

BANK OF NINGBO CO., LTD.

(Stock Code: 002142)

2019 Annual Report

Chapter One Important Notes, Content and Interpretation

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of the Company ensure the authenticity, accuracy and completeness of contents, and guarantee no frauds, misleading statements or major omissions in this report. They are willing to burden any individual and joint legal responsibilities.

All the directors, supervisors and senior management are able to guarantee the authenticity, accuracy and completeness of this report without any objection.

The 2nd meeting of the 7th Board of Directors of the Company approved the text and abstract of 2019 Annual Report on Apr. 23, 2020. 13 directors in person out of the total of 13 required directors attended the meeting, and part of supervisors attended as a nonvoting delegates.

The Company's profit distribution plan was approved by the Board of Directors as follows: distribute RMB 5 (tax inclusive) as cash bonus per 10 shares to all shareholders registered upon the equity registration day. This plan will be submitted to 2018 general meeting of stockholders for further approval.

The Chairman of the Company, Mr. Lu Huayu, the President, Mr. Luo Mengbo, the person in charge of accounting, Mr. Zhuang Lingjun, and the general manager of financial department, Ms. Sun Hongbo hereby declare to guarantee the authenticity, accuracy and completeness of financial statements in the annual report.

Financial data and indicators included in this annual report are following the criteria of Chinese Accounting Standard for Business Enterprises. Unless otherwise stated, all data in the consolidated financial statements of Bank of Ningbo Co., Ltd. and its holding subsidiary, Maxwealth Fund Management Co., Ltd., its wholly-owned subsidiaries, Maxwealth Financial Leasing Co., Ltd. and Ningyin Finance Co., Ltd., are subject to the unit of RMB.

Ernst & Young Hua Ming LLP audited the 2019 Financial Statements of the Company in accordance with domestic accounting principles and published unqualified opinion.

The forward-looking statements in this annual report involving the future plans are not substantive commitments to the investors. Thus the investors and persons concerned shall keep sufficient risk awareness and understand the differences between plan, forecast and commitment.

Investors shall read the full text of the annual report carefully. The company has described major risks and will adopt the measures to control risks. For details, please refer to relevant contents about risk management in Chapter Seven Discussion and Analysis of Business Conditions.

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Interpretation

Unless the context otherwise requires, the terms below shall have the following meanings in this report:

Bank of Ningbo, Company, the Company	Refer to	Bank of Ningbo Co., Ltd.
Maxwealth Fund	Refer to	Maxwealth Fund Management Co., Ltd.
Maxwealth Leasing	Refer to	Maxwealth Financial Leasing Co., Ltd.
Ningyin Finance	Refer to	Ningyin Finance Co., Ltd.
PBC, central bank	Refer to	People's Bank of China
CBIRC	Refer to	China Banking and Insurance Regulatory Commission
CSRC	Refer to	China Securities Regulatory Commission

Chapter Two Company Profile

I. Company Information

Abbreviation of Common Stock	Bank of Ningbo	Code of Common Stock	002142
Abbreviation of Preferred Stock	Bank of Ningbo Preferred 01	Code of Preferred Stock	140001
	Bank of Ningbo Preferred 02		140007
Stock Exchange Listed	Shenzhen Stock Exchange		
Chinese Name	宁波银行股份有限公司		
Chinese Abbreviation	宁波银行		
English Name (if any)	Bank of Ningbo Co., Ltd.		
English Name (if any)	Bank of Ningbo		
Legal Representative	Lu Huayu		
Registered Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province, China		
Post Code of Registered Address	315042		
Office Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province, China		
Post Code of Office Address	315042		
Website	www.nbc.com.cn		
E-mail	dsh@nbc.com.cn		

II. Contact Information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Yu Gang	Tong Zhuochao
Contact Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang
Telephone	0574-87050028	0574-87050028
Fax	0574-87050027	0574-87050027
E-mail	dsh@nbc.com.cn	dsh@nbc.com.cn

III. Information Disclosure and Place for Inspection

Designated mediums for information disclosure	<i>China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily</i>
Designated domestic website for the publication of the annual report as approved by China Securities Regulatory Commission	http://www.cninfo.com.cn
Place for inspection of the annual report	Board of Directors Office, Bank of Ningbo Co., Ltd.

V. Registration Changes

Unified Social Credit Identifier	91330200711192037M
Changes of Main Business after Listing (if any)	None
Changes of Controlling Shareholders in the Past (if any)	None

V. Other Relevant Information

(I) Accounting firm appointed by the Company

Name of Accounting Firm	Ernst & Young Hua Ming LLP (Limited Liability Partnership)
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Office Address of Accounting Firm	17F, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Ave. Dong Cheng District, Beijing, China
Signed Accountants	Yan Shengwei, Liu Dalu

(II) Sponsor institution engaged for continuous supervision during the reporting period

Name of the sponsor institution	Office address of the sponsor institution	Name of sponsor representatives	Period of continuous supervision
CITIC Securities Co., Ltd.	Block B & E, Kaiheng Center, No. 2, Chaonei Street, Dongcheng District, Beijing	Guo Yingying, Yan Mingqing	From now on to December 31, 2021

(III) During the reporting period, there is no need for the Company to engage a financial consultant to perform the duty of continuous supervision.

VI. Development Vision, Corporate Culture and Investment Value

(I) Development Vision

To develop as a respected modern commercial bank with good reputation and core competitiveness.

(II) Corporate Culture

Honesty and Professionalism, Compliance and Efficiency, Integration and Innovation.

(III) Investment Value and Core Competitiveness

1. Adhere to the operating strategy of “imperfect for large banks, impossible for small banks”, energetically explore the differentiated developmental approaches for small and medium banks, continue to accumulate comparative advantages in various fields, and make great efforts to create the Company being an outstanding commercial bank among the China banking industry with differentiation core competitiveness and comparative advantages upon the customer service.

2. Adhere to the entry principle of “knowing the market and understanding the customers”, continuously deepen the construction of profit centers, namely Cooperate Banking, Retail Banking, Personal Banking, Wealth Management, Private Banking, Credit Card, Financial Market, Investment Banking, Asset Custody and Bill Business and continuously improve the sustainable development capability of Maxwealth Fund, Maxwealth Financial Leasing and Ningyin Finance, thus to form a more diversified profit growth layout and better adapt to the technological, market-oriented and international development trend of the banking industry.

3. Adhere to the development strategy of “joint development of regional markets”, strengthen the institution layout centered by the Yangtze River Delta and taking the Pearl River Delta and circum-Bohai-Sea region as two wings, continue to exploit the high-efficiency joint action advantages between the head office, branches and sub-branches, positively adapt to the market changes, timely optimize the business strategy, ensure the coordinated business development of the branches and sub-branches and constantly enhance the competitiveness of branches and sub-branches in the regional markets.

4. Adhere to the business purpose of “supporting entity and serving small and medium-sized enterprises”, continue to improve products, optimize processes and improve serves, strive to provide clients with high-quality and convenient financial services in all businesses, actively support the development of entity economy, constantly strengthen the effort to support transformation and upgrading of small and medium-sized enterprises, and continuously improve the quality and effect of inclusive finance services.

5. Adhere to the risk control concept of “controlling the risk is exactly reducing the cost”, solidly carry out all requirements of the guideline for comprehensive risk management, continuously improve the comprehensive, full-crew and full-process risk management system, adapt to the needs of risk management under the new normal of the banking industry, strive to minimize the risk cost, and ensure stable and sustainable development of all businesses of the Company.

6. Adhere to the development direction of “integration and innovation, transformation and upgrading” and regard science and technology as one of the most important production capacity for banks, strengthen investment to improve the competence. Upon the persistence, the science and technology supporting capacity of the Company has achieved comparative advantage among the peers and is available for the sustainable expansion, transformation and upgrading of all businesses of the Bank in next stage.

VII. Major Awards and Rankings in 2019

(I) In the list of “2019 Top 1,000 International Banks” issued by the Banker, the Company was ranked the 124th in the world and 20th in China with its tier one capital.

(II) In the list of “2019 Top 500 International Banking Brands” issued by the Banker, the Company was ranked the 113th in the world and 17th in China.

(III) In the Competitiveness Report of Chinese Commercial Banks 2019 issued by the Banker of China, the Company retained the first ranking among "competitive urban commercial banks with over RMB 300 billion assets scale" and was rated as "the best urban commercial bank" for two consecutive years.

(IV) In the activity carried out by the People's Bank of China Hangzhou Central Sub-branch and Zhejiang Federation of Industry and Commerce together, the Company was elected as "the Most Satisfactory Bank for Private Enterprises"; and in the election organized by the People's Bank of China Ningbo Central Sub-branch and Ningbo Federation of Industry and Commerce together, the Company was elected as "the Most Satisfactory Municipal Bank for Private Enterprises 2019".

(V) In the list of "China's Top 500 Listed Companies by Market Value" released by Wind, by the end of 2019, the Company's market value was RMB 158.4 billion, ranking the 75th in all A-share listed companies and the second in Zhejiang A-share listed companies.

(VI) The Company won "the Best Small and Medium Bank in Small and Medium-sized Financial Services" award in the "Golden Dragon Award of China's Financial Institutions in 2019" sponsored by Financial Times of China;

(VII) In 2019 (the 7th) comprehensive selection of financial banks by Sina, the Company was rated as "the Best Urban Commercial Bank".

(VIII) The Company won the "Outstanding Award for Urban Commercial Banks" in the 10th "Gold Financing" selection held by Shanghai Securities News.

(IX) In the joint selection by Jiemian•CLS, the Company was granted the title "the Outstanding Listed Company of China".

(X) In the selection by China Business, the Company won the award "2019 Excellent Asset Management Bank".

(XI) In the selection of "2019 Top 100 Excellent Brand Financial Enterprises of China" by the Economic Observer, the Company won the title "the Excellent Brand Asset Custody Bank".

(XII) The Company was awarded as "the Best Asset Custody Bank 2019" by 21st Century Business Herald in 2019 (the 12th) China Asset Management "Jin Bei Award".

(XIII) The Company won the award "the Most Socially Responsible Listed Company" in 2019 Reputation Award for Listed Companies of China by National Business Daily.

(XIV) In the joint election by China Investment Network and Institute for Finance and Economics, the Company was awarded as "the Most Socially Responsible Enterprise 2019" and "the Best Small and Medium-sized Bank 2019".

(XV) In the election of socially responsible enterprises for the award "Contribution • Sustainability" by IFNEWS.com, the Company won the title "2019 Enterprise of Social Responsibility and Contribution of China".

Chapter Three Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

Operating Performance (RMB 1,000)	Year 2019	Year 2018	Increase/Decrease by this year	Year 2017
Operating Income	35,081,391	28,930,304	21.26%	25,314,320
Operating Profit	15,289,556	11,545,815	32.43%	10,179,905
Total Profit	15,217,893	11,497,551	32.36%	10,163,344
Net Profit	13,790,844	11,220,636	22.91%	9,355,717
Net Profit Attributable to Shareholders of the Parent Company	13,714,237	11,186,356	22.60%	9,333,572
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	13,744,235	11,136,509	23.42%	9,350,208
Net Cash Flow from Operating Activities	40,338,631	(50,979,147)	Negative the same period of previous year	18,000,979
Per Share (RMB /share)				
Basic Earnings Per Share (EPS)	2.41	2.15	12.09%	1.80
Diluted Earnings Per Share (EPS)	2.41	2.04	18.14%	1.79
Basic EPS after Non-recurring Profit and Losses	2.41	2.14	12.62%	1.80
Net Cash Flow from Operating Activities per share	7.17	(9.79)	Negative the same period of previous year	3.55
Equity per share, Attributable to Common Stockholder of the Parent Company	15.19	12.68	19.79%	10.31
Financial Ratios				
Fully-diluted Return on Equity (ROE)	15.16%	16.59%	Decreased by 1.43%	17.43%
Weighted Average ROE	17.10%	18.72%	Decreased by 1.62%	19.02%
Fully-diluted ROE after Non-recurring Profits and Losses	15.19%	16.52%	Decreased by 1.33%	17.46%
Weighted Average ROE after Non-recurring Profits and Losses	17.14%	18.64%	Decreased by 1.50%	19.06%

Note: 1. The operating income includes net interest income, net fee and commission income, income from investment, income from changes in fair value, exchange gain, other business income, other income and Asset disposal income.

2. The basic earnings per share and weighted average ROE are calculated in accordance with the provisions of *No. 9 of Information Disclosure and Compilation Rules for the Companies Issuing Securities Publicly: Calculation and Disclosure of ROE and Earnings Per Share* (revised in 2010).

3. The Company paid the fourth-phase dividend of the preferred stocks (Preferred 01) on Nov. 18, 2019 and the first-phase dividend of the preferred stocks (Preferred 02) on Nov. 7, 2019, the total amount of which was RMB 753 million. The Company has considered the effect of the preference dividends when calculating the basic earnings per share and weighted average ROE disclosed in this report.

Scale indicators (RMB 1,000)	End of 2019	End of 2018	Increase / Decrease by this Year	End of 2017
Total assets	1,317,717,046	1,116,423,355	18.03%	1,032,042,442
Client loans and advances	529,101,797	429,086,927	23.31%	346,200,780
— Personal loans and advances	179,697,704	137,066,186	31.10%	105,664,001
— Corporate loans and advances	304,985,013	247,077,413	23.44%	216,404,495
— Notes discounted	44,419,080	44,943,328	(1.17%)	24,132,284
Loan loss reserves	21,702,117	17,495,312	24.05%	14,001,472
Including: loss reserves of loans and advances measured at fair value with changes included in other comprehensive income	589,721	Not applicable	Not applicable	Not applicable
Total liabilities	1,216,980,935	1,035,193,487	17.56%	974,836,470
Client deposits principal	771,521,094	646,721,375	19.30%	565,253,904
— Personal deposit principal	159,141,698	122,866,788	29.52%	105,858,589
— Corporate deposit principal	612,379,396	523,854,587	16.90%	459,395,315
Interbank borrowing	35,962,274	53,943,803	(33.33%)	94,606,096
Stockholders' equity	100,736,111	81,229,868	24.01%	57,205,972
Including: equity attributable to shareholders of the Parent Company	100,308,847	80,879,211	24.02%	57,089,245
Net capital	137,796,847	106,757,160	29.08%	82,019,503
Including: Tier-I net capital	100,009,315	80,615,762	24.06%	56,810,411
Net risk-weighted assets	885,201,520	718,273,938	23.24%	603,762,790

Note: 1. Client loans and advances and client deposit shall be calculated according to the regulatory caliber of CBRC.

2. On the basis of *Notice of the People's Bank of China on the Adjustment of statistical Caliber for Loans and Deposits in Financing Institutions (NO. 14 [2015])*, from the year of 2015, the deposits of non-deposit-taking financial institutions kept in deposit-taking financial institutions shall be included into the statistical caliber of "total deposits" and the loan deposit-taking financial institutions lend to non-deposit-taking financial institutions shall be included into the statistical caliber of "total loans". Based on the new statistical caliber of People's Bank of China, the total deposits on Dec. 31, 2019 was RMB 868.581 billion, increasing by RMB 118.996 billion than the end of the previous year with a growth of 15.87%; the total client loans and advances was RMB 531.575 billion, increasing by RMB 99.99 billion than the end of the previous year with a growth of 23.17%.

3. According to the regulations stipulated in the *Notice of the Ministry of Finance on Revising and Printing the Format of Financial Statements of Financial Enterprises in 2018 (C.K. [2018] No. 36)*, the interest of financial instruments accrued based on the effective interest rate method is included in the book balance of financial instruments, and the interest that can be collected or payable but has not been received or paid at the balance sheet date is included in items such as "Other Assets" or "Other Liabilities". All the items "Loans and Advances Issued", "Deposits Taking" and their details mentioned in this report are all interest free amounts, but "Loans and Advances Issued" "Loans and Advances Issued" and other items mentioned in the balance sheet are all interest inclusive amounts.

II. Key Quarterly Financial Indicators

Unit: RMB 1,000

	1 st Quarter of 2019	2 nd Quarter of 2019	3 rd Quarter of 2019	4 th Quarter of 2019
Operating income	8,123,629	8,068,150	9,361,513	9,528,099
Net Profit Attributable to Shareholders of the Parent Company	3,387,942	3,455,198	3,868,778	3,002,319
Net Profit Attributable to Shareholders of the Parent Company	3,388,087	3,446,825	3,881,469	3,027,854

Net Cash Flow from Operating Activities	(39,032,749)	47,158,947	16,735,576	15,476,857
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Note: there's no significant variance between the above financial indicators or the additive total therein and the relevant financial indicators in the Company's disclosed quarterly report or semi-annual reports.

III. Non-recurring Profit and Loss Items and Amount

Unit: RMB 1,000

ITEM	Year 2019	Year 2018	Year 2017
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	5,459	105,111	(8,674)
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	40	(6,010)	(5,753)
Other non-operating incomes and expenditures except for the above items	(39,049)	(25,529)	(3,027)
Impacts by income tax	6,872	(22,075)	845
Total	(26,678)	51,497	(16,609)
Of which: non-recurring profit and loss attributable to shareholders of the parent company	(29,998)	49,847	(16,636)
non-recurring profit and loss attributable to minority shareholders	3,320	1,650	27

Note: Calculation is conducted in accordance with the provisions of *No.1 of Explanatory Announcement of Information Disclosure for the Companies Issuing Securities Publicly-- Non-recurring Profit and Loss* (revised in 2008).

IV. Supplementary Financial Indicators

Item	Regulatory Standard	Year 2019	Year 2018	Year 2017	
According to the Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trail)	Capital adequacy ratio (%)	≥10.5	15.57	14.86	13.58
	Tier-I Capital adequacy ratio (%)	≥8.5	11.30	11.22	9.41
	Core Tier-I Capital adequacy ratio (%)	≥7.5	9.62	9.16	8.61
Liquidity ratio (RMB and foreign currencies) (%)	≥25	53.39	57.43	51.54	
Liquidity coverage ratio (%)	≥100	169.03	206.57	116.23	
Ratio of deposits and loans (domestic and foreign currencies) (%)		66.51	65.88	58.06	
Ratio of non-performing loans (%)	≤5	0.78	0.78	0.82	
Provision coverage (%)	≥150	524.08	521.83	493.26	
Loan provisioning rate (%)		4.10	4.08	4.04	
Normal loan migration rate (%)	Migration rate of normal loans	1.52	1.11	1.15	
	Migration rate of special-mentioned loans	31.54	67.48	83.59	
Migration rate of non-performing loans (%)	Migration rate of subprime loans	61.51	61.06	48.78	
	Migration rate of doubtful loans	41.67	21.89	35.34	
Return on total assets (%)		1.13	1.04	0.97	
Cost-income ratio (%)		34.32	34.44	34.63	

Asset-liability ratio (%)	92.36	92.72	94.46
Net interest spread (%)	2.41	2.20	2.17
Net interest margin (%)	1.84	1.97	1.94

Note: after deducting the impact by the new financial instrument standard, the net interest spread is 2.31% and the net interest margin is 2.07%.

Chapter Four Address of the Chairman

Looking back at the banking industry of China in 2019, the differentiation and integration of the industry were continuing to deepen, and the trend of technology, marketization and internationalization was becoming more and more obvious. For commercial banks, how to adapt to the changing external environment and more fierce market competition, how to improve the ability of banks to serve the real economy, how to accelerate the transformation of bank operation and management, and how to balance business development and risk management are the required questions to be answered.

In 2019, facing the complex and changing economic and financial situation both at home and abroad, under the leadership of the Board of Directors, the Company actively adapted to the changes in the business environment of banking industry and continued to implement the business strategy of "imperfect for large banks, impossible for small banks", continued to accumulate differentiated comparative advantages and orderly promoted various businesses, delivering excellent business management report. By the end of the reporting period, the total asset of the Company reached RMB 1,317.717 billion, increasing by 18.03% over the beginning of the year; the net profits attributable to shareholders of our parent company reached RMB 13.714 billion, increasing by 22.60% from the previous year; earnings per share was RMB 2.41, increasing by RMB 0.26 compared with that of last year; earning per share attributable to the ordinary shareholders of our parent company was RMB 15.19, increasing by 19.79% compared with that at the beginning of this year. IN 2019, In the list of "2019 Top 1,000 International Banks" issued by the Banker, the Company ranked the 124th; In the "Competitiveness Report of Chinese Commercial Banks 2019" issued by the Banker of China, the Company was rated as "the Best Urban Commercial Bank"; by the end of 2019, the total market value of the Company was RMB 158.4 billion, ranking the 75th among all A-share listed companies and the 14th among all A-share listed banks.

Continuous growth of the sustainable development capacity of various profit centers. The profit centers of the Company have adhered to the concept of creating value for customers and further defined the business strategy in the market segments. Driven by financial science and technology, the business model was continuously improving and upgrading, and was gradually establishing a comparative advantage of differentiation, and the sustainability of development was constantly enhanced. In particular, the proportion of revenue of large retail business and intermediate business was constantly increasing, which promoted the continuous optimization of the Company's structure. In terms of subsidiaries, in 2019, Ningyin Finance Co., Ltd. officially opened, becoming the first urban commercial financial management subsidiary in China, laying a good foundation for the sustainable development of asset management business; Maxwealth Fund Management Co., Ltd. performed well in terms of management scale and product income, and its market influence was further improved; Maxwealth Financial Leasing Co., Ltd. realized a good operation and management

pattern, with its sustainability of development constantly increasing.

