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PING AN

Insurance • Banking • Investment

中国平安保险(集团)股份有限公司

Ping An Insurance (Group) Company of China, Ltd.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2318)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rules 13.09(1) and 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The “Audited Pro Forma Consolidated Financial Statements of Shenzhen Development Bank Co., Ltd. for 2009 and six-month period ended 30 June 2010”, which is published by Ping An Insurance (Group) Company of China, Ltd. on the website of Shanghai Stock Exchange, is reproduced herein for your reference.

By order of the Board

Yao Jun

Company Secretary

Shenzhen, PRC, September 14, 2010

As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Cheung Chi Yan Louis, Wang Liping and Yao Jason Bo; the Non-executive Directors are Lin Lijun, Chen Hongbo, Wong Tung Shun Peter, Ng Sing Yip, Li Zhe, Guo Limin and David Fried; the Independent Non-executive Directors are Chow Wing Kin Anthony, Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Ka Sze Carmelo and Chung Yu-wo Danny.

Important Notice

The attached pro forma consolidated financial statements have been translated from the financial statements prepared in Chinese for reference by the Company's management. In the event of any differences in interpreting the pro forma consolidated financial statements, the financial statements in Chinese shall prevail.

Shenzhen Development Bank Co., Ltd.

Audited Pro Forma Consolidated Financial Statements

For 2009 and six-month period ended 30 June 2010

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Special Purpose Auditors' Report

Ernst & Young Hua Ming (2010) Zhuanzi No. 60438538_H06

To the shareholders of Shenzhen Development Bank Co., Limited

We have audited the accompanying pro forma consolidated financial statements of Shenzhen Development Bank Co., Ltd. (the "Company") prepared in accordance with the basis of preparation set out in Note III of the pro forma consolidated financial statements, which comprise the pro forma consolidated balance sheet as at 31 December 2009 and 30 June 2010, and the pro forma consolidated income statement for the year and the six-month period then ended and notes to the pro forma consolidated financial statements. Management is responsible for preparing the pro forma consolidated financial statements in accordance with the basis of preparation set out in Note III of the pro forma consolidated financial statements. This responsibility includes: (1) designing, implementing and maintaining the internal control relevant to the preparation of the pro forma consolidated financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these pro forma consolidated financial statements based on our audit.

We conducted our audit in accordance with the Chinese Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the pro forma consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the pro forma consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the pro forma consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of the pro forma consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the pro forma consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the above pro forma consolidated financial statements have been prepared in accordance with the basis of preparation set out in Note III of the pro forma consolidated financial statements, and present fairly, in all material aspects, the pro forma consolidated financial positions as of 31 December 2009 and 30 June 2010 and the pro forma consolidated results of operations for the year and the six-month period then ended as prepared by the Company according to the basis of preparation.

This special purpose auditors' report of the pro forma consolidated financial statements is issued only for the filing to CSRC and other relevant regulators in connection with the issue of the Company's shares to Ping An Insurance (Group) Company of China, Ltd. for the acquisition of the shares of Ping An Bank Co., Ltd. and is not appropriate for other purposes.

Ernst & Young Hua Ming (chop)

Chinese Certified Public Accountant: Zhang Xiaodong
(signature and personal chop)

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Xu Xuming
(signature and personal chop)

14 September 2010

SHENZHEN DEVELOPMENT BANK CO., LTD.
PRO FORMA CONSOLIDATED BALANCE SHEET
31 December 2009 and 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note VI	2010-6-30	2009-12-31
ASSETS:			
Cash on hand and due from the Central Bank	1	86,530,166	79,649,237
Precious metals		2,227	3,302
Placements of deposits with other financial institutions	2	14,264,725	32,351,930
Funds loaned to other financial institutions	3	6,654,807	9,829,121
Financial assets at fair value through profit or loss	4	5,721,097	2,674,243
Derivative financial assets	5	207,710	107,230
Reverse repurchase agreements	6	69,708,693	54,466,980
Accounts receivables	7	12,759,385	7,831,930
Interest receivable	8	3,051,850	2,532,274
Loans and advances	9	488,260,907	462,353,481
Available-for-sale financial assets	10	81,926,662	76,199,014
Held-to-maturity investments	11	53,251,879	44,931,829
Receivables	12	27,592,100	30,427,100
Long term equity investments	13	409,210	417,492
Investment properties	14	608,194	581,727
Fixed assets	15	2,954,061	2,574,654
Intangible assets		286,916	317,228
Goodwill (Note III. 3)		13,665,746	13,665,746
Deferred tax assets	16	1,917,666	1,782,399
Other assets	17	1,985,575	2,561,062
TOTAL ASSETS		871,759,576	825,257,979

SHENZHEN DEVELOPMENT BANK CO., LTD.
PRO FORMA CONSOLIDATED BALANCE SHEET (continued)
31 December 2009 and 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note VI	2010-6-30	2009-12-31
LIABILITIES:			
Due to the Central Bank		1,203,900	-
Placements of deposits from other financial institutions	19	69,164,486	100,313,065
Funds borrowed from other financial institutions	20	9,402,556	12,609,545
Derivative financial liabilities	5	168,800	31,728
Repurchase agreements	21	31,155,487	33,516,384
Customer deposits	22	673,827,296	603,700,647
Employee benefits payable	23	1,808,132	2,137,652
Tax payable	24	823,512	759,996
Accounts payables		2,297,876	1,210,603
Interest payable	25	4,220,759	4,290,796
Bonds payable	26	12,427,639	12,422,890
Provisions	27	76,102	100,090
Deferred tax liabilities	16	220,980	220,472
Other liabilities	28	2,558,002	2,488,774
TOTAL LIABILITIES		<u>809,355,527</u>	<u>773,802,642</u>
SHAREHOLDERS' EQUITY:			
Share capital	29	5,123,351	4,743,771
Capital reserve	30	41,030,949	34,384,137
Surplus reserve	31	1,283,957	1,283,957
General reserve	32	4,676,276	4,676,276
Unappropriated profit	33	8,733,053	4,910,055
Minority interests		1,556,463	1,457,141
TOTAL SHAREHOLDERS' EQUITY		<u>62,404,049</u>	<u>51,455,337</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>871,759,576</u>	<u>825,257,979</u>

Page 2 to page 107 of the pro forma consolidated financial statements have been signed by:

Legal representative _____ Acting president _____ Chief financial officer _____ Accounting manager _____

Company chop _____

SHENZHEN DEVELOPMENT BANK CO., LTD.
PRO FORMA CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note VI	Jan-Jun 2010	2009
I. Operating income			
Interest income	34	16,525,061	28,593,707
Interest expense	34	(6,683,991)	(12,249,061)
Net interest income	34	9,841,070	16,344,646
Fee and commission income	35	1,242,909	1,868,734
Fee and commission expense	35	(173,315)	(271,185)
Net fee and commission income	35	1,069,594	1,597,549
Investment income	36	211,130	275,328
-Share of profits of associates		40,824	18,336
Gains or losses from changes in fair values of financial instruments	37	10,024	203,682
Gains or losses from changes in fair values of investment properties		12,538	53,241
Net foreign exchange difference	38	117,919	266,483
Other operating income	39	60,633	124,645
Total operating income		11,322,908	18,865,574
II. Operating costs			
Business tax and surcharge	40	(792,280)	(1,367,067)
Business and administrative expenses	41	(5,046,278)	(8,845,743)
Total operating costs		(5,838,558)	(10,212,810)
III. Operating profit before impairment losses on assets		5,484,350	8,652,764
Impairment losses on assets	42	(576,486)	(1,758,009)
IV. Operating profit		4,907,864	6,894,755
Add: Non-operating income		102,807	75,707
Less: Non-operating expenses		(9,655)	(58,397)
V. Profit before tax		5,001,016	6,912,065
Less: Income tax expense	43	(1,090,645)	(1,300,278)
VI. Profit for the period/year		3,910,371	5,611,787
Of which: Attributable to equity holders of the parent		3,822,997	5,553,915
Minority interests		87,374	57,872
VII. Earnings per share			
Basic earnings per share (Renminbi Yuan)	44	0.81	1.17
Diluted earnings per share (Renminbi Yuan)	44	0.81	1.17
VIII. Other comprehensive income for the period/year, net of tax	45	131,073	(1,045,290)
IX. Total comprehensive income for the period/year, net of tax		4,041,444	4,566,497
Of which: Attributable to equity holders of the parent		3,942,121	4,516,930
Attributable to minority interests		99,323	49,567

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION OF COMPANIES

(a) General information of Shenzhen Development Bank Co., Ltd.

Shenzhen Development Bank (the "Company") was established in the People's Republic of China (the "PRC") as a result of the restructuring of six agricultural credit co-operatives into a joint stock commercial bank with limited liability. The Company was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Company was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001.

The institution number of the Company on the 00000028 approval document issued by the China Banking Regulatory Commission ("CBRC") is B0014H144030001. The business licence number of the Company issued by the Shenzhen Municipal Administration of Industry and Commerce is 440301103098545.

The Company is principally engaged in authorised commercial banking business activities.

The registered office of the Company is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, PRC. Headquartered in Shenzhen, the Company operates its business in Mainland China.

(b) General information of Ping An Bank

Ping An Bank Co., Ltd. (hereafter referred to as "Ping An Bank"), previously known as Shenzhen Ping An Bank Co., Ltd., was formed on 16 June 2007 after Shenzhen Commercial Bank Co., Ltd. ("SZCB") merged with Ping An Bank Company Limited by absorption. Shenzhen Ping An Bank Co., Ltd. was renamed as "Ping An Bank Co., Ltd." with approval from the Shenzhen Municipal Administration of Industry and Commerce on 10 February 2009.

As at 30 June 2010, Ping An Bank has nine branches in Shenzhen, Shanghai, Fuzhou, Quanzhou, Xiamen, Hangzhou, Guangzhou, Dongguan and Huizhou. The registered capital of Ping An Bank is RMB8,622,824,478 Yuan as at 30 June 2010. The institution number of Ping An Bank on 00012580 approval document issued by CBRC is B0289H244030001. The business license number issued by Shenzhen Municipal Administration of Industry and Commerce is 440301103256945.

Ping An Bank is principally engaged in authorised commercial banking business activities.

II. PROPOSED BUSINESS COMBINATION PLAN

The Company signed a conditional share placement agreement with Ping An Insurance (Group) Company of China, Ltd. ("China Ping An") on 1 September 2010. Such agreement was approved by the Board of Directors of the Company on 1 September 2010. Furthermore, on 14 September 2010, the Company signed a supplementary agreement relating to the conditional share placement agreement dated 1 September 2010. In accordance with the above agreements, the proposed acquisition cost of China Ping An for the share placement of approximately 1,638,337 thousand shares of the Company includes the holding of 7,825,181,106 shares of Ping An Bank (representing approximately 90.75% of total share capital of Ping An Bank) and RMB2.690 billion cash.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

II. PROPOSED BUSINESS COMBINATION PLAN (continued)

There are several conditions that need to be satisfied prior to the completion of the business combination. Such conditions include, but not limited to, the shareholders' approval of both the Company and China Ping An as well as the approval from China Securities Regulatory Commission ("CSRC") and other relevant regulators.

The Company and Ping An Bank are collectively referred to as "the enlarged Group" hereafter.

III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

According to the requirements of the "Rule No. 26 on Content and Format of Information Disclosure by Companies with Securities Issued Publicly - Application Documents for the Material Asset Reorganisations of Listed Companies (hereafter referred to as "Rule No. 26") issued by CSRC, the Company has prepared the pro forma consolidated financial statements of the enlarged Group in respect of the business combination as set out in Note II. The pro forma consolidated financial statements comprise the pro forma consolidated balance sheets as at 31 December 2009 and 30 June 2010 and the pro forma consolidated income statements for the year 2009 and the six-month period ended 30 June 2010, and notes to the pro forma consolidated financial statements. The pro forma consolidated financial statements are reported by the Company and have been prepared according to the Company's accounting policies as well as the bases described below.

- (1) The pro forma consolidated financial statements have been prepared based on the assumptions that the business combination were completed on 1 January 2009 (hereafter referred to as "the acquisition date"). In connection with this, based on the shareholding structure on the acquisition date (i.e., on the acquisition date, China Ping An has transferred its holding of 90.04% of Ping An Bank to the Company), the pro forma consolidated financial statements have been prepared based on the financial statements of the Company for the year 2009 and the six months ended 30 June 2010 (hereafter referred to as "the reporting period") audited by Ernst & Young Hua Ming (hereafter referred to as the "Company's financial statements") as well as the financial statements of Ping An Bank for the reporting period audited by Ernst & Young Hua Ming (hereafter referred to as "Ping An Bank's financial statements"), with the adjustments relating to the matters set out in Note III.3 below.
- (2) During 2009, the paid-up capital and capital reserve of Ping An Bank increased by RMB3.162 billion and RMB1.831 billion, respectively after the right issue. In connection with this, it is assumed that the right issue had been completed on 1 January 2009 for the purpose of the pro forma consolidated financial statements and a receivable of capital injection from shareholders amounting to RMB4.993 billion was included in the identifiable net assets.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (3) The shareholding of Ping An Bank by China Ping An increased from 90.04% as at 1 January 2009 to 90.75% as at 31 December 2009. However, considering that the above changes did not have any material impact on the pro forma consolidated financial statements, it is assumed that the shareholding of Ping An Bank by China Ping An remains at 90.04% during the reporting period for the purpose of the pro forma consolidated financial statements.
- (4) It is assumed that the Company had completed the share issue of 1,638,337 thousand ordinary shares, with a par value of RMB1 Yuan each, on 1 January 2009 for the business combination. These shares are issued at RMB17.75 per share. The proceeds of the above share issue amounted to RMB29,080,476 thousand, of which, RMB27,442,139 thousand that exceeded the par value was recorded in the capital reserve. For the purpose of the pro forma consolidated financial statements, it is assumed that the fair value of the contingent compensation from China Ping An in respect of any shortfall in actual earnings for the years of 2010 and 2011 of Ping An Bank when comparing with its corresponding profit forecast would be zero. Consequently, the difference between the fair value of the shares issued less the cash received from China Ping An amounting to RMB2,690,052 thousand would be the cost of combination for acquiring the 90.04% shareholding of Ping An Bank. In addition, costs directly attributable to the business combination and the related professional fees paid to intermediaries were not considered for the purpose of the pro forma consolidated financial statements.
- (5) The fair values of the identifiable net assets of Ping An Bank were based on the valuation on the acquisition date (i.e. 1 January 2009) performed by professionally qualified valuers. Valuers would consider the realised values of the material items of fixed assets, intangible assets, long term equity investments, repossessed assets and investment properties that had been disposed of during the reporting period for their respective fair values as of 1 January 2009.
- (6) Based on the fair values of all identifiable assets, liabilities and contingent liabilities of Ping An Bank at the acquisition date, the depreciation of fixed assets, amortisation of intangible assets and discount or premium of held-to-maturity investments are recalculated. Of which, considering that most of the available-for-sale debt instruments have been disposed of during the reporting period and the impact of accretion/amortisation of discount/premium of available-for-sale debt instruments on the pro forma consolidated financial statements is immaterial, no adjustments are made. Furthermore, for the fixed assets and intangible assets that had been disposed of during the reporting period, considering that the differences in the depreciation charge for the period (between 1 January 2009 and the respective dates of disposals) with depreciable amounts of the assets using their fair values as of 1 January 2009 when comparing with the corresponding depreciation charge included in the statutory financial statements of Ping An Bank are immaterial, no adjustments on depreciation charge are made for the purpose of the pro forma consolidated financial statements.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (7) For the purpose of the pro forma consolidated financial statements, the pro forma consolidated cash flow statement and the pro forma consolidated statement of changes in shareholders' equity are not prepared. Furthermore, the pro forma consolidated financial statements only present and disclose the financial information of the enlarged Group and no separate financial information of the Company is disclosed. In addition, the operating segment information of the Company is prepared based on different business lines whereas the segment information of Ping An Bank is prepared based on geographical regions. As a result, no operating segment information of the enlarged Group is disclosed in the pro forma consolidated financial statements in view of the differences in measures of operating segment information.
- (8) As the Company and Ping An Bank are both independent legal entities, they are subject to the relevant supervision and requirements of CBRC on capital adequacy ratios individually. As a result, no capital adequacy ratio at the pro forma consolidated level is prepared for the pro forma consolidated financial statements. In addition, as the applicable tax regulations for the Company and Ping An Bank are different, the taxes shown in the pro form consolidated financial statements are calculated based on the respective figures included in the financial statements of the Company and Ping An Bank in order to reflect the real situations during the reporting period.
- (9) It is assumed that the organisation structure of the enlarged Group set out in the proposed business combination plan is in line with the relevant laws and regulations.

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Pro forma condensed consolidated balance sheet

As at 30 June 2010 and 31 December 2009, the pro forma condensed consolidated balance sheets were as follows:

	2010-6-30				Pro forma consolidated
	The Company	Ping An Bank	Adjustment 1 (Note III.3)	Adjustment 2 (Note III.3)	
Accounts receivables	9,870,054	199,279	-	2,690,052	12,759,385
Held-to-maturity investments	37,496,313	15,731,213	-	24,353	53,251,879
Investment properties	550,313	11,031	46,850	-	608,194
Fixed assets	2,133,862	501,902	-	318,297	2,954,061
Intangible assets	160,483	186,454	-	(60,021)	286,916
Goodwill	-	-	-	13,665,746	13,665,746
Repossessed assets	447,557	18,673	-	57,063	523,293
Other assets	573,739,597	213,971,035	-	(530)	787,710,102
Total assets	624,398,179	230,619,587	46,850	16,694,960	871,759,576
Deferred tax liabilities	102,488	-	11,713	106,779	220,980
Other liabilities	593,874,583	215,290,494	-	(30,530)	809,134,547
Total liabilities	593,977,071	215,290,494	11,713	76,249	809,355,527
Attributable to equity holders of the parent	30,421,108	15,329,093	31,637	15,065,748	60,847,586
Minority interest	-	-	3,500	1,552,963	1,556,463
Total equity	30,421,108	15,329,093	35,137	16,618,711	62,404,049
	2009-12-31				
	The Company	Ping An Bank	Adjustment 1 (Note III.3)	Adjustment 2 (Note III.3)	Pro forma consolidated
Accounts receivables	4,782,161	359,717	-	2,690,052	7,831,930
Held-to-maturity investments	34,585,440	10,297,106	-	49,283	44,931,829
Investment properties	523,846	11,292	46,589	-	581,727
Fixed assets	1,714,461	538,978	-	321,215	2,574,654
Intangible assets	156,788	229,674	-	(69,234)	317,228
Goodwill	-	-	-	13,665,746	13,665,746
Repossessed assets	667,163	21,769	-	63,002	751,934
Other assets	545,381,175	209,222,787	-	(1,031)	754,602,931
Total assets	587,811,034	220,681,323	46,589	16,719,033	825,257,979
Deferred tax liabilities	94,525	-	11,649	114,298	220,472
Other liabilities	567,246,900	206,366,302	-	(31,032)	773,582,170
Total liabilities	567,341,425	206,366,302	11,649	83,266	773,802,642
Attributable to equity holders of the parent	20,469,609	14,315,021	31,461	15,182,105	49,998,196
Minority interest	-	-	3,479	1,453,662	1,457,141
Total equity	20,469,609	14,315,021	34,940	16,635,767	51,455,337

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Pro forma condensed income statement

For the six months ended 30 June 2010 and the year ended 31 December 2009, the pro forma condensed consolidated income statements were as follows:

