

# 2011 年度报告

Annual report 2011

 郑州银行股份有限公司  
Bank of Zhengzhou Co. Ltd



# 2011 年度报告

Annual report 2011

 郑州银行股份有限公司  
Bank of Zhengzhou Co. Ltd



# CONTENTS



- 001 Address by the Chairman of the Board  
003 Address by the President  
005 Address by the Chief Supervisor

Chapter I Important Notices	009
Chapter II Basic Information	013
Chapter III Abstract for Accounting Data and Business Data	015
Chapter IV Introduction to Capital Stock Changes and Shareholders	021
Chapter V Introduction to Directors, Supervisors, Executives and Employees	025
Chapter VI Introduction to the Corporate Management	038
Chapter VII Introduction to Shareholders' Meeting	042
Chapter VIII Report of the Board of Directors	044
Chapter IX Report of the Board of Supervisors	060
Chapter X Important Matters	063
Chapter XI Financial Statement	069
Chapter XII Integrity, rationality and effective explanation of internal control system	107
Chapter XIII Reference Document Catalog	110

騰飛中的

Bank of zhengzhou takeoff in the

郑州银行





## Address by the Chairman of the Board

2011 is the milestone year of the Bank of Zhengzhou. Against the complex and changeable economic situation at home and abroad and with the increasingly fierce competition in banking industry, all staffs and managers of the bank were not scared but overcame various difficulties and accomplished significant work achievement under the guidance of the board of directors and team in charge of management. This performance is good enough to be recorded into the company's history as it lays a good foundation for the development of the company in the future.

At the end of 2011, total assets of the company reached 72.485 billion Yuan; balance held on deposits was 54.976 billion Yuan; balance of various loans was 37.405 billion Yuan; rate of capital sufficiency was 18.45%; rate of non-performing loan was 0.44% and the rate of provision coverage rate was 416.16%. The amount of profit totaled 1.224 billion Yuan and net profit reached 958 million Yuan. Each business indicator was higher than before.

Pay attention to management step by step and focus on development wholeheartedly. In 2011, various business of the company kept a health and rapid development and achieved historical breakthrough in key tasks, where: the task for capital increase and stock expansion was finished perfectly and thus that historical burden was disposed completely; the balances of deposits and loans were both increased by over 10 billion Yuan and the growth amount ranked the first among all the financial agencies in Zhengzhou city; the progress of cross-regional development was promoted stably by initiating and establishing Township Bank of the Bank of Zhengzhou in Yanling county, Xuchang city and Xinmi county, Zhengzhou city, among which the one established in Yanling county was the first township bank of the company built in other cities; the team in charge of management was optimized and the governing structure of corporate became more perfect; with the increasingly popularization of the financial brand of micro-enterprises, the bank set up micro-enterprises exclusive branches and created some financial service products such as pledge of intellectual property rights and so on; giving emphasis to regional economic development, the bank decided two developing directions, i.e. business logistics bank and competitive community bank, which laid a good foundation for the development of the company in the future.

2012 is the first year that the company begins to develop its business without any burden after settling the old issues completely. In this year, we shall treat compliance operation as the primary consideration and scientific development as the key direction and take the strategic opportunity brought by the construction of central-China economic region and the success of capital increase and stock expansion, to concentrate our efforts on integrating our stock right, introducing strategic investors, completing the mechanism and business innovation to help the company to realize a leap-forward development. To the end of 2012, we shall manage to realize an asset size of 90 billion Yuan, balance held on deposits of 67.5 billion Yuan, balance of loan of 46.5 billion Yuan and profits reaches 1.7 billion Yuan.





## Address by the President

2011 is a year of significant milestone for the Bank of Zhengzhou. In confronting with the complex and changeable economic situation, all staffs and managers worked together to overcome difficulties and paid attention to dealing with concrete matters relating to work and developing our business and has achieved great performance. Up to the end of 2011, the total asset of the bank was 72.485 billion Yuan in total, which was 14.758 billion Yuan higher than that at the beginning of the year, i.e. 57.727 billion Yuan; each balance held on deposits was 54.976 billion Yuan (exc. the inter-bank deposits of 1.611 billion Yuan), which was increased by 10.347 billion Yuan from that at the beginning of the year, i.e. 44.629 billion Yuan (exc. the inter-bank deposits of 1.16 billion Yuan); each balance of loan was 37.405 billion Yuan, which was 10.605 billion Yuan higher than that at the beginning of the year, i.e. 26.8 billion Yuan; rate of capital sufficiency reached 18.45%, rate of non-performing loan was controlled within 0.44% and the provision coverage rate was 416.16%; and all the main supervision indicators were satisfying. This achievement has been kept in the historic record of the Bank of Zhengzhou and it is of great help to the development of the bank.

In 2011, under the focus planning, we smoothly accomplished capital increase and stock expansion with 2.508 billion Yuan newly issued shares and 6.822 billion Yuan raised fund, which not only settled the old problems of the bank but also enhanced our capital strength and laid a firm foundation for the healthy, sustainable and rapid development of the bank; with our seeking to actual result, deposits and loans both had a growth in 10 billion Yuan and ranked first in the bank industry of Zhengzhou; additionally, we established the second township bank in Xinmi county and the first township bank of other cities in Yanling county, Xuchang city, and set up a branch in Zhongmu county, thus all the counties in and around Zhengzhou were covered with the network point of our bank; bearing innovative concept in mind, the bank is continuously targeted to perfect the function of its E-bank, VIP card and social security & citizen card and enrich its financing products; as small-business finance brand became more and more popular, with the increasingly deepen of the division system, we set up our first small-business exclusive branch, which further solidified our superiority in the finance and business logistics industry for middle and small enterprises.

2012 is the first year that the company begins to develop its business without any burden after settling the old issues completely and the key year for further implementing the new five-year strategic planning. We shall do our best to promote the optimization and upgrading of stock right structure, coordinate business development with risk prevention and control, focus on mechanism perfectness, business innovation, science & technology support, structural adjustment and risk prevention and control. we shall greatly develop the company's business by treating trade financing as a breakthrough to rapidly enlarge the size of asset and liability; greatly develop individual business and continuously optimize the business structure; greatly develop medium business and speed up the transforming of profit model; greatly boost the advance of science and technology and keep on strengthening scientific and technological support for our business development. Moreover, we shall pay more attention to accurate management, product innovation and finding out our potential capacities to realize a rapid, sustainable and healthy development of the Bank of Zhengzhou.





## Address by the Chief Supervisor

For the Bank of Zhengzhou, 2011 is the first year to implement its *Strategic Development Planning of 2011-2015* and also a year of bumper harvest. Under the care and support of all leaders and all circles, and with the associated effort of all members, the growth of deposit and loan both reached 10 billion Yuan; capital increase and stock expansion have been completed successfully; meanwhile, there are also some further improvements in the governing structure of corporate, each supervision indicator, asset quality, risk resistance, profitability, system mechanism and social benefits.

In 2011, according to the national financial supervision policy and the regulation and overall developing strategy of the bank, the Board of Supervisors, taking advantage of construction in “compliance performing year” and combined with the real practice in working, paid more attention to risk prewarning and legal and compliance supervision, intensified inspection and investigation, actively developed various supervision work, timely warned for potential risks, strictly and scientifically organized evaluation on duty performance and well executed various supervision duties.

In the coming 2012, the Bank of Zhengzhou is surely to have a wider development prospect. However, for a period of time to come, the uncertainty of economic situation at home and abroad is still in increasing. In confronting with the complex external management environment, the Board of Supervisors has fully realized the complexity, arduousness and sensitivity in performing the duties to supervise investors. Thus, the Board of Supervisors, with firm confidence and pioneering spirit, will keep on performing each supervisory work step by step and supervising all levels of the bank to pay attention to risks, so as to lay a solid foundation for further development and stable operation, keeping the bank in healthy, complete and sustainable development and upgrading each work to a new level.

领导班子  
2011

成员

Leadership team members



Wang Tianyu, Chairman and Party Secretary (right 7<sup>th</sup>)

Shen Xueqing, President (left 7<sup>th</sup>)

Fan Dalu, Chief Supervisor (right 6<sup>th</sup>)

Li Wenbin (left 6<sup>th</sup>)

Zhang Rongshun, Vice Chairman (right 5<sup>th</sup>)

Xiahua, Vice President (left 5<sup>th</sup>)

Qiao Jun'an, Vice President (right 4<sup>th</sup>)



**Zhao Lijuan, Vice President (left 4<sup>th</sup>)**

**Biao Xiaofeng, Vice President (right 3<sup>rd</sup>)**

**Zhao Maicheng, Secretary of Discipline  
Inspection Committee (left 3<sup>rd</sup>)**

**Sun Haigang, President Assistant (right 2<sup>nd</sup>)**

**Guo Zhibin, President Assistant (left 2<sup>nd</sup>)**

**Zhang Wenjian, President Assistant (right 1<sup>st</sup>)**

**Mao Yuezhen, Chief Accountant (left 1<sup>st</sup>)**



## Chapter I Important Notices

---

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

The 2<sup>nd</sup> meeting of the 4<sup>th</sup> Board of Directors of the Bank audited and approved this annual report and its abstract on April 13, 2012. 14 of 15 directors and 1 authorized representative attended this meeting.

Henan Chenghe Certified Public Accountants Firm has audited the annual financial statements of this company and issued the unqualified opinion audit report according to Chinese auditing principle.

Board of the Directors of Bank of Zhengzhou

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

Signature of Directors:



王天宇

Wang Tianyu

张荣顺

Zhang Rongshun

权保

Quan Bao

刘睿

Liu Rui

郭慕申

Guo Mushun

丁一

Ding Yi

赵素萍

Zhao Suping

颜万鹏

Yan Wanpeng

李芷heng

Li Zizheng

徐芳

Xu Fang

朱平华

Zu Pinghua

张兰珍

Zhang Lanzhen

蔡玉平

Cai Yuping



## Chapter II Basic Information

## 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 OF ZHENGZHOU)

(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 for information disclosure: *Financial Times and Zhengzhou Daily*

The Bank's annual report is available at: office of the Board of Directors of the Bank

Tel: 86-371-67009868

Fax: 86-371-67009868

E-mail: dongshiban666@yohoo.com.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: Henan Chenghe Certified Public Accountants Firm

Office address: Floor 7, Building 7, Fortune Plaza, 32 Jingsan Road, Jinshui District, Zhengzhou City

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.



**Chapter III Abstract for  
Accounting Data and Business Data**

---

## I. Main financial data during the reporting period

Item	Unit: RMB/10,000Yuan
	Amount
<b>Gross profits</b>	122,359
Net profits	95,777
Net profits deducting incidental profits and losses	99,540
<b>Operating profits</b>	127,377
Investment yields	49,302
Subsidy incomes	-
Net amounts of non-operating income and expenditure	-5,018
Net cash flow from operating activities	322,192
Net increase amounts of cash and cash equivalent	-22,171

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 - 50,180,000Yuan, including the non-operating incomes of RMB 7,130,000Yuan and non-operating expenditures of RMB 57,310,000Yuan.

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

Items of non-operating profits and losses	Unit: RMB/10,000Yuan
	Amount
<b>Non-operating incomes</b>	<b>713</b>
Inc.: forfeits and penalty receipts	29
gains from disposal of assets	0
Cashier rest incomes	5
Donation incomes	0
Other non-operating incomes	679
<b>Non-business expenditure</b>	<b>5731</b>
Inc.: Loss from disposal of assets	9
Fines outlay	0
Donation expenses	3410
Pending action debt	0
Other non-operating expenditures	2312
<b>Total</b>	<b>-5018</b>

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

Item	Unit: RMB/10,000Yuan		
	2011	2010	2009
Main operating incomes	324,412	201,267	150,151
Net profits	95,777	62,911	22,766
<b>Gross profits</b>	<b>122,359</b>	<b>82,794</b>	<b>30,050</b>
<b>Total assets</b>	<b>7,248,547</b>	<b>5,772,673</b>	<b>4,251,071</b>
<b>Total liabilities</b>	<b>6,620,373</b>	<b>5,495,353</b>	<b>4,038,115</b>
Equity of shareholders at end of year	628,175	277,320	212,956
Basic earnings per share (Yuan)	0.24	0.44	0.16
Diluted earnings per share (Yuan)	0.24	0.44	0.16
Net assets per share (Yuan)	1.59	1.93	1.49
Net cash flow per share from operating activities (Yuan)	0.82	3.21	1.99
Cost-income ratio (%)	31.77	35.85	33.99
Weighted average return on net assets (%)	29.45	25.74	11.23
Weighted average return on net assets (%) after deducting non-current profit and loss	30.61	25.45	11.28

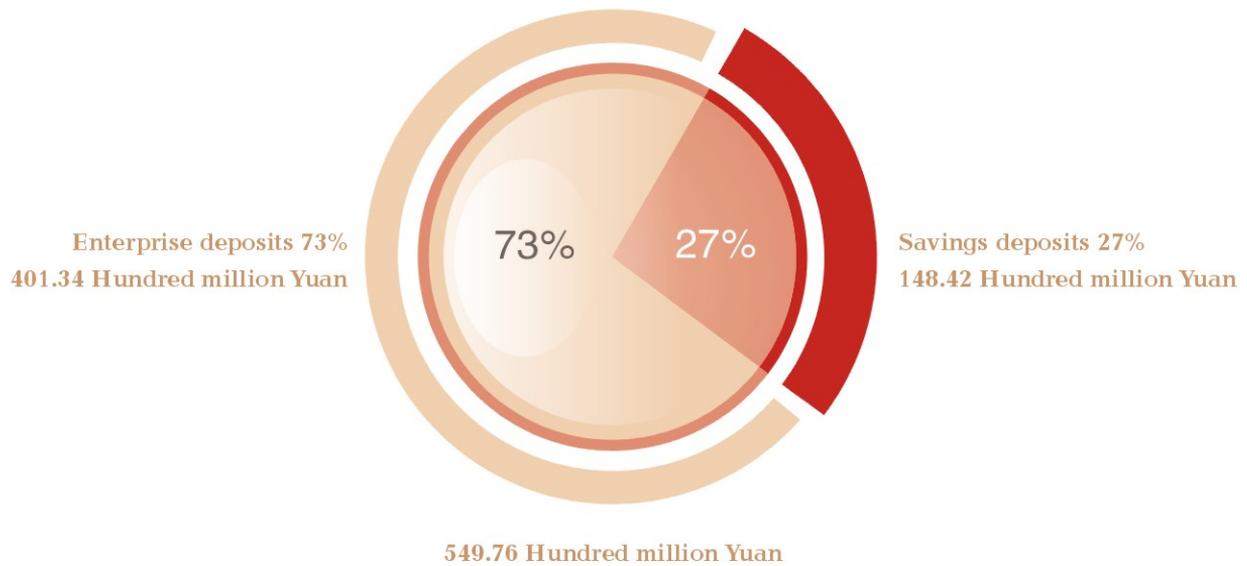
## III. Supplemental financial data of the last three years as at end of reporting period

Item	Unit: RMB/10,000Yuan		
	2011	2010	2009
<b>Total liabilities</b>	<b>6,620,373</b>	<b>5,495,353</b>	<b>4,038,115</b>
<b>Total deposits</b>	<b>5,497,643</b>	<b>4,462,880</b>	<b>3,493,955</b>
Inc: corporate deposits	4,013,406	3,339,002	2,596,993
Savings deposits	1,484,237	1,123,878	896,962
Inter-bank borrowing			1,100
<b>Total assets</b>	<b>7,248,547</b>	<b>5,772,673</b>	<b>4,251,071</b>
<b>Total loans</b>	<b>3,740,525</b>	<b>2,679,987</b>	<b>2,020,260</b>
Inc: ordinary loans	3,317,303	2,259,752	1,570,236
Discounting amount	423,222	420,235	450,024
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.

Proportion distribution chart of all balances held on deposits in 2011

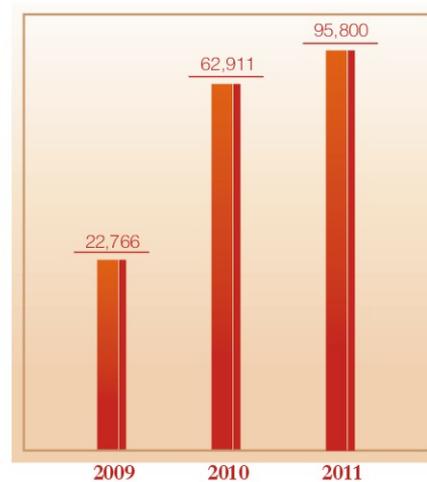


Main accounting data and financial indicators chart of the last three years as at the end of the reporting period

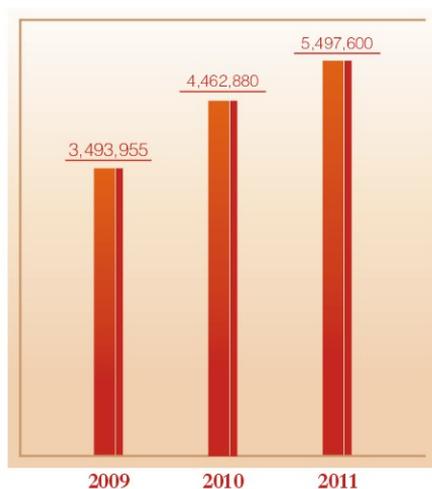
1. Main business income (unit: RMB / yuan)



2. Net profits (unit: RMB / yuan)



3. Balances held on deposits (Unit: RMB / yuan)



4. Balances of loans (Unit: RMB / yuan)



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

Item	Supervision indicator	Unit: RMB/10,000Yuan, %		
		2011	2010	2009
Rate of core capital sufficiency	≥4%	15.53	8.42	9.96
Rate of capital sufficiency	≥8%	18.45	11.61	14.92
Ratio of bad loans	≤3%	0.44	0.51	1.51
Deposit-loan ratio	≤75%	67.70	59.37	56.89
Assets liquidity ratio	≥25%	36.97	35.80	54.55
Borrowing funds ratio	≤4%			0.03
Lending funds ratio	≤8%			
Rate of interests recovery	≥80%	100.17	101.73	98.49
Concentration degree of loans of single client	≤10%	4.51	8.77	37.22
Credit concentration degree	≤50%	39.92	70.73	118.35

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

Items of shareholders equity	Unit: RMB/10,000Yuan			
	Amount at beginning of reporting period	Increases in current period	Decreases in current period	Amount at end of reporting period
Paid-up capital	143,393	250,800	-	394,193
Capital reserve	6,572	6,713	892	12,394
Surplus reserve	22,117	9,578	154	31,540
General reserves	39,641	15,679	-	55,320
Undistributed profits	65,597	95,777	26,646	134,728
<b>Total of shareholders equity</b>	<b>277,320</b>	<b>377,501</b>	<b>26,646</b>	<b>628,175</b>

Note: conditions for shareholders equity changes:

1. The paid-up capital and capital reserve had no change.
2. The capital reserve increased by 67.13 million Yuan this year, including 35.65 million Yuan from capital increase and premium, and 31.48 million Yuan from change in fair value of tradable financial assets; the capital reserve depressed by 8.92 million Yuan this year because of the change in fair value of tradable financial assets. The surplus reserve decreased by 1.54 million Yuan this year because of the carry-over of profits and losses of last year.
3. Surplus reserve increased by RMB 95.78 million Yuan in this fiscal year, referring to withdrawal legal surplus reserve.
4. The general reserve increased by RMB 156.79 million Yuan, referring to the ordinary risk reserve deducted at the end of year.
5. Increased RMB 957.77 million Yuan undistributed profits of this year belonged to current net profits, the reduced RMB 266.46 million Yuan included RMB 94.23 million Yuan of advanced legal surplus reserves, and RMB 156.79 million Yuan of general reserves and RMB 13.89 million Yuan carried forward due to profit and loss adjustment of last year.

## VI. Capital composition and changes

Item	Unit: RMB/10,000Yuan		
	2011	2010	2009
<b>Core capital</b>	<b>622,233</b>	<b>276,624</b>	<b>211,801</b>
Paid-in capital/common stock	394,193	143,393	143,393
Capital reserve	8,361	6,572	5,063
Surplus reserve	86,860	61,758	27,831
Undistributed profits	132,819	64,901	35,514
Minority interests			
<b>Deducting item of core capital</b>	<b>2,900</b>	<b>2,364</b>	<b>1,299</b>
Inc.: insufficient withdrawal provisions for possible loan losses	-	-	-
<b>Net core capital</b>	<b>619,333</b>	<b>274,261</b>	<b>210,502</b>
Affiliate capital	120,508	101,605	103,675
General reserves	47,362	36,713	36,654
Calculable value of affiliate capital (within the limit of 100% net core capital)	120,508	101,605	103,675
Deducting item	7,279	4,727	2,598
Inc.: insufficient withdrawal provisions for possible loan losses	-	-	-
<b>Net capital</b>	<b>735,462</b>	<b>378,229</b>	<b>315,476</b>
Risk-weighted assets	3,986,994	3,257,353	2,114,542

Note: the paid-in capital of 2,508 million Yuan was added this year.



**Chapter IV Introduction to  
Capital Stock Changes and Shareholders**

---

## I. Stock changes

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

Item		Unit: RMB/10,000Yuan	
		At end of 2011	At end of 2010
<b>Total capital stocks</b>		<b>394, 193</b>	<b>143, 393</b>
State-owned stocks	Holding stocks	51, 770	51, 770
	Proportion	13.13%	36.10%
Other corporate stocks	Holding stocks	336, 511	85, 711
	Proportion	85.37%	59.78%
Natural person' s stocks	Holding stocks	5, 912	5, 912
	Proportion	1.5%	4.12%
Inc.: internal staff stocks	Holding stocks	3, 585	3, 585
	Proportion	0.9%	2.5%

## 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' equities

During the reporting period:

1. Henan Xingya Enterprise Group Co., Ltd, a shareholder of the Bank transferred its 12,400,000 stocks to Henan Soke Real Estate Co., Ltd, and this stock transfer has been finished within the reporting period.

2. Eight shareholders of the Bank including Zhengzhou 2nd People' s Hospital transferred their 9,750,000 stocks to Bridge Trust Investment Co., Ltd, and this stock transfer has been finished within the reporting period.

3. During the reporting period, the Bank newly issued another 2,508 million stocks, and absorbed 58 new legal person shareholders which totally acquired 2,261 million stocks; 4 original shareholders increased their stocks by 247 million stocks in total.



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

No.	Title of shareholder	Holding stocks	Unit: RMB/10,000Yuan
			Proportion (%)
01	Zhengzhou Municipal Financial Bureau	495,904,755	12.58%
02	Yutai International (China) Real Estate Development Co., Ltd	262,000,000	6.65%
03	Henan Xingye Real Estate Development Co., Ltd	250,000,000	6.34%
04	Zhengzhou Investment Holding Co., Ltd	234,800,000	5.96%
05	Henan Chendong Industry Co., Ltd	226,000,000	5.73%
06	Zhongyuan Trust Co., Ltd	205,000,000	5.20%
07	Henan Guoyuan Trade Co., Ltd	195,000,000	4.95%
08	Bridge Trust Investment Co., Ltd	142,750,000	3.62%
09	Henan Shengrun Holding Group Co., Ltd	100,000,000	2.54%
10	Henan Zhenghong Real Estate Co., Ltd	100,000,000	2.54%
<b>Total</b>		<b>2,211,454,755</b>	<b>56.10%</b>

### IV Pledge and sequestration of shareholders' stocks

During the reporting period, no share of any shareholder of the Bank was impawned or closed down

### 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 495,900,000 stocks of the Bank, occupying 12.58% of total stocks of the Bank. There was no mortgage or dispute arising from these stocks.

