

# 2010

## 2010 年度 报告 Annual Report

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







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



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# 开启新的征程

Open new journey





## Speech made by Chairman of the Board and President of Bank:

The year 2010 is the first year after the renaming of Bank of Zhengzhou and is a marvelous year that inherit the past during which lots of significant events and happy events occurred can be gone down in the history of Bank of Zhengzhou. In this year, the staff of the bank concerted their effort and concentrated their force to constantly deepen the reform, adjust structure, optimize procedure and build brand which has made the governance mechanism of the company become more and more perfect, asset quality increase significantly and economic benefit increase significantly so as to realize a satisfactory coordinated development of quality, efficiency and scale, and also open a new page in the development history of Bank of Zhengzhou.

By the end of 2010, the total assets of Bank of Zhengzhou is RMB 57,727,000,000, balance of deposits is RMB 45,211,000,000, balance of loans is RMB 26,843,000,000, capital adequacy rate is 11.61%, the rate of non-performing loans is 0.51%, the provision coverage rate is 425.29%, and the total profits for this year is up to RMB 828,000,000. All business indicators have created new highest records in the history.

Win market through daring innovation and win clients through sincere service. In 2010, the Bank of Zhengzhou has achieved an all-round promotion of business, impressive results of work and widely-known achievements: the bank has steadily stepped forward for the cross-regional development, established the first branch in Nanyang city, and established 3 county-regional sub-branches in Xinmi city, Dengfeng city and Xingyang city to realize an overall coverage of counties that around Zhengzhou; E-bank, VIP card, and society security & citizen card has progressively launched, and the wealth management products has fulfilled the zero breakthrough to open a new era of wealth management products that independently developed by our bank; the head office has moved in a new intellectualized office building to promote social image and influence; the new generation of business system has successfully operated on line to significantly improve the operation, management and service capacity and provide powerful support for the cross-regional development of our bank; the financing brand for small enterprises is more brilliant and the organization of business department has constantly deepened, and the number of loans for small enterprises and individuals is 19,200 which takes up 98.37% of the total number of loans for the whole bank, and the balance has up to RMB 8,503,000,000 which takes up 31.68% of the total balance of loans of the whole bank which has further consolidated the superiority of our bank in the fields of small and medium enterprises financing as well as business and logistics; the capital and stock increases has achieved substantial progress which created a good condition for smoothly promoting the work for capital and stock increases.

The year 2011 is the crucial year for promoting the continuous development of the Bank of Zhengzhou, and also is the first year for implementing the *2011-2015 Strategic Planning* of our bank, and we are planning to fight for the three battles of "The capital and stock increases, The establishment and implement for the new five-year-plan, and the establishment of branches in other provinces". In 2011, we are planning to establish one sub-branch in the surrounding city outside of our province, and selectively establish two civic sub-branches in Xinxiang city, Xuchang city, Luoyang city, or Anyang city, and establish 3-4 secondary sub-branches in the developed town in the counties of Zhengzhou, try our best to raise the supervisory rating from level 3 to level 2 and prepare for going forward to large cities such as Beijing, Shanghai etc. and for getting the company public; increase technology support and strengthen VIP card management, prepare for setting up the foreign exchange business and credit card business, and continuously promote the financial service function. By the end of 2011, we are striving for making sure the asset size up to RMB 70,000,000,000, the balance of deposits up to RMB 57,200,000,000, the balance of loans up to RMB 32,000,000,000, and profits up to RMB 1,000,000,000.

Chairman of the board, President:





## Speech made by Chief supervisor

The year 2010 is a marvelous year for the Bank of Zhengzhou during which the Chief supervisor persists in the principle of prudent operation, seriously performs “Supervisory Duties of Investor”, efficiently conducts supervisory services, vigorously completes the company’s management and internal control, mainly conducts special inspection and auditing, and continuously promotes the compliance culture construction so that all works will speed up comprehensively and management level will be promoted continuously. Good achievements will also be gained for aspects such as capital adequacy rate, governance structure, and risk control capacity etc.

Under the background of establishing regional banks, the Chief supervisor is constantly improving the social identification, inheriting the multi-win value system of “Government satisfaction, Enterprise trust, Citizen intimacy, shareholder reliance, and staff advocacy”, daring to bear social responsibility, practically maintaining shareholder’s benefits, and making proper contribution for achieving harmonious finance and establishing harmonious society.

Range far your eye over long vistas. The development prospects for the Bank of Zhengzhou will be broader. In future, the Chief supervisor will continuously promote various reform measures, strengthen democratic supervision, improve the image of our bank, promote strategic transformation, and effectively execute duties in the new historical opportunity, and create a new situation for the work of the Board of Supervision in the first year of the new Five-year Strategy Plan of the Bank of Zhengzhou.

Chief Supervisor:



↳ Leadership team members





## ANNUAL REPORT 2010

### 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.

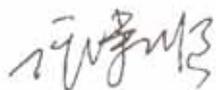
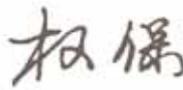
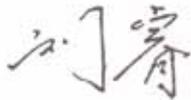
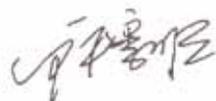
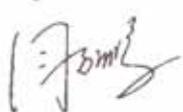
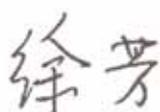
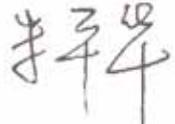
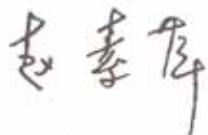
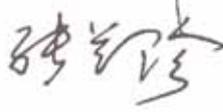
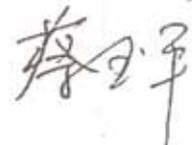
The 30th meeting of 2011 of the third Board of Directors reviewed and approved this annual report and its abstract on the date of March 24, 2010. 12 Of 14 eligible directors, 12 directors actually attended the meeting and 2 directors authorized others to be present in the meeting.

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**

Chairman of the Board, President Wang Tianyu and the principal in charge of financial department Mao Yuezhen guarantee the authenticity and completeness of the financial statements of annual report.

► Signature of Directors:

	Wang Tianyu		Zhang Rongshun
	Quan Bao		Jiao Jinrong
	Liu Rui		Guo Mushun
	Yan Wanpeng		Xu Fang
	Li Zizheng		Ding Yi
	Zhu Pinghua		Zhao Suping
	Zhang Lanzhen		Cai Yuping



服务地方经济  
服务中小企业  
服务城市居民





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## 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 Company”).

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 office: No. 22, Shangwuwaihuan road, Zhengdong new area, China

Office address: No. 22, Shangwuwaihuan road, Zhengdong new area, China

PC.: 450046

(IV) Newspapers for information disclosure: Financial Times and Zhengzhou Daily

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

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, 2010

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 Zhengfangyuan Law Firm

Office address: 35 Gongren Road, Zhengzhou City

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



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Chapter III Abstract for Accounting  
Data and Business Data

## I. Main financial data during the reporting period

Unit: RMB/10,000Yuan

Item	Amount
Gross profits	82,794
Net profits	62,911
Net profits deducting incidental profits and losses	63,620
Operating profits	82,085
Investment yields	35,311
Subsidy incomes	-
Net amounts of non-operating income and expenditure	709
Net cash flow from operating activities	460,951
Net increase amounts of cash and cash equivalent	66,801

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 7,090,000Yuan, including the non-operating incomes of RMB 57,580,000Yuan and non-operating expenditures of RMB 50,490,000Yuan.

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

Unit: RMB/10,000Yuan

Items of non-operating profits and losses	Amount
<b>Non-operating incomes</b>	<b>5758</b>
Inc.: forfeits and penalty receipts	31
gains from disposal of assets	1624
Cashier rest incomes	3
Donation incomes	2
Other non-operating incomes	4098
<b>Non-business expenditure</b>	<b>5049</b>
Inc.: Loss from disposal of assets	14
Fines outlay	4
Donation expenses	50
Pending action debt	4833
Other non-operating expenditures	148
<b>Total</b>	<b>709</b>

► Abstract for Accounting Data and Business Data

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

Unit: RMB/10,000Yuan

Item	2010	2009	2008
Main operating incomes	201,267	150,151	162,266
Net profits	62,911	22,766	19,747
<b>Gross profits</b>	<b>82,794</b>	<b>30,050</b>	<b>29,435</b>
<b>Total assets</b>	<b>5,772,673</b>	<b>4,251,071</b>	<b>3,409,965</b>
<b>Total liabilities</b>	<b>5,495,353</b>	<b>4,038,115</b>	<b>3,218,620</b>
Equity of shareholders at end of year	277,320	212,956	191,345
Basic earnings per share (Yuan)	0.44	0.16	0.19
Diluted earnings per share (Yuan)	0.44	0.16	0.19
Net assets per share (Yuan)	1.93	1.49	1.33
Net cash flow per share from operating activities (Yuan)	3.21	1.99	1.48
Cost-income ratio (%)	35.85	33.99	27.11
Weighted average return on net assets (%)	25.74	11.23	13.35
Weighted average return on net assets (%) after deducting non-current profit and loss	25.45	11.28	13.48

Note: The total profit for the total pre-tax profit, provision has been prepared as the costs deducted from profits. 2008-2010 provision for the preparation are: 460 million yuan, 382.3 million yuan, 47.52 million yuan.

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

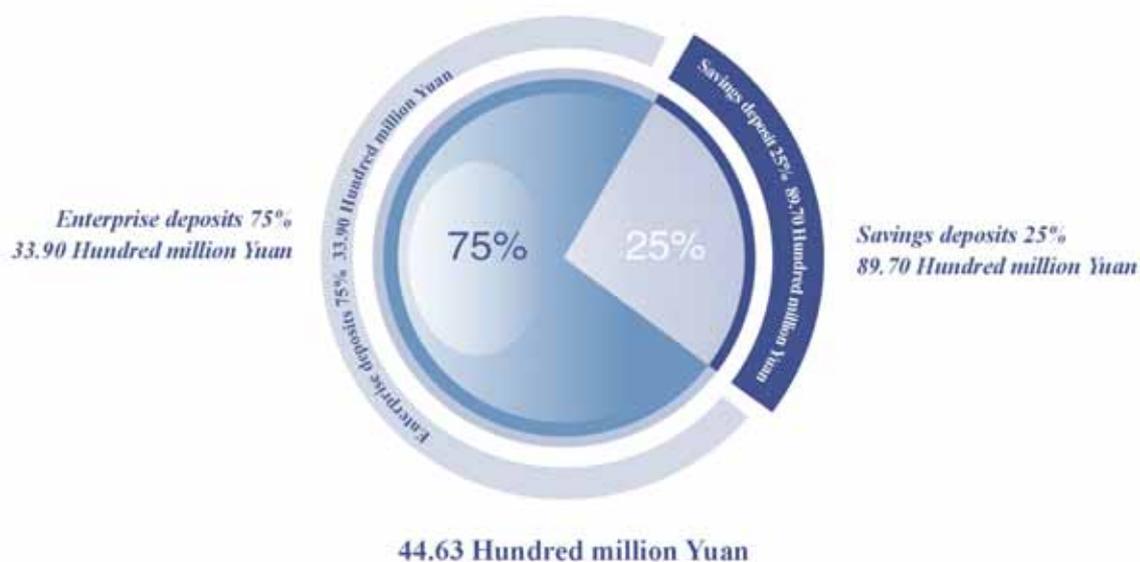
Unit: RMB/10,000Yuan

Item	Year 2010	Year 2009	Year 2008
<b>Total liabilities</b>	<b>5,495,353</b>	<b>4,038,115</b>	<b>3,218,620</b>
<b>Total deposits</b>	<b>4,462,880</b>	<b>3,493,955</b>	<b>2,717,142</b>
Inc: corporate deposits	3,339,002	2,596,993	1,963,151
Savings deposits	1,123,878	896,962	753,991
Inter-bank borrowing		1,100	1,100
<b>Total assets</b>	<b>5,772,673</b>	<b>4,251,071</b>	<b>3,409,965</b>
<b>Total loans</b>	<b>2,679,987</b>	<b>2,020,260</b>	<b>1,620,256</b>
Inc: ordinary loans	2,259,752	1,570,236	1,322,883
Discounting amount	420,235	450,024	297,326
Imprest			47

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.

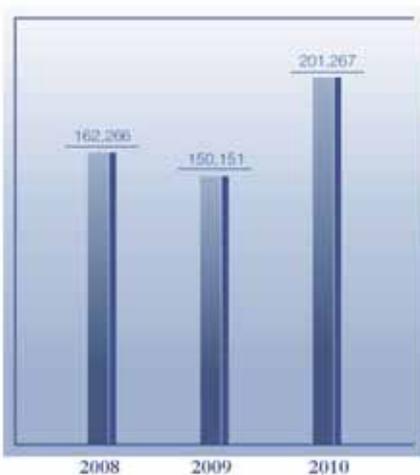
2. The total loans include the ordinary loans, discounting amount and imprest.

Proportion distribution chart of all balances held on deposits in 2010



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)

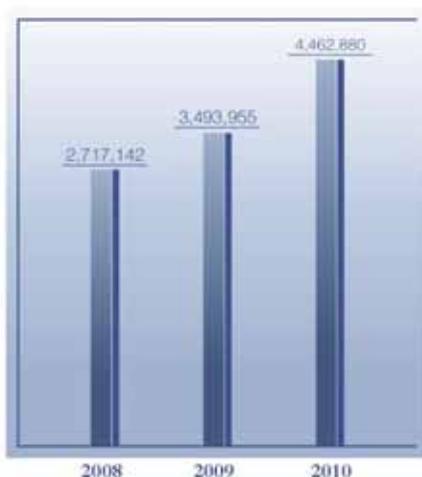


2. Net profits (unit: RMB / yuan)

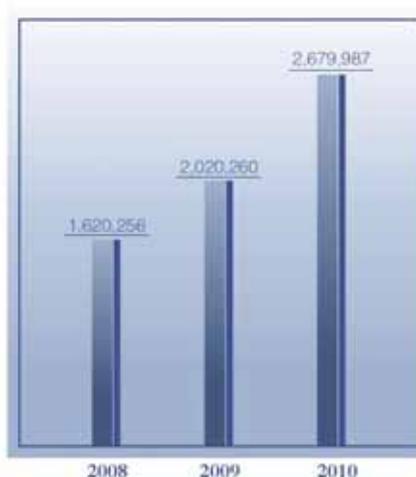


► Abstract for Accounting Data and Business Data

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

Unit: %

Item	Supervision indicator	Year 2010	Year 2009	Year 2008
Rate of core capital sufficiency	≥4%	8.42	9.96	9.55
Rate of capital sufficiency	≥8%	11.61	14.92	10.84
Ratio of bad loans	≤3%	0.51	1.51	2.25
Deposit-loan ratio	≤75%	59.37	56.89	59.69
Assets liquidity ratio	≥25%	35.80	54.55	44.67
Borrowing funds ratio	≤4%		0.03	0.04
Lending funds ratio	≤8%			0.92
Rate of interests recovery	≥80%	101.73	98.49	91.20
Concentration degree of loans of single client	≤10%	8.77	37.22	61.16
Credit concentration degree	≤50%	70.73	118.35	181.12

## V. Shareholders equity changes during the reporting period

Unit: RMB/10,000Yuan

Items of shareholders equity	Amount at beginning of reporting period	Increases in current period	Decreases in current period	Amount at end of reporting period
Paid-up capital	143,393	-	-	143,393
Capital reserve	5,063	1,509	-	6,572
Surplus reserve	15,831	6,291	5	22,117
General reserves	12,000	27,642	-	39,642
Undistributed profits	36,669	62,911	33,984	65,596
<b>Total of shareholders equity</b>	<b>212,956</b>	<b>98,353</b>	<b>33,989</b>	<b>277,320</b>

### Note: conditions for shareholders equity changes:

1. The paid-up capital and capital reserve had no change.
2. Capital reserve increased by RMB 15.09 million Yuan in this fiscal year, during which RMB 10.30 million Yuan for fixed assets fund and depreciation fund that left on the book of last year is incorporated into the capital reserve, the rest is amount of fair value changes of financial assets available for sale.
3. Surplus reserve increased by RMB 62.91 million Yuan in this fiscal year, referring to withdrawal legal surplus reserve; surplus reserve decreased by RMB 5 million yuan, referring to the legal surplus reserve carried forward due to the profit and loss adjustment of last year.
4. The general reserve increased by RMB 276.42 million Yuan, referring to the ordinary risk reserve deducted at the end of year.
5. Increased RMB 629.11 million Yuan undistributed profits of this year belonged to current net profits, the reduced RMB 339.84 million Yuan included RMB 62.91 million Yuan of advanced legal surplus reserve reserves, and RMB 276.42 million Yuan of general reserves and RMB 51 million Yuan carried forward due to profit and loss adjustment of last year.

## VI. Capital composition and changes

Unit: RMB/10,000Yuan

Item	Year 2010	Year 2009	Year 2008
<b>Core capital</b>	<b>276,624</b>	<b>211,801</b>	<b>187,886</b>
Paid-in capital/common stock	143,393	143,393	143,393
Capital reserve	6,572	5,063	6,080
Surplus reserve	61,758	27,831	13,568
Undistributed profits	64,901	35,514	24,845
Minority interests			
<b>Deducting item of core capital</b>	<b>2,364</b>	<b>1,299</b>	<b>570</b>
Inc.: insufficient withdrawal provisions for possible loan losses	-	-	-
<b>Net core capital</b>	<b>274,261</b>	<b>210,502</b>	<b>187,316</b>
Affiliate capital	101,605	103,675	24,680
General reserves	36,713	36,654	25,200
Calculable value of affiliate capital (within the limit of 100% net core capital)	101,605	103,675	24,680
Deducting item	4,727	2,598	1,140
Inc.: insufficient withdrawal provisions for possible loan losses	-	-	-
<b>Net capital</b>	<b>378,229</b>	<b>315,476</b>	<b>212,566</b>
Risk-weighted assets	3,257,353	2,114,542	1,961,391

# 小企业融资专家







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Chapter IV Introduction to  
Capital Stock Changes and Shareholders

## I. Stock changes

### (I) Table for stock changes during the reporting period

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

Unit: 10,000 shares

Item		At end of 2010	At end of 2009
<b>Total capital stocks</b>		<b>143393</b>	<b>143393</b>
State-owned shares	Holding shares	51750	51750
	Proportion	36.10%	36.10%
Other corporate shares	Holding shares	85731	85731
	Proportion	59.78%	59.78%
Natural person's shares	Holding shares	5912	5912
	Proportion	4.12%	4.12%
Inc.: internal staff shares	Holding shares	2709	2709
	Proportion	1.89%	1.89%

## II. Shareholders and changes

(I) At end of reporting period, total shareholders of the Company were 4,436, including 341 corporate shareholders and 4,095 natural person shareholders.