			Jan- Jun 2010		Pro forma consolidated
	The Company	Ping An Bank	Adjustment 1 (Note III.3)	Adjustment 2 (Note III.3)	
Operating income	8,496,111	2,874,602	261	(48,066)	11,322,908
Operating costs	(4,197,374)	(1,647,478)	-	6,294	(5,838,558)
Impairment losses on assets	(493,909)	(82,577)	-	-	(576,486)
Operating profit	<u>3,804,828</u>	<u>1,144,547</u>	<u>261</u>	<u>(41,772)</u>	<u>4,907,864</u>
Add: Non-operating income	75,395	33,353	-	(5,941)	102,807
Less: Non-operating expenses	<u>(8,476)</u>	<u>(1,179)</u>	<u>-</u>	<u>-</u>	<u>(9,655)</u>
Profit before tax	3,871,747	1,176,721	261	(47,713)	5,001,016
Less: Income tax expense	<u>(838,628)</u>	<u>(264,562)</u>	<u>(64)</u>	<u>12,609</u>	<u>(1,090,645)</u>
Profit for the period	<u><u>3,033,119</u></u>	<u><u>912,159</u></u>	<u><u>197</u></u>	<u><u>(35,104)</u></u>	<u><u>3,910,371</u></u>
Other comprehensive income for the period, net of tax	<u>11,112</u>	<u>101,913</u>	<u>-</u>	<u>18,048</u>	<u>131,073</u>
Total comprehensive income for the period, net of tax	<u><u>3,044,231</u></u>	<u><u>1,014,072</u></u>	<u><u>197</u></u>	<u><u>(17,056)</u></u>	<u><u>4,041,444</u></u>

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
(Expressed in thousands of Renminbi, unless otherwise stated)

III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Pro forma condensed income statement (continued)

	2009				Pro forma consolidated
	The Company	Ping An Bank	Adjustment 1 (Note III.3)	Adjustment 2 (Note III.3)	
Operating income	15,114,440	4,263,346	8,583	(520,795)	18,865,574
Operating costs	(7,380,225)	(2,845,143)	-	12,558	(10,212,810)
Impairment losses on assets	(1,575,088)	(182,921)	-	-	(1,758,009)
Operating profit	<u>6,159,127</u>	<u>1,235,282</u>	<u>8,583</u>	<u>(508,237)</u>	<u>6,894,755</u>
Add: Non-operating income	55,805	177,647	-	(157,745)	75,707
Less: Non-operating expenses	(24,395)	(34,002)	-	-	(58,397)
Profit before tax	6,190,537	1,378,927	8,583	(665,982)	6,912,065
Less: Income tax expense	(1,159,808)	(273,831)	(2,146)	135,507	(1,300,278)
Profit for the year	<u>5,030,729</u>	<u>1,105,096</u>	<u>6,437</u>	<u>(530,475)</u>	<u>5,611,787</u>
Other comprehensive income for the year, net of tax	(961,910)	(423,869)	-	340,489	(1,045,290)
Total comprehensive income for the year, net of tax	<u>4,068,819</u>	<u>681,227</u>	<u>6,437</u>	<u>(189,986)</u>	<u>4,566,497</u>

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NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
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III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Adjustments of pro forma consolidated financial statements

Adjustment 1: Adjustment of financial statements of Ping An Bank in accordance with the Company's accounting policies

For the preparation of the pro forma consolidated financial statements, certain adjustments have been made on the financial statements of Ping An Bank as follows:

- (1) In respect of the investment properties, there are differences in the accounting policies being adopted by the Company when comparing with those of Ping An Bank. The Company has adjusted such differences in accordance with the Company's accounting policies during the preparation of the pro forma consolidated financial statements.
- (2) In accordance with the basis of preparation set out in Note III.2, it is assumed that Ping An Bank had completed the right issue in 2009 on 1 January 2009. Consequently, a receivable of capital injection from shareholders amounting to RMB4.993 billion was included in the financial statements of Ping An Bank as at 1 January 2009, with a corresponding increase in the shareholders' equity of Ping An Bank.

	Net profit	Shareholders' equity	Net profit	Shareholders' equity	Shareholders' equity
	Jan- Jun 2010	2010-6-30	2009	2009-12-31	2009-1-1
Per financial statements of Ping An Bank	912,159	15,329,093	1,105,096	14,315,021	8,641,210
Differences in accounting policies					
- Investment properties (i)	197	35,137	6,437	34,940	61,598
- Increase in capital by right issue (ii)	-	-	-	-	4,992,584
Total differences	<u>197</u>	<u>35,137</u>	<u>6,437</u>	<u>34,940</u>	<u>5,054,182</u>

(i) Investment properties

In accordance with the Company's accounting policies, the Company adopts fair value model for the measurement of investment properties which are not depreciated or amortised. At each period end, the carrying value of the investment properties is adjusted based on the fair value, and any difference between the carrying amount and the fair value is accounted for in the income statement "Gains or losses from changes in fair values of investment properties". However, based on the accounting policies of Ping An Bank, investment properties are initially and subsequently measured using the cost method. Depreciation of investment properties is calculated using the straight-line method.

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III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Adjustments of pro forma consolidated financial statements (continued)

Adjustment 1: Adjustment of financial statements of Ping An Bank in accordance with the Company's accounting policies (continued)

(i) Investment properties (continued)

The effect of the adjustments relating to investment properties on the pro forma consolidated financial statements was as follows:

Effect on the pro forma consolidated balance sheet	2010-6-30	2009-12-31
Increase in investment properties	46,850	46,589
Increase in deferred tax liabilities	(11,713)	(11,649)
Increase in shareholders' equity	35,137	34,940
Of which: Increase in shareholders' equity attributable to equity holders of the parent	31,637	31,461
Increase in minority interests	3,500	3,479
Effect on the pro forma consolidated income statement	Jan- Jun 2010	2009
Increase in operating income	261	8,583
Increase income tax expense	(64)	(2,146)
Increase in net profit	197	6,437
Of which: Increase in profit attributable to equity holders of the parent	177	5,796
Increase in profit attributable to minority interests	20	641

(ii) Increase in capital by right issue

This adjustment only has an impact on the balance sheet of Ping An Bank as at the acquisition date and does not have any effect on the income statement for the reporting period as well as the balance sheets as at 31 December 2009 and 30 June 2010 of Ping An Bank.

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III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Adjustments of pro forma consolidated financial statements (continued)

Adjustment 2: Acquisition of Ping An Bank

The pro forma consolidated financial statements were prepared based on the assumptions set out in Note II that the business combination had been completed as at 1 January 2009. The detailed assumptions were as follows:

- (i) As at 1 January 2009, the Company had completed the issue of 1,638,337 thousand ordinary A shares to China Ping An for the business combination, with a par value of RMB1 Yuan each. These A shares are issued at RMB17.75 per share in respect of the proposed combination plan. The costs directly attributable to the combination and the related professional fees paid to intermediaries were not considered. The total capital amount of the above share issue is RMB29,080,476 thousand, of which, RMB22,442,139 thousand that exceeded the par value is recorded in the capital reserve. As a result, the capital amount of the share issue of the Company less RMB2,690,052 thousand cash received from China Ping An amounting to RMB26,390,424 thousand was regarded as the cost of combination for acquiring 90.04% shareholding of Ping An Bank (hereafter referred to as the "cost of combination").

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III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Adjustments of pro forma consolidated financial statements (continued)

Adjustment 2: Acquisition of Ping An Bank (continued)

(ii) The identifiable net assets of Ping An Bank were recognised in the pro forma consolidated financial statements at their fair values at the acquisition date (i.e., 1 January 2009). The fair values were based on the valuation performed by professionally qualified valuers. As at 1 January 2009, carrying amounts and the fair values of the identifiable assets and liabilities of Ping An Bank were as follows:

	<u>Carrying amount</u> Acquisition date	<u>Fair value</u> Acquisition date
Receivable of capital injection from shareholders	4,992,584	4,992,584
Cash on hand and due from the Central Bank	20,657,633	20,657,633
Amounts due from other financial institutions(1)	14,885,821	14,885,821
Held-for-trading financial assets and derivative financial assets	3,967,754	3,967,754
Loans and advances	71,885,130	71,885,130
Available-for-sale financial assets	24,800,307	24,800,307
Held-to-maturity investments	7,439,130	7,583,123
Long term equity investments	32,918	63,390
Fixed assets and construction in progress	694,891	1,126,803
Intangible assets	200,933	113,303
Deferred tax assets, net	129,039	(45,144)
Investment properties	27,642	98,741
Repossessed assets	57,124	139,916
Other assets	1,144,865	1,144,865
Less: Amounts due to other financial institutions(2)	(26,597,692)	(26,597,692)
Derivative financial liabilities	(264,552)	(264,552)
Customer deposits	(106,813,893)	(106,813,893)
Employee benefits payable	(470,786)	(470,786)
Other liabilities	(3,135,054)	(3,135,054)
Net assets	<u>13,633,794</u>	<u>14,132,249</u>
Less: Minority interests	<u>(1,357,926)</u>	<u>(1,407,571)</u>
Acquired net assets	<u><u>12,275,868</u></u>	<u><u>12,724,678</u></u>

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Adjustments of pro forma consolidated financial statements (continued)

Adjustment 2: Acquisition of Ping An Bank (continued)

(iii) For the identifiable net assets of Ping An Bank acquired during the business combination, if their fair values could be reliably measured, the identifiable assets acquired and the liabilities assumed are recognised separately at their acquisition-date fair values.

(iv) The difference between the cost of combination and the fair value of identifiable net assets was accounted for as goodwill. No impairment assessment was performed during the reporting period of the pro forma consolidated financial statements. The identifiable net assets of Ping An Bank and goodwill acquired by the Company were as follows:

	2009-1-1
Total amount of share issue of the Company	29,080,476
Less: Cash received	(2,690,052)
Cost of combination	26,390,424
Less: Fair value of the acquiree's identifiable net assets	(12,724,678)
Goodwill	13,665,746

(v) Any disposal gains or losses of available-for-sale financial assets, fixed assets, repossessed assets and long-term equity investments recognised in the statutory financial statements of Ping An Bank during the reporting period are adjusted for the purpose of the pro forma consolidated financial statements in accordance with the fair values of the assets as at the acquisition date.

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III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Adjustments of pro forma consolidated financial statements (continued)

Adjustment 2: Acquisition of Ping An Bank (continued)

(vi) Transaction based taxes and other tax items were not considered in these pro forma consolidated financial statements.

The effect of the above adjustments on the pro forma consolidated financial statements were as follows:

Effect on the pro forma consolidated balance sheet:	2010-6-30	2009-12-31
Increase in identifiable assets	3,029,214	3,053,287
Decrease in identifiable liabilities	30,530	31,032
Increase in net deferred tax liabilities	(106,779)	(114,298)
Recognition of goodwill	13,665,746	13,665,746
Increase in shareholders' equity	16,618,711	16,635,767
Of which: Increase in shareholders' equity attributable to equity holders of the parent	15,065,748	15,182,105
Increase in minority interests	1,552,963	1,453,662
Effect on the pro forma consolidated income statement:	Jan- Jun 2010	2009
Decrease in operating income	(48,066)	(520,795)
Decrease in non-operating income	(5,941)	(157,745)
Decrease in operating expense	6,294	12,558
Decrease in income tax expense	12,609	135,507
Decrease in profit for the period/year	(35,104)	(530,475)
Of which: Decrease in profit attributable to equity holders of the parent	(31,608)	(477,640)
Decrease in profit attributable to minority interests	(3,496)	(52,835)

This proposed combination plan is still subject to the approval of shareholders of the Company and China Ping An, as well as the approval of CSRC and other relevant regulators. There may be differences between the assumptions adopted for the preparation of the pro forma consolidated financial statements and the final approved combination plan, such as the number and price of the shares that actually issued, the appraisal value of identifiable net assets of Ping An Bank and the final share issue expenses. Accordingly, adjustments to relevant assets and liabilities, including goodwill will be made after the completion of the business combination.

Limitations

Other than the above adjustments, the pro forma consolidated financial statements have not considered any other issues that may have impact on the business combination. The pro forma consolidated financial statements have been prepared based on the assumptions set out in Note II that the business combination had been completed on 1 January 2009. There are certain limitations affecting the reliability of information and therefore the pro forma consolidated financial statements may not be able to truly reflect the financial position of the enlarged Group as at 31 December 2009 and 30 June 2010 and the results of its operations during 2009 and the six-month period ended 30 June 2010 if the combination had been completed on 1 January 2009.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009 and the six months ended 30 June 2010
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1. Accounting year

The accounting year of the Company is from 1 January to 31 December.

2. Functional currency

The Company's functional currency is Renminbi ("RMB"); and these pro forma consolidated financial statements are presented in RMB. Unless otherwise stated, the values are rounded to the nearest thousand of Renminbi.

3. Basis of accounting and measurement

The Company's financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for financial assets and financial liabilities held at fair value through profit or loss, available-for-sale financial assets, investment properties and cash-settled share-based payments that have been measured at fair value. If an asset is impaired, a provision for impairment loss of the asset is recognised in accordance with the relevant requirements.

4. Business combination and goodwill

A business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. Business combination is classified into business combination of entities under common control and business combination of entities not under common control.

Business combination of entities under common control

A business combination of entities under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. The party that obtains control over other entities at the combination date is the absorbing party, while the other participating enterprise in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained by the Company as the absorbing party in a business combination of entities under common control shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the total face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to cover the difference, any excess shall be adjusted against retained profits.

The costs directly attributable to the combination incurred by the Company as the absorbing party shall be recognised in the income statement when incurred. Transaction costs incurred for the issue of equity securities or debt securities are included in the initial measurement amount of the equity securities or debt securities issued.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

4. Business combination and goodwill (continued)

Business combination of entities not under common control

A business combination of entities not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination of entities not under common control, the party that, at the acquisition date, obtains control over another enterprise participating in the combination is the acquirer, while the other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control over the acquiree.

For a business combination of entities not under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of assets transferred, liabilities incurred or assumed, and equity securities issued by the acquirer.

As an acquirer for a business combination not involving entities under common control, any costs directly attributable to the combination, such as professional fees paid to accountants, legal advisers, valuers and other consultants to effect the combination are recognised as expenses when incurred. Transaction costs incurred for the issue of equity securities or debt securities are included in the initial measurement amount of the equity securities or debt securities issued.

Identifiable assets, liabilities and contingent liabilities acquired in a business combination of entities not under common control are initially measured at their acquisition-date fair values.

Goodwill

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised in the income statement.

The carrying amount of goodwill is stated at cost less any accumulated impairment losses, and shall be reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination shall be, from the acquisition date, allocated to the related asset group, or set of asset groups, that are expected to benefit from the synergies of the combination and shall not be larger than a reportable segment of the Group.

In the impairment testing, when circumstances indicate that the carrying value of a related asset group or set of asset groups may be impaired, the Group shall firstly estimate the recoverable amount of the asset group or the set of asset groups, excluding the amount of goodwill allocated, and recognise impairment loss, if any. Then, the Group shall estimate the recoverable amount of the asset group or set of asset groups, including the amount of goodwill allocated, and compare to the carrying amount. If the recoverable amount is less than the carrying amount, the impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to the other assets of the asset group or set of asset groups on a pro rata basis of the carrying amount of each asset.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

5. Consolidated financial statements

SHENZHEN DEVELOPMENT BANK CO., LTD.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)
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The scope of consolidated financial statements of the Company is determined on the basis of control and comprise the financial statements of the Company and its subsidiaries and special purpose entities over which the Company has controls. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In preparing the consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as the Company.

Subsidiaries

Subsidiaries refer to those entities that are controlled by the Company.

For the subsidiary acquired through a business combination of entities not under common control, its performance and cash flows are fully consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. When preparing the consolidated financial statements, the fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed at acquisition date will be carried to the subsidiary's financial statements. For the subsidiary acquired through a business combination of entities under common control, its performance and cash flows are fully consolidated from the beginning of the reporting period in which the combination takes place.

All significant intra-group balances and transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full for consolidation purpose.

Where there is a loss of control in a subsidiary, the consolidated income statements include the results of that subsidiary for the part of the reporting period during which the Company has control. A change in the Company's equity interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

The portion of equity in subsidiaries not held by the Company is treated as minority interests and presented separately within equity in the consolidated balance sheet. The portion of profit or loss attributable to the minority interests is presented separately as minority interests in the consolidated income statement, as a component of the Company's net profit. An acquisition of minority interests is accounted for as an equity transaction.

SHENZHEN DEVELOPMENT BANK CO., LTD.
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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

5. Consolidated financial statements (continued)

Special purpose entities

Special purpose entities ("SPEs") are consolidated if they are in substance controlled by the Company. When assessing whether the Company has a control over the SPEs, the Company evaluates a range of factors, including whether:

- (i) the activities of the SPE are being conducted on behalf of the Bank and according to the Company's specific business needs so that the Bank obtains benefits from the SPE's operations;
- (ii) the Company has the decision-making powers to obtain the majority of the benefits of the activities of the SPE;
- (iii) the Company has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- (iv) the Company retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

6. Foreign currency translation

The Company translates the amount of foreign currency transactions into its functional currency.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the spot exchange rate at the balance sheet date. All exchange differences are recognised in the income statement in "Net foreign exchange difference". Foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rates at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. All exchange differences are recognised in the income statement in "Net foreign exchange difference" or "Other comprehensive income".

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

7. Precious metals

The Company's precious metals represent gold. Precious metals are initially measured at cost. At the balance sheet date, precious metals are measured at the lower of cost and net realisable value. If the cost of precious metals is higher than the net realisable value, a provision for the decline in value of precious metals is recognised in the income statement in "Impairment losses on assets".

8. Reverse repurchase and repurchase agreements

Assets sold under agreements to repurchase at a specific future date are not derecognised from the balance sheet. The corresponding proceeds are recognised on the balance sheet under "Repurchase agreements". The difference between the sale price and the repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specific future date are not recognised on the balance sheet. The corresponding cost is recognised on the balance sheet under "Reverse repurchase agreements". The difference between the purchase price and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

9. Financial assets

The Company classifies its financial assets into four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value. In the case of a financial asset at fair value through profit or loss, transaction costs are charged to the income statement. For other financial assets, transaction costs are included in their initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss by management upon initial recognition. Financial assets classified as held for trading include those financial assets that meet one of the following conditions: 1) they are acquired principally for the purpose of selling in the near term; 2) they are part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or 3) they are derivative instruments unless they are designated and effective hedging instruments. After initial recognition, these financial assets are measured at their fair values. All related realised and unrealised gains or losses are included in the income statement. Of which, changes in fair value are recognised in "Gains or losses from changes in fair values of financial instruments" and interest earned is accrued in interest income according to the terms of the contract.

A hybrid instrument can be designated as a financial asset or financial liability at fair value through profit or loss unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument; or it is clear with little or no analysis when a similar hybrid instrument is considered that separation of the embedded derivative is prohibited.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

9. Financial assets (continued)

A financial asset or financial liability may be designated, on initial recognition, as at fair value through profit or loss only when one of the following conditions is met:

- (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains or losses that would otherwise result from measuring assets or liabilities on a different basis.
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, and the information about the group is reported on that basis to the Company's key management personnel. Formal documentation has been prepared with respect to such risk management or investment strategy.
- (iii) the hybrid instrument is embedded with derivatives which are required to be separately accounted for.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. If the Company has, during the current financial year, sold or reclassified (to available-for-sale financial assets) items of held-to-maturity investments, whose amount is significant in relation to the total amount of the held-to-maturity investments before the sale or reclassification, the Company shall reclassify the remaining portion of the held-to-maturity investments as available-for-sale investments, and the Company shall not again classify any financial assets as held-to-maturity investments in the current and the next two financial years. However, sales or reclassifications under the following circumstances are exceptions to the above:

- (i) sales or reclassifications are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.
- (ii) sales or reclassifications of the remaining portion of the financial asset occur after the Company has collected substantially all of the financial asset's original principal through scheduled payments or prepayments.
- (iii) sales or reclassifications are attributable to an isolated event that is beyond the Company's control and is non-recurring and could not have been reasonably anticipated by the Company.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

9. Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Company to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income. The interest income of the discounted bills is recognised using effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated on initial recognition as available-for-sale or those financial assets that are not classified as other categories. After the initial recognition, available-for-sale financial assets are subsequently measured at fair value. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Gains or losses arising from a change in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets, until the financial assets are derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are removed from equity and recognised in the income statement in "Investment income".

10. Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is evidence of impairment of financial assets (other than those at fair value through profit or loss) as a result of one or more events that occur after the initial recognition of those assets (an incurred 'loss event') and whether that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The amount of reduction is recognised as an impairment loss in the income statement. Present value of estimated future cash flows is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

10. Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the year on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss for the period. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

Financial assets carried at cost

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is charged to profit or loss for the current period. Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

Available-for-sale financial assets

If an available-for-sale asset is impaired, the cumulative loss arising from the decline in fair value that had been recognised directly in owners' equity shall be removed from owners' equity and recognised in the income statement in "Impairment losses on assets". The amount of the accumulated loss that is removed from owners' equity shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

10. Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement. Impairment losses recognised for an investment in an equity instrument classified as available-for-sale shall not be reversed through the income statement.