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

During the reporting period, the second largest shareholder of the Bank was Yutai International (Henan) Real Estate Development Co., Ltd which is the wholly-owned subsidiary of Henan Yutai Investment Development Co., Ltd, and was registered in the industrial and commercial authority in December 1992 with a registered capital of RMB 223,960,000 Yuan. Its business covers the development and sale of real estates. Since the date of foundation, Yutai International (China) Real Estate Development Co., Ltd has constructed Yutain Commercial Building, Zhengzhou Urban & Rural Trading Center (a large wholesale market) and Yutai Garden, etc. based on the principle of stable development.

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. There was no mortgage or dispute arising from these stocks.

#### (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. There was no mortgage or dispute arising from these stocks.

**(IV) Zhengzhou Investment Holding Co., Ltd**

Zhengzhou Investment Holding Co., Ltd (former body: Zhengzhou State-owned Assets Operation Co., Ltd) was founded in October 2005 as a wholly state-owned company with a registered capital of 800 million Yuan. Its business covers 1. the property right of state-owned assets of municipal state-owned enterprises with the approval of government; 2. taking back, effective use and disposal of stock land of state-owned enterprises, state-owned modified enterprises and state-owned bankrupt enterprises according to the provisions; 3. management of state-owned capitals of invested company, the strategic investment, holding or participation of local financial and advantageous enterprises and high-tech enterprises by means of the incomes from state-owned assets; 4. capital financing and turnover of modification, employee settlement, reorganization and relocation of state-owned enterprises; 5. management of the non-operating state-owned assets under the municipal management left by reformed property right of state-owned enterprise; 6. collection and disposal of obsolete, discarded and cancelled bad accounts and other bad assets of state-owned enterprises with the approval of municipal state-owned assets commission; 7. purchase and disposal of bad debts of state-owned enterprises, reorganization of enterprises' assets according to the arrangement of municipal government; 9. other business approved by the municipal government.

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. There was no mortgage or dispute arising from these stocks.

**(V) Henan Chendong Industry Co., Ltd**

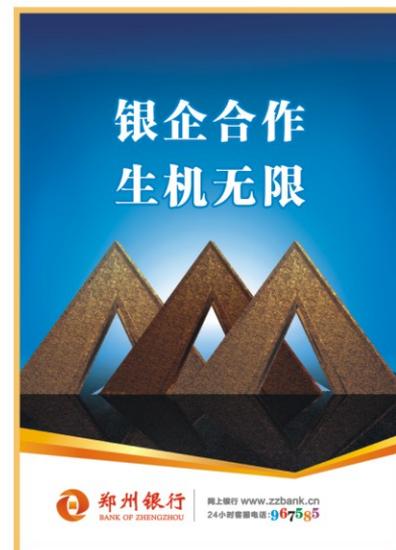
Henan Chendong Industry Co., Ltd was founded in June 2003 (formal body: Henan Yinji Industry Co., Ltd) with a registered capital of 1,200 million Yuan. Its business covers the sale of building materials, chemical materials (excluding flammable and explosive chemical products), industrial arts, furniture,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

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; reorganization, merger, project financing, corporate finance, financial consultation and so on of enterprise assets; trusted sale of securities approved by relevant department of the State Council; brokerage, consultation, credit investigation, and so on; custody agency and safety deposit; due from and to banks, loans, lease and investment of inherent assets.

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.





**Chapter V Introduction to  
Directors, Supervisors, Executives and Employees**

---

## I. Introduction to current directors, supervisors and executives

### (I) Basic introduction to directors

Post	Name	Gender	Age(year)	Tenure beginning and ending dates	Tenure unit and duties	Salary(√)	Holding stocks (stocks)
Chairman of the board	Wang Tianyu	Male	46	2011.3.9-now	Secretary of the Party Committee, Chairman of the Board of Bank of Zhengzhou	√	18928
Vice chairman of the board	Zhang Rongshun	Male	53	04.6.25-now	Vice chairman of the board of Bank of Zhengzhou	√	51612
Vice chairman of the board	Quan Bao	Male	62	04.6.25-12.2.26	Original Deputy general manager of Henan Economic & Technological Development Corporation		0
Director	Liu Rui	Male	49	04.6.25-now	Standing vice director of Zhengzhou Municipal Financial Bureau		0
Director	Guo Mushun	Male	52	04.6.25-12.2.26	Original Director general of Financial Bureau of Er'qi District, Zhengzhou City		0
Director	Ding Yi	Male	55	04.6.25-12.2.26	Deputy Chief accountant of China Great Wall Aluminum Corporation		0
Director	Zhao Suping	Female	48	04.6.25-12.2.26	Finance director of Zhengzhou Light Car Manufactory		0
Director	Yan Wanpeng	Male	47	04.6.25-12.2.26	Chief accountant of Henan Investment Group Co., Ltd		0
Director	Li Zizheng	Male	48	04.6.25-12.2.26	Chief accountant of Zhengzhou Gas Group Co., Ltd.		0
Director	Xu Fang	Female	56	04.6.25-12.2.26	Director of Financial Department of Henan Provincial Communications Bureau		0
Director	Zhu Pinghua	Female	54	04.6.25-12.2.26	Director of Financial Department of White Dove Group		0
Independent director	Zhang Lanzhen	Female	69	04.6.25-12.2.26	Original vice president of Intermediate People's Court of Zhengzhou	√	0
Independent director	Cai Yuping	Male	47	04.6.25-12.2.26	Professor of Zhengzhou University	√	0

### (II) Basic introduction to supervisors

Post	Name	Gender	Age	Tenure beginning and ending dates	Tenure unit and duties	Salary(√)	Holding stocks (stocks)
Chief supervisor	Fan Dalu	Male	47	2011.12-now	Chief supervisor of Bank of Zhengzhou	√	0
Shareholder supervisor	Liu Xi' ai	Female	61	04.6.25-12.2.26	Assistant consultant of Zhengzhou Municipal Bureau of Commodity Prices		0
Exterior supervisor	Liu Haibin	Male	74	04.6.25-12.2.26	Deputy General Manager of Henan Xingyu CPA & CTA Firm	√	0
Exterior supervisor	Liu Yuhui	Male	42	2011.6.24-now	Director of Chinese Economic Evaluation Center, and director of Financial Key Laboratory of Chinese Academy of Social Sciences	√	0
Employee supervisor	Zhen Pengju	Male	50	10.5.26-12.2.26	Office director of Bank of Zhengzhou	√	7,403

### (III) Basic introduction to executives

Post	Name	Gender	Age	Entire period of actual financial experience	Beginning date of holding the post	Duties	Salary(√)	Holding stocks (stocks)
President	Shen Xueqing	Male	46	22	2011.12	Take charge of overall work of operation and management and office	√	0
Vice president	Hhua Xia	Male	44	21	2011.12	Take charge of capital operation department and risk management department	√	0
Vice president	Qiao Jun'an	Male	58	36	2005.1	Take charge of small business credit department, credit examination and approval department, assets security department, bureau and banking department	√	0
Vice president	Zhao Lijuan	Female	50	29	2008.5	Take charge of accounting settlement department, administration department, science and technology development department and labor union	√	0
Vice president	Bai Xiaofeng	Male	45	27	2008.5	Take charge of retail service department, remote banking department and investment banking department	√	0

### (IV) Basic introduction to other executives

Post	Name	Gender	Age	Entire period of actual financial experience	Beginning date of holding the post	Duties	Salary(√)	Holding stocks (stocks)
Secretary of commission for disciplinary inspection	Zhao Maicheng	Male	43	20	2008.3	Take charge of discipline inspection office, capital construction office, security department and party and mass affairs work department	√	0
Assistant of president	Guo Zhibin	Male	44	13	2011.1	Take charge of business department of the company	√	0
Assistant of president	Zhang Wenjian	Male	46	26	2011.1	Is responsible for the work in Nanyang branch	√	0
Assistant of president	Sun Haigang	Male	34	2	2011.3	Hold a concurrent post as general manager of the strategy development department of the board	√	0
Chief accountant	Mao Yuezhen	Female	48	18	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 Chairman of the board, 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 ever assumed the Deputy Director of Yugong Urban Credit Cooperatives, President of Zhengzhou Urban Cooperative Banks Jingwu Road Sub-branch, and Vice President of Commercial Bank of Zhengzhou. President and Secretary of the Party committee of Bank of Zhengzhou
Zhang Rongshun	Vice chairman of the board	male, postgraduate, senior economic manager. Now he is the Member of Party Committee and Vice Chairman of the Board of Bank of Zhengzhou. He had ever 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 of Commercial Bank of Zhengzhou.

WangTianyu	Zhang Rongshun	QuanBao
LiuRui		YanWanpeng
XuFang	GuoMushun	LiZizheng





Ding Yi	Zhao Suping	Zhu Pinghua
Zhang Lanzhen	Cai Yuping	

Name	Post	Working experience
Quan Bao	Vice chairman of the board	male, subordinate college, senior accountant. Now he is the Deputy General Manager of Henan Economic & Technological Development Corporation. He had ever assumed the Finance Director, Deputy Director and Director of No. 9604 Factory of the General Logistics Department of the PLA; Deputy Secretary of the Logistics Department of No. 2 Artillery 53rd Base of the PLA.
Liu Rui	Director	male, postgraduate, senior accountant. Now he is the Member of the Party committee and Standing Deputy Director of Zhengzhou Municipal Financial Bureau. He had ever assumed the Deputy Director General, Director, Chief Accountant and Deputy Director of Zhengzhou Municipal Financial Bureau Budget Division.
Yan Wanpeng	Director	male, undergraduate, qualified accountant. Now he is the Chief Accountant of Henan Investment Group Co., Ltd. He had ever assumed the Principal Staff Member of Henan Provincial Planning Economy Commission Office and Personnel Department; Assistant General Manager, Chief Accountant and Manager of Comprehensive Planning Department of Henan General Construction Investment Company.
Xu Fang	Director	female, undergraduate, qualified accountant and certified public accountant. Now she is the Finance Director of Henan Provincial Communications Bureau. She had ever assumed the Deputy Finance Director and Finance Director of Henan Provincial Communications Bureau.
Guo Mushun	Director	male, subordinate college, qualified engineer. Now he is the Director General of Financial Bureau of Er' qi District, Zhengzhou City. He had assumed the Deputy Director and Director of Agricultural Economy Commission of Er' qi District; Secretary of the Party committee of Houzhai County.
Li Zizheng	Director	male, undergraduate, qualified accountant. Now he is the Chief Accountant and Finance Director of Zhengzhou Gas Group Corporation. He had assumed the Deputy Director General, Director and Secretary of the financial department of Zhengzhou Gas Corporation.
Ding Yi	Director	male, undergraduate, senior economic manager. Now he is the Deputy Chief Accountant of China Great Wall Aluminum Corporation. He had ever assumed the Cashier Director of People' s Bank of Wuyang Work Area; Deputy Director and Director of People' s Bank of Wuyang Yuanling Office; Director and Deputy Director of China Great Wall Aluminum Corporation.
Zhao Suping	Director	female, undergraduate. Now she is the Finance Director of Zhengzhou Light Car Manufactory. She had ever assumed the Deputy Finance Director of Zhengzhou Light Car Manufactory.
Zhu Pinghua	Director	female, subordinate college, senior accountant. Now she is the Finance Director of Baige group . She had ever assumed the Deputy Finance Director General of the Baige group.

Name	Post	Working experience
Zhang Lanzhen	Independent director	female, undergraduate, III-level senior judge, original Standing Vice President of Intermediate People's Court of Zhengzhou. Now she is retired. She had ever assumed the Director of Zhengzhou Municipal People's Procurator; Vice President of Intermediate People's Court of Zhengzhou.
Cai Yuping	Independent director	male, graduate, Master Degree of Economics. Now he is the Professor, Vice President and master tutor of Zhengzhou University Commercial College.

## 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 Vice President of Bank of Zhengzhou. He had ever assumed the Secretary of Party Committee, Executive Deputy General Manager and Preside of Labor Union of Chongqing Pooling 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.
Liu Xi' ai	Stock right supervisor	female, subordinate college, qualified economic manager. Now she is the Assistant Consultant of Zhengzhou Municipal Bureau of Commodity Prices. She had ever assumed the Staff Member, Deputy Director And Director of Zhengzhou Municipal Bureau of Commodity Prices.
Liu Haibin	Exterior supervisor	male, subordinate college, certified tax accountant (CTA). Now he is the Deputy General Manager of Xingyu CPA & CTA Firm. He had ever assumed the Director of Personnel Department, Office Director and Deputy Director of Yexian Education Bureau; Standing Vice Governor of Lushan County, Member of Lushan County Party Committee; Secretary and Director of Pingdingshan Tax Bureau; Chief Economic Manager (deputy department level) of Henan Provincial Office of State Administration of Taxation; he has been retired since 1998.
Liu Yuhui	Exterior supervisor	Male, doctor, professor. Now he is the Director of Chinese Economic Evaluation Center, and director of Financial Key Laboratory of Chinese Academy of Social Sciences, visiting research fellow of Hong Kong Monetary Authority, chairman of economic committee of Chinese peasants' and Workers' Democratic Party and professor in many universities like graduate school of Chinese Academy of Social Sciences. Other social appointments: advanced macroeconomics consultant, risk management consultant in Agricultural Bank of China and independent director of Hunan stock of Bank of Hangzhou.
Zhen Pengju	Employee supervisor	Male, undergraduate. Now he is the President of Bank of Zhengzhou Huanghe Road Sub-branch. He had ever undertaken the finance education work in Henan College of Financial Management; he had ever assumed Manager of Credit Program Department, Deputy Director for the headquarter office of Zhengzhou Urban Cooperative Banks, Executive vice president of the sub-branch, Deputy Director for the office of Board of Directors of Commercial Bank of Zhengzhou, and Director for the office of Chief supervisor of Bank of Zhengzhou and president of Huanghe Road sub-banch of Bank of China



Fan Dalu	Liu Xia	Liu Haibin
Liu Yuhui	Zhen Pengju	

### 3. Executives

Name	Post	Working experience
Shen Xueqing	President	Male, postgraduate, senior economist. Now he is the deputy secretary and president of party committee of Bank of Zhengzhou. He had assumed section member, deputy chief and vice 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 bank supervision bureau, vice director of NO.1 bank supervision agency of Henan bank supervision bureau, vice director of municipal commercial bank supervision agency of Henan bank supervision bureau, supervision investigator of municipal commercial bank supervision agency of Henan bank supervision bureau.
Qiao Jun' an	Vice presiden	male, undergraduate, economic manager. Now he is the Member of Party Committee and Vice President of Bank of Zhengzhou. He had ever 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 ever 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.
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 Vice 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.



Shen Xueqing	HuaXia	QiaoJunan
ZhaoLijuan		Bai Xiaofeng



Zhao Maicheng		GuoZhibin
Zhang Wenjian	Sun Haigang	Mao Yuezhen



Name	Post	Working experience
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 ever 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 assistant of president of Bank of Zhengzhou. He had assumed vice director of Henan labor urban credit cooperatives, manager and vice general manager of comprehensive department of Henan Yutai commercial building Co, Ltd, assistant of president and vice president of sub-branch of Zhengzhou branch Hongzhuan Road sub-branch of China Everbright Bank , vice general manager of No.2 business department of the company and general manager of property security department.
Zhang Wenjian	Assistant of president	Male, undergraduate, economist. Now he is the assistant of president of Bank of Zhengzhou and president of Nanyang branch. He had assumed vice chief of accounting department and director of banking office in ICBC Jinshui branch, vice general manager of financial and accounting department of commercial bank in Zhengzhou, general manager of accounting department of commercial bank in Zhengzhou and general manager of business department of commercial bank company in Zhengzhou.
Sun Haigang	Assistant of president	Male, postgraduate. Now he is assistant of president and general manager of board strategy development department of Bank of Zhengzhou. He had worked in BaoShan Iron&Steel Co., Ltd and BaoSteel Group Corporation, and assumed planing manager in BaoSteel Group Corporation.
Mao Yuezhen	Chief accountant	Female, undergraduate, accountant. Now she is the chief accountant of Bank of Zhengzhou. She had been a teacher in Henan banking school and Henan financial college for training managerial personnel. She had assumed manager of accounting department in Henan Jinyu experimental bank, accounting chief of Zhengzhou urban cooperative bank Hongqi Road sub-bank, vice president of Zhengzhou urban cooperative bank Hongqi Road sub-bank, vice director of Zhengzhou urban cooperative bank audit department, general manager of Zhengzhou commercial bank audit and supervision department, director of Zhengzhou commercial bank appraisal department, general manager of capital planning department of Zhengzhou commercial bank, general manager of finance and accounting department of Zhengzhou commercial bank and general manager of finance and accounting department of Bank of Zhengzhou.

## (VI) Introduction to annual salary

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

Total 13 of the executives of the Bank were paid and the annual salaries totaled RMB 4.38 million Yuan. Bonus 1.73 million Yuan.

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

1. The company held the shareholder annual meeting of 2010 for Bank of China on June 24, 2011, and meeting approved Jiao Jinrong to resign from the post of director of the company;



2. The company held shareholder annual meeting on June 24, 2011, and the meeting approved Liu Yuhui to be the company's external supervisor;

3. The company held the first temporary shareholder meeting of 2011 on Nov.10, 2011, and the meeting approved Fan Dalu to be the supervisor of the company;

4. The company held the second temporary meeting of 2012 for third board of supervisors on Dec. 12, 2011, and the meeting approved Li Wenbin to resign from the post of chief supervisor of the company;

5. The company held the second temporary meeting of 2012 for third board of supervisors on Dec. 12, 2011, and the meeting approved Fan Dalu to be the chief supervisor of the company;

6. The company held the 31st meeting for third board of supervisors on Dec. 29, 2011, and the meeting approved Zhang Qiuli to resign from the post of employee supervisor;

7. The company held the first temporary meeting of 2011 for third board of directors on Jan. 28, 2011, and the meeting approved to hire Guo Zhibin and Zhang Wenjian to be the assistants of president of the company;

8. The company held the 30th meeting for third board of directors on Mar. 24, 2011, and the meeting approved to hire Sun Haigang to be the assistant of president of the company;

9. The company held the fourth temporary meeting for third board of directors on Sep. 5, 2011, and the meeting approved to hire Mao Yuezhen to be the chief accountant of Bank of China;

10. The company held the fifth temporary meeting for third board of directors on Dec. 12, 2011, and the meeting approved Wang Tianyu to resign from the post of president of the company;

11. The company held the fifth temporary meeting for third board of directors on Dec. 12, 2011, and the meeting approved Fan Dalu to resign from the post of vice president of the company;

12. The company held the fifth temporary meeting for third board of directors on Dec. 12, 2011, and the meeting approved to hire Shen Xueqing to be the president of the company;

13. The company held the fifth temporary meeting for third board of directors on Dec. 12, 2011, and the meeting approved to hire Xia Hua to be the vice president of the company.

### III. Introduction to employees

During the reporting period, employees on the job of the Bank were 1,940 persons, inner retired 419 persons, 182 undergraduates were recruited.

Categories	No.(Persons)	Percentage (%)	
Classify as per educational background	Above graduate	77	3.97
	Undergraduate	1238	63.81
	Subordinate college	495	25.52
	Technical school education and below	130	6.7
Classify as per age structure	Below 25	501	25.82
	26 to 30	427	22.01
	31 to 35	154	7.94
	36 to 40	432	22.27
	41 to 45	295	15.21
	Above 46	131	6.75
Classify as per the structure of professional and technical personnel	High title	16	0.82
	Medium title	279	14.38
	Primary title	389	20.05
	No title	1256	64.75

- Ma Yi, the Mayor of Zhengzhou City and Hu Quan, the Member of Standing Committee and First Deputy Mayor of Zhengzhou City visited this bank.





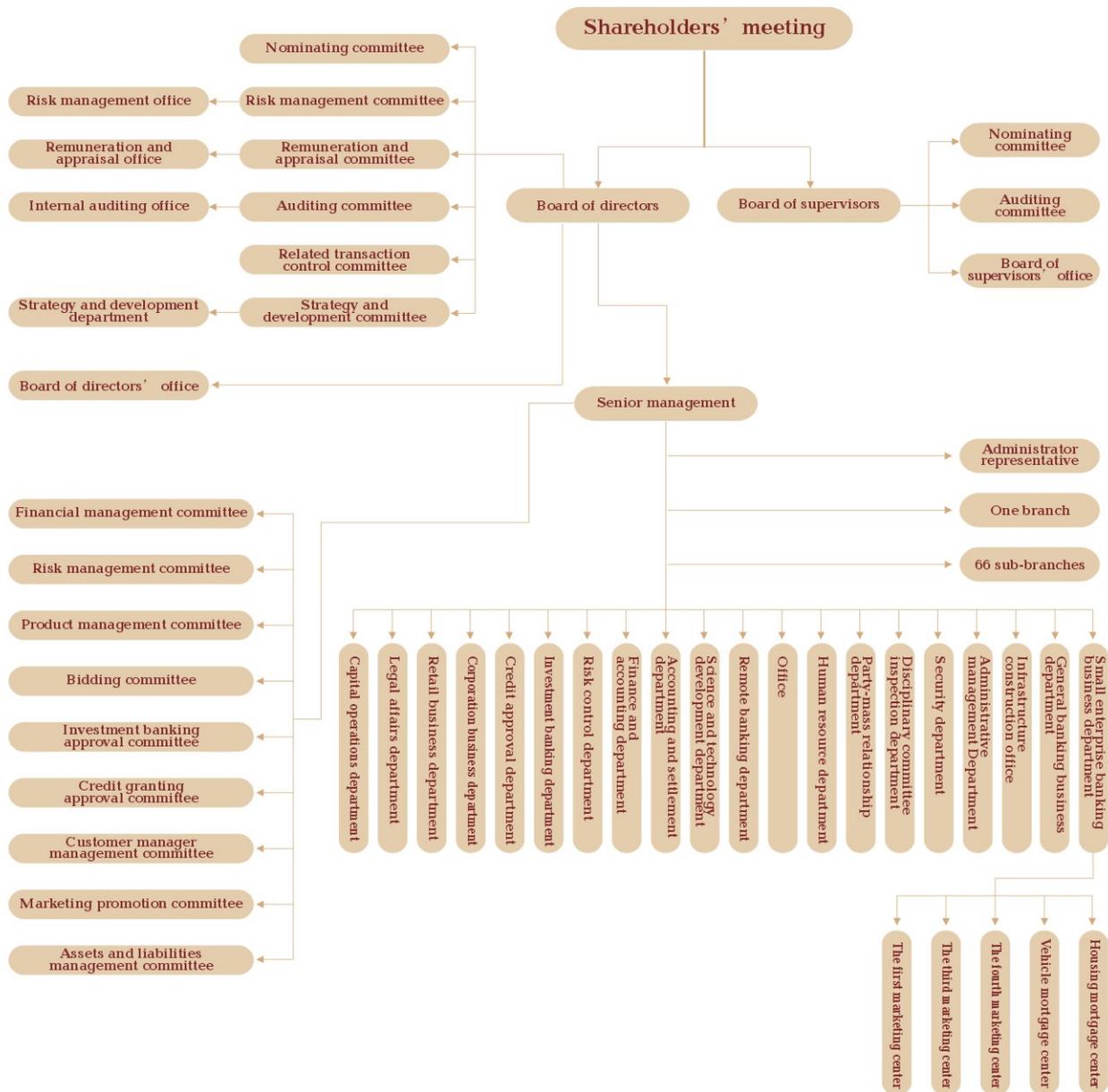
**Chapter VI Introduction to the  
Corporate Management**

---

## I. Corporate management during the reporting period

### (I) Governance structure of the Bank

During the reporting period, the company 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, Law of Commercial Banks of the People's Republic of China, etc.. During the reporting period, the power of senior management was further enriched, the work of increasing capital and expanding share was finished successfully, the capital strength was promoted substantially, the profitability reached a new high, the appraisal and incentive and restraint mechanism was implemented to ensure the effective management and operation of the company.