During the reporting period, the 25th meeting of the third Board of Directors reviewed and approved the renaming of institutional shareholder Zhengzhou Gas Co., Ltd as Zhengzhou Investment Holding Co., Ltd. in accordance with the restructuring requirements specified by the municipal government to Zhengzhou Gas Group.

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

Unit: 10,000 shares

No.	Title of shareholder	Holding shares	Proportion (%)
01	Zhengzhou Municipal Financial Bureau	49090	34.23%
02	Henan Investment Group Co., Ltd	8173	5.69%
03	Bridge Trust Investment Co., Ltd	7300	5.09%
04	Zhengzhou Gas Group Corporation	6880	4.80%
05	Zhongyuan Environmental Protection Co., Ltd	5000	3.49%
06	Zhengzhou Urban Road Construction Management Co., Ltd	5000	3.49%
07	Zhengzhou Municipal Utilities Maintenance Co., Ltd	5000	3.49%
08	Zhengzhou Municipal Engineering Corporation	5000	3.49%
09	Zhengzhou Sewage Purification Co., Ltd	5000	3.49%
10	Zhengzhou Land Reserve Center	5000	3.49%
<b>Total</b>		<b>101442</b>	<b>70.75%</b>

## ► Introduction to Capital Stock Changes and Shareholders

### (III) Pledge and sequestration of shareholders' shares

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

### (IV) Introduction to shareholders holding up 5% stock rights

#### 1. Zhengzhou Municipal Financial Bureau

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

During the reporting period, Zhengzhou Municipal Financial Bureau held 490,900,000 shares of the Company, occupying 34.23% of total shares of the Company. There was no mortgage or dispute arising from these shares.

#### 2. Henan Investment Group Co., Ltd

Henan Investment Group Co., Ltd was established in 1991 with legal representative of Hu Zhiyong, total RMB 12,000 million Yuan registered capital. Business scopes include investment management, investment for construction project, industrial production resources and mechanical equipment required by construction project, sales of detached raw materials for investment project, hotel management, property management and lease of houses.

During the reporting period, Henan Investment Group Co., Ltd held 81,730,000 shares of the Company, occupying 5.69% of total shares of the Company. There was no mortgage or dispute arising from these shares

#### 3. Bridge Trust Investment Co., Ltd

Bridge Trust Investment Co., Ltd is a non-bank financial institution established with the approval of China Banking Regulatory Commission. It is converted from Zhengzhou Trust Investment Corporation which was established in April 1986, converted in May 2002 and re-registered in September 2002 as Bridge Trust Investment Co., Ltd. Its legal representative is Ma Baojun.

During the reporting period, Bridge Trust Investment Co., Ltd held 73 million shares of the Company, occupying 5.09% of total shares of the Company. There was no mortgage or dispute arising from these shares.

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



**ANNUAL REPORT 2010**

### ► 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 shares (shares)
Chairman of the board	Wang Tianyu	Male	44	2011.3.9-now	Chairman of the board, Secretary of the party committee, President of Bank of Zhengzhou	√	18928
Vice chairman of the board	Zhang Rongshun	Male	51	04.6.25-now	Vice chairman of the board of Bank of Zhengzhou	√	51612
Vice chairman of the board	Quan Bao	Male	60	04.6.25-now	Original Deputy general manager of Henan Economic & Technological Development Corporation		0
Director	Jiao Jinrong	Male	61	04.6.25-2010.11.29	Former Chairman of the board, Secretary of the party committee deputy of Bank of Zhengzhou		0
Director	Liu Rui	Male	47	04.6.25-now	Standing vice director of Zhengzhou Municipal Financial Bureau		0
Director	Guo Mushun	Male	50	04.6.25-now	Original Director general of Financial Bureau of Erqi District, Zhengzhou City		0
Director	Ding Yi	Male	53	04.6.25-now	Deputy Chief accountant of China Great Wall Aluminum Corporation		0
Director	Zhao Suping	Female	46	04.6.25-now	Finance director of Zhengzhou Light Car Manufactory		0
Director	Yan Wanpeng	Male	45	04.6.25-now	Chief accountant of Henan Investment Group Co., Ltd		0
Director	Li Zizheng	Male	46	04.6.25-now	Chief accountant of Zhengzhou Gas Group Co., Ltd		0
Director	Xu Fang	Female	54	04.6.25-now	Director of Financial Department of Henan Provincial Communications Bureau		0
Director	Zhu Pinghua	Female	52	04.6.25-now	Director of Financial Department of White Dove Group		0
Independent director	Zhang Lanzhen	Female	67	04.6.25-now	Original vice president of Intermediate People's Court of Zhengzhou	√	0
Independent director	Cai Yuping	Male	45	04.6.25-now	Professor of Zhengzhou University	√	0

##### (II) Basic introduction to supervisors

Post	Name	Gender	Age(year)	Tenure beginning and ending dates	Tenure unit and duties	Salary(√)	Holding shares (shares)
Chief supervisor	Li Wenbin	Male	54	04.6.25-now	Chief supervisor of Bank of Zhengzhou	√	0
Supervisor	Liu Xi' ai	Female	59	04.6.25-now	Assistant consultant of Zhengzhou Municipal Bureau of Commodity Prices		0
Employee supervisor	Zhang Qiuli	Female	48	04.6.25-now	President of Wulihao sub-branch of the Bank of Zhengzhou	√	0
Exterior supervisor	Liu Haibin	Male	72	04.6.25-now	Deputy General Manager of Henan Xingyu CPA & CTA Firm	√	0
Employee supervisor	Zhen Pengju	Male	48	2010.5.26-now	President of Bank of Zhengzhou Huanghe Road Sub-branch	√	7,403

## (III) Basic introduction to executives

Post	Name	Gender	Age	Entry period of actual financial operations	Tenure of financial ending dates	Duties	Salary(√)	Holding shares (shares)
Chairman of the board	Wang Tianyu	Male	44	18	2005.11	Take charge of business management of the bank, also control the human resource department	√	18928
Vice president	Fan Dalu	Male	45	8	2003.4	Take charge of accounting finance department, scientific and technological development department and funds operating department	√	0
Vice president	Qiao Jun'an	Male	56	34	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	48	27	2008.5	Take charge of accounting settlement department, risk control department, administrative management department and labor union	√	0
Vice president	Bai Xiaofeng	Male	43	25	2008.5	Take charge of service department and retail service department	√	0

## (IV) Basic introduction to other executives

Post	Name	Gender	Age	Entry period of actual financial operations	Tenure of financial ending dates	Duties	Salary(√)	Holding shares (shares)
Secretary of commission for disciplinary inspection	Zhao Maicheng	Male	41	18	2008.3	Take charge of discipline inspection office, capital construction office and security department, and assist the Secretary of the Party and the President of the Bank in Party affairs and sub-branch planning	√	0

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

## 1. Directors



**Name:** Wang Tianyu **Post:** Chairman of the board, President, Secretary of the party committee

**Main work experience:** 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

## ► Introduction to Directors, Supervisors, Executives and Employees

**Name:** Zhang Rongshun **Post:** Vice chairman of the board

**Main work experience:** 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.



**Name:** Quan Bao **Post:** Vice chairman of the board

**Main work experience:** 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.

**Name:** Jiao Jinrong **Post:** Director

**Main work experience:** male, subordinate college, economic manager and senior political engineer. Now he is the Assistant Secretary of the Party Committee and Chairman of the Board of Bank of Zhengzhou. He had ever assumed the Deputy Director General of the 27th Base Political Section Secretariat of Commission of Science Technology & Industry for National Defense; Deputy Office Director of Bank of China Henan Branch; Assistant Secretary of Party Leadership Group, Vice President, Secretary of Party Leadership Group and President of Bank of China Pingdingshan Sub-branch; Secretary of Party Leadership Group and President of Bank of China Zhengzhou Sub-branch; President and Secretary of the Party Committee of Commercial Bank of Zhengzhou; President and Secretary of the Party committee of Bank of Zhengzhou; Assistant Secretary of the Party Committee and Chairman of the Board of Commercial Bank of Zhengzhou.





**Name:** Liu Rui **Post:** Director

**Main work experience:** 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.



**Name:** Yan Wanpeng **Post:** Director

**Main work experience:** 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.

**Name:** Xu Fang **Post:** Director

**Main work experience:** 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.



► Introduction to Directors, Supervisors, Executives and Employees



**Name:** Guo Mushun **Post:** Director

**Main work experience:** 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.

**Name:** Li Zizheng **Post:** Director

**Main work experience:** 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.



**Name:** Ding Yi **Post:** Director

**Main work experience:** 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.



**Name:** Zhao Suping **Post:** Director

**Main work experience:** 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.



**Name:** Zhu Pinghua **Post:** Director

**Main work experience:** 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:** Zhang Lanzhen **Post:** Independent director

**Main work experience:** 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.



► Introduction to Directors, Supervisors, Executives and Employees



**Name:** Cai Yuping **Post:** Independent director

**Main work experience:** male, graduate, Master Degree of Economics. Now he is the Professor, Vice President and master tutor of Zhengzhou University Commercial College.

2. Supervisors

**Name:** Li Wenbin **Post:** Chief supervisor

**Main work experience:** male, undergraduate, senior economic manager. Now he is the member of Party Committee and Chief Supervisor of Commercial Bank of Zhengzhou. He had ever assumed the Cashier, Accountant, Loan Officer, Loan Director, Deputy Director and Director of Zhengzhou Wulibao Urban Credit Cooperatives; President of Zhengzhou Urban Cooperative Banks Wulibao Sub-branch; Member of Party Committee, President of Labor Union and Vice President of Commercial Bank of Zhengzhou.



**Name:** Liu Xi'ai **Post:** Supervisor

**Main work experience:** 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.

**Name:** Zhang Qiuli **Post:** Employee supervisor

**Main work experience:** female, subordinate college, qualified economic manager. Now she is the Director of Wulibao Sub-branch of Bank of Zhengzhou. She had ever assumed the Cashier Director and Deputy Director of Zhengzhou Longhai Urban Credit Cooperatives; Vice President and President of Zhengzhou Urban Cooperative Banks Longhai Sub-branch; President of Commercial Bank of Zhengzhou Longhai Sub-ranch, President of Commercial Bank of Zhengzhou Wulibao Sub-branch.



**Name:** Liu Haibin **Post:** Supervisor

**Main work experience:** 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.



**Name:** Zhen Pengju **Post:** Employee supervisor

**Main work experience:** 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.



## ► Introduction to Directors, Supervisors, Executives and Employees

### 3. Executives



**Name:** Wang Tianyu **Post:** Chairman of the board, President, Secretary of the party committee

**Main work experience:** 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

**Name:** Fan Dalu **Post:** Vice president

**Main work experience:** 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.



**Name:** Qiao Jun'an **Post:** Vice president

**Main work experience:** 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.

**Name:** Zhao Lijuan **Post:** Vice president

**Main work experience:** 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.



**Name:** Bai Xiaofeng **Post:** Vice president

**Main work experience:** 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.



**Name:** Zhao Maicheng **Post:** Secretary of commission for disciplinary inspection

**Main work experience:** 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.



## ► Introduction to Directors, Supervisors, Executives and Employees

### (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 10 of the executives of the Company were paid and the annual salaries totaled RMB 4.26 million Yuan. Bonus 3.57 million yuan.

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

During the reporting period, the changes of Directors, Supervisors, and Senior Managers are as follows:

( I ). The 28<sup>th</sup> meeting of the third Board of Directors reviewed and approved that Mr. Jiao Jinrong resigning from the post of Chairman of the Board of the Company;

( II ). The 28<sup>th</sup> meeting of the third Board of Directors reviewed and approved to elect Mr. Wang Tianyu as the Chairman of the Board of the Company;

( III ). The 2<sup>nd</sup> meeting of the second workers' conference elected Mr. Zhen Pengju as the Employee Supervisor of the Company.



November 29, 2010, the Bank held its third board twenty-ninth meeting of old and new chairman of a smooth transition.

### III. Introduction to employees

At end of 2010, employees on the job of the Company were 1,725 persons. inner recruit 168 persons. 159 undergraduates were recruited.

Categories	No. (Persons)	Percentage(%)	
Classify as per educational background	Above graduate	50	2.90
	Undergraduate	1008	58.43
	Subordinate college	508	29.45
	Technical school education and below	161	9.33
Classify as per age structure	Below 25		23.59
	26 to 30		18.90
	31 to 35		12
	36 to 40		24.75
	41 to 45		15.07
	Above 46		9.33
Classify as per the structure of professional and technical personnel	High title	13	0.75
	Medium title	296	17.16
	Primary title	466	27.01
	No title	950	55.07

**Chapter VI**  
**Introduction to the Corporate Management**

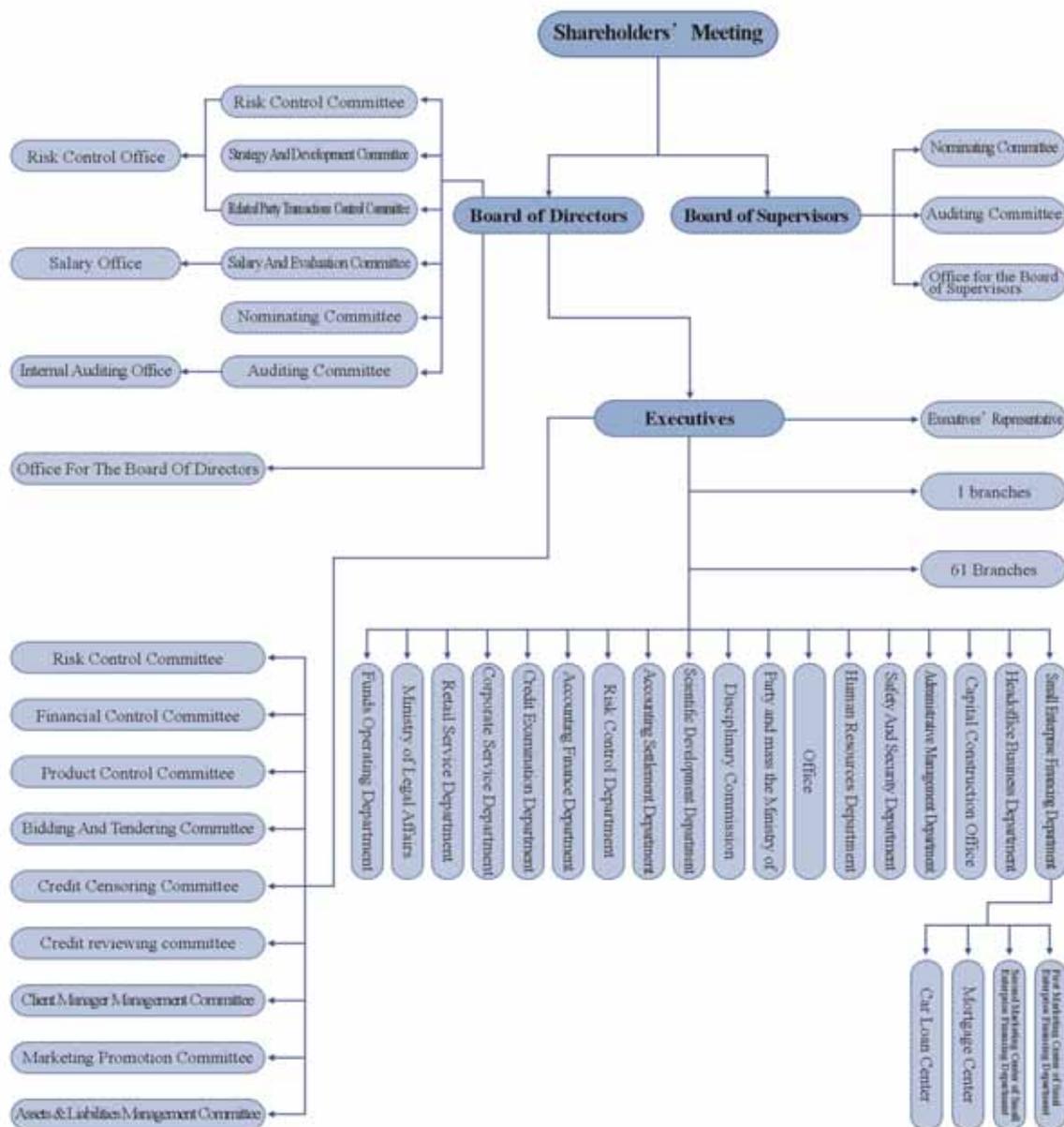


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I. Corporate management during the reporting period

(I) Governance structure of the Company

The Company has established an independent governance structure consisting of the shareholders' meeting, board of directors, chief supervisor and management team, which defines the rights and duties of each level and balances the performance of each level effectively (as shown in the following diagram).



In addition, the duty and authority of General Meetings of Stockholders, Board of Directors and Senior management level has been further clarified to make sure the company operation be more scientific and formal. During the reporting period, the Board of Directors has authorized to adjust the management sytle, i.e. change the original hierarchical authorization into respective authorization, firstly, the Board of Directors will authorize directly to the Chairman of the Board and the President. For matters beyond the range of authorization, the Chairman of the Board and the President shall respectively submit to the Board of Directors for approval; secondly, a relevant special committee is authorized in a certain limitation range to approve the matters that exceed the limits of authority of the President. The matters reviewed and approved by the special committee within the authorization range will be considered as reviewed and approved by the Board of Directors; thirdly, each special committee can within its own extent of authority transfer the complete or partial authority to the directors of the committee for approval, fourthly, reporting system of authorization condition shall be established. The authorized person shall accept the supervision and check by the authorizer for the authorization execution condition, and shall report the authorization execution condition to the authorizer at least once for each quarter; fifthly, the responsibility investigation system shall be established. Except for the exemption conditions specified in the relevant regulations of the company, responsibility investigation shall be conducted for the authorized person who infringes the authorization system of the company or excessive authorization as well as actions of malfeasance and breach of duty. And if the circumstances are serious and results in significant loss, it shall be investigated for law responsibility; sixthly, the president shall set up the authorization system for other relevant committees, departments, sub-branches and staff in accordance with needs of work.

## **(II) Corporate shareholders and shareholders' meeting**

During the reporting period, the third Board of Directors of the Company held two shareholders' meetings. These meetings reviewed and approved 12 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 Company and modification made by the Company were declared on these meetings.

Henan Zhengfangyuan 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**

During the reporting period, the Board of Directors was composed of 14 members, including one chairman of the board, 2 executive directors, 9 directors and 2 independent directors. The board of directors strictly abode by relevant provisions of laws, rules and regulations and articles of association in the fields of decision, authorization and voting procedures. In 2010, the Board of Directors of the Company totally convened 7 meetings (5 conventional meetings and 2 provisional meetings) according to the articles of association and its rules of procedures, reviewed and approved 70 proposals, including the profit and expense budget performance of the Company, annual report of the Board of Directors, statements auditing expense, issuance plan and authorization of subordinated debts, sub-branch planning, three-year asset reorganization and development plan, and change of name and address.