11. Financial liabilities

The Company classifies its financial liabilities into financial liabilities at fair value through profit or loss, financial guarantee contracts, deposits and other financial liabilities.

Financial liabilities at fair value through profit or loss

The Company classifies its financial liabilities at fair value through profit or loss into financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss by management upon initial recognition. Changes in fair value are recognised in "Gains or losses from changes in fair values of financial instruments" and interest incurred is accrued in interest expense according to the terms of the contract.

Financial guarantee contracts

The Company gives financial guarantees consisting of letters of credit, guarantees, and acceptances. Financial guarantee contracts are initially recognised at fair value, in "Other liabilities", being the premium received. The guarantee fee is amortised over the period of the contract and is recognised as fee and commission income. Subsequent to initial recognition, the Company's liability under each guarantee contract is measured at the higher of the initial fair value less cumulative amortisation, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is taken to profit or loss for the period.

Other financial liabilities

Except for financial liabilities at fair value through profit or loss and financial guarantee contracts, deposits and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

12. Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognised when one of the following conditions is met:

- (i) the contractual rights to receive the cash flows from the financial asset expire; or
- (ii) the financial asset has been transferred and the transfer qualifies for derecognition as set out below.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

12. Recognition and derecognition of financial instruments (continued)

Transfer of financial assets

The Company transfers a financial asset in one of the following ways:

- (i) the Company transfers the contractual rights to receive the cash flows of the financial asset to another party; or
- (ii) the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient(s) in an arrangement that meets all of the following conditions:
 - (a) the Company's obligation to pay amounts to the eventual recipient(s) arises only when it has collected equivalent amounts from the original financial asset. Short-term advances by the Company with the right of full recovery of the amount lent plus accrued interest at market rates for bank loans of equivalent terms do not violate this condition.
 - (b) the Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipient(s) for the obligation to pay them cash flows.
 - (c) the Company has an obligation to remit any cash flows it collects on behalf of the eventual recipient(s) without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the intervening period between two consecutive payments, which are invested in accordance with the terms of the contract. Income earned on such investments (i.e., reinvesting the cash flows according to the terms of the contract) is passed to the eventual recipient(s) according to the contract terms.

When the Company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the financial asset is derecognised. When the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised.

When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows:

- (i) when the Company has not retained control of the financial asset, the financial asset is derecognised;
- (ii) when the Company has retained control of the financial asset, the financial asset is recognised to the extent of the Company's continuing involvement in the transferred financial asset and an associated liability is recognised.

Financial liabilities

A financial liability is derecognised when the underlying present obligation is performed, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the period.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss for the period.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss for the period.

14. Long term equity investments

A long term equity investment is measured initially at its investment cost.

A long term investment is accounted for using the cost method if the Company can exercise control over the investee, or does not have joint control or significant influence over the investee and the investment is not quoted in an active market and its fair value cannot be reliably measured.

Under the cost method, a long term equity investment is measured at its initial investment cost. Cash dividends or profit distributions declared by the investee are recognised as investment income in the current period, except for those declared but not yet paid and included in the actual purchase price or the consideration of the investment. Furthermore, the Company assesses whether there is an indicator of impairment in accordance with the related policy of asset impairment when a dividend from the investment is recognised.

When the Company can exercise joint control or significant influence over the investee, a long term equity investment is accounted for using the equity method.

Under the equity method, when the initial investment cost of a long term equity investment exceeds the Company's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. When initial investment cost is less than the Company's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long term equity investment is adjusted accordingly.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

14. Long term equity investments (continued)

Under the equity method, after acquiring a long term equity investment, the Company recognises its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributed to the Company. The Company shall discontinue recognising its share of net losses of the investee after the carrying amount of the long term equity investment together with any long term interest that in substance form part of the investor's net investment in the investee are reduced to zero, except to the extent that the Company has incurred obligations to assume additional losses. The Company shall adjust the carrying amount of the long term investment for other changes in owners' equity of the investee (other than net profits or losses), and include the corresponding adjustment in other comprehensive income.

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in the income statement in "Investment income". For a long term equity investment accounted for using the equity method, any changes in the owners' equity of the investee (other than net profits or losses) included in the owners' equity of the Company, is transferred to the income statement in "Investment income" on a pro-rata basis according to the proportion disposed of.

For a long term equity investment accounted for using the cost method and which is not quoted in an active market and its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is recognised in the income statement in "Impairment losses on assets" and shall not be reversed. For long term equity investments accounted for using the equity method, any impairment is accounted for in accordance with the accounting policy set out in Note IV.20.

15. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Company are buildings that are leased out. The Company adopts the fair value model for the measurement of investment properties which are not depreciated or amortised. At each period end, the carrying value of the investment properties is adjusted based on the fair value, and any difference between the carrying amount and the fair value is accounted for in the income statement "Gains or losses from changes in fair values of investment properties".

For a transfer of owner-occupied property to investment property, the investment property is measured at its fair value at the date of transfer. If the fair value at the date of transfer is less than the original carrying amount, the difference is charged to the income statement. If the fair value at the date of transfer exceeds the original carrying amount, the difference is recognised in "Other comprehensive income". On disposal of an investment property, the amount that had been recognised in "Other comprehensive income" is transferred to the income statement in "Other operating income".

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

15. Investment properties (continued)

For a transfer from investment property to owner-occupied property, its fair value at the date of transfer is regarded as the carrying amount of the owner-occupied property.

16. Fixed assets and accumulated depreciation

(i) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have useful lives more than one accounting year.

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Subsequent expenditures incurred for a fixed asset that meet the above conditions are included in the cost of the fixed asset and the carrying amount of the parts that are replaced is derecognised. Otherwise, subsequent expenditures are recognised in the income statement in the period in which they are incurred.

(ii) Measurement and depreciation of fixed assets

Fixed assets are initially measured at cost. All fixed assets are stated at cost less any accumulated depreciation and any impairment losses. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditures of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Company reasonably determines the useful lives and estimated net residual values of the fixed assets according to the natures and use patterns of the fixed assets as follows:

	Useful life	Estimated net residual value	Annual depreciation rate
Properties and buildings	15-35 years	1%-5%	2.7%-6.3%
Transportation vehicles	5-8 years	3%-5%	11.9%-19.0%
Computers and automatic teller machines	3-5 years	1%-5%	19.0%-33.0%
Electronic appliances	5-10 years	1%-5%	9.9%-19.8%
Owner-occupied property improvements	5-10 years	-	10.0%-20.0%

The useful life and estimated net residual value of a fixed asset and the depreciation method applied are reviewed at each balance sheet date.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

17 Construction in progress

Construction in progress represents costs incurred in the construction of fixed assets. Costs comprise direct costs incurred during the period of construction. Interest charged on related borrowings for the construction is capitalised and such capitalisation of interest ceases when the assets under construction are completed and are ready for their intended use. No capitalisation of interest is made if the cost incurred during the construction is from the Company's own fund. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

18. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Company. The Company's intangible assets comprise the value of computer software.

Intangible assets are measured initially at cost. The Company analyses and assesses the useful life of an intangible asset on its acquisition. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company.

When the asset is available for use, an intangible asset with a finite useful life is amortised over its useful life. The amortisation method selected reflects the pattern in which the asset's economic benefits are expected to be realised. If that pattern cannot be determined reliably, the straight-line method is used. An intangible asset with an indefinite useful life is not amortised.

The useful life and amortisation method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

19. Long term deferred expenses

Long term deferred expenses are those prepaid expenses with an amortisation period of more than one year (excluding one year), mainly includes rental expenses and leasehold improvements.

Rental expenses are operating lease rental of fixed assets and are amortised over the lease term. Other long-term deferred expenses are amortised evenly according to their beneficial periods or legal periods of validity, whichever is shorter.

When long term deferred expenses no longer provide future economic benefits, the unamortised amount is recognised in profit of loss for the period.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

20. Impairment of assets

For assets excluding financial assets, repossessed assets and goodwill, the Company assesses impairment of assets as follows.

At each balance sheet date, the Company assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the asset. For an asset with an indefinite useful life, the asset is tested for impairment at least at each financial year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an asset on an individual basis.

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the period. A provision for impairment loss of the asset is recognised accordingly.

Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

21. Repossessed assets

Repossessed assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into profit or loss for the period. At the balance sheet date, the repossessed assets are measured at the lower of their carrying value and net realisable value. When the carrying value of the repossessed assets is higher than the net realisable value, a provision for the decline in value of repossessed assets is recognised in the income statement in "Impairment losses on assets".

22. Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and interest expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available for sale and held for trading, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not the future credit losses.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

22. Recognition of income and expense (continued)

Interest income and interest expense (continued)

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or component of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted by the Company to the bank card holders under customer loyalty programmes are deferred and recognised as fee and commission income when the award credits are redeemed or expired.

Dividend income

Revenue is recognised when the Company's right to receive the payment is established.

23. Income tax

Income tax comprises current and deferred income tax. Except to goodwill arising in a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss as appropriate. Income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income.

Current income tax

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

23. Income tax (continued)

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss;
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled enterprises, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences, carryforward of unused deductible losses and tax credits, the Company recognises the corresponding deferred tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss.

For deductible temporary differences arising from investments in subsidiaries, associates and interests in jointly-controlled enterprises, the corresponding deferred income tax asset is recognised, to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available in the future, against which the temporary differences can be utilised.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, the Company reviews the carrying amount of a deferred tax asset. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilised. Any such reduction in the amount is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

24. Employee benefits

Short term employee benefits

Salaries and bonuses, social security contributions and other short-term employee benefits are accrued in the period in which services are rendered by the employees of the Company.

Defined contribution plans

According to the statutory requirements in Mainland China, the Company is required to make contributions to the pension and insurance schemes that are separately administered by the local government authorities. Contributions to these plans are recognised in the income statement as incurred. In addition, the Company participates in a defined contribution retirement benefit insurance plan managed by an insurance company. Obligation for contributions to the insurance plan is borne by the Company, and contributions paid by the Company are recognised in profit or loss for the period as incurred.

Supplementary retirement benefits

Certain employees of the Company in Mainland China can enjoy supplementary retirement benefits after retirement. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in profit or loss for the period in which they occur.

Share-based payment transactions

The Company grants equity instruments or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties.

The cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

25. Definition of cash equivalents

Cash equivalents are short term, highly liquid monetary assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash equivalents comprise investments that have a short maturity of generally within three months when acquired, the unrestricted balance with the Central Bank, amounts due from banks and other financial institutions and reverse repurchase agreements that have a short original maturity of generally within three months.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

26. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence from the same party. The following are related parties of an enterprise:

- (1) the enterprise's parents;
- (2) the enterprise's subsidiaries;
- (3) other enterprises which are controlled by the enterprise's parents;
- (4) an investor who has joint control over the enterprise;
- (5) an investor who can exercise significant influence over the enterprise;
- (6) a joint venture in which the enterprise is a venturer;
- (7) an associate of the enterprise;
- (8) principal individual investors of the enterprise, and close family members of such individuals;
- (9) key management personnel of the enterprise or its parent, and close family members of such individuals;
- (10) other enterprises that are controlled, jointly controlled, or significantly influenced by the enterprise's principal individual investors, key management personnel, or close family members of such individuals.

Enterprises are not regarded as related parties simply because they are under common control from the state, if no other related party relationships exist between them.

27. Fiduciary activities

Where the Company acts in a fiduciary capacity such as nominee, trustee or agent, assets arising thereon together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Company on behalf of third-party lenders are recorded as off-balance sheet items. The Company acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Company has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Company charges a commission related to the management of the entrusted loans. The commission income is recognized pro rata over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

28. Leases

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease. An operating lease is a lease other than a finance lease.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

28. Leases (continued)

As a lessee under operating leases

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to profit or loss for the period.

As a lessor under operating leases

Lease income from operating leases is recognised by the lessor in profit or loss for the period on a straight-line basis over the lease term.

29. Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

30. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied:

- (i) the obligation is a present obligation of the Company;
- (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (iii) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Company reviews the carrying amount of a provision at the balance sheet date. When there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

31. Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date on which the Company commits to purchase or sell the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

32. Offsetting

Financial assets and financial liabilities are offset only when the Company has a legally enforceable right to offset the recognised amounts and both parties of the transaction intend to settle on a net basis.

33. Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

34. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, the uncertainty of these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

(a) Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity are classified as held-to-maturity investments when the Company has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as held-to-maturity investment, significant management judgement is required. If the Company fails to correctly assess its intention and ability to hold the investments to maturity and the Company sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Company shall classify the whole held-to-maturity investment portfolio as available for sale.

(b) Impairment losses of loans and advances

The Company determines periodically whether there is any objective evidence that an impairment loss on loans and advances has been incurred. If any such evidence exists, the Company assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

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IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (continued)

34. Significant accounting judgements and estimates (continued)

(c) Income tax

Determining income tax provisions requires the Company to estimate the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(d) Fair value of financial instruments

If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, the valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Company's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(e) Impairment of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses on available-for-sale and held-to-maturity investments have been incurred, the Company assesses periodically whether there has been a significant or prolonged decline in the fair value of the investment below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology, operating and financing cash flows, etc. This requires significant level of judgement of the management, which would affect the amount of impairment losses.

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V. TAXES

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

Tax	Basis of tax assessment	Tax rate
Business Tax	Business income (not including interest income from transactions with financial institutions)	5%
City Maintenance and Construction Tax	Amount of business tax	1% to 7%
Education Surcharge	Amount of business tax	3% to 5.6%
Corporate Income Tax	Amount of taxable income	20% to 25%

Major taxes and related tax rates applicable to Ping An Bank are as follows:

Tax	Basis of tax assessment	Tax rate
Business Tax	Business income (not including interest income from transactions with financial institutions)	5%
City Maintenance and Construction Tax	Amount of business tax	1% to 7%
Education Surcharge	Amount of business tax	3%
Corporate Income Tax	Amount of taxable income	20% to 25%

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

The PRC State Council issued notice on the Implementation of the Grandfathering Preferential Policies under the New Corporate Income Tax Law (Guo fa [2007] 39) on 26 December 2007 and set the following rules: as from 1 January 2008, the enterprises that had enjoyed preferential tax rates shall be taxed at rates to be increased from the current rate to the full rate under the New Corporate Income Tax Law within a period of five years. Among others, the enterprises that have been taxed at 15% currently shall be taxed at 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand and due from the Central Bank

	2010-6-30	2009-12-31
Cash on hand	1,453,927	1,378,694
Statutory reserve with the Central Bank - RMB	70,770,530	56,148,953
Statutory reserve with the Central Bank - foreign currency	425,819	387,995
Unrestricted balance with the Central Bank	13,520,502	21,598,122
Other deposits with the Central Bank - fiscal deposits	359,388	135,473
Total	86,530,166	79,649,237

Based on the related RMB and foreign currency deposits, the enlarged Group places respective statutory reserves with the Central Bank in accordance with the requirements from the People's Bank of China. These reserve deposits are not available for use in the enlarged Group's daily operations.

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the Central Bank according to the relevant regulations.

2. Placements of deposits with other financial institutions

Analysed by location and counterparty

	2010-6-30	2009-12-31
Domestic banks	11,216,393	30,652,346
Other domestic financial institutions	33,390	42,222
Overseas banks	3,045,637	1,698,057
Subtotal	14,295,420	32,392,625
Less: Impairment provision (Note VI.18)	(30,695)	(40,695)
Total	14,264,725	32,351,930

As at 30 June 2010, included in this total amount of placements of deposits with other financial institutions was an amount of RMB31,520 thousand (31 December 2009: RMB41,520 thousand) impaired assets brought forward from prior years.

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Funds loaned to other financial institutions

Analysed by location and counterparty

	<u>2010-6-30</u>	<u>2009-12-31</u>
Domestic banks	3,558,798	5,372,578
Other domestic financial institutions	1,733,217	833,393
Overseas banks	1,392,618	3,653,129
Subtotal	<u>6,684,633</u>	<u>9,859,100</u>
Less: Impairment provision (Note VI.18)	<u>(29,826)</u>	<u>(29,979)</u>
Total	<u><u>6,654,807</u></u>	<u><u>9,829,121</u></u>

As at 30 June 2010, included in this total amount of loans funded to other financial institutions was an amount of RMB33,217 thousand (31 December 2009: RMB33,393 thousand) impaired assets brought forward from prior years.

4. Financial assets at fair value through profit or loss

	<u>2010-6-30</u>	<u>2009-12-31</u>
Bonds held for trading	4,592,891	2,674,243
Financial assets designated as at fair value through profit or loss	1,127,392	-
Precious metals held for trading	814	-
Total	<u>5,721,097</u>	<u>2,674,243</u>
Bonds held for trading analysed by issuer:		
Governments and the Central Bank	249,823	-
Policy banks	1,567,718	1,222,042
Other banks and non-bank financial institutions	82,894	93,649
Corporations	<u>2,692,456</u>	<u>1,358,552</u>
Total	<u><u>4,592,891</u></u>	<u><u>2,674,243</u></u>

In the opinion of management, there are no significant restrictions on realising the financial assets at fair value through profit or loss.

5. Derivative financial instruments

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, a commodity or bond price, an index value or an exchange or interest rate. The enlarged Group uses derivative financial instruments such as forward contracts, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the enlarged Group but does not reflect the risk.

VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

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5. Derivative financial instruments(continued)

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

At each balance sheet date, the enlarged Group has positions in the following types of derivatives:

	Notional amounts with remaining lives of				Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	Total	Assets	Liabilities
<u>2010-6-30</u>						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	16,193,530	24,044,839	8,137	40,246,506	171,707	(130,336)
Interest rate derivative instruments:						
Interest rate swap contracts	23,480	900,619	2,362,920	3,287,019	36,003	(33,133)
Credit derivative instruments:						
Credit default swap contracts	-	-	67,909	67,909	-	(5,331)
Total	16,217,010	24,945,458	2,438,966	43,601,434	207,710	(168,800)
<u>2009-12-31</u>						
Foreign exchange derivative instruments:						
Forward foreign exchange contracts	10,632,264	9,987,372	682,660	21,302,296	77,699	(20,944)
Interest rate derivative instruments:						
Interest rate swap contracts	-	115,620	950,239	1,065,859	29,531	(3,195)
Credit derivative instruments:						
Credit default swap contracts	-	-	68,282	68,282	-	(5,497)
Equity derivative instruments:						
Equity option contracts	-	93,356	-	93,356	-	(337)
Equity swap contracts	-	93,356	-	93,356	-	(1,755)
Total	10,632,264	10,289,704	1,701,181	22,623,149	107,230	(31,728)

As at 30 June 2010 and 31 December 2009, no derivatives were designated as hedging instruments.

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Reverse repurchase agreements

(a) Analysed by counterparty

	<u>2010-6-30</u>	<u>2009-12-31</u>
Banks	69,208,548	53,695,980
Non-bank financial institutions	<u>535,145</u>	<u>806,000</u>
Subtotal	69,743,693	54,501,980
Less: Impairment provisions (Note VI.18)	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u><u>69,708,693</u></u>	<u><u>54,466,980</u></u>

As at 30 June 2010, included in this total amount of reverse repurchase agreements is an amount of RMB50,000 thousand (31 December 2009: RMB50,000 thousand) impaired assets brought forward from prior years.

(b) Analysed by collateral

	<u>2010-6-30</u>	<u>2009-12-31</u>
Securities	7,949,200	2,486,000
Bills	61,509,048	51,259,980
Loans	-	150,000
Receivables under finance leases	<u>285,445</u>	<u>606,000</u>
Subtotal	69,743,693	54,501,980
Less: Impairment provisions (Note VI.18)	<u>(35,000)</u>	<u>(35,000)</u>
Total	<u><u>69,708,693</u></u>	<u><u>54,466,980</u></u>

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Accounts receivables

	<u>2010-6-30</u>	<u>2009-12-31</u>
Receivables with respect to making payments on behalf of customers (Note)	5,222,705	3,528,805
Receivables under factoring	2,369,239	676,502
Receivables with respect to making payments on behalf of other banks under letters of credit	2,005,004	491,328
Receivables under discounted bills	472,385	445,243
Receivables of cash from China Ping An for business combination	2,690,052	2,690,052
Total	12,759,385	7,831,930

Note: The above receivables are related to the provision of trade finance services for customers by making payments on their behalf via the offshore business unit of the Company or other overseas banks in accordance with the terms of agreements signed with the customers. In connection with this, the payments made by other overseas banks are correspondingly recorded in "Accounts payables".