Constant accumulation of the comparative advantages in the process of serving the real economy. Only in the process of serving the real economy, can banks truly form a differentiated comparative advantage. In 2019, based on the "211 Program", the Company planned to achieve the target of "123" customer coverage through three to five years' efforts, that is, each branch's individual banking would achieve 10% coverage of the local household registration population, retail companies would achieve 0% coverage of the target customers of small and micro-sized enterprise, and corporate banks would achieve 30% coverage of enterprises on a regular basis, striving to increase the total number of basic customers, and accelerating the integration of bank and the real economy. In 2019, the Company firmly implemented the requirements of the government and regulatory authorities, continued to increase the resource tilt, focused on serving the small and micro-sized enterprises, private enterprises, manufacturing and import and export enterprises, gave full play to the professional advantages of the bank, provided comprehensive financial services for customers and created higher values for customers.

Persistent increasing of the risk management capacity to ensure compliance operation. The internal and external business environment of the banks is changing rapidly. Only by adhering to compliance and stability can the banks be stable and far-reaching. In 2019, the Company continued to improve the comprehensive risk management system, to ensure that the compliance management concept was integrated into all aspects of the bank's operation and management. On the basis of firmly implementing the existing risk control measures, the Company constantly rechecked the pertinence and effectiveness of the risk management measures, and ensured that the measures were implemented in place through the test and process review. At the same time, the Company increased the application of financial technology in risk management, and constantly improved the level of systematization, digitalization and intelligence of risk management. As of the end of 2019, the Company's non-performing loan ratio is 0.78%, maintaining a low level in the industry.

Further enhance of the momentum of sustainable development of the bank. In 2019, the Fund Operation Center of the Company was licensed in Shanghai; it initiated the establishment of the first financial management subsidiary of the urban commercial banks, newly established Lishui branch and Huzhou branches, and the institutional layout of "One Body with Two Wings" continued to improve, further expanding the space of serving the real economy; the new data center constructed by the Company in accordance with the domestic leading and international standards was officially opened, adopting the industry-leading double live data framework and providing strong support for the sustainable development of various businesses; in terms of capital replenishment, a total of RMB 10 billion convertible bonds of the Company was successfully converted to shares, effectively complementing the Bank's core tier one capital, providing capital support for the continuous improvement of real economy services, and the momentum of sustainable development was more sufficient.

COVID-19, which broke out the rhythm of work and life of hundreds of millions of Chinese people, has brought great impact to numerous enterprises at the beginning of 2020. However, we will never forget the original intention of the development for banks. We donated RMB 10 million to help prevent and control the epidemic at the first time. With the help of financial technology and professional advantages, we launched a series of financial anti-epidemic measures, such as "No to Virus, Love to Enterprises" and "Help Enterprises, Help Each Other", and actively allocated financial resources to help enterprises return resume the work. Looking forward to 2020, we that everything will be good. And the Company, under the guidance of the Board of Directors, will continue to explore and implement the business strategy of "imperfect for large banks, impossible for small banks", keep in mind the original intention of serving the real economy, adhere to the mission of serving the physical customers, continue to accumulate comparative advantages, build a solid bottom line of risk management, and promote the steady and sustainable development of the Bank.

Chairman: Lu Huayu

Chapter Five Address of the President

In 2019, under the leadership of the Board of Directors, the Company actively adapted to the changes of the business environment, committed to creating more value for customers, invariably adhered to the fundamental purpose of serving the real economy, constantly accumulated comparative advantages in various fields, thus ensure the suitable development of the Bank. By the end of the reporting period, the total assets was RMB 1,317.717 billion, increased by 18.03% from the beginning of the year; the deposit balance was RMB 771.521 billion, increased by 19.30% from the beginning of the year; the loan balance was RMB 529.102 billion, increased by 23.31% from the beginning of the year; an operating income amounted to RMB 35.081 billion was realized, increased by 21.26% from the beginning of the year, a net profit attributable to shareholders of the parent Company amounted to RMB 13.714 billion was realized as well, with a year-on-year growth of 22.60%.The operating and management work in 2019 have the following four outstanding features:

The ability of serving the real economy was improved. According to the requirements of "Focus on the Main Business, Stick to the Mission", the Company has continuously increased resource support and policy preference, actively implemented inclusive finance, and actively sent high-quality comprehensive financial services to the first line, thus improved its ability to serve the real economy. In terms of financial services, the Company deepened the application of financial science and technology, optimized its service process, promoted the implementation of "One-stop administrative service" reform, and provided convenient financial services for customers; in terms of professional operation, the Company gave full play to its professional advantages in international business, financial market business, lead underwriter of the bonds, asset custody, etc. to create value for customers, set up the Wealth Management Department and the Private Banking Department to tailor financial service scheme for customers; in terms of customer service, the Company continued to promote the implementation of "211" project and "123" customer coverage plan, expanded the coverage of financial services, and laid a solid customer foundation for the its long-term sustainable development.

The business model of profit center was improved. In 2019, with the assistant of financial science and technology, the Company promoted the upgrading of business models of profit center, steadily increased the total profit from traditional deposit and loan business, continued to increase the income contribution from financial market, investment bank, asset custody, international business, bill business, wealth management and other intermediary businesses, and constantly consolidated its profit base; in terms of retail business, the Company focused on practicing inclusive finance, constantly innovated small and micro financial products, provided comprehensive and personalized financial services for small and micro enterprises, and the coverage of small and micro enterprise services has was expanded; in terms of personal banking, the Company further divided the business

into three parts, namely personal credit, wealth management and private bank, so as to improve its professional business system. The subsidiaries of the Company realized sound operation as well. As the first financial subsidiary of City Commercial Bank in China, Ningyin Financial Management Co., Ltd. opened last year, laying the foundation for the sustainable development of asset management business; Maxwealth Fund Management Co., Ltd realized a managed money scale of RMB 157.4 billion and a Non-monetary fund scale of RMB 102.9 billion. It ranked 25th among in the whole market, and realized a net profit of RMB 269 million. Maxwealth Financial Leasing Co., Ltd. also realized a smooth development, as it realized a net profit of RMB 448 million, and leasing assets balance of RMB 33.7 billion.

The risk management system of the Bank was gradually improving. In the face of the cyclical fluctuation of macro-economy, the Company adhered to the sound business philosophy of "Controlling the risk is exactly reducing the cost", and continuously improved its risk management system. The NPL ratio of the Company was 0.78% at the end of the year, thus guarantee its comparative assets quality in the industry, and proved the effectiveness of its risk management system. In 2019, on the basis of improving the existing risk management system, the Company gradually established new working mechanisms such as industry research, industry chain research, anti money laundering center, etc.. With the application of financial science and technology, the Company promoted the systematization, digitalization, intellectualization of risk management, and further improved its management efficiency.

The support ability of financial science and technology was increasing. The Company continued to increase resource investment and promote the construction of science and technology system, so as to enhance the support capacity financial technology. The Company gave full play to the comparative advantages of financial technology, and continuously improves key financial products such as treasury manager, foreign exchange manager, bill manager, new government affairs manager and Yishoubao, thus to improve its market competitiveness. Product of "Quick Online Reviewing and Granting" for small and micro enterprises were listed among the first batch of pilots of national financial technology. The APP of Bank of Ningbo newly launched by the Company has become the preferred service channel for individual users. The new data center of the Company was officially launched and formed a dual active architecture system with the original data center, thus significantly enhanced the system support ability, guaranteed the business continuity and strongly supported the business sustainable development of the Company.

The outbreak of COVID-19 in early 2020 has placed significant impact on the economic and social development both at home and abroad. The Company made use of all its resources to implement the theme activity of "Offer support to fight against the epidemic", and provided interest free loans to small and micro enterprises, with a maximum amount of RMB 1 million per account and a maximum period of 3 months. By the end of March, nearly RMB 10 million had been invested, benefiting 35,000 small and micro enterprises; The Company made good use of the special anti-

epidemic re-loans of the People's Bank of China and re-loans for small enterprises to help enterprises obtain low-cost funds. By the end of March, anti-epidemic re-loans amounted to RMB 3.9 billion and re-loans for small enterprises amounted to RMB 1.9 billion was granted; The Company also launched a number of preferential policies to help enterprises realize work resumption. We believe that we will eventually overcome the epidemic and usher in the spring. In 2020, as led by the Board of Directors of the Bank, and as abide by the operating strategy of “Do what big banks can't do well and small banks can't do”, the Company will actively adapt to changes in business environment, continuously consolidate its business foundation, strengthen the risk management, accumulate comparative advantages, promote the common development of banks and the real economy, and strive to build the it into a modern commercial bank with good reputation and core competitiveness

President: Luo Mengbo

Chapter Six Company Business Overview

I. Main businesses during the reporting period

Main business activities of the Company are absorption of public deposits; granting of short-term, medium-term and long-term loans; domestic settlements; discounting; issuance of financial bonds; acting as distribution agent, payment agent, and underwriter of government bonds; trading government bonds; inter-bank borrowing (lending); bank cards; bank guarantee; payment/collection agent and insurance agent; providing safe deposit box service; consignment loan of local fiscal revolving funds; foreign currency deposit, loans and remittance; international settlements, foreign exchange settlement and sale; inter-bank foreign exchange borrowing (lending); acceptance and discount of negotiable instruments in foreign currencies; foreign currency guarantees, as well as other businesses as granted by CBRC, People's Bank of China and the National Foreign Exchange Authority.

II. Significant change in prime assets

During the reporting period, the Company has no significant change in its prime assets.

III. Core Competitiveness Analysis

The Company believes that, the industry trend of technicalization, marketization and internationalization, the deceleration of economic growth and the increasingly strict supervision in recent years has made the differentiation of the banking industry intensified. After years of development, the Company has laid a good foundation for development, and has the conditions to achieve sustainable development in the process of banking differentiation. Currently, under the leadership of the board of directors, the Company has worked together and steadfastly implemented the differential development strategy that “big banks cannot do well and small banks cannot do” and which has achieved evident results to the benefit of sustainable development. The core competitiveness of the Company mainly reflects in the following five aspects:

Firstly, deeply ploughed high-quality operation area and focused on advantageous fields. High quality area of operation is an important foundation and guarantee for the sustainable development of the Company. In the aspect of organization layout, the Company determined the development strategy of “One Body with Two Wings” as taking the Yangtze River Delta as the main body and both Pearl River Delta and around Bohai gulf area as the two wings. The aforementioned area is the most economically developed area in China with broad potential fundamental customer base and business expansion room. After years of cultivation and accumulation, the business model of the Company has been able to fit the characteristics of the regional market well. Meanwhile, the Company kept the strategic concentration on the development of large-scale retail and light capital business, and continuously improved the scale and profit proportion.

Secondly, continual optimization of profitability structure and more diversified revenue sources. The Company has been devoted to the construction of diversified profit centers, and has formed a diversified profitability structure in corporate banking, retail Company, personal banking, wealth management, private bank, credit card, financial market, investment bank, asset custody and bill business. The profit proportion of large-scale retail and light capital business have increased year by year. Three subsidiaries of the Company, namely Maxwealth Fund Management Co., Ltd., Maxwealth Financial Leasing Co., Ltd. and Ningyin Financial Management Co. LTD. realized sound operation as well. The profit sources of the Company has become more diversified and the sustainability of development has been continuously enhanced.

Thirdly, highly effective risk management and steady and long-lasting business development. The Company adheres to the risk concept of “controlling the risk is exactly reducing the cost”, takes sticking to the risk bottom line as its most fundamental business goal, and continuously improves the comprehensive, full-crew and full-process risk management system. Based on the vertical and concentrated credit granting, the Company has implemented risk management measures such as “4+N” risk early-warning, post-loan review, industry research and industrial chain research, which has better responded periodic fluctuation and structure adjustment of economy, enabling it to cope with the economic cycle and industrial structure adjustment. the NPL ratio of the Company was at a relatively low level of the industry, ensuring that the Company can focus on business development and financial services, and can lay a solid foundation for sustainable development.

Fourthly, integration and innovation of finance and technology, and strong support for business development. Through over ten years of continuous accumulation and investment, the current financial technology level of the Company has taken the lead in the banking industry. Faced with development of financial technologies, the Company has actively explored practical application of big data, cloud computing, artificial intelligence, biometric identification and other new technologies, promoted integration and innovation of finance and technology, and continuously developed new business modes and featured products and services. In 2019, the new data center of the Company, as constructed in line with the standard of “Take the Lead in China and Be Compatible to the World”, was officially launched and formed a dual active architecture system with the original data center, thus significantly enhanced the system support ability, guaranteed the business continuity and strongly supported the business sustainable development of the Company.

Fifthly, solid talents reserve and continuous enhancement of employees’ quality. The core competitiveness of banks lays on the competition of talents. In recent years, the Company has strengthened the construction of corporate culture, continuously optimized the incentive and assessment system, and gradually established a systematic talent introduction mechanism, promotion training mechanism and hierarchical selection mechanism to ensure the stability and vitality of its talent team. In terms of talent training, the effective operation of NBCB University, NBCB Knowledge Base and the "Standardization, Modularization and Systematization" System has

provided sufficient power for the Company to cope with the fierce competition of banking industry and guaranteed the sustainable development of the Company.

The core competitiveness will be sustainably developed around the strategic goal from the following five aspects:

First, continue to promote the construction of branches. Continue to orderly perfect the institutional layout of “One Body with Two Wings”, strive to reach the complete coverage of branches in Zhejiang province and spreading business outlets to large communities and villages and towns of strategic importance outside Zhejiang, increase brand impact and customer reputation, and gradually build into a regional mainstream bank.

Second, continue to deepen the construction of diversified profit centers. Strive to develop and cultivate more profit growth point based on stronger differentiation competitive advantages of existing profit centers. Meanwhile, the Company will continue to promote the transformation and upgrading of business models of profit centers, actively explore comprehensive business models, establish diversified profit sources, and improve its comprehensive financial service capabilities.

Third, continuously improve the total risk management ability. Continue to improve the full flow risk management system, prevent the risk beforehand and minimize the risk cost; keep the implementation of crediting business list guidance, precisely localize the target customers through research on Industrial chain and improve the digital and intelligent level of risk management, thus ensure steady development of the Company.

Fourth, improve the construction of information science and technology. Actively give full play to the advantages of financial science and technology, and continuously accelerate the construction of IT infrastructure and information system. Through technological, service and product innovation, we can achieve a close integration of technology and business, so as to provide better services to customers, and provide support for the formation of differentiated comparative advantages of the Company.

Fifth, continue to improve human resources management. Establish and improve a multi-level and systematic talent introduction, promotion and cultivation and layered selection mechanism, and build a professional employee team that adapts to the development of the banking industry through standardized, templatized and systematic construction, as well as the implementation of NBCB University, NBCB knowledge base, so as to provide human resources guarantee for sustainable development.

Chapter Seven Discussion and Analysis of Business Conditions

I. General review

Since 2019, under the influence of repeated trade frictions, geopolitical risks and other factors, the global economy has accelerated its evolution. China's economy has continued the basic trend of stable development, but the growth has shown a downward trend. At the same time, with the trend of technicalization, marketization and internationalization, the development of banking industry is accelerating, and opportunity and challenge coexist as well.

Faced with the change of internal and external management situation, under the leadership of the board of directors, the Company has always adhered to the management strategy of "Do what big banks can't do well and small banks can't do", actively explored the differentiated development path, made new progress in the operation and management, and continuously strengthened its core competitiveness.

(I) Focus on steady operation and explore development space

In 2019, by adhering to the requirement of "focusing on the main business, returning to the origin and serving the entity" and on the basis of unwaveringly promoting various business policies, the Company expanded the coverage of financial services and created value for customers through professional operation by implementing "211" project and "123" customer coverage plan. By the end of the reporting period, The Company has achieved good business performance, and its basic customers have increased as well. The total assets of the Company were RMB 1317.717 billion, increasing by 18.03% from the beginning of the year; the total deposit was RMB 771.521 billion, increasing by 19.30% from the beginning of the year; and the total loan was RMB 529.102 billion, increased by 23.31% from the beginning of the year; There were 381,700 enterprise customers with an increase of 29% over the beginning of the year and 13.84 million individual customers with an increase of 26% over the beginning of the year. At the same time, in order to be adapted to the new changes in financial services, the Company actively made arrangement for digital operation, promoted the integration of online and offline, and constantly improved the ability of digital customer acquisition.

(II) Promote growth via strategic transformation

In 2019, based on the strategic transformation of "Light Bank" over the years, the Company has been committed to building a diversified service ecosystem for its customers with the help of financial technology. While constantly exploring and improving the own business model, all profit centers continued to strengthen the ability of linkage and collaborative operation, gave full play to the comparative advantage of "1 + 1 > 2", and further enhanced the Company's profit growth capability. In 2019, the business income of the Company was RMB 35.081 billion, increased by

21.26% from the beginning of the year; and net profit attributable to the shareholders of the parent Company was RMB 13.714 billion, increased by 22.60% from the beginning of the year. The good growth rate is mainly due to the good start of emerging driving forces, the continuous development of international business and investment bank, the steady growth of profit contribution of light capital business, and the further optimization of profit structure. In 2019, the Company realized a net income of RMB 7.784 billion from handling charges and commissions with an year-on-year increase of 34.34%, accounting for 22.19% of the operating revenue with a year-on-year increase of 2.16%.

(III) Implement risk control and provide strong strategic support

In 2019, faced with the cyclical fluctuations in the macro-economy, the Company attached great importance to the risk control, adhered to the prudent management concept, and ensured that the risk management can withstand the market test. By the end of 2019, the balance of non-performing loans of the Company was RMB 4.141 billion, and the balance of overdue loans over 90 days was RMB 3.817 billion. There was no scissors difference between non-performing loans and overdue loans over 90 days. The NPL ratio of the Company was 0.78%, which was lower than 1% for ten consecutive years. The comparative advantage of asset quality is obvious. By the end of 2019, the company's loan allocation ratio was 4.10%, 0.02% higher than the beginning of the year; the provision coverage rate was 524.08%, 2.25% higher than the beginning of the year. Good assets quality and solid risk resistance provided strong support for the Company to serve the real economy and focus on the development of the main business.

(IV) Synchronous development of management and benefit to achieve value and growth simultaneously

In 2019, as based on the implementation of the concept of "Light management", the Company further empowered the management of new ecology around the strategic transformation. By applying financial science and technology, it continued to explore and improve the management system, mechanism and measures in line with its strategic positioning and long-term development goals, maximized potential and efficiency, and promoted the continuous transformation of management benefits into actual performance. The Company had sufficient capital and the rate of return on capital was at the leading level in the industry. By the end of 2019, the Company's capital adequacy ratio was 15.57%, 0.71% higher than that at the beginning of the year; the Tier-1 capital adequacy ratio was 11.30%, 0.08% higher than that at the beginning of the year; the core Tier-1 capital adequacy ratio was 9.62%, 0.46% higher than that at the beginning of the year. Sustained and steady business performance helped the Company to gain recognition in the market.

II. Analysis of Main Business

(I) Analysis on items in the Income Statement

In 2019, facing the new normal of economic fluctuation and intensified industry differentiation, the Company, under the leadership of the Board of Directors, continued to

implement the business strategy of "Do what big banks can't do well and small banks can't do", orderly promoted the implementation of various main businesses, and achieved prudent operation as a result. In 2019, the Company realized an operating income of RMB 35.081 billion, increased by RMB 6.151 billion from the previous year with the increasing rate of 21.26%, and a net profit attributable to the shareholders of the Parent company of RMB 13.714 billion, increased by RMB 2.528 billion from the last year at a year-on-year growth rate of 22.60%.

Changes of Key Items in the Income Statement

Unit: RMB 1,000

Item	Year 2019	Year 2018	Increase/ Decrease	Increase rate
Operating income	35,081,391	28,930,304	6,151,087	21.26%
Net interest income	19,563,830	19,120,253	443,577	2.32%
Interest income	45,153,877	42,871,208	2,282,669	5.32%
Interest expense	(25,590,047)	(23,750,955)	(1,839,092)	7.74%
Non-interest income	15,517,561	9,810,051	5,707,510	58.18%
Net fees and commissions income	7,783,699	5,794,164	1,989,535	34.34%
Other non-interest income	7,733,862	4,015,887	3,717,975	92.58%
Operating expense	(19,791,835)	(17,384,489)	(2,407,346)	13.85%
Business tax and surcharges	(257,339)	(200,084)	(57,255)	28.62%
Operating and administrative expenses	(12,037,744)	(9,963,906)	(2,073,838)	20.81%
Impairment of credit	(7,461,237)	NA	NA	NA
Assets impairment loss	NA	(7,207,407)	NA	NA
Other operating expenses	(35,515)	(13,092)	(22,423)	171.27%
Operating profit	15,289,556	11,545,815	3,743,741	32.43%
Net non-operating income	(71,663)	(48,264)	(23,399)	48.48%
Profit before tax	15,217,893	11,497,551	3,720,342	32.36%
Income tax expense	(1,427,049)	(276,915)	(1,150,134)	415.34%
Net profit	13,790,844	11,220,636	2,570,208	22.91%
Including: net profit attributable to shareholders of the Parent company	13,714,237	11,186,356	2,527,881	22.60%
Minority interest income	76,607	34,280	42,327	123.47%

1. Net Interest Income

In 2019, the Company complied with the market situation and the requirements of macro policy guidance, focused on the fundamental purpose of "Serving the real economy", followed the idea of balanced, forward-looking and dynamic asset liability allocation, and promoted the continuous improvement of resource allocation efficiency. During the reporting period, the net interest income of the Company was RMB 19.564 billion, increased by RMB 444 million over the same period last year with an increasing rate of 2.32%. Among which, the interest income was RMB 45.154 billion, increased by RMB 2.283 billion; The interest expenses were RMB 25.590 billion, increased by RMB 1.839 billion.

