accordance with Policy on Reputation Risk Management, management of reputation risks is strengthened. 2. Promotion of a news monitoring system; a news monitoring office is set to monitor news reports released by newspapers, websites, radios, TVs and other news media, and report to bank leaders and regulatory departments if anything important detected to solve problems detected. 3. Retail department and Risk management department are responsible for supervising treatment of business complaints of all kinds so that these affairs can be solved satisfyingly.

(Ⅷ) Main management measures against product risks

Measures taken by the Bank against product risks mainly include: 1. service modes of products and innovation newly developed in business operation departments are, based on product project approval assessment, applied with a more perfect risk assessment system prior to approval assessment to realize entry approval control. 2. Strengthen entry approval review procedure for new products and new businesses, and perfect the system of risk identification and prevention in advance for new businesses and products. 3. Strengthen compliance review on

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	2011	2012	Change range	Main reasons
Cash and due from the Central BanK	1,237,595	1,843,584	48.97%	Deposits increase, increase excess reserve of Central Bank
Deposit money of inter-bank and other financial instiutions	5,222	208,451	3891.93%	Allocate fund structure
Transaction monetary asset	414,569	670,453	61.72%	Allocate bond structure
Issue loan and advance money	3,671,928	4,915,325	33.86%	Enlarge loan
Financial assets available for sale	209,975	290,608	38.40%	Adjust asset structure
Receivables investment	651,263	1,317,330	102.27%	Adjust asset structure
Deferred income tax assets	11,856	16,660	40.52%	Counting and drawing of loss from asset devaluation reserve
Other assets	33,680	54,110	60.66%	Purchase fixed assets
Loan from the Central Bank	77,000	0	-100.00%	Adjust financing structure
Same trade and other financial institution deposit fund	161,123	792,781	392.03%	Broaden the fund raising channel, establish layering liquidity reserve
Financial assets sold for repurchase	579,500	1,132,831	95.48%	Adjust liability structure
Accepted money deposits	5,497,643	7,465,447	35.79%	Enlarge deposits and business scale
Employee payment payable	12,327	19,122	55.12%	Salary level rising
Tax payable	10,606	13,836	30.45%	Increase income and tax bearing
Interests payable	26,730	60,795	127.45%	Increase fixed deposits
Estimated Liabilities	4,833	1,065	-77.96%	Return of pending actions
Surplus reserve	31,956	46,559	45.70%	Profitability level promote
General provision of risk	55,320	103,320	86.77%	Count and draw general provision of risk
Undistributed profits	128,175	211,602	65.09%	Profitability level promote

Unit: RMB/10,000Yuan

Item	2011	2012	Change range	Main reasons
Interests income	313,172	477,434	52.45%	Profitability assets such as loan, discount, etc increase, rate of return raise
Interests expense	97,980	158,445	61.71%	Deposit and counter purchase amount increase, rate of payment of interest raise
Fee and commission income	5,582	7,557	35.38%	Intermediary business income increases
Investment yields (deficiency)	−4,467	2,752	161.60%	Investment profit
Other business income	6,219	1,073	−82.75%	Adjust income structure
Business tariff and annex	12,293	16,485	34.10%	Income increases, tax bearing increases
Business and management fee	69,676	92,682	33.02%	Business develops quickly, expense support enlarges
Loss from asset devaluation	10,976	32,810	198.92%	Count and draw non−loan decrease in valu
Other business expenditure	58	4	−92.55%	Adjust expenditure structure
Non−business income	714	28,872	3946.57%	Estimated liability adjustment
Non−operating expenditure	5,731	24,985	335.92%	Business operation is enlarged, each kind of expenditure is increasing

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

During the reporting period, operation environment for banking industry turns more sophisticated: 1. growth of real economy confronts a slowdown, and growth of main bank operating businesses confronts also the same slowdown, and there are other challenges including limited development space that bank industry has to confront, and thus a great profit growth for bank industry can not be lasted. 2. Liquidity in the bank system still is not at ease, and the phenomenon of "seldom growth of deposits" is still very serious, and along with quick promotion for market reform of bank interest, the disintermediation becomes more and more apparent, and traditional single profit mode depending on credit growth can not survive from this surge. 3. More strict regulatory requirements: restrict on market entry denies the mode that business development depends on organization expansion; after implementation of BaselⅢ, capital restriction will be common and bank profit will decrease, and thus traditional extensive growth mode will be impossible. 4. Uncertainty of bank operation environment apparently increases, and there is a heavy risk prevention pressure. Bank asset quality confronts various challenges including worsening real estate market, overdue platform loans at the same time and more operative pressure for medium−sized and small enterprises, and the situation of risk prevention and control is very serious. 5. Many banks are making research on diversified operative strategy and positively promote bank operation reform, and medium−sized and small banks lacking core competitive strength will be judged by market under the violent market change.

Although China economy and finance industry environment are undergoing a dramatic change, China bank industry is still in a period of strategic opportunity for development. 1. Foundation of China economy growth remains and bank industry still has a wide space for development, and there are many opportunities for bank industry to support economy. 2. Proper fine adjustment of stable monetary policy and positive finance policy ensure a promising policy environment for development of bank industry. 3. Internationalization of RMB is stably proceeding, and there is a huge potential possibility for cross−border RMB business. Compared to other companies in the industry, though the Bank owns a relatively small scale and at the strategic transition and the cost investment period, we still can grasp development opportunity and realize continuous development if we can utilize our unique advantage and improve the core competitive strength.

VI. Business plan of 2013

(1) Guideline

In 2013, the general guidance idea for operative management is: further to promote spirit of the 18th party congress and economy meetings held at by the state, provinces and cities, and with guidance of Scientific Outlook on Development, taking healthy development as the main line and construction of "Special Bank of Zhengzhou" as base point, forge a compact management foundation, pay close attention to risk control, focus on line promotion, business innovation and work performance, and compose its new development with enthusiasm and effort!

(II) Main business and management objectives

——The total assets reached RMB 130billion Yuan.

——Balances of deposits reached RMB 90 billion Yuan (ex. inter-bank deposits).

——Balances of all loans reached RMB 64 billion Yuan.

——Profits before provision reach RMB 2730 million Yuan.

——The capital adequacy ratio should be higher than 2.73 billion, and the balance of bad loans was controlled within 0.6%, the provision coverage rate reached more than 380%. Three key supervision indicators should reach the required standards totally.

——Continue to optimize the loan ratio of biggest single customer and biggest ten customers, the loan concentration ratio shall be controlled within the supervision requirements. Realize the increasing speed of small and mini enterprise loan is higher than the increasing speed of the company' s loan and the increasing quantity is higher than the level of last year.

—— Continue to enchance regulatory ratings, going up from grade 3 to grade 2.

—— Ensure no case or significant 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 146.03 million yuan as legal earned surplus reserves advanced according to prescribed proportion 10%, withdraws generic risk reserve 480 million yuan, realizes 1,46.03 million Yuan profits after tax, and accumulates balance of undistributed profit at the end of the period 2,116.02 million yuan.

According to the development demand, through the study of the Board of Directors, the Bank plan to cancel the distribution of dividends in this year, and submit the plan to the general meeting of stockholders for examination and approval.

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 has convene 9 meeting of the board (inc. 1 routine meeting of the 3rd meeting of the board of directors, 4 routine meetings of the 4th meeting of the board of directors, 4 interim meetings) which passed 53 proposals by voting. Director and vice director of the board as well as members and director of each special committee of the board are elected during these meetings. Important issues including proposal and nomination of candidates of the 4th board of directors of Bank of Zhengzhou, branch plan, issue of debentures for small-micro enterprises, revise of articles, important affiliate transactions, office building construction at the CBD sub-center (Longhu) of Zhengdong New District are assessed and passed during these meetings.

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

During the reporting period, the Bank has prepared and held 2 shareholders' meetings to approve 17 proposals, in which, except Proposal about Profits Distribution Plan 2011 of the Bank of Zhengzhou Co., Ltd. being rejected by related regulatory authority and Proposal about Issuance of Small-micro Enterprises Debentures of the Bank of Zhengzhou Co., Ltd. being submitted to CBRC, People's Bank of China and other authorities in specified procedure for approval, the rest 15 proposals has been implemented.

I. Introduction to the meeting of the board of supervisors

During the reporting period, the board of supervisors has held 4 meetings and 3 interim meetings, which have approved 21 proposals including Proposal on proposing Liu Yuhui as Candidate of the Exterior Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Tang Yun as Candidate of the Exterior Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Meng Jun as Candidate of the Shareholder Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Zhu Donghui as Candidate of the Shareholder Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Duan Ping as Employee Candidate of the Employee Supervisor of the 4th board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Zhang Chunge as Employee Candidate of the Employee Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Assessment on 2011 Performance of the 3rd Board of Directors by Board of Supervisors of Bank of Zhengzhou, Assessment on 2011 Performance of Directors and Independent Directors by Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Fan Dalu as Candidate of Shareholder Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Election of Chief Supervisor of Board of Supervisors of Bank of Zhengzhou, Proposal on Election of Nomination Committee Director of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Election of Auditing Committee Director of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on election of members of nomination committee director of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Election of Members of Auditing committee director of the 4th Board of Supervisors of Bank of Zhengzhou, Assessment on 2011 Performance of Executives by Board of Supervisors of Bank of Zhengzhou, Assessment on 2011 Performance of Executives Staff by Board of Supervisors of Bank of Zhengzhou, Auditing Report on 2011 Profit Authenticity of Bank of Zhengzhou, Standard on Salary and Subsidy Paid to Exterior Supervisors and Shareholder Supervisors by Bank of Zhengzhou, 2011 Profit Distribution Plan of Bank of Zhengzhou, Auditing Report on Economic Responsibility of Li Wenbin, the Outgoing Chief Supervisor of Bank of Zhengzhou, Auditing Report on Economic Responsibility of Fan Dalu, the Outgoing Vice President of Bank of Zhengzhou, Special Audit on Decoration Project of Bank of Zhengzhou, Proposal on Special Audit by an External Service Agency to Decoration Project of Bank of Zhengzhou.

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 nomination committee held 1 meeting, which all supervisors have attended. This meeting approved 5 proposals including Proposal on proposing Liu Yuhui as Candidate of the Exterior Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Tang Yun as Candidate of the Exterior Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Meng Jun as Candidate of the Shareholder Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Zhu Donghui as Candidate of the Shareholder Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou. Proposal on Proposing Duan Ping as Employee Candidate of the Employee Supervisor of the 4th board of Supervisors of Bank of Zhengzhou, Proposal on Proposing Zhang Chunge as Employee Candidate of the Employee Supervisor of the 4th Board of Supervisors of Bank of Zhengzhou, which have been submitted to board of supervisors for approval.

The audit committee held 3 meetings, which all supervisors have attended. These meeting have passed 6 proposals including Profit Trueness Audit Report 2011 of the Bank of Zhengzhou., , Special Audit on Decoration Project of Bank of Zhengzhou, Proposal on Special Audit by A External Service Agency to Decoration Project of Bank of Zhengzhou, Auditing Report on Economic Responsibility of Fan Dalu, the Outgoing Vice President of Bank of Zhengzhou. These proposals have been submitted to meetings held by board of supervisors for approval.

III. Situation of attending the shareholder meeting

During the reporting period, the the supervisors of the company attended 1 shareholder meeting and 1 temporary shareholder meeting, and the attendance rate is 90%.

IV. Situation of attending the board of directors meeting

During the reporting period, the supervisors of the company attended 5 shareholder meetings and 4 temporary shareholder meetings, and the attendance rate is 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:

(I) 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 bussiness 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.

(II) 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.

(III) Asset purchase/sell activities of the Bank

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

(IV) 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.

(V) 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.

(VI) Internal control

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

I. Description of important matters

During the reporting period, the Bank elected its 4th board of directors and board of supervisors.

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 52.30 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:

	share proportion	share proportion
Zhengzhou Municipal Financial 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:

Unit: RMB/10,000Yuan

	2012	2011
Interests income	59,305	12,412
Other business income	–	5,176
Non–business income	24,154	–
Interests expense	486	1,113

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

Unit: RMB/10,000Yuan

	Dec.31.2012	Dec.31.2011
Asset item		
Receivables investment	808,570	487,614
Total amount of granted of loan and imprest	2,654	34,705
Interest receivable	2,729	1,482
Receivables from related companies	8,627	15,900
Total	**822,580**	**539,701**
Liability item		
Same trade and other financial institution deposit fund	20,865	80,009
Accepted money deposits	21,886	17,291
Interests payable	12	60
Payables to related companies	6,429	6,429
Total	**49,192**	**103,789**

(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.

Unit: RMB/10,000Yuan

NO.	Name of related party	Client code	Loan during reporting period (at the end of 2012)	Guarantee method
1	Zhengzhou Jinyang Electrics Co., ltd.	75711367-2	5,000	Joint liability guaranty provided by Zhengzhou Investment Holding Co., Ltd.
2	Zensun Real Estate Group	27171822-5	7,500	Taking the project under construction as mortgage
		Total	**12,500**	

(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, 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.

none

V. 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) Financial products:

During the reporting period, the Bank has released a financing products with an amount of 4,669 million yuan (inc. Robust 15), profiting 16.753,7 million yuan from intermediary business. There are 21 cashable financing products with a cashing scale of 3,558 million yuan; all overdue cashable products have been cashed in an estimated profit rate.