All directors were present in these meetings, or authorized other directors to attend the meetings, and they seriously reviewed every resolution, fully exercised the rights and fulfilled corresponding obligations.

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

The Company had set up 6 special committees including the risk control committee, related party transactions control committee, nominating committee, salary and evaluation committee, auditing committee and strategy and development committee according to governance requirements of modern company. Independent directors assumed the chairmen of the related party transactions control committee, nominating committee and auditing committee.

## ► Introduction to the Corporate Management

Additionally, besides the office of Board of Directors, the Company set up a risk management office under the Board of Directors as the standing office of risk control committee, related party transactions control committee and strategy and development committee, and an internal auditing office as the standing office of auditing committee. During the reporting period, all the committees of this company further regulated the operation and seriously performed their duties. For example, the risk control committee held five meetings to review and approve the modification of regulations, credit management and credit granting approval under the granted scope, etc; the auditing committee held one meeting to review and approve the working plan of internal auditing for the year 2011, and reported the internal auditing condition for the first three quarters of year 2010; the salary and evaluation committee held two meetings of which one is a regular meeting and the other one is an extraordinary meeting. The meetings reviewed and approved the proposal for the year 2009 rewards for the business leading group of the Company and for the rewards for all staffs of the Company.

### III Corporate supervisors and the chief supervisor

The Chief supervisor of the Company was composed of 5 members, including one chief supervisor, one exterior supervisor, one shareholder supervisor and two worker representative supervisor. During the reporting period, the Chief supervisor complied with *articles of association* of the Company, and convened meeting regularly to review corporate reporting documents, gave audience to work report and special report, took special inspection and supervision to corporate business and financial standing, timely brought forward suggestions and advices to the Board of Directors and executives, and seriously fulfilled their obligations.

### IV Information disclosure and transparency

According to information disclosure requirements of China banking regulatory departments, the Company 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 Company timely revised the *Provisional Measures for the Corporate Information Disclosure*, normalized disclosure procedures, and laid the foundation for this work; compiled the annual report 2009, made convenience for corporate shareholders and relevant interest personnel via website, local media, industrial newspapers and business network; at the same time, the Company took shareholders' letter, phone, visit and consultation seriously, settled practical problems and earnestly maintained corporate shareholders especially medium and minority stockholders' 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 Company had established independent director and exterior supervisor system, which exerted active functions to corporate decisions.

There were 2 independent directors of the Company. 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.

At present the Company has one exterior supervisor. During the reporting period, this exterior supervisor cared the development and risk prevention of the Company, 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 Company 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 Company 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

Evaluation and encouragement for executives made by the board of directors were based on completions of main business objectives and rules-obeying management conditions. According to the *Provisional Management Measures for Salaries and Wages of Executives of Bank of Zhengzhou Co., Ltd.*, the company quantized and assessed the profitability, managerial increase, asset quality, solvency and other indicators to mobilize and excite enthusiasm and creativeness of executives.

### Development banks to attract media attention Zhengzhou



Chairman, Party Secretary and President Wang Tianyu (left) at my line and municipal enterprises Strategic framework for cooperation signing ceremony



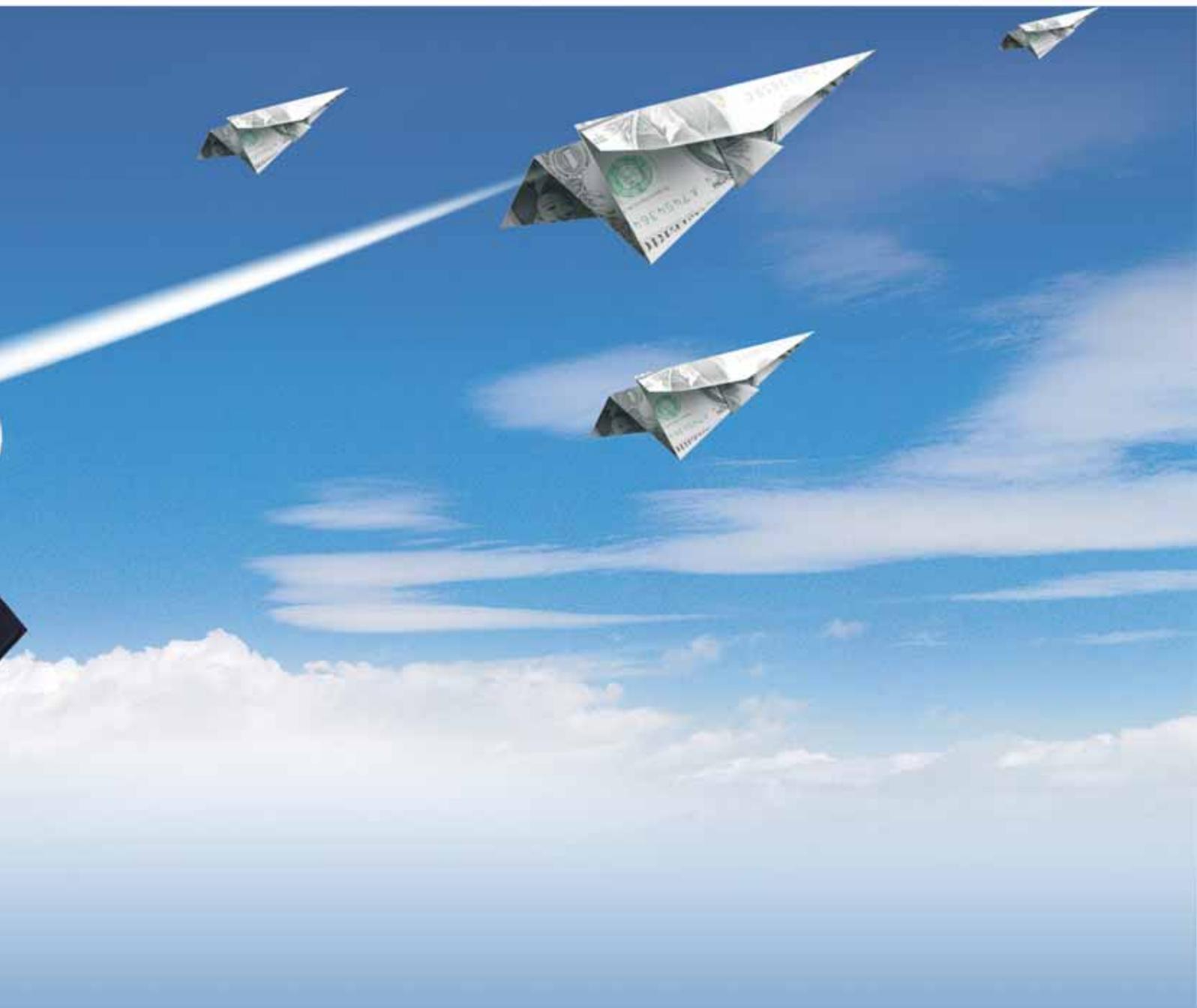
Wang Tianyu was honored as "2009 Zhengzhou annual economic figures."



Chairman, Party Secretary and President Wang Tianyu interview

【源于你心，践于我行】







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Chapter VII  
Introduction to Shareholders' Meeting

## ► Introduction to Shareholders' Meeting

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

During the reporting period, the Company held one shareholders' meeting. On these meetings, 12 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*, *Profit and Expense Budgetary Performance Report 2009 of Commercial Bank of Zhengzhou Co., Ltd*, *Audit Report on Profit Trueness 2009 of Commercial Bank of Zhengzhou Co., Ltd*, *Proposals for Profit and Operating Expenses Budget Program 2010 of Commercial Bank of Zhengzhou Co., Ltd*, *Proposals for Dividends Distribution Program 2009 of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Dividends Distribution Program 2009 of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Duty Fulfillment 2009 of Directors and Independent Directors of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Duty Fulfillment 2009 of Supervisors and Exterior Supervisors of Commercial Bank of Zhengzhou Co., Ltd*, *Report on implementation of Shareholders Meeting Proposals of Commercial Bank of Zhengzhou Co., Ltd*, *Report on Regulation Suggestions for Commercial Bank of Zhengzhou Co., Ltd* by Henan Supervision Bureau of China Banking Regulatory Commission and the Implementation and Rectification of the Company.

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

During the reporting period, there's no change for the directors of the Company. The 2<sup>nd</sup> meeting of the second workers' conference elected Mr. Zhen Pengju as the Employee Supervisor of the Company.



2009 AGM





ANNUAL REPORT 2010

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

## I. Corporate business condition during the reporting period

### (I) Business scopes

The main business of the Company 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 Company 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 Company were as follows:

#### 1. Completion of main business indicators

During the reporting period, total assets of the Company were RMB 57,727 million Yuan, higher than those at beginning of the year (RMB 42,511 million Yuan) by 35.79%, namely RMB 15,216 million Yuan, exceeding the target of this year (RMB 50 billion Yuan). The rate of capital sufficiency was 11.61%, lower than that at beginning of the year (14.92%) by 3.31%; the bad loan ratio was 0.51%, lower than that at beginning of the year (1.51%) by 1%; the provision coverage rate was 425.29%, higher than that at beginning of the year (186.03%) by 239.26%. The three key supervision indicators met the requirements.

#### 2. Risk control and risk solvency

During the reporting period, the Company 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. (1) The overall risk management system was improved gradually. In 2010, the Company perfected the overall risk system under the background of post financial crisis times, established *Liquidity Risk Management Policies*, *Risk Management Policies of Bank Account Rate and Reputation Risk Management Policies*, revised *Overall Risk Management Method*, *Market Risk Management Policies*, *Product Risk Management Policies* and *Compliance Risk Management Policies*, and drew up *Overall Plan for Pressure Test* and pressure test plan for various risk according to regulatory requirements and overall risk management demands. Through the establishment, revise and subsequent implementation of the above methods, policies and plans, the Company perfected institutional framework and authority & responsibility of overall risk management. Which laid a solid foundation for the deeply development of overall risk management work. (2) Risk management and internal control device were more abundant. (i) Through the establishment of 2010 Quality Internal Control Target Index, the Company perfected internal control target index setting and improved the Company's knowledge and understanding of system operation, which provided powerful support for the construction of overall risk management system of the Company. (ii) The development of 2010 overall risk examination work provided basis and reference for understanding the implementation of the overall risk work of the Company, preventing various risks, and improving and perfecting overall risk management system and flow. (iii) The Company established a Legal Affairs Department in this year to combine the function of Asset Protection Department and the legal affairs function of Risk Control Department into together to be responsible for the clearance of non-performing assets and legal affairs for the whole bank, and for the legal training and examining for all staff to strengthen their knowledge on legal services and improve their legal awareness. (iv) Conduct the elimination work for moral risk. As an important aspect for the case prevention and control work of bank industry, moral risk prevention and control is a powerful way for banks to avoid occurrence of illegal and undisciplined cases and to reduce and avoid asset loss. (3) Risk culture construction has been supported popularly. The company has gradually constructed sound risk control and management system frame, has continuously completed the risk management system culture, and simultaneously has further improved the recognition of risk culture theme to make the theme of risk culture constantly been popularly supported. (4) Risk elimination. During the reporting period, the non-performing loans balance for the Company is RMB 136,665,400, i.e. it has reduced by RMB 168,122,900 compared with the beginning of the year, the non-performing loan ratio is 0.51%, i.e. it has reduced by 1% compared with the beginning of the year, the non-performing loan has realized a continuous double decrease and the loan quality has improved steadily.

#### 3. Institutional resource allocation

During the reporting period, the Company had 65 sub-branches in total. In order to further perfect the arrangement of sub-branches and integrate the institutional recourses, the Company increased 59 self-service devices and removed 6 sub-branches to make the distribution of sub-branches more reasonable. Up to now, the Bank has 276 self-service devices in total; there are 1 branch and 2 sub-branches in the urban district newly established.

## ► Report of the Board of Directors

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

During the reporting period, the Company totally issued 1,305,100 pieces of cards. The Balances in these cards were RM 4,985 million Yuan, higher than that of last year by 28.75%, namely RMB 1,113 million Yuan. In 2010, the bank card business innovates and develops further, including the below aspects: 1. provision of processing platforms regarding cross selling of retail business products to offer the clients customized and diversified service; 2. enrichment of the cards and issuance of subject and feature cards, such as Shangding Beauty Card and Shangding Animal Card, extending the range of choice for the clients' cards; 3. delicacy management of VIP clients and successful issuance of VIP card for Bank of Zhengzhou; 4. preparation and issuance of Zhengzhou Social Security - Citizen Card integrating social insurance, financial service application and other functions; 5. transaction of e-bank business, opening a new age of network and electronic payment.

During the reporting period, as a bank for the citizens, the Company has committed itself in a long run to the development and completion for intermediate business relating to people's livelihood. The development condition of the intermediate business is: (1) the development of wealth management products, and there are 4 series successfully issued and qualified self-supporting wealth management products; (2) gradually canceled the counter cash agency service and launched "Jiaofubao" to actually realize one-stop agency service items for citizens for water charges, electric power charges, gas charges, and Netcom telephone charges etc.

### 5. Financial scientific construction

During the reporting period, the working emphasis for the scientific construction of the Company was mainly about works that conducted involving "The construction and relocation of machine room of the new building, the construction of core business system, the construction of safety system, as well as the network alteration, organization architecture and function adjustment of sub-branch" etc, and great improvement has achieved for aspects such as information system construction and safety: (1) Finish the adjustment of information system architecture to provide good supporting platform for the further perfection of information system of the Company; (2) Develop core business system, and establish a set of modernized payment system architecture that is constant in the future certain years and is suitable for the development of midsize banks; (3) Finished the upgrade and alteration work of sub-branch network, and updated the terminal, switch, router and machine cabinet for the sub-branch. The upgrade and update has not only improved the safety of system but also improved the communication speed by about 20 times which has greatly relieved the queuing phenomena for the sub-branch, and at the same time also promoted the image of bank outlets; (4) Comprehensively strengthen the safety system construction of information system. Firstly, supplement the science and technology strength and sub-divide management responsibilities, and finish the recruit work for positions such as network construction and maintenance, system construction and maintenance, data construction and maintenance and system development so as to achieve the object of comprehensively improving the safety management level of information system and optimizing the organization architecture; Secondly, continuously conduct the implementation work of the planing information system safety architecture, system architecture, network architecture, data architecture and organization architecture. A large amount of safety devices and softwares such as KVM application auditing system, WEB application protection, intrusion prevention, and the safe and unifrom login of machine room etc. have been got on line to gradually strengthen the safety level for the network and application system of our bank, and the layout work for the information safety architecture has been basically finished. Thirdly, systems such as super E-bank, horizontal computerized system of fiscus and taxation, and E-notes etc. have been got on line.

### 6. Cost expense control

The Company 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 Company was 35.85%, almost the same with last year.

### 7. Cultural activities in enterprise

In 2010, the enterprise culture construction of our bank has primarily attained systematization and entered culture landing phase, and has obtained the "Zhengzhou Distinguished Contribution Award for Harmonious Culture Construction" that issued by Organization Department of Zhengzhou Municipal Committee and State-owned Assets Supervision and Administration Commission of Zhengzhou: (1) Refine enterprising spirit, (2) Standardize employee's behaviour, (3) Conduct experience communication, (4) Conduct flagraising ceremony, (5) Collect lyrics and oaths, (6) Promote joint construction of the leading party members' groups, (7) Manifest social responsibility.



## Harmonious cultural construction



November 30, 2010, the capital of the bus donation activities, the Bank 13 million donation, by Henan Provincial Party Secretary Wang Lu Zhangong President cordially received

### On-site exchange



### Flag Raising Ceremony



History Hall to witness the establishment of the line struggle

Love to pass here



Line leadership and To Yushu Donation



Line staff to send a warm and children with disabilities living alone



February 11, 2010, past my line of the Central Plains New Year party held tripod

## ► Report of the Board of Directors

### (III) Main operating incomes

Unit: RMB/10,000Yuan

Item	Amount
Income of interest on loan	126,126
Current interest income of financial institutes	30,723
Commission income	4,235
Investment yields	35,311
Variable loss and profit of fair values	-613

### (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 and gas fees.

#### 4. Other service

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

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

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

Unit: RMB/10,000Yuan

Business	Loan amount in 2010	Proportion%
Manufacturing	464634	24.89%
Wholesale and retail	415188.64	22.24%
Individual loans	315402.6	16.89%
Water conservancy, environment and public facility management	158807	8.51%
Real estate industry	124476	6.67%

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

### 1. Main off-balance sheet items

Unit: RMB/10,000Yuan

Item	Year 2010	Year 2009	Year 2008
Interest receivable	7767	13363 (10721)	10606 (8380)
Issuance of letter of guarantee	10913	13133	6483
Credit certificate	—	—	—
Banker' s acceptance bill	588959	448318	261819
Commercial acceptance	—	—	—

### 2. Risk control

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 Company' s fund by financing bills that have no real trade background. Companies unable to provide their own earnest money or unable to confirm 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.