As at 30 June 2010 and 31 December 2009, the enlarged Group did not make any impairment provisions for the above outstanding balances of accounts receivables.

8. Interest receivable

	Balance at beginning of the period	Increase during the period	Collection during the period	Balance at end of the period
<u>Jan-Jun 2010</u>				
Interest receivable on bond investments and wealth management products	1,535,280	2,853,707	(2,424,283)	1,964,704
Interest receivable on loans and amounts due from other financial institutions	996,994	12,310,221	(12,220,069)	1,087,146
Total	2,532,274	15,163,928	(14,644,352)	3,051,850
<u>2009</u>				
Interest receivable on bond investments and wealth management products	1,304,887	3,932,355	(3,701,962)	1,535,280
Interest receivable on loans and amounts due from other financial institutions	905,862	21,742,311	(21,651,179)	996,994
Total	2,210,749	25,674,666	(25,353,141)	2,532,274

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances

9.1 Analysed by corporation and individual

	<u>2010-6-30</u>	<u>2009-12-31</u>
Loans and advances to corporations:		
Loans	326,451,697	284,422,846
Discounted bills	<u>24,993,248</u>	<u>52,854,394</u>
Subtotal	<u>351,444,945</u>	<u>337,277,240</u>
Loans and advances to individuals:		
Credit cards	12,812,377	10,298,295
Residential mortgages	116,790,697	108,434,624
Others	<u>13,197,647</u>	<u>11,069,752</u>
Subtotal	<u>142,800,721</u>	<u>129,802,671</u>
Total loans and advances	494,245,666	467,079,911
Less: Loan impairment provisions (Note VI. 9.6)	<u>(5,984,759)</u>	<u>(4,726,430)</u>
Loans and advances, net	<u>488,260,907</u>	<u>462,353,481</u>

As at 30 June 2010, included in the discounted bills of the enlarged Group was an amount of RMB77,589 thousand that had been pledged for amounts due to the Central Bank. As at 31 December 2009, included in the discounted bills of the enlarged Group was an amount of RMB5,260,731 thousand that had been pledged for repurchase agreements.

In addition, as at 30 June 2010, the enlarged Group transferred out (without recourse) discounted bills amounting to RMB60.5 billion (31 December 2009: RMB59.2 billion) that have not yet matured at the period end.

9.2 Analysed by industry

	<u>2010-6-30</u>	<u>2009-12-31</u>
Agriculture, husbandry and fisheries	1,232,825	913,190
Extraction (Heavy industry)	5,021,350	3,751,290
Manufacturing (Light industry)	88,015,485	73,039,809
Energy	13,522,431	10,892,003
Transportation, storage and communication	29,468,032	26,028,910
Commercial	52,742,766	42,597,271
Real estate	31,281,717	27,970,336
Service, technology, culture and sanitary industries	78,316,651	77,961,887
Construction	23,843,234	19,170,810
Discounted bills	24,993,248	52,854,394
Loans and advances to individuals	142,800,721	129,802,671
Others	<u>3,007,206</u>	<u>2,097,340</u>
Total loans and advances	494,245,666	467,079,911
Less: Loan impairment provisions (Note VI. 9.6)	<u>(5,984,759)</u>	<u>(4,726,430)</u>
Loans and advances, net	<u>488,260,907</u>	<u>462,353,481</u>

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.3 Analysed by type of collateral held or other credit enhancement

	<u>2010-6-30</u>	<u>2009-12-31</u>
Unsecured	108,962,969	93,267,846
Guaranteed	103,344,912	91,903,097
Secured by collateral	256,944,537	229,054,574
Of which: secured by mortgages	217,499,432	195,253,543
secured by monetary assets	<u>39,445,105</u>	<u>33,801,031</u>
Subtotal	469,252,418	414,225,517
Discounted bills	<u>24,993,248</u>	<u>52,854,394</u>
Total loans and advances	494,245,666	467,079,911
Less: Loan impairment provisions (Note VI. 9.6)	<u>(5,984,759)</u>	<u>(4,726,430)</u>
Loans and advances, net	<u><u>488,260,907</u></u>	<u><u>462,353,481</u></u>

9.4 Aging analysis of past due loans

	<u>2010-6-30</u>				<u>Total</u>
	<u>Overdue by 1 to 90 days, inclusive</u>	<u>Overdue by 90 days to 1 year, inclusive</u>	<u>Overdue by 1 to 3 years, inclusive</u>	<u>Overdue by more than 3 years</u>	
Unsecured	462,952	246,761	58,785	459	768,957
Guaranteed	84,913	55,838	296,662	42,848	480,261
Secured by collateral	2,512,645	427,718	940,659	355,248	4,236,270
Of which:					
secured by mortgages	2,426,833	362,346	565,150	350,281	3,704,610
secured by monetary assets	<u>85,812</u>	<u>65,372</u>	<u>375,509</u>	<u>4,967</u>	<u>531,660</u>
Total	<u><u>3,060,510</u></u>	<u><u>730,317</u></u>	<u><u>1,296,106</u></u>	<u><u>398,555</u></u>	<u><u>5,485,488</u></u>

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.4 Aging analysis of past due loans (continued)

	2009-12-31				Total
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	
Unsecured	300,910	247,819	21,407	443	570,579
Guaranteed	69,927	280,681	88,082	66,144	504,834
Secured by collateral	2,105,609	548,860	1,037,707	596,292	4,288,468
Of which:					
secured by mortgages	2,070,835	480,738	703,132	457,485	3,712,190
secured by monetary assets	34,774	68,122	334,575	138,807	576,278
Total	<u>2,476,446</u>	<u>1,077,360</u>	<u>1,147,196</u>	<u>662,879</u>	<u>5,363,881</u>

Overdue loans refer to the loans with either principal or interest being overdue by one day or more.

9.5 Analysed by geographical region

	2010-6-30	2009-12-31
Southern and Central China	187,916,584	175,059,620
Eastern China	185,315,853	171,501,577
Northern and North-eastern China	90,809,756	91,587,937
South-western China	27,601,697	27,084,283
Offshore businesses	2,601,776	1,846,494
Total loans and advances	<u>494,245,666</u>	<u>467,079,911</u>
Less: Loan impairment provisions (Note VI. 9.6)	<u>(5,984,759)</u>	<u>(4,726,430)</u>
Loans and advances, net	<u>488,260,907</u>	<u>462,353,481</u>

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances (continued)

9.6 Movements in impairment provisions for loans and advances

	Jan- Jun 2010			2009		
	Individual	Collective	Total	Individual	Collective	Total
Balance at beginning of the period/year	1,118,889	3,607,541	4,726,430	600,949	2,026,633	2,627,582
Charge for the period/year	(778,694)	1,347,106	568,412	36,307	1,597,835	1,634,142
Amounts written off	(9,130)	(106,257)	(115,387)	(10,120)	(175,775)	(185,895)
Reversal for the period/year:	775,519	70,438	845,957	870,547	158,848	1,029,395
Add-back of loans written off previously (Note)	-	-	-	356,235	-	356,235
Recovery of loans written off previously	775,519	70,438	845,957	514,312	158,848	673,160
Amounts released upon disposal of loans	-	-	-	(302,717)	-	(302,717)
Interest accrued on impaired loans and advances	(39,697)	-	(39,697)	(121,585)	-	(121,585)
Other changes for the period/year	(956)	-	(956)	45,508	-	45,508
Balance at end of the period/year (Note VI. 18)	<u>1,065,931</u>	<u>4,918,828</u>	<u>5,984,759</u>	<u>1,118,889</u>	<u>3,607,541</u>	<u>4,726,430</u>

Note: In accordance with the reminder letter CaiZhuShenJianHan No. [2009] 17 dated 10 October 2009 issued by the MOF Shenzhen Office, the Company compared the "Administrative Measures of Write-off of Doubtful Debts for Financial Institutions" and recorded a total amount of RMB356 million loans, which had been written off at the year end of 2008, in its general ledger in November 2009. Simultaneously, the Company booked the corresponding loan impairment provisions amounting to RMB356 million.

10. Available-for-sale financial assets

	2010-6-30	2009-12-31
Bond investments analysed by issuer:		
Governments and the Central Bank	25,635,211	23,749,897
Policy banks	48,898,914	44,054,609
Other banks and non-bank financial institutions	2,464,916	2,929,124
Corporations	<u>4,896,746</u>	<u>5,389,138</u>
Total bond investments	<u>81,895,787</u>	<u>76,122,768</u>
Equity investments	<u>30,875</u>	<u>76,246</u>
Total	<u>81,926,662</u>	<u>76,199,014</u>

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Available-for-sale financial assets (continued)

As at 30 June 2010, included in the bond investments were amounts of RMB16,095,175 thousand (31 December 2009: 21,484,856 thousand) that had been pledged for repurchase agreements. As at 31 December 2009, included in the investments were amounts of RMB1,269,572 thousand that had been pledged for agreements of time deposit from the PBOC.

As a result of the change in intention, the enlarged Group reclassified available-for-sale financial assets with a total carrying amount of RMB6,764,847 thousand to the category of held-to-maturity investments during 2009. There was no such reclassification during the six months ended 30 June 2010.

As at 30 June 2010, there were no restricted tradable available-for-sale financial assets. As at 31 December 2009, included in the available-for-sale financial assets were restricted tradable shares of RMB7,343 thousand.

11. Held-to-maturity investments

	2010-6-30	2009-12-31
Bond investments analysed by issuer:		
Governments and the Central Bank	14,377,286	13,223,122
Policy banks	23,514,935	20,339,380
Other banks and non-bank financial institutions	3,580,416	3,511,073
Corporations	11,779,242	7,858,254
Total	53,251,879	44,931,829

As at 30 June 2010, included in the bond investments were amounts of RMB6,510,077 thousand (31 December 2009: RMB8,777,992 thousand) and RMB6,374,985 thousand (31 December 2009: RMB4,933,175 thousand) that had been pledged for agreements of time deposit from the PBOC and repurchase agreements, respectively.

In November 2009, the Company sold held-to-maturity investments with a carrying value of RMB519,960 thousand, which represented 1.3% of the total held-to-maturity investments prior to the sale. The above held-to-maturity investments sold were subordinated debts issued by other commercial banks that were originally purchased during the period between July 2009 and August 2009.

There are no changes in the assessment of the enlarged Group's intention and ability to hold the investments to maturity.

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12. Receivables

	2010-6-30	2009-12-31
PBOC bills	11,450,000	13,450,000
Subordinated bonds issued by financial institutions	500,000	500,000
Principal guaranteed wealth management products issued by financial institutions	15,642,100	16,477,100
Total	27,592,100	30,427,100

As at 30 June 2010, included in the bond investments is an amount of RMB2,000,000 thousand (31 December 2009: RMB2,000,000 thousand) that was pledged for repurchase agreements.

As at 30 June 2010, included in the bond investments was an amount of RMB100,000 thousand (31 December 2009: RMB100,000 thousand) subordinated bonds issued by Ping An Property & Casualty Insurance Company of China, Ltd. and these subordinated bonds were purchased by the Company in March 2009.

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments

Name of investee	Jan- Jun 2010								
	Initial cost of investment	Balance at beginning of the period	Movements	Balance at end of the period	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision charged for the period	Impairment provisions (Note VI.18)	Net balance at end of the period
Cost method:									
China UnionPay Co., Ltd.	74,220	74,220	-	74,220	2.20%	2.20%	-	-	74,220
Yong An Property Insurance Co., Ltd.	67,000	67,000	-	67,000	4.03%	4.03%	-	(67,000)	-
Wuhan Steel Electricity Co., Ltd.	32,175	32,175	-	32,175	3.37%	3.37%	-	-	32,175
Shenzhen Jiafeng Textile Industrial Co., Ltd	16,725	16,725	-	16,725	13.82%	13.82%	-	(16,725)	-
Gintian Industry (Group) Co., Ltd.	9,662	9,662	-	9,662	2.03%	2.03%	-	(9,662)	-
Hainan Pearl River Holdings Co., Ltd.	9,650	9,650	-	9,650	0.27%	0.27%	-	(9,650)	-
Hainan Wuzhou Travel Co., Ltd.	5,220	5,220	-	5,220	3.70%	3.70%	-	(5,220)	-
Shenzhen Zoto Investment Co.,Ltd.	2,500	2,500	-	2,500	4.10%	4.10%	-	-	2,500
Meizhou Polyester (Group) Co.	1,100	1,100	-	1,100	0.41%	0.41%	-	(1,100)	-
Hainan Baiyunshan Co., Ltd.	1,000	1,000	-	1,000	0.91%	0.91%	-	(1,000)	-
Hainan Saige Co., Ltd.	1,000	1,000	-	1,000	0.56%	0.56%	-	(1,000)	-
Hainan Zhonghailian Real Estate Co., Ltd.	1,000	1,000	-	1,000	0.74%	0.74%	-	(1,000)	-
SWIFT	684	684	-	684	0.03%	-	-	-	684
Guangdong Sanxing Enterprises (Group) Co., Ltd.	500	500	-	500	0.05%	0.05%	-	(500)	-
Chengdu Unionfriend Network Co. Ltd.	20,000	20,000	(20,000)	-	-	-	-	-	-
Others	11,630	11,630	-	11,630	Not applicable	Not applicable	-	(11,030)	600
Subtotal	254,066	254,066	(20,000)	234,066			-	(123,887)	110,179
Equity method:									
<u>Associates</u>									
Chengdu Gongtou Assets Management Co., Ltd.	259,836	279,800	13,254	293,054	33.20%	33.20%	-	(20,000)	273,054
Shandong Xinkaiyuan Real Estate Co., Ltd.	30,607	30,607	(1,569)	29,038	15.42%	15.42%	-	(3,061)	25,977
Subtotal	290,443	310,407	11,685	322,092			-	(23,061)	299,031
Total	544,509	564,473	(8,315)	556,158			-	(146,948)	409,210

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13. Long term equity investments (continued)

Name of investee	2009								
	Initial cost of investment	Balance at beginning of the year	Movements	Balance at end of the year	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision charged for the year	Impairment provisions (Note IV.18)	Net balance at end of the year
Cost method:									
China UnionPay Co., Ltd.	74,220	74,220	-	74,220	2.20%	2.20%	-	-	74,220
Yong An Property Insurance Co., Ltd.	67,000	67,000	-	67,000	4.03%	4.03%	(28,530)	(67,000)	-
Wuhan Steel Electricity Co., Ltd.	32,175	32,175	-	32,175	3.37%	3.37%	-	-	32,175
Chengdu Unionfriend Network Co. Ltd.	20,000	20,000	-	20,000	14.13%	14.13%	-	-	20,000
Shenzhen Jiafeng Textile Industrial Co., Ltd	16,725	16,725	-	16,725	13.82%	13.82%	-	(16,725)	-
Gintian Industry (Group) Co., Ltd.	9,662	9,662	-	9,662	2.03%	2.03%	-	(9,662)	-
Hainan Pearl River Holdings Co., Ltd.	9,650	9,650	-	9,650	0.27%	0.27%	-	(9,650)	-
Hainan Wuzhou Travel Co., Ltd.	5,220	5,220	-	5,220	3.70%	3.70%	-	(5,220)	-
Shenzhen Zoto Investment Co., Ltd.	2,500	2,500	-	2,500	4.10%	4.10%	-	-	2,500
Meizhou Polyester (Group) Co.	1,100	1,100	-	1,100	0.41%	0.41%	-	(1,100)	-
Hainan Baiyunshan Co., Ltd.	1,000	1,000	-	1,000	0.91%	0.91%	-	(1,000)	-
Hainan Saige Co., Ltd.	1,000	1,000	-	1,000	0.56%	0.56%	-	(1,000)	-
Hainan Zhonghailian Real Estate Co., Ltd.	1,000	1,000	-	1,000	0.74%	0.74%	-	(1,000)	-
SWIFT	684	230	454	684	0.03%	0.00%	-	-	684
Guangdong Sanxing Enterprises (Group) Co., Ltd.	500	500	-	500	0.05%	0.05%	-	(500)	-
Hainan Junhe Travel Co., Ltd.	2,800	2,800	(2,800)	-	0.00%	0.00%	-	-	-
Hainan Zhuxin Investment Co., Ltd.	500	500	(500)	-	0.00%	0.00%	-	-	-
Founder Securities Co., Ltd.	4,283	4,283	(4,283)	-	0.00%	0.00%	-	-	-
others	57,930	57,930	(46,300)	11,630	Not applicable	Not applicable	-	(11,063)	567
Subtotal	307,949	307,495	(53,429)	254,066			(28,530)	(123,920)	130,146
Equity method:									
<u>Associates</u>									
Chengdu Gongtuo Assets Management Co., Ltd.	259,836	269,065	10,735	279,800	33.20%	33.20%	-	(20,000)	259,800
Shandong Xinkaiyuan Real Estate Co., Ltd.	30,607	30,607	-	30,607	15.42%	15.42%	(3,061)	(3,061)	27,546
Subtotal	290,443	299,672	10,735	310,407			(3,061)	(23,061)	287,346
Total	598,392	607,167	(42,694)	564,473			(31,591)	(146,981)	417,492

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments (continued)

The movements in impairment provisions for long term equity investments are as follows:

<u>Jan- Jun 2010</u>	Balance at beginning of the period	Charge for the period	Other movements	Balance at end of the period
Chengdu Gongtou Assets Management Co., Ltd.	20,000	-	-	20,000
Yong An Property Insurance Co., Ltd.	67,000	-	-	67,000
Others	59,981	-	(33)	59,948
Total	146,981	-	(33)	146,948

<u>2009</u>	Balance at beginning of the year	Charge for the year	Amounts released upon disposal of assets/written off	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd.	20,000	-	-	20,000
Yong An Property Insurance Co., Ltd.	38,470	28,530	-	67,000
Others	98,389	3,061	(41,469)	59,981
Total	156,859	31,591	(41,469)	146,981

The movements in the associates during the reporting period are as follows:

<u>Jan- Jun 2010</u>	Initial cost of investment	Balance at beginning of the period	Movements in equity		Impairment provision		Balance at end of the period
			Share of profit for the period	Movement in other comprehen- sive income (Note VI. 45)	Charge for the period	Accumulated balance	
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	259,836	259,800	22,473	(9,219)	-	(20,000)	273,054
Shandong Xinkaiyuan Real Estate Co., Ltd. (Note 2)	30,607	27,546	(1,569)	-	-	(3,061)	25,977
Total	290,443	287,346	20,904	(9,219)	-	(23,061)	299,031

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13. Long term equity investments (continued)

	Initial cost of investment	Balance at beginning of the year	Movements in equity		Impairment provision		Balance at end of the year
			Share of profit for the year	Movement in other comprehensive income (Note IV.45)	Charge for the year	Accumulated balance	
<u>2009</u>							
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	259,836	249,065	18,336	(7,601)	-	(20,000)	259,800
Shandong Xinkaiyuan Real Estate Co., Ltd. (Note 2)	30,607	30,607	-	-	(3,061)	(3,061)	27,546
Total	<u>290,443</u>	<u>279,672</u>	<u>18,336</u>	<u>(7,601)</u>	<u>(3,061)</u>	<u>(23,061)</u>	<u>287,346</u>

Note 1: At 30 January 2008, the Company obtained 33.2% of the shareholding of Chengdu Gongtou Assets Management Co., Ltd. as repossessed assets.

Note 2: At 18 August 2008, the Company obtained 15.42% of the shareholding of Shandong Xinkaiyuan Real Estate Co., Ltd. as repossessed assets. The Company has appointed a representative at the board of the investee and has significant influence over the investee.

Note 3: As at 30 June 2010, there were no significant restrictions on the ability of associates to transfer funds to the Company. During Jan- Jun 2010 and 2009, the Company received cash dividends of RMB19,920 thousand and RMB3,320 thousand from Chengdu Gongtou Assets Management Co., Ltd., respectively.