## (II) Corporate shareholders and shareholders' meeting

During the reporting period, the third Board of Directors of the Bank held two shareholders' meetings. These meetings reviewed and approved 21 proposals, including the annual reports of the Board of Directors and the Chief supervisor, budget performance report, audit report on profit trueness, profit distribution plan, financial budget program, issuance of subordinate debts and dividends distribution plan. In addition, the elevations of the Board of Directors on the directors and independent directors and the elevations of the chief supervisor on supervisors and exterior supervisors, annual supervision opinion of Henan Banking Regulatory Bureau on the Bank and modification made by the Bank were declared on these meetings.

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 Corporate directors and the board of directors

### (I) Composition and working of the board of directors

The board of directors of the company has 13 directors. Of which there are 2 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 company held 9 director meetings. Of which 4 belong to regular meeting and 5 belong to temporary meeting. The contents includes 75 major items such as report of the board of directors, report of all the professional committee of the board of directors, work report of the operating department, annual financial situation report of the company, profits distribution plan, website planning, etc..

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

There are 6 committees under the jurisdiction of the board of directors, i.e. strategy and development committee, 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, strategy and development committee stipulated development strategic planning from 2011 to 2015 for the Bank of Zhengzhou Co., Ltd and department development strategic planning from 2011 to 2015 for the Bank of Zhengzhou Co., Ltd, and confirmed the strategic objective system of the company from 7 aspects, i.e. scale, benefit, quality, structure, market share, supervision rating, etc..

The risk management committee held 8 meetings and had 17 topics for discussion. Mainly discuss all the risk items and credit items, constantly strengthen supervision and inspection, reinforce the process supervision, strictly observe risk base line, track the credit situation and information of the related party, and improve the comprehensive risk control capacity of the board of directors.

The related party transaction control committee held 1 meeting and had 2 topics for discussion. Seriously implement relevant supervision requirements and spirits, track the credit situation and information of the related party timely, discuss relevant related transaction items, gradually establish related information fundamental database and manage the risk of the related transaction well based on the related information research and statistics.

The audit committee held 2 meetings and had 2 topics for discussion. Through targeted inspection, further confirm the management level and duty, perfect 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 3 meetings and had 3 topics for discussion. Mainly perfect the payment and appraisal system and mechanism of senior manager and boost the work of appraisal and resumption evaluation of board of directors and senior managers.



The nomination committee held 4 meetings and had 7 topics for discussion. Do the work of qualification examination of the senior manager of the company well and explore and study the recruit and management mechanism of senior manager.

### III Corporate supervisors and the chief supervisor

The board of supervisors of the Bank is composed of 5 members, of which there are 2 external supervisors and 1 employee representative supervisor. The number of people 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 2010, 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, 2 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 board of directors of the company based on the finishing situation of the annual business indicator, risk control situation, up to standard supervision situation, etc. to perform appraisal and evaluation of senior managers, and combining the division of labor of senior managers to stipulate targeted performance appraisal indicator, and the result of appraisal is related with the annual award distribution. Meanwhile, according to the supervision requirements, delay the payment of 60% of the performance payment, to effectively control risk and keep the correspondence between risk persistent period and payment period. The payment for the senior managers of the company shall be approved by the payment and appraisal committee under the jurisdiction of the board of directors and shall be submitted to the board of directors for discussion.



**Chapter VII Introduction  
to Shareholders' Meeting**

---

## I. Introduction to shareholders' meeting during the reporting period

During the reporting period, the Bank held two shareholders' meetings. Of which 1 is annual shareholder meeting, the other is temporary shareholder meeting. The meeting passed 21 bills through vote, and the detailed situation is as follows:

The annual shareholder meeting is held on June 24, 2011. On these meetings, 16 proposals were discussed or approved, including *Work Report 2009 of the 3rd Board of Directors of Commercial Bank of Zhengzhou Co., Ltd*, *Work Report 2009 of the 3rd Chief Supervisor of Commercial Bank of Zhengzhou Co., Ltd*, *Relevant Suggestion Report 2010 of the Authenticity of Business Performance of Bank of Zhengzhou Co., Ltd*, *Profit and Expense Budgetary Performance Report 2010 of Commercial Bank of Zhengzhou Co., Ltd*, *Proposals for Profit and Operating Expenses Budget Program 2011 of Commercial Bank of Zhengzhou Co., Ltd*, *Proposals for Dividends Distribution Program 2010 of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Duty Fulfillment 2010 of Directors and Independent Directors of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Duty Fulfillment 2010 of Supervisors and Exterior Supervisors of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Duty Fulfillment 2010 of Senior Managers of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Payment of Independent Directors of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Payment of External Supervisors of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Modifying the Articles of Incorporation of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal Concerning Hiring Liu Yuhui to be the External Supervisor of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Henan Soker Industrial Co., Ltd Taking the Stock Right of Henan Xingya Enterprise Group Co., Ltd*, *Proposal for Bionic Entrust Co., Ltd Taking the Stock Right of Eight Institutional Shareholders like Zhengzhou No.2 People's Hospital*, and *Proposal of Jiao Jinrong Resigning from the Board of Directors of Commercial Bank of Zhengzhou Co., Ltd*.

The temporary shareholder meeting was held on Nov.10, 2011. On these meetings, 5 proposals were approved, including and the Proposal for the Capital Increase and Share Expanding Plan of *Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Approving Yutai International (Henan) Real Estate Development Company*, *Henan Xinye Real Estate Development Company, etc. Becoming Shareholders of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Modifying Registered Capital of Commercial Bank of Zhengzhou Co., Ltd*, *Proposal for Modifying Articles of Incorporation of Commercial Bank of Zhengzhou Co., Ltd* and *Proposal for Hiring Fan Dalu to be the Supervisor of Commercial Bank of Zhengzhou Co., Ltd*.

## II. Election and changes introduction to directors and supervisors

1. The company held 2010 shareholder annual meeting for Bank of Zhengzhou on June 24, 2011, and the meeting approved Jiao Jinrong resign from the post of director of the company;

2. The company held the 31st meeting for third board of supervisors on Dec. 29, 2011, and the meeting approved Zhang Qiuli to resign from the post of employee supervisor.

3. The company held shareholder annual meeting on June 24, 2011, and the meeting approved Liu Yuhui to be the company's external supervisor.

4. The company held the first temporary shareholder meeting of 2011 on Nov.10, 2011, and the meeting approved Fan Dalu to be the supervisor of the company.

- The 30th meeting of Third Board of Directors was held in Fuzhou.





**Chapter VIII Report of the Board of Directors**

---

## 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

Total assets of the Bank were RMB 72.485 billion Yuan, higher than those at beginning of the year (RMB 57.727 billion Yuan) by 25.57% and RMB14.758 billion Yuan, namely RMB 700 million Yuan exceeding the target of this year. The rate of capital sufficiency was 18.45%, higher than that at beginning of the year (11.61%) by 6.84%; the bad loan ratio was 0.44%, lower than that at beginning of the year (0.51%) by 0.07%; the provision coverage rate was 416.16 %, lower than that at beginning of the year (425.27%) by 9.11%. The three key supervision indicators met the requirements.

#### 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. The method mainly are as follows: (1) Perfect risk management system. Complete the institutional framework and power and obligation of overall risk management by modifying policy, method and plan, and lay a solid foundation for boosting the further development of risk management system. (2) Enrich risk management and internal control method. First, by stipulating internal quality control target indicator, to constantly perfect the setting up of internal control target indicator, promote the company's understanding and knowledge of system operation, and provide powerful support to the construction work of the overall risk management system of the company. Second, by implementing overall risk inspection work, provide base and reference for further understanding the implementing situation of the overall risk management work of the company, preventing various risks and improving and perfecting the overall risk management system and procedure. Third, through adjustment of the internal mechanism and innovation of management concept, to make the covering area of the company's risk management work much broader, the procedure much finer and the management much professional. Fourth, by implementing internal and external performance inspection of the employees for eight hours, to urge the employees to pay attention to their personal code of conduct, and provide powerful guarantee for avoiding illegal cases and reducing and avoiding loss of assets. (3) Risk culture construction enjoys popular support gradually. The company gradually construct perfect risk management system framework, constantly complete risk management system culture, meanwhile further improve the awareness of the risk culture concept, and make the concept of risk culture become much popular.

#### 3. Institutional resource allocation

During the reporting period, the Bank had 67 sub-branches in total. In order to further perfect the arrangement of sub-branches and integrate the institutional recourses, the Bank increased 128 self-service devices and removed 8 sub-branches to make the distribution of sub-branches more reasonable. Up to now, the Bank has 404 self-service devices in total; there are 2 newly established sub-branches in the urban district and 1 sub-branch in the rural district.

#### 4. Development of bank card and intermediary business

During the reporting period, the Bank totally issued 1,486,300 pieces of cards. The Balances in these cards were RMB 6,655 billion Yuan. Business development situation: first, constantly issue cards of zodiac series “zodiac card • rabbit card” (two types) (meaning “the most favorable auspices, good fortune as one wishes”) to meet the need of customers.

ShangDingwolong Card



ShengXiao Card • Tu Card



Second, design a bank card called “Shangding Wolong Card” based on the concept of “take root in Nanyang, cooperate to be win-win” and make Zhu Geliang as the subject, to expand the influence of the company in Nanyang. Third, put forward “dedicated oil filling card for taxi” together with Jianshe Road sub-branch and Zhengzhou urban public transportation administrative office, to provide convenient service to the taxi drivers of Zhengzhou. Fourth, perfect the bank card system modification of the company, and extend the acceptance market and payment application area of Unionpay.

The development condition of the intermediate business is: first, constantly issue fund management products, during the reporting period, the company issued 17 fund management products, raised fund of RMB 1.406 billion Yuan. Of which there are 4 still in the storage period, and scale of RMB 0.07 billion Yuan. Second, put forward Alipay, and its agent service has covered all the charging service as agents items in the daily life of residents.

### 5. Personal loan and development situation

During the reporting period, the balance of personal loan of the company is RMB 8.424 billion Yuan, increased RMB 3.479 billion Yuan than that at beginning of the year by 70.35%. The result of imitation and evaluation of potential loss of



real estate loan showed that under the situation of one year’ s light, medium and heavy pressure, the default rate of personal housing loan of the company are respectively 0.59%, 1.32% and 3.38%.

During the reporting period, the company enlarged the step to develop personal loan business. First, adopting personalized service and attracting customers with characteristic products and services is the breakthrough breach for the industry to promote market competitiveness. Put forward “Leanjia” housing loan series to provide financial support for common people to purchase house and decorate it; “Lejingyong” loan provides convenience for more people to establish a business. Second, further implement the new rule of loan- “three methods and one guide” , examine the purpose of the loan capital before issuing a loan, and strictly control the flow direction of the credit funds. Third, perfect the personal customer manager talent management and incentive and restraint mechanism. Mainly strengthen the personal customer manager training, and ensure the implementation of awarding the outstanding person in business. Fourth, fulfill the social responsibility, organize accounting staff of the enterprise to perform financial knowledge training, explain procedure for medium-sized and small enterprises and personal loan, and make the relation between bank and enterprise more harmonious. Fifth, the pressure test specialists group of the company stipulates working procedure applicable to the company’ s real estate loan pressure test need, borrowing ideas from methods and experience of advanced banks at home and abroad.

### 6. Financial scientific construction

During the reporting period, the company further promoted technological management, positively put forward the construction and development of project, sturdily do work to ensure the steady operation of the system and made overall progress in technological work. First, finish the work of developing environmental minimal machine and constructing server virtualization, realize the virtualization of the information system structure. Second, perfect the new key business system put forward in 2010, and tune the 39 periphery and management system; finish the development and putting forward work of 12 major projects such as office automation system, stock right management system, small business loan management system, bank and enterprise reconciliation system, etc.; finish the development and putting forward work of four sets of main system, i.e. integrated service system, finance, credit and report forms of rural bank, to ensure the cross-section development of the company. Third, finish the construction of safe register system of the central apparatus room and KVM operating action auditing system, basically complete the setting up of local disaster preparation system, and effectively prevent the information technology risk. Fourth, complete the construction of video conference system and

company mailbox, and installation and configuration of IP telephone and internet of all the websites. Fifth, organize and hold the sixth provincial commercial bank technology joint conference, invite the technology principals of other 16 commercial banks of the province to discuss the feasibility of technological cooperation and jointly implement disaster preparation construction, and boost the implementation of technological cooperation of commercial banks as soon as possible.

### 7. 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 31.77%, 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.

### 8. Cultural activities in enterprise

During the reporting period, the company officially started the implementing work of enterprise culture: first, the characteristic achievement of enterprise culture is basically formed. Stipulated *Handbook of Enterprise Culture of Bank of Zhengzhou*, gave an overall explanation of the idea of "Ding" culture, and stipulated detailed specification concerning system, performance and material. Second, constantly perfect the carrier of the enterprise culture construction. The company invited specialists to write music, transcribe, edit and do post fabrication of the bank song for the company. Third, the form of enterprise culture becomes more and more colorful. Through many methods such as performing history education, spreading key slogan, holding flag-raising ceremony, teaching and learning the bank song, organizing to learn the employees' declaration, the company let the employees have a profounder recognition of the operation idea, enterprise spirit, propaganda slogan and core value of the company. Fourth, the enterprise culture construction activities are increasingly rich. The company actively organized "celebrating the 90 year of party founding series activities", performed activities such as painting and calligraphy and photography exhibit, speech contest, chorus of party song, speak inner thoughts to the Party, tell the history of Party on blackboard newspaper, ect., to boost the party building work of the bank.



### (III) Main operating incomes

Item	Unit: RMB/10,000Yuan	
	Amount	
Income of interest on loan	207,709	
Current interest income of financial institutes	53,982	
Commission income	5,582	
Investment yields	49,302	
Variable loss and profit of fair values	1,617	
Other service	6,220	
<b>Total</b>	<b>324,412</b>	

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

1. Assets service

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

Individual: individual hypothecated loan on certificate of time deposit; individual house refurbishing loan; individual housing loan, vehicle loan, small loan on security of laid-off and unemployment; individual re-deal housing loan (old house loan); personal loan on production operations; 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; loan by mandate; capital verification and increase; banker's confirmation requests; corporate certificate of deposit; corporate Instant Financial Messaging System (FMS); bank regulatory business on housing refurbishing; etc.

Individual: individual FMS and certificate of deposit; salary payment; fees collection for China Net Corporation, information fees collection for the China Administration of Video Film and Television; mobile payment; public utility collections such as water, electricity, gas and heating fees; act credit card repayment business on behalf of Minsheng Bank and Guangdong Development Bank.

4. Other service

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

Individual: Shangding card; Shangtong card; Xuanyuan card; Student card; Shangding Liren card, Shangding Shengxiao card, and VIP card etc.



## (V) Top five industries with maximum loans and proportion

NO .	Business	Amount	Unit: RMB/10,000Yuan%
			Proportion%
1	Wholesale and retail	842329.1	29.77
2	Manufacturing	737136	26.05
3	Individual loans	433519.44	15.32
4	Real estate industry	185141	6.54
5	Construction industry	171919	6.08
<b>Loan of 2011</b>		<b>2829253.536</b>	

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

### 1. Main off-balance sheet items

NO .	Off-balance sheet item	Unit: RMB/10,000Yuan
		Balance of Dec. 2011
1	Banker' s acceptance bill	617210.6765
2	Issuance of letter of guarantee	9418.2355

### 2. Balances of main off-balance sheet items and risk control

During the reporting period, the balance of banker' s acceptance bill of off-balance sheet of the company was 6,172.1068 million Yuan, and issuance of letter of guarantee was 94.1824 million Yuan.

To guarantee the continuous and steady development of various businesses and integrated operation, and strengthen the risk control of off-balance sheet activities, and standardize the business operation for bill accepted and Letter of Guarantee issued by the bank, our bank has drawn up strict operation procedures and management methods in accordance with national laws and stipulations as well as relevant rules and regulations of the People' s Bank such as Law of the peoples Republic of china on Regulation of and supervision over the Banking Industry, Law of the People's Republic of China on Negotiable Instruments, Temporal Method on Management of Cashing, Discounts and Repeated Discounts of Commercial Bills Accepting.

The handling of off-balance sheet activities is based on the principle of "Unified Credit, Separating Loan Approval, Graded Examination and approval, Duty and Right Make Clear", the guideline of "Total Amount Control, Structure Optimization, Strict Risk Control", and the principle of optimum selected for supporting. Evaluate the credit of clients, mainly support enterprises that have good reputation, high efficiency and marketable products, carefully monitor the source of earnest money and the trace of discounted funds to avoid extraction of the Bank' s fund by financing bills that have no real trade background. Companies unable to provide their own earnest money or unable to comfirm whether it is the own earnest money or not shall not be issued with acceptance draft; Also pay special attention to the factuality for commodity dealings between companies, and strictly control the issue of off-balance sheet activities between affiliated enterprises.

## 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, capital construction office, legal affairs department and business department.

## 2. Basic conditions of sub-branches

The Bank applied one-level corporation system and "parent bank - branch (sub-branch)" two-level business system. As at the end of the reporting period, there were total following 67 sub-branches (inc. business department of head office) under the Bank:

01	Baihua Road Sub-branch No. 29, Baihua road, Zhongyuan district, Zhengzhou, Henan province 0371-67426772	09	East Area Sub-branch No. 82, Hongzuan road, Zhengzhou, Henan province 0371-65726365	18	Huaihe Road Sub-branch Southeast of crossing of Huaihe road and Gongren road, Zhengzhou, Henan province 0371-68981190
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	10	Er' ligang Sub-branch No. 245, Chengdong road, Guancheng district, Zhengzhou, Henan province 0371-66323074	19	Huanghe Road Sub-branch Crossing of Huanghe road nad Dongming road, Zhengzhou, Henan province 0371-65958835
03	North Ring Road Sub-branch No.19 Yuanfian Road, Jinshui district, Zhengzhou, Henan province 0371-63756671	11	Textile Market Sub-branch No. 16118, Middle of West 4 <sup>th</sup> ring road, Zhongyuan district, Zhengzhou, Henan province 0371-67098851	20	Exhibition Center Sub-branch Crossing of Shangwu Waihuan road and East 4 <sup>th</sup> Business road, Zhengdong New Area, Zhengzhou, Henan province 0371-67881197
04	Buchang Street Sub-branch No. 30, Qiaojiamen road, Guancheng district, Zhengzhou, Henan province 0371-66593568	12	Funiu Road Sub-branch No. 67, West Zhongyuan road, Zhongyuan district, Zhengzhou, Henan province 0371-67638011	21	Huiji Sub-branch At gate of Huiji District Government, Qinghuayuan road, Zhengzhou, Henan province 0371-63639110
05	Finance & Economics Sub-branch No. 92, Fengchan road, Zhengzhou, Henan province 0371-65851853	13	High & New Technology Development Zone Sub-branch No. 7, Dongqing street, High & New Technology Development Zone, Zhengzhou, Henan province 0371-67988377	22	Jianshe Sub-branch No. 66, Gongren road, Zhongyuan district, Zhengzhou, Henan province 0371-67942460
06	Dashiqiao Sub-branch No. 87, Jinshui road, Zhengzhou, Henan province 0371-66229857	14	Guancheng Sub-branch No. 206, Shangcheng road, Guancheng district, Zhengzhou, Henan province 0371-66223361	23	Jincheng Sub-branch No. 71, North Jingsan road, Zhengzhou, Henan province 0371-65706208
07	Daxue Road Sub-branch No. 18, Daxue road, Erqi district, Zhengzhou, Henan province 0371-66957731	15	Middle Hanghai Road Sub-branch No. 1, Building No.1, Hanghai Middle road, Erqi district, Zhengzhou, Henan province 0371-68731209	24	Jinhai Avenue Sub-branch No. 55, Middle Longhai road, Erqi district, Zhengzhou, Henan province 0371-67719806
08	Dongming Road Sub-branch Kelacheng Building 1-6, No. 143, East Shangcheng road, Guancheng district, Zhengzhou, Henan province 0371-66720066	16	Huzhu Road Sub-branch No. 73, Huzhu road, Zhongyuan district, Zhengzhou, Henan province 0371-67181148	25	Jinshui Sub-branch No. 109, Jinshui road, Zhengzhou, Henan province 0371-65947957
		17	Flower Market Sub-branch No. 6, Guoji road, Zhengzhou, Henan province 0371-63729339		

- 26 Economy & Technology Development Zone Sub-branch  
Crossing of East Hanghai Road and the 3<sup>rd</sup> street, Zhengzhou Economy & Technology Development Zone  
0371-66781098
- 27 Jingyi Road Sub-branch  
Crossing of Fengchan road and Jingyi road, Zhengzhou, Henan province  
0371-65743705
- 28 West Longhai Road Sub-branch  
No. 97-6, West Longhai road, Zhongyuan district, Zhengzhou, Henan province  
0371-67624928
- 29 Longhai Sub-branch  
No. 98, Middle Longhai road, Zhengzhou, Henan province  
0371-68756636
- 30 Minzhu Road Sub-branch  
No. 2, Minzhu road, Erqi district, Zhengzhou, Henan province  
0371-66223450
- 31 South Third Ring Road Sub-branch  
No.1 of Bank Building, South gate of New Huazhong Food Town, Zhengzhou, Henan province  
0371-68785045
- 32 Nanyang Road Sub-branch  
No. 113, Nanyang road, Zhengzhou, Henan province  
0371-63736614
- 33 East Nongye Road Sub-branch  
No. 19, East Nongye road, Zhengzhou, Henan province  
0371-65711341
- 34 Qilihe sub-branch  
Attached No. 140, No 39, south Qilihe road, Zhengdong New Area, Zhengzhou, Henan province  
0371-55683527
- 35 Shangding Road Sub-branch  
Northeast of crossing of Shangding road and Huanghe road, Zhengdong New Area  
0371-60171590

- 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  
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 West Area Sub-branch  
No. 36, Gongren road, Zhengzhou, Henan province  
0371-67931334
- 51 Xinji Road Sub-branch  
Building D, east of Xinji Flavour & Kitchen Ware Square, Zhengzhou, Henan province  
0371-60103763
- 52 Xinghua Street Sub-branch  
No. 59, South Xinghua street, Erqi district, Zhengzhou, Henan province  
0371-67180273
- 53 Yihe Road Sub-branch  
No. 115-1, Gongren road, Zhengzhou, Henan province  
0371-67445411
- 54 Business Department  
No. 22, Shangwu Waihuan road, Zhengdong New Area, Zhengzhou, Henan province  
0371-67009122
- 55 North Yousheng Road Sub-branch  
No. 1, North Yousheng road, Jinshui district Zhengzhou, Henan province  
0371-63915443
- 56 Zhenghua Road Sub-branch  
No. 36, Zhenghua road, Zhengzhou, Henan province  
0371-65507551

- 57 Zhengtong Road Sub-branch  
1<sup>st</sup> floor, Goba International Plaza,  
No. 62, Zhengtong road, Erqi district,  
Zhengzhou, Henan province  
0371-68887844
- 58 Zhongbo Sub-branch  
No. 89, Household Electrical Appliances  
Market, Zhengbian road, Zhengzhou,  
Henan province  
0371-66511742
- 59 Zhongyuan Road Sub-branch  
1st floor, Zhongyuan Hotel, No. 200,  
Tongbai road, Zhengzhou,  
Henan province  
0371-67626296
- 60 Zhengguang road sub-branch  
Crossing of Zhengguang road and  
Xinyi road, Zhengdong New Area,  
Zhengzhou, Henan province  
0371-55001685
- 61 Xinzheng Sub-branch  
Southeast corner of crossing of Remin  
road and Yuqian road, Xinzheng city  
0371-62695599
- 62 Gongyi Sub-branch  
No. 66, Renmin road, Gongyi city,  
Henan province  
0371-60328299
- 63 Xinmi Sub-branch  
5 Xidajie Street, Xinmi City  
0371-85803999
- 64 Dengfeng Sub-branch  
Zhengwei Business Building, No. 212,  
Songyang road, Dengfeng city,  
Henan province  
0371-62836226
- 65 Xinyang Sub-branch  
East side building of the People' s  
Bank of Xinyang, No. 001, North  
Jingcheng road, Xinyang city,  
Henan province  
0371-63258865
- 66 Zhongmu sub-branch  
Building No.8, Shangdu Holiday  
Habor, Shangdu road, Zhongmu,  
Henan province  
0371-62259001
- 67 Nanyang Branch  
No. 200, Wolong road, Wolong district,  
Nanyang city, Henan province (Xingda  
Business Building at crossing of  
Wolong road and Gongye road)  
0377-67776922



Yanling Township Bank, the first township bank not in Zhengzhou City was established.