## ► Report of the Board of Directors

### 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 Company 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 Company 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 65 sub-branches (inc. business department of head office) under the Company:

01	Baihua Road Sub-branch No. 29, Baihua road, Zhongyuan district, Zhengzhou, Henan province 0371-67426772	07	Daxue Road Sub-branch No. 18, Daxue road, Erqi district, Zhengzhou, Henan province 0371-66957731	13	High & New Technology Development Zone Sub-branch No. 7, Dongqing street, High & New Technology Development Zone, Zhengzhou, Henan province 0371-67988377
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	08	Dongming Road Sub-branch Kelacheng Building 1-6, No. 143, East Shangcheng road, Guancheng district, Zhengzhou, Henan province 0371-66720066	14	Guancheng Sub-branch No. 206, Shangcheng road, Guancheng district, Zhengzhou, Henan province 0371-66223361
03	North Ring Road Sub-branch No. 170, Nanyang road, Zhengzhou, Henan province 0371-63756671	09	East Area Sub-branch No. 82, Hongzhuang road, Zhengzhou, Henan province 0371-65726365	15	Middle Hanghui Road Sub-branch No. 168, South Jinggung road, Zhengzhou, Henan province 0371-68731209
04	Buchang Street Sub-branch No. 30, Qiaojiamen road, Guancheng district, Zhengzhou, Henan province 0371-66593568	10	Er' ligang Sub-branch No. 245, Chengdong road, Guancheng district, Zhengzhou, Henan province 0371-66323074	16	Huzhu Road Sub-branch No. 73, Huzhu road, Zhongyuan district, Zhengzhou, Henan province 0371-67181148
05	Finance & Economics Sub-branch No. 92, Fengchan road, Zhengzhou, Henan province 0371-65851853	11	Textile Market Sub-branch No. 16118, Middle of West 4th ring road, Zhongyuan district, Zhengzhou, Henan province 0371-67098851	17	Flower Market Sub-branch No. 6, Guoji road, Zhengzhou, Henan province 0371-63729339
06	Dashiqiao Sub-branch No. 87, Jinshui road, Zhengzhou, Henan province 0371-66229857	12	Funiu Road Sub-branch No. 67, West Zhongyuan road, Zhongyuan district, Zhengzhou, Henan province 0371-67638011	18	Huaihe Road Sub-branch Southeast of crossing of Huaihe road and Gongren road, Zhengzhou, Henan province 0371-68981190
				19	Huanghe Road Sub-branch Crossing of Huanghe road nad Dongming road, Zhengzhou, Henan province 0371-65958835

- 20 Exhibition Center Sub-branch  
Crossing of Shangwu Wuhuan road and East 4th Business road, Zhengdong New Area, Zhengzhou, Henan province  
0371-67881197
- 21 Huiji Sub-branch  
At gate of Huiji District Government, Qinghuayuan road, Zhengzhou, Henan province  
0371-63639110
- 22 Jianshe Sub-branch  
No. 66, Gongren road, Zhongyuan district, Zhengzhou, Henan province  
0371-67942460
- 23 Jincheng Sub-branch  
No. 71, North Jingsan road, Zhengzhou, Henan province  
0371-65706208
- 24 Jinhai Avenue Sub-branch  
No. 55, Middle Longhai road, Erqi district, Zhengzhou, Henan province  
0371-67719806
- 25 Jinshui Sub-branch  
No. 109, Jinshui road, Zhengzhou, Henan province  
0371-65947957
- 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 East Longhai Road Sub-branch  
No. 80, East Longhai road, Guancheng district, Zhengzhou, Henan province  
0371-66234966
- 29 West Longhai Road Sub-branch  
No. 97-6, West Longhai road, Zhongyuan district, Zhengzhou, Henan province  
0371-67624928

- 30 Longhai Sub-branch  
No. 98, Middle Longhai road, Zhengzhou, Henan province  
0371-68756636
- 31 Minzhu Road Sub-branch  
No. 2, Minzhu road, Erqi district, Zhengzhou, Henan province  
0371-66223450
- 32 South Third Ring Road Sub-branch  
No. 1 of Bank Building, South gate of New Huazhong Food Town, Zhengzhou, Henan province  
0371-68785045
- 33 Nanyang Road Sub-branch  
No. 113, Nanyang road, Zhengzhou, Henan province  
0371-63736614
- 34 East Nongye Road Sub-branch  
No. 19, East Nongye road, Zhengzhou, Henan province  
0371-65711341
- 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 Zhengbuan road and Yufeng road, Zhengzhou, Henan province  
0371-66347098
- 38 Shangjie Sub-branch  
No. 70, Jiyuan road, Shangjie district, Zhengzhou, Henan province  
0371-68923763
- 39 South Songshan Road Sub-branch  
No. 123 (No. 128, Changjiang road), Building No. 53, Zone 7, "Yaxing Shengshi" home community, northeast of crossing of Changjiang road and South Songshan road, Erqi district, Zhengzhou, Henan province  
0371-67972218

- 40 Ceramics Market Sub-branch  
Crossing of Shangdu road and Zhongzhou road, Guancheng district, Zhengzhou, Henan province  
0371-68095568
- 41 Tianming Road Sub-branch  
1<sup>st</sup> 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 Wuljiao 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, Huanhe road, Zhengzhou, Henan province  
0371-68850299
- 50 West Area Sub-branch  
No. 36, Gongren road, Zhengzhou, Henan province  
0371-67931334

► Report of the Board of Directors

51	Xinji Road Sub-branch Building D, east of Xinji Flavour & Kitchen Ware Square, Zhengzhou, Henan province 0371-60103763	56	Zhenghua Road Sub-branch No. 36, Zhenghua road, Zhengzhou, Henan province 0371-65507551	61	Gongyi Sub-branch No. 66, Renmin road, Gongyi city, Henan province 0371-60328299
52	Xinghua Street Sub-branch No. 39, South Xinghua street, Erqi district, Zhengzhou, Henan province 0371-67180273	57	Zhengtong Road Sub-branch 1st floor, Goba International Plaza, No. 62, Zhengtong road, Erqi district, Zhengzhou, Henan province 0371-68887844	62	Xinmi Sub-branch 5 Xidajie Street, Xinmi City 0371-85803999
53	Yihe Road Sub-branch No. 115-1, Gongren road, Zhengzhou, Henan province 0371-67445411	58	Zhongbo Sub-branch No. 89, Household Electrical Appliances Market, Zhengbian road, Zhengzhou, Henan province 0371-66511742	63	Dengfeng Sub-branch Zhengwei Business Building, No. 212, Songyang road, Dengfeng city, Henan province 0371-62836226
54	Business Department No. 22, Shangwu Wuhuan road, Zhengdong New Area, Zhengzhou, Henan province 0371-67009122	59	Zhongyuan Road Sub-branch 1st floor, Zhongyuan Hotel, No. 200, Tonghai road, Zhengzhou, Henan province 0371-67626296	64	Xinyang Sub-branch East side building of the People's Bank of Xinyang, No. 001, North Jingcheng road, Xinyang city, Henan province 0371-63258865
55	North Yousheng Road Sub-branch No. 3, North Yousheng road, Zhengzhou, Henan province 0371-63915443	60	Xinzheng Sub-branch Southeast corner of crossing of Remin road and Yuqian road, Xinzheng city 0371-62695599	65	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

(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:

- (1) The new Legal Affairs Department was established;
- (2) The new Board of Directors Remuneration and Appraisal Office was established, Asset Protection Department was incorporated into Legal Affairs Department.

2. Changes of branches

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

- (1) Chengdong Road Sub-branch was moved to northeast corner of Shangding Road and East Huanghe Road, New Zhengdong Zone, Zhengzhou and its name was changed to Shangding Road Sub-branch on Jan. 13, 2010. Business of the original Chengdong Road Sub-branch was incorporated into Erligang Sub-branch;
- (2) Qiantang Road Sub-branch was moved to No. 5, West Section of Xidajie Street, Xinmi city and its name was changed to Xinmi Sub-branch on Feb. 21, 2010. Business of the original Qiantang Road Sub-branch was incorporated into Buchang Street Sub-branch;
- (3) Zhengtong Road Sub-branch was moved to 1st Floor, Shenglong International Plaza, No. 62, Zhengtong Road, Erqi District, Zhengzhou City on Jul. 2, 2010;

(4) Dengfeng Sub-branch was established in Dengfeng City on Jul. 2, 2010, and its business address was Zhengwei Trading Tower, No. 212, Songyang Road, Dengfeng City, Henan province;

(5) Nanyang branch was established in Nanyang City on Aug. 5, 2010, and its business address was No. 200, Wolong Road, Wolong District, Nanyang City, Henan Province;

(6) Yongan Street Sub-branch was moved to 1st building-6, Kela City, No. 143, East Shangcheng Road, Guancheng District, Zhengzhou City and its name was changed to Dongming Road Sub-branch on Sep. 13, 2010. Savings business of the original Yongan Street Sub-branch was incorporated into Jinhai Road Sub-branch;

(7) Jingqi Road Sub-branch was moved to 1st building-6, Weilaimingjia Building, No. 866, Weilai Road, Guancheng District, Zhengzhou City and its name was changed to Weilai Road Sub-branch on Sep. 28, 2010. Savings business of the original Jingqi Road Sub-branch was incorporated into Weiwu Road Sub-branch;

(8) Xinyang branch was established in Xinyang City on Oct. 21, 2010, and its business address was east side building of the People's Bank of Xinyang city, No. 001, North Jingcheng Road, Xinyang City, Henan Province;

(9) Head Office Banking Department was moved to No. 22, Shangwuwaihuan Road, New Zhengdong Zone, Zhengzhou city on Oct. 26, 2010;

(10) Xinghua Street Sub-branch was moved to No. 59, Xinghua Street, Erqi District, Zhengzhou City on Dec. 2, 2010.



The first branch opened in Nanyang remote branch line across the regional development is a milestone in the strategy

Xinyang opening

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

Unit: RMB/10,000Yuan

Five-category classification	balance	Proportion %
Normal credit assets	2,209,556.66	97.779
Specially-noticed credit assets	36,528.83	1.616
Substandard credit assets	82.10	0.004
Doubtful credit assets	13,584.44	0.601
Losses credit assets	0	0
<b>Total</b>	<b>2,259,752.03</b>	<b>100</b>

## ► Report of the Board of Directors

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

As at the end of the reporting period, the Company didn't withdraw any depreciation reserves for investment or mortgage debt assets, with deducted RMB 950 thousand Yuan as the depreciation reserves for the long-term equity investment.

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

Unit: RMB/10,000Yuan

Involved branche	Name of lender	Business scope	Balances of loans	Proportion (%)
Business Department	Zhengzhou Shangdu Asset Investment Management Co., Ltd.	Investment	33158	8.77
Business Department	Zhengzhou Extra-budgetary Funds Administration Bureau	Capital construction	30000	7.93
Exhibition Center Branch	Henan Xingaoqi Holdings Co., Ltd.	Investment	30000	7.93
Xinghua Street	Zhengzhou Senwei Forestry Industry Development Co., Ltd.	Capital construction	21000	5.55
High-tech Development Zone	Tianrui Group Zhengzhou Cement Co., Ltd.	Cement	15000	3.97
Tianming Road	Henan Tianlun Gas Engineering Investment Co., Ltd.	Public Enterprise	15000	3.97
Xinzheng Branch	Zhengzhou No.1 Textile Co., Ltd.	Textile	15000	3.97
Business Department	Zhengzhou New Zhengdong District Thermoelectric Co., Ltd.	Electrical Power	15000	3.97
Xinji Road Sub-branch	Kaifeng Aoteng-Shenzhen Expressway Yellow River Bridge Co., Ltd.	Capital construction	15000	3.97
Nanyang Branch	Nanyang Hanye Special Steel Co., Ltd.	Steel	15000	3.97
<b>Total</b>			<b>204158</b>	<b>53.93</b>

During the reporting period, the top ten loanees did not exceed the proportions, where the balances of the greatest single client, Zhengzhou Shangdu Asset Investment Management Co., Ltd., were RMB 331,580,000 Yuan, accounting for 8.77% of the net capital, lower than that at beginning of the year by 28.45%.

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

During the reporting period, the Company 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 Company 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

Unit: RMB/10,000Yuan

Type	2010	2009
Loan on credit	60349	69000
Loan on guarantee	1217361.23	942671
Loan on mortgage and hypothecated loan	982041.80	558565
<b>Total</b>	<b>2259752.03</b>	<b>1570236</b>

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

### (VIII) Aging analysis of overdue loans

Unit: RMB/10,000Yuan

Overdue period	Amount
Up to three months	2121.58
Three months – six months (inclusive)	595.44
One year –three years (inclusive)	8510.64
Over three years	5016.54
<b>Total</b>	<b>16244.2</b>

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

Unit: RMB/10,000Yuan

Name of bonds	Issuing date	Closing date	Interest payment	Interest rate	Par value
03 national debt 09	October 24, 2003	October 24, 2018	Fixed interest rate	4.1800%	10000
06 national debt 01	February, 27, 2006	February, 27, 2013	Fixed interest rate	2.5100%	10000
08 national debt 05	April 21, 2008	April 21, 2013	Fixed interest rate	3.6900%	10000
08 national debt 10	June 23, 2008	June 23, 2018	Fixed interest rate	4.4062%	15000
08 national debt 23	November 27, 2023	November 27, 2023	Fixed interest rate	3.6200%	30000
08 national debt 25	December 15, 2008	December 25, 2018	Fixed interest rate	2.9000%	20000
09 national debt 17	July 30, 2009	July 30, 2016	Fixed interest rate	3.1500%	20000
09 national debt 27	November 5, 2009	November 5, 2019	Fixed interest rate	3.6800%	20000

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

During the reporting period, the Company 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 Company increased RMB 39.35 million Yuan in investment abroad. The Company had no self-operating entity.

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

During the reporting period, the Company made careful plan and arrangement in all links of accepting, investigating and taking back and worked out a specific taking-back plan and asset protection measure for every transferred bad loan to ensure the duty of every transferred loan is clear, its measures are proper, management is fit, and taking-back is powerful. During the reporting period, the balances of this company's bad loan were RMB 136,665,400 Yuan, lower than those at beginning of the year by RMB 168,122,900 Yuan, and the bad loan ratio was 0.51%, lower than that at beginning of the year by 1%. Thus continuous double decrease of bad loan had been realized and the loan quality is increased stably. There were no Extra-credit-granting and extra-authorization phenomenon in the whole year.

### (XIII) Overdue outstanding debts

During the reporting period, the Company had no overdue outstanding debts.

## III. Risk factors and countermeasures facing the Company

### (I) Credit risk

## ► Report of the Board of Directors

The credit risk prevention measures of the Company are as follows: 1. The Company established 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 Company 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 Company 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 Company and combining with the construction and nature, market environment and technical condition of real estate loan business of the Company, the Company carried out pressure test to the real estate loan of the Company and thus strengthened risk prevention and management level. 4. The Company 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 Company regulated and optimized credit construction continuously, carried out line of credit of single client and group clients strictly, constricted superproportional loan and over loan and decreased concentration risk. 6. The Company segmented loan risk classification, strengthened the accuracy of classification, decreased deviation and made the classification play the role of early warning and examination. 7. The Company increased accrued provisions and covered the credit risk completely.

### (II) Market risk

The market risk prevention measures of the Company are as follows: 1. The Company combined Risk Control Department with Capital Operating Department and Finance and Accounting Department, explored market risk management method, established market risk management system and analysis report model initially, developed check and evaluation of market risk business and improved the overall level of market risk management. 2. The Company improved business management system and raised the risk management level. This Company established, revised and improved fundamental documents regarding risk control and the improvement of the business management level of the Company according to the requirement of business development and management, such as Risk Management Policies of Bank Account Rate, Market Risk Management Policies, Assessment Method for Bond Traders, Bond Investment Management Method for Enterprises in Bond Market among Banks, Bond Classification Management Method, Working System for Investment Management Committee and Discounting Business Management Method. 3. The Company actively engaged with developers of market risk system, which laid a solid foundation for the market risk management system of the Company. 4. The Company implemented the national bank rate policy strictly, responded to the marketization of interbank rate actively and improved the risk pricing mechanism for loan rate continuously. 5. The Company implemented restrict management, carried out mark-to-market actively and improved authorization and credit-granting system. 6. The Company carried out pressure test for bond investment business, evaluated risk condition and influence degree when facing extreme risk and improved the risk resistance capacity for bond investment business of the Company.

### (III) Operating risk:

The operating risk prevention measures of the Company are as follows: 1. The Company checked and counted on counter service, and investigated the check status of the big amount business reconciliation and high risk business to set firewall for risk prevention. 2. The Company operated subsequent supervision and risk early warning system on line to prevent risk in advance through early warning model and thus found the risk of hidden dangers in time. 3. The Company summed up working experience, prepared monthly supervision report, circulated information in time and improved the sense of risk and risk identification level of all the employees on the basis of the improvement of rectification rate. 4. The Company regulated and established subsequent supervision and key supervision plan, standardized business operation, identified, controlled and revealed business risk items effectively, and improved supervision efficiency and quality. 5. The Company developed the function of marketing director of Branch, accounting manager, centralized supervisor, subsequent supervision, internal audit and discipline inspection, improved the division of responsibilities mechanism of antecedent, concurrent and subsequent supervision and enhanced check efficiency and effect. 6. The Company developed the activity of Monthly Control of On Counter Operating Risk, which required that every employee be active and of compliance and everything be of compliance, and developed and formed good compliance culture gradually. 7. The Company checked stamp, important blank

certificate and cash of sub-branch and business department comprehensively, and thus promoted the management of cash, stamp and important blank certificate effectively. 8. The company completed bank-enterprise reconciliation smoothly and prevented the potential risk effectively through the enhancement of feedback and control of reconciliation information.

#### **(IV) Product risk**

The product risk prevention measures of the Company are as follows: 1. The Company carried out the innovation for the products and service methods newly developed by the operating department, and improved the risk evaluation system before the product project initiation and approval and carried out the access control on the basis of product project initiation and approval. 2. The Company established the Product Risk Management Policies, amended and supplemented the Product Manual, defined the approval check procedure of new products and service, ensuring that the risks of new products and service should be identified and evaluated before they are executed, and the Company set up the preliminary risk identification and prevention mechanism of new service and products of investment business. 3. The Company enhanced the compliance examination on contracts and agreements to prevent relevant legal risks.

#### **(V) Compliance risk**

The compliance risk prevention measures of the Company are as follows: 1. The Company promoted the compliance risk management and revised the Compliance Risk Management Policies. 2. Through the organization and development of the daily compliance examination, the company enhanced the professional development and moral construction training of new employees, and advanced the compliance sense of all employees. 3. As for the situation that the business process in practice was imperfect and rules and regulations lagged behind business development, the Company revised and improved the rules and regulations. 4. The Company enhanced the examination on legal documents, received the examination of relevant authorities, answered the legal consultation and offered the compliance and law guidance and assistance to business departments and operators. 5. The company implemented learning system to make the employees understand the latest lawful knowledge in time and implement responsibility of their positions. 6. The Company organized the training, exam, quiz and soliciting contributions of legal knowledge and typical cases, for example, property law, and thus increased publicity and education concerning the law and improved law consciousness.

#### **(VI) Information technology risk**

The information technology risk prevention measures of the Company are as follows: 1. The Company carried out daily information technology risk management work according to the requirements of Technology Risk Management Policies. The Company maintained a strict standard for through the examination on the information technology risk contained in new product and system. 2. The Company considered the construction of computer room infrastructure, network, safety system, Disaster Preparation Center in the same city, and information system comprehensively during the computer room construction of the new office building in order to offer good information system platform for the information system construction and safety management of the Company. 3. The Company completed on-line operation of the new core business system and perfected the service function of the Company. 4. The Company completed upgrading work of sub-branch network, made the business system line of the Company have the functions of being offered by different operators, and separating physically management special line from business special line, and thus enhanced the safety of the system. 5. Through safety officer and developer recruitment, the Company regulated information organizational structures comprehensively, separated safety management from safety implementation, established Demand Testing Section, and constantly promoted the implementation of information system safety structure, system structure, network structure, data structure and organizational structure of the Company.