The key financial information of the associates is as follows:

	Place of registration	Nature of business	Registered capital
Chengdu Gongtou Assets Management Co., Ltd.	Chengdu	Asset management	<u>518,700</u>
Shandong Xinkaiyuan Real Estate Co., Ltd.	Jinan	Real estate	<u>210,000</u>
	2010-6-30		Jan- Jun 2010
	Total assets	Total liabilities	Operating income
Chengdu Gongtou Assets Management Co., Ltd.	<u>1,546,260</u>	<u>649,151</u>	<u>58,614</u>
Shandong Xinkaiyuan Real Estate Co., Ltd.	<u>573,688</u>	<u>384,804</u>	<u>-</u>
			Net profit (Note)
			<u>85,498</u>
			<u>(9,009)</u>

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13. Long term equity investments (continued)

	2009-12-31		2009	
	Total assets	Total liabilities	Operating income	Net profit (Note)
Chengdu Gongtou Assets Management Co., Ltd.	1,545,541	648,916	81,955	97,422
Shandong Xinkaiyuan Real Estate Co., Ltd.	369,065	169,238	-	(10,176)

Note : The amount represents the net profit attributable to the parent company on the face of the consolidated income statement of the associate.

14. Investment properties

	2010-6-30	2009-12-31
Balance at beginning of the period/year	581,727	510,431
Purchase during the period/year	-	54,306
Disposals during the period/year	-	(8,335)
Fair value changes recognised in profit or loss	12,538	53,241
Transfer from/(to) owner-occupied properties during the period/year, net	13,929	(27,916)
Balance at end of the period/year	608,194	581,727

The Company's investment properties are mainly properties and buildings, which are rented to third parties under operating leases. The investment properties are situated in locations where there are active property markets and the fair value of the investment properties can be reliably determinable on a continuing basis. Accordingly, management decided to adopt the fair value model for subsequent measurement of the investment properties, which are valued by independent professionally qualified valuers on, at least, an annual basis. The revaluation as at 30 June 2010 was performed by Shenzhen Guozi Land and Real Estate Valuation Co., Ltd. In connection with this, the valuation was carried out by qualified persons who are members of the Shenzhen Institute of Real Estate Appraisers. During the six months ended 30 June 2010, certain investment properties were transferred from owner-occupied properties mainly because these properties were leased out.

The investment properties of Ping An Bank are properties and buildings. The fair values of these investment properties as at the acquisition date, 31 December 2009 and 30 June 2010 were valued by China United Assets Appraisal Co., Ltd.

As at 30 June 2010, included in the investment properties of the enlarged Group was an amount of RMB29,888 thousand (31 December 2009: RMB24,030 thousand) that did not have the corresponding registration certificates of property rights.

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14. Investment properties (continued)

The gross rental income earned from the investment properties during the period amounted to RMB21,268 thousand (2009: RMB45,166 thousand). The total direct operating expenses (including repairs and maintenance expenses) for the investment properties, with or without rental income generated during the six months ended 30 June 2010, were RMB1,142 thousand (2009: RMB2,097 thousand).

15. Fixed assets

<u>Jan- Jun 2010</u>	Balance at beginning of the period	Additions	Transfer from construction in progress	Subtraction	Balance at end of the period
At cost:					
Properties and buildings	2,125,313	7,691	373,553	(10,692)	2,495,865
Transportation vehicles	93,677	6,098	-	(4,110)	95,665
Computers and automatic teller machines	1,267,304	60,759	2,032	(25,403)	1,304,692
Electronic appliances	707,508	29,340	22,713	(6,409)	753,152
Owner-occupied property improvements	425,959	5,776	88,523	(4,200)	516,058
Total	4,619,761	109,664	486,821	(50,814)	5,165,432
Accumulated depreciation:					
Properties and Buildings	551,298	35,369	-	(4,426)	582,241
Transportation vehicles	54,159	4,816	-	(3,508)	55,467
Computers and automatic teller machines	697,466	99,649	-	(24,449)	772,666
Electronic appliances	401,737	47,534	-	(6,373)	442,898
Owner-occupied property improvements	334,158	19,335	-	(1,683)	351,810
Total	2,038,818	206,703	-	(40,439)	2,205,082
Less: Impairment provision (Note VI. 18)	(6,289)				(6,289)
Net book value	2,574,654				2,954,061

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets (continued)

<u>2009</u>	Balance at beginning of the year	Additions	Transfer from construction in progress	Subtraction	Balance at end of the year
At cost:					
Properties and buildings	2,433,635	81,831	-	(390,153)	2,125,313
Transportation vehicles	92,663	16,689	307	(15,982)	93,677
Computers and automatic teller machines	1,096,786	216,324	11,376	(57,182)	1,267,304
Electronic appliances	527,937	172,460	44,759	(37,648)	707,508
Owner-occupied property improvements	<u>441,736</u>	<u>17,876</u>	<u>30,136</u>	<u>(63,789)</u>	<u>425,959</u>
Total	<u>4,592,757</u>	<u>505,180</u>	<u>86,578</u>	<u>(564,754)</u>	<u>4,619,761</u>
Accumulated depreciation:					
Properties and Buildings	574,207	59,223	-	(82,132)	551,298
Transportation vehicles	60,524	8,421	-	(14,786)	54,159
Computers and automatic teller machines	586,267	134,365	-	(23,166)	697,466
Electronic appliances	311,185	133,580	-	(43,028)	401,737
Owner-occupied property improvements	<u>327,910</u>	<u>36,439</u>	<u>-</u>	<u>(30,191)</u>	<u>334,158</u>
Total	<u>1,860,093</u>	<u>372,028</u>	<u>-</u>	<u>(193,303)</u>	<u>2,038,818</u>
Less: Impairment provision (Note VI. 18)	<u>(6,289)</u>				<u>(6,289)</u>
Net book value	<u><u>2,726,375</u></u>				<u><u>2,574,654</u></u>

As at 30 June 2010, the original cost and net book value of properties and buildings amounting to RMB126,221 thousand (31 December 2009: RMB147,115 thousand) and RMB63,434 thousand (31 December 2009: RMB75,270 thousand) respectively, are in use by the enlarged Group without having the registration certificates of property rights.

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16. Deferred tax assets/deferred tax liabilities

<u>Jan- Jun 2010</u>	Balance at beginning of the period	Recognised in profit or loss (Note VI. 43)	Recognised in other comprehensive income (Note VI. 45)	Balance at end of the period
<u>Deferred tax assets</u>				
Impairment provisions	1,529,498	(62,425)	-	1,467,073
Salaries and bonuses	145,017	162,718	-	307,735
Changes in fair values of financial assets of Ping An Bank	34,156	(6,716)	(29,196)	(1,756)
Cash-settled share appreciation rights of Ping An Bank	3,538	(413)	-	3,125
Contingent liabilities	21,494	(5,246)	-	16,248
Others	48,696	76,545	-	125,241
Subtotal	<u>1,782,399</u>	<u>164,463</u>	<u>(29,196)</u>	<u>1,917,666</u>
<u>Deferred tax liabilities</u>				
Fair value adjustments at the acquisition date	(125,947)	12,545	(5,090)	(118,492)
Changes in fair values of financial assets of the Company	(24,786)	6,482	(3,538)	(21,842)
Changes in fair values of investment properties and revaluation surplus on owner-occupied properties transferred to investment properties	(69,739)	(6,473)	(4,434)	(80,646)
Subtotal	<u>(220,472)</u>	<u>12,554</u>	<u>(13,062)</u>	<u>(220,980)</u>
Net amount	<u>1,561,927</u>	<u>177,017</u>	<u>(42,258)</u>	<u>1,696,686</u>

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16. Deferred tax assets/deferred tax liabilities (continued)

<u>2009</u>	Balance at beginning of the year	Recognised in profit or loss (Note VI. 43)	Recognised in other comprehensive income (Note VI. 45)	Balance at end of the year
<u>Deferred tax assets</u>				
Impairment provisions	1,760,640	(231,142)	-	1,529,498
Salaries and bonuses	98,334	46,683	-	145,017
Changes in fair values of financial assets of Ping An Bank	(25,298)	(48,636)	108,090	34,156
Cash-settled share appreciation rights of Ping An Bank	2,623	915	-	3,538
Contingent liabilities	28,855	(7,361)	-	21,494
Others	75,699	(27,003)	-	48,696
Subtotal	<u>1,940,853</u>	<u>(266,544)</u>	<u>108,090</u>	<u>1,782,399</u>
<u>Deferred tax liabilities</u>				
Fair value adjustments at the acquisition date	(174,183)	133,359	(85,123)	(125,947)
Changes in fair values of financial assets of the Company	(297,833)	27,905	245,142	(24,786)
Changes in fair values of investment properties and revaluation surplus on owner-occupied properties transferred to investment properties	(43,846)	(16,933)	(8,960)	(69,739)
Subtotal	<u>(515,862)</u>	<u>144,331</u>	<u>151,059</u>	<u>(220,472)</u>
Net amount	<u>1,424,991</u>	<u>(122,213)</u>	<u>259,149</u>	<u>1,561,927</u>

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17. Other assets

(a) Analysed by nature

	<u>2010-6-30</u>	<u>2009-12-31</u>
Prepayments (Note VI. 17b)	173,587	120,152
Prepaid legal expenses (Note VI. 17c)	66,556	71,162
Repossessed assets (Note VI. 17d)	914,175	1,220,344
Construction in progress (Note VI. 17e)	328,441	735,665
Receivable of bills due from other banks	21	1,977
Receivable of deferred consumption payments	112,234	141,141
Long term deferred expenses (Note VI. 17f)	663,857	652,111
Others (Note VI. 17g)	278,140	250,556
Total other assets	<u>2,537,011</u>	<u>3,193,108</u>
Less: Impairment provisions:		
Prepaid legal expenses (Note VI. 17c)	(56,638)	(62,013)
Repossessed assets (Note VI. 17d)	(390,882)	(468,410)
Others (Note VI. 17g)	(103,916)	(101,623)
Total impairment provisions	<u>(551,436)</u>	<u>(632,046)</u>
Other assets, net	<u>1,985,575</u>	<u>2,561,062</u>

(b) Aging analysis of prepayments

	<u>2010-6-30</u>		<u>2009-12-31</u>	
	Amount	Percentage	Amount	Percentage
Less than 1 year	128,666	74.12%	79,433	66.12%
1 to 2 years	15,606	8.99%	15,768	13.12%
2 to 3 years	8,525	4.91%	6,178	5.14%
Over 3 years	20,790	11.98%	18,773	15.62%
Total	<u>173,587</u>	<u>100%</u>	<u>120,152</u>	<u>100%</u>

As at 30 June 2010 and 31 December 2009, the enlarged Group has not made any provision for prepayments.

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17. Other assets (continued)

(c) Prepaid legal expenses

	2010-6-30				2009-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	61,159	91.89%	(53,406)	87.32%	65,267	91.72%	(58,475)	89.59%
Collective assessment:								
Aging less than 1 year	2,769	4.16%	(997)	36.01%	3,072	4.32%	(976)	31.77%
Aging between 1 and 2 years	1,522	2.29%	(1,132)	74.38%	821	1.15%	(562)	68.45%
Aging between 2 and 3 years	532	0.80%	(529)	99.44%	527	0.74%	(525)	99.62%
Aging over 3 years	574	0.86%	(574)	100%	1,475	2.07%	(1,475)	100%
Subtotal	5,397	8.11%	(3,232)	59.89%	5,895	8.28%	(3,538)	60.02%
Total	66,556	100%	(56,638)	85.10%	71,162	100%	(62,013)	87.14%

(d) Repossessed assets

	2010-6-30	2009-12-31
Land, properties and buildings	842,488	1,144,946
Others	71,687	75,398
Total	914,175	1,220,344
Less: Provision for decline in value (Note IV.18)	(390,882)	(468,410)
Repossessed assets, net	523,293	751,934

During the six months ended 30 June 2010, the enlarged Group took possession of collateral held as security with a carrying amount of RMB76,315 thousand (2009: RMB404,393 thousand). The collateral mainly comprises buildings. During the six months ended 30 June 2010, the enlarged Group disposed of repossessed assets with their gross carrying value amounting to RMB382,484 thousand (2009: RMB309,343 thousand). The enlarged Group plans to dispose of the repossessed assets through auctions, bidding or transfers in future.

(e) Construction in progress

	2010-6-30	2009-12-31
Balance at beginning of the period/year	735,665	332,391
Additions	170,990	744,588
Transfer to fixed assets	(486,821)	(86,578)
Transfer to intangible assets	(15,705)	(93,358)
Transfer to long-term deferred expenses	(75,688)	(161,378)
Balance at end of the period/year	328,441	735,665

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17. Other assets (continued)

(e) Construction in progress (continued)

Movements in key projects of construction in progress during the reporting period are as follows:

Jan-Jun 2010

Project name	Budget amount	Balance at beginning of the period	Additions	Balance at end of the period	Percentage of budget incurred	Progress of project	Funding sources
Bank premises of Tianjin Branch	268,548	197,504	16,375	213,879	80%	90%	Internal

2009

Project name	Budget amount	Balance at beginning of the year	Additions	Balance at end of the year	Percentage of budget incurred	Progress of project	Funding sources
Property development project for Information Technology Building of SDB	217,095	-	176,788	176,788	81%	90%	Internal
Bank premises of Tianjin Branch	268,548	-	197,504	197,504	74%	10%	Internal
Bank premises of Nanjing Branch (Hetai Building)	253,444	215,444	18,354	233,798	92%	92%	Internal

(f) Long term deferred expenses

	2010-6-30	2009-12-31
Balance at beginning of the period/year	652,111	499,817
Additions	105,124	355,615
Amortisation	(87,126)	(159,031)
Others	(6,252)	(44,290)
Balance at end of the period/year	<u>663,857</u>	<u>652,111</u>

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17. Other assets (continued)

(g) Others

	2010-6-30				2009-12-31			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	150,909	54.42%	(103,433)	68.09%	164,571	65.68%	(101,462)	61.65%
Collective assessment:								
Aging less than 1 year	76,960	27.57%	(423)	0.55%	38,472	15.35%	(114)	0.30%
Aging between 1 and 2 years	13,394	4.80%	(1)	0.01%	9,208	3.68%	-	0.00%
Aging between 2 and 3 years	8,269	2.96%	-	0.00%	5,832	2.33%	(7)	0.12%
Aging over 3 years	28,608	10.25%	(59)	0.21%	32,473	12.96%	(40)	0.12%
Subtotal	127,231	45.58%	(483)	0.76%	85,985	34.32%	(161)	0.19%
Total	278,140	100%	(103,916)	37.36%	250,556	100%	(101,623)	40.56%

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Impairment losses on assets

<u>Jan- Jun 2010</u>	<u>Note VI</u>	Balance at beginning of the period	Charge/ (reversal) for the period <small>(Note VI. 42)</small>	Amounts written off	Add-back of loans written off previously	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	Balance at end of the period
Provision for decline in value of precious metals		78	66	-	-	-	-	-	(137)	7
Impairment provision for placements of deposits with other financial institutions	2	40,695	-	(10,000)	-	-	-	-	-	30,695
Impairment provision for funds loaned to other financial institutions	3	29,979	-	-	-	-	-	-	(153)	29,826
Impairment provision for reverse repurchase agreements	6	35,000	-	-	-	-	-	-	-	35,000
Impairment provision for loans and advances	9.6	4,726,430	568,412	(115,387)	-	845,957	-	(39,697)	(956)	5,984,759
Impairment provision for long term equity investments	13	146,981	-	-	-	-	-	-	(33)	146,948
Provision for decline in value of repossessed assets	17d	468,410	15,116	(2,708)	-	-	(89,936)	-	-	390,882
Impairment provision for fixed assets	15	6,289	-	-	-	-	-	-	-	6,289
Impairment provision for other assets	17c&17g	163,636	(7,108)	(3)	-	3,998	-	-	31	160,554
Total impairment losses		5,617,498	576,486	(128,098)	-	849,955	(89,936)	(39,697)	(1,248)	6,784,960

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18. Impairment losses on assets (continued)

<u>2009</u>	<u>Note VI</u>	Balance at beginning of the year	Charge/ (reversal) for the year (Note VI. 42)	Amounts written off	Add-back of loans written off previously	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	Balance at end of the year
Provision for decline in value of precious metals		259	(181)	-	-	-	-	-	-	78
Impairment provision for placements of deposits with other financial institutions	2	40,695	-	-	-	-	-	-	-	40,695
Impairment provision for funds loaned to other financial institutions	3	37,696	(10,342)	-	-	1,774	-	-	851	29,979
Impairment provision for reverse repurchase agreements	6	29,000	6,000	-	-	-	-	-	-	35,000
Impairment provision for loans and advances	9.6	2,627,582	1,634,142	(185,895)	356,235	673,160	(302,717)	(121,585)	45,508	4,726,430
Impairment provision for long term equity investments	13	156,859	31,591	(38,169)	-	-	(3,300)	-	-	146,981
Provision for decline in value of repossessed assets	17d	450,348	88,861	-	-	-	(70,799)	-	-	468,410
Impairment provision for fixed assets	15	6,289	-	-	-	-	-	-	-	6,289
Impairment provision for other assets	17c&17g	248,884	3,966	(89,866)	-	-	-	-	652	163,636
Total		3,597,612	1,754,037	(313,930)	356,235	674,934	(376,816)	(121,585)	47,011	5,617,498
Provision for financial guarantee contracts		-	3,972	-	-	-	-	-	-	-
Total impairment losses		3,597,612	1,758,009	(313,930)	356,235	674,934	(376,816)	(121,585)	47,011	5,617,498

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)		
19. Placements of deposits from other financial institutions		
	<u>2010-6-30</u>	<u>2009-12-31</u>
Domestic banks	41,928,939	75,436,563
Domestic non-bank financial institutions	<u>27,235,547</u>	<u>24,876,502</u>
Total	<u>69,164,486</u>	<u>100,313,065</u>
20. Funds borrowed from other financial institutions		
	<u>2010-6-30</u>	<u>2009-12-31</u>
Domestic banks	9,106,420	12,249,828
Overseas banks	<u>296,136</u>	<u>359,717</u>
Total	<u>9,402,556</u>	<u>12,609,545</u>
21. Repurchase agreements		
	<u>2010-6-30</u>	<u>2009-12-31</u>
(a) Analysed by collateral		
Securities	24,303,000	28,231,000
Bills	<u>6,852,487</u>	<u>5,285,384</u>
Total	<u>31,155,487</u>	<u>33,516,384</u>
(b) Analysed by counterparty		
Banks	<u>31,155,487</u>	<u>33,516,384</u>
22. Customer deposits		
	<u>2010-6-30</u>	<u>2009-12-31</u>
Current deposits:		
Corporate customers	181,767,019	166,062,560
Personal customers	<u>43,886,390</u>	<u>37,008,379</u>
Subtotal	<u>225,653,409</u>	<u>203,070,939</u>
Fixed deposits:		
Corporate customers	222,373,574	194,382,138
Personal customers	<u>60,025,560</u>	<u>52,932,246</u>
Subtotal	<u>282,399,134</u>	<u>247,314,384</u>
Guarantee deposits	136,314,343	132,677,835
Fiscal deposits	11,795,851	9,936,132
Time deposits from PBOC	5,430,000	8,320,000
Inward and outward remittances	<u>12,234,559</u>	<u>2,381,357</u>
Total	<u>673,827,296</u>	<u>603,700,647</u>

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Employee benefits payable

<u>Jan- Jun 2010</u>	Balance at beginning of the period	Increase during the period	Payment made during the period	Balance at end of the period (Note 3)
Salaries, bonuses, allowances and subsidies (Note 1)	1,783,510	2,024,172	(2,405,173)	1,402,509
including: Deferred bonus accrual (Note 2)	159,602	2,420	(47,218)	114,804
Social insurance, supplementary pension contributions and staff welfare	315,187	396,174	(364,212)	347,149
Housing funds	-	100,701	(100,701)	-
Labour union and training expenses	38,955	70,717	(51,198)	58,474
Others	-	5,106	(5,106)	-
Total	2,137,652	2,596,870	(2,926,390)	1,808,132
	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year (Note 3)
<u>2009</u>				
Salaries, bonuses, allowances and subsidies (Note 1)	1,392,151	3,363,285	(2,971,926)	1,783,510
including: Deferred bonus accrual (Note 2)	108,200	91,334	(39,932)	159,602
Social insurance, supplementary pension contributions and staff welfare	300,285	764,760	(749,858)	315,187
Housing funds	-	170,006	(170,006)	-
Labour union and training expenses	25,770	101,914	(88,729)	38,955
Others	-	6,784	(6,784)	-
Total	1,718,206	4,406,749	(3,987,303)	2,137,652

Note 1: As at 30 June 2010, included in the payable balance of salaries, bonuses, allowances and subsidies were amounts of RMB13,388 thousand (31 December 2009: RMB15,236 thousand) that had been allocated from China Ping An for the cash-settled share appreciation rights for certain employees of Ping An Bank.