Unit: RMB 1,000

Item	Year 2019	Year 2018	Increase/Decrease	Increase rate
Interest income	45,153,877	42,871,208	2,282,669	5.32%
Loans and advances	26,241,723	20,987,886	5,253,837	25.03%
Due from banks	676,187	396,409	279,778	70.58%
Deposit in the central bank	1,217,073	1,252,925	(35,852)	(2.86%)
Lending funds	364,072	279,932	84,140	30.06%
Redemptory monetary capital for sale	676,963	680,529	(3,566)	(0.52%)
Bond investment	9,549,687	11,791,513	(2,241,826)	(19.01%)
Financial product and asset management plan	6,428,172	7,482,014	(1,053,842)	(14.09%)
Interest expense	25,590,047	23,750,955	1,839,092	7.74%
Deposits from banks	955,112	606,295	348,817	57.53%
Borrowings from central bank	737,246	229,133	508,113	221.75%
Borrowing funds	1,554,922	2,061,692	(506,770)	(24.58%)
Deposit from customers	14,471,621	11,408,176	3,063,445	26.85%
Financial assets sold for repurchase	913,200	1,020,990	(107,790)	(10.56%)
Bond issued	6,957,946	8,424,669	(1,466,723)	(17.41%)
Net interest income	19,563,830	19,120,253	443,577	2.32%

The table below shows the average balance, interest income and expense, average interest yield rate and average interest cost rate of interest-bearing assets and interest-bearing liabilities.

Unit: RMB 1,000

Item	Year 2019			Year 2018		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
Assets						
General loans	380,937,243	23,029,865	6.05%	331,665,280	19,167,892	5.78%
Securities investment	359,748,283	15,977,858	4.44%	415,550,639	19,273,527	4.64%
Deposit in People's Bank of China	85,210,462	1,217,073	1.43%	84,563,606	1,252,925	1.48%
Due from banks and other financial institutions	63,038,021	1,717,222	2.72%	46,655,785	1,356,871	2.91%
Total interest-bearing assets	888,934,009	41,942,018	4.72%	878,435,310	41,051,215	4.67%
Liabilities						
Deposits	770,395,811	14,471,621	1.88%	635,412,821	11,408,176	1.80%
Due to banks and other financial institutions	126,171,004	3,423,233	2.71%	126,067,861	3,688,977	2.93%
Bonds payable	187,301,255	6,957,946	3.71%	191,923,898	8,424,669	4.39%
Borrowings from central bank	21,708,877	737,246	3.40%	7,287,671	229,133	3.14%

Total interest-bearing liabilities	1,105,576,947	25,590,046	2.31%	960,692,251	23,750,955	2.47%
Net interest income		16,351,972			17,300,260	
Net interest spread (NIS)			2.41%			2.20%
Net interest margin (NIM)			1.84%			1.97%

Note:

1. The average balance of the interest-bearing assets and the interest-bearing liabilities refers to the daily balance on average.
2. The general loans exclude discounts and advances.
3. Due from banks and other financial institutions include fund under resale agreements; Due to banks and other financial institutions include fund sold for repurchase.
4. Net interest spread = average interest rate of interesting-bearing assets - average interest rate of interesting-bearing liabilities; net interest margin = net interest income ÷ average balance of interesting-bearing assets.
5. After excluding the impact of the new financial instrument standard, the net interest margin is 2.31% , net interest margin is 2.07% 。

The table below shows changes on interest income and interest expense due to changes on scale and interest rate.

Unit: RMB 1,000

Item	Year 2019 VS Year 2018		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
Assets			
General loans	2,847,569	1,014,404	3,861,973
Securities investment	(2,588,134)	(707,387)	(3,295,521)
Deposit in People's Bank of China	9,585	(45,437)	(35,852)
Due from banks and other financial institutions	476,490	(116,287)	360,203
Changes on interest income	745,510	145,293	890,803
Liabilities			
Customer deposits	2,423,479	639,966	3,063,445
Due to banks and other financial institutions	3,019	(269,170)	(266,151)
Bonds payable	(202,905)	(1,263,411)	(1,466,316)
Borrowings from central bank	453,416	54,697	508,113
Changes on interest expense	2,677,009	(837,918)	1,839,091
Changes on net interest income	(1,931,499)	983,211	(948,288)

Net interest margin

In 2019, the net interest margin of the Company was 1.84%, with an year-on-year growth of 10 percentage points higher after excluding the impact of the new financial instrument standard. The main reasons are as follows: firstly, the Company continued to enhance its support to the real economy, making the proportion of customer loans in interest-bearing assets continue to increase and the asset structure continue to be optimized, thus promote the rise of return on assets; second, the Company further strengthened the basic position of customer deposits, making the proportion of customer deposits in total interest payment liabilities steadily increased, and the debt structure

continued to be optimized, so as to save the costs of liabilities; third, the Company seized the opportunity of downward trend of money market price in the year, adjusted the allocation structure and duration of active liabilities, and reduce the liabilities costs in the repricing process.

(1) Interest income

In 2019, the Company achieved the interest income of RMB 45.154 billion, increased by 5.32% over the previous year. It was mainly due to the expansion of interest-bearing assets and optimization of structure.

Loan interest income

In 2019, the general loan interest income of the Company was RMB 23.03 billion, increased by RMB 3.862 billion from the beginning of the year with an increase rate of 5.78%, accounting for 51.00% of the total interest income, as mainly due to the increase in loan scale and average interest rate.

During the reporting period, facing the trend of downturn of macro-economy and the acceleration of interest rate liberalization, the Company kept up the pace of change of macro policy situation, steadily improved the credit availability on the premise of controllable risks, strengthened the support to SMEs, promoted the development of real economy, and promoted the average daily loan scale to realize a year-on-year growth of 14.86%.

The average interest rate of general loans of the Company was 6.05%, increased by 27 percentage points from the previous year. It is mainly due to the continuous optimization of loan structure and the continuous improvement of risk pricing management level. The average interest rate of corporate loan was 5.37%, increased by 18 percentage points from the previous year; the average interest rate of private loan was 7.74%, increased by 58 basic point from the previous year.

The table below shows the average balance, interest income and average yield of each part of the general loans of the Company.

Unit: RMB 1,000

Item	2019			2018		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	272,186,317	14,608,501	5.37%	232,506,606	12,064,883	5.19%
Personal loans	108,750,926	8,421,364	7.74%	99,158,674	7,103,009	7.16%
Total loans	380,937,243	23,029,865	6.05%	331,665,280	19,167,892	5.78%

Interest income from securities investment

In 2019, the Company reached the interest income from securities investment of RMB 15.978 billion, increasing by RMB 1.058 billion from the previous year after excluding the impact of the new financial instrument standard, as mainly due to the increase of investment scale. During the reporting period, in order to implement the national macro-control policies and support the

development of the real economy, the Company, by taking into consideration factors such as bond market supply, bond investment value and financing demand of high-quality enterprises, increased investment in national bonds, local government bonds and credit bonds.

Interest income from due from banks and other financial institutions

In 2019, by grasping the investment opportunities of market volatility, and increasing the investment scale of due from banks and other financial institutions, the Company achieved an interest income from due from banks and other financial institutions as RMB 1.717 billion, increased by RMB 0.36 billion from the previous year.

(2) Interest expense

In 2019, the interest expense of the Company was RMB 25.59 billion, increased by RMB 1.839 billion from the previous year. It was mainly due to the expansion of interest-paying liabilities.

Interest expense for customer deposits

In 2019, the interest expense for customer deposits of the Company was RMB 14.472 billion, accounting for 56.55% of the total interest expense, increasing by RMB 3.063 billion from the previous year at a growth rate of 26.85%. It was mainly due to the increase in customer deposit scale and the rise of average interest rate.

During the reporting period, the Company continued to upgrade the construction of customer project and consolidate the customer base of deposit; it continuously improves the customer loyalty and promote the retention of customer deposits by applying preponderant products such as treasury manager, foreign exchange manager, bill manager, new government affairs manager and Yishoubao. In 2019, the daily deposit scale was increased by 19.63%, as compared with that of the previous year.

The average interest payment rate of deposits by corporate customers was 1.88%, with a year-on-year growth of 8 percentage points, mainly due to the rising proportion of fixed deposits.

The table below shows the average daily balance, interest expense and average yield of corporate deposits and personal deposits.

Unit: RMB 1,000

Item	Year 2019			Year 2018		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	297,530,711	3,262,109	1.10%	257,945,745	3,110,489	1.21%
Time	319,492,888	7,608,977	2.38%	257,846,363	5,714,372	2.22%
Subtotal	617,023,599	10,871,086	1.76%	515,792,108	8,824,861	1.71%
Personal deposits						
Demand	43,224,599	185,568	0.43%	36,457,660	131,824	0.36%

Time	110,147,613	3,414,967	3.10%	83,163,053	2,451,491	2.95%
Subtotal	153,372,212	3,600,535	2.35%	119,620,713	2,583,315	2.16%
Total	770,395,811	14,471,621	1.88%	635,412,821	11,408,176	1.80%

Interest expense for due to banks and other financial institutions

In 2019, the interest expense for due to banks and other financial institutions of the Company reached RMB 3.423 billion, decreasing by RMB 266 million over the previous year. It was mainly due to the decreasing of interest payment rate of deposits.

Interest expense for issued liabilities

In 2019, the interest expense for issued liabilities of the Company was RMB 6.958 billion, decreasing by RMB 1.467 billion over the previous year. It is mainly due to two reasons: first, the Company continued to consolidate the basic position of customers' deposits, reduced the issuing scale of inter-bank certificates of deposit and optimized the debt structure while achieving rapid growth in the scale of deposits; second; The decline of the capital price in the money market led to the decline in the average interest payment rate of inter-bank deposits.

2. Non-interest income

In 2019, the non-interest income of the Company reached RMB 15.518 billion, including the net fees and commission income as RMB 7.784 billion with a year-on-year growth of 34.34%.

Main composition of non-interest income

Unit: RMB 1,000

Item	Year 2019	Year 2018	Increase/decrease	Increase rate
Fees and commissions income	8,480,938	6,329,921	2,151,017	33.98%
Less: fees and commission expense	697,239	535,757	161,482	30.14%
Net fees and commissions income	7,783,699	5,794,164	1,989,535	34.34%
Other non-interest income	7,733,862	4,015,887	3,717,975	92.58%
Total	15,517,561	9,810,051	5,707,510	58.18%

Net fees and commissions income

Unit: RMB 1,000

Item	Year 2019	Year 2018	Increase/decrease	Increase rate
Settlement business	244,121	221,302	22,819	10.31%
Bank cards business	2,831,751	1,826,310	1,005,441	55.05%
Agency services business	4,383,766	3,344,533	1,039,233	31.07%
Guarantees business	564,459	502,114	62,345	12.42%
Custody business	385,277	407,416	(22,139)	(5.43%)
Consulting business	68,680	26,494	42,186	159.23%
Others	2,884	1,752	1,132	64.61%
Fees and commissions income	8,480,938	6,329,921	2,151,017	33.98%
Less: fees and commissions expense	697,239	535,757	161,482	30.14%

Net fees and commissions income	7,783,699	5,794,164	1,989,535	34.34%
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During the reporting period, with the help of financial technology, the Company further developed the customer operation, gave full play to the linked coordination of profit centers, and promoted the sound development of various intermediary businesses, thus to serve the real economy better.

In 2019, the fees and commissions income of the Company was RMB 7.784 billion, with a year-on-year increase of RMB 1.99 billion. It was mainly due to the rapid growth of incomes from bank card and agency services business.

The income from bank card business was RMB 2.832 billion, increased by RMB 1.005 billion from the beginning of the year. It is mainly due to the further development of consumer credit business, and the rapid increase of credit card installment charges.

The income of agency services business reached RMB 4.384 billion, increased by RMB 1.039 billion from the previous year. The main reasons are as follows: first, in order to support the real economy and activate the stock assets, the Company increased the issuance of asset securitization and increased the corresponding service fee income; second, the good start of wealth management and private banking business made the commission income from fund and insurance business grow rapidly.

3. Business and administrative expenses

In 2019, the business and administrative expense of the Company was RMB 12.038 billion. During the reporting period, the Company continued to optimize the allocation of cost resources, strengthened the constraint mechanism to achieve cost reduction and efficiency improvement, and effectively strengthened the support and guarantee for business development, so as to realize the stable growth of costs. First, in order to create the comparative advantage of professional operation, the Company continued to increase the introduction of talents, upgraded the personnel training system, and further strengthened the construction of the staff team; second, in order to promote the transformation of digital operation and strengthen the application of financial science and technology, the Company continued to increase investment in information technology and electronic channel construction, thus support the continuous upgrade of the Company by science and technology.

Unit: RMB 1,000

Item	Year 2019	Year 2018	Increase/decrease	Increase rate
Staff costs	7,769,379	6,430,654	1,338,725	20.82%
Business expenses	3,496,663	2,799,637	697,026	24.90%
Depreciation of fixed assets	500,288	445,714	54,574	12.24%
Amortization of long-term deferred expenses	160,201	176,349	(16,148)	(9.16%)
Amortization of intangible	102,199	103,915	(1,716)	(1.65%)

assets				
Taxes	9,014	7,637	1,377	18.03%
Total	12,037,744	9,963,906	2,073,838	20.81%

4. Assets impairment loss

In 2019, the assets impairment loss of the Company was RMB 7.461 billion, with a year-on-year growth of RMB 0.254 billion. The following table shows the main components of the Company's credit and asset impairment losses during the reporting period.

Unit: RMB 1,000

Item	Year 2019	Year 2018	Increase/decrease	Increase rate
Loan impairment loss	6,532,075	3,943,935	2,588,140	65.62%
Impairment loss of due from banks	(44,547)	21,612	(66,159)	(306.12%)
Impairment loss of inter-bank lending	7,729	NA	NA	NA
Impairment losses of investment on other creditor's rights	209,989	NA	NA	NA
Impairment losses of investment on creditor's rights	447,542	NA	NA	NA
Impairment losses of other assets	53,699	6,680	47,019	703.88%
Impairment loss of off-balance-sheet businesses	252,614	NA	NA	NA
Impairment loss of precious metals	2,575	NA	NA	NA
Impairment loss of financial assets purchased for resale	(439)	NA	NA	NA
Impairment loss of investments receivable	NA	3,178,268	NA	NA
Impairment loss of available-for-sale financial assets	NA	50,296	NA	NA
Impairment loss of interest receivable	NA	67	NA	NA
Impairment loss of mortgage asset	NA	6,549	NA	NA
Total	7,461,237	7,207,407	253,830	3.52%

Loan impairment loss is the largest component of credit and asset impairment loss of the Company. In 2019, the loan impairment loss of the Company was RMB 6.532 billion, with a year-on-year growth of RMB 2.588 billion. The main reason is that the Company continued to increase its support for the real economy, resulting in a steady increase in the scale of loans.

5. Income tax

In 2019, the income tax expense of the Company was RMB 1.427 billion, increased by RMB 1.150 billion from the previous year. It is mainly due the steady growth of the total profit of the

Company and the increase of taxable incomes as a result.

(II) Analysis of the Balance Sheet

1. Assets

By the end of 2019, the total assets of the Company reached RMB 1,317.717 billion, increased by RMB 201.294 billion from the beginning of the year, with a growth rate of 18.03%. The main reason was that the Company took the responsibility of serving the real economy and practicing inclusive finance, and continuously increased the issuance of loan. By the end of 2019, the proportion of loans and advances in total assets was increased from 36.87% at the beginning of the year to 38.71%, increased by 1.84 percentage points.

Unit: RMB 1,000

Item	Dec. 31, 2019		Dec. 31, 2018		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	93,555,663	7.10%	88,457,374	7.92%	5,098,289	(0.82)
Due from other banks	15,409,022	1.17%	9,251,993	0.83%	6,157,029	0.34
Precious metals	12,515,747	0.95%	7,554,430	0.68%	4,961,317	0.27
Lending funds	3,595,946	0.27%	2,417,760	0.22%	1,178,186	0.05
Financial assets at fair value through profit and loss	NA	NA	134,766,743	12.07%	NA	NA
Derivative financial assets	20,260,229	1.54%	30,257,173	2.71%	(9,996,944)	(1.17)
Redemptory monetary capital for sale	17,259,205	1.31%	3,703,483	0.33%	13,555,722	0.98
Interest receivable	NA	NA	6,071,662	0.54%	NA	NA
Loans and advances	510,038,566	38.71%	411,591,615	36.87%	98,446,951	1.84
Trading financial assets	248,891,658	18.89%	NA	NA	NA	NA
Investment on creditors' rights	183,392,415	13.92%	NA	NA	NA	NA
Other investment on creditors' rights	197,149,323	14.96%	NA	NA	NA	NA
Investment on other equity instruments	98,077	0.01%	NA	NA	NA	NA
Available-for-sale financial assets	NA	NA	221,033,846	19.80%	NA	NA
Held-to-maturity investment	NA	NA	70,118,200	6.28%	NA	NA
Investment receivables	NA	NA	119,427,658	10.70%	NA	NA
Investment real estate	39,280	-	39,240	-	40	-
Fixed assets	6,448,097	0.49%	5,185,166	0.46%	1,262,931	0.03
Intangible assets	380,572	0.03%	346,996	0.03%	33,576	-
Construction in progress	1,324,356	0.10%	1,184,628	0.11%	139,728	(0.01)
Deferred income tax assets	4,858,203	0.37%	3,668,448	0.33%	1,189,755	0.04
Other assets	2,500,687	0.18%	1,346,940	0.12%	1,153,747	0.06
Total assets	1,317,717,046	100.00%	1,116,423,355	100.00%	201,293,691	-

(1) Loans and advances

In 2019, the Company attached great importance to the development of main business. Through the implementation of "211" project and "123" customer coverage plan, the Company continued to deepen the implementation of inclusive finance. By increasing investment in financial science and technology, the Company upgraded its products and services so that it can effectively meet the financing demands of the real economy and promote the steady growth of loan scale. By the end of 2019, the total loans and advances of the Company reached RMB 529.102 billion, increased by RMB 100.015 billion from the beginning of the year, with a growth rate of 23.31%.

Corporate loan

In 2019, the Company firmly adhered to the fundamental purpose of financial services, gave priority to supporting manufacturing and strategic emerging industries, regarded private enterprises as the key target of services, and earnestly increased the loan issuance to enterprises, so as to further improve the quality and effectiveness of service to real economy. As of Dec 31, 2019, the total corporate loan of the Company was RMB 304.985 billion with an increase rate of 23.44% over the beginning of the year and accounting for 57.64% of the total loans and advances.

Discount for bills

In terms of bill business in 2019, the Company continued to adhere to the tenet of "Serving the real economy and small and medium enterprises", constantly optimized business processes, upgraded product of bill manager, thus provide high-quality and fast financing services for more enterprises. In 2019, the Company provided bill financing for over 10,000 small and micro enterprise customers, accounting for 75% of all discount customers of the Company. By the end of 2019, the discount for bills was RMB 44.419 billion, accounting for 8.40% of the total loans and advances of the Company.

Personal loan

In 2019, the Company continued to implement the big retail strategy unswervingly. The APP of Bank of Ningbo newly launched by the Company with the help of financial technology has become the preferred service channel for individual users; in addition, the Company continued to promote product innovation and service upgrading, constantly improved the accuracy of customer acquisition, achieved interactive development of online and offline businesses, thus promote the rapid growth of personal loans. As of Dec. 31, 2019, the total personal loan was RMB 179.698 billion, increased by 31.10% from the beginning of the year, accounting for 33.96% of the total loans and advances, which is 2.01 percentage points higher than that at the beginning of the year.

Unit: RMB 1,000

Industry	2019		2018	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	304,985,013	57.64%	247,077,413	57.58%

Industry	2019		2018	
	Amount	Proportion	Amount	Proportion
Loans	298,810,347	56.47%	242,302,416	56.47%
Trading financing	6,174,666	1.17%	4,774,997	1.11%
Bill discounting	44,419,080	8.40%	44,943,328	10.47%
Personal loans and advances	179,697,704	33.96%	137,066,186	31.95%
Personal consumption loan	141,871,121	26.81%	114,974,875	26.80%
Personal operation loan	35,036,087	6.62%	20,842,982	4.86%
Personal housing loan	2,790,496	0.53%	1,248,329	0.29%
Total	529,101,797	100.00%	429,086,927	100.00%

(2) Security investment

The securities investments of the Company covers trading financial assets, investment on creditors' rights, other investment on creditors' rights and investment on other equity instruments. .

Investment structure divided upon purpose

Unit: RMB 1,000

Item	Dec. 31, 2019		Dec. 31, 2018	
	Amount	Proportion	Amount	Proportion
Trading financial assets	248,891,658	39.54%	NA	NA
Investment on creditors' rights	183,392,415	29.13%	NA	NA
Other investment on creditors' rights	197,149,323	31.31%	NA	NA
Investment on other equity instruments	98,077	0.02%	NA	NA
Financial assets at fair value through profit and loss	NA	NA	134,766,743	24.71%
Financial assets available for sale	NA	NA	221,033,846	40.53%
Held-to-maturity investments	NA	NA	70,118,200	12.86%
Investment receivables	NA	NA	119,427,658	21.90%
Total	629,531,473	100.00%	545,346,447	100.00%

In 2019, under the guidance of regulatory policy and according to the changes of market situation, the Company continuously optimized the structure of securities investment, actively supported the development of real economy, and further improved the efficiency and benefit of funds.

Trading financial assets

Trading financial assets are financial assets measured at fair value with their changes enter into the income statement of the current period. By the end of 2019, the balance of the trading financial assets of the Company was RMB 248.892 billion. This kind of investment mainly includes investment on bonds and funds. Bond investment mainly improves investment income by grasping the fluctuations in bond market. In 2019, facing the downward trend of yields from RMB bond, the Company raised its bond yields in trading accounts by strengthening macro research, adjusting the duration of its portfolio, and grasping the highs of the band.