(IV) 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.

Chapter XI Financial Statement

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 Wang Lipeng, with the issued KPMG No.1301180 standard unqualified auditing Report .

Bank of Zhengzhou Co.,Ltd

Audit Report

KPMG No.1301180

Shareholders of Bank of Zhengzhou,

We have already audited the attached financial statements of Commercial Bank of Zhengzhou (hereinafter called as your Bank), including balance sheet on December 31, 2012, 2012 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 the 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 the 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, 2012 and 2012 annual business results and cash flow of the Bank in all aspects.

KPMG Huazhen CPA Firm
(special ordinary partnership)

Beijing, China

Chinese CPA: 蒲红霞

Chinese CPA: 王立鹏

April 26 2013

Balance Sheet

Compiling unit: Bank of Zhengzhou Co., Ltd December 31, 2012 Unit: RMB/1,000Yuan

	Notes	Dec.31.2012	Dec.31.2011(Restated)
Assets			
Cash and due from the Central Bank	6	18,435,841	12,375,954
Deposit money of inter-bank and other financial instiutions	7	2,084,506	52,218
Tradable financial assets	8	6,704,531	4,145,692
Redemptory monetary capital for sale	9	2,181,318	-
Interest receivable	10	416,310	330,405
Granting of loan and imprest	11	49,153,253	36,719,279
Financial assets available for sale	12	2,906,076	2,099,751
Held-to-maturity investment	13	7,097,535	7,410,307
Receivables investment	14	13,173,303	6,512,630
Long-term investment on stocks	15	91,500	72,689
Fixed assets	16	738,527	690,970
Intangible assets	17	43,619	34,085
Deferred income tax assets	18	166,597	118,555
Other assets	19	541,097	336,795
Total assets		**103,734,013**	**70,899,330**

Balance Sheet

Compiling unit: Bank of Zhengzhou Co., Ltd — December 31, 2012 — Unit: RMB/1,000Yuan

	Notes	Dec.31.2012	Dec.31.2011(Restated)
Liability and shareholders' interest			
liabilities			
Borrowing from the Central Bank	21	–	770,000
Same trade and other financial institution deposit fund	22	7,927,810	1,611,232
Borrowing from banks and other financial institutions	23	200,000	–
Financial assets sold for repurchase	24	11,328,308	5,795,000
Accepted money deposits	25	74,654,469	54,976,428
Payroll payable	26	191,215	123,266
Taxes payable	27	138,359	106,059
Interest payable	28	607,953	267,295
Estimated Liabilities	29	10,652	48,328
Bond payable	30	690,000	690,000
Other liabilities	31	313,898	301,337
Total liabilities		**96,062,664**	**64,688,945**
Shareholder's equity			
Capital stock	32	3,941,932	3,941,932
Capital surplus	33	114,605	113,941
Surplus reserve	34	465,592	319,562
General risk reserves	35	1,033,200	553,200
Undistributed profits	36	2,116,020	1,281,750
Total of shareholders equity		**7,671,349**	**6,210,385**
Total liabilities and shareholder's equity		**103,734,013**	**70,899,330**

Profit and Loss Statement

Compiling unit: Bank of Zhengzhou Co., Ltd 2012 Unit: RMB/1,000Yuan

	Notes	2012	2011(Restated)
Income from operations			
Income from interest		4,774,342	3,131,718
Expenditure for interest		(1,584,452)	(979,801)
Net income from interest	37	3,189,890	2,151,917
Net income from handling charges and commission fee		75,572	55,823
Income from handling charges and commission fee		(13,297)	(11,786)
Net income from handling charges and commission fee			
Investment yields (deficiency)	38	62,275	44,037
Income from change of fair value	39	27,519	(44,674)
Other business income	40	13,319	16,168
Total operation income		10,729	62,194
Expenditure for operation		**3,303,732**	**2,229,642**
Business tax and surcharge			
Business and administration expense	41	(164,849)	(122,926)
Asset depreciation loss	42	(926,815)	(696,760)
Other business expenditure	43	(328,100)	(109,763)
Total operation expenditure		(43)	(577)
rofit from operation		**(1,419,807)**	**(930,026)**
Add: Non-operating income		**1,883,925**	**1,299,616**
Less: Non-operating expenditure		288,723	7,135
Total profits		(249,845)	(57,314)
Less: Income tax expense		**1,922,803**	**1,249,437**
Net profits	44	(462,503)	(301,032)
Other comprehensive income		**1,460,300**	**948,405**
	45	664	16,564
Total comprehensive income			
		1,460,964	**964,969**

Cash Flow Statement

Compiling unit: Bank of Zhengzhou Co., Ltd 2012 Unit: RMB/1,000Yuan

	Notes	2012	2011(Restated)
Cash flows from operating activities			
Net increase amount of accepted money deposits		19,678,041	10,347,624
Same trade and other financial institution deposit fund			
Net increase of borrowing		6,316,578	451,071
Net increase of borrowings from the Central Bank		–	201,426
Net increase amount of borrowing from banks and other financial institutions		200,000	–
Net decrease amount of transaction monetary asset		5,533,308	–
Net decrease amount of redemptory monetary capital for sale		–	1,942,175
Monetary income from anagement of non–performing assets		–	1,031,934
Net increase amount of loan and imprest	48(3)	–	4,313,223
Cash received of interest, handling charge and commission fee		3,450,325	2,601,654
Other cash received relating to operating activities		308,596	99,652
Sub–total of cash inflows of operating activities		35,486,848	20,988,759
Net increase amount of deposit money of inter–bank and other financial instiutions		(12,753,974)	(10,607,100)
Net increase of deposit in the Central Bank banks		(3,729,634)	(2,411,663)
Deposit money of inter–bank and other financial instiutions		(1,049,000)	(29)
Net increase amount of transaction monetary asset		(2,545,520)	–
Net increase amount of redemptory monetary capital for sale		(2,181,318)	–
Net decrease amount of Borrowings from Central Bank		(770,000)	–
Net decrease amount of financial assets sold for buy–back		–	(766,750)
Cash paid of interest, handling charge and commission fee		(1,212,241)	(859,329)
Cash paid to and on behalf of employees		(366,324)	(288,442)
Taxes paid		(895,169)	(406,153)

Cash Flow Statement (Continue)

Compiling unit: Bank of Zhengzhou Co., Ltd 2012 Unit: RMB/1,000Yuan

	Notes	2012	2011年 (Restated)
Other cash paid relating to operating activities		(400,124)	(299,319)
Sub-total of cash outflows of operating activities		(25,903,304)	(15,638,785)
Net cash flow from operating activities	46(1)	9,583,544	5,349,974
Cash flows from investing activities			
Cash received from return of investment		5,876,670	4,810,078
Cash receive from investment earning		1,317,216	486,705
Cash income from disposal of fixed assets and other assets		1,945	12,717
Sub-total of cash inflows of investment activities		7,195,831	5,309,500
Cash paid to acquire investments		(12,925,566)	(13,072,246)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(395,417)	(187,377)
Sub-total of cash outflows of investment activities		(13,320,983)	(13,259,623)
Net cash flows from investing activities		(6,125,152)	(7,950,123)
Cash flows from financing activities			
Cash received from absorbing investment		-	2,508,537
Sub-total of cash inflows of financing activities		-	2,508,537
Cash repayments of debt interests		(44,850)	(44,850)
Cash payments for distribution of dividends		(1)	(57)
Sub-total of cash outflows of financing activities		(44,851)	(44,907)
Net cash flows from financing activities		(44,851)	2,463,630
Net increase amounts of cash and cash equivalent	46(2)	**3,413,541**	**(136,519)**
Plus: Cash and cash equivalents balance at beginning of the year		2,892,002	3,028,521
Cash and cash equivalents balance at end of the year	46(3)	**6,305,543**	**2,892,002**

Profit and Loss Statement

Compiling unit: Bank of Zhengzhou Co., Ltd	2012		Unit: RMB/1,000Yuan
	Notes	**Capital stock**	**Capital surplus**
Balance at Janurary 1, 2012		**3,941,932**	**123,938**
Modification of previous error	4	–	(9,997)
Balance at Janurary 1, 2012		**3,941,932**	**113,941**
Amount variation at this year			
1.Net profit		–	–
2.Other comprehenseve income	45	–	664
Subtotal of above (I) and (II)		–	**664**
3.Capital invested by shareholders		–	–
4.Profit distribution			
Deduction of surplus reserves	34	–	–
Withdraw general reserves	35	–	–
Total variation at this year		–	**664**
Balance at December 31, 2012		**3,941,932**	**114,605**

Profit and Loss Statement (Continue)

Compiling unit: Bank of Zhengzhou Co., Ltd	2011		Unit: RMB/1,000Yuan
	Notes	**Capital stock**	**Capital surplus**
Balance at Janurary 1, 2011		**1,433,932**	**65,721**
Modification of previous error	4	–	31,119
Balance at Janurary 1, 2011		**1,433,932**	**96,840**
Amount variation at this year			
1.Net profit		–	–
2.Other comprehenseve income	45	–	16,564
Subtotal of above (I) and (II)		–	**16,564**
3.Capital invested by shareholders		2,508,000	537
4.Profit distribution			
Deduction of surplus reserves	34	–	–
Withdraw general reserves	35	–	–
Total variation at this year		**2,508,000**	**17,101**
Balance at December 31, 2011		**3,941,932**	**113,941**

Profit and Loss Statement

Compiling unit: Bank of Zhengzhou Co., Ltd	2012		Unit: RMB/1,000Yuan
Surplus reserve	**General risk reserves**	**Undistributed profits**	**Total owner' s equity**
315,397	**553,200**	**1,347,280**	**6,281,747**
4,165	–	(65,530)	(71,362)
319,562	**553,200**	**1,281,750**	**6,210,385**
–	–	1,460,300	1,460,300
–	–	–	664
–	–	**1,460,300**	**1,460,964**
–	–	–	–
146,030	–	(146,030)	–
–	480,000	(480,000)	–
146,030	**480,000**	**834,270**	**1,460,964**
465,592	**1,033,200**	**2,116,020**	**7,671,349**

Profit and Loss Statement (Continue)

Compiling unit: Bank of Zhengzhou Co., Ltd	2011		Unit: RMB/1,000Yuan
Surplus reserve	**General risk reserves**	**Undistributed profits**	**Total owner' s equity**
221,164	**396,415**	**655,970**	**2,773,202**
3,558	–	(71,000)	(36,323)
224,722	**396,415**	**584,970**	**2,736,879**
–	–	948,405	948,405
–	–	–	16,564
–	–	**948,405**	**964,969**
–	–	–	2,508,537
94,840	–	(94,840)	–
–	156,785	(156,785)	–
94,840	**156,785**	**696,780**	**3,473,506**
319,562	**553,200**	**1,281,750**	**6,210,385**

Bank of Zhengzhou Co.,Ltd

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 Bank 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 Bank 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.

By December 31, 2012, the Bank has established 1 business department and 68 sub-branches in Zhengzhou, and 1 branch and 1 sub-branch in Nanyang, 1 branch in Xinxiang.Operation activities of the Bank mainly occurs in Henan.

Ⅱ.Compilation basis of financial statements

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

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

The financial statements compiled by the Bank 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, 2012, and operation achievements and cash flows in 2012 truly and completely.

（Ⅱ）Accounting period

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

（Ⅱ）Measurement attributes

When compiling the financial statements, the Bank 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.

（Ⅳ）Accounting standard money and presentation currency

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

Ⅲ.Main accounting policies and accounting estimate

（Ⅰ）Conversion of foreign currency

The Bank 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 comprehensive incomes; other differences are included in the profits and losses of the current period.

（Ⅱ）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.

（Ⅲ）Financial instruments

1. 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 Bank.

The Bank 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 iucluded in the profits and losses of the current period (including trading financial assets and liabilities);

Financial assets and financial liabilities held by the Bank 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 repo 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 Bank classifies non-derivative financial assets with a fixed date of maturity, a fixed or determinable amount of repo price and which the Bank holds for a definite purpose and the Bank 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 Bank 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 finanical 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 comprehensive 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 finanical 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)).

2. 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 Bank 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 Bank 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 Bank 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 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;

——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.

(1) Loans and accounts receivable and held-to-maturity investment

① Evaluation by single way

The Bank 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.

② Evaluation by combined way

The Bank 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 Bank 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 Bank 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.

③ Reversal of impairment and loan write-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 Bank 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 Bank 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.

④ Restructured loan

Restructured loans mean the loan project formed when the Bank 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 Bank will evaluate the restructured loan as the impaired loan by single way. The Bank 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.

⑤ Available for sale financial assets

Where available for sale financial assets are impaired, the Bank 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.

3. 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 Bank 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 Bank;

——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 Comapny.

4. 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 Bank has a legal right to offset the recognized amount, and such legal right is executable presently;

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

5. Determination of fair value

As for the financial assets or financial liabilities for which there is an active market, the Bank determines the fair values thereof as per quoted prices in the active market. Where there is no active market for a financial instrument, the Bank 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 finanical instruments of same nature;

6. Equity instrument

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

The consideration received by the Bank 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 Bank, the shareholders' equities shall be reduced.

（Ⅳ）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 Bank 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 Bank 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.