#### **(VII) Liquidity risk**

The liquidity risk prevention measures of the Company are as follows: 1. The Company enhanced the monitoring of liquidity indicators and optimized liquidity indicators by controlling loan-to-deposit ratio strictly, increasing bond investment scale and adjusting assets-liabilities structure. 2. The Company carried out liquidity test by season, combined the maturity gap analysis with cash flow analysis through the pressure test, analyzed objectively its ability to bear the liquidity risk impact and the emergent financing ability in payment difficulties in the environment of macroeconomic control, external market circumstances changes and internal operation pressure, and parsed the problems in liquidity risk condition and management of the Company. 3. The Company enhanced daily fund position management, improved active debt capacity and lowered fundraising cost through buy-back deal in money market and the proper combination of long-term and short-term liability. 4. The Company enhanced inter-bank cooperation, widened fundraising channels and established liquidity preparation with different levels. 5. The

## ► Report of the Board of Directors

Company increased investment and financing and enhanced the efficiency of fund utilization. 6. The Company followed the principle of System First in Business Development and established Finance-Planning Operating Process in order to adapt the requirements of investment business development and standardize finance planning operation. 7. The Company implemented various bank rate policies of the Central Bank strictly and adjusted the legal reserve requirement on deposit promptly and accurately every ten days.

### (VIII) Policy risk

The policy risk prevention measures of the Company are as follows: 1. The Company 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 Company accurately in an integrated and global perspective and provided reference for operating decision. 2. The Company 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 for the adverse effect caused by relevant policies.

### (IX) Reputation risk

The reputation risk prevention measures of the Company are as follows: 1. The Company 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 Company implemented popular sentiment monitoring mechanism, and the office of Sponsoring Department for Popular Sentiment Monitoring monitored reports regarding the Company 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.

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

### (I) Change ranges and reasons of main financial indicators

Unit: RMB/10,000Yuan

Item	Year 2010	Year 2009	Year 2008	Change range	Main reasons
<b>Total assets</b>	<b>5,772,673</b>	<b>4,251,071</b>	<b>3,409,965</b>	<b>35.79%</b>	<b>Increase in loans, investment and due to central bank</b>
Inc. loans	2,679,987	2,020,260	1,620,256	32.66%	Increase in loans
Bond investment	1,388,444	996,816	621,504	39.29%	Increase in bond investment
<b>Total liabilities</b>	<b>5,495,353</b>	<b>4,038,115</b>	<b>3,218,620</b>	<b>36.09%</b>	<b>Insurance of junior bonds and increase in deposits</b>
Inc. accepted money deposits	4,462,880	3,493,955	2,717,142	27.73%	Increase in deposits
Shareholder's equity	277,320	212,956	191,345	30.22%	Net profits of current year
<b>Operating profits</b>	<b>82,085</b>	<b>30,147</b>	<b>29,620</b>	<b>172.28%</b>	<b>Increase in business scale and profit level</b>
Inc. investment yields	35,311	25,091	22,731	40.73%	Increase in bond investment
<b>Net profits</b>	<b>62,911</b>	<b>22,766</b>	<b>19,747</b>	<b>176.34%</b>	<b>Increase in business scale and profit level</b>

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

(1) In the complicated economic environment of post financial crisis times, the Company took Scientific Outlook on Development as guide all the time, thoroughly applied national macroeconomic policies and financial regulation requirement, followed the operating principles of commercial bank, developed the function of finance

...serving economic development, prevented financial risk strictly and realized that all the businesses developed stably, continuously, rapidly, harmonically and healthily.

(II) The Central Bank raised the deposit-reserve ratio for six times and raised the bank rate for two times in this year, monetary policy changed from moderately easy to prudent and banking enhanced counter cyclical prudent macro management. In 2010, the Company implemented various bank rate policies of the Central Bank strictly, adjusted the legal reserve requirement on deposit promptly and accurately every ten days, enhanced liquidity management continuously and widened fundraising channels actively with the average daily liquidity proportion of 46.12% in the whole year and adequate integral liquidity. Benefit should be considered under the premise that safety and liquidity are guaranteed. The Company focused on the monitoring over liquidity indicators and carried out liquidity pressure test regularly. At the same time, the Company enhanced inter-bank cooperation, widened fundraising channels and established liquidity preparation with different levels. In addition, the Company increased investment and financing, enhanced the efficiency of fund utilization, increased the proportion of non-interest income and relieved the policy impact by starting with the adjustment of structure.

(III) The issuance of "three ways, one guide" new loan regulations in succession and the issuance of "Notice on implementing 'the State Council on strengthening local government financing platform for corporate governance issues related notice' related matters" further strengthen the micro-prudential management of banking industry and prevent credit funds from being appropriated beyond real economy. The company enhanced the examination and approval of each loaning segment by drawing up new regulations, adjusting the examination and approval procedure of credit system, amending contract text and new business regulations guidance in light of requirements of various supervision policies. In addition, in light of the requirements of "opening each bag, checking each loan, re-evaluation, correction and preservation" from China Banking Regulatory Commission (CBRC), the Company by adopting "analyzing data, checking up account from four units, analyzing and determining the nature, consolidating statements, unifying talks and examining in the field", effectively buffered the risk of platform loaning and further optimized the risk classification results, which effectively decreased the risk degree.

(IV) In order to consolidate the regulating achievements and promote the healthy development of real estate market, CBRC dynamically adjusted the down payment ratio for the third times since 2007. At the meanwhile, with the continuously enlarging the regulation of real estate and "two high and one left" important industries, the Company fully combed the industry policies concerning real estate and "high energy consumption, high emission", excess production capacity, backward production capacity industries etc., deeply checked all the existing loans, strictly controlled the new addition customers and strengthened the risk regulation of existing customers.

## VI. Business plan of 2010

### (I) Guideline for the work of the Bank

By implementing the spirit of the Central Economic Work Meeting, changing the development mode and exerting special advantages, closely linking with the new objective of "to realize the capitals, deposits and loans to be doubled in three years and quadrupled in five years", the Bank strived to finish all the works solidly, emphasized on increasing funds and stocks, developing across areas, construction of internal control system, personnel training and enterprise culture so as to ensure achieve the first year's strategic objectives of five-year new development plan.

### (II) Main business and management objectives of 2010

- The total assets reached RMB 70 billion Yuan.
- Balances of deposits reached RMB 57.2 billion Yuan (ex. inter-bank deposits).
- Balances of all loans reached RMB 32.0 billion Yuan.
- Take profits RMB 10 million Yuan.
- The rate of capital sufficiency was kept higher than 11%, the balance of bad loans was controlled within 0.6%, the provision coverage rate reached more than 180%. Three key supervision indicators should reach the required standards totally.
- Continue to reduce the loan ratio of maximum unit customer and maximum ten customers, the loan concentration meets the regulatory requirements.
- Continue to enhance regulatory ratings, going up from grade 3 to grade 2.
- Ensure no case or significant accident.

### ► Report of the Board of Directors

#### VII. Profit distribution scheme during the reporting period

According to the audit report issued by Henan Chenghe CPA Firm, the Company totally realized RMB 629.11 million Yuan profits after tax in 2010. According to the provisions of the Articles of Association, the proposed profit distribution schemes of the Company in 2010 are as follows:

—Withdraw RMB 62.91 million Yuan as legal earned surplus reserves advanced according to prescribed proportion 16.5%.

—Withdraw RMB 276.42 million Yuan as the general reserves.

—Undistributed profits are up to RMB 655.97 million Yuan.

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

#### VIII Routine work of the Board of Directors

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

During the reporting period, the Company prepared and held seven board meetings including one conventional meeting and two provisional meetings. On these meetings, 70 proposals were discussed or approved, including annual work report managed by the company operation team, the budgetary performance report of profits and expense, annual report of the board of directors, profit distribution program reported by each professional committee of the board of directors, the revision of compensation management measures for senior executives, investment on establishing Xinmi Zhengyin Rural Brank, branch planning etc.

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

During the reporting period, the company prepared and held one shareholders meeting. This meeting mainly deliberated on 10 proposals including annual report of the board of directors, work report of the supervisory board, annual financial status of the Company, profit distribution program, financial budget program, budget performance status, dividends program etc. The board of directors strictly executed all the resolutions in the shareholders' meeting, which has been fully put into practice.



Twenty-fifth meeting of the Third Board



Twenty-sixth meeting of the Third Board

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



**ANNUAL REPORT 2010**

## ► Report of the Board of Supervisors

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

During the reporting period, the board of supervisors successfully organized and held conventional meetings and provisional meetings. The board of supervisors held 4 conventional meetings and one provisional meeting according to related requirements in 2010, the attendance rate of supervisors is 100%. The meeting respectively examined and approved 23 proposals including *Audit Program on Operation Results Trueness 2009 of Bank of Zhengzhou*, *Proposal on Inviting External Intermediary Agency to Audit the Operation Results Trueness 2009 of Bank of Zhengzhou*, *Audit Report on Operation Results Trueness 2009 of Bank of Zhengzhou*, *Annual Work Report 2009 of the Third Board of Supervisors of Bank of Zhengzhou*, *Proposal on assessing the Duty Fulfillment 2009 of the Third Board of Directors of Bank of Zhengzhou*, *Proposal on assessing the Duty Fulfillment 2009 of the Third Board of Supervisors of Bank of Zhengzhou*, *Proposal on assessing the Duty Fulfillment 2009 of the Supervisors of Bank of Zhengzhou*, *Proposal on assessing the Duty Fulfillment 2009 of Senior Executives of Bank of Zhengzhou*, *Proposal on assessing the Duty Fulfillment 2009 of the Member of Senior Executives of Bank of Zhengzhou*, *Advices on Profit Distribution Program 2009 of Bank of Zhengzhou*, *the Perambulating Research Report of the first half of 2010 by Zhengzhou Bank Supervisory Board*, *Proposal on approving Zhen Pengju Resigned as the Director of Zheng Bank Supervisory Board*, *Proposal on approving Wang Xiaoyu Resigned as the Deputy Director of Zheng Bank Supervisory Board (to preside over work)*, *Proposal on Inviting External Intermediary Agency to audit Small Loans 2009 of Bank of Zhengzhou*, *Proposal on auditing Small Loans 2009 of Bank of Zhengzhou*, *Proposal on nominating Liu Yuhui as the External Supervisor Candidate of Bank of Zhengzhou*, *Audit Program on Operation Results Trueness 2010 of Bank of Zhengzhou*, *Proposal on Inviting External Intermediary Agency to Audit the Operation Results Trueness 2010 of Bank of Zhengzhou*, *Audit Proposal on Former Chairman of Bank of Zhengzhou Jiao Jinrong's Departing from His Post*, *Audit Program on Former Chairman of Bank of Zhengzhou Jiao Jinrong's Departing from His Post*, *Work Plan 2011 of the Nomination Committee of Zhengzhou Bank Supervisory Board*, *Work Plan 2011 of the Audit Committee of Zhengzhou Bank Supervisory Board*, *Work Plan 2011 of Zhengzhou Bank Supervisory Board*. The meetings respectively reported more than ten issues including the supervision situation of Henan Banking Regulatory Bureau, the competition status of work arranged by SASAC Supervisory Board, the implementation situation of operation management work, the issuance of subordinated debt, internal audit, risk management, the implementation of Supervisory Board's resolutions and the implementation of "Supervision Suggestion" of the Supervisory Board.

During the reporting period, the Company successfully organized and held commission meetings of Supervisory Board. In 2010, the 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> meetings of the third Supervisory Board Nomination Committee were separately held, the attendance rate of supervisors was 100%. The meetings examined and approved *Proposal on approving Wang Xiaoyu Resigned as the Deputy Director of Zheng Bank Supervisory Board (to preside over work)*, *Proposal on nominating Liu Yuhui as the External Supervisor Candidate of Bank of Zhengzhou*, *Proposal on approving Zhen Pengju Resigned as the Director of Zheng Bank Supervisory Board*, *Proposal on nominating Zhen Pengju as the Staff Supervisor Candidate of Bank of Zhengzhou*, and submitted to Supervisory Board for examination and approval as per stipulations; the 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> meetings of the third Supervisory Board Audit Committee were separately held, the attendance rate of supervisors was 100%. The meetings examined and approved *Audit Program on Operation Results Trueness 2009 of Bank of Zhengzhou*, *Audit Report on Operation Results Trueness 2009 of Bank of Zhengzhou*, *Proposal on auditing Small Loans 2009 of Bank of Zhengzhou by External Intermediary Agency*, *Work Program on auditing Small Loans 2009 of Bank of Zhengzhou*, *Audit Proposal on Former Chairman of Bank of Zhengzhou Jiao Jinrong's Departing from His Post*, *Audit Program on Former Chairman of Bank of Zhengzhou Jiao Jinrong's Departing from His Post*, *Proposal on Work Plan 2010 of the Audit Committee of the Third Supervisory Board of Bank of Zhengzhou* and *Audit Program on Operation Results Trueness 2010 of Bank of Zhengzhou*, and submitted to Supervisory Board meeting for examination and approval as per stipulations.

During the reporting period, the supervisors were carefully invited to attend the shareholders' meeting. In 2010, all the supervisors attended the annual shareholders' meeting of the Company.

During the reporting period, the supervisors were carefully invited by the Board of supervisors to attend the

meeting of the Board of Directors. In 2010, the supervisors attended the five conventional meetings of the Board of Directors of the Company and actively expressed their opinion and suggestions. On two meetings, the attendance rate of supervisors was 75%; on the other three meetings, their attendance rate was 100%.

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

During the reporting period, the operation and decision-making procedures of the Company 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 Company and shareholders' interests. The following opinions were given:

### (I) Business Achievements Trueness

In March, 2011, the Board of Supervisors entrusted Henan Chenghe CPA Firm to audit the profit trueness in 2010 of Commercial Bank of Zhengzhou Co., Ltd and issue the Audit Report (YCSHZ[2011] No. 032-1). From the audit report, the profits of the Company in 2010 reached RMB 885,811,603.4 Yuan. After examination and review, the Board of Supervisors acknowledged that the business achievements of the Company in 2010 were true.

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

During the reporting period, the Board of Directors can operate, make and carry out development strategy, capitals management, credit risk management, market risk management, operation risk management and internal control, information technology risk management and financial innovation, audit supervision, incentives and restrictions as well as information disclosure based on the stipulated procedure in accordance with the provisions and requirements specified in relevant laws and regulations as well as the Constitution of the Company, and carefully examined and made resolution to efficiently supervise the implementation of works, directed the operation team to make and carry out working measures, voluntarily accepted the supervision of the Supervisory Board, worked diligently and made proper decision so as to promote the works of Board of Directors to be carried out efficiently, accelerate the establishment of legal governance structure of the Company and successfully achieve the tasks and objectives of the Board of Directors. For the above mentioned reasons, the Board of Supervisors considered that the Board of Directors in 2010 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 2010. It is suggested that the Company adopt certain measures to prudently operate within the framework of laws and policies, explicitly set up the risk level to be accepted to ensure the Senior Executives to take necessary measures to identify, measure, monitor and control risks, meanwhile strengthen the guidance and supervision to Senior Executives, and establish proper risk management culture step and step to realize the rapid, healthy, stable and sustainable development.

### (IV) Duty fulfillment of the executives

During the reporting period, the Senior Executives could seriously implement the resolution of the Board of Directors in a truth-seeking and pragmatic manner, work hard with a pioneering spirit, accept the supervision of the Supervisory Board, strengthen internal control, perfect internal control system, insist on the priority of internal control, manage prudently so that the Company achieved the objective of preservation and increase of state-owned assets with distinction, realized the total annual profit of RMB898 million (pre-tax) and 150% of the assigned task of RMB600 million from SASAC with a excess of RMB298 million. The total assets reached to RMB57.727 billion with a growth rate of 35.79%, which is 15.58% higher than the task objective 20.21%. In 2010, the Senior Executives not only achieved all the task objectives and obtained a significant success, but also realized the objective of zero case and zero accident. Thus, the Board of Supervisors considered that the Senior Executives had perfectly fulfilled their duties in 2010. It is suggested that we should further supervise and assess the adequacy and efficiency of internal control system in view of being in rapid development stage, and perfect internal organization structure to ensure the effective implementation of all duties in internal control, establish scientific and effective incentives and restrictions mechanism, intensify the implementation of internal control system, educate favorable enterprise spirit, internal control culture and implementation culture to ensure the fully implementation of the Company's development strategy and management objective.



**牵手一生，  
信赖一生**





ANNUAL REPORT 2010

Chapter X Important Matters

## I. Description of important matters

1. During the reporting period, the address of the company was changed into "No. 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City" from "No. 1 North Yousheng Road, Zhengzhou City"

2. During the reporting period, the legal representative of the Company, Mr. Jiao Jinrong, was replaced by Mr. Wang Tianyu.



1. November 25, 2010 settled in Zhengzhou Bank officially moved Chung Dong New Area CBD
2. Zhengzhou Municipal Committee, vice mayor Hu Quan attended the ceremony. I moved the line
3. Henan Provincial Government Financial Services Office of the Vice Renguo Hao attended the ceremony. I pull the line to move



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

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

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

During the reporting period, the Company had 6 unsentenced debt cases worth RMB 308 Yuan.

## IV. Matters of related party transactions

(I) During the reporting period, any shareholder of the Company 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.

Unit: RMB/10,000Yuan

Name of related party	Client code	Loan during reporting period
Zhengzhou Extra-budgetary Funds Administration Bureau	00525432-5	30000
<b>Total</b>		<b>30000</b>

## ► Important Matters

(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 Company were RMB 300 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.

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

(I) **Major matters concerning trusteeship, contract and lease:** during the reporting period, the Company 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 Company had no other major security matters need to be disclosed.

#### (III) Financial products:

Year 2010 is the initial year for the Company's self-running financial products. The Company totally issued four self-running financial products and collected funds of RMB 110 million during the reporting period, among which the first financial product "No. 1 Jin Wutong Dingcheng" already matured and was paid; the other three products are still in duration.

The products details are as following table:

S/N	Product name	Product launching date	Product type	Collected funds (RMB10 thousands)	Duration(day)	Expected yield	Payment conditions
1	No. 1 Jin Wutong Dingcheng	2010.05.10	Non-guaranteed floating investment gains	5610	184	4%	Already paid
2	No. 2 Jin Wutong Dingcheng-01	2010.10.21	Non-guaranteed investment floating gains	1349	611+365 or terminable	5%+10% Gains with interest	Still in duration
3	No. 1 Jin Wutong Wanjuan	2010.11.24	Non-guaranteed notes floating gains	2000	89	3%	Still in duration
4	No. 3 Jin Wutong Dingcheng	2010.12.1	Non-guaranteed investment floating gains	1640	419	4.8%	Still in duration

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

### VI. Commitment of the Company

During the reporting period, the Company had no commitment to explain.