Investment on creditors' rights

Investment on creditors' rights refers to the debt instrument investment that measured by amortized cost. By the end of 2019, the balance of investment on creditors' rights of the Company was RMB 183.392 billion. This kind of investment mainly includes Government Bonds of China and asset management plans. As a As a strategic allocation of assets and liabilities, Government Bonds of China are held by the Company to gain bond interest income, to meet the liquidity management demands of bank accounts, and to make balance between benefits and risks.

Other investment on creditors' rights

Other investment on creditors' rights refers to the debt instrument investment that measured by its fair value with its changes enter into the comprehensive income. By the end of 2019, the balance of other investment on creditors' rights was RMB 197.149 billion. This kind of investment mainly includes government bonds, asset-backed securities and corporate bonds, as was held by the Company to follow the macro-control policy of the country, to support the real economy, and to make balance between operation and performance. In 2019, the Company closely followed the market changes, strengthened investment research, selected optimal allocation of investment products under the framework of credit strategy, implemented closed-loop management before and after investment, and effectively avoids credit risk events while achieving income growth.

Investment on other equity instruments

Investment on other equity instruments refers to the equity instrument investment that measured by its fair value with its changes enter into the comprehensive income. By the end of 2019, the balance of Company's investment on other equity instruments was RMB 98 million. This kind of investment was mainly non-trading equity investments held by the Company that has no control, joint control or significant influence on the investee.

Information on top ten financial bonds held by the Company

Unit: RMB 1,000

Category	Balance of face value	Interest rate%	Date of maturity	Depreciation reserve
Financial bond of 2019	1,590,000	3.42	2024/7/2	-
Financial bond of 2015	1,410,000	4.10	2020/3/24	-
Financial bond of 2018	790,000	4.88	2028/2/9	-
Financial bond of 2019	500,000	3.30	2024/2/1	-
Financial bond of 2018	400,000	4.37	2023/5/25	-
Financial bond of 2019	390,000	3.65	2029/5/21	-
Financial bond of 2018	299,387	3.76	2023/8/14	-
Financial bond of 2015	200,000	3.48	2020/11/16	-
Financial bond of 2018	184,904	4.62	2021/3/9	-
Financial bond of 2014	180,000	4.22	2024/11/20	-

During the reporting period, the Company balanced the requirements of liquidity management and profit growth, made rational allocation on the bond investment. As of Dec. 31, 2019, the total face value of the top ten financial bonds was RMB 5.944 billion, mainly of which was policy bank debt.

(3) Derivative financial instruments held at the end of the reporting period

Unit: RMB 1,000

Derivative financial instrument	Dec. 31, 2019		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	56,083,873	390,838	(314,688)
Foreign exchange swap	1,211,100,205	8,721,929	(9,646,041)
Interest rate swap	2,046,864,908	8,249,098	(8,213,653)
Currency swap	7,630,810	71,243	(64,455)
Option contract	148,947,294	1,157,701	(1,777,133)
Credit risk mitigation instruments	890,000	314	(12,924)
Precious metal forward/swap	17,785,738	1,669,106	(339,276)
Total	3,489,302,828	20,260,229	(20,368,170)

During the reporting period, the following derivative financial instruments were used by the Company in transactions:

Foreign exchange forwards: refers to the transaction that both parties agree to make a currency transaction on a regulated price and amount in a certain time in the future.

Foreign exchange swap refers to the currency swap transaction composed of two transaction with two different settlement days, contrary directions but same amount.

Interest rate swap refers to the transaction that both parties make interest payment to each other at an agreed interest rate within an agreed period. Both parties, as based on the same currency and the same amount, will exchange a fixed interest rate for a floating interest rate, or exchange one floating interest rate for another. By the end of the agreed period, the interest will be paid according to the agreed interest rate.

Currency swap refers to the exchange of debt capital based on same amount, same term, same interest rate calculation method but different currencies, as well as the currency swap at different amount of interest. is also

Option contract: an option refers to the right of choice, that is, the right to sell or purchase a certain quantity of subject matter at a specific price (strike price) within a specific period.

Precious metal inquiry transaction: refers to the gold transaction made by the market participants authorized by Shanghai Gold Exchange in the manner of bilateral inquiry via China Foreign Exchange Trade System. The trade category is the specified gold transaction listed in the foreign exchange trading system of the trading center. The gold inquiry transaction includes categories such as spot, forward and swap depending on different trade terms.

The nominal amount of derivative financial instruments in the balance sheet was regarded as a basis to compare with fair value assets or liabilities in the balance sheet, which did not represent the cash flow in the future or the fair value at present. Therefore, it should not be used to reflect the credit risk or market risk of the Company. With the fluctuation of foreign exchange rate and market interest rate, as related to the contract terms of derivative financial instruments, the evaluated value of derivative financial instruments may have positive (assets) or negative (liabilities) effect on the Company. There may be considerable fluctuation on such effect in different periods

In 2019, the market interest rate fluctuated and declined. The Company managed market risk effectively and maintained a stable trading style through various strategies such as interest rate swap hedging and curve trading.

(4) Change of significant construction in progress in the period

As of Dec. 31, 2019, the total construction in progress of the Company was RMB 1.206 billion, increased by RMB 0.11 billion from the beginning of the year.

Project name	Budget	Beginning balance	Increase in the period	Transferred to fixed assets in the year	Other decrease	Ending balance	Capital source	Proportion of Accumulated Project Investment in Budget	Progress of project	Accumulated amount of capitalized interest	Including: current capitalized interest	Current interest capitalization rate
Data center of Bank of Ningbo	829,090	639,800	103,265	-	-	743,065	Self-finance	90%	95%	-	-	-
New Building of Hangzhou Branch	628,518	456,741	6,613	-	-	463,354	Self-finance	74%	85%	-	-	-
Total	1,457,608	1,096,541	109,878	-	-	1,206,419						

(5) Withdrawal of provisions for Impairment of mortgage assets

As of Dec. 31, 2019, the total mortgage assets of the Company was RMB 56 million, the impairment provision was RMB 7 million, and the net mortgage assets was RMB 49 million.

Unit: RMB 1,000

Land, houses and buildings	55,541
Stock rights	-
Subtotal	55,541
Provisions for impairment of mortgage assets	(6,549)
Net mortgage assets	48,992

2. Liabilities

As of Dec. 31, 2019, the total liabilities of the Company were RMB 1,216.3981 billion, increased by RMB 181.787 billion than the end of the previous year at a growth rate of 17.56%. It was mainly due to the increase of liabilities including customer deposits.

Unit: RMB 1,000

Item	Dec. 31, 2019		Dec. 31, 2018		Changes	
	Amount	Proport	Amount	Proporti	Amount	Proportion

	ion		on		(percentage point)	
Borrowings from central bank	30,490,563	2.51%	15,500,000	1.50%	14,990,563	1.01
Due to other banks and financial institutions	35,697,447	2.93%	21,214,973	2.05%	14,482,474	0.88
Loans from other banks	35,962,274	2.96%	53,943,803	5.21%	(17,981,529)	(2.25)
Financial assets at fair value through profit and loss	10,880,977	0.89%	11,856,092	1.15%	(975,115)	(0.26)
Derivative financial liabilities	20,368,170	1.67%	27,564,862	2.66%	(7,196,692)	(0.99)
Financial assets sold for repurchase	62,694,202	5.15%	26,930,116	2.60%	35,764,086	2.55
Deposit taking	779,224,138	64.03%	646,721,375	62.47%	132,502,763	1.56
Wages and salaries payable	2,430,358	0.20%	2,248,180	0.22%	182,178	(0.02)
Tax payable	3,323,506	0.27%	740,442	0.07%	2,583,064	0.20
Interest payable	NA	NA	10,287,788	0.99%	NA	NA
Estimated liabilities	2,122,934	0.17%	-	-	2,122,934	0.17
Bond payable	212,885,759	17.49%	208,437,348	20.14%	4,448,411	(2.65)
Other liabilities	20,900,607	1.73%	9,748,508	0.94%	11,152,099	0.79
Total liabilities	1,216,980,935	100.00%	1,035,193,487	100.00%	181,787,448	-

Customer deposit

The Company has been expanding deposits as a basic resource for transformation and development over the years. Facing the changes in the market situation in 2019, the Company, as based on the concept of "Customer Oriented", accumulated customer base for inclusive finance, expanded core customer base by efficient interaction, and implemented product upgrading, thus create value for more customers, increase their customer loyalty and promote deposit growth. As of Dec. 31, 2019, the total customer deposits of the Company was RMB 771.521 billion, increased by RMB 124.8 billion than the end of the previous year at a growth rate of 19.30% and accounting for 63.40% of the total liabilities of the Company. The corporate deposit reached RMB 612.379 billion, increased by 16.90%; the individual deposit reached RMB 159.142 billion, increased by 29.52% from the beginning of the year. Thanks to the continuous implementation of the large retail strategy, the proportion of the individual deposit in total deposits increased from 19.00% at the beginning of the year to 20.63% at the end of 2019.

The table below shows the customer deposits categorized upon product types and customer types at the end of Dec. 31, 2019.

Unit: RMB 1,000

Item	Year 2019		Year 2018	
	Amount	Proportion	Amount	Balance
Corporate deposits				

Demand	296,077,566	38.37%	263,822,684	40.79%
Time	316,301,830	41.00%	260,031,903	40.21%
Subtotal	612,379,396	79.37%	523,854,587	81.00%
Individual deposits				
Demand	44,825,811	5.81%	36,890,802	5.70%
Time	114,315,887	14.82%	85,975,986	13.30%
Subtotal	159,141,698	20.63%	122,866,788	19.00%
Total	771,521,094	100.00%	646,721,375	100.00%

3. Shareholders' equity

As of Dec. 31, 2019, the shareholders' equity of the Company was RMB 100.736 billion, increased by RMB 19.506 billion from the beginning of the year with the growth rate of 24.01%; the equity attributable to shareholders of the parent company was RMB 100.309 billion, increased by RMB 19.43 billion from the beginning of the year with the growth rate of 24.02%. The undistributed profit of the Company due to the influence of net profit and undistributed profit factors in the year reached RMB 40.695 billion, increased by RMB 8.247 billion from the beginning of the year; the capital reserve due to the influence of convertible debt stock reached RMB 18.785 billion, increased by RMB 7.566 billion from the beginning of the year; other comprehensive income due to rise in bond valuation reached RMB 2.22 billion, increased by RMB 1.531 billion from the beginning of the year.

Unit: RMB 1,000

Item	Dec. 31, 2019		Dec. 31, 2018		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	5,628,330	5.59%	5,208,555	6.41%	419,775	(0.82)
Other equity instruments	14,810,446	14.70%	16,232,978	19.98%	(1,422,532)	(5.28)
Capital reserve	18,785,134	18.65%	11,219,205	13.81%	7,565,929	4.84
Other comprehensive income	2,219,826	2.20%	689,316	0.85%	1,530,510	1.35
Earned surplus	7,249,585	7.20%	5,942,864	7.32%	1,306,721	(0.12)
General risk reserve	10,920,827	10.84%	9,138,300	11.25%	1,782,527	(0.41)
Undistributed profit	40,694,699	40.40%	32,447,993	39.95%	8,246,706	0.45
Equity attributable to shareholders of the Parent company	100,308,847	99.58%	80,879,211	99.57%	19,429,636	0.01
Minority equity	427,264	0.42%	350,657	0.43%	76,607	(0.01)
Total shareholders' equity	100,736,111	100.00%	81,229,868	100.00%	19,506,243	-

(III) Analysis of assets quality

During the reporting period, the credit assets scale of the Company was in a stable growth and the non-performing loans were in general control. As of Dec. 31, 2019, the total loans of the Company were RMB 529.102 billion, increased by 23.31% over the end of the previous year; the ratio of non-performing loan was 0.78%, which was at a relatively low level.

Quality of loan assets at the end of the reporting period

Unit: RMB 1,000

Five-tier classification	Dec. 31, 2019		Dec. 31, 2018		Changes	
	Loans & advances	Proportion	Loans & advances	Proportion	Loans & advances	Proportion (percentage point)
Subtotal of Non-NPL	524,960,766	99.22%	425,734,221	99.22%	99,226,545	0.00
Standard	521,064,220	98.48%	423,376,651	98.67%	97,687,569	(0.19)
Special mention	3,896,546	0.74%	2,357,570	0.55%	1,538,976	0.19
Subtotal of NPL	4,141,031	0.78%	3,352,706	0.78%	788,325	0.00
Substandard	1,097,570	0.21%	1,413,041	0.33%	(315,471)	(0.12)
Doubtful	2,052,920	0.39%	1,291,261	0.30%	761,659	0.09
Loss	990,541	0.18%	648,404	0.15%	342,137	0.03
Total customer loans	529,101,797	100.00%	429,086,927	100.00%	100,014,870	-

Under the loan supervision system of five-tier classification, the non-performing loans of the Company was classified as substandard, doubtful and loss loans. As of the end of the reporting period, the total non-performing loan of the Company was RMB 4.141 billion with the ratio of non-performing loan as 0.78%.

Loan proportion in different industries at the end of the reporting period

Unit: RMB 1,000

Industry	Year 2019			
	Loan amount	Proportion	NPL amount	NPL ratio
Agriculture, forestry, animal husbandry, fishing	2,079,452	0.39%	4,150	0.20%
Mining	439,103	0.08%	-	0.00%
Manufacturing	82,995,139	15.69%	811,904	0.98%
Production and supply of electricity, gas and water	10,764,621	2.03%	-	0.00%
Construction	24,111,359	4.56%	197,892	0.82%
Transportation, storage, mailing	10,900,735	2.06%	108,427	0.99%
Information transfer, computer service and software	6,928,196	1.31%	111,432	1.61%
Commercial trade industry	47,176,927	8.92%	763,564	1.62%
Hotel, restaurant	776,623	0.15%	33,700	4.34%
Finance	1,919,855	0.36%	-	0.00%
Real estate	28,287,516	5.35%	287,657	1.02%
Leasing and commercial service	92,554,808	17.49%	55,685	0.06%

Scientific research, technology service and geological exploitation	4,104,657	0.78%	57,771	1.41%
Water resource, environment and public facilities management and investment	31,965,945	6.04%	-	0.00%
Resident service and other services	745,755	0.14%	3,500	0.47%
Education	1,171,977	0.22%	-	0.00%
Health, social security and welfare	692,500	0.13%	-	0.00%
Culture, sports and entertainment	1,487,694	0.28%	49,997	3.36%
Public management and social organization	301,231	0.06%	-	0.00%
Personal loans	179,697,704	33.96%	1,655,352	0.92%
Total	529,101,797	100.00%	4,141,031	0.78%

During the reporting period, the Company's loans were mainly concentrated in leasing and business service industry, manufacturing industry and commercial trade industry, accounting for 17.49%, 15.69% and 8.92% of the total loans respectively.

By the end of the reporting period, there's no significant fluctuation of NPL ratio in industries. The NPLs were mainly concentrated in manufacturing and commercial trade industries, and the amount was RMB 0.812 billion and RMB 0.764 billion, accounting for 19.61% and 18.44% of the total NPL of the Bank, with the NPL ratio of 0.98% and 1.62% respectively.

Loan proportion in different areas at the end of the reporting period

Unit: RMB 1,000

Region	Year 2019			
	Loan amount	Proportion	NPL amount	NPL ratio
Zhejiang Province	333,330,951	62.99%	2,869,073	0.86%
Including: Ningbo	215,958,732	40.82%	2,382,541	1.10%
Shanghai	34,910,731	6.60%	249,944	0.72%
Jiangsu Province	119,357,929	22.56%	517,435	0.43%
Guangdong Province	18,614,363	3.52%	285,733	1.54%
Beijing	22,887,823	4.33%	218,846	0.96%
Total amount of loans and advances	529,101,797	100.00%	4,141,031	0.78%

The credit policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, customer access policy, etc and formulated regional credit extension enforcement regulation combining with the local conditions to reflect the differentiation between credit policies for different regions and made the policy closer to the local market. At the end of the reporting period, the loans of the Company were mainly in Zhejiang and Jiangsu, with the loan amount accounting for 62.99% and 22.56% of the total loan respectively. The NPL ratio in regions maintained steady. The NPL amount of Zhejiang, Jiangsu and Guangdong was RMB 2.869 billion, RMB 0.517 billion and RMB 0.286 billion, accounting for 69.28%, 12.50% and 6.90% of the total NPL in the Bank respectively.

Loan proportion for different guarantees at the end of the reporting period

Unit: RMB 1,000

Guarantee type	Year 2019			
	Loan amount	Proportion	NPL amount	NPL ratio
Credit Loan	175,300,862	33.13%	1,609,044	0.92%
Guarantee loan	155,262,170	29.35%	780,337	0.50%
Mortgage loan	146,144,345	27.62%	1,746,859	1.20%
Pledge loan	52,394,420	9.90%	4,791	0.01%
Total amount of loans and advances	529,101,797	100.00%	4,141,031	0.78%

The Company consolidated the basis of risk prevention by risk mitigation measures such as increasing the mortgage and pledged goods. As of the end of the reporting period, the maximum proportion of mortgage and pledge loans was 37.52%.

Loans divided upon overdue limit

Unit: RMB 1,000

Overdue limit	Dec. 31, 2019		Dec. 31, 2018	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	750,895	0.14%	1,043,522	0.24%
Overdue for 3 months to 1 year	1,862,657	0.35%	1,432,741	0.34%
Overdue for more than 1 year and within 3 years	1,726,712	0.33%	1,231,132	0.29%
Overdue for more than 3 years	227,549	0.04%	99,732	0.02%
Total overdue loans	4,567,813	0.86%	3,807,127	0.89%

As of the end of the reporting period, the overdue loan of the Company was RMB 4.568 billion, accounting for 0.86% of the total loan. From the viewpoint of overdue limit, loans overdue for 3 months to 1 year and loans overdue for more than 1 year and within 3 years constituted the main loans, with the amount of RMB 1.863 billion and RMB 1.727 billion, accounting for 0.35% and 0.33% of the total loan respectively.

Restructured loans

Unit: RMB 1,000

	Dec. 31, 2019		Dec. 31, 2018	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Restructured loans	90,914	0.02%	72,919	0.02%

By the end of the reporting period, the restructured loan of the Company was RMB 91 million, increased by RMB 18 million from the previous year. It accounted for 0.02% to the total loan, the same as that at the end of last year.

From January 1st, 2019, the Company began to apply the new standard of financial instruments. The standard takes the expected credit loss model as the basis, and, by taking into consideration the prospective adjustment of macro economy, withdrawals provision for loan credit risk loss in line with parameters such as Customer default rate and loss rate given default.

Provision and written-off of provision for loan loss

Unit: RMB 1,000

Item	Year 2019	Year 2018	Year 2017
Beginning balance before adjustment	17,495,312	14,001,472	9,718,337
Changes in accounting policies	(1,166,415)	NA	NA
Beginning balance after adjustment	16,328,897	NA	NA
Current provision	6,532,075	3,943,935	5,717,662
Current write-Off	(1,911,607)	(1,141,779)	(1,942,881)
Current recovery	791,959	736,742	564,291
Including: recoveries of loans and advances written-off previously	791,959	736,742	564,291
Transferred in from decreased loan interests	(39,207)	(45,058)	(55,937)
Ending balance	21,702,117	17,495,312	14,001,472

During the reporting period, the total provision of loan loss reserves of the Company was RMB 6.532 billion, the recovery of non-performing loan was RMB 0.792 billion, the written-off of non-performing loan was RMB 1.912 billion and the balance of the loan loss reserves at the end of the reporting period was RMB 21.702 billion.

(IV) Analysis of the cash flow statement

The net cash outflow from operating activities was RMB 40.339 billion, including the cash inflow of RMB 233.862 billion, increased by RMB 109.479 billion than the previous year. It was mainly due to the increase of customer deposits. The cash outflow was RMB 193.524 billion, increased by RMB 18.161 billion. It was mainly due to the increase of Investment in trading financial assets.

The net cash outflow from investment activities was RMB 24.307 billion, including the cash inflow as RMB 1810.621 billion, decreased by RMB 3050.337 billion than the previous year. The cash outflow was RMB 1834.928 billion, decreased by RMB 3032.849 billion than the previous year. It was mainly due to the influence by adjustment of trading financial assets on operating activities.

The net cash inflow from financing activities was RMB 0.356 billion, including the cash inflow of RMB 376.509 billion, decreased by RMB 85.947 billion than the previous year. It was mainly due to the decrease of NCD issuance; the cash outflow was RMB 376.153 billion, decreased by RMB 47.312 billion than the previous year. It was mainly due to the decrease of cash outflow from debt repayment in the current period.

Unit: RMB 1,000

Item	Year 2019	Year 2018	Changes
Subtotal of cash inflows from operating activities	233,862,287	124,383,037	109,479,250
Subtotal of cash outflows from operating activities	193,523,656	175,362,184	18,161,472

Net cash flow from operating activities	40,338,631	(50,979,147)	91,317,778
Subtotal of cash inflows from investment activities	1,810,620,976	4,860,958,365	(3,050,337,389)
Subtotal of cash outflows from investment activities	1,834,927,706	4,867,776,498	(3,032,848,792)
Net cash flow from investment activities	(24,306,730)	(6,818,133)	(17,488,597)
Subtotal of cash inflows from financing activities	376,509,057	462,456,457	(85,947,400)
Subtotal of cash outflows from financing activities	376,152,742	423,464,638	(47,311,896)
Net cash flow from financing activities	356,315	38,991,819	(38,635,504)
Net increase of cash and cash equivalents	16,478,537	(18,571,834)	35,050,371

(V) Segment analysis

The main business segments of the Company were corporate banking, personal banking, capital business and other banking business segments. The Company was in full implementation of internal funds transfer pricing to confirm the interest income and interest expense among segments, adopting term matching, re-pricing and other methods to calculate the income and expenses of transfer pricing among segments as per the account class trade by trade to accelerate the Company for optimizing the structure of assets and liabilities, rationalizing the product pricing, centralizing the interest rate risk management and achieving the comprehensive assessment of the performance level.