Zhongmo Branch was open for business, and covered the whole county.



On December 28, 2011, Zhengguang Branch, the first small enterprise branch in Henan Province, was open for business.



Xinmi Township Bank was open for business.

## (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:

- Newly set strategy development department of the board of directors;
- Newly set remote banking department;
- Newly set investment banking department;
- Rename “risk control department” into “risk management department”.

### 2. Changes of branches

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

- On Feb. 22, 2011, the company set up Zhongmu sub-branch in Zhongmu county, and the business address is Building No.8, Shangdu Holiday Harbor, Shangdu road, Zhongmu, Henan province;
- On July 9, 2011, the address of East Longhai road changed into Attached No. 140, No. 39, south Qilihe road, Zhengdong New Area, Zhengzhou, Henan province, and renamed Qilihe sub-bank;
- On July. 23, 2011, the address of Beihuan road sub-bank changed into No.19 Yuan Tian Road, Jinshui district, Zhengzhou, Henan province;
- On Sep. 10, 2011, the address of Middle Hanghai road sub-branch changed into No. 1, Building 1, No.71 Middle Hanghai road, Erqi district, Zhengzhou, Henan province;
- On Oct. 29, 2011, the address of North Yousheng road sub-branch changed into No. 1, North Yousheng road, Jinshui District, Zhengzhou, Henan.

## (III) “Five-category” classification of credit assets

Five-category classification	Unit: RMB/10,000Yuan	
	Balance	Proportion %
Normal credit assets	3715524.97	99.10
Specially-noticed credit assets	17238.24	0.46
Substandard credit assets	4134.19	0.11
Doubtful credit assets	12392.33	0.33
Losses credit assets	0	0
<b>Total</b>	<b>3749289.73</b>	<b>100</b>

## (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

Involved branche	Name of lender	Unit: RMB/10,000Yuan	
		Balances of loans	Concentration ratio (%)
Business Department	Zhengzhou Shangdu Asset Investment Management Co., Ltd	33108	4.51
Business Department	Zhengzhou non-tax income administration	30000	4.09
Exhibition Center Branch	Henan Xingaudi Holdings Co., Ltd.	30000	4.09
Xijiancai	Henan Jiayuan Real Estate Development Co.,Ltd	29600	4.03
Business Department	Zhengzhou Baoke trade Co., Ltd	24000	3.27
Xinghua Street	Zhengzhou Senwei Forestry Industry Development Co., Ltd.	20200	2.75
Guancheng district	Henan Jinrong trade Co., Ltd	20000	2.73
Shangding road	Henan Wanbang International Agricultural Products Logistic Co., Ltd	20000	2.73
Xinji Road	Arongqi-Shenzhen Expressway Yellow River Bridge Co., Ltd.	19400	2.64
Xinzheng Branch	Zhengzhou No.1 Textile Co., Ltd.	18780	2.56
<b>Total</b>		<b>245088</b>	<b>33.4</b>

During the reporting period, the concentration ratio of the biggest single customer loan of the company is 4.51%, is lower than that at the beginning of the year by 4.26%; the concentration ratio of the biggest ten customers loan is 33.40%, is lower than that at the beginning of the year by 20.53%. The indicator of concentration ratio of loan is up to the standard comprehensively.

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

During the reporting period, the Bank properly controlled the credit access in the course of credit-granting of group customers according to the provisions of the system. In order to realize the above purpose, the Bank strengthened the investigation of group applicant and checked the overall condition of the groups so as to determine the highest integrated line of credit on the basis of overall risk condition of the groups, nail down the credit-granting condition of each applicant within the group, and further standardize and strengthen the control for credit-granting business of group customers to prevent credit-granting risk.

#### (VII) Composition of ordinary loan types

Guarantee method	Unit: RMB/10,000Yuan
	At the end of 2011
Ensure guarantee	1515474.98
Mortgage guarantee	1235769.34
Pledge guarantee	516959.01
Loan on credit	49100
<b>Total</b>	<b>3317303.33</b>

Note: the classification is carried out according to the guarantee method of the ordinary loan.

(VIII) Aging analysis of over loans

Project	Loan on credit	Loan on guarantee	Attached guarantee loan	Of which mortgage loan	Unit: RMB/10,000Yuan	
					Pledge loan	Total
Over 1 day to 90 days (including 90 days)	-	1212.99	1322.00	1322.00	-	2534.99
Over 90 days to 360 days (including 360 days)	-	216.00	0.00	0.00	-	216.00
Over 360 days to 3 years (including 3 years)	-	16.00	4272.00	4272.00	-	4288.00
Over more than 3 years	-	3022.43	4988.71	4988.71	-	8011.14
<b>Total</b>	-	<b>4467.42</b>	<b>10582.71</b>	<b>10582.71</b>	-	<b>15050.13</b>
Over 1 day to 90 days (including 90 days)	-	2001.99	119.59	119.59	-	2121.58
Over 90 days to 360 days (including 360 days)	-	0.00	595.44	595.44	-	595.44
Over 360 days to 3 years (including 3 years)	-	100.01	8410.63	8410.63	-	8510.64
Over three years	-	4433.79	582.75	582.75	-	5016.54
<b>Total</b>	-	<b>6535.79</b>	<b>9708.41</b>	<b>9708.41</b>	-	<b>16244.20</b>

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

Name of bonds	Issuing date	Closing date	Interest payment	Unit: RMB/10,000Yuan	
				Interest rate	Parvalue (10,000Yuan)
03 national debt 09	2003-10-24	2018-10-24	Fixed interest rate	4.18%	10,000
06 national debt 01	2006-2-27	2013-2-27	Fixed interest rate	2.51%	10,000
08 national debt 05	2008-4-21	2013-4-21	Fixed interest rate	3.69%	10,000
08 national debt 10	2008-6-23	2018-6-23	Fixed interest rate	4.41%	15,000
08 national debt 23	2008-11-27	2023-11-27	Fixed interest rate	3.62%	30,000
08 national debt 25	2008-12-15	2018-12-15	Fixed interest rate	2.90%	20,000
09 Coupon bearing national debt 17	2009-7-30	2016-7-30	Fixed interest rate	3.15%	20,000
09 Coupon bearing national debt 27	2009-11-5	2019-11-5	Fixed interest rate	3.68%	20,000
10 Coupon bearing national debt 27	2010-8-19	2017-8-19	Fixed interest rate	2.81%	6,000
10 Coupon bearing national debt 38	2010-11-25	2017-11-25	Fixed interest rate	3.83%	27,000
11 Coupon bearing national debt 02	2011-1-20	2021-1-20	Fixed interest rate	3.94%	40,000
11 Coupon bearing national debt 03	2011-1-27	2018-1-27	Fixed interest rate	3.83%	20,000
11 Coupon bearing national debt 15	2011-6-16	2021-6-16	Fixed interest rate	3.99%	20,000
11 Coupon bearing national debt 19	2011-8-18	2021-8-18	Fixed interest rate	3.93%	5,000

**(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**

At the end of reporting period, the Bank increased RMB 66.40million Yuan in investment abroad. The Bank had no self-operating entity.

**(XII) Main measures and effects on bad loans management**

In order to ensure clear responsibility, suitable measure, in place management, powerful collection of every assets, the company plans and arranges every links from the reception, investigation to collection of bad loan, and stipulates detailed collection plan and assets preservation measure for every bad loans. Main measures and their effects are as follows: 1. Using performance mechanism to constantly increase the force of automatic collection of bad loan. 2. Preserve and disgorge bad loan through judicial approaches. During the reporting period, the total bad loan collected is 199.9878 million Yuan.

**(XIII) Over outstanding debts**

During the reporting period, the Bank had no over outstanding debts.

**III. Risk factors and countermeasures facing the Bank****(I) Credit risk**

The credit risk prevention measures of the Bank are as follows: 1. The Bank modified Credit Risk Management Policies, constructed the management system of identifying, monitoring, measuring and controlling credit risk and nailed down the report ways and methods of credit rest, which laid a solid foundation for the credit risk management in this year and in the future. 2. The Bank set up the Risk Management Post of Credit Assets according to the requirements of Three Methods, One Guidance, announced by Banking Supervision Commission, and thus strengthened the examination and payment work of fixed assets of the Bank and the current funds which met the entrusted payment condition. 3. According to the requirements of Pressure Test Guide for Commercial Banks established by Banking Supervision Commission and Overall Plan for Pressure Test of the Bank and combining with the construction and nature, market environment and technical condition of real estate loan business of the Bank, the Bank carried out pressure test to the real estate loan of the Bank and thus strengthened risk prevention and management level. 4. The Bank established After-loan Monitoring and Reporting System, which reflected the compliance, implementation of the implementing conditions, purpose and data elements of the credit business trade by trade, and improved the daily risk management ability. 5. The Bank regulated and optimized credit construction continuously, carried out line of credit of single client and group clients strictly, constricted super proportional loan and over loan and decreased concentration risk. 6. Continue to implement the credit policy of "withdraw and advance, preserve and press", adjust and perfect the credit structure, strictly implement the credit limit of single customer and group customer, compress over-ratio and over limit loan, and lower the risk of concentration ratio. 7. The Bank segmented loan risk classification, strengthened the accuracy of classification, decreased deviation and made the classification play the role of early warning and examination. 8. The Bank increased accrued provisions and covered the credit risk completely.

**(II) Market risk**

The measures taken by the company to prevent market risk are as follows. First, perfect market risk management system and analysis report model, and develop business inspection and evaluation of market risk. Combine the risk management department and fund department and finance and accounting department, strengthen market risk management and liquidity management, and constantly promote the comprehensive level of market risk management. Second, perfect business management system, promote risk management level. Modify and perfect fundamental documents concerning control risk and promote the company's business management capacity, such as Market Risk Management Policy, Pressure Test Plan and Transfer Discount Management Method, etc.. Third, actively consult with fund transaction and market risk system developers, to confirm bidding institution and start the implementation work of the system, and further lay the foundation for overall risk management system. Fourth, strictly implement the national interest

rate policy, actively face interest rate liberalization of the same trade, and constantly perfect the loan interest risk pricing mechanism. Fifth, organize and perform all the inspection work of high-risk business such as bond investment, transfer discount, etc., and perform overall inspection of permission setting, business process, safety precautions, etc.. Sixth, implement limit management, actively perform marking to market and constantly perfect authorization and credit authorization system. Seventh, continue to perform pressure test mainly concerning interest rate sensitivity analysis and situational analysis, evaluate risk situation and influence degree when the company facing extreme risk, and increase risk resistance capability of investment business of the company.

### (III) Operating risk:

The operating risk prevention measures of the Bank are as follows: first, constantly perfect subsequent supervision and risk early warning system model and realize integration of internal audit, subsequent supervision and accounting proscenium control. Second, complete mechanism, fully play the function of director of business department, chief accountant, central supervisor, subsequent supervision, internal audit and discipline supervision, to improve the efficiency and effect of inspection. Third, continue to carry out two standards, i.e. "business hall management standardization" and "counter employee operation standardization", to standardize proscenium business operation. Fourth, sum up working experience, prepare monthly supervision report, circulate information in time and improve the sense of risk and risk identification level of all the employees on the basis of the improvement of rectification rate. Fifth, regulate and establish subsequent supervision and key supervision plan, standardize business operation, identify, control and reveal business risk items effectively, and improve supervision efficiency and quality. Sixth, perform risk inspection and case precaution inspection phase-in and hierarchically, realize everyone actively fulfill the rule and every thing fulfill the rule, and gradually cultivate and form favorable compliance culture. Seventh, complete bank-enterprise reconciliation smoothly and prevent the potential risk effectively through the enhancement of feedback and control of reconciliation information.

### (IV) Product risk

The product risk prevention measures of the Bank are as follows: first, according to relevant system of new product development, strengthen out the relevant procedure of the new product development of the company, strictly examine the newly developed products and business of the company, then based on the product project approval, complete and perfect the risk evaluation mechanism before the product project approval, implement admission control, and improve management level and management force of the newly developed products of the company. Second, newly stipulated Working Instruction for Investment Bank Business Approval Committee, bring investment banking business risk into the scope of risk management, and strengthen new product risk control of investment banking business. Third, strengthen compliance approval for the contracts, agreements of new products, prevent legal disputes caused by product risk. Fourth, combine with relevant business departments, investigate and learn advanced concept of all the links of design, sales, manage, etc of new product from other banks, and improve the level of product research and development and risk management of the company.

### (V) Compliance risk

The compliance risk prevention measures of the Bank are as follows: first, constantly boost dynamic adjustment of system and optimization and perfection of mechanism, implant and solidify the requirements of key post system to the business operation and management system, and implement effective machine restrict. Second, by organizing and developing daily compliance inspection, strgthen the training for the new employees' career development plan and professional ethics morality, and improve compliance awareness of all the employees. Third, in allusion to the phenomenon that occurred when practising rules and regulations of the company such as the business is not complete, rules and regulations lag behind business development, etc, shall modify and perfect them timely. Fourth, combine risk management department and legal affairs department, constantly perfect compliance management framework and system of the bank, set up compliance liaison men troop in the company and further confirm the compliance risk management policy. Fifth, strengthen approval of legal documents, receive inquiry of authorities, answer law consultation and provide compliance and legal guidance and help for business department and operating personnel. Sixth, carry out learning system in the company, and let the employees timely know latest legal knowledge and fulfill job responsibility. Seventh, organize training, examination knowledge contest and solicit article of legal knowledge and typical cases like property law, popularize law publicity to all the employees and improve legal awareness. Eighth, by virtue of opportunity of compliance implementation year, further publicize compliance culture, propose compliance mechanism, improve compliance executive force and improve the level of compliance risk management of the company. Meanwhile, further boost the long-acting construction mechanism of compliance implementation culture. Further improve and perfect learning, education, training and publication mechanism, take the root of compliance culture concept profoundly.

## (VI) Information technology risk

The information technology risk prevention measures of the Bank are as follows: first, perfect the information technology risk management mechanism. Bring the information technology risk into the whole risk management system, set up information technology risk management post, and allocate technological professional talents. Fully make use of the restrain function of three lines of defense, i.e. safety inspection of technology department, risk control of risk department and audit and supervision of audit department, form effective supervision and restrain mechanism. Second, the company perfect construction of information technology risk management system. According to the requirements of Guidance of Information System Risk Management of Financial Institution of Banking Industry, stipulate and perfect Technology Risk Management Policy of the company, inspect lack and fill leakage and adjust and perfect the problems like management loophole that may occur, and enable it to have systematicness and maneuverability. Third, the company perfect information technology early warning mechanism. Timely and effectively complete collection, machining, summarizing and analysis of risk information, and prepare information technology risk management report. Track the implementation of corrective recommendations, safety threat of control information and occurrence of non-compliance incident, further strengthen risk prevention measures for technology risk hidden danger. Fourth, the company perfect information technology emergency disposal mechanism. Strengthen the construction of risk emergency and disposal mechanism, steadily improve emergency management level. Strengthen management of information backup, disaster recovery and business continuity. Perform training and drilling of emergency plan periodically, promote emergency and disaster preparing work from the level of technology management to overall, joint management and coordination of many departments working level of the company, to ensure when extreme incidents occur, can dispose orderly according to fixed plan within the shortest time.

## (VII) Liquidity risk

The liquidity risk prevention measures of the Bank are as follows: first, constantly optimize structure of assets and liabilities, control the scale of loan, keep the investment quantity of bond, to increase the liquidity of assets, meanwhile reduce interest-free and low-interest assets occupation. Second, perform liquidity pressure test quarterly, through pressure test to combine deadline gap analysis and cash follow analysis, analyze the the company' s capacity to bear liquidity risk impact and emergency financing capacity when problem occurs in capacity to pay under the situation of internal macro control and marketing environment changes and external operating pressure, analyze the problems occurred in liquidity risk situation and management of the company. Third, strengthen daily assets management, improve initiative debt capacity, by performing counter purchase transaction in money market and reasonably arranging long-term and short-term debt combination to reduce fund raising cost. Fourth, strengthen cooperation of the same trade, broaden fund raising channel, and establish hierarchical liquidity preparation. Fifth, strictly implement all the interest rate policies of Central Bank, and adjust and pay reserves against deposit timely and accurately quarterly. Sixth, enlarge financial investment, and improve capital efficiency. Seventh, follow the principle of "implement business, system first", stipulate financial business operation procedure to adapt to the requirements of investing business development and standardize financial business operation.

## (VIII) Policy risk

The policy risk prevention measures of the Bank are as follows: 1. The Bank changed policy risk management model from the previous method of preparing Monthly Risk Report and disclosing risk to the model of requiring relevant departments to collect laws and regulations, macroeconomic policies and regulation requirement timely according to total risk management and the relevant requirements in Document Management System, mastered its influence on the operation of the Bank accurately in an integrated and global perspective and provided reference for operating decision. 2. The Bank carried out risk early warning of policies and laws continuously, warned relevant business management department to take measures timely and implement relevant policies, and took measures to reduce or eliminate the adverse effect caused by relevant policies.

## (IX) Reputation risk

The reputation risk prevention measures of the Bank are as follows: 1. The Bank established Reputation Risk Management Policies, which had been approved by board of directors and offered solid institutional guarantee for the reputation risk management. 2. The Bank implemented popular sentiment monitoring mechanism, and the office of Sponsoring Department for Popular Sentiment Monitoring monitored reports regarding the Bank reported by news media everyday, such as paper, website, broadcasting station and TV station, and reported found important situation to bank leaders and supervision department timely so as to solve the problems timely and properly. 3. Retail Department and Risk Control Department supervised, treated and solved the complaints for various businesses timely.

## 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	2010	Change range	Main reasons
Due from banks fund	5222	3339	56.39%	Allocate fund structure
Transaction monetary asset	414988	607170	-31.65%	Allocate bond structure
Buying back the sales of financial assets	0	103193	-100.00%	Liquidity influence, no reverse counter purchase
Issue loan and advance money	3671748	2621867	40.04%	Enlarge loan
Hold to maturity investment	1422645	640827	122.00%	Allocate bond structure
Long-term equity investment	6640	3840	72.92%	Inject capital in the bank of Yangling county
Deferred income tax assets	9860	7027	40.32%	Counting and drawing of loss from asset devaluation reserve
Other assets	201688	542792	-62.84%	Increase capital and expand share, digest non-performing asset
Loan from the Central Bank	77000	56857	35.43%	Broaden the fund raising channel, establish layering liquidity reserve
Same trade and other financial institution deposit fund	161123	116016	38.88%	Broaden the fund raising channel, establish layering liquidity reserve
Employee payment payable	233	945	-75.34%	Issue the employees' payment in the current month
Tax payable	9945	6855	45.08%	Increase income and tax bearing
Interests payable	20040	14300	40.14%	Increase fixed deposits
Deferred income tax liabilities	1423	267	432.96%	Fair value change
Other liabilities	199632	107225	86.18%	Fund management business develops, agent service increase debt
Capital stock	394193	143393	174.90%	Increase capital of 2.508 billion
Capital reserve	12394	6572	88.59%	Capital increase and premium, Fair value change
Surplus reserve	31540	22116	42.61%	Profitability level promote
General provision of risk	55320	39642	39.55%	Count and draw general provision of risk
Undistributed profits	134728	65597	105.39%	Profitability level promote
Interests income	261691	156849	66.84%	Profitability assets such as loan, discount, etc increase, rate of return raise
Interests expense	102851	52466	96.03%	Deposit and counter purchase amount increase, rate of payment of interest raise
Fee and commission income	5582	4235	31.81%	Intermediary business income increases
Fee and commission income	1179	1786	-33.99%	Intermediary business expense reduces
Income from investment	49302	35311	39.62%	Total amount of fund management products and income increase
Add change of fair value assets	1617	-612	-364.22%	Bond fair value allocated
Business tariff and annex	12293	7472	64.52%	Income increases, tax bearing increases
Business and management fee	69959	52640	32.90%	Business develops quickly, expense support enlarges
Loss from asset devaluation	10696	4752	125.08%	Count and draw non-loan decrease in value
Non-business income	714	5758	-87.60%	Non-business income reduces, main business increases
Income tax expense	26583	19883	33.70%	Income increases, tax bearing increases

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

### (I) National macro control

During the reporting period, faced with complicated and variable economic environment at home and abroad, descending economy and constrictive monetary policy, in 2011 the company always strictly implemented all the interest rate policies of Central Bank, adjusted and paid reserves against deposit timely and accurately, and constantly strengthened liquidity management, strengthened cooperation of the same trade, broaden fund raising channels, established hierarchical liquidity preparation, kept sufficient liquidity, performed liquidity pressure test periodically, and strengthened liquidity indicator test. Ensure the fulfillment of safety and liquidity, meanwhile give consideration to the beneficial result of the company, enlarge intermediary business like financial investment, improve capital efficiency, improve non interest income and mitigate policy impact by adjusting structure.