Note 2: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks; and will be settled in cash in accordance with the terms of the arrangement.

Note 3: As at 30 June 2010, included in the outstanding balances of employee benefits payable was an approximate amount of RMB1.347 billion (31 December 2009: RMB1.8 billion) that is expected to be settled in 12 months.

24. Tax payable

	<u>2010-6-30</u>	<u>2009-12-31</u>
Corporate income tax	333,138	306,508
Business tax and surcharges	451,682	416,552
Withholding tax on deposit interests	211	370
Others	38,481	36,566
Total	823,512	759,996

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25. Interest payable

<u>Jan- Jun 2010</u>	Balance at beginning of the period	Increase during the period	Payment made during the period	Balance at end of the period
Interest payable for deposits from customers and financial institutions	3,876,803	6,174,825	(5,996,178)	4,055,450
Interest payable for bonds	<u>413,993</u>	<u>331,560</u>	<u>(580,244)</u>	<u>165,309</u>
Total	<u><u>4,290,796</u></u>	<u><u>6,506,385</u></u>	<u><u>(6,576,422)</u></u>	<u><u>4,220,759</u></u>

<u>2009</u>	Balance at beginning of the year	Increase during the year	Payment made during the year	Balance at end of the year
Interest payable for deposits from customers and financial institutions	3,899,989	10,953,449	(10,976,635)	3,876,803
Interest payable for bonds	<u>301,503</u>	<u>573,140</u>	<u>(460,650)</u>	<u>413,993</u>
Total	<u><u>4,201,492</u></u>	<u><u>11,526,589</u></u>	<u><u>(11,437,285)</u></u>	<u><u>4,290,796</u></u>

26. Bonds payable

	<u>2010-6-30</u>	<u>2009-12-31</u>
Subordinated bonds (Note 1)	10,936,833	10,932,829
Hybrid capital debt instrument (Note 2)	<u>1,490,806</u>	<u>1,490,061</u>
Total	<u><u>12,427,639</u></u>	<u><u>12,422,890</u></u>

During 2009 and six months period ended 30 June 2010, the enlarged Group did not have any defaults of principal, interest or other breaches with respect to the subordinated bonds and the hybrid capital debt instrument.

Note 1: As approved by the PBOC and CBRC, the Company issued three sets of subordinated bonds with a total amount of RMB8 billion in the inter-bank bond market on 21 March 2008 and 28 October 2008. These subordinated bonds comprise two sets of fixed-rate bonds with nominal values of RMB6 billion and RMB1.5 billion respectively; and one set of floating-rate bonds with a nominal value of RMB0.5 billion. The term of the bonds is of 10 years with a call option at the end of the fifth year. The coupon rates for the first five years are 6.10% and 5.30% for the two sets of fixed-rate bonds; and 3-month SHIBOR+1.40% for the floating-rate bonds. If the Company does not exercise the call option at the end of the fifth year, both the fixed and floating coupon rates will increase by 3%.

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VI. NOTES TO KEY ITEMS IN THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Bonds payable (continued)

Note 1: (continued)

As approved by PBOC and CBRC, Ping An Bank issued subordinated debts amounting to RMB3 billion in the interbank market between 26 June 2009 and 29 June 2009. The debts comprised of fixed-rate bonds amounting to RMB1.15 billion and floating-rate bonds amounting to RMB1.85 billion. The term of the debts is of 10 years, with a call option to be exercisable by Ping An Bank at the end of the fifth year. For the first five years, the coupon rates of the fixed-rate bonds and the floating-rate bonds are 4.4% per annum and benchmark interest rate plus 1.65% per annum, respectively. The benchmark interest rate refers to the one-year time deposit rate. If Ping An Bank does not exercise the call option at the end of the fifth year, both the fixed and floating coupon rates will increase by 3%.

Note 2: As approved by the PBOC and CBRC, the Company issued a fixed-rate hybrid capital debt instrument amounting to RMB1.5 billion in the inter-bank market on 26 May 2009. The debt instrument has 15 years to maturity. The Company has the option to redeem the debt instrument at face value on 26 May 2019. The coupon rate for the first ten years is 5.70%. If the Company does not exercise this option, the coupon rate will increase by 3% thereafter.

27. Provisions

	<u>2010-6-30</u>	<u>2009-12-31</u>
Balance at beginning of the period/year	100,090	205,022
Reversal for the period/year	(23,988)	(3,508)
Amounts paid or released	-	(101,424)
Balance at end of the period/year	<u>76,102</u>	<u>100,090</u>

28. Other liabilities

	<u>2010-6-30</u>	<u>2009-12-31</u>
Bank drafts	29,393	189,664
Amounts pending for settlement and clearing	717,884	187,234
Financial guarantee contracts	95,129	89,755
Amounts payable for bond redemption as intermediaries	49,070	32,999
Accrued expenses	425,886	242,997
Amounts payable for acquisition of bonds	123,174	794,952
Inactive deposit account balances	203,357	212,977
Dividends payable (Note)	14,194	14,202
Subscription monies of open-ended funds	40,385	-
Advanced receipts of rentals and proceeds from disposal of repossessed assets	563,722	90,878
Others	295,808	633,116
Total	<u>2,558,002</u>	<u>2,488,774</u>

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28. Other liabilities (continued)

Note: As at 30 June 2010, the above-mentioned balance of dividends payable has been outstanding for more than one year as the related shareholders have not collected the dividends.

29. Share capital

As set out in Note III (4), it is assumed that the Company had completed the share issue of 1,638,337 thousand ordinary shares, with a par value of RMB1 Yuan each on 1 January 2009 for the business combination. Consequently, as at 1 January 2009, the number of the Company's ordinary shares issued was 4,743,771 thousand. As at 30 June 2010, the number of the Company's ordinary shares issued and fully paid was 5,123,351 thousand, with a price of RMB1 Yuan each. The nature and the structure of the share capital are as follows:

	2010-1-1	Percentage	Movement in the period	2010-6-30	Percentage
I. Restricted tradable shares held by:					
Domestic non-state-owned corporation	1,638,393	34.54%	379,580	2,017,973	39.39%
Domestic individual	8	0.00%	2	10	0.00%
Foreign corporation	181,256	3.82%	(181,256)	-	0.00%
Total restricted tradable shares	<u>1,819,657</u>	<u>38.36%</u>	<u>198,326</u>	<u>2,017,983</u>	<u>39.39%</u>
II. Unrestricted tradable shares	<u>2,924,114</u>	<u>61.64%</u>	<u>181,254</u>	<u>3,105,368</u>	<u>60.61%</u>
III. Total shares	<u><u>4,743,771</u></u>	<u><u>100.00%</u></u>	<u><u>379,580</u></u>	<u><u>5,123,351</u></u>	<u><u>100.00%</u></u>
	2009-1-1	Percentage	Movement in the year	2009-12-31	Percentage
I. Restricted tradable shares held by:					
Domestic non-state-owned corporation	1,642,192	34.62%	(3,799)	1,638,393	34.54%
Domestic individual	78	0.00%	(70)	8	0.00%
Foreign corporation	316,895	6.68%	(135,639)	181,256	3.82%
Total restricted tradable shares	<u>1,959,165</u>	<u>41.30%</u>	<u>(139,508)</u>	<u>1,819,657</u>	<u>38.36%</u>
II. Unrestricted tradable shares	<u>2,784,606</u>	<u>58.70%</u>	<u>139,508</u>	<u>2,924,114</u>	<u>61.64%</u>
III. Total shares	<u><u>4,743,771</u></u>	<u><u>100.00%</u></u>	<u><u>-</u></u>	<u><u>4,743,771</u></u>	<u><u>100.00%</u></u>

The Company's original shareholder, Newbridge Asia AIV III, L.P. transferred its holding of 520,414 thousand shares of the Company to China Ping An on 7 May 2010. Of which, 181,256 thousand shares were restricted tradable shares. As at 28 June 2010, these restricted tradable shares became unrestricted upon the expiry of the respective lock-up periods.

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29. Share capital (continued)

The Company signed a share placement agreement with Ping An Life Insurance Company of China, Ltd. (hereafter referred to as "Ping An Life") on 12 June 2010. As approved by CSRC on 28 June 2010 in accordance with the ZhengJianXuKe No. [2010]862, the Company issued 379,580 thousand shares to Ping An Life at a price of RMB18.26 Yuan per share, with the proceeds amounting to RMB6,931,130 thousand. After deducting the share issue related expenses amounting to RMB23,862 thousand, the share capital and the share premium increased by RMB379,580 thousand and RMB6,527,688 thousand, respectively. The above shares are restricted to any transfer in 36 months after the issue. However, related parties of Ping An Life (referring to enterprises directly or indirectly controlling Ping An Life, or those being controlled directly or indirectly by Ping An Life, or those under commonly controlled by another entity as Ping An Life) are not included in such transfer restriction.

30. Capital reserve

	2010-6-30	2009-12-31
Share premium	40,943,098	34,415,410
Cumulative changes in fair value of available-for-sale financial assets	62,958	(54,576)
Revaluation surplus on owner-occupied properties transferred to investment properties	51,839	41,030
Share of the changes in owners' equity of an associate	(26,946)	(17,727)
Total	41,030,949	34,384,137

31. Surplus reserve

As at 30 June 2010 and 31 December 2009, the amount of the surplus reserve represented the statutory surplus reserve.

32. General reserve

Pursuant to the relevant regulations issued by the MOF, the enlarged Group is required to maintain a general reserve within equity, through the appropriation of net profit, which should not be less than 1% of the period end balance of its risk assets.

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33. Unappropriated profit

Pursuant to a board resolution on 19 March 2009, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2008, the Company reversed the statutory surplus reserve amounting to RMB152,980 thousand in the second half of the year considering the respective appropriation in the first half of 2008, with the result that an appropriation of RMB61,404 thousand was made to the statutory surplus reserve for 2008 based on 10% of the profit for the year; and an appropriation of RMB258,968 thousand was made to the general reserve for the second half of 2008. The above appropriations were approved at the shareholders' meeting of the Company held on 18 May 2009.

Pursuant to a board resolution on 11 March 2010, based on the audited profit for the year as reported in the statutory financial statements for the year ended 31 December 2009, the Company appropriated RMB503,072 thousand to the statutory surplus reserve based on 10% of the net profit and RMB1,092,980 thousand to the general reserve for the year of 2009. The above proposed appropriations were approved at the shareholders' meeting of the Company held on 17 June 2010.

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34. Net interest income

	<u>Jan- Jun 2010</u>	<u>2009</u>
Interest income:		
Due from the Central Bank	563,747	933,685
Due from financial institutions	1,646,280	2,902,715
Rediscounted bills and reverse repurchase agreements collateralised by bills	1,299,338	1,915,757
Others	346,942	986,958
Loans and advances	12,011,303	21,005,294
Corporate loans and advances	8,267,390	14,280,432
Individual loans and advances	3,549,197	5,976,813
Discounted bills	194,716	748,049
Interest income on investment securities (excluding financial assets at fair value through profit or loss)	<u>2,270,112</u>	<u>3,660,502</u>
Subtotal	<u>16,491,442</u>	<u>28,502,196</u>
 Interest income on financial assets at fair value through profit or loss	 <u>33,619</u>	 <u>91,511</u>
 Total	 <u>16,525,061</u>	 <u>28,593,707</u>
 Including: Interest income accrued on impaired financial assets	 39,697	 121,585
 Interest expense:		
Due to the Central Bank	4,613	-
Due to financial institutions	1,484,606	2,146,707
Rediscounted bills and repurchase agreements collateralised by bills	268,666	601,339
Others	1,215,940	1,545,368
Customer deposits	4,857,968	9,519,381
Bonds payable	<u>336,804</u>	<u>582,389</u>
Subtotal	<u>6,683,991</u>	<u>12,248,477</u>
 Interest expense on financial liabilities at fair value through profit or loss	 <u>-</u>	 <u>584</u>
 Total	 <u>6,683,991</u>	 <u>12,249,061</u>
 Net interest income	 <u>9,841,070</u>	 <u>16,344,646</u>

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35. Net fee and commission income

	<u>Jan- Jun 2010</u>	<u>2009</u>
Fee and commission income:		
Settlement fee income	276,731	466,744
Wealth management products related fee income	32,487	42,998
Agency business fee income	121,099	190,841
Bank card fee income	502,341	581,141
Advisory and consulting fee income	156,043	340,503
Account management fee income	37,185	46,294
Others	117,023	200,213
Subtotal	<u>1,242,909</u>	<u>1,868,734</u>
Fee and commission expense:		
Agency business fee expenses	25,786	112,357
Bank card fee	93,253	81,412
Others	54,276	77,416
Subtotal	<u>173,315</u>	<u>271,185</u>
Net fee and commission income	<u>1,069,594</u>	<u>1,597,549</u>

36. Investment income

	<u>Jan- Jun 2010</u>	<u>2009</u>
Net gain/(loss) on disposal of bond investments at fair value through profit or loss	(11,245)	8,790
Net gain on disposal of available-for-sale bond investments	72,614	321,306
Net gain on disposal of available-for-sale equity investments	15,680	32,872
Net loss on disposal of held-to-maturity bond investments (Note VI. 11)	-	(29,128)
Gain/(loss) on disposal of long term equity investments	(7,252)	37,071
Share of profits of associates under equity method of accounting	40,824	18,336
Dividend income	2,690	1,905
Net realised gain/(loss) on derivative financial instruments (excluding foreign exchange derivative financial instruments)	6,513	(213,117)
Gain on disposal of bills	88,705	97,293
Net gain on disposal of debt instruments being underwritten	2,601	-
Total	<u>211,130</u>	<u>275,328</u>

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37. Gains or losses from changes in fair values of financial instruments

	<u>Jan- Jun 2010</u>	<u>2009</u>
Financial instruments held for trading	35,595	3,377
Financial assets designated as at fair value through profit or loss	-	(83)
Financial liabilities designated as at fair value through profit or loss	-	567
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	<u>(25,571)</u>	<u>199,821</u>
Total	<u>10,024</u>	<u>203,682</u>

38. Net foreign exchange difference

	<u>Jan- Jun 2010</u>	<u>2009</u>
Gains or losses from changes in fair values on foreign exchange derivative financial instruments	34,851	(82,173)
Others	<u>83,068</u>	<u>348,656</u>
Total	<u>117,919</u>	<u>266,483</u>

39. Other operating income

	<u>Jan- Jun 2010</u>	<u>2009</u>
Rental income	15,501	57,122
Others	<u>45,132</u>	<u>67,523</u>
Total	<u>60,633</u>	<u>124,645</u>

40. Business tax and surcharge

	<u>Jan- Jun 2010</u>	<u>2009</u>
Business tax	723,018	1,257,294
City maintenance and construction tax	38,022	63,239
Education surcharge	26,145	45,027
Others	<u>5,095</u>	<u>1,507</u>
Total	<u>792,280</u>	<u>1,367,067</u>

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41. Business and administrative expenses

	<u>Jan- Jun 2010</u>	<u>2009</u>
Staff expenses:		
Salaries, bonuses, allowances and subsidies	2,024,172	3,363,285
Social insurance, supplementary pension contributions and staff welfare	396,174	764,760
Housing funds	100,701	170,006
Labour union and training expenses	70,717	101,914
Others	5,106	6,784
Subtotal	<u>2,596,870</u>	<u>4,406,749</u>
General and administrative expenses:		
Computer system maintenance fees	92,077	162,755
Telecommunication and postage expenses	88,709	171,006
Water and electricity expenses	39,585	85,284
Publication and stationery expenses	132,745	338,207
Travel expenses	58,425	134,116
Marketing and public relation expenses	456,102	772,326
Motor vehicle expenses	73,883	167,886
Legal expenses	48,561	89,091
Professional fees	196,716	353,791
Sundry tax expenses	25,106	55,873
CBRC supervisory fee	60,183	82,590
Others	380,938	650,076
Subtotal	<u>1,653,030</u>	<u>3,063,001</u>
Depreciation, amortisation and rental expenses:		
Depreciation of fixed assets	206,703	372,028
Amortisation of intangible assets	66,678	90,632
Amortisation of leasehold improvements	76,190	132,950
Rental expenses	446,807	780,383
Subtotal	<u>796,378</u>	<u>1,375,993</u>
Total	<u><u>5,046,278</u></u>	<u><u>8,845,743</u></u>

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42. Impairment losses on assets

	<u>Jan- Jun 2010</u>	<u>2009</u>
Charge/(reversal) of impairment losses on:		
Precious metals	66	(181)
Funds loaned to other financial institutions	-	(10,342)
Reverse repurchase agreements	-	6,000
Loans and advances	568,412	1,634,142
Long term equity investments	-	31,591
Reposessed assets	15,116	88,861
Other assets	(7,108)	3,966
Subtotal	<u>576,486</u>	<u>1,754,037</u>
Provision for financial guarantee contracts	-	<u>3,972</u>
Total	<u><u>576,486</u></u>	<u><u>1,758,009</u></u>

43. Income tax expense

	<u>Jan- Jun 2010</u>	<u>2009</u>
Current tax:		
Charge for the period/year	1,056,643	1,373,017
Adjustments in respect of current income tax for prior years (Note)	211,019	(194,952)
Subtotal	<u>1,267,662</u>	<u>1,178,065</u>
Deferred income tax (Note VI. 16)	<u>(177,017)</u>	<u>122,213</u>
Total	<u><u>1,090,645</u></u>	<u><u>1,300,278</u></u>

Note: During the six months ended 30 June 2010, the adjustments in respect of current income tax for prior years were mainly related to the Company's salary and bonus payable amounting to RMB245,943 thousand at the 2009 year end. As such salary and bonus payable balance could be deductible from the taxable income when it is actually paid out, deferred tax asset is recognised by the Company correspondingly for this deductible temporary difference which offsets the effect of the current tax for the period.

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43. Income tax expense (continued)

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the enlarged Group's effective income tax rate is as follows:

	<u>Jan- Jun 2010</u>	<u>2009</u>
Profit before tax	<u>5,001,016</u>	<u>6,912,065</u>
Income tax at the statutory rate of 25%	1,250,254	1,728,016
Effects of 22% tax rate (2009: 20%) applicable to the regions of Shenzhen, Zhuhai and Haikou	(102,921)	(116,153)
Adjustments in respect of current income tax for prior years	14,399	(194,952)
Non-taxable income	(69,001)	(119,307)
Non-deductible expenses and other adjustments	<u>(2,086)</u>	<u>2,674</u>
Income tax expense	<u>1,090,645</u>	<u>1,300,278</u>

44. Earnings per share

The basic earnings per share amount and the diluted earnings per share amount of the Company are calculated as follows:

	<u>Jan- Jun 2010</u>	<u>2009</u>
Net profit attributable to ordinary shareholders of the Company	3,822,997	5,553,915
The weighted average number of ordinary shares outstanding (in thousands)	4,743,771	4,743,771
Basic and diluted earnings per share (Renminbi Yuan)	<u>0.81</u>	<u>1.17</u>

The Company had no potentially dilutive ordinary shares in issue during the reporting period.

There have been no transactions involving ordinary shares or potential ordinary shares of the Company between the balance sheet date and the date the pro forma consolidated financial statements are authorised for issue.