During the reporting period, the retail strategy implementation of the Company reached a significant achievement and the proportion of operating income increased continuously. Up to Dec. 31, 2019, the total operating income of personal banking was RMB 12.473 billion, increased by 5.71% than the previous year and accounting for 35.55% of the total operating income; the total profit of personal banking was RMB 5.615 billion, accounting for 36.90% of the total profit, which is 2.12% higher than the previous year.

Unit: RMB 1,000

Item	Year 2019		Year 2018	
	Operating income	Total profit	Operating income	Total profit
Corporate business	13,416,415	5,170,315	10,559,794	4,046,837
Individual business	12,473,176	5,614,869	8,629,383	3,998,575
Capital business	9,110,371	4,472,808	9,564,414	3,336,782
Other businesses	81,429	(40,099)	163,621	115,357
Total	35,081,391	15,217,893	28,917,212	11,497,551

(VI) Off-balance sheet items with significant influence on the operating results

Refer to Appendix X to the Financial Statements: Contingencies, Commitments and Major Off-Balance Items in Chapter Thirteen of the Financial Statement for the balance of off-balance sheet items.

(VII) Assets and liabilities at fair value through profit and loss

Unit: RMB 1,000

Item	Jan. 1, 2019	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Dec. 31, 2019
Derivative financial assets	30,996,742	(10,280,836)	-	-	20,260,229
Loans and advances measured at fair value, with changes included in other comprehensive income	44,918,129	-	32,450	(17,061)	44,419,080
Trading financial assets	213,600,504	920,516	-	-	248,891,658
Investment on other creditors' right	164,913,219	-	1,208,341	(209,989)	197,149,323
Other investment on equity instrument	90,581	-	7,496	-	98,077
Precious metal	6,898,492	57,523	-	-	11,768,978
Investment properties	39,240	40	-	-	39,280
Subtotal of financial assets	461,456,907	(9,302,757)	1,248,287	(227,050)	522,626,625
Financial liabilities at fair value through profit and loss	(5,744,842)	(180,919)	-	-	(10,880,977)
Derivative financial liabilities	(28,303,487)	7,589,765	-	-	(20,368,170)
Subtotal of financial liabilities	(34,048,329)	7,408,846	-	-	(31,249,147)

Explanation on fair value measurement of the Company:

(1) Trading financial assets: For financial assets held for trading purposes or designated by the management at the time of initial recognition as financial assets measured at fair value with changes enter into the current Income Statement, and financial assets fail to be measured by amortized cost or financial assets measured at fair value with changes enter into other comprehensive income. All profit and loss of these financial assets and all changes designated at fair value at the end shall be recorded as investment income. During the disposal of those assets, the difference between the fair value and the initial amount shall be recorded as investment profit and the profit and loss of fair value changes shall be correspondingly adjusted.

(2) Investment on other creditor's rights: it is a financial asset measured at fair value with its changes enter into other comprehensive income. It is measured at fair value, and, the unrealized profits and losses arising from changes in fair value are included in other comprehensive income before the financial asset is derecognized; Provision for loss shall be recognized in other comprehensive income, and impairment losses or profits shall be included in the current Income Statement without reducing the book value.

(3) Other investment on equity instrument refers to the non-tradable equity instrument

investment designated to be measured at fair value with its changes included in other comprehensive income. Only the dividend (except for dividend income recovered as part of investment cost) of such financial assets shall enter into the current Income Statement, and the subsequent changes in fair value shall be included in other comprehensive income without provision for impairment. When the financial asset is derecognized, the accumulated profits or losses previously included in other comprehensive income will be transferred into the item of retained income.

(4) Financial liabilities held for trading include financial liabilities and derivative financial instruments held for selling. They are recognized at fair value at inception and recorded into the income statement; cost of these financial assets and all changes designated at fair value at the end shall be recorded into the income statement. When they are disposed, the difference between the fair value and the initial amount shall be recorded as investment profit and the profit and loss of fair value changes shall be correspondingly adjusted.

(5) Investment real estate refers to the real estate held to generate rental income or earn capital gains or both. Since there is an active local trading market of real estate, the Company is able to obtain the market prices of the identical or similar real estate and other relevant information from the market, so as to estimate the fair value of the investment real estate. Therefore, the investment real estate of the Company is measured at fair value. Initial value of purchased or self-constructed investment real estate shall be confirmed as its cost. Investment real estate converted from a fixed asset is initially measured at fair value on the date of conversion. If the fair value is higher than the book value, the difference should be recorded into the other comprehensive income, and recorded into the current profit and loss on the contrary. Thereafter, the investment real estate is measured at fair value on each balance sheet date and changes on fair value are taken into the current Income Statement.

(VIII) Key items and financial indicators with over 30% changes and main causes

Unit: RMB 1,000

Item	Jan.-Dec. 2019	Jan.-Dec. 2018	Increase/decrease	Main causes
Fees and commissions income	8,480,938	6,329,921	33.98%	Increase of bank card and agency business
Fees and commissions income expense	697,239	535,757	30.14%	Increase of agency business
Changes in fair value recognized in profit or loss	2,016,141	6,262,824	(67.81%)	Changes in the fair value of derivatives
Exchange earning	(904,238)	(7,496,306)	negative value in the previous year	Changes in the fair value of foreign exchange derivatives
Income from disposal of assets	5,459	105,111	(94.81%)	Decrease of disposal of fixed assets
Other operating costs	35,515	13,092	171.27%	Increase of other business expenses

Non-operating income	21,824	14,292	52.70%	Increase due to transfer in of outstanding funds
Non-operating expense	93,487	62,556	49.45%	Increase in public welfare donations and other non operating expenses
Income tax	1,427,049	276,915	415.34%	Increase of profit before tax
Item	Jan.-Dec. 2019	Jan.-Dec. 2018	Increase/decrease	Main causes
Deposits in other banks	15,409,022	9,251,993	66.55%	Increase of deposits in other banks
Noble metal	12,515,747	7,554,430	65.67%	Increase of physical precious metal
Lending	3,595,946	2,417,760	48.73%	Increase of lending
Derivative financial assets	20,260,229	30,257,173	(33.04%)	Decrease of foreign exchange swap business
Redemptory monetary capital for sale	17,259,205	3,703,483	366.03%	Increase of redemptory monetary capital for sale
Deferred tax assets	4,858,203	3,668,448	32.43%	Increase of provision for impairment loss of assets
Other assets	2,500,687	1,346,940	85.66%	Increase in clearing and settlement
Borrowings from central bank	30,490,563	15,500,000	96.71%	Increase of medium-term lending facility
Deposits from banks and other financial institutions	35,697,447	21,214,973	68.27%	Increase in deposits from banks and other financial institutions due to increase of custody scale
Loans from other banks and other financial institutions	35,962,274	53,943,803	(33.33%)	Decrease of loans from other banks and other financial institutions
Financial assets sold for repurchase	62,694,202	26,930,116	132.80%	Decrease of collateral repo settlement volume
Tax payable	3,323,506	740,442	348.85%	Increase of income tax
Other liabilities	20,900,607	9,748,508	114.40%	Increase of rent payable for precious metal
Capital reserve	18,785,134	11,219,205	67.44%	Mainly influenced by the convertible bonds into shares
Other comprehensive incomes	2,219,826	689,316	222.03%	FVOCI bond valuation surplus

III. Investment Analysis

(I) Overall Condition

Unit: RMB 1,000

Item	Ending amount	Beginning Amount	Proportion of equity of invested companies held by the Company	Main business
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China UnionPay Co., Ltd.	13,000	13,000	0.34%	Establishing and running a nationwide unified cross-bank network of information exchange for bankcards; providing advanced electronic payment technology and specialized services in regard to cross-bank information exchange for bankcards; conducting technology innovation in bankcard business; managing and operating the logo of "UnionPay"; stipulating business rules and technical standards on cross-bank transactions with bankcards; coordinating and arbitrating disputes occurred in bankcard cross-bank transactions; organizing training program and seminars and carry out international exchange; providing consulting and research services and other related services approved by the PBC.
Clearing Center for City Commercial Banks	250	250	0.83%	The Clearing Center for City Commercial Banks is a nonprofit membership organization which city commercial banks may join in or not of their own accord. It is mainly responsible for non-local clearing for city commercial banks.
Maxwealth Fund Management Co., Ltd.	647,200	647,200	71.49%	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.
Maxwealth Financial Leasing Co., Ltd.	3,000,000	2,000,000	100.00%	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling off and disposal; economic consulting; asset securitization; business approved by CBRC.
Ningyin Financial Management Co., Ltd.	1,500,000	-	100.00%	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.
Total	5,160,450	2,660,450		

(II) Significant equity investment acquired during the reporting period

Save as the disclosed above, the Company had no significant equity investment during the reporting period.

(III) On-going significant non-equity investment during the reporting period

Save as the disclosed above, the Company had no on-going significant non-equity investment during the reporting period

(IV) Investment on derivatives

1. Investment on Derivatives

Instructions on risk analysis and control measures of derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.
Changes on the market price or the fair value of	Changes on the market price or the fair value of invested

invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	None
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	Independent directors of the Company understood that trading of derivatives is one of regular banking business approved by CBRC. During the reporting period, the Company attached importance to risk management of this business and carried out efficient risk control over trading of derivatives.

2. Derivatives investment held at the end of the reporting period

Unit: RMB 1,000

Contract category	Contract sum at the beginning of the period	Contract sum at the end of the period	Profit and loss during the reporting period	Proportion of the contract sum to the net assets attributable to the shareholders' of the Parent company at the end of the reporting period
Foreign exchange forwards	40,914,992	56,083,873	923,214	55.91%
Foreign exchange swap	1,634,591,964	1,211,100,205	262,647	1207.37%
Interest rate swap	1,829,792,379	2,046,864,908	124,399	2040.56%
Currency swap	7,540,862	7,630,810	15,295	7.61%
Option contract	178,104,079	148,947,294	(2,109,986)	148.49%
credit risk mitigation tools	2,120,000	890,000	(32,583)	0.89%
Precious metal forwards/swap	34,110,333	17,785,738	929,512	17.73%
Total	3,727,174,609	3,489,302,828	112,498	3478.56%

In 2019, under the complex external environment, the exchange rate of RMB to a basket of currencies remained stable notwithstanding the increasing bilateral fluctuations of exchange rate, and the bilateral fluctuation of exchange rate dominated by market supply and demand became the main trend in the market. In terms of swap, the Company strengthened the curve transaction. It kept making positive use of derivative product such as interest rate and exchange rate for hedging and directional trades, steadily scaled up the trading, optimized the trading strategy and further improved the trading profits.

(V) Use of the raised fund

There's no use of raised fund during the reporting period.

(VI) Major assets and right offering

During the reporting period, the Company had no major assets or right offering issues.

(VII) Analysis on major holding companies and joint stock companies

1. Information of major subsidiary companies and joint stock companies with over 10% influences on the net profit of the Company

Unit: RMB 1,000

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Maxwealth Fund Management Co., Ltd.	Subsidiary	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.	900,000	1,771,385	1,498,645	681,083	346,279	268,702
Maxwealth Financial Leasing Co., Ltd.	Subsidiary	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off shore borrowing; leasehold selling off and disposal; economic consulting; business approved by CBRC.	3,000,000	35,948,805	3,999,053	1,117,904	597,396	448,116
Ningyin Financial Management Co., Ltd.	Subsidiary	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.	1,500,000	1,500,888	1,500,384	888	513	384

Note: according to the proposal on capital increase of Maxwealth Financial Leasing Co., Ltd. approved by the 11th meeting of the 6th Board of Directors of the Company, Maxwealth Financial Leasing Co., Ltd. completed industrial and commercial registration of changes on November 18th, 2019, with registered capital changed to RMB 3 billion.

2. Information of subsidiary acquisition and disposal during the reporting period

Name of Company	acquisition and disposal method of subsidiary during the reporting period	Impact on overall operation and performance
Ningyin Financial Management Co., Ltd.	Establishment	Not significant

3. Information of major holding companies and joint stock companies

A holding subsidiary of the Company---Maxwealth Fund Management Co., Ltd. was established on Nov. 7th, 2013 with a registered capital of RMB 0.15 billion. Maxwealth Fund Management Co., Ltd. increased in capital and share in August, 2014 and its registered capital was increased to RMB 0.2 billion. The Company held 67.5% of the shares. Maxwealth Fund Management Co., Ltd. increased in capital and share in January, 2018 again, and its registered capital was increased to RMB 0.9 billion. The Company held 71.49% of the shares. Maxwealth Fund Management Co., Ltd. is mainly engaged in fund raising, fund sales, assets management for special customers, assets management and other business approved by CSRC. In 2019, Maxwealth

Fund Management Co., Ltd. realized a sound development, with a net profit of RMB 269 million throughout the year. By the end of 2019, the total public offering of the Company reached RMB 157.4 billion, which was RMB 102.894 billion after excluding money funds and financial funds, making it rank 25th in the market. Several products of the Company achieved good yield and ranked top in the market, thus create more value for customers.

A wholly-owned subsidiary of the Company--- Maxwealth Financial Leasing Co., Ltd. was established on May 26, 2015 with a registered capital of RMB 1 billion. Maxwealth Financial Leasing Co., Ltd. increased its capital and share in December 2017, November 2018 and September 2019 by RMB 0.5 billion, RMB 0.5 billion and RMB 1 billion respectively, and its registered capital was increased to RMB 3 billion. The Company held 100% of the shares. The Company held 100% of the shares. Maxwealth Financial Leasing Co., Ltd. is mainly engaged in financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off shore borrowing; leasehold selling off the disposal; economic consulting, asset securitization and other business approved by CBRC. Maxwealth Financial Leasing Co., Ltd. persists in the management principle of steady operation, scientific management, characteristic development and high-efficiency service. Relying on the current outlets and customer advantages of the Parent company, Maxwealth Financial Leasing Co., Ltd. focused on the three major business areas including small and micro finance, intelligent manufacturing and public services, actively provided government and enterprises customers with financial services, and developed new source for stable profit growth of the Company. After 5 years' development, Maxwealth Financial Leasing Co., Ltd. has become a financial leasing company with professional influence and distinctive recognition. By the end of 2019, Maxwealth Financial Leasing Co., Ltd. owned assets of RMB 35.949 billion, and realized a net profit of RMB 0.448 billion and a NPL of zero.

A wholly-owned subsidiary of the Company---Ningyin Financial Management Co., Ltd. was established on December, 2019, with a registered capital of RMB 1.5 billion. It is the first financial subsidiary of city commercial bank in China. Ningyin Financial Management Co., Ltd. is mainly engaged in public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council. Abiding by the tenet of "Provide financial service as entrusted", Ningyin Financial Management Co., Ltd. takes research and investment as the driving force, compliance and risk control as the basis, and scientific and technological innovation as the wing. It increases the supply of financial products, takes the responsibility of serving the real economy and financial market, strives to meet the diversified demands on wealth management by individuals, enterprises and institutions, and is committed to becoming a financial subsidiary featuring high professional level, high efficiency,

outstanding risk control capability and core competitiveness.

(VIII) Information on structured entities controlled by the Company

Please refer to the “Note 6 to Financial Statement: Equity in other Entities” of “Chapter 13 Financial Report” for the information of structured entities controlled by the Company.

IV. Risk Management

The Company adhered to the principle of "Risk-oriented" and held on to the bottom line. It took the initiative to adapt to the new situation of economic and financial development, constantly optimized the comprehensive risk management system, continuously improved the risk management policy systems, tools and methods, information system, etc., orderly carried out the identification, measurement, monitoring and control of various risks, and continuously improved the initiative and foresight of risk management.

(I) Credit risk

Credit risk refers to the risk which incurs loss to the bank due to the nonperformance of the borrower or the counterparty. The credit risk of the Company include loans, capital business (including interbank lending, assets under resale agreements, due from banks, bank account bonds investment, etc.), receivables and off-balance credit business.

The Company has been committing to the construction of credit risk management system featuring independent function, risk balanced and efficient. It continuously improved risk data governance and system construction, continuously upgraded risk monitoring methods and measurement models, and actively enhanced the quality of credit risk management.

First, as oriented by customers, the Company strengthened the risk exposure management. On the basis of unified credit granting, the Company integrated substantive credit risk business into the unified risk management system through system-based and manual-assisted methods, and carried out risk identification, measurement, monitoring and control work in accordance with the penetration principle, so as to realize the risk exposure management. Meanwhile, the Company has established and improved the management system according to the requirements of significant exposure, continuously identified, measured and monitored the significant exposure, and effectively controlled the customer concentration risk.

Second, the Company implemented vertical approval and management to ensure the independence of approval. The Company enforced the credit approver system and vertical management mechanism with approval authority centralized in the head office. Approval centers are available in branches, and the approver is under the direct leadership of the head office to execute unified criterion. The vertical management system guarantees the independence of approval and the effective implementation of credit policy.

Third, the Company strengthened the leading effect of credit granting, and optimized the

credit structure. The Company actively supported the guidance of national industrial policies, continued to optimize the credit structure, supported the development of key regions and industries, assisted the transformation and upgrading of small and medium-sized enterprises, and devoted greater effort to serve the real economy. Meanwhile, the Company actively promoted the research on industrial chain, improved the scientificity of credit policy guidance, and built the management system for credit customers throughout the whole industry chain.

Fourth, the Company improved the efficiency with the support of data, and built the intelligent risk monitoring system. The Company attached great importance to the introduction and management of data resource, established the risk data mart, and improved the digital risk control ability. It deeply explore the value of data, persisted in the construction of a comprehensive early warning management system composed by "4+N" early warning of corporate businesses, early warning of personal businesses and early warning of products, and built the monitoring platform of big data. It promoted the construction of anti fraud mechanism continuously, established the anti-fraud machine learning platform, and improved the ability to prevent fraud risks. The It deepened the construction and application of internal evaluation concerning retail business, completed the comprehensive verification of the internal evaluation model in this regard, and improved the accuracy of the internal evaluation model.

Fifth, the Company attached importance to the after-loan management, and implemented investigation in key areas continuously. It persisted in the improvement of after-loan management mechanism, practiced the strategy of follow-up on a full coverage basis, established electronic follow-up system, strengthened the interaction between follow-up and early warning, thus improve the comprehensive quality of follow-up. Meanwhile, the Company implemented investigation in key areas according to changes in the external environment to achieve early detection, early warning and early disposal.

Sixth, the Company optimized the process sorting mechanism and promoted the optimization of the whole process. It persisted in the analysis of process, explored the process analysis mechanism integrating rolling analysis and analysis by project, thus establish the analyzing and inspecting system that giving consideration to both the whole and the part. Meanwhile, it insisted on improving the efficiency of the process through the application of technology.

Seventh, the Company improved the risk loan settlement mechanism, and strengthened the resolution of risks. It kept implementing the management of liquidation list and liquidation project, strictly applied the method of "One policy for one customer", and specified the responsibility of liquidation level by level, thus to strengthen the process management of liquidation. In addition, the Company established liquidation system and set up liquidation group for big retail business, thus support the sound and steady development of big retail business.

(II) Liquidity risk

Liquidity risk refers to the risk of failing to obtain adequate funds in a timely manner at a reasonable cost to pay matured debts or satisfy other payment obligations for business development. The Company has established 2-level management mode, with the Risk Management Department of the head office being responsible for the overall management of liquidity risk.

According to requirements of regulatory policies and macro-economic changes, the Company strengthened the construction of liquidity risk system, continued to improve liquidity risk management technologies, periodically monitored liquidity risk indicators, monitored the cash flow gap on a daily basis, conducted regular liquidity risk stress test, and enhanced the liquidity risk management capability. In the reporting period, the maturity of assets and liabilities of the Company matched each other well, and all supervision indexes met the supervision requirement. Meanwhile, the light, medium and heavy stress tests were applied to the domestic and foreign currencies of the Company, and the outcome indicated that the Company achieved the minimum survival period of not less than 30 days. Therefore, the emergency buffer capacity of domestic and foreign currencies was good.

In 2019, according to the macroeconomic situation and monetary policy by the central bank, the Company made advance deployment and dynamically adjusted the liquidity management strategy according to the macro-economic situation, the monetary policies of the central bank, as well as the growth of assets and liabilities businesses of the Company and the liquidity gap, thus to ensure that the liquidity risk of the Company is under control. During the reporting period, the Company took the following measures to strengthen the liquidity risk management: First, the Company improved the management system for risk preference and limit, implemented annual re-inspection and retrospective analysis management on the limit management system, and improved the appropriateness and risk sensitivity of threshold value of the index; second, the Company improved the emergency management mechanism for liquidity risk and constantly supplemented the emergency plan. Meanwhile, the Company carried out emergency drill in the fourth quarter of 2019, which further enhanced its emergency management capability of liquidity risk; third, the Company strengthened daytime liquidity risk management, optimized the function of fund position management system, improved the efficiency of position forecast management and improved the position management ability.

The liquidity risk indicators of the Company at the end of the reporting period were as follows:

1. Liquidity ratio

As of Dec. 31, 2019, the balance of the liquidity assets of the Company was RMB 264,200.74 million, and the balance of the liquidity liabilities of the Company was RMB 494,875.16 million, the liquidity ratio was 53.39%, met the requirement of CBRC as no more than 25%.