### (II) Impact of private loan

During the reporting period, as the price level kept raising, bi-directional need of supply and demand of fund urged private loan such as guarantee company, small-loan company, etc. to spring up. Many of the guarantee institutions have the problems such as have no complete internal control system, have no standardized financing management system, have less register capital, have weak guarantee strength, etc., when cooperating with such kind of institutions, the company strictly controls risk. First, stipulate Management Method of Cooperation Business with Financing Guarantee Company of Bank of Zhengzhou and Credit Level Evaluation Method of Financing Guarantee Company of Bank of Zhengzhou. Second, confirm the proportion of the total amount guaranteed by guarantee company in the total amount of the company's loan, and control the guarantee concentration ratio of the guarantee company. Third, strengthen the centralized management of the guarantee company cooperate with the company, and realize unified credit authorization gradually. Fourth, strictly control market access, terminate cooperation with institutions which do not have financing guarantee quality and the guarantee companies which do not obtain business certificates after the clean-up and rectification by the provincial or municipal government.

### (III) Local financing platform loan

During the reporting period, the company carried out all the policies of cleaning-up platform loan, strictly control loan risk, release the platform loan risk by adding mortgage guarantee to existing loan and modifying repayment method.

### (IV) Real estate development loan

During the reporting period, with the publication of "new country eights", the housing loan policy was increasingly tighten, bank adopted price discrimination policy generally for real estate development loan, and the cost of enterprise loan was constantly increasing. While under the function of a series of policies like limit purchase and limit loan to restrain the precipitous rise of housing price, the housing price shown sign of looseness, and house buyers had strong desire to wait and see. The situation of house fall in price will lead to the breakage of the real estate enterprise fund chain, will finally influence the later stage development of real estate enterprise, meanwhile will lead to increase of bad loan in bank. The company performed further inspection for the existing loan of real estate development, mainly mark at and prevent the loan having risk symptom, improve early warning capacity, strictly control admittance of newly added customers, and strength existing customer risk supervision force.

## VI. Business plan of 2012

### (1) Guideline

Further implement the central, provincial, and municipal economic working conference spirit of 2012, under the premise of compliance operation, put scientific development as the principal line, catch the strategic opportunity brought by the success of construction of central economic zone, Zhengzhou urbanized area and capital increase and share expansion, mainly make great effort to integrate stock right, import strategic investment, operate capital, construct structure, perfect

mechanism, innovate business, prevent and control risk, etc, ensure the steady implementation of five-year plan, boost the continuous promotion of the company's management and operation level, and provide solid guarantee for the rapid development of Bank of Zhengzhou.

## (II) Main business and management objectives

—The total assets reached RMB 90 billion Yuan.

—Balances of deposits reached RMB 67.5 billion Yuan (ex. inter-bank deposits).

—Balances of all loans reached RMB 46.5 billion Yuan,

—Take profits RMB 17 million Yuan.

—The rate of capital sufficiency was kept higher than 14.67%; the balance of bad loans was controlled within 0.6%, the provision coverage rate reached more than 350%. 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 enhance regulatory ratings, going up from grade 3 to grade 2.

Ensure no case or significant accident.

## 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 prepared and held nine board meetings including four conventional meetings and five provisional meetings. On these meetings, major items such as the five-year development plan from 2011 to 2015, website plan, capital increasing plan, modifying regulations, major related party transaction, etc. of the company.

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

During the reporting period, the Bank prepared and held two shareholders meetings. The meeting discussed proposals such as annual financial situation, profit allocation plan, financial budget plan, budget performance situation, bonus sharing plan, capital increasing and share expansion, add capital fund, modify regulation, etc. These all get effective implementation and execution under the high value and boost of the board of directors.





**Chapter IX Report of the Board of Supervisors**

---



## I. Introduction to the meeting of the board of supervisors

During the reporting period, the board of directors held four regular meetings and two temporary meetings. The attendances of the meetings are all 100%. The meetings approved and passed separately 26 proposals such as *2010 Work Report of the Board of Directors of Bank of Zhengzhou*, *2010 Fulfillment Situation Evaluation of the Board of Directors of Bank of Zhengzhou*, *2010 Fulfillment Situation Evaluation of Directors of Bank of Zhengzhou*, *2010 Fulfillment Situation Evaluation of Member of Senior Management of Bank of Zhengzhou*, *2010 Fulfillment Situation Evaluation of Directors of Bank of Zhengzhou*, *2010 Annual Business Result Authenticity Audit Report of Bank of Zhengzhou*, *2010 None Bonus Share of Bank of Zhengzhou Co., Ltd*, *Special Audit Report of 2009 Annual Petty Loan of Bank of Zhengzhou*, *Concerning Fan Dalu Intend to Work as Supervisor Candidate of Bank of Zhengzhou Co., Ltd*, *Concerning Li Wenbin Resign From the Post of Supervisor of Bank of Zhengzhou*, *Concerning Li Wenbin Resign From the Post of Shareholder Supervisor of Bank of Zhengzhou*, *Concerning Select Fan Dalu to be the Supervisor of Bank of Zhengzhou*, *Concerning Zhang Qiuli Resign from the post of Employee Supervisor of Third Board of Directors of Bank of Zhengzhou*, *Economic Responsibility Audit report of Jiao Jinrong Resign from the post of President*, *Auditing Plan of the 2011 Annual Business Performance Authenticity of Bank of Zhengzhou*, *Concerning Hiring External Intermediary Agency to Perform Audit for the 2011 Annual Business Performance Authenticity of Bank of Zhengzhou*, *Economic Responsibility Auditing Plan of Wang Tianyu Resign from the post of President*, *Concerning Hiring External Intermediary Agency to Perform Resign Economic Responsibility Audit for Ex-president Wang Tianyu of Bank of Zhengzhou*, *Resign Economic Responsibility Audit Plan for Ex-supervisor Li Wenbin of Bank of Zhengzhou*, *Concerning Hiring External Intermediary Agency to Perform Resign Economic Responsibility Audit for Ex-supervisor Li Wenbin of Bank of Zhengzhou*, *Resign Economic Responsibility Audit Plan for Ex-vice-president Fan Dalu of Bank of Zhengzhou*, *Concerning Hiring External Intermediary Agency to Perform Resign Economic Responsibility Audit for Ex-vice-president Fan Dalu of Bank of Zhengzhou*, *2012 Annual Work Plan of Third Board of Directors of Bank of Zhengzhou*, *2012 Annual Work Plan of Third Board of Directors Nomination Committee of Bank of Zhengzhou*, and *2012 Annual Work Plan of Third Board of Directors Auditing Committee 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 three meetings and the attendance rate of supervisors is 100%. The meeting passed six proposals such as *Concerning Fan Dalu Intend to be Appointed as the Shareholder Supervisor Candidate of Bank of Zhengzhou*, *Concerning Zhang Qiuli Apply to Resign from the Post of Employee Supervisor of Third Board of Directors of Bank of Zhengzhou*, *2010 Annual Work Plan of Third Board of Directors Nomination Committee of Bank of Zhengzhou*, *Concerning Li Wenbin Resign from the Post of Chief Supervisor of Bank of Zhengzhou*, and *Concerning Select Fan Dalu as the Chief Supervisor of Bank of Zhengzhou*, and according to regulations submit the audit of board of directors meeting.

The auditing committee held 3 meetings, the nomination committee held three meetings and the attendance rate of supervisors is 100%. The meeting discussed and passed 13 proposals such as *Audit report of 2010 Annual Business Performance Authenticity of Bank of Zhengzhou*, *2009 Petty Sum Special Audit report of Bank of Zhengzhou*, *Resign Economic Responsibility Audit Report of Jiao Jinrong Resign from Ex-president of Bank of Zhengzhou*, *Audit report of 2011 Annual Business Performance Authenticity of Bank of Zhengzhou*, *Concerning Hiring External Intermediary Agency to Perform 2011 Annual Business Performance Authenticity Audit of Bank of Zhengzhou*, *Economic Responsibility Auditing Plan of Wang Tianyu Resign from the post of President*, *Concerning Hiring External Intermediary Agency to Perform Resign Economic Responsibility Audit for Ex-president Wang Tianyu of Bank of Zhengzhou*, *Resign Economic Responsibility Audit Plan for Ex-supervisor Li Wenbin of Bank of Zhengzhou*, *Concerning Hiring External Intermediary Agency to Perform Resign Economic Responsibility Audit for Ex-supervisor Li Wenbin of Bank of Zhengzhou*, *Resign Economic Responsibility Audit Plan for Ex-vice-president Fan Dalu of Bank of Zhengzhou*, *Concerning Hiring External Intermediary Agency to Perform Resign Economic Responsibility Audit for Ex-vice-president Fan Dalu of Bank of Zhengzhou*, *2012 Annual Work Plan of Third Board of Directors of Bank of Zhengzhou*, *2012 Annual Work Plan of Third Board of Directors Nomination Committee of Bank of Zhengzhou*, and *2012 Annual Work Plan of Third Board of Directors Auditing Committee of Bank of Zhengzhou*. Relevant proposals have been submitted to board of directors meeting for approval.

## III. Situation of attending the shareholder meeting

During the reporting period, the supervisors of the company attended shareholder meeting and temporary shareholder meeting, and the attendance rate is 100%.

## IV. 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%.

## V. Situation of attending the board of directors meeting

During the reporting period, the supervisors of the company attended 4 shareholder meetings and 5 temporary shareholder meetings, and the attendance rate is 90%.

## VI. The board of supervisors issue independent opinion concerning relevant items

### VII. Separate opinions expressed by the Board of Supervisors on matters of concern

During the reporting period, the operation and decision-making procedures of the Bank complied with related provisions of the *Corporation Law and Articles of Association*; there was no violation of laws, rules and Articles of Association, or behaviors damaging the Bank and shareholders' interests. The following opinions were given:

#### (I) Business Achievements Trueness

In February 2012, the Board of Supervisors entrusted Henan Chenghe CPA Firm to audit the profit trueness in 2011 of Commercial Bank of Zhengzhou Co., Ltd and issue the *Audit Report* (YCSHZ[2012] No. 060-1). From the audit report, the profits of the Bank in 2011 reached RMB 1,380,708,531.79Yuan (including non business net profit of RMB 50,157,724.36 Yuan and all the value decrease preparation withdrawn of RMB 106,956,172.54 Yuan). After examination and review, the Board of Supervisors acknowledged that the business achievements of the Bank in 2011 were true.

#### (II)Duty fulfillment of the Board of Directors

During the reporting period, the third Board of Directors can according to regulations and requirement such as relevant laws and regulations and the regulations of the company, be praganatic and innovative, forge ahead, seriously fulfill the job duties, actively carry out and implement the spirit of the shareholder meeting, make efforts to boost construction of corporate governance structure, coordinate with board of supervisors and operating group, control balance mutually, and try hard together, tightly catch new development opportunity, united together and struggle together, let the bank obtain good business performance; complete all the guided targets of municipal SASAC and Banking Regulatory Bureau; complete the capital increase and share expansion work successfully, promote the capital strength substantially; deposit and loan realize double ten billion increase, and the development step is steady and orderly; the capital quality is constantly optimized, and the profitability level creates a new high.

The Board of Supervisors considered that the Board of Directors in 2011 had fulfilled its duties perfectly according to *Provisional Measures on supervision and assessment of the duty fulfillment of the Board of Directors and its Directors of Bank of Zhengzhou Co. Ltd* in combination with the specific works done by the Board of Directors in 2011.

#### (IV) Duty fulfillment of the executives

Faced with complicated and variable economic situation at home and abroad, the senior management of the company bear all the pressures and overcome many difficulties, holding the seeking and pioneering spirit and forge ahead, seriously carry out the decision of board of directors, willingly to accept the supervision of board of supervisors, strengthen the internal control system, perfect internal system construction, stick to the principal of internal first and operate cautiously, deposit and loan realize double ten billion increase, and the development step is steady and orderly; the capital quality is constantly optimized, and the profitability level creates a new high, successfully complete the value preserve and increase target of the national asset. The company realize pre-provision profit of 1.331 billion Yuan, increased 0.455 billion Yuan than that of 2010 (0.875 illion Yuan), complete 133.06% of the annual target 1 billion Yuan. Except counting and drawing provision of 0.107 billion Yuan, counting and drawing tax of 0.266 billion Yuan, the annual net profit of 2011 is 0.958 billion Yuan, increase 0.329 billion Yuan than that of 2010 (0.629 billion Yuan). In 2011, the senior management not only completed all the tasks and targets, but also obtained impressive result in all the aspects such as cross section development, internal control construction, personnel training and reenterprise culture construction. The Board of Supervisors considered that the Board of Directors in 2011 had fulfilled its duties perfectly according to *Provisional Measures on supervision and assessment of the duty fulfillment of the Board of Directors and its Directors of Bank of Zhengzhou Co. Ltd* in combination with the specific works done by the Board of Directors in 2011.



## Chapter X Important Matters

## I. Description of important matters

During the reporting period, the register capital of the company changed from RMB 1,433.931900 million Yuan into RMB 3,941.931900 million Yuan.

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

During the reporting period, increased register capital of RMB 2.508 billion Yuan.

## III. Major lawsuit, arbitration matters and major cases

During the reporting period, the company had eight pending action cases over 1 million Yuan as the respondent, the estimated loss suffered as a respondent of a case is 48.328 million Yuan.

## IV. Matters of related party transactions

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

(II) Major matters of related party transactions (balances of single loans exceeded RMB 30 million Yuan)

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

Name of related party	Client code	Guarantee method	Unit: RMB/10,000Yuan
			Loan during reporting period (at the end of 2011)
Zhengzhou SAMOST (GROUP) Industrial Co.,LTD (group customer)	26802022-1	Ensure guarantee, accounts receivable and pledge guarantee	17600
<b>Total</b>			<b>17600</b>

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

Total amounts involved with related party transactions of the Bank were RMB 176 million Yuan without any bad loan.

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

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, issued 17 financial products, raised fund of 1.406 billion Yuan. Of which there are 4 products in duration, scale of 0.007 billion Yuan. Financial products already paid are 13, and the scale is 1.336 billion Yuan.

The products details are as following table:

Unit: RMB/10,000Yuan						
S/N	Product name	Product type	Product scale (ten thousand yuan)	Duration	Expected yield	Payment conditions
01	No. 2 Jin Wutong Dingcheng-02	non-guaranteed floating gains	1482	18 months + 1 year or fixed period	5%+10% Gains with interest	Not paid
02	No. 2 Jin Wutong Wenjian-01	non-guaranteed floating gains	500	3 months	3.05%	Already paid
03	No. 2 Jin Wutong Dingcheng-03	non-guaranteed floating gains	819	16 months + 1 year or fixed period	5.25%+10% Gains with interest	Not paid
04	No. 3 Jin Wutong Wenjian	non-guaranteed floating gains	12000	82 days	3.15%	Already paid
05	No. 2 Jin Wutong Dingcheng-04	non-guaranteed floating gains	706	15 months + 1 year or fixed period	5.25%+10% Gains with interest	Not paid
06	No. 4 Jin Wutong Wenjian	non-guaranteed floating gains	10665	61days	Common person and public: 3.5% VIP customer: 3.65%	Already paid
07	No. 2 Jin Wutong Wenjian-2	non-guaranteed floating gains	2400	91days	Common person: 3.6% VIP customer: 3.8%	Already paid
08	No. 5 Wenjian	non-guaranteed floating gains	6000	84days	Common person and public: 3.6% VIP customer: 3.8%	Already paid
09	No. 6 Wenjian	non-guaranteed floating gains	15000	27days	Common person and public: 4.3% VIP customer: 4.5%	Already paid
10	No. 7 Wenjian	non-guaranteed floating gains	25000	7days	Common person and public: 3.5% VIP customer: 3.7%	Already paid
11	No. 8 Wenjian	non-guaranteed floating gains	19926	20days	Common person : 3.6% VIP customer: 3.8%	Already paid
12	No. 9 Wenjian	non-guaranteed floating gains	4000	56days	Common person : 4.1% VIP customer: 4.3%	Already paid
13	No. 10 Wenjian	non-guaranteed floating gains	4000	184days	Common person : 5.3% VIP customer: 5.5%	Not paid
14	No. 11 Wenjian	non-guaranteed floating gains	14155	23days	Common person : 3.8% VIP customer: 4.0%	Already paid
15	No. 12 Wenjian	non-guaranteed floating gains	3280	83days	Common person : 4.6% VIP customer: 4.8%	Already paid
16	No. 13 Wenjian	non-guaranteed floating gains	2566	55days	VIP customer: 4.6%	Already paid
17	number 14 Wenjian	non-guaranteed floating gains	18104	32days	Common person : 4.6% VIP customer: 4.8%	Already paid

(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.

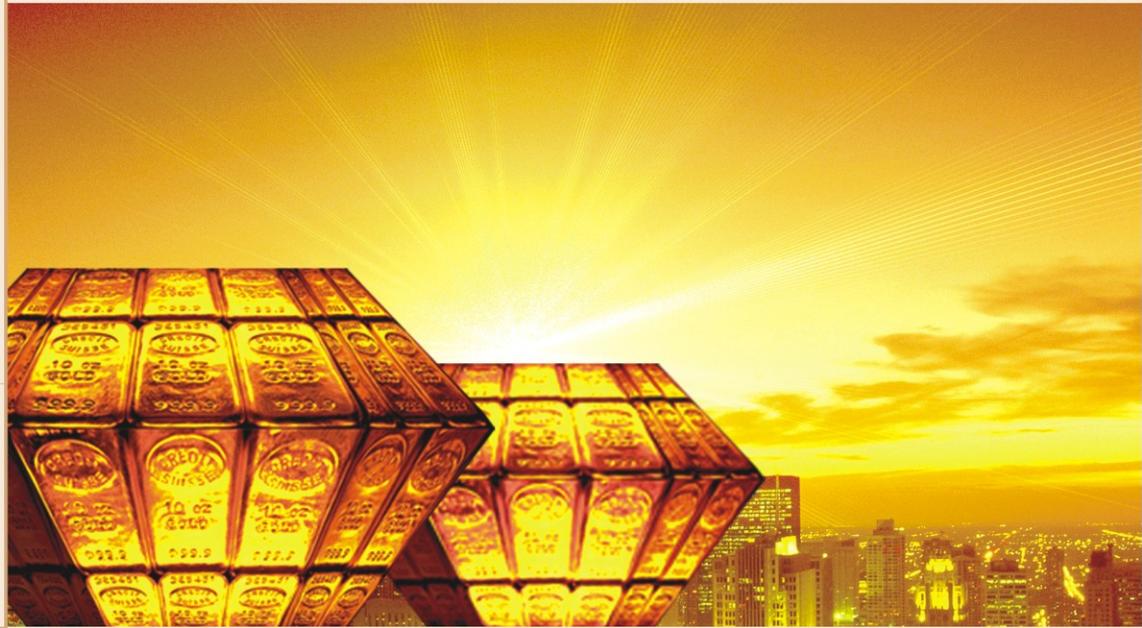
#### VII. Appointment and dismissal of CPA firm

During the reporting period, the Bank appointed Henan Chenghe CPA Firm 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 Henan Chenghe CPA Firm according to domestic auditing rules, signed by CPAs Ma Chun' an and Chen Xiangling, with the issued YCSHZ [2012] No.060 standard audit report.

### **II. Financial situation statement**

BANK OF ZHENGZHOU CO., LTD.

## Audit Report

YCSHZ [2012] Number 060

### Shareholders of Bank of Zhengzhou,

We have already audited the attached financial statements of Bank of Zhengzhou Co., Ltd (hereinafter called as the Company), including balance sheet on December 31, 2011, profit statement of 2011, 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 executives of the Company shall bear responsibility for compiling the financial statements according to the provisions of Enterprise Accounting Rules. The responsibility includes: (1) 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; (2) choose and apply suitable accounting policy; (3) determine the reasonable accounting estimate.

#### 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 Company are compiled in accordance with Enterprise Accounting Rules, and fairly reflect the financial standing on December 31, 2011, business achievements and cash flow of 2011 of the Company in significant aspects.



Chinese CPA: Ma Chun



Chinese CPA: Cen Xiangling



February 16, 2012



## Balance Sheet

Compiling unit: Bank of Zhengzhou Co., Ltd		December 31, 2011		Unit: RMB Yuan
Assets	Line Number	Amount at end of period	Amount at beginning of period	
Assets	01			
Cash and due from the Central Bank	02	12,375,953,581.18	10,119,641,871.16	
Due from banks	03	52,218,391.32	33,385,128.00	
Noble metal	04	0.00	0.00	
Funds for inter-bank lending	05	0.00	0.00	
Tradable financial assets	06	4,149,881,767.60	6,071,699,324.90	
Derivative financial assets	07	0.00	0.00	
Redemptory monetary capital for sale	08	0.00	1,031,933,625.51	
Interest receivable	09	223,088,485.64	177,742,843.26	
Granting of loan and imprest	10	36,717,484,457.53	26,218,669,066.63	
Financial assets available for sale	11	1,799,750,655.00	1,404,470,303.40	
Held-to-maturity investment	12	14,226,447,510.89	6,408,265,432.38	
Long-term investment on stocks	13	66,400,000.00	38,400,000.00	
Investment real estate	14	0.00	0.00	
Fixed assets	15	739,772,821.25	704,691,033.20	
Intangible assets	16	18,998,724.55	19,643,390.39	
Deferred income tax assets	17	98,595,837.72	70,266,613.11	
Other assets	18	2,016,879,990.88	5,427,916,504.59	
<b>Total assets</b>	<b>25</b>	<b>72,485,472,223.56</b>	<b>57,726,725,136.53</b>	

## Balance Sheet

Compiling unit: Bank of Zhengzhou Co., Ltd		December 31, 2011		Unit: RMB Yuan
Liabilities and owner' s equity	Line Number	Amount at end of period	Amount at beginning of period	
Liabilities	26			
Borrowing from the Central Bank	27	770,000,000.00	568,573,812.50	
Due from banks and other financial institutions	28	1,611,231,711.15	1,160,160,966.94	
Borrowing from other banks and financial institutions	29	0.00	0.00	
Tradable financial liabilities	30	0.00	0.00	
Derivative financial liabilities	31	0.00	0.00	
Financial assets sold for repurchase	32	5,795,000,000.00	6,561,749,839.79	
Accepted money deposits	33	54,976,427,843.19	44,628,803,351.77	
Payroll payable	34	2,330,741.55	9,448,401.61	
Taxes payable	35	99,454,656.37	68,545,287.28	
Interest payable	36	200,400,043.77	142,998,127.63	
Estimated Liabilities	37	48,328,000.00	48,328,000.00	
Bond payable	38	690,000,000.00	690,000,000.00	
Deferred income tax liabilities	39	14,231,776.06	2,668,780.95	
Other liabilities	40	1,996,320,995.59	1,072,246,764.20	
<b>Total liabilities</b>	<b>41</b>	<b>66,203,725,767.68</b>	<b>54,953,523,332.67</b>	
Shareholder' s equity	42			
Capital stock	43	3,941,931,900.00	1,433,931,900.00	
Capital surplus	44	123,937,783.62	65,721,187.60	
Less: Treasury stock	45	0.00	0.00	
Surplus reserve	46	315,396,692.25	221,163,886.65	
General risk reserves	47	553,200,445.09	396,415,217.27	
Undistributed profits	48	1,347,279,634.93	655,969,612.34	
Total of shareholders equity	49	6,281,746,455.89	2,773,201,803.86	
<b>Total liabilities and shareholder' s equity</b>	<b>50</b>	<b>72,485,472,223.56</b>	<b>57,726,725,136.53</b>	