（Ⅴ）Long-term investment on stocks

1. Investment on associated enterprises

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

The Bank 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 Bank takes the purchase price as initial investment cost.

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

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

——If the initial investment cost of a long-term investment on stocks is more than the Bank'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 Bank'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 Bank 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 Bank 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 Bank 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 Bank and the associated enterprises that is attributable to the Bank 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 Bank, the Bank 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 Bank 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 Bank shall adjust the book value of the long-term investment on stocks and include it into the owner's equity.

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

2. Other long-term investment on stocks

Other long-term investment on stocks refers to long-term investment on stocks for which the Bank 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 Bank conducts subsequent measurement on other long-term investment on stocks by the cost method and the Bank 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 Bank 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 Bank 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.

Other long-term investment on stocks shall be listed in the balance sheet after subtracting the impairment provision from the cost.

(Ⅵ) Fixed assets and projects under construction

Fixed assets refer to the tangible assets which are owned by the Bank 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 Bank 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

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

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

(Ⅶ) Lease

1. 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.

2. 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.

（Ⅷ）**Intangible assets**

Intangible assets of the Bank 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 Bank 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
Land use right	30-50 years
Computer software	3-5 years

（Ⅸ）**Debt assets**

The Bank 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 Bank 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 Bank 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.

（Ⅹ）**Impairment provision of non-financial assets**

The Bank 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 of associated enterprises;

——Fixed assets;

——Projects under construciton;

——Intangible assets.

The Bank 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.

（XI）Salary of the employee

Salary refers to various types of rewards and other related expenditures provided by the Bank for obtaining the service from the staffs. Except the termination benefits and internal retirement benefit, the Bank 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.

1. Social security benefits and housing provident fund

According to relevant regulations of China, the staffs of the Bank participate in social security system established and managed by government organization. The Bank 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.

2. Retirement benefits

The Bank 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 comprehensive income of the current period.

3. Early retirement benefits

The Bank 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 Bank, the Bank 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 comprehensive income of the current period.

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

4. Termination benefits

When the Bank 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 Bank 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 Bank has developed a formal plan for terminating labor relations or put

——forward voluntary reduction suggestion and is to execute them soon; The Bank cannot unilaterally withdraw the termination of labor relations or reduction suggestions.

（XII）Financial guarantee, estimated liabilities or contingent liabilities

1.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 Bank 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 Bank 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).

2. Estimated liabilities and contingent liabilities

If the obligations related to the contingent liabilities are current obligations undertaken by the Bank, the fulfillment of said obligations is likely to result in the economic interests flow out from the Bank and relevant amount can be measured reliably, the Bank will recognize the estimated liabilities. The estimated liabilities shall be measured according to the best estimates of expenditure for fulfilling relevant current obligations. The Bank 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 Bank or the amount of said obligations cannot be measured reliably, the Bank will disclose said potential obligations or current obligations as contingent liabilities.

（XIII ）Entrusted business

The Bank acts as the administrator, trustee or agent of the client in the entrusted business. The balance sheet of the Bank does not include the assets held by the Bank 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 Bank 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 Bank 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.

（XIV）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 Bank and other recognition conditions of the following different kinds of revenues can be met simultaneously:

1. 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.

2. 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.

3. Dividend revenue

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

4. Other revenues

Other revenues shall be recognized according to the accrual basis.

(XV) Income tax

The Bank 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 comprehensive 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 Bank 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 Bank 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 Bank 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.

(XVI) 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.

(XVII) Related party

Related party refers to that the Bank 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 Bank or exerts a great influence on the Bank; or the Bank 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 Bank. Related party of the Bank shall include but not be limited to:

1. The investors conducting joint control or exerting a great influence on the Compay;

2. The enterprise or personal subject to control and joint control from one party together with the Bank;

3. The joint venture of the Bank, including subsidiaries of the joint venture;

4. The associate enterprise of the Bank, including subsidiaries of the associate enterprise;

5. Main investors and family members with close relationship with them of the Bank;

6. Key management personnel and family members with close relationship with them of the Bank;

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

（XVIII）Operating subdivision

Operating subdivision of the Bank shall be determined based on internal report, and main operation decision makers of the Bank shall allocate resources to the subdivision according to regular evaluation of internal report and evaluate the performance of subdivision. The Bank 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 Bank 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 Bank 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 Bank.

（XIX）Main accounting estimate and judgment

When compiling the financial statement, the Bank' 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 Bank' 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.

1. Impairment of loans, accounts receivable and held-to-maturity investment

The Bank 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 Bank 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.

2. Impairment of financial assets availabe for sale

The Bank 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 equity investment 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 Bank will consider the hisitorical record of market fluctuation and historical price of such equity investment and performance of industry of the invested entity and its financial situation and other factors when making the judgment.

3. 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 Bank can hold them for a definite purpose and the Bank 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 Bank 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.

4. 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 Bank 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.

5. Impairment of fixed assets, intangible assets and other assets

The Bank 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 Bank 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.

6. Depreciation and amortization of fixed assets, intangible assets and other assets

The Bank shall conduct depreciation and amortization for fixed assets and intangible assets within their useful lives, taking their residual values into account. The Bank 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 Bank 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 Description of correction of accounting errors

（Ⅰ）Correction of early accounting errors

The following content is the description of major accounting errors in early financial statement of the Bank. For these accounting errors, the earliest financial data listed in the financial statement are traced and restated by the Bank.

1. Recognize the supplement retirement benefits as estimated liabilities.

The Bank shall include the following supplement retirement benefits arranged by the set benefit method in the profits and losses of the current period in the early financial statement.

——Retirement benefits

——Early retirement benefits

The Bank shall estimate the discount value of future cash flow of above benefits at the end of estimate reporting period by actuarial method according to the accounting policies described in note 3(11) in the financial statement, recognize it as estimated liability and list it in the salary payable.

2. Adjust the difference between the interest income and expenditure cut-off

In the early financial statement of the Bank, there are cut-off difference problems in the interest reserve of part of interest-bearing assets and interest-paying liabilities. The Bank shall recognize the principle according to income descirbed in note 3(14) in the financial statement, recognize the interest income and interest expense according to the accrual basis and list it in the interest income and interest expense.

3. Conduct accounting on long-term investment on stocks by equity method

The Bank shall conduct accounting on long-term investment on stocks of associated enterprise by cost method in the early financial statement. The Bank shall adjust the book value of long-term investment on stocks of associated enterprise according to the principle of conducting accounting on the associate enterprise by equity method as described in note 5(a) in the financial statement.

4. Correction of other accounting errors

Besides the above accounting errors, the Bank has corrected the recognition of deferred income tax epxense, offset of deferred income tax asset liability, interest write-off of rediscount business, investment impairment provision of accounts receivable and other accoutning errors accordingly according to accounting policies described in note 3 and has conduct tracing and restatement.

（Ⅱ）Influence of correction of early accounting error

1. The influence of correction of early accounting error on net profit and shareholders' equities of 2011 of the Bank is summarized as follows:

	Net profit in 2011	Shareholders' equities at the end of 2011	Shareholders' equities at the beginning of 2011
Restate previous net profits and shareholders' equities	**957,769**	**6,281,747**	**2,773,202**
－Recognize the supplement retirment benefits as estmiated liabilities (Note 4(Ⅰ)(1))	2,948	(90,701)	(87,650)
－The difference between the interest income and expenditure cut－off (Note 4(Ⅱ)(2))	21,159	36,211	15,052
－Accounting of long－term investment on stocks by equity method (Note 4(Ⅲ)(3))	4,835	6,289	1,454
－Correction of other accounting errors (Note 4(Ⅳ)(4))	(38,306)	(23,161)	34,821
Restate the summation.	**(9,364)**	**(71,362)**	**(36,323)**
Restate After net profits and shareholders' equities	**948,405**	**6,210,385**	**2,736,879**

2、The influenced items in the balance sheet dated Dec. 31, 2011

	Before the restatement	Restated amount	After the restatement
Tradable financial assets	4,149,882	(4,190)	4,145,692
Interest receivable	223,088	107,317	330,405
Granting of loan and imprest	36,717,484	1,795	36,719,279
Available for sale financial assets	1,799,751	300,000	2,099,751
Held－to－maturity investment	14,226,448	(6,816,141)	7,410,307
Receivables investment	－	6,512,630	6,512,630
Long－term investment on stocks	66,400	6,289	72,689
Fixed assets	739,773	(48,803)	690,970
Intangible assets	18,999	15,086	34,085
Deferred income tax assets	98,596	19,959	118,555
Other assets	2,016,881	(1,680,086)	336,795
Summation of asset items	**60,057,302**	**(1,586,144)**	**58,471,158**
Salary payable	2,331	120,935	123,266
Taxes payable	99,455	6,604	106,059
Interest payable	200,400	66,895	267,295
Deferred income tax liabilities	14,232	(14,232)	－
Other liabilities	1,996,321	(1,694,984)	301,337
Summation of liability items	**2,312,739**	**(1,514,782)**	**797,957**

	Before the restatement	Restated amount	After the restatement
Capital reserve	123,938	(9,997)	113,941
Surplus reserve	315,397	4,165	319,562
Undistributed profit	1,347,280	(65,530)	1,281,750
Summation of shareholder's equities items	**1,786,615**	**(71,362)**	**1,715,253**
Summation of liability and shareholder's equities items	**4,099,354**	**(1,586,144)**	**2,513,210**

The Bank has reclassified other items in the balance sheet besides tracing and re-describing the above items in the balance sheet dated Dec. 31, 2011.

3、Affected items of the profit statement in 2011

	Before the restatement	Restated amount	After the restatement
Net income from interest	1,588,400	563,517	2,151,917
Investment income (loss)	493,021	(537,695)	(44,674)
Business and administration expense	(699,587)	2,827	(696,760)
Asset impairment loss	(106,956)	(2,807)	(109,763)
Income tax expense	(265,826)	(35,206)	(301,032)
Net profits	1,009,052	(9,364)	999,688
Other comprehenseve income	22,563	(5,999)	16,564
Total amount of comprehenseve income	**1,031,615**	**(15,363)**	**1,016,252**

The Bank has reclassified other items in the income statement besides tracing and re-describing the above items in the income statement dated 2011.

V. Taxes

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

（Ⅰ）Business tax

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

(Ⅱ)Urban maintenance and construction tax

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

（Ⅲ）Education surcharges

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

（Ⅳ）Local education surcharges

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

（Ⅴ）Income tax

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

Ⅵ. Cash and due from the Central Bank

	Note	Dec. 31, 2012	Dec. 31, 2011
Cash		**716,702**	**588,245**
Due from the Central Bank			
Legal deposit reserves	(1)	13,150,609	9,480,366
Excess reserves	(2)	4,453,335	2,251,539
Fiscal deposits		115,195	55,804
Total		**18,435,841**	**12,375,954**

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

	Dec. 31, 2012	Dec. 31, 2011
Deposit ratio of RMB deposit	18.00%	19.00%

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

Ⅶ. Deposit money of inter-bank and other financial institutions

	Dec. 31, 2012	Dec. 31, 2011
Conduct an analysis according to the area and type of counterparty.		
In China		
Bank	2,082,082	49,798
Other financial institution	2,485	2,481
Total amount	**2,084,567**	**52,279**
Less: impairment provision	(61)	(61)
Book value	**2,084,506**	**52,218**

Ⅷ、Transaction financial asset

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Conduct an analysis according to the issuer.		
Bond investment		
Government	49,468	–
Policy bank	1,987,968	1,825,398
Bank and other financial institutions	1,109,290	148,968
Enterprise entity	3,557,805	2,171,326
Total	**6,704,531**	**4,145,692**

Ⅸ、Redemptory monetary capital for sale

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

	Dec. 31, 2012	Dec. 31, 2011
In China		
Other financial institution	2,181,318	–
Total amount	**2,181,318**	–
Less: impairment provision	–	–
Book value	**2,181,318**	–

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

	Dec. 31, 2012	Dec. 31, 2011
Bonds	2,181,318	–
Total amount	2,181,318	–
Less: impairment provision	–	–
Book value	**2,181,318**	–

Ⅹ、Interest receivable

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Interest on investment receivable	296,257	251,409
Interest on granting of loan and imprest receivable	94,992	79,273
Other	44,458	19,372
Total amount	**435,707**	**350,054**
Less: impairment provision	(19,397)	(19,649)
Book value	**416,310**	**330,405**

XI、Granting of loan and imprest

(Ⅰ) Conduct an analysis according to the nature.