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45. Other comprehensive income

	Jan- Jun 2010	2009
(i) Net gain/ (loss) on available-for-sale financial assets	32,617	(764,156)
Less:income tax effect	(8,839)	152,616
Net gain or loss previously recognised in other comprehensive income transferred to profit or loss during the period	134,690	(569,629)
Less:income tax effect	(28,985)	115,493
Subtotal	129,483	(1,065,676)
(ii) Share of the changes in owners' equity of an associate	(9,219)	(7,601)
Less:income tax effect	-	-
Subtotal	(9,219)	(7,601)
(iii) Revaluation surplus on owner-occupied properties transferred to investment properties	15,243	36,947
Less:income tax effect	(4,434)	(8,960)
Subtotal	10,809	27,987
Total	131,073	(1,045,290)

The above items are recorded in the capital reserve of the shareholders' equity in accordance with the requirements of the Accounting Standards for Business Enterprises.

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VII. COMMITMENTS AND CONTINGENT LIABILITIES

1. Capital commitments

	2010-6-30	2009-12-31
Authorised, but not contracted for	56,462	111,464
Contracted, but not provided for	299,354	89,326
Total	355,816	200,790

2. Operating lease commitments

The enlarged Group has entered into commercial leases on certain premises and equipment. At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2010-6-30	2009-12-31
Within one year, inclusive	722,652	625,014
One to two years, inclusive	628,486	523,180
Two to three years, inclusive	565,578	468,858
More than three years	1,811,237	1,724,978
Total	3,727,953	3,342,030

3. Credit commitments

	2010-6-30	2009-12-31
Financial guarantee contracts:		
Bank acceptances	238,295,655	215,869,418
Guarantees issued	18,263,303	14,946,013
Letters of credit issued	4,924,417	2,892,677
Subtotal	261,483,375	233,708,108
Unused limit of credit cards and undrawn irrevocable loan commitments	93,655,348	80,248,531
Total	355,138,723	313,956,639
Credit risk weighted amounts of credit commitments	91,336,672	75,763,518

Financial guarantee contracts commit the enlarged Group to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts.

Commitments to extend credit represent contractual commitments to make loans to customers. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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VII. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

4. Fiduciary transactions

	2010-6-30	2009-12-31
Entrusted deposits	10,545,997	10,869,571
Entrusted loans	10,545,990	10,869,571
Entrusted funding	14,339,751	5,329,860
Entrusted investments	14,339,751	5,329,860

Entrusted deposits represent funds that depositors have instructed the enlarged Group to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

Entrusted funding and entrusted investments represent the investment and asset management services provided by the enlarged Group to third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms.

5. Contingent liabilities

5.1 Legal proceedings

As at 30 June 2010, the total claimed amount of the litigation cases of which the enlarged Group is the defendant was RMB459 million (31 December 2009: RMB602 million). These litigation cases are under legal proceedings. In the opinion of management, the enlarged Group has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

Apart from the above pending litigation cases, the respective liquidators of DeHeng Securities Co., Ltd. and the China Southern Securities Co., Ltd. had requested the Company to repay a total amount of RMB430 million. The Company had opposed all such repayment requests. As at 30 June 2010, based on the legal opinion from an independent third-party lawyer, the Company had no immediate obligation to repay the monies.

5.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the enlarged Group underwrites PRC voucher-type government bonds and savings bonds (electronic) and sells the bonds to the general public. The enlarged Group is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2010, the enlarged Group has sold voucher-type government bonds and savings bonds (electronic) with accumulated principal amounts of RMB3,148,331 thousand (31 December 2009: RMB2,911,597 thousand) and RMB152,519 thousand (31 December 2009: RMB99,648 thousand) respectively, to the general public that the enlarged Group has the obligation of early redemption.

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VII. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

5.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic) (continued)

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 30 June 2010 and 31 December 2009, the enlarged Group has no unexpired underwriting commitment of the government bonds.

VIII. Capital management

The Company and Ping An Bank calculated and reported the core capital adequacy ratio and capital adequacy ratio in accordance with the "Regulation Governing Capital Adequacy Ratio of Commercial Banks" promulgated by the CBRC and other related regulations.

The core capital includes share capital, capital reserve, surplus reserve, general reserve and unappropriated profit. The supplementary capital includes revaluation surplus, long term subordinated bonds, hybrid capital debt instrument and other supplementary capital.

<u>The Company</u>	<u>2010-6-30</u>	<u>2009-12-31</u>
Net core capital	29,820,830	19,854,282
Supplementary capital	13,595,028	12,372,093
Net capital	43,109,102	31,905,240
Risk-weighted assets and market risk capital adjustment	413,927,829	359,508,049
Core capital adequacy ratio	7.2%	5.5%
Capital adequacy ratio	10.4%	8.9%
 <u>Ping An Bank</u>	 <u>2010-6-30</u>	 <u>2009-12-31</u>
Net core capital	15,323,278	14,309,206
Supplementary capital	3,000,000	3,000,000
Net capital	18,187,463	17,173,391
Risk-weighted assets and market risk capital adjustment	154,755,144	131,637,635
Core capital adequacy ratio	9.9%	10.9%
Capital adequacy ratio	11.8%	13.1%

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IX. RISK DISCLOSURE

1. Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The enlarged Group's credit risk mainly arises from the loans and advances to customers, financial guarantees and loan commitments.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application, post-disbursement management and collateral as loans and advances to customers.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

	2010-6-30	2009-12-31
Due from the Central Bank	85,076,239	78,270,543
Placements of deposits with other financial institutions	14,264,725	32,351,930
Funds loaned to other financial institutions	6,654,807	9,829,121
Financial assets at fair value through profit or loss	5,721,097	2,674,243
Derivative financial assets	207,710	107,230
Reverse repurchase agreements	69,708,693	54,466,980
Loans and advances	488,260,907	462,353,481
Available-for-sale financial assets (excluding equity investments)	81,895,787	76,122,768
Held-to-maturity investments	53,251,879	44,931,829
Receivables	27,592,100	30,427,100
Other assets	16,112,806	10,680,783
Total	848,746,750	802,216,008
Credit commitments	355,138,723	313,956,639
Maximum exposure to credit risk	1,203,885,473	1,116,172,647

Risk concentration of the maximum exposure to credit risk

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the enlarged Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note VI. 9 for an analysis of concentration of loans and advances by industry and geographical region.

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required are determined by the enlarged Group based on its assessment of the credit risk of the counterparty. The Company and Ping An Bank have implemented respective guidelines regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly bills, loans or securities
- For commercial lending, mainly charges over real estate properties, inventories, shares or trade receivables
- For retail lending, mainly mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

Credit quality

The credit quality by class of financial assets (gross amount before deducting any impairment provision) of the enlarged Group is analysed as follows:

<u>2010-6-30</u>	Neither past due nor impaired	Past due but not impaired	Impaired (Note)	Total
Placements of deposits with other financial institutions	14,263,900	-	31,520	14,295,420
Funds loaned to other financial institutions	6,651,416	-	33,217	6,684,633
Financial assets at fair value through profit or loss	5,721,097	-	-	5,721,097
Reverse repurchase agreements	69,693,693	-	50,000	69,743,693
Accounts receivables	12,759,385	-	-	12,759,385
Loans and advances	488,394,674	2,953,237	2,897,755	494,245,666
Available-for-sale financial assets (excluding equity investments)	81,895,787	-	108,681	82,004,468
Held-to-maturity investments	53,251,879	-	-	53,251,879
Receivables	27,592,100	-	-	27,592,100
Total	<u>760,223,931</u>	<u>2,953,237</u>	<u>3,121,173</u>	<u>766,298,341</u>

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Credit quality (continued)

<u>2009-12-31</u>	Neither past due nor impaired	Past due but not impaired	Impaired (Note)	Total
Placements of deposits with other financial institutions	32,351,105	-	41,520	32,392,625
Funds loaned to other financial institutions	9,825,707	-	33,393	9,859,100
Financial assets at fair value through profit or loss	2,674,243	-	-	2,674,243
Reverse repurchase agreements	54,451,980	-	50,000	54,501,980
Accounts receivables	7,831,930	-	-	7,831,930
Loans and advances	461,489,024	2,575,123	3,015,764	467,079,911
Available-for-sale financial assets (excluding equity investments)	76,122,768	-	109,278	76,232,046
Held-to-maturity investments	44,931,829	-	-	44,931,829
Receivables	30,427,100	-	-	30,427,100
Total	720,105,686	2,575,123	3,249,955	725,930,764

Note: Impaired corporate loans comprise loans and advances graded at the last three tiers (i.e., "Substandard", "Doubtful" or "Loss") under the five-tier loan classification system maintained by the enlarged Group. Impaired personal loans comprise "Pass" or "Special Mention" loans overdue more than 90 days as well as loans graded at the last three tiers. As at 30 June 2010, impaired loans and advances comprise overdue loans of RMB2,523,143 thousand (31 December 2009: RMB2,783,758 thousand) and non-overdue loans of RMB364,612 thousand (31 December 2009: RMB232,006 thousand).

Neither past due nor impaired loans and advances

At the balance sheet date, the aggregate amounts of neither past due nor impaired loans and advances to customers are "Pass" and "Special Mention" loans graded in accordance with the five-tier classification.

	<u>2010-6-30</u>	<u>2009-12-31</u>
Pass	487,106,495	459,809,082
Special Mention	1,288,179	1,679,942
Total	488,394,674	461,489,024

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Credit quality (continued)

Past due but not impaired loans and advances

At the balance sheet date, an aging analysis of the past due but not yet impaired loans and advances was as follows:

	2010-6-30				Total	Fair value of collateral
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months		
Corporate loans and advances	139,618	84,965	-	1,424	226,007	117,913
Personal loans	2,277,760	325,398	124,072	-	2,727,230	6,863,352
Total	2,417,378	410,363	124,072	1,424	2,953,237	6,981,265

	2009-12-31				Total	Fair value of collateral
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months		
Corporate loans and advances	92,703	24,461	8,553	134,759	260,476	206,009
Personal loans	1,818,881	382,216	113,550	-	2,314,647	4,433,190
Total	1,911,584	406,677	122,103	134,759	2,575,123	4,639,199

Impaired loans and advances

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition, resulting in an impact on the estimated future cash flows of loans and advances that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The fair value of the collateral that the enlarged Group holds relating to corporate loans and advances individually determined to be impaired at 30 June 2010 amounted to RMB950 million (31 December 2009: RMB900 million).

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IX. RISK DISCLOSURE (continued)

1. Credit risk (continued)

Credit quality (continued)

Impaired amounts due from other financial institutions

Impaired amounts due from other financial institutions are all determined based on individual assessments. In determining whether an item is impaired, the enlarged Group considers the evidence of loss event and the decreases in estimated future cash flows. No collateral was held by the enlarged Group as security of the impaired amounts due from other financial institutions.

The carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

	2010-6-30	2009-12-31
Loans and advances to customers	346,705	409,783

2. Liquidity risk

Liquidity risk is the risk that the enlarged Group will be unable to meet its payment obligations when they fall due. The risk is attributable to any mismatch in amounts and terms between the assets and liabilities. To limit the risk, management has arranged diversified funding sources, and monitors loan and deposit balances on a daily basis. The enlarged Group also maintains a portfolio of highly marketable debt securities that can be easily liquidated in the event of an unforeseen interruption of cash flows.

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IX. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

As at 30 June 2010, the remaining contractual maturity analysis of the enlarged Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	2010-6-30						Undated	Total
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years		
Non-derivative cash flows:								
<u>Financial assets:</u>								
Cash on hand and due from the Central Bank	14,974,429	21	24,335	1	-	-	71,555,737	86,554,523
Amounts due from other financial institutions (1)	4,350,815	49,085,776	26,613,381	10,824,186	299,932	-	-	91,174,090
Financial assets at fair value through profit or loss	-	1,548,818	752,187	1,726,645	2,022,763	-	814	6,051,227
Accounts receivables	2,898,004	1,824,936	3,917,510	4,191,813	-	-	-	12,832,263
Loans and advances	3,879,488	34,683,010	62,319,231	205,192,148	147,558,088	99,224,017	-	552,855,982
Available-for-sale financial assets	-	10,401,351	3,973,333	11,344,790	45,507,942	18,715,098	30,875	89,973,389
Held-to-maturity investments	-	357,964	950,938	6,070,475	36,043,205	18,615,400	-	62,037,982
Receivables	-	-	7,885,244	20,175,060	565,750	-	-	28,626,054
Long term equity investments	-	-	-	-	-	-	409,210	409,210
Other financial assets	147,237	1,350	129,355	-	-	7,026	-	284,968
Total financial assets	26,249,973	97,903,226	106,565,514	259,525,118	231,997,680	136,561,541	71,996,636	930,799,688
<u>Financial liabilities:</u>								
Amounts due to the Central Bank	-	400,630	756,274	49,000	-	-	-	1,205,904
Amounts due to other financial institutions (2)	28,401,575	55,915,269	17,961,813	6,052,562	2,228,000	-	-	110,559,219
Accounts payables	207,958	612,204	980,633	514,854	-	-	-	2,315,649
Customer deposits	309,197,542	85,940,198	78,943,589	156,867,946	52,156,269	2,007,400	-	685,112,944
Bonds payable	-	-	4,700	666,140	9,706,810	4,796,428	-	15,174,078
Other financial liabilities	1,922,286	59,161	229,745	1,332,660	342,858	60,990	-	3,947,700
Total financial liabilities	339,729,361	142,927,462	98,876,754	165,483,162	64,433,937	6,864,818	-	818,315,494
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	(290)	1,797	(294)	(4,950)	-	-	(3,737)
Derivative financial instruments settled on gross basis	-	-	-	-	-	-	-	-
Of which: Cash inflow	-	9,599,015	6,412,120	24,167,446	8,008	-	-	40,186,589
Cash outflow	-	(9,599,689)	(6,399,696)	(24,137,809)	(8,027)	-	-	(40,145,221)
	-	(674)	12,424	29,637	(19)	-	-	41,368

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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IX. RISK DISCLOSURE (continued)

2. Liquidity risk (continued)

As at 31 December 2009, the remaining contractual maturity analysis of the enlarged Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	2009-12-31						Undated	Total
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years		
Non-derivative cash flows:								
<u>Financial assets:</u>								
Cash on hand and due from the Central Bank	22,986,667	27	21,369	-	-	-	56,672,421	79,680,484
Amounts due from other financial institutions (1)	2,747,080	53,997,766	22,587,630	17,611,099	290,701	-	-	97,234,276
Financial assets at fair value through profit or loss	-	2,835	391,399	929,151	1,063,908	485,361	-	2,872,654
Accounts receivables	3,049,769	727,738	1,659,487	2,430,835	-	-	-	7,867,829
Loans and advances	2,195,632	19,231,106	86,529,670	185,125,449	129,989,845	103,351,478	-	526,423,180
Available-for-sale financial assets	-	422,064	9,883,374	12,068,774	44,133,781	18,096,108	76,246	84,680,347
Held-to-maturity investments	-	98,313	508,846	3,823,890	31,707,331	16,285,005	-	52,423,385
Receivables	-	139,308	4,951,392	24,754,827	1,638,704	111,990	-	31,596,221
Long term equity investments	-	-	-	-	-	-	417,492	417,492
Other financial assets	69,662	11,168	31,030	10,983	38,764	22,812	-	184,419
Total financial assets	31,048,810	74,630,325	126,564,197	246,755,008	208,863,034	138,352,754	57,166,159	883,380,287
<u>Financial liabilities:</u>								
Amounts due to other financial institutions (2)	30,293,909	65,250,006	29,852,578	20,037,487	2,100,269	-	-	147,534,249
Accounts payables	359,721	128,765	202,851	529,318	-	-	-	1,220,655
Customer deposits	268,372,214	82,396,088	77,931,602	131,957,982	52,172,418	501,682	-	613,331,986
Bonds payable	-	-	370,025	237,422	10,259,419	4,879,127	-	15,745,993
Other financial liabilities	2,120,418	451,889	1,490,405	268,304	340,542	58,370	-	4,729,928
Total financial liabilities	301,146,262	148,226,748	109,847,461	153,030,513	64,872,648	5,439,179	-	782,562,811
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	(102)	-	8,995	31,720	-	-	40,613
Derivative financial instruments settled on gross basis	-	-	-	-	-	-	-	-
Of which: Cash inflow	-	6,227,819	4,418,436	9,946,624	673,786	-	-	21,266,665
Cash outflow	-	(6,220,358)	(4,406,681)	(9,909,252)	(673,501)	-	-	(21,209,792)
	-	7,461	11,755	37,372	285	-	-	56,873

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

IX. RISK DISCLOSURE (continued)

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2. Liquidity risk (continued)

Analysis of credit commitments by contractual expiry date:

	Repayable on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>2010-6-30</u>								
Off-balance sheet credit commitments	<u>44,668,481</u>	<u>58,580,957</u>	<u>96,567,049</u>	<u>143,105,749</u>	<u>11,755,381</u>	<u>461,106</u>	-	<u>355,138,723</u>
<u>2009-12-31</u>								
Off-balance sheet credit commitments	<u>35,449,179</u>	<u>45,028,276</u>	<u>91,842,249</u>	<u>129,044,798</u>	<u>12,304,440</u>	<u>287,697</u>	-	<u>313,956,639</u>

Management expects that not all of the commitments will be drawn before expiry of the commitments.

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IX. RISK DISCLOSURE (continued)

3. Market risk

Market risk is the risk of loss, in respect of the enlarged Group's on or off-balance sheet activities, arising from adverse movements in market rates including foreign exchange rates, interest rate, commodity prices and stock prices. Market risk arises from both the enlarged Group's trading and non-trading businesses. The aim of market risk management of the enlarged Group is to mitigate undue losses of income and equity, and simultaneously, to reduce the enlarged Group's exposure to the volatility inherent in financial instruments. The enlarged Group considers the market risk arising from commodity or stock prices in respect of its investment portfolio is immaterial.

Gap analysis is the key method used by the enlarged Group to monitor the market risk of its non-trading business activities. This method measures the impact of interest rate changes on income, with interest-earning assets and interest-bearing liabilities grouped by their respective re-pricing bands for the calculation of the re-pricing gap. By multiplying this position with an assumed interest rate change, an approximate effect on the net interest income resulting from the assumed interest rate change is quantified.

Financial derivative transactions entered into by the enlarged Group primarily provide effective economic hedges to other financial instruments held by the enlarged Group for the mitigation of interest and exchange rate risks. In the opinion of management, as the market risk of the enlarged Group's trading business activities is not material, the enlarged Group has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1. Currency risk

The enlarged Group's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange position arisen from derivative transactions. The currency risk of the enlarged Group mainly arises from loans and advances, investments and deposits denominated in foreign currencies.