## Profit and Loss Statement

Compiling unit: Bank of Zhengzhou Co., Ltd		2011	Unit: RMB Yuan
Item		2011	2010
<b>I. Income from operation</b>		<b>2,203,819,780.31</b>	<b>1,470,151,151.99</b>
Net income from interest		1,588,400,088.63	1,043,833,395.97
Income from interest		2,616,914,197.22	1,568,494,501.64
Expenditure for interest		1,028,514,108.59	524,661,105.67
Net income from handling charges and commission fee		44,037,009.75	24,484,790.42
Income from handling charges and commission fee		55,822,652.11	42,345,026.96
Expenditure for handling charges and commission fee		11,785,642.36	17,860,236.54
Investment yields (filled in "-" if deficiency)		493,021,297.75	353,107,381.40
Inc.: Income from investment on jointly-operated enterprise and joint enterprise			
Income from change of fair value (filled in "-" if deficiency)		16,167,754.03	-6,124,213.21
Income from exchange (filled in "-" if deficiency)			
Income from other operations		62,193,630.15	54,849,797.41
<b>II. Expenditure for operation</b>		<b>930,046,303.57</b>	<b>649,300,010.66</b>
Business tax and surcharge		122,926,146.26	74,715,137.17
Business and administration expense		699,587,235.77	526,401,194.63
Asset depreciation loss		106,956,172.54	47,521,455.16
Other operating cost		576,749.00	662,223.70
<b>III. Profit from operation (filled in "-" if deficiency)</b>		<b>1,273,773,476.74</b>	<b>820,851,141.33</b>
Add: Non-operating income		7,135,454.90	57,579,474.07
Less: Non-operating expenditure		57,314,296.75	50,491,493.72
<b>IV. Total profits (filled in "-" if deficiency)</b>		<b>1,223,594,634.89</b>	<b>827,939,121.68</b>
Less: Income tax expense		265,825,684.93	198,825,105.92
<b>V. Net profit ("-" for loss)</b>		<b>957,768,949.96</b>	<b>629,114,015.76</b>

## Cash Flow Statement

Compiling unit: Bank of Zhengzhou Co., Ltd	2011	Unit: RMB Yuan
<b>I. Cash flows from operating activities</b>	<b>Amount of this year</b>	<b>Amount of last year</b>
Net increase of deposit from client and from banks	10,798,695,235.63	9,817,244,733.70
Net increase of borrowings from the Central Bank	201,426,187.50	-301,426,187.50
Net increase of borrowing from other financial institutions	-	-11,000,000.00
Cash received of interest, handling charge and commission fee	2,676,220,920.15	1,607,965,203.68
Other cash received relating to operating activities	4,606,663,054.30	3,692,270,534.55
Sub-total of cash inflows of operating activities	18,283,005,397.58	14,805,054,284.43
Net increase of client' s loan and imprest	10,605,385,390.90	6,597,264,730.74
Net increase of deposit in the Central Bank and other banks	2,496,857,221.09	2,328,276,495.28
Cash paid of handling charge and commission fee	985,989,942.36	497,692,398.88
Cash paid to and on behalf of employees	285,099,334.74	225,364,525.36
Taxes paid	474,426,251.65	306,658,282.85
Other cash paid relating to operating activities	213,324,129.58	240,287,411.19
Sub-total of cash outflows of operating activities	15,061,082,270.32	10,195,543,844.30
Net cash flow from operating activities	3,221,923,127.26	4,609,510,440.13
<b>II. Cash flows from investing activities</b>	-	-
Cash received from return of investment	583,719,389,054.23	460,744,144,311.77
Cash receive from investment earning	460,359,338.58	297,345,508.40
Other cash received relating to investing activities	-	-
Sub-total of cash inflows of investment activities	584,179,748,392.81	461,041,489,820.17
Cash paid to acquire investments	590,049,709,050.84	464,680,151,586.11
Cash paid to acquire fixed assets, intangible assets and other long-term assets	81,618,112.60	302,529,725.29
Other cash paid relating to investing activities	-	-
Sub-total of cash outflows of investment activities	590,131,327,163.44	464,982,681,311.40
Net cash flows from investing activities	-5,951,578,770.63	-3,941,191,491.23
<b>III. Cash flows from financing activities</b>	-	-
Cash received from absorbing investment	2,508,000,000.00	-
Cash received from bonds	-	-
Other cash received relating to financing activities	-	-
Sub-total of cash inflows of financing activities	2,508,000,000.00	-
Cash repayments of amount borrowed	-	-
Cash payments for distribution of dividends, interests or profits	56,604.38	300,977.45
Other cash payments relating to financing activities	-	-
Sub-total of cash outflows of financing activities	56,604.38	300,977.45
Net cash flows from financing activities	2,507,943,395.62	-300,977.45
<b>IV. Effect of foreign exchange rate changes on cash</b>	-	-
<b>V. Net increase amount of cash and cash equivalent</b>	<b>-221,712,247.75</b>	<b>668,017,971.45</b>
Add: Cash and cash equivalents balance at beginning of period	3,169,579,453.70	2,501,561,482.25
<b>VI. Cash and cash equivalents balance at end of period</b>	<b>2,947,867,205.95</b>	<b>3,169,579,453.70</b>



## Statements of Changes in Owner's

## Statements of Changes in Owner's

Compiling unit: Bank of Zhengzhou Co., Ltd		Unit: RMB Yuan		Compiling unit: Bank of Zhengzhou Co., Ltd		Unit: RMB Yuan		
Item	Line Number	2011						
		Paid-in capital	Capital surplus	Less: Treasury shares	Surplus reserve	Surplus reserve	Undistributed profits	Total owner's equity
<b>I. Balance at end of last year</b>	01	1,433,931,900.00	65,721,187.60		221,163,886.65	396,415,217.27	655,969,612.34	2,773,201,803.86
Add: Change of accounting policy	02							0.00
Modification of previous error	03							0.00
Other	04							0.00
<b>II. Balance at beginning of this year</b>	05	1,433,931,900.00	65,721,187.60		221,163,886.65	396,415,217.27	655,969,612.34	2,773,201,803.86
<b>III. Amount increased/decreased this year (filled in " " if deficiency)</b>	06	2,508,000,000.00	58,216,596.02		94,232,805.60	156,785,227.82	691,310,022.59	3,508,544,652.03
<b>(I) Net profits</b>	07						957,768,949.96	957,768,949.96
<b>(II) Other comprehensive income</b>	08		22,563,169.76				-15,440,893.95	7,122,275.81
<b>Subtotal of above (I) and (II)</b>	09	0.00	22,563,169.76		0.00	0.00	942,328,056.01	964,891,225.77
<b>(III) Capital increased/decreased by owner</b>	10	2,508,000,000.00	35,653,426.26		0.00	0.00	0.00	2,543,653,426.26
1. Capital increased by owner at this period	11	2,508,000,000.00	35,653,426.26					2,543,653,426.26
2. Amount of stock payment counted into owner's equity	12							0.00
3. Other	13							0.00
(IV) Profit distribution this year	14	0.00	0.00		94,232,805.60	156,785,227.82	-251,018,033.42	0.00
1. Deduction of surplus reserves	15				94,232,805.60		-94,232,805.60	0.00
2. Deduction of General risk reserves	16					156,785,227.82	-156,785,227.82	0.00
3. Distribution among owners (or shareholders)	17						0.00	0.00
4. Other	18						0.00	0.00
<b>(V) Internal settlement and transfer of owner's equity</b>	19	0.00	0.00		0.00	0.00	0.00	0.00
1. Capital increased by capital reserves	20							0.00
2. Capital increased by surplus reserves	21							0.00
3. Loss made-up by surplus reserves	22							0.00
4. Loss made-up by general risk reserves	23							0.00
5. Other	24							0.00
<b>IV. Balance at end of this year</b>	25	3,941,931,900.00	123,937,783.62		315,396,692.25	553,200,445.09	1,347,279,634.93	6,281,746,455.89



## Statements of Changes in Owner's (Continue)

## Statements of Changes in Owner's (Continue)

Compiling unit: Bank of Zhengzhou Co., Ltd		Unit: RMB Yuan		Compiling unit: Bank of Zhengzhou Co., Ltd		Unit: RMB Yuan		
Item	Line Number	2011			2011			
		Paid-in capital	Capital surplus	Less: Treasury shares	Surplus reserve	Surplus reserve	Undistributed profits	Total owner's equity
<b>I. Balance at end of last year</b>	01	1,433,931,900.00	50,626,622.73		158,309,606.28	120,000,000.00	366,696,306.19	2,129,564,435.20
Add: Change of accounting policy	02							0.00
Modification of previous error	03							0.00
Other	04							0.00
<b>II. Balance at beginning of this year</b>	05	1,433,931,900.00	50,626,622.73		158,309,606.28	120,000,000.00	366,696,306.19	2,129,564,435.20
	06	0.00	15,094,564.87		62,854,280.37	276,415,217.27	289,273,306.15	643,637,368.66
<b>(I) Net profits</b>	07						629,114,015.76	629,114,015.76
<b>(II) Other comprehensive income</b>	08		15,094,564.87			0.00	629,114,015.76	644,208,580.63
<b>Subtotal of above (I) and (II)</b>	09	0.00	15,094,564.87		0.00	0.00	629,114,015.76	644,208,580.63
<b>(III) Capital increased/decreased by owner</b>	10	0.00	0.00		0.00	0.00	0.00	0.00
1. Capital increased by owner at this period	11							0.00
2. Amount of stock payment counted into owner's equity	12							0.00
3. Other	13							0.00
(IV) Profit distribution this year	14	0.00	0.00		62,854,280.37	276,415,217.27	-339,840,709.61	-571,211.97
1. Deduction of surplus reserves	15				62,911,401.57		-62,911,401.57	0.00
2. Deduction of General risk reserves	16					276,415,217.27	-276,415,217.27	0.00
3. Distribution among owners (or shareholders)	17							0.00
4. Other	18				-57,121.20		-514,090.77	-571,211.97
(V) Internal settlement and transfer of owner's equity	19	0.00	0.00			0.00		0.00
1. Capital increased by capital reserves	20							0.00
2. Capital increased by surplus reserves	21							0.00
3. Loss made-up by surplus reserves	22							0.00
4. Loss made-up by general risk reserves	23							0.00
5. Other	24							0.00
<b>IV. Balance at end of this year</b>	25	1,433,931,900.00	65,721,187.60		221,163,886.65	396,415,217.27	655,969,612.34	2,773,201,803.86



## Notes to Financial Statements

Year 2011

### I. Basic condition

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

The Company 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.

### II. Compilation basis of financial statements

Based on the assumption of sustainable operation, the financial statements of the Company are compiled according to the actual exchange and matter and in accordance with the following important accounting policies and accounting estimates.

### III. Statement of conformity with enterprise accounting rules

The financial statements are complied according to the Accounting Rules of Enterprise—Basic Rule and 33 specific accounting rules issued by the Ministry of Finance in February 2006 as well as subsequent application guidance, notes and other relevant regulations (hereinafter referred to as the enterprise accounting rules).

The financial statements compiled by the Company completely conform to the requirements of accounting rules of enterprise, reflecting the financial conditions on December 31, 2011, and operation achievements and cash flows in 2011 truly and completely.

### IV. Important accounting policies and accounting estimates

The information stated in the financial statements of the Company in 2011 are complied on the basis of following significant accounting policies and estimate established according to enterprise accounting rules.

#### (I). Accounting period

The accounting year of the Company is calendar year, namely from January 1 to December 31 every year.

#### (II). Accounting standard money

The accounting standard money of the Company and the money used in the financial statements are RMB. Unless otherwise specified, take RMB as monetary unit.

#### (III) Accounting basis and pricing principle

The financial accounting of the Company is based on the accrual basis. The historical cost is adopted as the pricing

principle. If the assets devalue, the corresponding devaluation reserve should be withdrawn according to relevant regulations.

#### **(IV) Translation of foreign currency transactions**

No transaction of foreign currency translation.

#### **(V) Recognition criteria of cash and cash equivalent**

The term "cash equivalent" refers to short-term (generally referring to the term matured within 3 months since purchase date) and high liquidity investment that are readily convertible to known amounts of cash and subjected to an insignificant risk of change in value, which are held by the Company and include due from Central Bank (excluding legal reserves from Central Bank), amount due from banks (excluding fixed deposits that are overdue and whose deposit periods exceed 3 months) and borrowings from banks and financial corporations (excluding borrowings from banks and financial corporations that are overdue and whose contract periods exceed 3 months), short-term bond investment whose periods between purchase date and maturity date are within 3 months and buying back the sale of amounts whose periods are within 3 months.

#### **(VI) Accounting methods of financial assets and financial liabilities**

##### **1. Classifications of financial assets and financial liabilities**

According to the purposes of acquiring financial assets and assuming financial liabilities, the executives classified financial assets and financial liabilities into the below categories: financial assets or financial liabilities measured as per the fair value and whose change is included in the profits and losses of the current period; held-to-maturity investment; loans and receivables; saleable financial assets; other financial liabilities etc..

##### **2. Recognition and measurement methods of financial assets and financial liabilities**

(1) Financial assets (financial liabilities) measured as per the fair value and whose change should be included in the profits and losses of the current period

When acquiring such assets, the fair value (deducting cash dividends that are declared but not issued or bond interest that reached interest payment period but not collected) should be taken as initial recognition amount, and related transaction costs should be included in the profits and losses of the current period.

During the holding period, the acquired interest or cash dividends should be recognized as the investment incomes and the fair value change should be included in the profits and losses of the current period at the end of this period.

When disposing of such assets, the difference between the fair values and initial amounts being entered into the account book should be recognized as the investment incomes and the fair value change should be adjusted simultaneously.

##### **(2) Held-to-maturity investment**

When acquiring such investment, the sum of the fair value (deducting bond interest that reached interest payment period but not collected) and related transaction costs should be taken as initial recognition amount.

During the holding period, the income from interest should be calculated based on amortized cost and real interest rate (based on coupon rate if there is small difference between real interest rate and coupon rate) and recognized before being included in the investment income. The real interest rate should be determined when being acquired and remain unchanged during this expected duration or applicable shorter duration.

When disposing of such investment, the difference between the acquired payment and the book value of such investment should be included in the investment income.



### (3) Loans and receivables

“Loans and receivables” refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the recoverable amount is fixed or determinable. “Discount” refers to the amount involved when transacting discount business with the clients or other financial institutions holding undue commercial drafts.

The Company issues loans according to current market conditions and takes them as initial recognition amount according to the sum of its principal and related transaction costs. Note discount should be entered into the account book based on face value.

Income from interest confirmed during the holding period of the loans should be calculated based on real interest rate which is determined when the loans are acquired and remains unchanged during the expected duration of such loans or applicable shorter duration. The income from interest should be calculated based on contract interest rate when there is smaller difference between real interest rate and contract interest rate. During the discount business, the income from discount interest should be calculated and confirmed based on the time of alienating the right to use the fund and applicable interest rates before being included in the profits and losses of individual related periods.

When recovering or disposing of the loans and receivables, the difference between the acquired payment and the book value of receivables for such loans should be included in the profits and losses of the current period.

### (4) Saleable financial assets

When acquiring such assets, the sum of the fair value (deducting cash dividends that are declared but not issued or bond interest that reached interest payment date but not collected) and related transaction costs should be taken as initial confirmation amount.

During the holding period, the acquired interests or cash dividends should be confirmed as the investment income. At the end of the period, such assets should be measured as per the fair value and the fair value change should be included in the capital reserves (other capital reserves).

When disposing of such assets, the difference between the acquired payment and the book value of such financial assets should be included in the profits and losses on the investment; moreover, the accumulative amount of the fair value change directly recorded in the owner's equities before which is corresponding to the disposed portion should be transferred out and included in the profits and losses on the investment.

### (5) Other financial liabilities

The sum of the fair value and related transaction costs should be taken as initial confirmation amount. Subsequent measurement should be conducted using the amortized cost.

## 3. Confirmation basis and measurement methods for transfer of financial assets

When the transfer of financial assets is occurred in the Company, for instance, the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it should stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it should not stop recognizing the financial asset.

Substance over form principle should be adopted when judging whether transfer of financial asset satisfies the above conditions for terminating the confirmation of the financial asset. The Company should differentiate the transfer of a financial asset into the entire transfer and the partial transfer of financial asset

If the entire transfer of financial asset satisfies the conditions for stopping the recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer, and the accumulative amount of the fair value change

directly recorded in the owner's equities before (in the event that the financial asset involved in the transfer is a saleable financial asset).

If the partial transfer of financial asset satisfies the conditions for stopping the recognition, the entire book value of the transferred financial asset should, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period:

(1) The book value of the portion whose recognition has been stopped;

(2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the fair value change directly recorded in the owner's equities before which is corresponding to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a saleable financial asset).

If the transfer of financial asset does not satisfy the conditions for stopping the recognition, it is required to continue to recognize the financial asset and recognize the consideration received as a financial liability.

#### **4. Methods for recognizing the fair value of financial assets and financial liabilities**

The Company adopts financial assets and financial liabilities measured as per the fair value by referring to the quotation in the active market.

#### **5. Devaluation of financial assets**

Expect for the financial assets measured as per the fair value and their change included in the profits and losses of the current period, the Company inspects the book value of other financial assets on the date of balance sheet, proves that one financial asset devaluated with objective evidence, and should withdraw the devaluation reserve. The objective evidence of devaluation of financial assets indicates the event that the financial asset actually influences its forecast cash flow after initial confirmation and the enterprise can measure the influence reliably.

##### **① Financial assets measured as per the amortized cost**

If there is objective evidence to prove the devaluation of one financial asset, then its book value should be decreased to the cash equivalent to the expected cash flow (exc. the future credit loss that has not occurred), and the decreased value included in the profits and losses of the current period.

After it is confirmed that the financial asset measured as per amortized cost devaluates, if there is objective evidence to prove that its value has resumed due to the event after such loss occurs, then the devaluation loss confirmed before should be returned, and included in the profits and losses of the current period. However, the returned book value should not exceed the amortized cost of this financial asset on the return rate under the condition that no devaluation reserve is withdrawn.

##### **② Saleable financial assets**

If the fair value of saleable financial asset decreased substantially at the end of the period, or if such downtrend was expected to be non-transient based on an overall consideration of various related factors, the fair value should be confirmed as devaluated, the aggregated loss formed due to the decrease in the fair value which is directly recorded in owner's equities before should be transferred out together with the fair value and the devaluation loss should be recognized.

#### **(VII). Classification methods for loans**

##### **(1) Classification basis for short-term, medium-term and long-term loans**

Based on the granting period of the loan, the loan shall be short-term loan when its period is within one year

(including one year), while the loan shall be medium-term/long-term loan when its period is greater than one year.

## (2) Classification of five-level loans

Based on the risk (namely, the loan risk classification method), the loan is classified into normal loan, special-mentioned loan, subprime loan, doubtful loan and loss loan, of which, the later three are bad loans.

Normal loan the borrower can perform the contract, and he/she is not justified in failure to repay all the loan principal and interest on time. Special-mentioned loan though the borrower is capable of repaying the loan principal and interest at present, there are some adverse factors affecting the repayment. Subprime loan the borrower has obvious problem in the loan repayment capability and cannot repay all the loan principal and interest by its normal income from operations. A certain loss may be caused even the guarantee is activated. Doubtful loan the borrower cannot repay all the loan principal and interest and must cause a heavy loss even the guarantee is activated. Loss loan though all the possible measures or all the legal procedures are taken, the loan principal and interest cannot be recovered or only a few of loan principal and interest can be recovered.

## (VIII). Accounting method of long-term investment on stocks

The long-term investment on stocks mean those that have no overriding or significant influence on the invested party, and have no price on the active market and whose fair value cannot be measured reliably, for which, the Company adopts the cost evaluation method.

If the cost method is adopted, the long-term investment on stocks should be priced as per the initial investment cost; the current investment income should be determined by the actual investment payment or the cash dividends or profits included in the consideration that are declared but not issued, and the cash dividends or profits declared by the invested party; moreover, this investment should be checked for devaluation as per the relevant asset devaluation policy.

To dispose the long-term investment on stocks, the difference between the book value and the actually acquired price should be included in the profits and losses of the current period.

## (IX). Valuation and depreciation policy of fixed assets

1. The term "fixed assets" refers to the tangible assets which are held for the sake of producing commodities, rendering labor service, renting or operation and management and whose useful life is in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- ① The economic benefit relating to this fixed asset is possible to flow into enterprise;
- ② The cost of this fixed asset can be measured reliably.

2. Valuation of fixed assets: the fixed assets when acquirement shall be valued as per its actual cost; if the payment for a fixed asset is delayed beyond the normal credit condition and is of financing nature in effect, the cost of the fixed asset shall be determined on the basis of the present value of the payment.

3. Depreciation of fixed assets: the depreciation shall be calculated as per straight-line method, and the depreciation rate shall be determined according to the category, estimated economic service life and expected salvage value of the fixed asset. The details are as follows:

Category	Service life	Expected net salvage rate	Annual depreciation rate
Houses and buildings	Not less than 20 years	5%	Within 4.75% (inc. 4.75%)
Machines, machinery and other devices	Not less than 10 years	5%	Within 9.50% (inc. 9.50%)
Electronic equipment, transport means, tools, apparatus and furniture relating to production and business	Not less than 5 years	5%	Within 19.0% (inc. 19.0%)

### (X) Construction in progress

The construction in process shall be entered into the account book as per its expenditure used before the asset is constructed to reach to its usable standard. The constructed fixed assets, which have reached to the usable standards as defined but have not been subject to completion settlement, shall be accounted through transforming them into fixed assets by the estimated value, according to the project budget, construction cost or actual cost, since the date on which the defined use is available. The depreciation policy of fixed asset of this company shall be followed for the deduction of the depreciation of the fixed asset. After the completion settlement is finished, the estimated value shall be readjusted as per actual cost, but the deducted depreciation shall not be readjusted.

The borrowing interest of the project shall be counted into the cost of construction in process before the fixed asset reaches to its usable standard and into the profit and loss of the current period after the fixed asset reaches to its usable standard.

### (XI) Intangible assets and amortization

**Valuating method:** it is generally valuated as per actual cost. If the payment for an intangible asset is delayed beyond the normal credit condition and is of financing nature in effect, the cost of the intangible asset shall be determined on the basis of the present value of the payment.

**Amortizing method and service life:** if the economic benefit brought by the intangible asset for an enterprise cannot be forecast, the intangible asset shall be deemed as the intangible asset with uncertain service life and cannot be amortized.

The intangible asset with limited service life shall be amortized as per straight-line method within the period during which it can bring economic benefit for the enterprise, that is to say, it shall be amortized averagely within its valid service since the date on which it is used. The valid service life shall be determined based on the following principles:

(1) It is determined by the legal valid operating period and terms of benefit specified in law, contract or the Company's application, if they are stated in law and contract or the Company's application respectively;

(2) It is determined by terms of benefit specified in contract or the Company's application, if the valid operating period is not stated in law, while the terms of benefit is stated in contract or the Company's application;

(3) It is determined by the Company's expected terms of benefit, if the operating period and terms of benefit are not stated in law, contract or the Company's application;

(4) It shall be amortized not less than 10 years, if the term of benefit is difficult to be expected.

### (XII). Long-term deferred expenses and its amortization

The decoration cost of the business room shall be entered into the account book as per its actually-incurred amount and since the date on which it is used, shall be averagely amortized within actual leasing period or expected service life, whichever is lower.