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Enterprise loan and imprest		
Ordinary loans	32,598,681	24,748,408
Discount loans	7,374,905	4,234,015
Subtotal	**39,973,586**	**28,982,423**
Personal loan and imprest		
Operation loans	4,962,387	3,144,011
Housing loans	3,153,090	2,734,822
Car loans	1,148,966	1,896,888
Consumption loans	921,679	643,418
Other	1,315	5,487
Subtotal	**10,187,437**	**8,424,626**
Total amount	**50,161,023**	**37,407,049**
Less: Reserve for loan loss		
Inc. Single allotment amount	(123,127)	(98,448)
Combined allotment amount	(884,643)	(589,322)
Book value	**49,153,253**	**36,719,279**

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

	Dec. 31, 2012		Dec. 31, 2011 (Already restated)	
	Amount	%	Amount	%
Company loan				
Wholesale and retail	10,789,647	21.51%	5,791,789	15.48%
Manufacturing	8,851,595	17.65%	7,663,843	20.49%
Construction industry	4,103,964	8.18%	1,883,451	5.04%
Real estate industry	2,663,407	5.31%	2,393,622	6.40%
Rent and commercial service	1,122,778	2.24%	2,631,057	7.03%
Farming, forest, farming, animal husbandry and fishery	1,077,676	2.15%	536,470	1.43%
Mining	874,950	1.75%	622,500	1.66%
Production and supply industry of electricity, gas and water	809,370	1.61%	577,200	1.54%
Accommodation and catering industry	596,901	1.19%	466,267	1.25%
Traffic, storage and postal industry	463,540	0.92%	638,070	1.71%

	Dec. 31, 2012		Dec. 31, 2011 (Already restated)	
	Amount	%	Amount	%
Education	418,400	0.83%	379,789	1.02%
Other	826,453	1.65%	1,164,350	3.11%
Subtotal	**32,598,681**	**64.99%**	**24,748,408**	**66.16%**
Personal loan and imprest	10,187,437	20.31%	8,424,626	22.52%
Discount bills	7,374,905	14.70%	4,234,015	11.32%
Total amount of loan and imprest	50,161,023	100.00%	37,407,049	100.00%
Less: Loan loss reserve				
Single allotment amount	(123,127)		(98,448)	
Combined allotment amount	(884,643)		(589,322)	
Loan loss reserve	(1,007,770)		(687,770)	
Book value of loan and imprest	**49,153,253**		**36,719,279**	

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

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
	Amount	Amount
Loan on credit	305,631	491,000
Loan on guarantee	19,842,748	15,155,511
Attached guarantee loan	22,637,739	17,526,523
Of which mortgage loan	13,592,001	12,357,197
Pledge loan	9,045,738	5,169,326
Subtotal	**42,786,118**	**33,173,034**
Discount	7,374,905	4,234,015
Total amount of loan and imprest	50,161,023	37,407,049
Less: Loan loss reserve		
Single allotment amount	(123,127)	(98,448)
Combined allotment amount	(884,643)	(589,322)
Loan loss reserve	(1,007,770)	(687,770)
Book value of loan and imprest	**49,153,253**	**36,719,279**

(Ⅳ) Analysis of overdue period of overdue loans

	Dec. 31, 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**

	Dec. 31, 2011 (Already restated)				
	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 guarantee	39,360	49,030	2,827	30,224	**121,441**
Attached guarantee loan					
Of which mortgage loan	13,764	511	43,049	50,417	**107,741**
Total	**53,124**	**49,541**	**45,876**	**80,641**	**229,182**

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

(Ⅴ) Change of provisions for loan loss

	Dec. 31, 2012			
	Reserves for loan and imprest loss evaluated by the combined way	Impairment loan and Reserve for imprest loss (note (1))		Total
		Its loss reserve shall be evaluated according to the combined way	Its loss reserve shall be evaluated according to the single way	
Balance at beginning of year	585,883	3,439	98,448	68,770
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 year	**882,825**	**1,818**	**123,127**	**1,007,770**

	Dec. 31, 2011 (Already restated)			
	Reserves for loan and imprest loss evaluated by the combined way	Impairment loan and Reserve for imprest loss (note (1))		
		Its loss reserve shall be evaluated according to the combined way	Its loss reserve shall be evaluated according to the single way	
Balance at beginning of year	484,892	2,968	93,340	581,200
Allotment amount this year	100,991	471	12,430	113,892
Reversal amount this year	–	–	(7,402)	(7,402)
Reversal amount and caused by recovery of loan and imprest written off	–	–	80	80
Balance at the end of year	**585,883**	**3,439**	**98,448**	**687,770**

(1) 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;

-Combined evaluation, which refers to the combination of same kind of loans.

(Ⅵ) Fair value of guaranty

The fair values of impairment enterprise's loan guaranty and overdue but not impairment enterprise's loan guaranty on the balance sheet date are listed as follows.

The fair value of impairment enterprise's loan guaranty on the balance sheet date:

	Dec. 31, 2012	Dec. 31, 2011
Land, house and building	108,534	15,971
Other assets	1,209	1,310
Total	**109,743**	**17,281**

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

	Dec. 31, 2012	Dec. 31, 2011
Land, house and building	149,143	102,623
Other assets	23,000	–
Total	**172,143**	**102,623**

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

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Conduct an analysis according to the issuer		
Bond investment		
People' s Bank of China	–	278,958
Policy bank	1,908,840	1,230,620
Bank and other financial institutions	647,246	172,299
Enterprise entity	19,990	117,874
Subtotal	**2,576,076**	**1,799,751**
Equity investment	300,000	300,000
Other	30,000	–
Total	**2,906,076**	**2,099,751**

XIII. Held-to-maturity investment

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Conduct an analysis according to the issuer		
Bond investment		
Policy	2,484,534	2,480,670
Policy bank	3,478,364	2,610,111
Bank and other financial institutions	670,393	1,856,715
Enterprise entity	464,244	462,811
Total amount	**7,097,535**	**7,410,307**
Less:impairment provision	–	–
Book value	7,097,535	7,410,307
Fair value of held-to-maturity investment	**7,210,069**	**7,604,436**

XIV. Receivables investment

	Note	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Trust plan	(1)	11,000,700	5,966,140
Directional asset management plan		1,388,500	–
Financing lease usufruct		550,000	550,000
Financial products		250,000	–
Total amount		**13,189,200**	**6,816,140**
Less:impairment provision		(15,897)	(3,510)
Book value		**13,173,303**	**6,512,630**

（1）he trust plan refers to the trust plan designed and issued by the trust company. The investment direction of trust plan is mainly the credit asset.

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

	Dec. 31, 2012		Dec. 31, 2011 (Already restated)	
	Amount	**%**	**Amount**	**%**
Investment direction of trust plan				
Water conservancy, environment and public facility management	4,406,700	40.06%	1,719,700	28.83%
Traffic, storage and postal industry	3,060,000	27.82%	1,200,000	20.11%
Real estate industry	1,250,000	11.36%	1,840,000	30.84%
Construction industry	990,000	9.00%	350,000	5.87%
Rent and commercial service	290,000	2.64%	–	–
Accommodation and catering industry	199,000	1.81%	200,000	3.35%
Culture, education and entertainment	150,000	1.36%	150,000	2.51%
Sanitation, social security and social welfare	120,000	1.09%	–	–
Other industries	535,000	4.86%	506,440	8.49%
Total	**11,000,700**	**100.00%**	**5,966,140**	**100.00%**

Conduct an analysis according to guarantee method distribution of investment direction of trust plan:

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Credit	439,700	396,140
Guarantee	6,577,000	3,170,000
Attach the guaranty		
Of which: Mortgage	3,090,000	1,850,000
Pledge	894,000	550,000
Total	**11,000,700**	**5,966,140**

XV. Long-term equity investment

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Investment on the affiliated company	83,100	64,289
Other	8,400	8,400
Subtotal	**91,500**	**72,689**
Less: impairment provision	–	–
Total	**91,500**	**72,689**

(Ⅰ) The Bank conducted an investment analysis on the affiliated companies on Dec. 31, 2013 as follows:

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Zhongmou Village Bank of Bank of Zhengzhou	45,015	27,124
Xinmi Village Bank of Bank of Zhengzhou	20,066	19,165
Yanling Village Bank of Bank of Zhengzhou	18,019	18,000
Subtotal	**83,100**	**64,289**
Less: impairment provision		
Total	**83,100**	**64,289**

(Ⅱ) Basic conditions of affiliated companies in the analysis conducted by the Bank on Dec. 31, 2013 are as follows:

Unit: RMB/1,000Yuan

Name of invested entity	Registration place	Nature of business	Registered capital	The Bank' s proportion of shares	Proportion of the Bank' s voting power in the invested entity
Zhongmou Village Bank of Bank of Zhengzhou	Zhongmou, Henan	Commercial Bank	130,000	20%	20%
Xinmi Village Bank of Bank of Zhengzhou	Xinmi, Henan	Commercial Bank	100,000	20%	20%
Yanling Village Bank of Bank of Zhengzhou	Yanling, Henan	Commercial Bank	60,000	30%	30%

XVI. Fixed assets

	House and building	Electronic equipment	Transport means	Machine equipment and others	Total
Cost					
Jan. 1, 2012(restated)	692,666	153,298	13,465	75,172	**934,601**
Increase in this year	45,681	43,019	1,784	9,888	**100,372**
Decrease in this year	(5,998)	(4,524)	(1,899)	(1,246)	**(13,667)**
Dec. 31, 2012	732,349	191,793	13,350	83,814	**1,021,306**
Less: accumulated depreciation					
Jan. 1, 2012(restated)	(115,864)	(84,536)	(7,651)	(30,916)	**(238,967)**
Allotment amount this year	(17,301)	(20,460)	(1,716)	(10,417)	**(49,894)**
Depreciation charge-off	3,510	4,297	1,804	1,135	**10,746**
Dec. 31, 2012	(129,655)	(100,699)	(7,563)	(40,198)	**(278,115)**
Less: impairment reserve					
Jan. 1, 2012	(2,015)	(1,893)	-	(756)	**(4,664)**
Dec. 31, 2012	(2,015)	(1,893)	-	(756)	**(4,664)**
Book value					
Jan. 1, 2012(restated)	574,787	66,869	5,814	43,500	**690,970**
Dec. 31, 2012	600,679	89,201	5,787	42,860	**738,527**

On Dec. 31, 2012, the property right of house and building with a book value of RMB 0.53126 billion Yuan (on Dec. 31, 2011: RMB 0. 54915 billion Yuan) included in the fixed assets of the Bank was still being handled. The management of the Bank predicts that significant cost won' t arise from the handling of property right.

XVII. Intangible assets

	Land use right	Software	Total
Cost			
Jan. 1, 2012(restated)	29,385	17,069	**46,454**
Increase in this year	–	13,770	**13,770**
Dec. 31, 2012	29,385	30,839	**60,224**
Less: accumulated amortization			
Jan. 1, 2012	(10,319)	(1,905)	**(12,224)**
Allotment amount this year	(479)	(3,757)	**(4,236)**
Dec. 31, 2012	(10,798)	(5,662)	**(16,460)**
Less: impairment provision			
Jan. 1, 2012	(145)	–	**(145)**
Dec. 31, 2012	(145)	–	**(145)**
Book value			
Jan. 1, 2012(restated)	18,921	15,164	**34,085**
Dec. 31, 2012	18,442	25,177	**43,619**

XVIII. Deferred income tax assets

(I) Conduct an analysis according to the nature.

	Dec. 31, 2012		Dec. 31, 2011	
	Deductible/(taxable) temporary differences	Deferred income tax assets	Deductible/(taxable) temporary differences (restated)	Deferred income tax assets (restated)
Deferred income tax assets				
Asset impairment provision	567,116	141,779	361,884	90,471
Salary payable	171,155	42,789	120,935	30,234
Variable loss and profit of fair values	(82,536)	(20,634)	(56,928)	(14,232)
Estimated Liabilities	10,652	2,663	48,328	12,082
Total	**666,387**	**166,597**	**474,219**	**118,555**

(Ⅱ) Change of deferred income tax

	Asset impairment provision Note(1)	Salary payable Note(2)	Variable loss and profit of fair values Note(3)	Estimated Liabilities	Total
Jan. 1, 2012(restated)	90,471	30,234	(14,232)	12,082	**118,555**
Included in the profits and losses of the current period	51,308	9,704	(3,330)	(9,419)	**48,263**
Included in other comprehensive incomes	-	2,851	(3,072)	-	**(221)**
Dec. 31, 2012	141,779	42,789	(20,634)	2,663	**166,597**

Note:

(1)The Bank 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.

(2)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 comprehensive incomes listed in the salary payable shall be taken as deductible temporary difference to recognize deferred tax asset.

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

(4)On Dec. 31, 2012, there was not any significant unrecognized deferred income tax assets in the Bank (2011: none).

XIX. Other assets

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Advance payment for purchase of fixed assets	338,097	91,100
Receivables from related companies	86,274	158,996
Long-term deferred expenses	32,503	37,789
Case compensation receivable	28,971	28,971
Accounts receivable for liquidation of fixed assets	33,716	33,716
Term fees to be	7,145	4,007
Other account receivable	30,494	2,354
Total amount	**557,200**	**356,933**
Less: impairment provision	(16,103)	(20,138)
Book value	541,097	336,795

XX. Statement of changes in impairment provision of assets

		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	7	61	–	–	–	–	61
Interest receivable	10	19,649	–	(252)	–	–	19,397
Granting of 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**

		2011					
		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	7	61	–	–	–	–	61
Interest receivable	10	19,649	–	–	–	–	19,649
Granting of loan and imprest	11	581,200	113,892	(7,402)	80	–	687,770
Receivables investment	14	703	2,807	–	–	–	3,510
Fixed assets	16	4,348	316	–	–	–	4,664
Intangible assets	17	–	145	–	–	–	145
Other account receivable	19	20,133	5	–	–	–	20,138
Total		**626,094**	**117,165**	**(7,402)**	**80**	**–**	**735,937**

XXI. Loan from the Central Bank

	Dec. 31, 2012	Dec. 31, 2011
Loan from the Central Bank	–	770,000

XXII. Same trade and other financial institution deposit fund

	Dec. 31, 2012	Dec. 31, 2011
In China		
Bank	7,686,755	1,380,697
Other financial institution	241,055	230,535
Total	**7,927,810**	**1,611,232**

XXIII 、Borrowing funds

	Dec. 31, 2012	Dec. 31, 2011
In China		
Bank	200,000	–
Total	**200,000**	**–**

XXIV. Financial assets sold for buy–back

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

	Dec. 31, 2012	Dec. 31, 2011
In China		
Bank	11,128,308	5,795,000
Other financial institution	200,000	–
Total	**11,328,308**	**5,795,000**

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

	Dec. 31, 2012	Dec. 31, 2011
Bonds	11,082,400	5,795,000
Bills	245,908	–
Total	**11,328,308**	**5,795,000**

XXV、Accepted money deposits

Conduct an analysis according to the nature of deposit.