2. Liquidity coverage ratio

As of Dec. 31, 2019, the balance of high-quality liquid assets of the Company was 124,412.02 million and the net cash outflow within 30 days was RMB 73,601.37 million with the liquidity coverage ratio as 169.03% and met the requirement of no less than 100% as specified by CBRC.

3. Net Stable Funding Ratio

By the end of 2019, the balance of stable funding available to the Company was RMB 758,960.88 million, the balance of stable funding needed by the Company was RMB 710,451.76 million, and the net stable funding ratio was 106.83%, met the requirement of CBRC as no less than 100%. As of September 30th, 2019, the balance of stable funding available to the Company was RMB 755,253.20 million, the balance of stable funding needed by the Company was RMB 661,956.90 million, and the net stable funding ratio was 114.09%, met the requirement of CBRC as no less than 100%. See the following for details:

Unit: RMB 1,000

Index	December 31 st , 2019	September 30 th , 2019
Stable funding available	75,896,088	75,525,320
Stable funding in need	71,045,176	66,195,690
Net stable funding ratio	106.83%	114.09%

(III) Market risk

Market risk refers to the risk of potential losses in future benefits or future cash flow arising from the value change of financial instruments due to the changes in interest rate, exchange rate and other market factors. The major market risks influencing the Company's business were interest rate risk and exchange rate risk, including the transaction account and account book.

1. Market risk of transaction account

The Company established sound and reliable transaction account market risk management system that adapted to the nature, scale and complexity of the business, clarified the responsibilities and report requirement of the Board of Directors, special committees, senior management and department concerned under the market risk governance structure, specified the policy of market risk management, as well as the identification, measurement, monitoring and control procedures, defined the program and requirements for market risk report, information disclosure, emergency disposal and market risk capital measurement, and delivered clear demands on market risk internal control, internal & external audit and information system construction.

The Company built account book market risk index limit management system and set three layers of market risk index limits, of which, the topmost layer was the quantitative index of the market risk preference of the whole bank, which was the annual layer risk limitation of the whole Bank approved and authorized by the Board of directors and granted to the senior management, including VAR limit and limit of maximum loss for stressing test; the second layer was approved

and authorized by senior management and granted to the risk taking department and set out the sub-item limit as per the specific business or transaction combination, including sensitivity limit, exposure limit and stop-loss limit; the third layer was the functional management limit, allocated and used within the risk taking department. The risk management department of the Company was responsible for making daily risk and profit & loss report, monitoring the implementation of market risk index limit; periodically conducting stressing test of market risk and performing emergency scene stressing test and posting early warning information upon emergency circumstances such as significant market fluctuations and policy changes.

During the reporting period, the Company continued to improve the market risk management system and continuously strengthened the efficiency of tools for identification, measurement and monitoring of market risk. First, the Company has improved the market risk policy system. During the reporting period, the Company completed the re-inspection and further improved the policy system related to market risk, solidified the special screening mechanism concerning the market risk, and strengthened the internal control management system. Second, the Company strengthened the construction of market risk management system. During the reporting period, the Company introduced numerix system to improve the risk measurement ability of financial derivatives; meanwhile, it completed the construction of CSA system to provide credit support for derivatives, and realized the measurement, reconciliation, monitoring and management of variable margin under CSA protocol, and online centralized management of ISDA, GMRA and other mainstream standardized protocols. Third, the Company strengthened the management of market risk model and continued to improve the verification of market risk system. During the reporting period, the Company completed the comprehensive verification of the market risk model, thus ensure the integrity of market risk support system, and the accuracy and completeness of data, and ensure that the valuation model can accurately reflect the market risk situation of the Company. Fourth, the Company improved the stress test system of market risk. During the reporting period, the Company further improved the expert scenario database of stress test for market test, and introduced the stress scenario involving macro factor changes, thus to measure the change in profit and loss of the Company's portfolio upon deterioration of macro factors.

During the reporting period, the Company conducted in-depth research and continued to track changes in macroeconomic and monetary policies, monitored the risk quota indicators on a daily basis. The profit from trading account business increased steadily, and all market risk indicators were kept steady without exceeding the limit.

2. Market risk of bank account

The Company established the bank account market risk management system, clarified the responsibilities and report requirement of the board of directors, special committees, senior management and department concerned under the bank account interest rate risk governance structure, specified the policy and procedures of risk management, and defined the requirements

for bank account interest rate risk report, internal control, emergency disposal and information system construction.

The Company conducted interest rate risk measurement of bank account based on different currencies and different source of interest rate risk in the bank account through re-pricing exposure analysis, duration analysis, net interest income simulation, economic value simulation and stressing tests, and offered management suggestion and business adjustment strategy through meeting of Assets and Liabilities Management Committee, the special report on market risk, and the stress testing report.

During the reporting period, the Company paid close attention to policy tendency and changes of external interest rate environment. It completed the development and application of the interest rate risk regulatory report of the books according to the regulatory requirements, so as to improve the management of books in respect of interest rate. The Company set internal management objectives for two indicators, namely the change of new interest and the change of economic value, and continuously monitored the indicator level to ensure that the market risk of books was under control. Meanwhile, The Company continued to actively adjust the business pricing and asset liability structure strategy, a stable growth of net interest income.

(IV) Country risk

Country risk refers to the risk that the borrower or debtor of a country or region is unable or refuses to pay the debts of commercial banks, or the commercial presence of the commercial banks suffer losses in the country or region, or the commercial bank suffer other losses due to the economic, political, social changes and events of that country or region.

The Company integrated country risk management into the comprehensive risk management system, dynamically monitored changes of country risk, adjusted country risk limits in time, and strictly implemented country risk prevention and control. First, it timely adjusted the rating of country risk. The Company, according to the changes of global macro-economic development, timely adjusts the rating for countries and various index to determine the risk level of each country and calculate the corresponding country risk limit. Second, the Company continued to strengthen management of country risk limit. The Company reasonably allocated country risk quota in line with the development needs of business lines, continuously improved methods and procedures for stress test of country risk, and identified potential risks in their early stage. The Company regularly monitored the implementation of country risk limit management in each business line, constantly improved the early warning and reporting mechanism, strengthened risk exposure control measures, and ensured that the risk exposure of each country is under control.

Facing the complicated political and economic situation during the reporting period, the Company strictly followed the regulatory requirements and effectively controlled the country risk to ensure that it would have no significant impact on the business operation of the Company.

(V) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, systems or external events. The Company strictly adhered to the requirement of *Guidelines on Operational Risk Management of Commercial Banks*, established an intensive, specialized and flat business operation mechanism and management mode that was conducive to preventing and controlling the operational risk and ensuring the service efficiency, and established an operational risk management system in line with the actual situation of the Bank.

During the reporting period, the Company continued to promote the application of operational risk management tools, strengthened operational risk management and control in key areas, strengthened its risk assessment and monitoring, improved business continuity management, and constantly improved the level of operational risk management. First, the Company continued to implement self-assessment of operational risk and control of important processes, strengthened monitoring and analysis of key risk indicators, and did good job in collection and analysis of events, as well as in rectification and implementation in line with suggestions on operational risk. Second, the Company strengthened operational risk control in key areas, promoted the application of electronic seal, improved the control of seal using process, and strengthened seal supervision and inspection; it improved the file management system, carried out inspection for file management, and urged the effective implementation of file management requirements. Third, the Company improved risk management of outsourcing business. It reorganized the processes for management of outsourcing businesses, standardized the scope of outsourcing businesses, and realized the whole process control integrating outsourcing demand application, centralized procurement and seal approval. Fourth, the Company strengthened the assessment and monitoring of IT risks. It optimized indicators related to IT risk and improved the effect of indicator monitoring; it conducted special assessment of IT risk and proposed optimization and improvement measures based on the results of risk assessment; it continued to implement information technology risk governance and troubleshooting mechanism, and formulated and implemented risk governance measures to ensure the smooth operation of the system of the Bank. Fifth, the Company continuously implemented business continuity management. It carried out business impact analysis, re-identified important businesses and their recovery objectives, implemented important business continuity exercises, tested the feasibility of the plan, and improved emergency recovery capability.

(VI) Compliance risk

Compliance risk refers to the risk of commercial banks being subject to legal sanctions, regulatory punishments, major financial losses, or reputation diminishing as a result of their failure to obey the laws, rules and guidelines.

During the reporting period, the Company actively carried out the compliance risk prevention

work on the strength of support the target of legal compliance operating management. Firstly, the internal control system was improved. The Company paid close attention to the external regulatory policy and the actual situation of internal operation and management. Through the interpretation of external regulatory provisions, multidimensional review of internal control system, and system evaluation, it continuously improved the relevant systems of business activities, management activities and support activities to improve the rationality and completeness of the system; meanwhile, it further improved the requirements for risk management, strengthened back-office support and guarantee, and improved the quality of internal control system. Second, the Company deepened its product compliance management. It strengthened pre-launch review and post-launch assessment of new products, implemented special assessment of key stock products, and continued to strengthen the control over legal compliance risk. Third, the Company strengthened the monitoring and assessment of compliance risk. IT monitored and analyzed information on compliance risk, refined the dimensions and quality requirements of compliance risk analysis, continued to track all kinds of information concerning compliance risk, identified compliance risk, proposed management measures for compliance risk, and continued to promote the steady improvement the results of compliance risk management. Fourth, the Company improved the management of compliance inspection. It formulated the annual inspection plan of the Bank to control the inspection quality in terms of the normalization of inspection procedures, the effectiveness of inspection results, and the due diligence of rectification and follow-up. Fifth, the construction of compliance culture was strengthened. The Company organized and develops various thematic activities related to compliance culture. Through documents learning, staff training, compliance culture publicizing and implementation, violation cases presentation and compliance knowledge contests, the Company popularized compliance culture knowledge and strengthened the compliance awareness of staff. Sixth, the Company improved the level of compliance management. It strengthened the training for compliance management staff, and improved their capability of professional research and practical work by means of post template application, improvement of compliance management curriculum system, organization of professional post qualification examination, subject research, professional post training, as well as study in the training base.

(VII) Reputation risk

Reputation risk refers to the risk that the Company might be negatively evaluated by relevant interested parties due to the Company's operations, management and other behaviors or external events. In 2019, the Company insisted on the principle of prevention first, being active, reporting timely and whole staff participation based on the new situation and potential risk points of public opinion, and continuously improved the reputation risk management process and pre-arranged planning to ensure the bottom line of having no significant negative public opinion. First, the Company continues to strengthen its prevention before the occurrence of public opinion. For potential public opinion risks, the Company, by persisting in the mechanism of "Early warning

meeting for reputation risk ", assessed all kinds of public opinion risks on a monthly basis, set up a special complaint handling team, with offices, Consumer Rights Protection Department, Risk Management Department, Compliance Department, Supervision and Security Department being its team members, to ensure that all kinds of complaints were effectively handled and relevant business processes are effectively modified, so as to reduce the risk of public opinion from the source. Second, the company continued to strengthen its emergency capacity for risk disposition. It established a special public opinion response team with the President being the Group leader, and the Vice President in charge, members of the Board of Directors and Office, as well as members of the General Manager's Office of Risk Management Department, Compliance Department and Supervision and Security Department being the Group members to ensure rapid response and effective handling. Third, it continued to implement the reputation risk management template, strengthen the prediction of hot public opinions of banks, improved the public opinion response template according to the law of new media communication, and realized the standardization and proceduralization of conventional operation.

(VIII) Anti-money laundering management

The Company strictly abided by the anti-money laundering laws and regulations, positively carried out the risk-based anti-money laundering supervision requirements, conscientiously fulfilled the anti-money laundering social responsibility and legal duty, and strived to promote the anti-money laundering and anti-terrorist financing risk management level.

First, the Company implemented supervisory requirements for anti-money laundering. It carried out key projects including the "Year for Deepening the Management of Customer Information", and "Quality Improvement of Report on Suspicious Transaction", and established and improved the internal control system of anti money laundering. Second, the Company upgraded its anti-money laundering management mechanism. It established the anti-money laundering center of the head office and branches, and built a professional anti-money laundering functional team. Third, the Company effectively fulfilled its legal obligations of anti-money laundering by taking customer identification, customer identity information, transaction record, as well as reports on large sum and suspicious transaction as the core, thus strengthen the control of high-risk customers and high-risk businesses. Fourth, the Company fight against the money laundering crime. It thoroughly explored, analyzed and submitted clues of key suspicious transactions, and actively cooperated with the People's Bank of China in anti money laundering investigation and research, providing strong support for the People's Bank of China and the public security department in combating money laundering and other illegal criminal activities.

(IX) Explanations on completeness, reasonability and effectiveness of the internal control system

The Company attaches great importance to the completeness of the internal control system. As of now, the internal control system published by the Company has covered business activities,

management activities and supporting activities. In accordance with external laws and regulations, regulatory policies and internal management requirements, the Company promptly formulated and revised related internal control system, continued to optimize business and management processes and implemented risk management and control measures, thus make the internal control system more complete and content of the system more reasonable and efficient.

1. Relatively perfect system

The Company's system is divided into administrative methods and stipulations/procedures. The former one lays stress on making explanation about administrative principles and requirements, while the latter one focuses on business operation process of the system, cutting the business flow charts into several phases with each of them combining with overall requirements and steps of relevant job responsibilities.

The Company's system framework is relatively complete. The Compliance Department of the Company is the leading administrative department for system compiling. New products and processes of the Company shall be approved by the new-product committee before the launching with the corresponding systems being submitted to the compliance department for approval. The compliance department gives comprehensive examination opinions integrating anti-money laundering, compliance management and operational risk management. The releasing of the system should be countersigned and finalized by all the revolving departments, and the business department implements the product system and ensures that where there is a product, there is a system. All systems involving risk management departmental of the Company are able to cover the risk management responsibilities of all the departments, to make clear the administrative requirements of business lines and to cover the overall life cycle of the business process

After the release of the system and before the actual implementation of business, the Company organized branches to carry out the pilot run of new product , so as to ensure the smooth operation of business. In case there are special local regulatory requirements or operating management needs of branches or sub-branches after the corporate system is released, the branches or sub-branches can formulate the administrative systems and implementation regulations with regional characteristics and improve the system for areas with key business products.

2. Prompt and reasonable system updating

The Company kept an eye on changes of external regulatory policies and formulates and revises relevant systems in a timely manner according to the needs of internal operation and management. It continued to promote the construction of internal control system in combination with system evaluation to ensure that the system was updated in a timely manner. First, it implemented the regulatory requirements, analyzed and interpreted the important regulatory policies and work requirements, established a standing book for the implementation of the requirements, formulated a plan for the implementation, and pushed forward in an orderly manner

as planned. Special officers were appointed to supervise and review the implementation of the system, and to ensure that regulatory requirements such as system internalization were well implemented, so as to improve the timeliness and effectiveness of the system. Second, it carried out system evaluation to assess the comprehensiveness of the internal control system and to judge whether the actual operation and management of the Company matches the internal control system, thus ensure a comprehensive and perfect internal control system. In addition, it implemented evaluation of key product systems in combination with its work, evaluated the consistency of product systems with external regulatory policies, as well as product systems with texts, system processes and actual operations, and improved the existing non-compliance, mismatch and other product system problems in a timely manner.

The Company established the policy correlation mechanism throughout the Bank, and realize policy linkage on this ground. Upon the updating of internal policy or the releasing of external regulation, the competent department would be reminded by the system automatically for modification of policies, thus improve the timeliness and effectiveness of policies..

In conclusion, the Company has established a relatively complete internal control system, and has formulated a relatively complete, reasonable and efficient internal control system; the execution of internal control system is improving, the internal control measures of all business lines are put in place, and no significant defects in internal control system was detected. The Company will continue to improve the completeness, reasonability and efficiency of the internal control system in line with the national laws and regulations, as well as its operating management demands.

V. Capital management

The objectives of Company's capital management include: (1) to maintain a reasonable level of capital adequacy ratio and steady capital foundation, support the development of Company's business and the implementation of strategies, improve the ability to defense risks and realize the comprehensive, harmonious and sustainable development; (2) to constantly perfect the performance management system focusing on economic profit, accurately measure and cover all types of risks and optimize resource allocation and operational management mechanism to create the best returns for shareholders; (3) to apply various capital instruments properly, optimize the amount and structure of capital and improve the quality of capital. The Company's capital management mainly contains capital adequacy management, capital financing management and economic capital management.

Capital adequacy ratio management is the core of the Company's capital management. According to regulations of China Banking Regulatory Commission, the Company shall monitor capital adequacy ratio on a regular basis and submit required information to the commission every quarter. It shall predict capital adequacy ratio every month through stress test and other approaches to ensure the index complies with regulatory requirements. With the establishment of

comprehensive risk management, the Company further strengthened risk identification and appraisal abilities to make it measure risk-weighted assets more accurately according to business essence.

The capital financing management is dedicated to further increasing capital strength, improving capital structure and upgrading capital quality. The Company attached importance to the endogenous growth of the capital, endeavored to realize harmony and coordination of scale expansion, profitability and capital constraints and supplemented capital through profit growth, retained surplus reserve and accrued loan loss reserve. Meanwhile, the Company actively studied new capital instruments, utilized external financing reasonably, and further reinforced the capital strength. In 2019, the Company successfully issued Tier-2 capital bonds amounting to RMB 10 billion, and convertible bonds amounting to RMB 10 billion issued in 2017 were converted into shares with the convertible proportion of 99.89%, which effectively replenished capital, optimized the capital structure, upgraded the level of capital adequacy ratio and greatly enhanced the anti-risk capability and the ability of substantial economy development supporting.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2019, the Company steadily pushed forward economic capital limit management, formulated economic capital allocation plans, realized optimized configuration of capital in all business lines, regions, products and risk areas, made overall arrangements of risk-weighted asset scale of all business departments and business lines, promoted optimized and reasonable configuration of capital and endeavored to realize maximization of risk-weighted asset yields; further displayed group comprehensive business advantages, gradually strengthened corporate capital management by perfecting group consolidated administration and other systems, and satisfied group and comprehensive business' demand for capital management.

(I) Information on capital adequacy ratio

In compliance with the relevant regulations of “*Capital Management Measures for Commercial Banks (Trail)*” of CBRC, the scope of consolidated data covers the parent company, the affiliated fund company and financial leasing company. Up to Dec. 31, 2019, the consolidated and non-consolidated capital adequacy ratios, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the Company are as follows:

Unit: RMB 1,000

Item	Dec. 31, 2019		Dec. 31, 2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	85,198,869	78,641,411	65,804,184	62,393,125
2. Net balance of Tier one capital	100,009,315	93,451,857	80,615,762	77,204,703
3. Net balance of total capital	137,796,847	130,850,327	106,757,160	103,091,107

4. Total risk-weighted assets	885,201,520	851,449,827	718,273,938	695,604,903
Including: credit risk-weighted assets	800,890,071	769,376,080	643,253,250	622,598,725
Market risk-weighted assets	28,211,957	26,899,304	26,040,636	25,324,004
Operational risk-weight assets	56,099,492	55,174,443	48,980,052	47,682,174
5. Core Tier one capital adequacy ratio	9.62%	9.24%	9.16%	8.97%
6. Tier one capital adequacy	11.30%	10.98%	11.22%	11.10%
7. Capital adequacy ratio	15.57%	15.37%	14.86%	14.82%

Note: In accordance with relevant regulations specified within *Capital Management Measures for Commercial Banks (Trial) (China Banking Regulatory Commission No.1, 2012)* issued by China Banking Regulatory Commission on June 7, 2012, the credit risk is measured by weighting method, market risk is measured by standard method and operational risk is measured by basic index method. Please refer to the column of “Capital and Leverage Ratio” in IR of the Company’s official website for details.

(II) Condition of leverage ratio

Unit: RMB 1,000

Item	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
Leverage ratio	6.48%	6.59%	6.53%	6.43%
Net balance of Tier one capital	100,009,315	97,105,903	91,272,107	85,968,808
Balance of assets on and off the balance sheet after adjustment	1,543,768,396	1,473,687,974	1,396,967,747	1,336,643,948

Note: indexes relevant to leverage ratio at the end of this reporting period, the third quarter of 2019, the second quarter of 2019 and the first quarter of 2019 are calculated in accordance with *Management Measures for Leverage Ratio of Commercial Banks (Revised) (China Banking Regulatory Commission, No. 1, 2015)* carried out since April 1, 2015. Please refer to the column of “Capital and Leverage Ratio” in IR of the Company’s official website for details.