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IX. RISK DISCLOSURE (continued)

3.1. Currency risk (continued)

As at 30 June 2010, the enlarged Group's foreign currency assets and liabilities analysed by currency were as follows:

	2010-6-30			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
<u>Assets</u>				
Cash on hand and due from the Central Bank	604,010	222,304	14,463	840,777
Amounts due from other financial institutions (1)	2,993,283	2,112,936	1,338,173	6,444,392
Financial assets at fair value through profit or loss and derivative financial assets	122,576	-	-	122,576
Accounts receivables	5,292,427	37,304	126,829	5,456,560
Loans and advances	8,816,220	1,391,791	47,727	10,255,738
Available-for-sale financial assets	1,030,310	-	197,457	1,227,767
Held-to-maturity investments	963,209	-	-	963,209
Others	132,629	22,057	1,796	156,482
Total assets	<u>19,954,664</u>	<u>3,786,392</u>	<u>1,726,445</u>	<u>25,467,501</u>
<u>Liabilities</u>				
Amounts due to other financial institutions (2)	4,236,627	368,013	128,201	4,732,841
Derivative financial liabilities	6,847	-	-	6,847
Accounts payables	832,135	18,247	-	850,382
Customer deposits	14,728,568	4,931,535	1,416,557	21,076,660
Others	118,279	57,804	5,628	181,711
Total liabilities	<u>19,922,456</u>	<u>5,375,599</u>	<u>1,550,386</u>	<u>26,848,441</u>
Net position of foreign currency (3)	32,208	(1,589,207)	176,059	(1,380,940)
Notional amount of foreign exchange derivative financial instruments	1,028,517	1,604,736	(166,175)	2,467,078
Total	<u>1,060,725</u>	<u>15,529</u>	<u>9,884</u>	<u>1,086,138</u>
Off-balance sheet credit commitments	<u>4,818,905</u>	<u>124,788</u>	<u>392,982</u>	<u>5,336,675</u>

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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IX. RISK DISCLOSURE (continued)

3.1. Currency risk (continued)

As at 31 December 2009, the enlarged Group's foreign currency assets and liabilities analysed by currency were as follows:

	2009-12-31			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
<u>Assets</u>				
Cash on hand and due from the Central Bank	467,417	203,629	14,677	685,723
Amounts due from other financial institutions (1)	9,122,290	722,902	1,216,088	11,061,280
Financial assets at fair value through profit or loss and derivative financial assets	132,790	-	-	132,790
Accounts receivables	3,400,158	-	131,545	3,531,703
Loans and advances	7,834,204	1,220,675	40,238	9,095,117
Available-for-sale financial assets	1,067,689	-	203,655	1,271,344
Held-to-maturity investments	1,039,253	-	48,864	1,088,117
Others	140,898	11,551	1,829	154,278
Total assets	<u>23,204,699</u>	<u>2,158,757</u>	<u>1,656,896</u>	<u>27,020,352</u>
<u>Liabilities</u>				
Amounts due to other financial institutions (2)	5,138,890	262,708	44,578	5,446,176
Derivative financial liabilities	8,015	-	-	8,015
Accounts payables	751,040	-	-	751,040
Customer deposits	14,444,052	2,622,406	1,375,718	18,442,176
Others	90,575	22,229	704	113,508
Total liabilities	<u>20,432,572</u>	<u>2,907,343</u>	<u>1,421,000</u>	<u>24,760,915</u>
Net position of foreign currency (3)	2,772,127	(748,586)	235,896	2,259,437
Notional amount of foreign exchange derivative financial instruments	<u>(1,930,655)</u>	<u>834,197</u>	<u>(217,300)</u>	<u>(1,313,758)</u>
Total	<u>841,472</u>	<u>85,611</u>	<u>18,596</u>	<u>945,679</u>
Off-balance sheet credit commitments	<u>3,944,651</u>	<u>25,964</u>	<u>380,606</u>	<u>4,351,221</u>

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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IX. RISK DISCLOSURE (continued)

3.1. Currency risk (continued)

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the enlarged Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the exchange rates against the RMB, with all other variables held constant on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a net potential increase. As the enlarged Group has no cash flow hedges and has only a minimal amount of available-for-sale equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on the equity.

2010-6-30

Currency	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-2%	+/-21,351
HKD	+/-2%	+/-311

2009-12-31

Currency	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-3%	+/-25,484
HKD	+/-3%	-/+2,568

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IX. RISK DISCLOSURE (continued)

3.2. Interest rate risk

The enlarged Group's interest rate risk mainly arises from the mismatch of contractual maturity or re-pricing dates between interest-earning assets and interest-bearing liabilities. The interest-earning assets and interest-bearing liabilities of the enlarged Group are mainly denominated in RMB. The PBOC sets a cap and a floor on interest rates on deposits and loans, respectively.

As at 30 June 2010, the contractual re-pricing dates or maturity dates, whichever were earlier, of the enlarged Group's balance sheet were analysed as follows:

	2010-6-30					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest-bearing	
Assets:						
Cash on hand and due from the Central Bank	84,099,198	-	-	-	2,430,968	86,530,166
Precious metals	-	-	-	-	2,227	2,227
Amounts due from other financial institutions (1)	80,145,170	10,433,055	50,000	-	-	90,628,225
Financial assets at fair value through profit or loss and derivative financial assets	3,533,711	1,810,422	340,675	-	243,999	5,928,807
Accounts receivables	5,085,587	1,942,843	-	-	5,730,955	12,759,385
Loans and advances	297,781,771	170,510,592	9,666,669	3,099,330	7,202,545	488,260,907
Available-for-sale financial assets	37,841,505	27,239,353	15,568,284	1,077,080	200,440	81,926,662
Held-to-maturity investments	5,688,593	14,714,642	24,743,811	8,104,334	499	53,251,879
Receivables	7,600,000	19,492,100	500,000	-	-	27,592,100
Long term equity investments	-	-	-	-	409,210	409,210
Fixed assets	-	-	-	-	2,954,061	2,954,061
Others	-	-	-	-	21,515,947	21,515,947
Total assets	521,775,535	246,143,007	50,869,439	12,280,744	40,690,851	871,759,576
Liabilities:						
Amounts due to the Central Bank	1,155,158	48,742	-	-	-	1,203,900
Amounts due to other financial institutions (2)	101,159,244	8,563,285	-	-	-	109,722,529
Derivative financial liabilities	-	-	-	-	168,800	168,800
Accounts payables	983,533	418,126	-	-	896,217	2,297,876
Customer deposits	487,407,089	145,244,759	31,200,893	2,000,002	7,974,553	673,827,296
Bonds payable	500,000	1,844,662	8,622,173	1,460,804	-	12,427,639
Others	-	-	-	-	9,707,487	9,707,487
Total liabilities	591,205,024	156,119,574	39,823,066	3,460,806	18,747,057	809,355,527
Interest rate risk exposure	(69,429,489)	90,023,433	11,046,373	8,819,938	Not applicable	Not applicable

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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IX. RISK DISCLOSURE (continued)

3.2. Interest rate risk (continued)

As at 31 December 2009, the contractual re-pricing dates or maturity dates, whichever were earlier, of the enlarged Group's balance sheet were analysed as follows:

	2009-12-31					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest-bearing	
Assets:						
Cash on hand and due from the Central Bank	77,605,631	-	-	-	2,043,606	79,649,237
Precious metals	-	-	-	-	3,302	3,302
Amounts due from other financial institutions (1)	78,933,416	17,428,083	286,532	-	-	96,648,031
Financial assets at fair value through profit or loss and derivative financial assets	1,453,813	1,086,236	134,194	-	107,230	2,781,473
Accounts receivables	2,047,627	1,612,790	-	-	4,171,513	7,831,930
Loans and advances	245,125,148	199,049,568	8,378,231	3,499,032	6,301,502	462,353,481
Available-for-sale financial assets	19,589,623	33,312,495	19,835,187	3,218,993	242,716	76,199,014
Held-to-maturity investments	2,239,278	12,808,690	22,473,390	7,379,125	31,346	44,931,829
Receivables	5,037,100	23,890,000	1,500,000	-	-	30,427,100
Long term equity investments	-	-	-	-	417,492	417,492
Fixed assets	-	-	-	-	2,574,654	2,574,654
Others	-	-	-	-	21,440,436	21,440,436
Total assets	432,031,636	289,187,862	52,607,534	14,097,150	37,333,797	825,257,979
Liabilities:						
Amounts due to other financial institutions: (2)	131,047,550	15,391,444	-	-	-	146,438,994
Derivative financial liabilities	-	-	-	-	31,728	31,728
Accounts payables	-	390,740	-	-	819,863	1,210,603
Customer deposits	443,811,090	117,595,071	39,987,839	500,001	1,806,646	603,700,647
Bonds payable	500,000	1,843,945	8,618,885	1,460,060	-	12,422,890
Others	-	-	-	-	9,997,780	9,997,780
Total liabilities	575,358,640	135,221,200	48,606,724	1,960,061	12,656,017	773,802,642
Interest rate risk exposure	<u>(143,327,004)</u>	<u>153,966,662</u>	<u>4,000,810</u>	<u>12,137,089</u>	Not applicable	Not applicable

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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IX. RISK DISCLOSURE (continued)

3.2. Interest rate risk (continued)

The enlarged Group principally uses sensitivity analysis to measure and control interest rate risk. In respect of the financial assets and liabilities at fair value through profit or loss, in the opinion of management, the interest rate risk to the enlarged Group arising from this portfolio is not significant. For other financial assets and liabilities, the enlarged Group mainly uses gap analysis to measure and control the related interest rate risk.

As at 30 June 2010 and 31 December 2009, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) were as follows:

	2010-6-30		2009-12-31	
	Changes in interest rate (basis points)		Changes in interest rate (basis points)	
	-50	+50	-100	+100
Effect on the net interest income increase/(decrease)	153,815	(153,815)	693,531	(693,531)
Effect on equity increase/(decrease)	310,451	(310,451)	751,898	(751,898)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) held by the enlarged Group at the balance sheet date. The sensitivity of equity is calculated by revaluing the period end portfolio of fixed-rate available-for-sale financial assets, based on a reasonable possible change in interest rates.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and (ii) there are parallel shifts in the yield curve.

Regarding to the above assumptions, the effect on the net interest income and equity as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

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IX. RISK DISCLOSURE (continued)

4. Fair value of financial instruments

The following table summarises the carrying values and the fair values of receivables, held-to-maturity investments and bonds payable for which their fair values have not been presented or disclosed above:

	<u>Carrying value</u>	<u>Fair value</u>
30 June 2010:		
Receivables	27,592,100	27,609,796
Held-to-maturity investments	53,251,879	53,583,009
Bonds payable	12,427,639	12,781,588
31 December 2009:		
Receivables	30,427,100	30,489,418
Held-to-maturity investments	44,931,829	44,676,050
Bonds payable	12,422,890	12,599,309

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain financial assets and liabilities held and issued by the enlarged Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (1) The receivables are non-transferable. The fair values of these receivables are estimated on the bases of discounted cash flows.
- (2) The fair value of held-to-maturity investments and bonds payable are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the bases of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the enlarged Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Financial instruments, for which their carrying amounts are the reasonable approximation of their fair values because, for example, they are short term in nature or are re-priced to current market rates frequently, are as follows:

<u>Assets</u>	<u>Liabilities</u>
Cash and due from the Central Bank	Due to the Central Bank
Placements of deposits with other financial institutions	Placement of deposits from other financial institutions
Funds loaned to other financial institutions	Funds borrowed from other financial institutions
Reverse repurchase agreements	Repurchase agreements
Loans and advances	Customer deposits
Other financial assets	Other financial liabilities

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IX. RISK DISCLOSURE (continued)

4. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value.

	Quoted market price ("Level 1")	Valuation techniques – market observable inputs ("Level 2")	Valuation techniques – non-market observable inputs ("Level 3")	Total
<u>2010-6-30</u>				
Financial assets:				
Financial assets at fair value through profit or loss	61,682	5,597,706	61,709	5,721,097
Derivative financial assets	-	207,710	-	207,710
Available-for-sale financial assets	815,691	81,110,971	-	81,926,662
Total	877,373	86,916,387	61,709	87,855,469
Financial liabilities:				
Derivative financial liabilities	-	168,800	-	168,800
	Quoted market price ("Level 1")	Valuation techniques – market observable inputs ("Level 2")	Valuation techniques – non-market observable inputs ("Level 3")	Total
<u>2009-12-31</u>				
Financial assets:				
Financial assets at fair value through profit or loss	39,142	2,541,452	93,649	2,674,243
Derivative financial assets	-	107,230	-	107,230
Available-for-sale financial assets	895,420	75,303,594	-	76,199,014
Total	934,562	77,952,276	93,649	78,980,487
Financial liabilities:				
Derivative financial liabilities	-	31,728	-	31,728

During the six months ended 30 June 2010, there were transfers of available-for-sale equity investments amounting to RMB1 million (2009: RMB10 million) from Level 2 to Level 1 fair value measurements as the related tradable shares became unrestricted during the period.

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IX. RISK DISCLOSURE (continued)

4. Fair value of financial instruments (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial instruments which are recorded at fair value.

<u>Jan-Jun 2010</u>	<u>Balance at beginning of the period</u>	<u>Sales during the period</u>	<u>Gains or losses from changes in fair values</u>	<u>Balance at end of the period</u>
Financial assets at fair value through profit or loss	<u>93,649</u>	<u>(34,141)</u>	<u>2,201</u>	<u>61,709</u>
	<u>Balance at beginning of the year</u>	<u>Sales during the year</u>	<u>Gains or losses from changes in fair values</u>	<u>Balance at end of the year</u>
<u>2009</u>				
Financial assets at fair value through profit or loss	<u>66,022</u>	<u>-</u>	<u>27,627</u>	<u>93,649</u>

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Major shareholders

Details of the major shareholders of the Company are as follows:

<u>Name</u>	<u>Place of registration</u>	<u>Percentage of equity interest held (Note)</u>	
		<u>2010-6-30</u>	<u>2009-12-31</u>
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	42.16%	34.56%
Ping An Life Insurance Company of China, Ltd.	Shenzhen, PRC	10.22%	3.04%
Newbridge Asia AIV III, L.P.	Delaware, USA	Not applicable	10.97%

Note: The percentage of equity interest held was calculated based on the assumption that the Company had completed the share issue for the business combination as set out in Note III (4), with a total number of 4,743,771 thousand ordinary shares issued as at 1 January 2009.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

2. Major transactions between the enlarged Group and China Ping An and its subsidiaries

Outstanding balances at the period/year end	2010-6-30	2009-12-31
Amounts due to other financial institutions	1,175,946	1,510,399
Customer deposits	26,320,740	26,266,882
Credit limit of factoring	300,000	300,000
Interbank credit limit	1,000,000	5,800,000
Transactions during the period/year	Jan-Jun 2010	2009
Agency business fee income	14,941	4,879
Custodian services fee income	328	-
Interest expenses on amounts due to other financial institutions	26,043	54,475
Interest expenses on customer deposits	394,788	904,234
Insurance premium expenses	8,744	8,169
Property management fee	1,932	5,768
Rental expenses	6,532	14,016
Expenses for services received	61,674	56,856

The above transactions were made according to the normal commercial terms and conditions and were processed under normal business procedures.

Apart from the above, the Company has other transactions with China Ping An and Ping An Property & Casualty Insurance Company of China, Ltd. as stated in Note VI.7 and Note VI.12, respectively.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

3. Major transactions between the enlarged Group and the key management personnel

Loans	Jan-Jun 2010	2009
Balance at beginning of the period/year	23,005	11,725
Increase during the period/year	920	16,350
Decrease during the period/year	(9,233)	(5,070)
Balance at end of the period/year	14,692	23,005
Interest income on loans	109	909

At 30 June 2010, the annual interest rates of these loan transactions ranged from 1.37% to 4.78%.

Deposits	Jan-Jun 2010	2009
Balance at beginning of the period/year	27,158	17,012
Increase during the period/year	241,190	207,183
Decrease during the period/year	(211,229)	(197,037)
Balance at end of the period/year	57,119	27,158
Interest expense on deposits	209	137

These deposit transactions were under normal commercial terms and conditions and were processed under normal business procedures.

Details of the compensation for key management personnel are as follows:

	Jan-Jun 2010	2009
Salaries and other short term employee benefits	59,480	101,601
Post-employment benefits	270	759
Other long term employee benefits	-	18,798
Termination benefits	5,105	-
Deferred bonus accrual/(reversal) (Note)	(126)	15,527
Total	64,729	136,685

Note: The amount of deferred bonus is determined based on the indicators of profitability, the share price and the capital adequacy ratio of the Company as well as the share prices of certain other domestic listed banks; and will be settled in cash in accordance with the terms of the arrangement.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related party transactions

As at 30 June 2010, the enlarged Group has authorised a total credit facility of RMB1.599 billion (31 December 2009: RMB1.758 billion) for entities relating to the key management personnel of the enlarged Group and the associate companies, which included an outstanding loan balance amounting to RMB645 million (31 December 2009: RMB628 million) and an outstanding facility of the off-balance sheet items amounting to RMB360 thousand (31 December 2009: RMB76 million).

XI. OTHER SIGNIFICANT ITEMS

1. Assets and liabilities carried at fair value

<u>Jan-Jun 2010</u>	<u>Balance at beginning of the period</u>	<u>Gains or (losses) from changes in fair values during the period</u>	<u>Accumulated valuation gain/(loss) taken into other comprehensive income</u>	<u>Balance at end of the period</u>
Assets:				
Financial assets at fair value				
through profit or loss	2,674,243	35,595	-	5,721,097
Derivative financial assets	107,230	100,452	-	207,710
Available-for-sale financial assets	76,199,014	-	64,661	81,926,662
Investment properties	581,727	12,538	68,494	608,194
Total	<u>79,562,214</u>	<u>148,585</u>	<u>133,155</u>	<u>88,463,663</u>
Liabilities:				
Derivative financial liabilities	<u>(31,728)</u>	<u>(137,072)</u>	<u>-</u>	<u>(168,800)</u>

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XI. OTHER SIGNIFICANT ITEMS (continued)

1. Assets and liabilities carried at fair value (continued)

<u>2009</u>	Balance at beginning of the year	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain/(loss) taken into other comprehensive income	Balance at end of the year
Assets:				
Financial assets at fair value				
through profit or loss	3,997,294	3,294	-	2,674,243
Derivative financial assets	302,652	(137,830)	-	107,230
Available-for-sale financial assets	73,600,023	-	(79,507)	76,199,014
Investment properties	510,431	53,241	53,251	581,727
Total	78,410,400	(81,295)	(26,256)	79,562,214
Liabilities:				
Financial liabilities at fair value				
through profit or loss	(39,420)	567	-	-
Derivative financial liabilities	(323,150)	234,016	-	(31,728)
Total	(362,570)	234,583	-	(31,728)

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XI. OTHER SIGNIFICANT ITEMS (continued)

2. Foreign currency financial assets and foreign currency financial liabilities

<u>Jan- Jun 2010</u> (RMB equivalent)	Balance at beginning of the period	Gains or (losses) from changes in fair values during the period	Accumulated valuation gain/ (loss) taken into other comprehensive income	Impairment provision charged/ (reversed) for the period	Balance at end of the period
Foreign currency financial assets:					
Cash on hand and due from the Central Bank	685,723	-	-	-	840,777
Amounts due from other financial institutions (1)	11,061,280	-	-	-	6,444,392
Accounts receivables	3,531,703	-	-	-	5,456,560
Loans and advances	9,095,117	-	-	41,971	10,255,738
Available-for-sale financial assets	1,272,668	-	(55,256)	-	1,228,831
Held-to-maturity investments	1,088,117	-	-	-	963,209
Long term equity investments	684	-	-	-	684
Other assets	154,278	-	-	3	156,482
Total	26,889,570	-	(55,256)	41,974	25,346,673
Foreign currency financial liabilities:					
Amounts due to other financial institutions (2)	5,446,176	-	-	-	4,732,841
Customer deposits	18,442,176	-	-	-	21,076,660
Accounts payable s	751,040	-	-	-	850,382
Other liabilities	113,420	-	-	-	181,704
Total	24,752,812	-	-	-	26,841,587

- (1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.
- (2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

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XI. OTHER SIGNIFICANT ITEMS (continued)

2. Foreign currency financial assets and foreign currency financial liabilities (continued)

<u>2009</u> (RMB equivalent)	Balance at beginning of the year	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain/ (loss) taken into other comprehensive income	Impairment provision charged/ (reversed) for the year	Balance at end of the year
Foreign currency financial assets:					
Cash on hand and due from the Central Bank	907,573	-	-	-	685,723
Amounts due from other financial institutions (1)	18,366,468	-	-	1,084	11,061,280
Accounts receivables	1,120,766	-	-	-	3,534,703
Loans and advances	4,683,914	-	-	81,938	9,095,117
Available-for-sale financial assets	360,602	-	(42,230)	-	1,272,668
Held-to-maturity investments	499,911	-	-	-	1,088,117
Long term equity investments	2,251	-	-	-	684
Other assets	456,148	-	-	(2,808)	154,278
Total	26,397,633	-	(42,230)	80,214	26,889,570
Foreign currency financial liabilities:					
Amounts due to other financial institutions (2)	4,239,252	-	-	-	5,446,176
Customer deposits	16,053,393	-	-	-	18,442,176
Accounts payable s	507,483	-	-	-	751,040
Other liabilities	165,215	-	-	-	113,420
Total	20,965,343	-	-	-	24,752,812

(1) Amounts due from other financial institutions included financial assets of placements of deposits with other financial institutions, funds loaned to other financial institutions and reverse repurchase agreements.

(2) Amounts due to other financial institutions included financial liabilities of placements of deposits from other financial institutions, funds borrowed from other financial institutions and repurchase agreements.

XII. APPROVAL OF THE FINANCIAL STATEMENTS

The pro forma consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 14 September 2010.