	Dec. 31, 2012	Dec. 31, 2011
Current deposit		
Company client	34,875,121	29,492,550
Personal client	7,938,611	6,809,151
Subtotal of current deposit	**42,813,732**	**36,301,701**
Fixed deposit		
Company client	18,731,010	10,396,680
Personal client	12,983,298	8,033,214
Subtotal of current deposit	**31,714,308**	**18,429,894**
Remittances remitted and outstanding	117,251	46,110
Fiscal deposits	9,178	198,723
Total	**74,654,469**	**54,976,428**

	Dec. 31, 2012	Dec. 31, 2011
Inc.:		
Security deposit		
Acceptance bill security deposit	9,351,220	4,716,651
Guarantee bond	1,145,125	998,946
Other	410,851	421,008
Security deposit Total	**10,907,196**	**6,136,605**

XXVI、Employee payment payable

Conduct an analysis according to the nature of deposit.

	Note	Jan. 1, 2012 (restated)	Withdrawal amount this year	Decreased amount this year	Dec. 31, 2012
Salary, award, allowance and subsidy		162	236,956	(221,646)	15,472
Welfare for workers and staff		20	38,992	(39,012)	–
Social insurance premiums and housing provident fund		–	67,683	(67,670)	13
Employee education expenses		274	6,525	(6,529)	270
Labor union expenditure		1,875	5,220	(2,790)	4,305
Supplement retirement benefits	(1)	120,935	74,270	(24,050)	171,155
Other		4,627	4,627	(4,627)	–
Total		**123,266**	**434,273**	**(366,324)**	**191,215**

(1) Supplement retirement benefits

The Bank 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

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Income tax payable	90,387	66,405
Business tax and additional tax payable	44,276	37,153
Other	3,696	2,501
Total	**138,359**	**106,059**

XXVIII. Interest payable

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Interest payable of accepted money deposits	540,826	261,521
Interest payable of inter–bank deposit and borrowings from banks	28,258	1,420
Interest payable of financial assets sold for buy–back	38,869	4,354
Total	**607,953**	**267,295**

XXIX. Estimated Liabilities

Unit: RMB Yuan

	Balance at beginning of year	Increase in this year	Paid this year	Reversal amount this year	Balance at the end of year
Pending litigation	48,328	–	–	(37,676)	10,652
Total	**48,328**	**–**	**–**	**(37,676)**	**10,652**

XXX. Pending litigation

	Dec. 31, 2012	Dec. 31, 2011
Subordinated bonds	690,000	690,000
Total	**690,000**	**690,000**

The Bank 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 Bank 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, 2012, the fair value of subordinated bonds was RMB 0.69713 billion Yuan (on Dec. 31, 2011: RMB 0.65474 billion Yuan).

XXXI. Other liabilities

	Note	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Accounts payable of affiliated company		64,285	64,285
Account which is not withdrawn after suspended for a long term		70,129	58,039
Account payable of agency business		67,490	50,699
Dividend payable	(1)	14,764	14,765
Payable funds collected for housing		14,670	14,670
Payable project funds		12,414	46,692
Other		70,146	52,187
Total		**313,898**	**301,337**

(1) 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)

XXXII. Capital stock

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

	Dec. 31, 2012	Dec. 31, 2011
Corporative share	3,882,812	3,882,812
Personal shares	59,120	59,120
Total	**3,941,932**	**3,941,932**

Statement of changes of annual capital stock:

	Note	2012	2011
Balance at beginning of year		3,941,932	1,433,932
Capital invested by the shareholders	(1)	–	2,508,000
Total		**3,941,932**	**3,941,932**

(1) On Nov. 10, 2011, the Proposal regarding Investment Increase and Share Expansion of Bank of Zhengzhou Co., Ltd was passed by the Bank through discussion on the first interim shareholders' meeting in 2011, in which, the registered capital of the Bank was allowed to be changed from RMB 1.43393 billion Yuan to RMB 3.94193 billion Yuan. On Dec. 30, 2011, the Bank obtained the Approval to .

The paid-in status of the above increased registered capital has been verified by Henan Chenghe Certified Public Accountants Firm, and the firm has issued a Capital Verification Report with a report number of YCSZ[2011] No. 55).

XXXIII. Capital reserve

	Premium on capital stock	Change of fair value of financial assets available for saleavailable for sale financial assets	Actuarial gains/ (losses)	Other	Total
Jan. 1, 2012(restated)	35,654	23,610	(9,997)	64,674	113,941
Change of fair value of financial assets available for saleavailable for sale financial assets	–	12,289	–	–	12,289
Actuarial loss	–	–	(11,404)	–	(11,404)
Influence of deferred income tax caused by the above change	–	(3,072)	2,851	–	(221)
Dec. 31, 2012	35,654	32,827	(18,550)	64,674	114,605

XXXIV. Surplus reserve

	2012			
	Balance at beginning of year (Already restated)	Withdrawal amount this year	Decreased amount this year	Balance at the end of year
Legal surplus reserve	271,365	146,030	–	417,395
Other surplus reserve	48,197	–	–	48,197
Total	**319,562**	**146,030**	**-**	**465,592**

The Bank should withdraw legal earned surplus reserve according to 10% of net profit. The Bank can stop withdrawing the legal earned surplus reserve when its accumulated amount reaches 50% of registered capital. After the Bank 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

	2012	2011
On Jan. 1	553,200	396,415
Withdrawal gGeneral risk reserves	480,000	156,785
On Dec. 31	1,033,200	553,200

According to relevant provisions of Ministry of Finance, the Bank 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 Bank will meet the above requirements in the above transition period gradually.

XXXVI. Distribution of proiftsprofits

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

	2012	2011
Withdrawal:Legal earned surplus reserve	146,030	94,840
General risk reserves	480,000	156,785
Total	**626,030**	**251,625**

According to the approval of the board of directors on Apr. 26, 2013, the Bank can withdraw legal earned surplus reserve of about RMB 0.14603 billion Yuan and general risk reserve oof about RMB 0.48000 billion Yuan.

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

On Apr. 26, 2013, the board of directors passed a proposal of not distributing the annual dividend as of Dec. 31, 2012 temporarily through vote.

XXXVII. Net income from interest

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

	2012	2011(Already restated)
Interest income is from:		
Due from the Central Bank	188,932	141,371
Deposit money of inter-bank and other financial instiutionsinstitutions	20,362	1,179
Funds for inter-bank lending	758	-
Granting of loan and imprest		
Company loan and imprest	2,131,931	1,566,331
Individual loanPersonal loan and imprest	739,360	541,075
Discount bills	305,172	311,317
Investment	1,358,785	563,156
Redemptory monetary capital for sale	29,042	7,289
Subtotal of interest income	**4,774,342**	**3,131,718**
Interest expense is from:		
Loan from the Central Bank	(1,806)	(6,805)
Same trade and other financial institution deposit fund	(212,724)	(56,640)
Borrowing funds	(355)	-
Financial assets sold for buy-back	(254,858)	(255,596)
Accepted money deposits	(1,069,859)	(615,910)
Bond payable	(44,850)	(44,850)
Subtotal Interest expense	(1,584,452)	(979,801)
Net income from interest	**3,189,890**	**2,151,917**

XXXVIII. Net income from handling charges and commission fee

	2012	2011
Net income from handling charges and commission fee		
From agency handling charges	27,743	18,727
From bank card handling charges	19,316	16,764
From guarantee handling charges	13,423	6,318
From handling charges of securities underwriting business	8,528	5,870
From settlement handling charges	3,652	4,140
From commission handling charges	1,893	1,338
From advisory consultancy service handling charges	690	1,817
Other	327	849
Subtotal of handling charges and commission income	**75,572**	**55,823**
Handling charges and commission income	**(13,297)**	**(11,786)**
Net income from handling charges and commission income	**62,275**	**44,037**

XXXIX. Investment yields (deficiency)

	2012	2011(Already restated)
Transaction monetary asset	14,401	(35,433)
Financial assets available for saleAvailable for sale financial assets	(1,774)	(15,300)
Long-term investment on stocks	14,892	6,059
Total	**27,519**	**(44,674)**

XL. Add change of fair value assets

	2012	2011
Transaction monetary asset	13,319	16,168
Total	**13,319**	**16,168**

XLI. Business tariff and annex

	2012	2011
Business tax	147,187	109,755
Urban maintenance and construction tax	10,303	7,683
Additional education fees	7,359	5,488
Total	**164,849**	**122,926**

XLII. Business and administration expense

	2012	2011(Already restated)
PayrollSalary expenses incurred		
Salary, award, allowance and subsidy	236,956	169,638
Social insurance premiums and housing provident fund	67,683	53,212
Welfare for workers and staff	38,992	26,507
Employee education expenses	6,525	4,743
Labor union expenditure	5,220	3,794
Supplement retirement benefits	62,866	16,135
Other	4,627	3,365
Subtotal	**422,869**	**277,394**
Property and equipment expenditure		
Depreciation and amortization charges	66,953	61,649
Operation expenditure of electronic equipment	36,610	28,921
Maintenance expense	34,104	28,959
Rental charge	29,776	27,306
Low−value consumblesconsumables	16,356	13,086
Subtotal	**183,799**	**159,921**
Other general and adimistriativeadministrative expenses	**320,147**	**259,445**
Total	**926,815**	**696,760**

XLIII. Loss from asset impairment

	2012	2011(Already restated)
Loss from asset impairment Granting of loan and imprest	320,000	106,490
Receivables investment	12,387	2,807
Other	(4,287)	466
Total	**328,100**	**109,763**

XLIV. Income tax expense

(I) Income tax expense

	2012	2011(Already restated)
Current income tax	510,766	296,717
Deferred income tax	(48,263)	4,315
Total	**462,503**	**301,032**

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

	2012	2011(Already restated)
Pre-tax profits	1,922,803	1,249,437
Statutory tax rate	25%	25%
Expected income tax calculated according to statutory tax rate	480,701	312,359
InfluneceInfluence of income tax that cannot be used as tax to deduct the expenditure		
Business reception expenses	2,496	2,036
Welfare for workers and staff	613	1,358
Other	7,438	2,580
InfluneceInfluence of income tax of non-taxable income items		
Interest income of national debt	(25,022)	(15,786)
Other	(3,723)	(1,515)
Income tax expense	**462,503**	**301,032**

XLV. Other comprehensive income

	2012	2011(Already restated)
Other comprehensive income of financial assets available for saleavailable for sale financial assets		
Amount of change of fair value	25,536	31,480
Income transferred out to the profits and losses of the current period	(13,247)	(1,396)
Influence of income tax caused by financial assets available for saleavailable for sale financial assets	(3,072)	(7,521)
Actuarial loss	**(11,404)**	**(7,999)**
Influence of income tax caused by actuarial loss	2,851	2,000
Total	**664**	**16,564**

XLVI. Supplementary material of statement of cash flow

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

	2012	2011(Already restated)
Net profits	**1,460,300**	**948,405**
Plus: Loan impairmentimpairment loss	320,000	106,490
Other impairmentimpairment losses	8,100	3,273
Depreciation of fixed assets and amortization of intangible assets and long-term deferred expense	66,953	61,649
Investment (income) /loss	(27,519)	44,674
Add change of fair value assets	(13,319)	(16,168)
Disposal of net losses of fixed assets, intangible assets and other assets	976	84

	2012	2011(Already restated)
Increase/decrease of deferred income tax assets	(48,263)	4,315
Reversal of expected liabilities	(37,676)	–
Bond interest income	(1,358,785)	(563,156)
Interest expenditure of issued bond	44,850	44,850
Increase of operating items receivable	(22,266,343)	(5,666,637)
Increase of operational item payable	31,434,270	10,382,195
Net amount of cash flow incurred by the operating activity	**9,583,544**	**5,349,974**

（Ⅱ）**Net change of cash and cash equivalent:**

	2012	2011(Already restated)
Balance of cash and cash equivalent at the end of year	6,305,543	2,892,002
Less: Balance of cash and cash equivalent at the beginning of year	2,892,002	3,028,521
Increased/decreased amount of cash and cash equivalent	3,413,541	(136,519)

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

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Cash in treasury	716,702	588,245
Excess deposit reserves deposited in Central Bank	4,453,335	2,251,539
Deposit money of inter-bank and other financial instiutionsinstitutions due within three months after the date of acuqistionacquisition	1,035,506	52,218
Bond investment due within three months after the date of acuqistionacquisition	100,000	–
Subtotal	**5,588,841**	**2,303,757**
Total	**6,305,543**	**2,892,002**

XLVII. Capital adequacy ratio

Capital adequacy ratio and core capital adequacy ratio calculated by the Bank according to Measures for the Management of Capital Adequacy Ratios of Commercial Bank issued by China Banking Regulatory Commission and relevant provisions revised thereafter are shown below:

Capital adequacy ratio of the Bank and its related components in 2012 and on Dec. 31, 2011 are as follows:

	Note	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Rate of capital sufficiencyadequacy ratio	(1)	15.26%	18.04%
Rate of core capital sufficiencyadequacy ratio	(2)	12.79%	15.23%
Component of capital basis			
Core capital：			
Capital stock		3,941,932	3,941,932
Capital reserve		72,927	81,480
Surplus reserve		465,592	319,562
General provision of risk		1,033,200	553,200
Total value of core capital		**7,600,596**	**6,158,838**
Affiliate capital：			
General reserve of loan loss		793,616	473,616
Long-term subordinated debt		690,000	690,000
Part that can be included in the revaluation reserve		6,195	6,195
Other affiliated capital		45,488	30,891
Total value of affiliated capital		1,535,299	1,200,702
Total capital basis before the deduction		9,135,895	7,359,540
Total of deducted items		(166,391)	(156,078)
Net capital		8,969,504	7,203,462
Net core capital		7,517,401	6,080,799
Risk-weighted asset		**58,762,628**	**39,934,426**

Note:

(1) Capital adequacy ratio is equal to the quotient obtained by dividing capital net amount by risk-weighted asset.