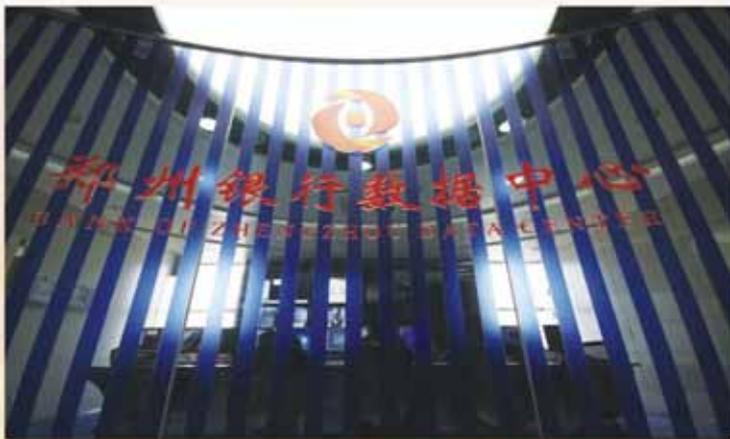
### VII. Appointment and dismissal of CPA firm

During the reporting period, the Company appointed Henan Chenghe CPA Firm to audit financial statement of the Company.

### VIII. Punishment of directors, supervisors and executives

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

with the times



November 19, 2010 I have a new core business systems in line after ten months of hard work, after formally launched



## SOULMATE FLOURISHING

The image features a golden sunset over a vast body of water. In the foreground, the ornate, dark wood steering wheel of a ship is visible, with intricate gold-colored metal fittings and a red gemstone. The sun is low on the horizon, creating a warm, golden glow across the sky and water. The overall mood is one of stability and forward-looking vision.

# 根植郑州 助推经济



经济 共创 辉煌



## ANNUAL REPORT 2010

### Chapter XI Financial Statement

#### I. Audit report ..... 075-110

Financial statement of the Company had been audited by Henan Chenghe CPA Firm according to domestic auditing rules, signed by CPAs Ma Chun'an and Wang Hongkui, with the issued YCSHZ [2011] No.032 standard audit report.

Annex: Audit Report of Bank of Zhengzhou Co., Ltd

#### II. Financial Condition ..... 111-112

## • Audit Report

# BANK OF ZHENGZHOU CO. LTD

## Audit Report

### YCSHZ [2010] No. 032

#### 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, 2010, profit statement of 2010, 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, 2010, business achievements and cash flow of 2010 of the Company in significant aspects.



Chinese CPA:



Chinese CPA:



February 26, 2011

## Balance Sheet

Compiling unit: Bank of Zhengzhou Co., Ltd

December 31, 2010

Unit: RMB Yuan

Assets	Line NO .	Amount at end of period	Amount at beginning of period
<b>Assets</b>	<b>01</b>		
Cash and due from the Central Bank	02	10,119,641,871.16	6,843,311,641.26
Due from banks	03	33,385,128.00	313,420,891.17
Noble metal	04	0.00	0.00
Funds for inter-bank lending	05	0.00	0.00
Tradable financial assets	06	6,071,699,324.90	4,184,478,910.00
Derivative financial assets	07	0.00	0.00
Redemptory monetary capital for sale	08	1,031,933,625.51	0.00
Interest receivable	09	177,742,843.26	133,628,100.50
Granting of loan and imprest	10	26,218,669,066.63	19,635,617,661.58
Financial assets available for sale	11	1,404,470,303.40	1,080,168,200.00
Held-to-maturity investment	12	6,408,265,432.38	4,703,516,880.25
Long-term investment on stocks	13	38,400,000.00	18,400,000.00
Investment real estate	14	0.00	0.00
Fixed assets	15	704,691,033.20	417,625,349.93
Intangible assets	16	19,643,390.39	20,142,864.35
Deferred income tax assets	17	70,266,613.11	73,595,930.30
Other assets	18	5,427,916,504.59	5,086,803,416.44
<b>Total assets</b>	<b>25</b>	<b>57,726,725,136.53</b>	<b>42,510,709,845.78</b>



## Balance Sheet

Compiling unit: Bank of Zhengzhou Co., Ltd.

December 31, 2010

Unit: RMB Yuan

Liabilities and owner's equity	Line NO.	Amount at end of period	Amount at beginning of period
<b>Liabilities</b>	<b>26</b>		
Borrowing from the Central Bank	27	568,573,812.50	870,000,000.00
Due from banks and other financial institutions	28	1,160,160,966.94	1,032,167,180.57
Borrowing from other banks and financial institutions	29	0.00	11,000,000.00
Tradable financial liabilities	30	0.00	0.00
Derivative financial liabilities	31	0.00	0.00
Financial assets sold for repurchase	32	6,561,749,839.79	2,000,000,000.00
Accepted money deposits	33	44,628,803,351.77	34,939,552,404.44
Payroll payable	34	9,448,401.61	6,185,004.98
Taxes payable	35	68,545,287.28	83,716,441.09
Interest payable	36	142,998,127.63	96,970,156.91
Estimated Liabilities	37	48,328,000.00	0.00
Bond payable	38	690,000,000.00	690,000,000.00
Deferred income tax liabilities	39	2,668,780.95	3,850,813.67
Other liabilities	40	1,072,246,764.20	647,703,408.92
<b>Total liabilities</b>	<b>41</b>	<b>54,953,523,332.67</b>	<b>40,381,145,410.58</b>
Shareholder's equity	42		
Capital stock	43	1,433,931,900.00	1,433,931,900.00
Capital surplus	44	65,721,187.60	50,626,622.73
Less: Treasury stock	45	0.00	0.00
Surplus reserve	46	221,163,886.65	158,309,606.28
General risk reserves	47	396,415,217.27	120,000,000.00
Undistributed profits	48	655,969,612.34	366,696,306.19
<b>Total of shareholders equity</b>	<b>49</b>	<b>2,773,201,803.86</b>	<b>2,129,564,435.20</b>
<b>Total liabilities and shareholder's equity</b>	<b>50</b>	<b>57,726,725,136.53</b>	<b>42,510,709,845.78</b>

## Profit and Loss Statement

Compiling unit: Bank of Zhengzhou Co., Ltd

December 31, 2010

Unit: RMB Yuan

Item	2010	2009
<b>I. Income from operation</b>	<b>1,470,151,151.99</b>	<b>1,129,487,098.44</b>
Net income from interest	1,043,833,395.97	831,794,414.98
Income from interest	1,568,494,501.64	1,193,227,426.48
Expenditure for interest	524,661,105.67	361,433,011.50
Net income from handling charges and commission fee	24,484,790.42	22,084,048.95
Income from handling charges and commission fee	42,345,026.96	32,670,656.99
Expenditure for handling charges and commission fee	17,860,236.54	10,586,608.04
Investment yields (filled in "-" if deficiency)	353,107,381.40	250,912,875.77
Inc.: Income from investment on jointly-operated enterprise and joint enterprise		
Income from change of fair value (filled in "-" if deficiency)	-6,124,213.21	-30,716,601.60
Income from exchange (filled in "-" if deficiency)		
Income from other operations	54,849,797.41	55,412,360.34
<b>II. Expenditure for operation</b>	<b>649,300,010.66</b>	<b>828,017,906.41</b>
Business tax and surcharge	74,715,137.17	61,788,311.79
Business and administration expense	526,401,194.63	383,493,452.39
Asset depreciation loss	47,521,455.16	382,300,051.43
Other operating cost	662,223.70	436,090.80
<b>III. Profit from operation (filled in "-" if deficiency)</b>	<b>820,851,141.33</b>	<b>301,469,192.03</b>
Add: Non-operating income	57,579,474.07	1,022,316.18
Less: Non-operating expenditure	50,491,493.72	1,993,981.69
<b>IV. Total profits (filled in "-" if deficiency)</b>	<b>827,939,121.68</b>	<b>300,497,526.52</b>
Less: Income tax expense	198,825,105.92	72,832,643.37
<b>V. Net profit ("-" for loss)</b>	<b>629,114,015.76</b>	<b>227,664,883.15</b>



## Cash Flow Statement

Compiling unit: Bank of Zhengzhou Co., Ltd

December 31, 2010

Unit: RMB Yuan

Item	Amount of this year	Amount of last year
<b>I. Cash flows from operating activities</b>		
Net increase of deposit from client and from banks	9,817,244,733.70	7,520,939,921.61
Net increase of borrowings from the Central Bank	-301,426,187.50	-302,840,000.00
Net increase of borrowing from other financial institutions	-11,000,000.00	-
Cash received of interest, handling charge and commission fee	1,607,965,203.68	1,225,662,258.48
Other cash received relating to operating activities	3,692,270,534.55	257,828,206.85
<b>Sub-total of cash inflows of operating activities</b>	<b>14,805,054,284.43</b>	<b>8,701,590,386.94</b>
Net increase of client's loan and imprest	6,597,264,730.74	4,000,045,290.78
Net increase of deposit in the Central Bank and other banks	2,328,276,495.28	1,098,264,121.77
Cash paid of handling charge and commission fee	497,692,398.88	363,273,228.01
Cash paid to and on behalf of employees	225,364,525.36	248,568,120.63
Taxes paid	306,658,282.85	135,776,133.42
Other cash paid relating to operating activities	240,287,411.19	2,215,257.61
<b>Sub-total of cash outflows of operating activities</b>	<b>10,195,543,844.30</b>	<b>5,848,142,152.22</b>
Net cash flow from operating activities	4,609,510,440.13	2,853,448,234.72
<b>II. Cash flows from investing activities</b>	-	-
Cash received from return of investment	460,744,144,311.77	423,400,022,805.77
Cash receive from investment earning	297,345,508.40	218,447,994.24
Other cash received relating to investing activities	-	-
<b>Sub-total of cash inflows of investment activities</b>	<b>461,041,489,820.17</b>	<b>423,618,470,800.01</b>
Cash paid to acquire investments	464,680,151,586.11	427,239,389,446.32
Cash paid to acquire fixed assets, intangible assets and other long-term assets	302,529,725.29	126,240,378.66
Other cash paid relating to investing activities	-	-
<b>Sub-total of cash outflows of investment activities</b>	<b>464,982,681,311.40</b>	<b>427,365,629,824.98</b>
Net cash flows from investing activities	-3,941,191,491.23	-3,747,159,024.97
<b>III. Cash flows from financing activities</b>	-	-
Cash received from absorbing investment	-	-
Cash received from bonds	-	690,000,000.00
Other cash received relating to financing activities	-	-
<b>Sub-total of cash inflows of financing activities</b>	-	<b>690,000,000.00</b>
Cash repayments of amount borrowed	-	-
Cash payments for distribution of dividends, interests or profits	300,977.45	36,080.85
Other cash payments relating to financing activities	-	-
<b>Sub-total of cash outflows of financing activities</b>	<b>300,977.45</b>	<b>36,080.85</b>
Net cash flows from financing activities	-300,977.45	689,963,919.15
<b>IV. Effect of foreign exchange rate changes on cash</b>	-	-
<b>V. Net increase amount of cash and cash equivalent</b>	<b>668,017,971.45</b>	<b>-203,746,871.10</b>
Add: Cash and cash equivalents balance at beginning of period	2,501,561,482.25	2,705,308,353.35
<b>VI. Cash and cash equivalents balance at end of period</b>	<b>3,169,579,453.70</b>	<b>2,501,561,482.25</b>

Statements of

Compiling unit: Bank of Zhengzhou Co., Ltd.



Item			
	Paid-in capital	Capital surplus	Less: Treasury shares
<b>I. Balance at end of last year</b>	1,433,931,900.00	50,626,622.73	
Add: Change of accounting policy			
Modification of previous error			
Other			
<b>II. Balance at beginning of this year</b>	1,433,931,900.00	50,626,622.73	
<b>III. Amount increased/decreased this year (filled in "-" if deficiency)</b>		15,094,564.87	
(I) Net profits			
(II) Other comprehensive income		15,094,564.87	
Subtotal of above (I) and (II)		15,094,564.87	
(III) Capital increased/decreased by owner			
1. Capital increased by owner at this period			
2. Amount of stock payment counted into owner' s equity			
3. Other			
(IV) Profit distribution this year			
1. Deduction of surplus reserves			
2. Deduction of General risk reserves			
3. Distribution among owners (or shareholders)			
4. Other			
(V) Internal settlement and transfer of owner' s equity			
1. Capital increased by capital reserves			
2. Capital increased by surplus reserves			
3. Loss made-up by surplus reserves			
4. Loss made-up by general risk reserves			
5. Other			
<b>IV. Balance at end of this year</b>	1,433,931,900.00	65,721,187.60	

## Changes in Owner' s

2010 Unit: RMB Yuan

Amount of this year			
Surplus reserve	General risk reserves	Undistributed profits	Total owner' s equity
158,309,606.28	120,000,000.00	366,696,306.19	2,129,564,435.20
158,309,606.28	120,000,000.00	366,696,306.19	2,129,564,435.20
62,854,280.37	276,415,217.27	289,273,306.15	643,637,368.66
		629,114,015.76	629,114,015.76
			15,094,564.87
		629,114,015.76	644,208,580.63
62,854,280.37	276,415,217.27	-339,840,709.61	-571,211.97
62,911,401.57		-62,911,401.57	
	276,415,217.27	-276,415,217.27	
-57,121.20		-514,090.77	-571,211.97
221,163,886.65	396,415,217.27	655,969,612.34	2,773,201,803.86

Statements of

Compiling unit: Bank of Zhengzhou Co., Ltd



Item	Statements of		
	Paid-in capital	Capital surplus	Less: Treasury shares
<b>I. Balance at end of last year</b>	1,433,931,900.00	60,803,240.40	
Add: Change of accounting policy			
Modification of previous error			
Other			
<b>II. Balance at beginning of this year</b>	1,433,931,900.00	60,803,240.40	
<b>III. Amount increased/decreased this year (filled in "-" if deficiency)</b>		-10,176,617.67	
<b>(I) Net profits</b>			
<b>(II) Other comprehensive income</b>		-10,176,617.67	
<b>Subtotal of above (I) and (II)</b>		-10,176,617.67	
<b>(III) Capital increased/decreased by owner</b>			
1. Capital increased by owner at this period			
2. Amount of stock payment counted into owner's equity			
3. Other			
<b>(IV) Profit distribution this year</b>			
1. Deduction of surplus reserves			
2. Deduction of General risk reserves			
3. Distribution among owners (or shareholders)			
4. Other			
<b>(V) Internal settlement and transfer of owner's equity</b>			
1. Capital increased by capital reserves			
2. Capital increased by surplus reserves			
3. Loss made-up by surplus reserves			
4. Loss made-up by general risk reserves			
5. Other			
<b>IV. Balance at end of this year</b>	1,433,931,900.00	50,626,622.73	

## Changes in Owner' s ( Continue )

2010 Unit: RMB Yuan

Amount of last year			
Surplus reserve	General risk reserves	Undistributed profits	Total owner' s equity
135,680,842.90		283,037,435.81	1,913,453,419.11
135,680,842.90		283,037,435.81	1,913,453,419.11
22,628,763.38	120,000,000.00	83,658,870.38	216,111,016.09
		227,664,883.15	227,664,883.15
		227,664,883.15	217,488,265.48
22,628,763.38	120,000,000.00	-144,006,012.77	-1,377,249.39
22,766,488.31	120,000,000.00	-22,766,488.31	
		-120,000,000.00	
-137,724.93		-1,239,524.46	-1,377,249.39
158,309,606.28	120,000,000.00	366,696,306.19	2,129,564,435.20

## ► Financial accounting reports

### Notes to Financial Statements Year 2010

#### 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 1,473,931,900 Yuan; legal representative is Jiao Jinrong; 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 compiled 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, 2010, and operation achievements and cash flows in 2010 truly and completely.

#### IV. Important accounting policies and accounting estimates

The information stated in the financial statements of the Company in 2010 are compiled 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.

## ► Financial accounting reports

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

Except 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 devalued, 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

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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 valued 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.

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### 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

Undistributed profits of RMB 58,637,596.04 Yuan at beginning of the year, surplus reserves of RMB 1,083,489.89 Yuan should be adjusted and increased and the capital reserves of RMB 3,743,945.21 Yuan should be adjusted and reduced due to the adjustment of measurement method of the income tax and financial assets.

(1) Undistributed profits at beginning of the year and tradable financial assets of RMB 15,403,254.66 Yuan should be adjusted and increased as per the fair value.

(2) Saleable financial assets and capital reserves of RMB 4,991,926.95 Yuan should be adjusted and reduced as per the fair value. The capital reserves should be adjusted and increased and the income tax liabilities should be deferred accordingly.

(3) The income tax should be adjusted, the deferred income tax asset of RMB 73,595,930.30 Yuan should be adjusted and increased, the income tax liabilities of RMB 3,850,813.67 should be deferred, and the taxes payable of RMB 24,179,303.62 Yuan should be adjusted and increased. Capital reserves of RMB 1,247,981.74 Yuan, surplus reserves of RMB 1,083,489.89 Yuan and undistributed profits of RMB 43,234,323.38 Yuan at beginning of the year should be adjusted and increased.