The leasing cost shall be averagely amortized as per actual leasing period.

### (XIII). Methods of income confirmation

## 1. Income from interest

### ① Income of interest on loan

To calculate the interest of various loans by accrual basis since the interest balance day, the receivable interest, which is not received overdue within 90 days (excluding 90 days), shall be calculated into current profits and losses; as to the interest on loan overdue 90 days (excluding 90 days), the receivable interest, which is not received, shall not be calculated into current profits and losses no matter what the loan overdue or not, and it shall be calculated out of the statements, and shall be calculated into profits and losses when received.

If the receivable interest, which is not received, has been brought into profits and losses, the relevant interest reduction shall be made after its principal of a loan or receivable interest is delayed for 90 days (exc. 90 days).

### ② Income from discount interest

When the discount business is incurred, the difference between the maturity value of discounted bill and the amount paid to discount applicant shall be accounted as the income from discount interest. The income from discount interest shall be confirmed as per accounting on the accrual basis.

## 2. Revenues from transactions with financial institutions

The income from the interest of current account between this company and other financial institutions shall be accounted and, when the income is received actually or the voucher claiming for this income is obtained, shall be counted into the profit and loss of the current period.

## 3. Income from handling charges

The income from the interest of current account between this company and other financial institutions shall be accounted and, when the income is received actually or the voucher claiming for this income is obtained, shall be counted into the profit and loss of the current period.

## 4. Income from other operations

The income other than those from loan, investment, settlement, foreign currency, current account of financial institutions and authorized business shall be accounted and, when the income is received actually or the voucher claiming for this income is obtained, shall be counted into the profit and loss of the current period.

## (XIV). Profit distribution sequence

(1) Cover losses of previous years;

(2) Withdraw legal surplus reserve: the legal surplus reserves shall be withdrawn as per 10% of profit after tax, while other surplus reserves shall be subject to the decision of Board of Directors;

(3) Withdraw general reserves;

(4) Distribute dividends to shareholders.

**V. Change of accounting policy and accounting estimation and description of error modification**

None

**VI. Notes to significant items of accounting statement**

With the exception of the item with special date note, the balance at end of period stated in the balance sheet indicates the balance on December 31, 2011, and the balance at beginning of period indicates the balance on January 1, 2011; the amount of this period stated in the profit and loss statement and cash flow statement indicates the amount from January to December 2011, while the amount of last period indicates the amount from January to December 2010; the monetary unit should be RMB Yuan unless otherwise stipulated.

**(I) Cash and due from the Central Bank**

Items	Balance at end of period	Balance at beginning of period
Cash in treasury	588,245,252.05	347,360,078.69
Reserves deposited of Central Bank	11,731,904,329.13	9,631,283,792.47
Financial deposits appropriated of Central Bank	55,804,000.00	140,998,000.00
<b>Total</b>	<b>12,375,953,581.18</b>	<b>10,119,641,871.16</b>

**(II) Due from banks**

Items	Balance at end of period	Balance at beginning of period
Amount from liquidation of due from banks	18,779,140.24	31,252,652.66
General amount of due from banks	33,500,082.20	2,193,306.46
Bad debt reserves of due from banks in China	-60,831.12	-60,831.12
<b>Total</b>	<b>52,218,391.32</b>	<b>33,385,128.00</b>

**(III) Tradable financial assets**

Items	Balance at end of period	Balance at beginning of period
National Bond		823,410,092.00
Central bank bill		1,132,207,100.00
Financial bond	1,974,366,410.20	1,865,623,255.30
Other	2,175,515,357.40	2,250,458,877.60
<b>Total</b>	<b>4,149,881,767.60</b>	<b>6,071,699,324.90</b>



#### (IV) Redemptory monetary capital for sale

Items	Balance at end of period	Balance at beginning of period
Negotiable securities	0.00	300,000,000.00
Bills	0.00	731,933,625.51
<b>Total</b>	<b>0.00</b>	<b>1,031,933,625.51</b>

#### (V) Interest receivable

Item	Balance at end of period	Balance at beginning of period
Loan interest receivable	868,671.20	425,992.04
Interest receivable from tradable financial assets	73,108,638.26	102,870,354.08
Interest receivable of buying back the sale of	0	3,926,749.98
Interest receivable of held-to-maturity investment	120,387,141.77	62,517,921.35
Interest receivable of financial assets available for	29,011,455.77	8,289,247.17
Other interest receivable	19,361,940.21	19,361,940.21
<b>Subtotal</b>	<b>242,737,847.21</b>	<b>197,392,204.83</b>
Less: depreciation reserve	19,649,361.57	19,649,361.57
<b>Book value</b>	<b>223,088,485.64</b>	<b>177,742,843.26</b>

#### (VI) Granting of loan and imprest

##### 1. Loan and imprest as per individual and enterprise distribution

Items	Balance at end of period	Balance at beginning of period
<b>Individual loan and imprest</b>	<b>8,424,625,591.36</b>	<b>4,945,118,314.39</b>
Housing loan	3,167,159,917.77	1,729,076,669.96
House refurbishing loan	476,440,654.18	340,156,030.64
Auto loan	1,889,914,881.65	1,163,819,056.84
Loan on production operations	2,633,726,100.65	1,535,887,867.64
Other	257,384,037.11	176,178,689.31
<b>Corporate loan and imprest</b>	<b>28,980,629,084.63</b>	<b>21,854,750,970.70</b>
Imprest	24,748,407,719.49	17,652,402,010.92
Discount asset	4,232,221,360.14	4,202,348,959.78
Other	5.00	
<b>Total loan and imprest</b>	<b>37,405,254,675.99</b>	<b>26,799,869,285.09</b>
Less: Provision for loan loss	687,770,218.46	581,200,218.46
<b>Book value of loan and imprest</b>	<b>36,717,484,457.53</b>	<b>26,218,669,066.63</b>

## 2. Loan and imprest as per industry distribution (unit: 10,000 Yuan, %)

Item	Balance at end of period		Balance at beginning of period	
	Amount	Proportion	Amount	Proportion
<b>Unit:</b>	2,898,062.91	77.48%	2,185,475.10	81.55%
Farming, Forestry, Animal Husbandry and Fishery Industries	53,647.00	1.43%	32,170.00	1.20%
Mining industry	62,250.00	1.66%	41,450.00	1.55%
Manufacturing	766,384.28	20.49%	472,813.73	17.64%
Production and supply of electric power, fuel gas and water	57,720.00	1.54%	42,090.00	1.57%
Building trade	188,345.10	5.04%	82,384.52	3.07%
Transportation, warehousing and postal services	579,178.92	15.48%	33,650.00	1.26%
Information transmission, computer services and software industry	63,807.00	1.71%	7,420.00	0.28%
Wholesale and retail	46,626.67	1.25%	311,468.41	11.62%
Lodging and catering industry	4,390.00	0.12%	26,930.00	1.00%
Finances	-	0.00%	1,900.00	0.07%
Real estate industry	239,362.22	6.40%	168,051.82	6.27%
Lease and business affairs services	263,105.70	7.03%	86,734.00	3.24%
Scientific research, technical services and geological prospecting	4,570.00	0.12%	490	0.02%
Water conservancy, environment and public facility management	18,100.00	0.48%	370,167.00	13.81%
Resident services and other services	1,930.00	0.05%	31,195.15	1.16%
Education	37,978.89	1.02%	48,772.22	1.82%
Health care, social security and social welfare	4,500.00	0.12%	4,300.00	0.16%
Culture, sports and entertainment	2,845.00	0.08%	2,400.00	0.09%
Public management and social organization	80,100.00	2.14%	853.35	0.03%
Other industries	423,222.14	11.31%	420,234.90	15.68%
<b>Individual loan:</b>	<b>842,462.56</b>	<b>22.52%</b>	<b>494,511.83</b>	<b>18.45%</b>
Housing loan	316,715.99	8.47%	172,907.51	6.45%
Individual other loans	6,737.17	0.18%	3,065.84	0.11%
Employees ' loan within the bank	13,061.24	0.35%	11,234.04	0.42%
Auto loan	188,991.49	5.05%	116,381.93	4.34%
Loan on production	263,372.61	7.04%	153,588.79	5.73%
Small loan of laid-off and unemployment	5,940.00	0.16%	3,318.00	0.12%
House refurbishing loan	47,644.06	1.27%	34,015.72	1.27%
<b>Total</b>	<b>3,740,525.47</b>	<b>100.00%</b>	<b>2,679,986.93</b>	<b>100.00%</b>

### 3. Loan and imprest as per the distribution of guarantee mode

Item	Balance at end of period	Balance at beginning of period
Credit loan	491,000,000.00	603,490,000.00
Loan on guarantee	15,154,749,810.51	12,173,612,323.52
Loan with guaranty	17,527,283,500.34	9,820,418,001.79
Inc.: loan on mortgage	12,357,693,396.46	8,160,944,651.79
Hypothecated loan	5,169,590,103.88	1,659,473,350.00
Discount asset	4,232,221,360.14	4,202,348,959.78
Total loan and imprest	37,405,254,675.99	26,799,869,285.09
Less: Provision for loan loss	687,770,218.46	581,200,218.46
<b>Book value of loan and imprest</b>	<b>36,717,484,457.53</b>	<b>26,218,669,066.63</b>

### 4. Overdue loan

#### Balance at end of period

Item	Loan on credit	Loan on guarantee	Loan with guaranty	Inc.: mortgage loan	Pledge loan	Total
Overdue by 1 day~90 days (including 90 days)	-	12,129,883.44	13,220,000.00	13,220,000.00	-	25,349,883.44
Overdue by 90 days~360 days (including 360 days)	-	2,160,000.00	-	-	-	2,160,000.00
Overdue by 360 days~3 years (including 3 years)	-	160,000.00	42,720,000.00	42,720,000.00	-	42,880,000.00
Overdue by more than 3 years	-	30,224,302.00	49,887,123.00	49,887,123.00	-	80,111,425.00
<b>Total</b>	-	<b>44,674,185.44</b>	<b>105,827,123.00</b>	<b>105,827,123.00</b>	-	<b>150,501,308.44</b>

#### Balance at beginning of period

Item	Loan on credit	Loan on guarantee	Loan with guaranty	Inc.: mortgage loan	Pledge loan	Total
Overdue by 1 day~90 days (including 90 days)	-	20,019,910.54	1,195,901.96	1,195,901.96	-	21,215,812.50
Overdue by 90 days~360 days (including 360 days)	-	-	5,954,386.06	5,954,386.06	-	5,954,386.06
Overdue by 360 days~3 years (including 3 years)	-	1,000,100.00	84,106,308.36	84,106,308.36	-	85,106,408.36
Overdue by more than 3 years	-	44,337,903.00	5,827,523.00	5,827,523.00	-	50,165,426.00
<b>Total</b>	-	<b>65,357,913.54</b>	<b>97,084,119.38</b>	<b>97,084,119.38</b>	-	<b>162,442,032.92</b>

## (VII) Financial assets available for sale

Item	Balance at end of period	Balance at beginning of period
Balance at beginning of period		
Inc.: Governmental bond		
Financial bond	1,402,918,954.80	959,450,696.70
Central bank bill	278,957,850.00	0.00
Other Balance at beginning of period	117,873,850.20	445,019,606.70
<b>Subtotal</b>	<b>1,799,750,655.00</b>	<b>1,404,470,303.40</b>
Equity investment		
Total of financial assets available for sale	1,799,750,655.00	1,404,470,303.40
Less: devaluation of financial assets available for sale		
<b>Total</b>	<b>1,799,750,655.00</b>	<b>1,404,470,303.40</b>

## (VIII) Held-to-maturity investment

Item	Balance at end of period	Balance at beginning of period
Balance at beginning of period	6,747,496,601.45	4,690,117,136.83
Inc.: Governmental bond	2,480,670,186.60	835,454,649.98
Financial bond	4,266,826,414.85	3,854,662,486.84
Other	7,478,950,909.44	1,718,148,295.56
<b>Total</b>	<b>14,226,447,510.89</b>	<b>6,408,265,432.38</b>

## (IX) Long-term investment on stocks

Name of unit invested	Original investment amount	Share proportion	Balance at end of period	Balance at beginning of period
Zhengzhou Zhongmou Zhongnan Aluminum Product Factory	950,000.00			950,000.00
China UnionPay Investment	8,000,000.00	0.48%	8,000,000.00	8,000,000.00
Capital Settlement Center of Urban Commercial Bank	400,000.00	2.22%	400,000.00	400,000.00
Zhongmou Zhengyin Township Bank Co., Ltd	20,000,000.00	20%	20,000,000.00	10,000,000.00
Xinmi Zhengyin Township Bank Co., Ltd	20,000,000.00	20%	20,000,000.00	20,000,000.00
Yanling Zhengyin Township Bank Co., Ltd	18,000,000.00	30%	18,000,000.00	
Less: depreciation reserve				950,000.00
<b>Total</b>	<b>39,350,000.00</b>		<b>66,400,000.00</b>	<b>38,400,000.00</b>

## (X)Fixed assets

### 1. Classification

Item	Balance at end of period	Balance at beginning of period
Fixed assets	951,470,506.67	869,852,394.07
Construction in process	0.00	0.00
Liquidation of fixed assets	33,715,876.59	33,715,876.59
Less: accumulated depreciation	240,750,127.58	194,529,327.39
Devaluation reserve for fixed assets	4,663,434.43	4,347,910.07
<b>Total</b>	<b>739,772,821.25</b>	<b>704,691,033.20</b>

### 2. Increase and decrease in fixed assets

Item	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
<b>Original value of fixed assets</b>	<b>869,852,394.07</b>	<b>83590832.96</b>	<b>1972720.36</b>	<b>951,470,506.67</b>
House and building	672,080,499.75	20585392.38		692,665,892.13
Machinery equipments	139,320,069.98	45,237,557.60	1,201,069.10	183,356,558.48
Tools and apparatus	45,999,178.51	3,565,904.00	612,400.00	48,952,682.51
Transportation means	11,136,318.09	2328719.32		13,465,037.41
Other	1,316,327.74	11,873,259.66	159,251.26	13,030,336.14
<b>Accumulated depreciation</b>	<b>194,529,327.39</b>	<b>48078270.78</b>	<b>1857470.59</b>	<b>240,750,127.58</b>
House and building	98,617,539.97	17,245,787.82		115,863,327.79
Machinery equipments	66,072,581.65	26,518,002.12	1,131,752.61	91,458,831.16
Tools and apparatus	22,680,826.22	1824598.19	574429.56	23,930,994.85
Transportation means	6,168,041.80	1482875.69		7,650,917.49
Other	990,337.75	965500.39	151288.42	1,804,549.72
<b>Fixed assets depreciation reserves</b>	<b>3,582,352.75</b>			<b>3,582,352.75</b>
House and building	932,954.97			932,954.97
Machinery equipments	1,893,311.12			1,893,311.12
Tools and apparatus	707,022.66			707,022.66
Transportation means	-			-
Other	49,064.00			49,064.00
<b>Book value of fixed assets</b>	<b>671,740,713.93</b>	<b>35,512,562.18</b>		<b>707,138,026.34</b>
House and building	572,530,004.81	3,339,604.56		575,869,609.37
Machinery equipment	71,354,177.21	18,719,555.48	69,316.49	90,004,416.20
Tools and apparatus	22,611,329.63	1,741,305.81	37,970.44	24,314,665.00
Transportation means	4,968,276.29	845,843.63		5,814,119.92
Other	276,925.99	10,907,759.27	7,962.84	11,176,722.42

(XI) Intangible assets

Item	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
<b>Total of original costs</b>	<b>29,585,465.50</b>	-	-	29,585,465.50
Land use right	29,385,465.50			29,385,465.50
Non-patent technology	200,000.00			200,000.00
<b>Total of accumulated amortized amount</b>	<b>9,942,075.11</b>	<b>499,473.98</b>		<b>10,441,549.09</b>
Land use right	9,840,408.44	479,473.98		10,319,882.42
Non-patent technology	101,666.67	20,000.00		121,666.67
<b>Total of depreciation reserves</b>		<b>145,191.86</b>	-	<b>145,191.86</b>
Land use right		145,191.86		145,191.86
Non-patent technology				
<b>Total of book values</b>	<b>19,643,390.39</b>	<b>-644,665.84</b>	-	<b>18,998,724.55</b>
Land use right	19,545,057.06	-624,665.84		18,920,391.22
Non-patent technology	98,333.33	-20,000.00		78,333.33

(XII) Deferred income tax assets and liabilities

1. Deferred income tax assets

Item	December 31, 2011		December 31, 2010	
	Deductible temporary difference	Deferred income tax asset	Deductible temporary difference	Deferred income tax asset
Provision for possible loan loss	313,717,671.75	78,429,417.94	199,916,945.84	49,979,236.46
Provision for asset depreciation of due from banks	60,831.12	15,207.78	60,831.12	15,207.78
Provision for Bad debt of interest receivable	19,649,361.57	4,912,340.39	19,649,361.57	4,912,340.39
Provision for Bad debt of other amount receivable	6,813,403.83	1,703,350.96	6,813,403.83	1,703,350.96
Depreciation reserves for long-term investment on stocks		0.00	950,000.00	237,500.00
Fixed assets depreciation reserves	4,663,434.43	1,165,858.61	4,347,910.07	1,086,977.52
Intangible assets depreciation reserves	145,191.86	36,297.97		
Estimated lawsuit loss	48,328,000.00	12,082,000.00	48,328,000.00	12,082,000.00
Loss for fair value change of tradable financial assets	0.00	0.00	0.00	0.00
Unrealized loss of saleable financial assets	0.00	0.00	0.00	0.00
Depreciation reserves of other assets	1,005,456.32	251,364.08	1,000,000.00	250,000.00
<b>Total</b>	<b>394,383,350.88</b>	<b>98,595,837.72</b>	<b>281,066,452.43</b>	<b>70,266,613.11</b>

## 2. Deferred income tax liabilities

Item	December 31, 2011		December 31, 2010	
	Taxable temporary difference	Deferred income tax liability	Taxable temporary difference	Deferred income tax liability
Revenue for fair value change of tradable financial liabilities	25,446,795.48	6,361,698.87	9,279,041.45	2,319,760.36
Unrealized revenue of saleable financial assets	31,480,308.70	7,870,077.18	1,396,082.35	349,020.59
Other	0.00	0.00	0.00	0.00
<b>Total</b>	<b>56,927,104.18</b>	<b>14,231,776.05</b>	<b>10,675,123.80</b>	<b>2,668,780.95</b>

Note 1: Deferred income tax assets and liabilities of the Company are listed as per the total amount;

Note 2: the Company carried out conversion of account assignments in the accounting statement according to Accounting Standard for Business Enterprises: Basic Standard (Order No.33 of the Ministry of Finance of the People's Republic of China) issued in February 2006 by the Ministry of Finance and 38 specific standards (CK No. [2006]3 of the Ministry of Finance of the People's Republic of China) (hereinafter called as New Accounting Standards) since 2008 and started to prepare the accounting statement as per New Accounting Standards in this year; moreover, New Standards are used with original accounting systems, however, taxes payable method is adopted for the income tax. Since 2010, the Company decided to fully recognize relevant timing difference and restated the accounting statement during comparison.

## (XIII) Other assets

Item	Balance at end of this year	Balance at beginning of this year
Other account receivable	278,207,238.84	306,700,237.72
Capital in vicarious	1,701,481,800.00	789,765,416.66
deferred expenses	4,006,863.49	2,340,096.67
Long-term deferred expenses	37,788,506.56	21,858,251.41
replacement assets		4,313,222,973.74
Liquidation of inter bank	1,941,626.14	570,116.22
Other assets	1,272,816.00	1,272,816.00
<b>Subtotal</b>	<b>2,024,698,851.03</b>	<b>5,435,729,908.42</b>
Less: depreciation reserves	7,818,860.15	7,813,403.83
<b>Subtotal</b>	<b>7,818,860.15</b>	<b>7,813,403.83</b>
<b>Total</b>	<b>2,016,879,990.88</b>	<b>5,427,916,504.59</b>

**Note:**

## 1. Other receivables

## Main creditors

Account name	Balance at end of
Shangdu Company	150,840,304.52
Advance payment for real estate of Xinxiang Branch	29,950,000.00
Effect payment of Henan Dayong Investment Development Co., Ltd	25,051,893.00
Advance payment for real estate in port zone	20,000,000.00
Advance payment for real estate of Youbei Branch	10,000,000.00

## 2. Long-term deferred expenses

Category	Balance at beginning of this year	Increase in this year	Decrease in this year	Balance at end of period
Modification expense for fixed assets	18,956,248.15	18,019,874.82	7,380,340.54	29,595,782.43
Lease expense	764,260.74	9,838,965.00	5,025,086.08	5,578,139.66
Other	2,137,742.52	1,143,000.00	666,158.05	2,214,584.47
<b>Total</b>	<b>21,858,251.41</b>	<b>29,001,839.82</b>	<b>13,071,584.67</b>	<b>37,388,506.56</b>

## (XIV) Borrowing from the Central Bank

Item	Balance at end of period	Balance at beginning of period
Borrowing from the Central Bank	770,000,000.00	570,000,000.00
Again Discount asset		-1,426,187.50
<b>Total</b>	<b>770,000,000.00</b>	<b>568,573,812.50</b>

## (XV) Due from banks and other financial institutions

Item	Balance at end of period	Balance at beginning of period
liquidated inter-bank deposits	10,774,387.40	161,324,281.97
Ordinary inter-bank deposits	1,600,457,323.75	998,836,684.97
<b>Total</b>	<b>1,611,231,711.15</b>	<b>1,160,160,966.94</b>

## (XVI) Financial assets sold for repurchase

Item	Balance at end of period	Balance at beginning of period
Financial assets sold for repurchase	5,795,000,000.00	6,561,749,839.79
Inc.: bond	5,795,000,000.00	6,200,000,000.00
Bills		361,749,839.79

## (XVII) Accepted money deposits

Item	Balance at end of period	Balance at beginning of period
Current deposit	27,193,904,667.42	24,925,984,885.45
Corporate call deposit	546,890,989.43	306,000,000.00
Fixed deposit	6,011,828,809.04	2,912,613,276.96
Fiscal deposit	169,689,800.00	
Financial capital to be settled	29,033,976.86	17,924,729.56
Amounts payable on wire transfers received and temporary deposit	46,109,277.40	158,468,528.73
Current savings deposit	6,522,249,225.93	5,219,289,902.09
Personal call deposit	286,901,596.15	255,701,527.24
Fixed savings deposit	8,033,214,272.08	5,763,790,039.29
Guarantee fund	6,136,605,228.88	5,069,030,462.45
<b>Total</b>	<b>54,976,427,843.19</b>	<b>44,628,803,351.77</b>

## (XVIII) Payroll payable

Item	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
Salary	7,899,405.08	189,703,673.90	197,440,740.07	162,338.91
Welfare for workers and staff	9,800.00	26,520,428.14	26,510,303.14	19,925.00
Social insurance	0.00	39,219,483.31	39,219,483.31	0.00
Public accumulation fund for housing construction	0.00	14,001,424.00	14,001,424.00	0.00
Labor union expenditure	1,511,739.96	3,794,073.48	3,430,705.95	1,875,107.49
Expenditure for workers and staff education	27,456.57	4,742,591.85	4,496,678.27	273,370.15
<b>Total</b>	<b>9,448,401.61</b>	<b>277,981,674.68</b>	<b>285,099,334.74</b>	<b>2,330,741.55</b>