(2) Core capital adequacy ratio is equal to the quotient obtained by dividing net amount after 50% of uncombined equity investment is deducted from core capital by the Bank by the risk-weighted asset.

XLVIII. Relationship and trade of related parties

(I) Relationship of related parties

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

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

	2012 share proportion	2011 share proportion
Zhengzhou Municipal Financial Bureau	12.58%	12.58%
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%

Ⅱ. PayrollSalary of key management personnel

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

	2012	2011
PayrollSalary of key management personnel	11,645	6,260

Ⅲ. Related-party transactions other than payrollsalary of key management personnel

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

	2012	2011
Interests income	593,052	124,120
Income from other operations	-	51,759
Non-operating income	241,540	-
Interests expense	4,864	11,133

Besides, 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 Bank 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 redeemdredeemed 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 Bank 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 Bank 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:

	Dec. 31, 2012	Dec. 31, 2011 (Already restated)
Asset item		
Receivables investment	8,085,700	4,876,140
Total amount of granted of loan and imprest	26,535	347,052
Interest receivable	27,285	14,819
Payables to related companies	86,274	158,996
Total	**8,225,794**	**5,397,007**
Liability item		
Same trade and other financial institution deposit fund	208,650	800,095
Accepted money deposits	218,860	172,912
Interests payable	124	599
Accounts payable of affiliated company	64,285	64,285
Total	**491,919**	**1,037,891**

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

XLIX.Subdivision report

The Bank shall divide the business into different groups according to regions to manage the business. The Bank 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

（Ⅰ）Entrusted loan business

The Bank 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 entrusedentrusted funds of these enterprises and individuals.

The Bank does not bear credit risks of related entrusted assets and liabilities business. The Bank 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 Bank’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:

	Dec. 31, 2012	Dec. 31, 2011
Entrusted loans	2,524,373	1,602,957
Entrusted assets	2,524,373	1,602,957

（Ⅱ）Financing service

Financing business of the Bank mainly refers to that the Bank 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 Bank 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 Bank, 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:

	Dec. 31, 2012	Dec. 31, 2011
Investment of financing service	1,211,350	99,960
Funds obtained from the financing service	1,211,350	99,960

LI. Risk Control

The Bank faces the following main risks when using financial instruments: Credit risk, interest risk, foreign exchange risk, liquidity risk and operation risk. The Bank 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 Bank 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 Bank. Based on such risk management objective, the Bank developesdevelops 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.

（Ⅰ)Credit risk

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

1. Credit businss

The credit risk management of the Bank 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 Bank 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 Bank requires the borrower to provide mortgage or other mortgages.

The Bank 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 impairedimpaired loan and imprest and are defined as impairedimpaired loan and imprest if one or more events occur showing that objective impairmentimpairment evidence exists and loss may be caused. The Provisions for impairmentimpairment loss of impairedimpaired 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 Bank are as follows:

Normal	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	The borrower cannot repay the loan principals and interests fully and greater losses will be caused undoubtedly even if the guarantee is executed.
Doubt	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 Bank determines the category of loan based on a series of factors. The classification factors of loan include:

(1) Repayment ability of the borrower;

(2) Repayment history of the borrower;

(3) Repayment willingness of the borrower;

(4) Net value obtained from selling the mortgage;

(5) Economic outlook of the guarantor. The Bank will consider the time of overdue repayment of loan principals and interests simultaneously.

2.Capital business

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

Moreover, the Bank also invests in the trust products designed and sold by the trust company. Before making an investment decision, the Bank 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 Bank 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 Bank as described in note 53(1), the Bank does not provide any other guarantee that may cause the Bank to bear credit risk.

The granting of 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:

	Dec. 31, 2012			
	Granting of loan and imprest	Deposit money of inter-bank and other financial instiutionsinstitutions	Redemptory monetary capital for sale	Investment, note (1)
ImpairedImpaired				
Evaluate by the single way				
Total amount impairedimpaired	232,87061	61	–	–
Provisions for impairmentimpairment loss	(123,127)	(61)	–	–
Net amount	**109,743**	**–**	**–**	**–**
Evaluate by the combined way				
Total amount impairedimpaired	4,098	–	–	–
Provisions for impairmentimpairment loss	(1,818)	–	–	–
Net amount	**2,280**	**–**	**–**	**–**
Overdue but not impairedimpaired				
Overdue: Not more than 3 months	329,251	–	–	–
Overdue: 3 months to 1 year (including 1 year)	39,842	–	–	–
Overdue: More than 1 years	200	–	–	–
Total amount	**369,293**	**–**	**–**	**–**
Provisions for impairmentimpairment loss	(64,327)	–	–	–
Net amount	304,966	–	–	–
Neither overdue nor impairedimpaired				
Total amount	49,554,762	2,084,506	2,181,318	29,597,342
Provisions for impairmentimpairment 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**

	Dec. 31, 2011			
	Granting of loan and imprest	Deposit money of inter-bank and other financial instiutionsinstitutions	Redemptory monetary capital for sale	Investment, note (1)
ImpairedImpaired				
Evaluate by the single way				
Total amount impairedimpaired	158,930	61	–	–
Provisions for impairmentimpairment loss	(98,448)	(61)	–	–
Net amount	60,482	–	–	–
Evaluate by the combined way				
Total amount impairedimpaired	6,335	–	–	–
Provisions for impairmentimpairment loss	(3,439)	–	–	–
Net amount	2,896	–	–	–

	Dec. 31, 2011			
	Granting of loan and imprest	Deposit money of inter-bank and other financial instiutionsinstitutions	Redemptory monetary capital for sale	Investment, note (1)
Overdue but not impairedimpaired				
Overdue: Not more than 3 months	53,122	–	–	–
Overdue: 3 months to 1 year (including 1 year)	48,501	–	–	–
Overdue: More than 1 years	2,667	–	–	–
Total amount	**104,290**	**–**	**–**	**–**
Provisions for impairmentimpairment loss	(3,731)	–	–	–
Net amount	**100,559**	**–**	**–**	**–**
Neither overdue nor impairedimpaired				
Total amount	37,137,494	52,218	–	19,871,890
Provisions for impairmentimpairment loss	(582,152)	–	–	(3,510)
Net amount	**36,555,342**	**52,218**	**–**	**19,868,380**
Book value	**36,719,279**	**52,218**	**–**	**19,868,380**

Note:(1)The investment includes trading financial assets, financial asset bond investment available for sale, held-to-maturity investment and investment of accounts receivable.

（Ⅱ）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 Bank neither carries out foreign currency business nor holds foreign currency asset or liability, so it won’t face exchange rate risk.

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):

	Dec. 31, 2012					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year to 5 year	More than 5 years
Assets						
Cash and due from the Central Bank	**18,435,841**	716,702	17,719,139	–	–	–
Deposit money of inter-bank and other financial instiutionsinstitutions	**2,084,506**	2,000	2,082,506	–	–	–
Redemptory monetary capital for sale	**2,181,318**	–	2,181,318	–	–	–
Granting of loan and imprest	**49,153,253**	–	40,221,499	8,915,221	16,016	517
Investment (note (2))	**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**

	Dec. 31, 2012					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year to 5 year	More than 5 years
liabilities						
Same trade and other financial institution deposit fund	**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**	**6,126,920**	**690,000**
Asset liability gap	**7,671,349**	**1,337,024**	**4,308,799**	**(10,883,126)**	**7,098,748**	**5,809,904**

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):

	Dec. 31, 2011					
	Total	Bearing no interest	Within 3 months	3 months to one year	1 year to 5 year	More than 5 years
Assets						
Cash and due from the Central Bank	**12,375,954**	588,245	11,787,709	–	–	–
Deposit money of inter–bank and other financial instiutionsinstitutions	**52,218**	2,000	50,218	–	–	–
Granting of loan and imprest	**36,719,279**	–	28,564,017	7,781,061	374,201	–
Investment (note (2))	**20,241,069**	72,689	4,210,977	5,041,636	6,434,028	4,481,739
Other assets	**1,510,810**	1,510,810	–	–	–	–
Total assets	**70,899,330**	**2,173,744**	**44,612,921**	**12,822,697**	**6,808,229**	**4,481,739**
liabilities						
Loan from the Central Bank	**770,000**	270,000	500,000	–	–	–
Same trade and other financial Institution deposit fund	**1,611,232**	–	1,611,232	–	–	–
Financial assets sold for buy–back	**5,795,000**	–	5,795,000	–	–	–
Accepted money deposits	**54,976,428**	46,110	42,114,265	9,878,598	2,937,455	–
Bond payable	**690,000**	–	–	–	–	690,000
Other liabilities	**846,285**	846,285	–	–	–	–
Total liabilities	**64,688,945**	**1,162,395**	**50,020,497**	**9,878,598**	**2,937,455**	**690,000**
Asset liability gap	**6,210,385**	**1,011,349**	**(5,407,576)**	**2,944,099**	**3,870,774**	**3,791,739**

(1) The granted loan and imprest of the Bank that is due within 3 months as listed above include the overdue amount with a balance of RMB 0.392 billion Yuan (the provisions for impairmentimpairment loss are deducted) on Dec. 31, 2012 (Dec. 31, 2011: RMB 0.114 billion Yuan).

(2) 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 Bank measures the possible effect of interest rate change on the Bank' s net interest income by the sensitivity analysis. The results of sensitivity analysis of interest rate according to assets and liabilities on Dec. 31, 2012 and Dec. 31, 2011 are listed in the below table.

Unit: RMB/1,000Yuan

	Change of interest rate on Dec. 31, 2012 (basic point)	Change of interest rate on Dec. 31, 2011 (basic point)
	100	100
Calculate net interest income according to annual interest rate		
Increase/decrease	(38,535)	(31,995)

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 Bank' s asset and liability on the calculation of interest income according to annual interest rate in a year. Based on the following assumptions: (1) 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); (2) The yield curve moves parallelly with the change of interest rate; and (3) 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 Bank' s net interest income may differ from the result of the sensitivity analysis.

（Ⅲ）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 Bank 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 Bank 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 Bank; 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 Bank. Becasue the business is of uncertain period and different categories, the bank 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 Bank measures the liquidity risk mainly by liquidity gap analysis.