VI. Conditions of Organization Construction

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(RMB 1,000)
1	Head office	No. 345, Ningdong Road, Yinzhou District, Ningbo	1	3576	281,871,485
2	Capital Operation Center	19F, No. 210, Century Avenue, China (Shanghai) Pilot Free Trade Zone	1	110	229,759,127
3	Shanghai Branch	Floors 20, 21 22 of 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	21	1340	96,992,672
4	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou	21	1200	65,099,794
5	Nanjing Branch	No. 233, Middle Jiangdong Road, Jianye District, Nanjing	19	1065	64,669,607

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(RMB 1,000)
6	Shenzhen Branch	1F-5F, Podium Building of Huangting Center Building, Jintian Road, Fudian District, Shenzhen	16	928	63,326,670
7	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou	24	985	71,440,305
8	Wenzhou Branch	No. 1258, Wenzhou Avenue, Lucheng District, Wenzhou	11	659	17,582,218
9	Beijing Branch	1-2F, 11-15F, Glorious Oriental Center, No.100, 3 rd West Ring Road North, Haidian District, Beijing	12	972	74,625,570
10	Wuxi Branch	No. 6 Third Finance Street, Taihu New City, Wuxi, Jiangsu Province	12	778	46,746,374
11	Jinhua Branch	Podium Building of Xinrong Building, No. 1028 South Shuanglong Street, Wucheng District, Jinhua	6	424	9,824,012
12	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing	6	390	12,920,761
13	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	5	307	10,066,222
14	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	4	255	8,352,480
15	Lishui Branch	No. 599 and No. 601 Renmin Street; 1F and 3F, S301, No.9, North Shouerfu Road; 22F and 23F (27F and 28F according to the label in the elevator), No. 615 Renmin Street, Liandu District, Lishui	1	106	2,267,179
16	Huzhou Branch	No. 30, 36, 40 and 44, Taihu Road; No. 527, 531, 535, 539, 543, 547, 551 and 555, Wutong Road; Room 201-203, 301-301 and 401-403, 10 th Building, Changdaofu, Wuxing District, Huzhou	1	98	1,326,955
17	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	9	235	12,704,792
18	Midtown Yinzhou Sub-branch	No. 700, South Ningnan Road, Yinzhou District, Ningbo	8	197	14,981,949
19	Jiangbei Sub-branch	No. 155, Lane 280, Tongji Road, Jiangbei District, Ningbo	8	200	21,974,351
20	Hudong Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	8	207	14,858,630
21	Sci-Tec Sub-branch	No. 868, East Baizhang Road, Jiangdong District, Ningbo	9	220	10,304,285
22	National Hi-Tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	8	200	8,809,319
23	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	8	160	21,714,595
24	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	12	239	11,060,122
25	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Town, Beilun District, Ningbo	9	192	12,280,931
26	Zhenhai	No. 666, North Dongyi Road, Luotuo	9	201	11,781,563

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(RMB 1,000)
	Sub-branch	Sub-district, Zhenhai District, Ningbo			
27	Yinzhou Sub-branch	No. 364 Middle Rili Street; No. 543 and No. 546 Xueshi Street, Yinzhou District, Ningbo	13	282	13,674,893
28	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	10	198	6,175,731
29	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	12	238	13,796,291
30	Midtown Yuyao Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming Sub-district, Yuyao City, Ningbo	12	170	8,584,670
31	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	16	290	14,108,889
32	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	13	204	9,302,841
33	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo	6	155	5,375,894
34	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	9	179	10,134,791
35	Maxwealth Fund Management Co., Ltd.	27F, 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	1	180	1,771,385
36	Maxwealth Financial Leasing Co., Ltd.	12F, No.195, Dingtai Road, Yinzhou District, Ningbo	1	127	35,948,805
37	Ningyin Financial Management Co., Ltd.	30F, No. 318 Heyuan Road, Yinzhou District, Ningbo	1	75	1,500,888
Total: 378 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 34 community sub-branches)				17,337	1,317,717,046

Note: 1. statistical data by the end of 2019

2. Lishui Branch of the Company was officially opened on March 20, 2020.

VII. Business Review

(I) Corporate banking business

In terms of corporate banking business, by adhering to the operating principle of “Customer Oriented” and relying on the development of financial science and technology, the Company is committed to service innovation, experience innovation and product innovation, so as to provide comprehensive financial services for large and medium-sized corporate customers. During the reporting period, the Company kept up with the changes of market environment and customer demand, insisted on taking root in regional market, made great efforts in creating advantages for products and services, continuously upgraded marketing system, continuously expanded basic

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Corporate banking customers. During the reporting period, the Company continued to promote the implementation of the "211" project and the "123" customer coverage plan, and continued to consolidate the customer base of the banking business. By sticking to the business philosophy of "Building linkage among the Head Office, branches and sub-branches, strengthening channel construction, expanding basic customer base, improving customer base coverage, and development potential customers", the Company has made remarkable achievements in customer development. By the end of the reporting period, the Company owned 88,000 basic corporate banking customers, with a growth of 24%, of which there were 14,819 core customers, with a growth of 36%. In addition, the Company gave full play to the comparative advantages of key products, and actively provided comprehensive financial service programs for listed enterprise and enterprises to be listed, especially for enterprises listed in science and technology innovation board.. By the end of the reporting period, the has established financial service cooperation with 46 enterprises listed in science and technology innovation board.

Corporate banking deposit. During the reporting period, the Company, in terms of corporate banking business, actively responded to the changes in the market environment, closely focused on customer demand, relied on financial technology to provide comprehensive cash management solutions, and constantly deepened cooperation between head customers and institutional customers. The customer loyalty was constantly enhanced, and the deposit scale was steadily improved. It strengthened delicacy management on a daily basis, increased the proportion of current and settlement deposits, and improved the deposit structure continuously. By the end of the reporting period, the balance of corporate banking deposit reached RMB 517 billion, increasing by RMB 77.1 billion from the beginning of the year, of which the current deposit reached RMB 291.4 billion, increased by RMB 40 billion from the beginning of the year, with a growth rate of 16%.

Assets investment concerning corporate banking business. During the reporting period, by focusing on the fundamental purpose of serving the real economy, the Company, in respect of corporate banking business, actively served the real enterprises in the operation area and gave priority to supporting manufacturing industry, technology-based enterprises and emerging strategic industries. The Company actively complied with changes in market and customer demand, and enriched its financing products and service approaches. First, in provided customers with a diversified product portfolio. The Company provided customers with comprehensive financing services through flexible combination of various products such as loans, commercial tickets, silver tickets, domestic certificates, etc.. Second, by promoting the online and mobile businesses, the Company promoted the online operation of businesses such as loans, bills, L/C issuance and supply chain, etc., thus improve service efficiency and customer experience. By the end of the reporting period, the balance of corporate banking loan reached RMB 214.5 billion, increased by RMB 33.4 from the previous year, with a growth rate of 18%.

Major products of corporate banking business. In terms of corporate banking business, the Company actively adapted to the market changes, adhered to principle of customer-oriented, and continued to build comparative advantages in products such as bill manager, treasury manager, new government affairs manager and Yishoubao. By taking the life cycle of bills as the principle line, the bill manager product provided online services covering processes of invoicing, bill collection, discount, financing and collection, and launched asset pool products to help enterprises activate their financial assets. By the end of the reporting period, there're 11,599 customers of bill manager product, including 1,960 customers of asset pool products. The treasury manager product provided group companies with a cross-legal-person, cross-region and cross-bank fund management platform, with eight easy-to-use functions at both PC and mobile ends available. By the end of the reporting period, there're 2,086 customers of treasury manager product, increased by 1,413 from the end of the previous year. Product of new government affairs manager provided comprehensive financial service programs to Party and government organs, public institutions and social organizations. By the end of the reporting period, there're 4,000 customers of new government affairs manager, increased by 661 from the end of the previous year. Product of Yishoubao, by taking into consideration the customer demands, integrated eight online services, optimized functions of products, built a professional and perfect one-stop platform for management of collection and accounting, thus improve the user experience comprehensively. The product has achieved in-depth cooperation with a number of listed companies, industry leaders and government customers.

(III) Retail corporate business

By adhering to the concept of "supporting the development of real economy, implementing the inclusive finance and promoting the growth of small and micro enterprises", the Company continuously explored and innovated the financial services of small and micro enterprises, and committed to providing "simple, convenient and efficient" financial products and services for small and micro corporate customers. During the reporting period, the Company continued innovating and optimizing financial products and services for small and micro enterprises, actively created new service mode integrating online and offline operation, improved the level of comprehensive financial services for small and micro enterprises such as financing, settlement and e-banking, further consolidated the customer base, expanded the business scale, and expanded the scope and depth of cooperation with small and micro financial customers continuously.

Team of retail corporate business. During the reporting period, the Company continued to increase resource inclination, optimized assessment policies, continued to increase the allocation of financial services team for small and micro enterprises, and improved the construction of specialized institutions for small and micro enterprises. By the end of reporting period, 280 specialized institutions involving 2,183 staff were established by the Company, increased by 734 staffs from the beginning of the year, thus to strengthen the support from teams.

Customers of retail corporate. The Company always pays attention to the accumulation of basic customers and the cultivation of potential customers. During the reporting period, the Company continued to promote the "211" project and the "123" customer coverage plan, and fully implemented the visit of small and micro customers on a full-coverage basis and the comprehensive operation of customers. Through the application of big data, Internet technology and list system, the Company achieved accurate screening and efficient m of small and micro enterprise customers; it strengthened the process and trace management of small and micro enterprise customer, thus meet the diversified and personalized demands of customers. By the end of the reporting period, there're 294,241 customers of corporate business of the Company, increased by 31% from the end of previous year.

Deposit from retail corporate business. In 2019, the Company kept expanding its deposit business, achieved rapid growth in scale, maintained the rationality of deposit structure and effectively controlled the cost of interest payment. By the end of the reporting period, the balance of deposit from retail corporate business reached RMB 92.4 billion, increased by RMB 19.5 billion from the end of the previous year, with a growth rate of 27%. Among which, the current deposit and call deposit reached RMB 46.6 billion, increased by 20% from the beginning of the year, accounting for 51% of the total deposit. The deposit structure of the Bank continued to be at a good level.

Loan from retail corporate business. In 2019, the Company continued to increase the policy preference for small and micro enterprises, and constantly optimized financial products and services for them. First, by giving full play to the advantages of "Quick Audit and Quick Grant" in simple application, quick review, extended credit period, easy borrowing and repayment, refinance without repayment of principal and online self-service application, the Company effectively improved the efficiency in handling the mortgage business of small and micro enterprises; second, the Company enrich the mode for online credit audit. Based on the existing mode of "Online Quick Audit and Quick Grant", the Company launched the product of "Online Refinance without Repayment of Principal", thus to save the cost and improve the efficiency of refinancing. Third, the Company launched special loans for small and micro enterprises of science and technology type. By strengthening cooperation with the government and insurance companies, it meet the diversified financing needs of customers in different growth stages. In addition, it delivered various policy lectures and business promotion meetings in industrial parks and enterprises, provided comprehensive financial service for small and micro enterprises, thus become their development partner. By the end of the reporting period, there're 83,500 credit customer from retail corporate business, with the balance of loan reached RMB 79.5 billion, increased by RMB 22.6 from the beginning of the year with a growth rate of 40%.

Characteristic business of retail corporate. First, the Company continued to enrich its cash management products and services, and constantly upgraded and optimized its product functions.

By the end of the reporting period, By the end of the reporting period, there were 81,153 cash management customers and 2,465 Yishoubao customers; second, the Company continued to strengthen the international business of small and micro enterprises. The Company continued to optimize all-round, full-line and full-process professional foreign exchange services, and promoted advantageous products such as rapid remittance/collection, trade finance, and Jinshitong. The market reputation of the Company was improved continuously. By the end of the reporting period, the number of international business customers under retail corporate reached 15,174; third, the Company expanded the e-service channel of small and micro finance. In addition to E-bank, APP and other online channels, the Company also launched the official account for small and micro enterprises, and provided functions such as loan application, withdrawals and repayment, etc..

(III) Personal banking business

The Company always insists on exploring the sustainable development path of personal banking business. During the reporting period, the Company insisted on taking customer operation as the center, deepened specialized, characteristic and localized operation, established the Wealth Management Department and Private Banking Department of the head office, subdivided the personal banking business into three parts: personal credit, wealth management and private bank, and constructed the new profit center of the Company. In terms of team building, the Company adhered to the development concept of professional operation, continuously strengthened the professional division of employees and teams, and improves the marketing effect. In terms of the application of financial technology, the Company continued to promote the integration of new technologies such as big data and artificial intelligence with traditional banking business, improved the efficiency of financial services, and constantly consolidate the its competitive advantage in the market segments.

During the reporting period, in terms of personal credit business, the Company focused on key business customers, constantly optimized customer access standards, and promoted the coordinated development of personal loan business scale and risk control. First, in terms of business process, the Company made full use of new Internet technologies and big data, realized one-stop application and automatic approval of mobile banking, and continuously promoted online and intelligent personal loan business , thus to improve customer experience; Second, in terms of risk control, the Company actively connected with external authoritative channels, optimized loan risk control model, effectively prevented fraud risks from intermediaries and gangs, further guaranteed the quality of credit assets, and ensured the stable development of business compliance; third, in terms of management mode, the Company implements centralized and vertical management, and constantly improved the level of systematization, standardization and refinement of daily management. By end of the reporting period, the balance of personal loans (excluding credit card business) was RMB 137.6 billion, and the number of personal loan customers was 1.31 million.

(IV) Wealth management business

During the reporting period, the Company adhered to the philosophy of professional business, continued to increase investment in various resources, fully implemented the new wealth management system, and accelerated the transformation and development of wealth management business. First, it expanded staffing and implemented professional training. In 2019, the Company increased the personnel allocation of wealth management business, realized the transformation from the single product sales concept to the asset allocation concept of "creating value for customers" through plastic training, so as to continuously improve the professional ability of employees. Second, the Company built professional teams, carried out professional operation, fully implemented the new system of wealth management business, implemented hierarchical and classified customer operation, and achieved professional maintenance and service. Third, the Company enriched its product system based on customer demand. On the basis of traditional deposit and wealth management products, the Company continued to enrich and improve its diversified product system. The proportion of funds, insurance and precious metals has been increasing, thus creating more value for customers. Fourth, the Company launched the customer asset allocation system and Financial Manager CRM + system through the application of financial technology, so as to achieve delicacy management of customer group, and to build a digital, standardized and professional wealth management system. As of the end of the reporting period, the total financial assets of the individual customers (AUM) were RMB 437.8 billion, increased by RMB 80 billion from the beginning of the year with a growth rate of 24%. Among which the saving deposits reached RMB 159.2 billion, with an increase of RMB 36.3 billion over the beginning of the year.

During the reporting period, the Company adhered to the service tenet of "professional, private and exclusive", continued to promote the steady development of private banking business, and provided high-end comprehensive financial services with asset allocation as the core for private banking customers. First, the Company strengthened resource support, continued to increase personnel and team allocation, and gradually set up the business structure of private banking business in the Head Office, branches and sub branches, thus make its professional operation start. Second, the Company continued to enrich the types of asset allocation, continuously improved the six major private banking product systems of cash management, fixed income, equity, alternative, security and overseas allocation, and provided global asset allocation services for customers by integrating market advantage resources and overseas allocation resources. Third, through the integration of resources of the whole bank, and by closely focusing on three aspects including personal, family and business, the Company met the comprehensive needs of private banking customers. With comprehensive, all-round and professional service teams, it provided customers with more efficient, professional and intimate comprehensive solutions. As of the end of the reporting period, the Company had 5,394 private banking customers, an increase of 1,611 compared with the end of the previous year, with an growth rate of 43%; the total financial

assets of private banking customers reached RMB 67.1 billion, increased by RMB 20.1 billion from the beginning of the year with a growth rate of 43% and a total assets per account of RMB 12.43 million.

(VI) Credit card business

During the reporting period, the Company continuously improved the platform construction, strengthened digital operation, and achieved significant improvement in operating efficiency and management level. In terms of new customer expansion, the Company continued to accumulate high-quality customers by building customer portraits, sticking to customer segmentation and focusing on channel marketing; in terms of stock customer management, the Company adhered to comprehensive customer management, deepened the application of big data, fully explored the customer value and improved the level of digital operation; in terms of service upgrading, the Company has vigorously promoted the platform construction and improved the APP online card swiping ecology and set up a credit card exclusive customer service center. As of the end of the reporting period, the total credit card advance balance of the Company was RMB 42.1 billion.

(VII) Financial market business

In 2019, the situation at home and abroad was complex and changeable. In the domestic market, although the downward pressure on the economy has increased, the monetary policy has remained stable with the counter cyclical adjustment being highlighted, the structural orientation of the policy has been further deepened, and the financial risk has been effectively prevented and controlled; and in the international market, the momentum of global economic growth was insufficient, and the trade frictions, geopolitics and other uncertainties have intensified, however, the RMB exchange rate was basically stable at a reasonable and balanced level, with the flexibility being further enhanced. Faced with the complex financial environment, the Company seized the market opportunities, improved its operational capacity, and realized the steady development of financial market business. The Company has actively drawn lessons from the advanced business model and development experience of domestic and foreign financial markets, constantly expanded business chain, strengthened product development and widened the channel construction. At present, it has been deeply involved in domestic and foreign interest rate and exchange rate markets. Its business scope covers bond business, foreign exchange business, precious metal business, financing liability business, financial derivatives business, etc.

Starting from “improving the profitability structure, improving the profitability mode, and improving the market position”, the Company held the development strategy of sincere services, extensive cooperation, compliant operation and mutual benefits. It further expanded inter-bank cooperation, innovated and enriched the product system, deepened the market maker business, and continued increasing the proportion of intermediary business such as transaction and consignment. The Company was dedicated to being one of the best partners of medium- and small-sized inter-bank financial market business. During the reporting period, the Company actively expanded

the main bond undertaking business to help the development of the real economy. In 2019, the Company has underwritten RMB 158.3 billion bonds, ranking the 13th in the market.

During the reporting period, the Company had stable-growing transactions concerning a variety of financial market business. It ranked the 1st in the entire market in CDB bonds underwriting; the 3rd in bond underwriting; the 12th in comprehensive foreign exchange marketing; and the 10th in gold inquiry marketing.

During the reporting period, the Company won "Excellent Underwriters Award" for 2019 financial bond market by China Development Bank; 2019 "the Outstanding Application Award of the Financial and Technological Innovation Contest" and "the Most Promising Award of the Financial and Technological Innovation Contest" and 2018 "the Most Popular Bidding and Institutional Market Maker in Foreign Exchange Market" and "the Best Foreign Currency Lending Member in Foreign Currency Market" by China Foreign Exchange Trade System; 2018 "the Best Improvement Award for Self-discipline Work" by Foreign Exchange Market Self-discipline Mechanism; "Trading Mechanism Innovation Award X-Lending", "Trading Mechanism Innovation Award X-Auction", "Trading Mechanism Innovation Award X-Bond", "Outstanding Derivatives Market Dealer", "Outstanding Bond Market Dealer", "Outstanding Currency Market Dealer" and "Core Dealer" in 2018 interbank domestic currency market; "Excellent Underwriters Award", "Excellent Self-employed Institutions Award", "Excellent Issuing Institutions Award" and "Counter Negotiable Bond Innovation Contribution Award" and "Outstanding Underwriter for Sample Bonds of the Green Bond Indicators of Chinese Bond Market" in the Chinese bond market of 2018; "2018 Outstanding Interest Rate Bond Underwriter" by Shenzhen Stock Exchange and "Outstanding Investment Institution of Assets Backed Security" by Shanghai Stock Exchange. All of these honors and reputations received reflect the industry's affirmation on the financial market business of the Company.

(VIII) Assets management business

In 2019, under the market background of structural adjustment and intensified competition in the asset custody industry, the Company's asset custody business developed steadily. By the end of the reporting period, the Company had a total of 533 custodian clients, with a balance of custodian assets of RMB 2,200 billion, ranking the 17th in the industry, with its growth rate of custody scale of bank financing and trust custody projects exceeding the overall market level. During the reporting period, relying on the three foundations of "artificial intelligence", "open Internet" and "customer service system", the Company's "easy custody" system has become the first asset custody system in the industry to provide post investment management service, achieving four breakthroughs in post investment management area and upgrading to six categories of accounts (custody account, CSDC transaction account, ChinaBond account, Shanghai Clearing House account, QDII account and third custody account). In 2019, the Company successfully completed the direct connection with Shanghai Clearing House, which fully connected Shanghai Clearing

House with ChinaBond system, laying a solid foundation for the sustainable development of inter-bank transaction clearing business.

(IX) Investment banking business

In 2019, the Company has actively played its role of financial intermediary in the investment banking business, committed to building a diversified financial service platform, provided comprehensive financial services such as investment, financing and consulting for corporate customer by means of financial product innovation, financial instrument combination and overall planning of the resources of the monetary market and capital market. In terms of bond underwriting, the Company has issued 210 non-financial enterprise debt financing instruments with a total issuance scale of RMB 158.4 billion, ranking the 13th among the entire lead underwriters and the 1st among the regional banks, and the 1st for the growth rate among the entire lead underwriters; in non-bank financing, the Company continued to optimize its product structure and expanded the cooperation channels, with its annual business volume exceeding RMB 100 billion. With its outstanding performance in investment business, the Company continued to win the award "Excellent Urban Commercial Investment Bank in 2019" granted by 21st Century Business Herald.

(X) International business

In 2019, the international business settlement volume of the Company reached USD 103.1 billion, breaking through USD100 billion for the first time, and the market reputation and influence of international business were further improved. During the reporting period, the Company continued to promote professional marketing, expand customer base and enhance the core competitiveness of international business by constantly expanding the brand advantages of foreign exchange custody. The first is to promote customer group hierarchical management, optimize customer structure, actively introduce strategic customers and key customers, and rapidly improve customer coverage of regional market through joint marketing and project management of the head office, branches and sub-branches, and constantly consolidate the basic customer group. The second is to upgrade the cross-border financial service platform by relying on the advantages of our offshore team and overseas platform, with the characteristics of domestic and overseas linkage, receiving remarkable achievements in the introduction of strategic customers, the promotion of settlement volume and the improvement of international business income. The third is to implement precise marketing, increase the asset investment of high-quality customers, and provide customized comprehensive financial service scheme for strategic customers with the support of perfect product system. The fourth is to build a new online platform for foreign exchange business to provide enterprises with one-stop trade settlement and foreign exchange trading services and improve customer experience by relying on strong financial technology. The fifth is to promote the digital transformation of the document center, and rely on intelligent task assignment, to optimize the operation process, upgrade the four fastest products, and improve the

operation rate of business automation. As of the end of the reporting period, the accumulated international settlement volume of the Company reached USD 103.1 billion, realizing an increase of 23%; international business customers reached to 22,428, an increase of 35%; and the international business revenue reached RMB 1.43 billion, an increase of 19%.