### 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, 2010, and the balance at beginning of period indicates the balance on January 1, 2010; the amount of this period stated in the profit and loss statement and cash flow statement indicates the amount from January ,on December 2010, while the amount of last period indicates the amount from January ,on December 2009; 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	347,360,078.69	294,581,850.21
Reserves deposited of Central Bank	9,631,283,792.47	6,425,850,791.05
Financial deposits appropriated of Central Bank	140,998,000.00	122,879,000.00
<b>Total</b>	<b>10,119,641,871.16</b>	<b>6,843,311,641.26</b>

#### (II). Due from banks

Items	Balance at end of period	Balance at beginning of period
Amount from liquidation of due from banks	31,252,652.66	11,341,691.34
General amount of due from banks	2,193,306.46	302,140,030.95
Bad debt reserves of due from banks in China	-60,831.12	-60,831.12
<b>Total</b>	<b>33,385,128.00</b>	<b>313,420,891.17</b>

#### (III). Tradable financial assets

Items	Balance at end of period	Balance at beginning of period
National Bond	823,410,092.00	371,962,400.00
Central bank bill	1,132,207,100.00	307,798,800.00
Financial bond	1,865,623,255.30	3,504,717,710.00
Other	2,250,458,877.60	0.00
<b>Total</b>	<b>6,071,699,324.90</b>	<b>4,184,478,910.00</b>

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

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

#### (V). Interest receivable

Item	Balance at end of period	Balance at beginning of period
Interest receivable of buying back the sale of financial assets	3,926,749.98	0.00
Interest receivable of held-to-maturity investment	62,517,921.35	58,774,265.74
Interest receivable of financial assets available for sale	8,289,247.17	15,464,726.01
Other interest receivable	19,361,940.21	19,361,940.21
<b>Subtotal</b>	<b>197,392,204.83</b>	<b>138,756,006.91</b>
Less: depreciation reserve	19,649,361.57	5,127,906.41
<b>Book value</b>	<b>177,742,843.26</b>	<b>133,628,100.50</b>

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(VI). Granting of loan and imprest

1. Loan and imprest as per individual and enterprise distribution

Item	Balance at end of period	Balance at beginning of period
<b>Individual loan and imprest</b>	<b>4,945,118,314.39</b>	<b>2,680,422,545.71</b>
Housing loan	1,729,076,669.96	808,779,300.83
House refurbishing loan	340,156,030.64	335,528,175.73
Auto loan	1,163,819,056.84	273,336,452.52
Loan on production operations	1,535,887,867.64	1,136,689,394.14
Other	176,178,689.31	126,089,222.49
<b>Corporate loan and imprest</b>	<b>21,854,750,970.70</b>	<b>17,522,182,008.64</b>
Imprest	17,652,402,010.92	13,021,939,045.51
Discount asset	4,202,348,959.78	4,500,242,963.13
Other		
Total loan and imprest	26,799,869,285.09	20,202,604,554.35
<b>Less: Provision for loan loss</b>	<b>581,200,218.46</b>	<b>566,986,892.77</b>
<b>Book value of loan and imprest</b>	<b>26,218,669,066.63</b>	<b>19,635,617,661.58</b>



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

Item / Profession	Balance at end of period		Balance at beginning of period	
	Amount	Proportion	Amount	Proportion
Unit:	2,185,475.10	81.55%	1,752,218.21	86.73%
Farming, Forestry, Animal Husbandry and Fishery Industries	32,170.00	1.20%	10,315.00	0.51%
Mining industry	41,450.00	1.55%	13,000.00	0.64%
Manufacturing	472,813.73	17.64%	203,472.03	10.07%
Production and supply of electric power, fuel gas and water	42,090.00	1.57%	33,600.00	1.66%
Building trade	82,384.52	3.07%	35,483.34	1.76%
Transportation, warehousing and postal services	33,650.00	1.26%	26,855.00	1.33%
Information transmission, computer services and software industry	7,420.00	0.28%	3,065.00	0.15%
Wholesale and retail	311,468.41	11.62%	145,547.41	7.20%
Lodging and catering industry	26,930.00	1.00%	13,995.00	0.69%
Finances	1,900.00	0.07%	1,900.00	0.09%
Real estate industry	168,051.82	6.27%	110,356.70	5.46%
Lease and business affairs services	86,734.00	3.24%	162,986.00	8.07%
Scientific research, technical services and geological prospecting	490.00	0.02%	250.00	0.01%
Water conservancy, environment and public facility management	370,167.00	13.81%	400,150.00	19.81%
Resident services and other services	31,195.15	1.16%	25,315.10	1.25%
Education	48,772.22	1.82%	49,698.33	2.46%
Health care, social security and social welfare	4,300.00	0.16%	4,000.00	0.20%
Culture, sports and entertainment	2,400.00	0.09%	810	0.04%
Public management and social organization	853.35	0.03%	61,395.00	3.04%
Other industries	420,234.90	15.68%	450,024.30	22.28%
<b>Individual loan:</b>	<b>494,511.83</b>	<b>18.45%</b>	<b>268,042.25</b>	<b>13.27%</b>
Housing loan	172,907.51	6.45%	80,877.93	4.00%
Individual other loans	3,065.84	0.11%	1,638.29	0.08%
Employees' loan within the bank	11,234.04	0.42%	9,170.64	0.45%
Auto loan	116,381.93	4.34%	27,333.65	1.35%
Loan on production operations	153,588.79	5.73%	113,668.94	5.63%
Small loan of laid-off and unemployment	3,318.00	0.12%	1,800.00	0.09%
House refurbishing loan	34,015.72	1.27%	33,552.82	1.66%
<b>Total</b>	<b>2,679,986.93</b>	<b>100.00%</b>	<b>2,020,260.46</b>	<b>100.00%</b>

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

Item	Balance at end of period	Balance at beginning of period
Credit loan	603,490,000.00	690,000,000.00
Loan on guarantee	12,173,612,323.52	9,426,714,414.63
Loan with guaranty	9,820,418,001.79	5,585,647,176.59
Inc.: loan on mortgage	8,160,944,651.79	5,070,200,176.59
Hypothecated loan	1,659,473,350.00	515,447,000.00
Discount asset	4,202,348,959.78	4,500,242,963.13
<b>Total loan and imprest</b>	<b>26,799,869,285.09</b>	<b>20,202,604,554.35</b>
Less: Provision for loan loss	581,200,218.46	566,986,892.77
<b>Book value of loan and imprest</b>	<b>26,218,669,066.63</b>	<b>19,635,617,661.58</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)	-	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>

#### 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)	-	1,370,000.00	10,320,000.00	10,320,000.00	-	11,690,000.00
Overdue by 90 days-360 days (including 360 days)	-	770,000.00	38,870,000.00	38,870,000.00	-	39,640,000.00
Overdue by 360 days-3 years (including 3 years)	-	80,227,500.00	47,167,316.00	47,167,316.00	-	127,394,816.00
Overdue by more than 3 years	-	93,806,200.00	43,600,000.00	43,600,000.00	-	137,406,200.00
<b>Total</b>	-	<b>176,173,700.00</b>	<b>139,957,316.00</b>	<b>139,957,316.00</b>	-	<b>316,131,016.00</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		100,013,900.00
Financial bond	959,450,696.70	774,234,100.00
Central bank bill	0.00	205,920,200.00
Other Balance at beginning of period	445,019,606.70	
Subtotal	1,404,470,303.40	1,080,168,200.00
Equity investment		
<b>Total of financial assets available for sale</b>	<b>1,404,470,303.40</b>	<b>1,080,168,200.00</b>
Less: devaluation of financial assets available for sale		
<b>Total</b>	<b>1,404,470,303.40</b>	<b>1,080,168,200.00</b>

## (VIII).Held-to-maturity investment

Item	Balance at end of period	Balance at beginning of period
Balance at beginning of period	4,690,117,136.83	4,483,516,880.25
Inc.: Governmental bond	835,454,649.98	734,492,107.32
Financial bond	3,854,662,486.84	3,749,024,772.93
Other	1,718,148,295.56	220,000,000.00
<b>Total</b>	<b>6,408,265,432.38</b>	<b>4,703,516,880.25</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	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	10,000,000.00	20%	10,000,000.00	10,000,000.00
Xinmi Zhengyin Township Bank Co., Ltd	20,000,000.00	20%	20,000,000.00	
Less: depreciation reserve			950,000.00	950,000.00
<b>Total</b>	<b>39,350,000.00</b>		<b>38,400,000.00</b>	<b>18,400,000.00</b>

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(X). Fixed assets

1. Classification

Item	Balance at end of period	Balance at beginning of period
Fixed assets	869,852,394.07	397,776,191.39
Construction in process	0.00	169,546,477.39
Liquidation of fixed assets	33,715,876.59	33,715,876.59
Less: accumulated depreciation	194,529,327.39	179,065,285.37
Devaluation reserve for fixed assets	4,347,910.07	4,347,910.07
<b>Total</b>	<b>704,691,033.20</b>	<b>417,625,349.93</b>

2. Increase and decrease in fixed assets

Item	Balance at end of period	Increase in this year	Decrease in this year	Balance at beginning of period
<b>Original value of fixed assets</b>	<b>397,776,191.39</b>	<b>483,764,583.39</b>	<b>11,688,380.71</b>	<b>869,852,394.07</b>
House and building	266,748,031.22	415,068,255.07	9,735,786.54	672,080,499.75
Machinery equipments	85,554,802.98	53,896,613.00	131,346.00	139,320,069.98
Tools and apparatus	36,084,628.68	11,720,673.00	1,806,123.17	45,999,178.51
Transportation means	8,179,075.77	2,957,242.32	-	11,136,318.09
Other	1,209,652.74	121,800.00	15,125.00	1,316,327.74
accumulated depreciation	179,065,285.37	24,007,285.87	8,543,243.85	194,529,327.39
House and building	96,695,037.55	8,683,520.51	6,761,018.09	98,617,539.97
Machinery equipments	56,178,288.59	10,015,393.04	121,099.98	66,072,581.65
Tools and apparatus	20,176,489.18	4,151,094.07	1,646,757.03	22,680,826.22
Transportation means	5,067,807.89	1,100,233.91	-	6,168,041.80
Other	947,662.16	57,044.34	14,368.75	990,337.75
<b>Fixed assets depreciation reserves</b>	<b>3,582,352.75</b>	<b>-</b>	<b>-</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>215,128,553.27</b>	<b>483,764,583.39</b>	<b>27,152,422.73</b>	<b>671,740,713.93</b>
House and building	169,120,038.70	415,068,255.07	11,658,288.96	572,530,004.81
Machinery equipment	27,483,203.27	53,896,613.00	10,025,639.06	71,354,177.21
Tools and apparatus	15,201,116.84	11,720,673.00	4,310,460.21	22,611,329.63
Transportation means	3,111,267.88	2,957,242.32	1,100,233.91	4,968,276.29
Other	212,926.58	121,800.00	57,800.59	276,925.99

## (XI). Intangible assets

### 1. Change of intangible assets

Name	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
Original value of intangible assets	29,585,465.50			29,585,465.50
accumulative amortization	9,442,601.15	499,473.96		9,942,075.11
<b>Total</b>	<b>20,142,864.35</b>			<b>19,643,390.39</b>

### 2. Details of intangible assets

Name of assets	Category	User	Construction date	Original value	Accumulated amortization	Net value
Land No. 180 on Xidajie Avenue	Land use right	Business Department Nidjue Branch	1996-01-01	3,322,500.00	1,878,670.65	1,443,829.35
Land use right	Land use right	Business Department of Dushigao Branch	1997-04-18	272,102.00	53,448.47	218,653.53
Land of Longhai Branch	Land use right	Business Department of Longhai Branch	1995-01-01	5,613,420.50	2,815,344.03	2,798,076.47
Land use right in development district	Land use right	Business Department of Jinhai Avenue Branch	1998-01-01	600,000.00	269,361.60	330,638.40
Land use right on Zhengzhou Road	Land use right	Business Department of Head Office	1998-10-01	1,019,000.00	249,655.00	769,345.00
Land on Zhengzhou Road	Land use right	Business Department of Head Office	1996-07-01	10,533,070.00	3,054,590.30	7,478,479.70
Land use right	Land use right	Business Department of Yihe Road Branch	1995-01-01	916,798.00	459,811.89	456,986.11
Development of culture of enterprise business and individual credit system	Non-patent technology	Administrative Department of Head Office	2005-12-09	200,000.00	101,666.67	98,333.33
Land (occupied by office building in Zhengzhou District)	Land use right	Administrative Department of Head Office	2008-05-30	4,198,800.00	286,485.33	3,912,314.67
Land	Land use right	Business Department of Finance & Economics Branch	1993-01-01	2,780,400.00	714,960.00	2,065,440.00
Land on Dengfeng Road	Land use right	Business Department of Shangjie Branch	1998-01-01	129,375.00	58,081.17	71,293.83
<b>Total</b>				<b>29,585,465.50</b>	<b>9,942,075.11</b>	<b>19,643,390.39</b>

## (XII). Deferred income tax assets and liabilities

### 1. Deferred income tax assets

Item	December 31, 2010		December 31, 2009	
	Deductible temporary difference	Deferred income tax asset	Deductible temporary difference	Deferred income tax asset
Provision for possible loan loss	199,916,945.84	49,979,236.46	272,091,742.81	68,022,935.70
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	5,127,906.41	1,281,976.60
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	950,000.00	237,500.00	950,000.00	237,500.00
Fixed assets depreciation reserves	4,347,910.07	1,086,977.52	4,347,910.07	1,086,977.52
Estimated lawsuit loss	48,328,000.00	12,082,000.00	0.00	0.00
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	4,991,926.95	1,247,981.74
Depreciation reserves of other assets	1,000,000.00	250,000.00	0.00	0.00
<b>Total</b>	<b>281,066,452.43</b>	<b>70,266,613.11</b>	<b>294,383,721.19</b>	<b>73,595,930.30</b>

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### 2. Deferred income tax liabilities

Item	December 31, 2010		December 31, 2009	
	Taxable temporary difference	Deferred income tax liability	Taxable temporary difference	Deferred income tax liability
Revenue for fair value change of tradable financial liabilities	9,279,041.45	2,319,760.36	15,403,254.66	3,850,813.67
Unrealized revenue of saleable financial assets	1,396,082.35	349,020.59	0.00	0.00
Other	0.00	0.00	0.00	0.00
<b>Total</b>	<b>10,675,123.80</b>	<b>2,668,780.95</b>	<b>15,403,254.66</b>	<b>3,850,813.67</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 period	Balance at beginning of period
Other account receivable	306,700,237.72	356,725,286.51
Capital in vicarious business	789,765,416.66	404,390,000.00
deferred expenses	2,340,096.67	1,878,376.52
Long-term deferred expenses	21,858,251.41	16,097,872.42
replacement assets	4,313,222,973.74	4,313,252,468.82
Liquidation of inter bank business	570,116.22	0.00
Other assets	1,272,816.00	1,272,816.00
Subtotal	5,435,729,908.42	5,093,616,820.27
Less: depreciation reserves	7,813,403.83	6,813,403.83
Subtotal	7,813,403.83	6,813,403.83
<b>Total</b>	<b>5,427,916,504.59</b>	<b>5,086,803,416.44</b>

Note:1. Other receivables

Main creditors

Account name	Balance at end of period
Shangdu Company	150,840,304.52
Effect payment of Henan Dayong Investment Development Co., Ltd	20,000,000.00
Effect payment deducted by Qixian Court from Henan Dayong Investment Development Co., Ltd	9,588,023.00
North ring house property	9,422,400.00
Construction costs of equipment room in the office building of East Area (Beijing Jietong)	8,717,476.50

2. Long-term deferred expenses

Category	Balance at beginning of period	Increase in this year	Decrease in this year	Inc. Amortized expense in this year	Balance at end of period
Modification expense for fixed assets	14,608,640.76	,864,135.23	4,516,527.84		18,956,248.15
Lease expense	1,021,752.43		257,491.69		764,260.74
Other	467,479.23	1,950,000.00	279,736.71		2,137,742.52
<b>Total</b>	<b>16,097,872.42</b>	<b>10,814,135.23</b>	<b>5,053,756.24</b>		<b>21,858,251.41</b>

3. For other agency business- loan by mandate, the top five are detailed as follows:

Items	Amount
Zhengzhou Weilai Real Estate Development Co.,	41,935,000.00
Hebi Weilai Real Estate Development Co.,	55,950,000.00
Hebi Weilai Real Estate Development Co.,	51,820,000.00
Henna Zhonglianchuang Real Estate Development Co.,	100,000,000.00
Henna Zhonglianchuang Real Estate Development Co.,	105,000,000.00

4. Other assets mainly consist of replacement assets.

(XIV).Borrowing from the Central Bank

Item	Balance at end of period	Balance at beginning of period
Borrowing from the Central Bank	570,000,000.00	870,000,000.00
Again Discount asset	-1,426,187.50	
<b>Total</b>	<b>568,573,812.50</b>	<b>870,000,000.00</b>

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

Item	Balance at end of period	Balance at beginning of period
liquidated inter-bank deposits	161,324,281.97	1,600,000.00
Ordinary inter-bank deposits	998,836,684.97	1,030,567,180.57
<b>Total</b>	<b>1,160,160,966.94</b>	<b>1,032,167,180.57</b>

### (XVI). Borrowing from other banks and financial institutions

Item	Balance at end of period	Balance at beginning of period
Inter-bank borrowing	0.00	11,000,000.00

Notes: the amount of 11,000,000.00 Yuan totally is the overdue borrowings from other banks and financial institutions, into which non-operating income is transferred in the current period.