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

	Dec. 31, 2012						
	Repayment on demand	Within 3 months	3 months to one year	1 year to 5 year	More than 5 years	Without time limit	Total (Note:1)
Assets							
Cash and due from the Central Bank	5,170,037	–	–	–	–	13,265,804	18,435,841
Deposit money of inter-bank and other financial instiutions	35,506	1,000,000	–	1,049,000	–	–	2,084,506
Redemptory monetary capital for sale	–	2,181,318	–	–	–	–	2,181,318
Granting of loan and imprest (Note:(2))	62,369	10,858,584	31,432,912	2,999,429	3,644,768	155,191	49,153,253
Investment(Note:(3)(4))	–	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**
Liabilities							
Deposit money of inter-bank and other financial instiutions	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**	**6,258,905**	**690,000**	**95,544**	**96,062,664**
Net position	**(38,284,986)**	**(7,039,477)**	**10,090,782**	**17,179,999**	**10,818,240**	**14,906,791**	**7,671,349**

	Dec. 31, 2011						
	Repayment on demand	Within 3 months	3 months to one year	1 year to 5 year	More than 5 years	Without time limit	Total (Note:1)
Assets							
Cash and due from the Central Bank	2,839,784	–	–	–	–	9,536,170	12,375,954
Deposit money of inter-bank and other financial instiutions	52,218	–	–	–	–	–	52,218
Granting of loan and imprest (Note:(2))	8,168	6,999,344	21,488,875	5,084,987	3,009,603	128,302	36,719,279

	Dec. 31, 2011						
	Repayment on demand	Within 3 months	3 months to one year	1 year to 5 year	More than 5 years	Without time limit	Total (Note:1)
Investment(Note:(3)(4))	–	1,411,970	4,917,041	7,625,071	6,214,298	72,689	20,241,069
Other assets	–	330,404	–	–	–	1,180,406	1,510,810
Total assets	**2,900,170**	**8,741,718**	**26,405,916**	**12,710,058**	**9,223,901**	**10,917,567**	**70,899,330**
Liabilities							
Loan from the Central Bank	–	500,000	270,000	–	–	–	770,000
Deposit money of inter-bank and other financial instiutions	1,169,313	441,919	–	–	–	–	1,611,232
Financial assets sold for buy-back	–	5,795,000	–	–	–	–	5,795,000
Accepted money deposits	36,748,023	5,412,351	9,878,598	2,937,456	–	–	54,976,428
Bond payable	–	–	–	–	690,000	–	690,000
Other liabilities	–	557,012	5,477	162,665	–	121,131	846,285
Total liabilities	**37,917,336**	**12,706,282**	**10,154,075**	**3,100,121**	**690,000**	**121,131**	**64,688,945**
Net position	**(35,017,166)**	**(3,964,564)**	**16,251,841**	**9,609,937**	**8,533,901**	**10,796,436**	**6,210,385**

Note:

(1) 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 impairedimpaired or overdue for more than one month.

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

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

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

(Ⅳ) 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 Bank 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 Bank can identify and determine internal operation risk in main product, activity, flow process and system.

LII. Fair value

(Ⅰ)Financial assets

Financial assets of the Bank 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 saleavailable for sale financial assets 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.

(Ⅱ)Financial liabilities

Financial liabilities of the Bank 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.

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

	The 1st hierarchy (Note:(1))	The 2nd hierarchy (Note:(1))	The 3rd hierarchy	Total
Balance on Dec. 31, 2011				
Transaction monetary asset	–	4,145,692	–	**4,145,692**
Financial assets available for saleAvailable for sale financial assets	–	1,799,751	300,000	**2,099,751**
Total	**–**	**5,945,443**	**300,000**	**6,245,443**

(1) 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

(Ⅰ) Irrevocable off-balance sheet credit business

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

The loan commitment refers to the loan amount that has been approved by the Bank but has not been used for which a contract has been signed. The finance guarantee refers to the guarantee provided by the Bank for the client regarding the performance of the third party. The acceptance bill refers to the acceptance commitment made by the Bank to the bill issued by the client, and most of expected acceptance bill of the Bank will be settled together with the client's repayment.

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 Bank on the balance sheet date if the counterparty fails to execute the contract.

	Dec. 31, 2012	Dec. 31, 2011
Acceptance bill	14,533,617	6,172,107
Loan commitment	1,183,120	1,165,760
Issuance of letter of guarantee	70,473	94,182
Total	**15,787,210**	**7,432,049**

(Ⅱ) Weighted amount of credit risk

	Dec. 31, 2012	Dec. 31, 2011
Weighted amount of credit risk of contingent liability and commitment	5,053,839	1,289,892

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%.

（Ⅲ）Capital commitments

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

	Dec. 31, 2012	Dec. 31, 2011
Acquired properties and equipment		
－The contract has been signed.	17,483	472

（Ⅳ）Operating lease commitments

The Bank 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 Bank on the balance sheet date according to irrevocable operating lease agreements of house and building in the following years are as follows:

	Dec. 31, 2012	Dec. 31, 2011
Within one year	20,122	13,072
One year to two years	18,472	12,091
Two year to three years	12,028	9,164
Three year to five years	17,695	6,603
More than five years	117,548	14,726
Total	**185,865**	**55,656**

（Ⅴ）Pending action and dispute

On Dec. 31, 2012, the Bank still has some pending lawsuits and disputes as the party accused and total amount of claim reimbursement involved is RMB 52.3 million Yuan. The Bank 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 Bank believes that the expected liabilities withdrawn are reasonable and sufficient.

（Ⅵ）Securities underwritting commitments

On Dec. 31, 2012 and Dec. 31, 2011, the Bank did not have any undue securities underwriting commitments.

（Ⅶ）Bond acceptance commitments

On Dec. 31, 2012 and Dec. 31, 2011, the Bank did not have any undue bond acceptance commitments.

LIV. Events after the balance sheet date

As of the approval date of the balance sheet, the CompnayCompany 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 or restated according to note (4).

II. Financial situation statement

(I)Assets and liabilities situation

During the reporting period, total assets of the Bank were RMB 103.73401 billion Yuan which was increased by RMB 3,2,83,468 billion Yuan with an increase rate of 46.31% compared with 2011 and RMB 46.00728 billion Yuan with an increase rate of 125.47% compared with 2010. Among the total assets, the loan balance at the end of this year was RMB 50.16102 billion Yuan which was increased by RMB 12.75397 billion Yuan with an increase rate of 34.1% compared with 2011, and RMB 23.36115 billion Yuan with an increase rate of 87.171% compared with 2010.

During the reporting period, total liabilities of the Bank were RMB 96.06266 billion Yuan which was increased by RMB 31.37372 billion Yuan with an increase rate of 48.50% compared with 2011 and RMB 41.10913 billion Yuan with an increase rate of 74.80% compared with 2010. Among which, the balance of various deposits at the end of this year was RMB 74.65447 billion Yuan which was increased by RMB 19.67804 billion Yuan with an increase rate of 35.79% compared with 2011 and RMB 30.02567 billion Yuan with an increase rate of 67.28% compared with 2010.

(II) Stockholders’ equity situation

During the reporting period, the sharehouldersshareholders' equity of the Bank was RMB 7.67135 billion Yuan which was increased by RMB 1.46096 billion Yuan with an increase rate of 23.52% compared with 2011 and RMB 4.89815 billion Yuan with an increase rate of 176.62% compared with 2010, which is mainly caused by investment increase in 2011 and increase of net profit in each year.

(III) Financial operation situation

During the reporting period, various book incomes of the Bank realized were RMB 3.59245 billion Yuan, various expenditures were RMB 1.66965 billion Yuan, total profits were RMB 1.92280 billion Yuan, which were increased by RMB 0.67337 billion Yuan with an increase of 53.89% compared with 2011; net book profit were RMB 1.46030 billion Yuan which was increased by RMB 8.02375 billion Yuan with an increase rate of 51.40% compared with 2011, deposit and loan, investment and other businesses continue to keep fast, continuous and healthy development trend, the profitability is improved continuously and the financial situation continues to be optimized.

(IV) Profit realization, distribution and tax payment situation

During the reporting period, the book profit of the Bank was RMB 1.92280 billion Yuan, business income tax withdrawn was RMB 0.46250 billion Yuan, and after-tax net profit was RMB 1.46030 billion Yuan. Undistributed profit at the end of 2012 is RMB 2.11602 billion Yuan after the legal surplus reserve of RMB 0.14603 billion Yuan and general risk reserves of RMB 0.48000 billion Yuan are withdrawn according to regulations.

(V) Main indicator situation

1. Deposit and loan ratio analysis: in 2012, the ratio of deposit and loan was 67.19%, the control of loan was well.

2. Rate of return on assets: because of the promotion of profitability of the Bank in 2012, the rate of return on assets was 1.67%, increased 0.19% than that of last year (1.48%).

3. Capital adequacy ratio: in 2012, the capital adequacy ratio of the Bank was 15.26%, increased 2.78% than that of last year (18.04%).

(VI) Other description matters:

I Brief introduction to internal control of the Bank

(I) Internal control environment

The Bank insists on taking the internal control and construction as internal demands and active pursuit of its development, and strengthening the internal control and compliance culture construction. Establishing the perfect coporationcorporation management structure step by step, risk management framework, internal organization framework with mutual suppression and internal audit system with independently exercising their powers as per the requirements for a modern financial enterprise, the Bank realized the continuous, systematic and transparent internal control. AdhereingAdhering to the quality and internal control guideline of "in compliance with laws and regulations, customer first, meticulous procedures, continuous innovation, control risks strictly, win by speed", the Bank's institutional system become more sound and effective, the business procedure is more efficient and meticulous, thus, it achieved a sustainable uprise on customers' satisfaction.

The Bank developed and perfected the Bank's management structure based on the Governance Guidelines of Stock Commercial Bank Company. With the advancement of all works, further perfecting all the rules and regulations for the shareholders' meeting, the Board of Directors and the Board of Supervisors, adjusting the related authorization of the professional committee under the Board of Directors, therefore, it is ensured that the Bank could wield its decision-making power, implementation and supervision effectively. Through the separation of ownership and management and the effective incentives and constraints system, it is ensured to realize the healthy and sustainable development of the Bank and also the maximum shareholders' value.

The Bank implemented overall risk management. Through the setting and adjustment of institutions and jobs, the risk management organization structure was improved further, and a risk management organization system consisting of board of directors, executives, risk management department of headquarters and business department. The risk management committee and risk management office of board of directors are responsible for designing overall risk structure, developing risk policies and monitoring and controlling overall risk, the audit committee and internal audit office of board of directors are responsible for internal audit and internal control evaluation, the risk management committee and risk management department of executives are responsible for monitoring operation risk, conducting centralized supervisonsupervision and inspection and controlling quality management system flow, which form an all-round comprehensive risk management system of many views to ensure scientific management and control of business conducted by the headerquartersheader quarters, each department and branches to effectively eliminate the risk.

(II) Construction condition of internal control of the Company

The Company attaches importance to continuous improvement of internal control system and never stops the research, improvement and innovation of internal control system. According to the policies of legality and conformity and prudent operation and the principles of "internal control first" and "process bank", the Company has established the system document basically covering various operation flows and various specific businesses and conducts revision, completion, supplementation and abolishment on various systems continuously based on the change of internal and external environment. During the reporting period, the Company sorted out all system documents, added 18 systems abolished 6 systems and revised 82 systems. As of the end of December of 2012, there were 335 items in system documents totally.

The Company attaches great importance to the strengthening and supervision of internal control system's executive force. Through daily supervision and examination made by supervisor of risk management department, audit and appraisal by internal audit department, management and review by the executives and examination by external professional institutions, the Company inspects and supervises the executive force of internal control system of each deparmentdepartment of headquarters and branches of the Company to improve the Company's system continuously and the executive force year by year and make internal management and control, risk prevention, businssbusiness operation and assets safety more perfect, reasonable and effective, thus providing a favourablefavorable internal environment support for continuous leapfrog development of the Company.

(III) Appraisal and recognition for the validity of internal control system

The Board of Directors of the Company thought that, the Company has already set up an integrated, rational and compliant internal control system, improved the validity of the Company's quality management system, reached a good internal control management status and basically realized various internal management objectives according to ISO9001-2008 quality management system and requirements of supervision department. Although the Company's internal control system needs to be improved with further business development, change of external environment and increase of management requirements, there is no significant defect existing in the design and execution of current internal control system; therefore, the current internal system is valid.

Ⅱ. Audit Report of Internal Control of the Bank on 2012 KPMGZZ No. 1300570

Special Report on 2012 Internal Control and Risk Management System Evaluation Report of Bank of Zhengzhou Co., Ltd.

KPMGZZ No. 1300570

Shareholders of Bank of Zhengzhou:

As entrusted by the client, we have audited the 2012 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, 2012, and 2012 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 26th, 2013. 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. 2012 Internal Control and Risk Management System Evaluation Report:

We have read Bank of Zhengzhou Co., Ltd. 2012 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. 2012 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 2012 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 蒲红霞印

Chinese CPA: 王立鹏 王立鹏印

April 26 2013

Bank of Zhengzhou Co.,Ltd

2012 Internal Control and Risk Management System Evaluation Report

Bank of Zhengzhou Co., Ltd. has established an internal control system used to identify, meter, evaluate, monitor and mitigate risks pursuant to Company Law of People's Republic of China, Commercial Bank Law and other laws, and Guidance on Internal Control of the Commercial Banks, Basic Norms of Enterprises Internal Control and other regulations.

I. Internal control environment

(I) Objectives of internal control

Objectives of internal control of the Bank are as follows: reasonably ensure the legality and compliance of operation and management of the Bank, security of assets, and authenticity and integrity of financial reports and relevant information, improve the operation efficiency and effectiveness, and promote the realization of development strategy of the Bank. During operation, the Bank adheres to the quality and internal control and management policies of "legality and compliance, client first, fine process, constant renovation, strict risk control and quickness", to constantly improve the internal control system.

(II) Company management

The Bank has built a company management structure centered by the shareholder meeting, board of directors, board of supervisors and exectives. 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 exectives, special committees are set up to work diligently, responsibly and effectively, forming a clearly-defined and effectively-balanced sound management pattern.

In 2012, altogether 11 meetings are convened pursuant to Company Law and Articles of Association of the Bank, including the shareholder meeting and meetings of the board of directors and various committees under the board of directors, in which 70 motions related to the operation management etc. are discussed to actually play its major role of decision-making. Detailed Rules on Management of Resolutions of Meeting of Board of Directors of Bank of Zhengzhou Co., Ltd. is prepared, and the resolution management of the board of directors is standardized to form a company management regulation system centered by Articles of Association and supported by detailed working rules of various special committees. The renewal of board of directors and board of supervisors is successfully finished to incorporate some experts and enterpriser elites into the board of directors and board of supervisors to bring advanced managerial experience for the Bank.