## (XIX) Taxes payable

Tax category	Balance at end of period	Balance at beginning of period
Business tax	33,172,086.69	21,418,501.64
Urban construction tax	2,322,046.11	1,499,295.15
Education surcharges	1,658,604.42	642,555.12
House property tax	1,301,447.07	1,033,533.40
Land holding tax	179,960.25	173,258.86
Stamp duty	215,196.94	175,404.81
Personal income tax	791,139.52	1,436,174.77
Interest tax payable	14,043.24	40,691.53
Enterprise income tax	59,800,132.13	42,125,872.00
<b>Total</b>	<b>99,454,656.37</b>	<b>68,545,287.28</b>

## (XX) Interest payable

Item	Balance at end of period	Balance at beginning of period
Fixed deposit interest payable	79,927,984.52	61,008,144.49
Fixed savings deposit interest payable	116,117,362.66	80,727,394.10
Interest of financial assets sold for repurchase	4,354,696.59	1,262,589.04
<b>Total</b>	<b>200,400,043.77</b>	<b>142,998,127.63</b>

## (XXI) Other liabilities

Item	Balance at end of period	Balance at beginning of period
Profit/loss of properties to be settled	88,132.98	110,035.31
Dividends payable	14,764,537.17	14,821,141.55
Other account payable	228,794,855.85	220,119,504.18
Liabilities of agency business	1,703,942,496.10	790,061,401.75
Other agency businesses	50,698,773.40	53,644,327.59
Discount liabilities	-1,966,199.91	-6,509,646.18
Liquidation of inter bank business		0.00
<b>Total</b>	<b>1,996,320,995.59</b>	<b>1,072,246,764.20</b>

## 1. Other account payable

Item	Balance at end of period	Balance at beginning of period
Account which is suspended for a long term and not withdrawn	58,038,505.77	40,211,100.15
Other account payable	170,756,350.08	179,908,404.03
<b>Total</b>	<b>228,794,855.85</b>	<b>220,119,504.18</b>

## 2. Liabilities of agency business

Item	Balance at end of period	Balance at beginning of period
<b>consigned deposit</b>	<b>1,603,056,032.00</b>	<b>740,126,312.00</b>
Inc.: Corporate consigned deposit	1,363,404,012.00	672,014,312.00
Individual consigned deposit	239,652,020.00	68,112,000.00
<b>consigned Investment deposit:</b>	<b>100,886,464.10</b>	<b>49,935,089.75</b>
Inc.: principal	99,960,000.00	49,890,000.00
Entrusted revenue	926,464.10	45,089.75
<b>Total</b>	<b>1,703,942,496.10</b>	<b>790,061,401.75</b>

## 3. Other agency businesses

Item	Balance at end of period	Balance at beginning of period
Expenses paid for another	4,253,683.85	8,552,763.82
Expenses collected for another	2,210,717.93	7,096,192.87
Self-help agency businesses	42,479,221.96	36,985,450.91
Other agency businesses	1,755,149.66	1,009,919.99
<b>Total</b>	<b>50,698,773.40</b>	<b>53,644,327.59</b>

## (XXII) Paid-in capital

Item	Balance at end of period(10,000 Yuan)	Share proportion	Balance at beginning of period(10,000 Yuan)	Share proportion
Capital of legal entity	388,281.18	98.5%	137,481.18	95.88%
Capital of individual	5,912.01	1.5%	5,912.01	4.12%
<b>Total</b>	<b>394,193.19</b>	<b>100.00%</b>	<b>143,393.19</b>	<b>100.00%</b>

**(XXIII) Capital reserve**

Item	Share premium	Other Capital reserve			Total
		Property revaluation appreciation	Fair value change	Other	
<b>Balance at beginning of</b>		8,850,427.35	1,047,061.77	55,823,698.48	65,721,187.60
Increase in this year	35,653,426.26		31,480,308.70		67,133,734.96
Decrease in this year			8,917,138.94		8,917,138.95
<b>Balance at end of period</b>	35653426.26	8850427.35	23610231.53	55823698.48	123,937,783.62

**(XXIV) Surplus reserve**

Item	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
Legal surplus reserve	172,966,488.86	95,776,895.00	1,544,089.40	267,199,294.46
Other Legal surplus reserve	48,197,397.79			48,197,397.79
<b>Total</b>	221,163,886.65	95,776,895.00	1,544,089.40	315,396,692.25

Note: the legal surplus reserve is decreased to the decreased amount adjusted to the profits and losses of previous year.

**(XXV) General risk reserves**

Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
396,415,217.27	156,785,227.82		553,200,445.09

**(XXVI) Undistributed profit**

Items	Amount
<b>Amount at end of last year</b>	<b>655,969,612.34</b>
Add: adjustment of undistributed profits at beginning of the year	
Inc.: Change of accounting policy	
Severe accounting error	
Other adjustment factor	
<b>Amount at beginning of this year</b>	<b>655,969,612.34</b>
<b>Increase in this year</b>	<b>942,328,056.01</b>
Inc.: amount transferred from net profits of this year	942,328,056.01
Other increase	
<b>Decrease in this year</b>	<b>251,018,033.42</b>
Inc.: surplus reserves withdrawn in this year	94,232,805.60
Withdrawal of general risk reserves	156,785,227.82
Cash dividends distributed in this year	
Stock dividends distributed in this year	
Other decrease	
<b>Amount at end of this year</b>	<b>1,347,279,634.93</b>
Inc.: cash dividends approved by the Board of Directors	

(XXVII) Net income from interest

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/ decrease (%)
<b>-Income from interest</b>	<b>2,616,914,197.22</b>	<b>1,568,494,501.64</b>	<b>66.84%</b>
-Due from bank	1,176,749.35	3,943,276.30	-70.16%
-Due from the Central Bank	141,371,087.08	91,106,961.11	55.17%
-Granting of loan and imprest	2,077,093,764.74	1,261,262,214.83	64.68%
Inc.: loan and imprest	2,077,093,764.74	1,261,262,214.83	64.68%
-Buying back the sale of financial assets	7,289,240.04	21,864,363.04	-66.66%
-Income from discount interest transferred	389,983,356.01	190,317,686.36	104.91%
<b>Expenditure for interest</b>	<b>1,028,514,108.59</b>	<b>524,661,105.67</b>	<b>96.03%</b>
<b>-Expenditure for loan interest of central bank</b>	<b>4,875,000.01</b>		
-Borrowings from banks	56,222,938.97	29,388,398.06	91.31%
-Accepted money deposits	586,545,309.76	345,003,037.12	70.01%
-Financial assets sold for repurchase	255,424,229.69	78,548,480.02	225.18%
-Issue bond	44,850,000.00	44,850,000.00	0.00%
-Expenditure for discount interest transferred	78,666,519.10	26,846,065.47	193.03%
-Again expenditure for discount interest transferred	1,930,111.06	25,125.00	7582.03%
<b>Net income from interest</b>	<b>1,588,400,088.63</b>	<b>1,043,833,395.97</b>	<b>52.17%</b>

(XXVIII) Net income from handling charges and commission fee

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/ decrease (%)
<b>Income from handling charges and commission fee</b>	<b>55,822,652.11</b>	<b>42,345,026.96</b>	<b>31.83%</b>
-Handling charges of settlement and liquidation	4,139,946.37	4,004,768.37	3.38%
-Handling charges of agency business	18,726,333.59	14,586,579.01	28.38%
-Handling charges and commission fee of guarantee business	6,317,821.97	5,296,533.69	19.28%
-Handling charges of bank card	16,763,672.89	12,089,487.19	38.66%
-Consultancy fee	1,817,287.33	776,349.34	134.08%
-Income from handling charges of commission business	1,338,175.00	924,760.10	44.71%
-Income from handling charges of securities purchase/sale	5,870,000.00	2,550,005.00	130.20%
-Other	849,414.96	2,116,544.26	-59.87%
<b>Expenditure for handling charges and commission fee</b>	<b>11,785,642.36</b>	<b>17,860,236.54</b>	<b>-34.01%</b>
-Expenditure for handling charges	11,785,642.36	17,860,236.54	-34.01%
-Expenditure for commission fee			
<b>Net income from handling charges and commission fee</b>	<b>44,037,009.75</b>	<b>24,484,790.42</b>	<b>79.85%</b>

**(XXIX) Investment yields**

Item	Amount incurred in this period	Amount incurred of last period
Financial assets measured as per the fair value and whose change is recorded in the profits and losses of the current period	90,715,086.81	121,546,624.46
Inc.: (1) financial assets designated as the financial assets measured as per the fair value and whose change is recorded in the profits and losses of the current period		0.00
(2) Tradable financial assets	90,715,086.81	121,546,624.46
Investment of saleable financial assets	34,281,277.91	36,581,572.21
Held-to-maturity investment	366,800,933.03	194,763,184.73
Bonus income of long-term investment on stocks	1,224,000.00	216,000.00
<b>Total</b>	<b>493,021,297.75</b>	<b>353,107,381.40</b>

**(XXX) Income from other operations**

Item	Amount incurred in this period	Amount incurred of last period
Other income	62,193,630.15	54,849,797.41

Note: other operating income mainly consists of the income from other assets.

**(XXXI) Operating expenses**

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/decrease (%)
Business publicity expenses	71,603,913.43	55,737,217.20	28.47%
Business reception expenses	20,361,709.11	14,071,787.68	44.70%
Business and administration expense	555,333,807.23	429,026,751.28	29.44%
Supervision expense	4,209,535.22	3,558,152.60	18.31%
Expense for fixed assets depreciation	48,078,270.78	24,007,285.87	100.27%
<b>Total</b>	<b>699,587,235.77</b>	<b>526,401,194.63</b>	<b>32.90%</b>

**(XXXII) Asset depreciation loss**

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/decrease (%)
Asset depreciation loss	106,956,172.54	47,521,455.16	125.07%
<b>Inc.: loan loss</b>	<b>106,490,000.00</b>	<b>32,000,000.00</b>	<b>232.78%</b>



### (XXXIII) Non-operating income

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/decrease (%)
Income from penalty	286,822.00	311,324.00	-7.87%
Income from asset disposal	6,688.62	16,237,529.08	-99.96%
Cashier rest incomes	48,675.33	27,368.77	77.85%
Donation incomes		24,500.00	
Other non-operating incomes	6,793,268.95	40,978,752.22	-83.42%
<b>Total</b>	<b>7,135,454.90</b>	<b>57,579,474.07</b>	<b>-87.61%</b>

### (XXXIV) Non-operating expenditure

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/decrease (%)
Loss of asset disposal	90,850.39	141,760.94	-61.98%
Loss of short-term money received and paid out			-100.00%
Estimated lawsuit loss		48,328,000.00	0
Other non-operating expenditures	23,119,379.48	1,476,500.00	-8.85%
Expenditure from penalty	4,066.88	45,232.78	0
Expenditure from donation	34,100,000.00	500,000.00	0
<b>Total</b>	<b>57,314,296.75</b>	<b>50,491,493.72</b>	<b>2432.19%</b>

(XXXV) Cash flow of adjusting net profit into operating activity

1. Cash flow of adjusting net profit into operating activity	Amount of this year	Amount of last year
<b>Net profits</b>	<b>933,481,663.86</b>	<b>683,224,177.94</b>
Add: Provision for asset depreciation	122,557,627.70	45,623,450.77
Fixed assets depreciation, oil/gas consumption, productive biologic asset depreciation	46,220,800.19	15,464,042.02
Amortization of intangible assets	499,473.98	499,473.96
Amortization of long-term fees to be apportioned	-15,930,255.15	-5,760,378.99
Loss of disposal of fixed assets, intangible assets and other long-term assets (income indicated by “-” )	-	-
Loss of fixed asset retirement (income indicated by “-” )	-	-
Loss of fair value change (income indicated by “-” )	-16,167,754.03	-
Financial expense (income indicated by “-” )	-	-
Investment loss (income indicated by “-” )	-493,021,297.75	-353,107,381.40
Decrease of deferred income tax asset (increase indicated by “-” )	-70,266,613.11	-
Increase of deferred income tax liability (decrease indicated by “-” )	2,668,780.96	-
Decrease of inventory (increase indicated by “-” )	-	-
Decrease of operational item receivable (increase indicated by “-” )	31,977,069.70	47,150,723.87
Increase of operational item payable (decrease indicated by “-” )	73,455,188.50	95,328,089.10
Other	2,606,448,442.41	4,081,088,242.86
<b>Net cash flow from operating activities</b>	<b>3,221,923,127.26</b>	<b>4,609,510,440.13</b>
<b>2. Important investment and financing activities not involved with cash flow:</b>	-	-
Transfer debt into capital	-	-
Transferable company bond matured within one year	-	-
Fixed assets under operating lease	-	-
<b>3. Net change of cash and cash equivalent</b>	-	-
<b>Cash balance at end of period</b>	<b>2,947,867,205.95</b>	<b>3,169,579,453.70</b>
Less: Cash balance at beginning of period	3,169,579,453.70	2,501,561,482.25
Add: Cash equivalent balance at end of period	-	-
Less: Cash equivalent balance at beginning of period	-	-
<b>Net increase amount of cash and</b>	<b>-221,712,247.75</b>	<b>668,017,971.45</b>

## (XXXVI) Cash and cash equivalent

Items	Amount of this year	Amount of last year
<b>I. Cash</b>	<b>2,947,867,205.95</b>	<b>3,169,579,453.70</b>
Inc.: Cash in treasury	588,245,252.05	347,360,078.69
Bank deposit for payment at any moment	0.00	0.00
Other monetary fund for payment at any moment	0.00	0.00
Deposit in Central Bank for payment	2,307,342,731.46	2,788,773,415.89
Due from banks	52,279,222.44	33,445,959.12
Borrowings from banks	0.00	0.00
<b>II. Cash equivalent</b>	<b>0.00</b>	<b>0.00</b>
Inc.: Bond investment matured within 3 months	0.00	0.00
<b>III. Balance of cash and cash equivalent at end of period</b>	<b>2,947,867,205.95</b>	<b>3,169,579,453.70</b>
Inc.: Cash and cash equivalent with their use limited in parent company or group company	0.00	0.00

## VII. Relationship and trade with related party

### (1) Relationship of related party

Shareholder whose share proportion is greater than 5%

S/N	Shareholder's name	Amount of shares held	Property	Share proportion
1	Zhengzhou Municipal Financial Bureau	495,904,755	Administrative organ	12.58%
2	Yutai International (Henan) Real Estate Development Co., Ltd	262,000,000	Private enterprise	6.65%
3	Henan Xingye Real Estate Development Co., Ltd	250,000,000	Private enterprise	6.34%
4	Zhengzhou Investment Holding Co., Ltd	234,800,000	State-owned enterprise	5.96%
5	Henan Chendong Real Estate Co., Ltd	226,000,000	Private enterprise	5.73%
6	Zhongyuan Trust & Investment Co., Ltd	205,000,000	State-owned holding	5.20%

### (II) Trade with related party and amount

The trades between this Company and the related parts are performed according to the general commercial terms and conditions and the normal business procedure. The pricing principle is uniform with that for the independent third party. As of December 31, 2011, the shareholder whose share proportion is not less than 5% had no loan balance in this Company.

## VIII. Contingent items, commitments and other off-balance sheet items

### (I) Off-balance sheet items

Items	Balance at end of period	Balance at beginning of this year
Issuance of letter of guarantee	94,182,354.80	109,125,762.23
Bank acceptance	6,172,106,764.68	5,889,594,174.90
<b>Total</b>	<b>6,266,289,119.48</b>	<b>5,998,719,937.13</b>

## (II) Circumstances of Lawsuit

As of December 31, 2011, the Company as defendant had been involved in 8 pending lawsuits above RMB 1,000,000 Yuan for each, with estimated losses of RMB 48,328,000 Yuan. However, the directors and the executives considered that the final decision and execution result of such events will not cause significant influence on the financial conditions or operation achievements of the Company after estimated pending lawsuit losses.

## IX. Description of important matters

(I) In this year, the Company has increased the capital and shares, and the paid-in capital of 2,508 million Yuan has been added, which has been verified by Henan Chenghe Certified Public Accountants, and registered in the industrial and commercial administration.

(II) According to the spirit of ZZH[2005]No.71 document issued by the People's Government of Zhengzhou City, the State-owned Assets Supervision and Administration Commission of the People's Government of Zhengzhou City transferred the total assets of RMB 6,282.14 million Yuan of Zhengzhou International Exhibition Center and the Yellow River Scenic Area of Zhengzhou to Zhengzhou Shangdu Assets Investment Management Co., Ltd (hereinafter called as Shangdu Company), used for exchanging the bad assets with same amount of the Company. In 2008, the Company took out RMB 1,500 million Yuan of Yellow River Scenic Area of Zhengzhou, and the others decreased by RMB 468.92 million Yuan totally; in 2011, the replacement assets worth 4,313.22 million of Zhengzhou International Exhibition Center were disposed completely.

Bank of Zhengzhou Co., Ltd

February 13, 2012



## Financial situation statement

### (I) Assets and liabilities situation

During the reporting period, the total asset of the company was 72,485.47 million Yuan, increased 14,758.74 million Yuan by 25.57% than that of 2010, and increased 29,974.76 million Yuan by 70.51% than that of 2009. Of which, the loan balance at the end of the year is 37,405.25 million Yuan, increased 10,605.38 million Yuan by 39.57% than that of 2010, and increased 17,202.65 million Yuan by 85.15% than that of 2009.

During the reporting period, the total debt of the company was 66,203.73 million Yuan, increased 11,250.20 million Yuan by 20.47% than that of 2010, and increased 25,822.58 million Yuan by 63.95% than that of 2009. Of which, the outstanding of deposits at the end of the year is 54,976.43 million Yuan, increased 10,347.63 million Yuan by 23.19% than that of 2010, and increased 20,036.88 million Yuan by 57.35% than that of 2009.

### (II) Stockholders' equity situation

During the reporting period, the shareholders' equity was 6,281.75 million Yuan, increased 3,508.55 million Yuan by 126.52% than that of 2010, increased 4,152.19 million Yuan by 194.98% than that of 2009, mainly because of capital increase and share expansion and the increase of net profit.

### (III) Financial operation situation

During the reporting period, all the incomes in the paper of the company were 3,251.25 million Yuan, all the expenses were 2,027.66 million Yuan, total profit was 1,223.59 million yuan, increased 395.65 million yuan by 47.79% than that of 2010; the net profit in the paper was 957.77 million yuan, increased 328.66 million yuan by 52.24% than that of 2010. All the business such as deposit and loan, investment, etc. keep quick, continuous and healthy development, the profitability level increase constantly and the financial situation optimize constantly.

### (IV) Profit realization, distribution and tax payment situation

During the reporting period, the paper profit of the company was 1,223.59 million yuan, the counting and drawing business income tax was 265.82 million yuan, net profit after tax was 957.77 million yuan. According to regulation, withdraw legal surplus 95.78 million yuan, withdraw general risk preparation 156.79 million yuan, prior year income adjustment carry-over decrease 13.89 million yuan, undistributed profit in the paper at the end of 2011 was 1,347.28 million yuan.

### (V) Main indicator situation

1. Deposit and loan ratio analysis: in 2011, the ratio of deposit and loan was 67.70%, the control of loan was well.
2. Rate of return on assets: because of the promotion of profitability of the company in 2011, the rate of return on assets was 1.47%, increased 0.21% than that of last year (1.26%).
3. Capital adequacy ratio: in 2011, the capital adequacy ratio of the company was 18.45%, increased 6.84% than that of last year (11.61%).

### (VI) Other description matters: none.



**Chapter XII Integrality, rationality and effective explanation of internal control system**

---



## I Brief introduction to internal control of the Bank

### (I) Internal control environment

The first is the Bank insists on taking the internal control construction as the internal demands of its development to pursue actively, strengthening the compliance culture construction. Establishing the perfect coporation 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. Adhering 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 second is 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 third is the company implemented overall risk management. Formed risk management organization structure composed of board of directors, senior management, functional department of the head bank and business undertaking department. The board of directors includes board of directors and risk management committee and related party transaction control committee under the jurisdiction of the board of directors; the senior management includes president and senior management risk management committee, assets and liabilities management committee and other entitled approval institutions under the jurisdiction of senior management; the business undertaking department includes risk management functional posts such as capital operation department, finance and accounting department, retail business department, affiliated institutions, etc. All the institutions and posts according to their own functions to undertake special risk prevent and control work, has already formed board of directors risk management committee and risk management office to take charge of overall risk structure design, risk policy stipulation and overall risk supervision control, the audit committee and internal audit office of board of directors take charge of internal audit and internal control evaluation, business management risk management committee and risk management department take charge of risk control, central supervision and quality management system process control, multi-angle and overall risk management system ensure effective management control of business operation of head bank, all the departments and sub-branches.

### (II) Construction condition of internal control of the Bank

The first is to further complete internal control system. The company constantly strengthens standardized management and system construction of system documents, basically cover all the posts and all the detailed work of the company, also cover main risk points, and perfect and improve system documents from the aspect of all the business lines development need. During the reporting period, the company modified system document, added 5 systems, abolished 2 systems and modified 62 systems. By Dec. 31, 2011, there were 329 items in system documents. The second is to pay much attention to the strengthening and supervision of internal control system’s executive force. By adopting daily supervision and examination, audit and appraisal by the Senior Executives and external verification, the Bank inspected and supervised the executive force of internal control system, which made internal management and control, risk prevention, business operation and assets protection more perfect, reasonable and effective, thus provided a favourable internal environment support for fast-paced development of the Bank.

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

The Board of Directors of the Bank thought that, according to ISO9001-2000 quality management system, the Bank has already set up the integrated, rational and legal internal control system, improved the validity and efficiency of the Bank’s quality management system, and reached the good internal control management statue. Although the Bank’s internal control system needs to improve with the demand of business development, there is no significant defect existing in the design and execute of the current internal control system, so the current internal system is valid.

## III. Audit Report 2010 for Internal Control of the Bank (YCSHZ [2012 ] No. 060-4)

## Audit Report for Internal Control

### Shareholders of Bank of Zhengzhou:

We are entrusted to review the effectiveness of internal control relating to the financial statement on December 31, 2011 established by the management of Bank of Zhengzhou (hereinafter referred to as “the Company”). The management of the Company shall be responsible for establishing a perfect internal control and keeping its effectiveness, while our duty is to give our opinions on the effectiveness of internal control the Company.

We conduct the audit on the Basis of Chinese CPA Standards on Other Assurance Engagements No. 3101- Assurance Engagements Other than Audits or Reviews of Historical Financial Information. During the audit, we understand, test and evaluate the reasonability of internal control design and its operational effectiveness and conduct other procedures we think necessary. We believe our review provides reasonable foundation for giving opinions.

The internal control has inherent limit and the possibility to cause false report or fail to be found owing to mistake or fraudulent practices. Additionally, the change of condition may cause the internal control becomes improper or reduce the degree of control policy and procedure conformity, so it has a certain risk to forecast the effectiveness of future internal control by the evaluation results of internal control.

We think the Company maintains an effective internal control relating to financial statement at all important aspects on December 31, 2011 in accordance with Internal Accounting Control Criteria- Basic Regulations (Interim) issued by the Ministry of Finance.



Chinese CPA: Ma Chun' an



Chinese CPA: Cen Xiangling



February 19, 2012



## **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.**



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