### (XVII). Financial assets sold for repurchase

Item	Balance at end of period	Balance at beginning of period
Financial assets sold for repurchase	6,561,749,839.79	2,000,000,000.00
Inc.: bond	6,200,000,000.00	2,000,000,000.00
Bills	361,749,839.79	

### (XVIII). Accepted money deposits

Item	Balance at end of period	Balance at beginning of period
Current deposit	24,925,984,885.45	19,746,675,531.12
Corporate call deposit	306,000,000.00	398,300,000.00
Fixed deposit	2,912,613,276.96	1,976,937,876.57
Financial capital to be settled	17,924,729.56	29,016,728.35
Amounts payable on wire transfers received and temporary deposit	158,468,528.73	142,967,834.06
Current savings deposit	5,219,289,902.09	4,215,701,458.75
Personal call deposit	255,701,527.24	122,561,599.52
Fixed savings deposit	5,763,790,039.29	4,631,361,157.96
Guarantee fund	5,069,030,462.45	3,676,030,218.11
<b>Total</b>	<b>44,628,803,351.77</b>	<b>34,939,552,404.44</b>

(XIX). Payroll payable

Item	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
Salary	5,396,494.49	159,315,350.79	156,812,440.20	7,899,405.08
Welfare for workers and staff	660.00	22,393,882.17	22,384,742.17	9,800.00
Social insurance	0.00	29,032,310.00	29,032,310.00	0.00
Public accumulation fund for housing construction	0.00	10,520,766.00	10,520,766.00	0.00
Labor union expenditure	775,514.00	3,186,551.87	2,450,325.91	1,511,739.96
Expenditure for workers and staff education	12,336.49	4,179,061.16	4,163,941.08	27,456.57
<b>Total</b>	<b>6,185,004.98</b>	<b>228,627,921.99</b>	<b>225,364,525.36</b>	<b>9,448,401.61</b>

(XX). Taxes payable

Tax category	Balance at end of period	Balance at beginning of period
Business tax	21,418,501.64	16,900,884.04
Urban construction tax	1,499,295.15	1,183,061.92
Education surcharges	642,555.12	507,026.62
House property tax	1,033,533.40	633,208.29
Land holding tax	173,258.86	173,258.82
Stamp duty	175,404.81	69,650.79
Personal income tax	1,436,174.77	945,563.08
Interest tax payable	40,691.53	64,172.86
Enterprise income tax	42,125,872.00	63,239,614.67
<b>Total</b>	<b>68,545,287.28</b>	<b>83,716,441.09</b>

(XXI). Interest payable

Item	Balance at end of period	Balance at beginning of period
Fixed deposit interest payable	61,008,144.49	31,350,961.06
Fixed savings deposit interest payable	80,727,394.10	65,555,634.20
Interest of financial assets sold for repurchase	1,262,589.04	63,561.65
<b>Total</b>	<b>142,998,127.63</b>	<b>96,970,156.91</b>

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(XXII). Other liabilities

Item	Balance at end of period	Balance at beginning of period
Profit/loss of properties to be settled	110,035.31	83,661.10
Dividends payable	14,821,141.55	15,122,119.00
Other account payable	220,119,504.18	199,504,720.58
Liabilities of agency business	790,061,401.75	405,129,402.00
Other agency businesses	53,644,327.59	33,148,762.66
Discount liabilities	-6,509,646.18	-7,398,531.73
Liquidation of inter bank business	0.00	2,113,275.31
<b>Total</b>	<b>1,072,246,764.20</b>	<b>647,703,408.92</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	40,211,100.15	42,392,465.09
Other account payable	179,908,404.03	157,112,255.49
<b>Total</b>	<b>220,119,504.18</b>	<b>199,504,720.58</b>

2. Liabilities of agency business

Item	Balance at end of period	Balance at beginning of period
consigned deposit	740,126,312.00	405,129,402.00
Inc.: Corporate consigned deposit	672,014,312.00	362,234,112.00
Individual consigned deposit	68,112,000.00	42,895,290.00
consigned investment deposit:	49,935,089.75	
Inc.: principal	49,890,000.00	
Entrusted revenue	45,089.75	
<b>Total</b>	<b>790,061,401.75</b>	<b>405,129,402.00</b>

### 3. Other agency businesses

Item	Balance at end of period	Balance at beginning of period
Expenses paid for another	8,552,763.82	8,107,912.29
Expenses collected for another	7,096,192.87	10,857,538.89
Self-help agency businesses	36,985,450.91	13,815,091.31
Other agency businesses	1,009,919.99	368,220.17
<b>Total</b>	<b>53,644,327.59</b>	<b>33,148,762.66</b>

### (XXIII). 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	137,481.18	95.88%	137,481.18	95.88%
Capital of individual	5,912.01	4.12%	5,912.01	4.12%
<b>Total</b>	<b>143,393.19</b>	<b>100.00%</b>	<b>143,393.19</b>	<b>100.00%</b>

### (XXIV). Capital reserve

Item	Other Capital reserve				Total
	Share premium	Property revaluation appreciation	Fair value change	Other	
Balance at beginning of period		8,850,427.35	-3,743,945.21	45,520,140.59	50,626,622.73
Increase in this year	-		4,791,006.98	10,303,557.89	15,094,564.87
Decrease in this year					0.00
Balance at end of period	-	8,850,427.35	1,047,061.77	55,823,698.48	65,721,187.60

### (XXV). Surplus reserve

Item	Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
Legal surplus reserve	110,112,208.49	62,911,401.57	57,121.20	172,966,488.86
Other Legal surplus reserve	48,197,397.79			48,197,397.79
<b>Total</b>	<b>158,309,606.28</b>	<b>68,322,417.79</b>	<b>2,475,051.56</b>	<b>221,163,886.65</b>

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

### (XXVI). General risk reserves

Balance at beginning of period	Increase in this year	Decrease in this year	Balance at end of period
120,000,000.00	276,415,217.27		396,415,217.27

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(XXVII).Undistributed profit

Items	Amount
<b>Amount at end of last year</b>	<b>308,058,710.15</b>
Add: adjustment of undistributed profits at beginning of the year	
Inc.: Change of accounting policy	
Severe accounting error	
Other adjustment factor	58,637,596.04
<b>Amount at beginning of this year</b>	<b>366,696,306.19</b>
<b>Increase in this year</b>	<b>629,114,015.76</b>
Inc.: amount transferred from net profits of this year	629,114,015.76
Other increase	
<b>Decrease in this year</b>	<b>339,840,709.61</b>
Inc.: surplus reserves withdrawn in this year	62,911,401.57
Withdrawal of general risk reserves	276,415,217.27
Cash dividends distributed in this year	
Stock dividends distributed in this year	
Other decrease	514,090.77
<b>Amount at end of this year</b>	<b>655,969,612.34</b>
Inc.: cash dividends approved by the Board of Directors	

## (XXVIII).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>1,568,494,501.64</b>	<b>1,193,227,426.48</b>	<b>31.45%</b>
-Due from bank	3,943,276.30	1,860,683.08	111.93%
-Due from the Central Bank	91,106,961.11	65,684,378.07	38.70%
-Granting of loan and imprest	1,261,262,214.83	1,035,340,833.15	21.82%
Inc.: loan and imprest	1,261,262,214.83	1,035,340,833.15	21.82%
-Buying back the sale of financial assets	21,864,363.04	1,824,714.55	1098.23%
-Income from discount interest transferred	190,317,686.36	88,516,817.63	115.01%
<b>Expenditure for interest</b>	<b>524,661,105.67</b>	<b>361,433,011.50</b>	<b>45.16%</b>
-Borrowings from banks	29,388,398.06	40,110,055.71	-26.73%
-Accepted money deposits	345,003,037.12	300,172,947.25	14.93%
-Financial assets sold for repurchase	78,548,480.02	16,836,153.60	366.55%
-Issue bond	44,850,000.00	0.00	0.00%
-Expenditure for discount interest transferred	26,846,065.47	4,313,854.94	522.32%
-Again expenditure for discount interest transferred	25,125.00		
<b>Net income from interest</b>	<b>1,043,833,395.97</b>	<b>831,794,414.98</b>	<b>25.49%</b>

## (XXIX).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>42,345,026.96</b>	<b>32,670,656.99</b>	<b>29.61%</b>
-Handling charges of settlement and liquidation	4,004,768.37	3,385,099.21	18.31%
-Handling charges of agency business	14,586,579.01	7,124,069.92	104.75%
-Handling charges and commission fee of guarantee business	5,296,533.69	4,742,388.43	11.68%
-Handling charges of bank card	12,089,487.19	9,816,393.85	23.16%
-Consultancy fee	776,349.34	0.00	0.00%
-Income from handling charges of commission business	924,760.10	654,493.00	41.29%
-Income from handling charges of securities purchase/sale	2,550,005.00	4,845,005.00	-47.37%
-Other	2,116,544.26	2,103,207.58	0.63%
<b>Expenditure for handling charges and commission fee</b>	<b>17,860,236.54</b>	<b>10,586,608.04</b>	<b>68.71%</b>
-Expenditure for handling charges	17,860,236.54	10,586,608.04	68.71%
-Expenditure for commission fee	0.00	0.00	0.00%
<b>Net income from handling charges and commission fee</b>	<b>24,484,790.42</b>	<b>22,084,048.95</b>	<b>10.87%</b>



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### (XXX). 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	121,546,624.46	80,018,034.00
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	0.00
(2) Tradable financial assets	121,546,624.46	80,018,034.00
Investment of saleable financial assets	36,581,572.21	27,729,909.82
Held-to-maturity investment	194,763,184.73	142,844,931.95
Bonus income of long-term investment on stocks	216,000.00	320,000.00
<b>Total</b>	<b>353,107,381.40</b>	<b>250,912,875.77</b>

### (XXXI). Income from other operations

Item	Amount incurred in this period	Amount incurred of last period
Other income	54,849,797.41	55,412,360.34

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

### (XXXII). Operating expenses

Item	Amount incurred in this period	Amount incurred of last period	Compared with same period last year, increase/decrease (%)
Business publicity expenses	55,737,217.20	34,052,100.60	63.68%
Business reception expenses	14,071,787.68	10,209,771.50	37.83%
Business and administration expense	429,026,751.28	313,450,549.43	36.87%
Supervision expense	3,558,152.60	4,936,628.25	-27.92%
Expense for fixed assets depreciation	24,007,285.87	20,844,402.61	15.17%
<b>Total</b>	<b>526,401,194.63</b>	<b>383,493,452.39</b>	<b>37.26%</b>

### (XXXIII). 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	47,521,455.16	382,300,051.43	-87.57%
Inc.: loan loss	32,000,000.00	365,000,000.00	-91.23%

(XXXIV).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	311,324.00	80,675.00	285.90%
Income from asset disposal	16,237,529.08	2,516.00	645270.79%
Cashier rest incomes	27,368.77	66,850.00	-59.06%
Donation incomes	24,500.00	120,000.00	-79.58%
Other non-operating incomes	40,978,752.22	752,275.18	5347.31%
<b>Total</b>	<b>57,579,474.07</b>	<b>1,022,316.18</b>	<b>5532.26%</b>

(XXXV).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	141,760.94	372,824.33	-61.98%
Loss of short-term money received and paid out		1,233.36	-100.00%
Estimated lawsuit loss	48,328,000.00	0.00	0.00
Other non-operating expenditures	1,476,500.00	1,619,924.00	-8.85%
Expenditure from penalty	45,232.78	0.00	0.00
Expenditure from donation	500,000.00	0.00	0.00
<b>Total</b>	<b>50,491,493.72</b>	<b>1,993,981.69</b>	<b>2432.19%</b>

(XXXVI).Cash flow of adjusting net profit into operating activity

Supplementary data	Amount incurred in this period	Amount incurred of last period
<b>1. Cash flow of adjusting net profit into operating activity</b>		
<b>Net profits</b>	<b>629,114,015.76</b>	<b>227,664,883.15</b>
Add: Provision for asset depreciation	61,144,905.93	382,300,051.43
Fixed assets depreciation, oil gas consumption, productive biologic asset depreciation	15,464,042.02	16,998,301.25
Amortization of intangible assets	499,473.96	499,473.96
Amortization of long-term fees to be apportioned	-5,760,378.99	-3,602,537.94
Loss of disposal of fixed assets, intangible assets and other long-term assets	0.00	0.00
Loss of fixed asset retirement	0.00	0.00
Loss of fair value change	0.00	0.00
Financial expense	0.00	0.00
Investment loss	-353,107,381.40	-250,912,875.77
Decrease of deferred income tax asset	-1,769,478.22	-20,456,153.04
Increase of deferred income tax liability	2,319,760.36	-7,679,150.40

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(XXXVI).Cash flow of adjusting net profit into operating activity(Continue)

Supplementary data	Amount incurred in this period	Amount incurred of last period
Decrease of inventory	0.00	0.00
Decrease of operational item receivable	101,602,937.08	-58,518,499.53
Increase of operational item payable	78,914,300.76	-146,607,094.46
Other	4,081,088,242.86	2,713,761,836.07
<b>Net cash flow from operating activities</b>	<b>4,609,510,440.13</b>	<b>2,853,448,234.72</b>
<b>2. Important investment and financing activities not involved with cash flow:</b>		
Transfer debt into capital	0.00	0.00
Transferable company bond matured within one year	0.00	0.00
Fixed assets under operating lease	0.00	0.00
<b>3. Net change of cash and cash equivalent</b>		
Cash balance at end of period	3,169,579,453.70	2,501,561,482.25
Less: Cash balance at beginning of period	2,501,561,482.25	2,673,349,377.68
Add: Cash equivalent balance at end of period	0.00	0.00
Less: Cash equivalent balance at beginning of period	0.00	31,958,975.67
<b>Net increase amount of cash and</b>	<b>668,017,971.45</b>	<b>-203,746,871.10</b>

(XXXVII).Cash and cash equivalent

Items	Amount incurred in this period	Amount incurred of last period
<b>I. Cash</b>	<b>3,169,579,453.70</b>	<b>2,501,561,482.25</b>
Inc.: Cash in treasury	347,360,078.69	294,581,850.21
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	2,788,773,415.89	1,902,364,782.72
Due from banks	33,445,959.12	304,614,849.32
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>3,169,579,453.70</b>	<b>2,501,561,482.25</b>
Inc.: Cash and cash equivalent with their use limited in parent company or group company	0.00	0.00

## VII. Relationship of related party

### (I). Related party with control relationship

Name of related party	Relationship with this company	Share amount (10,000 Yuan)	Share proportion
Zhengzhou Municipal Financial Bureau	Holding shareholder	49,090	34.23%

### (II). Related party without control relationship with the Company (shareholder whose share proportion is greater than 5% )

Name of related party	Relationship with this company	Share amount (10,000 Yuan)	Share proportion
Henan Investment Group Co., Ltd	Shareholder unit	8,173	5.69%
Bridge Trust Investment Co., Ltd	Shareholder unit	7,300	5.09%

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

### (I) Off-balance sheet items

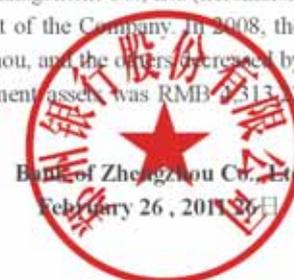
Items	Amount incurred in this period	Amount incurred of last period
Issuance of letter of guarantee	109,125,762.23	131,325,890.00
Bank acceptance	5,889,594,174.90	4,483,183,935.32
<b>Total</b>	<b>5,998,719,937.13</b>	<b>4,614,509,825.32</b>

### (II) Circumstances of Lawsuit

Up to the end of 2010, the Company was involved in several claim events as the defendant. On December 31, 2010, the Company as defendant had been involved in 10 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

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 net assets decreased by RMB 468.89 million Yuan totally. By December 31, 2010, the balance of replacement assets was RMB 2,313.22 million Yuan.



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### • Financial Condition

#### I. Assets and Liabilities

As of the end of 2010, the total assets are 57.72673 billion RMB Yuan. There is a 35.79% yearly increase i.e. 15.21602 billion RMB Yuan compared with the amount in 2009 and a 69.29% increase i.e. 23.62708 billion RMB Yuan compared with the amount in 2008. Among that, loans of commercial banks at the year-end are 26.79987 billion RMB Yuan; there is a 32.66% yearly increase i.e. 6.59727 billion RMB Yuan compared with the amount in 2009 and a 65.41% increase i.e. 10.59731 billion RMB Yuan compared with the amount in 2008.

As of the end of 2010, the total liabilities are 54.95353 billion RMB Yuan. There is a 36.09% yearly increase i.e. 14.57238 billion RMB Yuan compared with the amount in 2009 and a 70.74% increase i.e. 22.76733 billion RMB Yuan compared with the amount in 2008. Among that, the outstanding of deposits at the year-end are 44.62880 billion RMB Yuan; there is a 27.73% yearly increase i.e. 9.68925 billion RMB Yuan compared with the amount in 2009 and a 64.25% increase i.e. 17.45738 billion RMB Yuan compared with the amount in 2008.

#### II. Shareholders' Equity.

As of the end of 2010, the total shareholders' equity of the bank is 2.77320 billion RMB Yuan. There is a 30.22% yearly increase i.e. 643.64 million RMB Yuan compared with the amount in 2009 and a 44.93% increase i.e. 859.75 million RMB Yuan compared with the amount in 2008. The shareholders' equity increases due to the fact that there are more net profits generated from the improved earnings.

#### III. Financial Operation

As of the end of 2010, the turnover of the bank is 2.07025 billion RMB Yuan, the expense is 1.24231 billion RMB Yuan. The total profits are 827.94 million RMB Yuan, thus there is a 175.52% yearly increase i.e. 527.44 million RMB Yuan compared with the amount in 2009. The net profits are 629.11 million RMB Yuan, thus there is a 176.33% yearly increase i.e. 401.45 million RMB Yuan compared with the amount in 2009. The business like deposits, loans, and investments keep increasing in a rapid, constant, and robust manner. The earnings have been improved and the financial conditions have been perfected.

#### IV. Realization and Distribution of the Profits and Tax Payment

As of the end of 2010, the book profits of the bank are 827.94 million RMB Yuan. The accrued business income taxes are 198.83 million RMB Yuan. The net profits after tax are 629.11 million RMB Yuan. The accrued legal earned surplus reserve is 6,291 RMB Yuan. The accrued loan loss provision is 276.42 million RMB Yuan. The total amount of undistributed profits as of the end of 2010 is 655.96 million RMB Yuan after writing off 0.51 million RMB Yuan for the prior year income adjustment.

## V. Key Indicators

- 1.The loan-deposit ratio analysis: 59.37% in 2010. The loan approvals are controlled in a good order.
- 2.The return on assets: The earnings of the bank has been improved in 2010. The return on assets is 1.26%, there is an increase of 0.67% compared with the return on assets of 0.59% in the previous year.
- 3.The rate of capital sufficiency: 11.61% in 2010. There is a decrease of 3.31% compared with the rate of capital sufficiency of 14.92% in the previous year.

## VI. Others

Nil.





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Chapter XII Integrity, rationality and effective explanation of internal control system

## **I Brief introduction to internal control of the Company**

### **(I) Internal control environment**

The first is the Company 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 Company 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 Company'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 Company developed and perfected the company'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 Company 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 Company and also the maximum shareholders' value. The third is the Company implements full risk management. By the setting and adjustment of the institutions and positions, the risk management framework already improved, at present, the risk management system of four levels has formed including the Board of Directors, Senior Executives, risk control department of the Head Office and business operation department. The risk management committee of the Board of Directors and the Risk Management Office are responsible for the design of general risk framework, the risk policy making, overall risk supervision control; the audit committee of the Board of Directors and Internal Examination Office are responsible for the internal audit and the assessment of internal control; the Risk Management Committee of Senior Executives and Risk Control Department are responsible for the risk monitoring, post-supervision and centralized supervision, flow control of the quality management system. The full framework of comprehensive risk management system realized the scientific and efficient management to the business of the Head Office, each department and each branch and resolved various risks effectively so as to ensure the successful realization of various management measures and operation objectives.

### **(II) Construction condition of internal control of the Company**

The first is to further complete internal control system. During the reporting period, the Company systemized all the systematic documentations, among which newly added 6 rules, revoked 5 old rules and amended 82 rules. By December 31st of 2010, there are totally 322 systematic documentations. 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 Company 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 Company.

## **II. Appraisal and recognition for the validity of internal control system**

The Board of Directors of the Company thought that, according to ISO9001-2000 quality management system, the Company has already set up the integrated, rational and legal internal control system, improved the validity and efficiency of the Company's quality management system, and reached the good internal control management statue. Although the Company'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 Company (YCSHZ [2011 | No. 032-2)**

## ► Integrality, rationality and effective explanation of internal control system

### Shareholders of Bank of Zhengzhou:

We are entrusted to review the effectiveness of internal control relating to the financial statement on December 31, 2010 established by the management of Bank of Zhengzhou C., Ltd (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 establishes and maintains an effective internal control relating to financial statement at all important aspects on December 31, 2010 in accordance with Internal Accounting Control Criteria- Basic Regulations (Interim) issued by the Ministry of Finance.



Chinese CPA:



Chinese CPA:



February 15, 2011

Chapter XIII Reference Document



ANNUAL REPORT 2010

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

II. Accounting statements with signatures of the Company'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*



**BANK OF ZHENGZHOU CO.,LTD.**

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