In 2012, the operation management level and various special committees of board of directors report to the board of directors by strictly observing relevant rules. The board of directors reports to the shareholder meeting. Furthermore, the board of directors builds a tracking system for resolutions of the shareholder meeting and board of directors. The execution of resolutions of the shareholder meeting and board of directors is reported on each shareholder meeting.

The board of supervisors is a supervision organization of the Bank, is responsible to the shareholder meeting and reports to the shareholder meeting.

The exectives, under the authorization by the board of directors, presides over the operation management of the Bank, stipulates internal control policies, improves the organization structure, strengthens the inspection and supervision, carefully organizes the execution of various decisions made by the board of directors and actually performs the operation management obligations.

(III) Organization structure

The Bank, depending on its size and development phase, has continuously strengthened the reconstructing of organization structure and business process, and the operation system under the authorization of the single-level legal person system is executed, and the "three-board and one-level" modern company management structure and the reasonably-balanced, lean and highly-efficient organization structure system are built and improved. From the perspective of business process, the Bank divides the organization structure system into front office, middle office and back office and branch organizations, additionally sets up the trade financing department, and renames the infrastructure construction office as the organization development department. In branch banks, five departments and one office are set up. In the urban branch banks, the jurisdiction and subordination mode is executed. In jurisdiction banks and subordination banks, two departments and one office are set up to satisfy the business development and management requirements and ensure the effective operation of various work items.

(IV) Internal control systems

The Bank always attaches much importance to the construction of internal control system. In 2012, various departments are organized to collect management systems of each line. These systems are revised and improved as the business develops. The catalogue of system documents is issued and the system documents are updated in good time.

(V) Compliance culture construction

In 2012, the Bank attaches much importance to the enterprise culture construction. Firstly, the "compliance culture construction" propaganda and education month activity plan is prepared to carry out the propaganda and education activities. Secondly, the enterprise cultural publicity slogans are presented on the wall. Thirdly, the professional team is employed to record, edit and process the bank song Boosting Central China, and to record MV of bank song which is being promoted among employees. Fourthly, employees are organized to attend National Financial System Senior Enterprise Culture Expert Training Course, and employees of the Bank are issued with the national Class I qualification certificates for Senior Enterprise Culture Expert. Fifthly, the learn-from-Lei Feng activity is carried out. Sixthly, employees are organized to attend the field enterprise culture construction learning and exchange promotion meeting held by the CCP Committee of Zhengzhou State-owned Assets Committee. Seventhly, the initial employee sports meeting is successfully held.

In 2012, the Bank vigorously carries out the cultural publicity and education on internal control compliance. Firstly, the disposal of negative public opinions, prosecutions via letter visits and clients' complaints is enhanced. Secondly, the employee is guided to set up a prudent risk and compliance awareness by executing dynamic management over the employees' psychological behaviors and strengthening the penalty to illegal acts. Thirdly, Employee Compliance Manual and Enterprise Culture Manual and the compliance activity journal are prepared and issued to actively promote the compliance culture construction.

(VI) Management of human resources

Firstly, the employment system, in which the system of all employees signing labor is primarily adopted, is executed. The complete job management system and competence management system are established, and the job instructions are prepared. Secondly, the human resources plan is formulated to introduce talents constantly. Thirdly, Training Management System is established to build a three-level training system. Fourthly, based on the balanced scorecard, the target-oriented performance management system and incentive & restraint system are built, and relevant management systems, such as Performance Management System, Performance and Salary Management Method and Detailed Rules on Execution of Performance Examination for Departments and Offices of the Headquaters, are compiled. Fifthly, the job rotation and mandatory leave system is executed for key positions.

II. Identification, evaluation and management of risks

The Bank has established a risk management system covering various businesses to identify, meter and constantly monitor various types of risks, including credit risk, market risk, liquidity risk, operation and compliance risk. In 2012, following work has been done particularly:

(I) Credit risks:

Firstly, a risk early warning management system covering high-amount public credit, small-sized enterprise credit and personal credit business is established to monitor each high-amount loan by the headquaters on a monthly basis, manage the small-sized enterprise loans by their classifications and automatically monitor the personal loans by the crediting system depending on risk factors. The risk signals are disposed and reported at different levels. Secondly, the risk management structure is improved, and the crediting and execution are respectively controlled by the credit examination and approval department and the risk management department respectively to specify their own functions and work processes. The credit examination and approval department is responsible for the overall analysis and evaluation on the crediting business, improvement of the credit examination and approval process, creation of a three-level examination mode inside the department and enhancement of risk identification capability. Thirdly, the classified management over credit asset risks is deepened to reinforce the dynamic inspection and monitoring analysis of the credit asset quality. Fourthly, the credit management system is reconstructed to enhance the risk identification capability. Fifthly, the systems and relevant texts and sheets are fully revised to realize the full-process management, including identification, evaluation, prevention, mitigation and disposal of the credit risks.

(II) Market risks:

Firstly, Market Risk Management Policy and Bank Account Interest Rate Risk Management Policy are prepared and approved by the board of directors to specify the market risk management structure, management policies, risk limits, reporting route and tolerable market risk level of the Bank. Secondly, the board of directors acquires the report on the nature, level and conditions of market risks through the periodical reporting by the exectives, and urges the exectives to take necessary measures to identify, meter, monitor and control market risks. Thirdly, the cooperation agreement is signed with COMSTAR through the bidding method to introduce the fund trade and market risk management system. Fourthly, special personnel are employed to enhance the training on the knowledge of personnel and improve the professional level of market risk identification. Fifthly, the internal audit department evaluates the market risk system construction, organization management structure, bond investment business market risks, and the new product development and new business market risk management through questionnaire, making reference and enquiry. Sixthly, the board of supervisors supervises the process by issuing Supervision Prompt to the board of directors and the exectives.

(III) Liquidity risk:

Firstly, the liquidity risk identification, metering, monitoring and reporting system is created, and various departments are enabled to communicate with each other about liquidity risks of the Bank by utilizing a platform, namely, regular meetings of the assets liability management committee. Secondly, the risk management department is responsible for the independent identification and evaluation of risks, and for reporting to the board of directors and supervision organization on a regular basis with respect to the overall control and management of liquidity risk. Thirdly, the finance and accounting department performs the liquidity pressure test every quarter to analyze the liquidity risk level and to report the liquidity risk management and pressure test results to the assets liability management committee periodically. Fourthly, the fund operation department is responsible for forecasting of market fluctuation, assisting the finance and accounting department to carry out the routine liquidity management. Fifthly, the scientific & technical development department is responsible for the creation of liquidity risk information network and databank to support the identification, metering, monitoring and control of liquidity risks. Sixthly, the internal audit office is responsible for the inspection and evaluation on the adequacy ratio and effectiveness of the liquidity risk management system on a regular basis.

(IV) Operation and compliance risks:

Firstly, the structure of the operation risk management organization is further defined to establish a clear responsibility division and authorization management system and operation risk identification, evaluation, testing, consultation and reporting system. Secondly, the routine risk information collection system, major risk monitoring and early warning system and emergency plan are created to provide real-time and dynamic management over operation risks. Thirdly, "Compliance improvement year" Work Plan and "Compliance improvement year" Activity Supervision, Guidance and Inspection Plan are prepared to promote the compliance of the Bank. Fourthly, all employees have signed Job Compliance Responsibility and Commitment Letter. Fifthly, 2012 Compliance Training Plan is prepared and the training is organized. Sixthly, the key contents of internal audit and Ten No-doings of Client Managers are disclosed. Seventhly, Method of Management on Admission of Responsibility and Resignation of Presidents of Branch Banks due to Important Cases, Internal Audit Penalty Method and Methods of Disposal and Penalty against Violation of Bans, Regulations and Disciplines by Employees are revised to enhance the penalty. Eighthly, Compliance Opinion Management Method is prepared to standardize the procedure of presentation, recognition and adoption of and reply to compliance opinions, and the incentive for compliance opinions is increased. In 2012, altogether 102 compliance opinions related to the system, process, management, risk, and hidden hazards presented by various departments are reviewed and evaluated, and the reward is provided pursuant to Compliance Opinion Management Methods. Ninthly, the warning education, anti-corruption, case prevention and control education etc. are constantly carried out. Tenthly, the management over legal affairs is standardized to improve the application level of laws.

III. Internal control activities

On major internal control lines, the Bank constantly improves internal control measures to effectively ensure the steady and sound development of various businesses of the Bank

(I) Internal control of crediting business

Firstly, the 2012 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 system 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.

IV. Supervision and rectification of internal control

(I) Supervision at the level of board of directors

Firstly, the board of directors and its risk management committee hold meetings on a regular basis to discuss relevant risk motions and listen to the loan asset combination analysis report made by the exectives. Secondly, the auditing committee of the board of directors, in a risk-oriented mode, guides the internal auditing department to constantly perform routine inspection over the branch organizations, provide outgoing inspection as necessary, initiate the special inspection in a well-targeted way, request the entity being audited to rectify the problem identified within a specified term, correlate the rate of rectification to the performance examination of the responsible person of the branch organization, instruct the business management department to carry out internal auditing prompt against problems involving the general administration department as found in the inspection over the branch organization and request it to make a reply within a specified term. Meanwhile, this committee has established Bank of Zhengzhou Internal Auditing Rules, Field Internal Auditing Code and other system documents to further improve the internal auditing system, and the internal auditors are assigned to explain the typical problems found in the inspection on the regular meeting to actually improve the compliance awareness and management level of branch organizations.

(II) Supervision at the operation level

The compliance department constantly performs internal control self-evaluation and rectification tracking, identifies outstanding problems through the latest key point of supervision and internal inspection, provides sampling inspection over the adequacy ratio and effectiveness of self-evaluation performed by relevant departments and branch organizations, verifies the effectiveness of rectification of internal control defects against rectification measures proposed by the organization in question, points out the existing internal control defects, and proposes improvement measures, in order to reinforce the supervision provided by the second line of defense.

V. Information exchange and feedback

The Bank has constantly improved the information exchange and communication mechanism between the internal organizations at various levels and the company and the clients and investors, ensuring the compliance and integrality of the information disclosure.

(I) Creation of communication mechanism and platform for internal overall information exchange

Firstly, the information exchange mechanism among the board of directors, the board of supervisors and the exectives is established to ensure the opportune and effective transfer of operation management information to the board of directors and the board of supervisors. Secondly, the risk management department reports to the exectives, the risk management office of the board of directors reports to the risk management committee of the board of directors, and the internal auditing department reports to the board of directors, board of supervisors and exectives. Thirdly, various types of meetings are held on a regular basis to classify, analyze and conclude problems related to the business operation, financial conditions and inspection and supervision, ensuring the opportune and accurate control of various operation information and existing problems by the management at various levels. Fourthly, a set of systems, consisting of the business transaction system, channel application system, financial reporting system and business management system, are fully established, and furthermore, the centralized databank system, industrial information inquiry system and office automation system are created to realize the sharing of information with relevant systems.

(II) Exploration of external information exchange channel

Firstly, the risk management system and news spokesman system are established. A news spokesman team is set up to disclose major work, decision-making and issues. Secondly, the communication with the propaganda department of provincial party committee, propaganda department of municipal party committee and provincial and municipal media about any important issue, and such issues are handled properly. Thirdly, the special person is assigned for supervision over Internet information, and at least one overall supervision is provided each day. The weekly supervision report is submitted to the responsible person of the department. Fourthly, the special person is assigned for the supervision over the information carried in the newspapers and journals, and at least one overall supervision is provided each day. The Public Opinion Report is prepared in good time. The important event, if any, is reported to the leader and supervision department upon its occurrence. Fifthly, the special person is assigned to supervise the information disclosed by the radio station and TV station. Sixthly, by fully making use of the president mailbox, a channel of direct communication between the employees and the president is established to encourage the employees to give their advices and disclose any illegal acts. Seventhly, do well the compiling and issuing work of the bank newspaper and information, which are prepared and delivered to the supervision department, government department and leaders, and issued to persons concerned. Eighthly, the consultation and complaint telephone numbers are disclosed to the public, and the client service center is attended on a 24-hour/day basis to receive telephone calls. Issued with respect to the business transaction are transferred to the risk management department, and those related to the management and service are transferred to the discipline inspection committee, with the results disclosed to the clients in time to enhance the communication between the bank and the public.

VI. 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, 2012. 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

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郑州银行股份有限公司
Bank of Zhengzhou Co. Ltd

Chapter XIII Reference Document Catalog

I. Annual report text with the Bank director' s own signature;

II. Accounting statements with signatures of the Bank' s Chairman of the Board, president and the director of accounting department;

III. Audit report original with the seal of CPA firm, signature and seal of certified public accountants;

IV. Internal controls audit report original with the seal of CPA firm, signature and seal of certified public accountants;

V. Articles of Association of Bank of Zhengzhou.

郑州银行

地址：郑州市郑东新区商务外环22号郑银大厦
网址：www.zzbank.cn
电话：0371-67009868
传真：0371-67009868
电话银行：967585
邮编：450046