(XI) Bill business

In 2019, the bill business of the Company bill business took advantage of financial technology, continued to optimize business process and product innovation, and constantly improved the customer experience and market competitiveness of bill direct discount business. Firstly, the Company continued to upgrade the "speed discount" products and services and broke the time and space constraints, providing more entity enterprises with high-quality and speed online discount services. By the end of the reporting period, the Company had a total of 13,864 bill discount customers, including more than 10,000 small and micro-sized corporate enterprises, accounting for 75% of the total discount customers; Secondly, the Company seized the market opportunities to give full play to the advantage of low bill price, reduced the financing cost for small and medium-sized enterprises, and provided exclusive preferences for manufacturing enterprises that met the rediscount requirements, with the total discount volume of small and micro-sized enterprises and manufacturing enterprises increasing by more than 50%; Thirdly, the Company actively developed and promoted the innovative products of Shanghai Commercial Paper Exchange Corporation Ltd. such as "Piao Fu Tong" and "Tie Xian Tong" to respond to the call to support the real economy and provide support for the revitalization of financial assets of private small and micro-sized enterprises.

(XII) Electronic channels

In 2019, the Company closely followed the online and mobile trend, focused on customer needs and better dedicated to the development of various business of the Company relying on the three key points of the Company, including the APP, online banking and Wechat banking.

In 2019, the Company launched a new APP of Bank of Ningbo, realizing the integration of various business of the Company. APP has now become the preferred service for individual users. First, the Company moved from financial scene to pan financial service, and put the offline activities online and realized the high-frequency of the online scene life by building a central marketing platform; Second, the Company built a digital identification system of the customers by going deep into digital operation with the support of financial technology, covering major customer business scenarios; Third, the Company the construction of online intelligent marketing system, and built an automatic and accurate customer classified marketing system, accelerating the realization of the digital marketing. In terms of corporate business, focusing on the key products, the Company firstly accelerated the APP layout of Bills Custody and Foreign Exchange Bills Custody; secondly, the Company completed the platform upgrade, realized the free configuration of the homepage layout, provided differentiated content according to the characteristics of

customers, and continuously improved the customer experience and online business ability.

Online banking service. In terms of corporate online banking, over 290,000 subscribers have signed contracts, an increase of 30% compared with the beginning of the year, and as high as 98.02% of the major corporate business has realized a free processing without the counter transaction, which has become the major processing channel for corporate business. In 2019, the corporate banking continued to create online comparative advantages around the Company's key products: first, the Company innovated the services of Foreign Exchange Bills Custody, realized a new foreign exchange service pattern of "direct close, two modes, three channels and four supports", improved the timeliness and accuracy of exchange rate management, and provided customers with the four functions of "fast remittance, fast documents, fast financing, and fast issuance", promoting the business processing efficiency; second, the Company has launched the online asset pool business of Bills Custody, supporting online processing of multiple types of asset pooling in and out and financing; third, the Company has continuously improved the customer experience, created a new version of online banking exclusive view from the perspective of customers, and launched exclusive interfaces and functions based on the characteristics of different corporate positioning.

WeChat banking. First, the online referral function was promoted for Wechat loans of small and micro-sized enterprises. With the help of WeChat's official account and the natural flow of WeChat platform, the online financing services for small and micro-sized business were provided; second, the Company has brought the advantage of WeChat platform into full play, and has played an important role in the promotion of new products, brand publicity, anti-money laundering and anti-fraud knowledge popularization, and has enhanced the brand impact; third, the Company has created various forms of online marketing activities to provide a strong support for business development and customer maintenance.

(XIII) Financial technology

During the reporting period, the Company strengthened the construction of financial technology and comprehensively promoted the deep integration of technology and financial business. First, it continued to promote integration and innovation, launched key projects such as Bills Custody, Fortune Custody, Affairs Custody, Foreign Exchange Bills Custody, Easy Collection, APP of Bank of Ningbo and Easy Custody, which have effectively promoted the intelligent, mobile and systematic operation of the business operation; second, it completed the overall planning and upgrading of "One Body, Two Wings" platform, and created a scientific structured support system of "light foreground, thick middle platform, strong background", ensuring the business development and innovation; third, the Company continued to carry out advanced technology pre research, completed the research and demonstration of artificial intelligence, pattern recognition, knowledge map, distribution and other technologies, effectively enhancing the technical reserve of digital transformation, and promoting the practical application of various fields.

During the reporting period, the Company's information system ran efficiently and stably, the information system architecture was further optimized, the security capability of system operation and maintenance was continuously enhanced and business continuity was improved; the information security mechanism was constantly improved, technical prevention and control measures were further strengthened. During the reporting period, the Company's information system operated stably without any adverse events; the new data center was switched over and put into formal use without any interruption or business failure in the process of relocation, leading the trade among the same category banks.

(XIV) Consumer rights and interests protection

Directed by customer-oriented management idea, the Company paid high attention to consumer rights and interests protection. During the reporting period, the organizational structure of the Company's consumer rights and interest protection has been increasingly improved, the personnel team has been more substantial, and the working mechanism has become increasingly mature, so as to ensure that the content and requirements of the consumer protection work can be embedded in the whole process of the Company's products and business coordination in advance, in-process management and control, post supervision, etc., to clarify consumer rights protection measures, and to ensure that the legitimate rights and interests of consumers were effectively protected.

The Company actively implemented first-inquiring responsibility system for the customer complaints, promoted the branches to actively accept and respond quickly, and effectively solved various demands of customers. The head office implemented the process verification of complaints, analyzed the causes of complaints, optimized the complaint handling process in a timely manner, improved the complaint management system, and ensured that complaints would be properly handled in a timely manner, and the customer experience would continue to improve.

The Company actively organized special events such as March 15 Financial Consumer Rights Day, Financial Knowledge Popularity Event, Financial Knowledge Introduction, Financial Knowledge Popularization Month and so on. It was awarded "Ningbo Municipal Financial Consumption Education Base", "Ningbo Municipal Financial Consumption Rights and Interests Protection Grade-A Banking" and many other honors.

VIII. Outlook of future development

(I) Industry competition pattern and development trend

In 2019, the Central Economic Working Conference pointed out that China is in a critical period of transforming its development mode, optimizing its economic structure and transforming its growth momentum. Structural, institutional and cyclical issues are intertwined, and the economy is facing downward pressure. At the same time, affected by global geopolitical risks, Global trade activity slowed down, and the global economy is still in the deep adjustment period

after the international financial crisis. Nevertheless, China's development is still in an important period of strategic opportunities, and China's economic growth will remain resilient. For the banking industry, the competition, differentiation, transformation and transformation of the banking industry will continue to deepen under the influence of many factors, such as the fluctuation of the economic cycle, the marketization of interest rates, the wave of financial science and technology, and the regulatory policies of the industry.

The Company will always adhere to the spirit of openness and awe, always focusing on the changes in the economic and financial environment, grasping the changing trend of banking industry, adhering to the requirements of "be original and professional, and serving the real economy", keeping in mind its development mission and dedicating to the real economy, focusing on market segmentation and customer segmentation, and taking customers as the center and science and technology, innovative development and professional management as the driving force. The Company will also persist on the differentiated comparative advantages to promote the steady and sustainable development of the Bank.

(II) Development strategy

Medium and long-term development strategy of the company is to develop the Company into a respected modern commercial bank with good reputation and core competitiveness as soon as possible.

In 2019, the Company has successfully completed the development plan for 2017-2019 and will enter the new round of three-year development plan for 2020-2022. Facing with the new challenges and new chapter, under the leadership of the Board of Directors, the Company will continue to implement its institutional layout with the Yangtze River Delta as the main body and the Pearl River Delta and Bohai Bay as the two wings, and constantly accumulate its differentiated comparative advantages, striving to build the Company into a respectable, well-known and core competitiveness modern commercial bank as soon as possible.

(III) Business development planning in 2020

In 2020, facing the new normal situation of fluctuating economic cycle, intensified industry differentiation and pressure of risk management, under the leadership of the Board of Directors, the Company will take the initiative to adapt to environmental changes and seize market opportunities in business development; in risk management, it will take good measures to implement risk control measures and keep the bottom line of risk; continue to strengthen professional management concepts, improve the operational efficiency of employees and institutions, and continue to accumulate the comparative advantages of differentiation and promote the sustainable development of the Bank.

Firstly, continue to accumulate comparative advantages and promote business development. In terms of business operation, the Bank will continue to adhere to the management strategy of

"imperfect for large banks, impossible for small banks" and accumulate comparative advantages in market segmentation and serve the real economy well, focusing on private enterprises, manufacturing, small and micro enterprises and other customers.

Secondly, deal with the fluctuations of the economic cycle and maintain the bottom line of risks. Faced with the economic cycle, the Company will continue to strengthen the comprehensive risk management, constantly optimize risk management measures, resolutely implement all aspects of the whole process of risk management, strictly adhere to the three bottom lines of no cases, no large non-performing loans and the business continuity.

Thirdly, enhance the professional ability of employees and strengthen professional management. The Company will improve the system of talent introduction mechanism, enhance the training mechanism and hierarchical selection mechanism, constantly enhance the professional advantages of employees in various business areas, establish comparative advantages in various segments of the business market, strengthen professional management, and improve the efficiency of bank operation.

IX. Registry form of receiving investigation, communication and interview, etc. during the report period

(I) Registry form of receiving investigation, communication and interview, etc. during the report period

Reception time	Reception mode	Reception object type	Index of research basic situation
Jan. 10, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jan. 15, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Apr. 1, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Apr. 11, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Apr. 24, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
May 22, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun. 5, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun. 28, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jul. 11, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jul. 23, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Sep. 5, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Oct. 8, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Nov. 21, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company

Company			
Dec. 3, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart of the Company</i>
Dec. 11, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart of the Company</i>
Dec. 20, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart of the Company</i>
Dec. 26, 2019	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart of the Company</i>

(II) Registry form for receiving investigation, communication and interview, etc. from the end of the report period until the disclosure date

Reception time	Reception mode	Reception object type	Index of research basic situation
Jan. 16, 2020	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart of the Company</i>

Chapter Eight Important Matters

I. Profit distribution of the Company's ordinary shares and capitalization of capital reserve

(I) Preparation, execution or adjustment of policies on ordinary stock profit distribution during the report period

The company deliberated and passed *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2019-2021)* in the general meeting of 2018 on May 16, 2019 and mentioned explicitly that, the company will preferentially make profit distribution using cash dividend during the period from 2019 to 2021, and the annual profit distributed using cash dividend was no less than 10% of the distributive profit made throughout the year. The company will carry out active profit distribution scheme on the condition that profitability and capital adequacy ratio satisfy the requirements on continuous operation and long-term development.

Cash dividend policy was not adjusted or modified during the report period.

Special statement on cash dividend policy	
Compliance with provisions of Articles of Association or shareholders meeting resolution requirements:	Yes
If dividend criteria and proportion are clear:	Yes
If relevant decision-making procedures and mechanisms are complete:	Yes
Whether independent directors fulfill their duty and play their due role:	Yes
Whether minority shareholders have opportunity to fully express their views and demands, and whether their legitimate rights and interests are adequately protected:	Yes
In case of cash dividend policy adjustments or changes, whether conditions and procedures are compliant and transparent:	Yes

(II) Profit distribution scheme and plan for capital reserve converted into share capital of the company in the past three years (including the report period)

1. Profit distribution scheme of 2019 is as below: Legal accumulation fund valued RMB 1,306,721,000 was withdrawn as per 10% of the net profit in 2019; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 2,337,674,000 was withdrawn as per 1.5% of the ending balance of risk assets in 2019; cash dividend valued RMB 5 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record; no shares were donated or converted into share capital in 2019.

2. Profit distribution scheme of 2018 is as below: Legal accumulation fund valued RMB 1,085,715,000 was withdrawn as per 10% of the net profit in 2018; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 1,633,406,000 was withdrawn as per 1.5% of the

ending balance of risk assets in 2018; cash dividend valued RMB 4 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record; no shares were donated or converted into share capital in 2018.

3. Profit distribution scheme of 2017 is as below: Legal accumulation fund valued RMB 910,400,000 was withdrawn as per 10% of the net profit in 2017; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 1,071,774,000 was withdrawn as per 1.5% of the ending balance of risk assets in 2017; cash dividend valued RMB 4 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record; no shares were donated or converted into share capital in 2017.

(III) Common stock cash dividend sheet of the company in the past three years (including the report period)

Unit: (RMB) 1,000

Dividend distribution year	Amount of cash dividend (Tax-inclusive)	Net profit contained in annual profit distribution consolidated statement and vested in common stockholders of the parent company	Ratio of net profit contained in the consolidated statement and vested in common stockholders of the parent company	Cash dividends in other ways	Proportion of cash dividends in other ways
2019	2,814,165	12,961,137	21.71%	-	-
2018	2,159,375	10,963,256	19.70%	-	-
2017	2,027,893	9,110,472	22.26%	-	-

II. Plan for profit distribution and capital reserve converted into share capital during the report period

Bonus shares (shares) every 10 shares	-
Dividends per 10 shares (RMB) (including tax)	5
Increased number (shares) every 10 shares	-
Equity base (share) of distribution plan	5,628,329,528
Amount of cash dividend (RMB 1,000) (tax-inclusive)	2,814,165
Distributive profit (RMB 1,000)	41,057,924
Percentage of cash dividends in total profit distribution	100%
Cash dividend policy	

Please view *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2019-2021)* disclosed on <http://www.cninfo.com.cn> on April 26, 2019 for details.

Details of profit distribution scheme

According to the annual financial statement of 2019 audited by Ernst & Young Hua Ming Accounting Firm (special general partnership), the company realized net profit value RMB 13,067,206,000 in 2019, and the profit available for distribution in the end of 2019 was valued RMB 41,057,924,000 after plus the profit available for distribution in the end of 2018 valued RMB 32,536,599,000, minus dividends of preferred shares in 2018 valued RMB 753,100,000, common stock dividends payable in 2018 valued RMB 2,159,375,000 and general risk provisions deducted valued RMB 1,633,406,000. The company issued preferred shares valued RMB 4.85 billion in November, 2015 and preferred shares valued RMB 10 billion in November, 2018 and has distributed the dividends of shares of all the years. With normal and orderly business operation as well as standard and steady financial operation, the company believes it is able to pay off the dividends of shares of the year 2019 in the future.

Based on the above situation, the profit distribution scheme in 2019 is as below:

I. Legal accumulation fund valued RMB 1,306,721,000 was withdrawn as per 10% of the net profit in 2019;

II. As stipulated by *Administrative Measures for Withdrawing of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 2,337,674,000 was withdrawn as per 1.5% of the ending balance of risk assets in 2019;

III. Cash dividend valued RMB 5 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record.

This scheme will be deliberated in the annual general meeting of shareholders in 2019.

Note: The equity base and amount of cash dividend of distribution plan of the above table was calculated according to the total equity of the Company at the end of 2019. The Company has completed the bookkeeping of non-public issuance of A-shares on April 7, 2020, and will go through the relevant procedures for listing in the near future. The Company will issue cash dividend to common shareholders registered after the market closes on the basis of the total equity on the day of equity distribution record.

III. Commitment item implementation

(I) Commitment issues performed within the report period or unperformed up to the end of report period of company, shareholder, actual controller, buyer, director, supervisor, senior management or other related party

Commitment issues	Commitment party	Commitment type	Commitment content	Commitment time	Commitment deadline	Performance situation
Commitment of share reform	-	-	-	-	-	-
Commitment in purchase report or equity change report	-	-	-	-	-	-
Commitment made in asset reformation	-	-	-	-	-	-
Other commitments on company's middle and small shareholders	The Company	Commitment made during refinancing	Various measures shall be adopted to guarantee the effective use of raised funds, to effectively prevent diluted risk of return on demand and improve return capacity in the future	Jul. 16, 2014 Nov. 26, 2015 Nov. 20, 2018	Long term	Strictly performed
Whether commitment performed in real time				Yes		
If commitment is overdue and unperformed, specific reasons and next plan should be provided				Not applicable		

The Company has no profit forecast for assets or project which is still within the profit forecast interval in the reporting period.

(II) Capital expenditure commitment

Unit: (RMB) 1,000

Item	December 31, 2019	December 31, 2018
Signed but not disbursed	816,409	278,733

(III) Business rent commitment

According to the rent contract with leaser, the minimum rent payment rate of irrevocable rent is as follows:

Unit: (RMB) 1,000

Item	December 31, 2019	December 31, 2018
Within 1 year (including)	593,494	490,578
1-2 years (including)	527,621	457,161
2-3 years (including)	472,895	409,070
Over 3 years	1,319,645	1,234,523
Total	2,913,655	2,591,332

(IV) Asset pledge commitment

Unit: (RMB) 1,000

Pledge asset content	Pledge asset face value	Pledge application	Pledge amount	Pledge expiring date
Trading financial assets - bonds	5,600	Asset funds - bonds	4,928	Jan. 2, 2020
Lending investment - bonds	13,145,387	Asset funds - bonds	12,700,427	Jan. 2, 2020 - Jan. 6, 2020
Other lending investment - bonds	50,880,613	Asset funds - bonds	48,221,173	Jan. 2, 2020 - Jan. 6, 2020

IV. Non-business capital occupation of controlling shareholder and related party thereof occurred in listed company

Within the report period, the company is free from the situation when controlling shareholders and other related parties occupy the company's capital.

V. Statement of Board of Directors, Board of Supervisors and independent directors (if any) on the nonstandard audit reports by the accounting firm

Ernst & Young (special general partnership) issued standard audit report for the 2019 Financial Statement of the Company with our reservation, so there's no statement of Board of Directors, Board of Supervisors and independent directors (if any) on the nonstandard audit reports by the accounting firm.

VI. Compared with financial report of the last year, description on changes of Accounting Policy, Accounting Estimate and Accounting Method

For the changes of accounting policy and accounting estimate, please refer to Item 31 Change of Accounting Policy, Note III to the Financial Statements in "Chapter Thirteen Financial

Statements".

VII. Situation of major accounting error correction requiring retrospection and restatement within report period

During the report period, the Company had no situations of major accounting error correction that require retrospection and restatement.

VIII. Compared with financial report of the last year, description on changes of consolidated statement scope

During the report period, Ningyin Finance Co., Ltd., a wholly-owned subsidiary of the Company, was funded on December 24, 2019, which will be included in the scope of the consolidated statements.

IX. Situation of appointing and dismissing accounting firm

(I) Current appointed accounting firm

Name of domestic accounting firm	Ernst & Young (special general partnership)
Reward of domestic accounting firm	RMB 3.5 million, including RMB 2.55 million for audit of financial statements and RMB 0.95 for audit of internal control.
Continuous service year of domestic accounting firm	11 years
Name of registered accountant of domestic accounting firm	Yan Shengwei, Liu Dalu

(II) Within report period, the Company did not change employment of accounting firm

(III) Situation on appointing internal control audit accounting firm, financial consultant or sponsor

During the report period, Ernst & Young is employed as an internal auditing firm of the Company, and the company shall pay RMB 950, 000 to it for the 2019 internal audit.

During the report period, the Company employs CITIC Securities Co., Ltd. as a sponsor.

During the report period, the Company does not employ any financial consultant.

X. Suspended listing or delisting information after the issuance of Annual Report

After the issuance of annual report, the Company had no information related to suspended listing or delisting.

XI. Related issues of bankruptcy reorganization

Within the report period, the Company is free from related issues of bankruptcy reorganization.

XII. Significant arbitration or lawsuit issues

The Company was involved in several lawsuits and arbitration due to recovery of loans in daily business process. The Company forecasted that such lawsuits and arbitration would have no

significant adverse effect on the financial and operation results. Up to December 31, 2019, the Company, as a plaintiff, had a total object amount of RMB 3.531 billion for pending lawsuits; and as a defendant, had a total object amount of RMB 4.163 billion for pending lawsuits and arbitration issues.

XIII. Punishment and rectification

During the report period, in the Company and more than 5% of the shares from the director, supervisor, senior management and shareholder holding are free from situations of being to be investigated by authorities, judicial or discipline inspection departments to take coercive measures, transferred to judicial organs be held criminally responsible, China Securities Regulatory Commission to initiate an investigation or administrative penalties, to be ejected by the market, be regarded as improper person, punishment of other administrative departments, or publicly condemned by the stock exchange.

XIV. Credit status of the Company and its majority shareholders and actual controllers

During the report period, the Company and its first major shareholder had no situations of not performing effective judgments or a large amount of unliquidated debt due.

XV. Implementation of Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Within the report period, the company is free from any equity incentive plans, employee stock ownership plans or other employee incentive measure.

XVI. Major related transaction

(I) Implementation of credit extension of inside natural person and close relatives thereof in the Bank

Internal natural person statistics involves directors, supervisors, senior management, and other staff having right to decide or participate in commercial credit and asset transfer. Depending on statistical data of Bank related natural person credit business at the end of December 2019, credit business exposure balance under mortgage loan is RMB 44,598,200, RMB 0 under the pledge and RMB 800,000 under warranty; for businesses under no credit, the principle of not issuing credit loan for directors, supervisors, senior management, and other staff having right to decide or participate in credit and asset transfer of the commercial bank as well as near relatives thereof is insisted, which compiles to related credit control objectives and requirements of the Company in 2019.

Unit: RMB 10,000

Guarantee way	Current balance of loan business in the bank
Mortgage	4,459.82
Pledge	-

Guarantee	80
Credit	-
Total:	4,539.82
Of which: total exposure	4,539.82

Transaction higher than RMB 300,000 (including) of related natural person in the bank

In accordance with *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.26 – Specific Provisions on Information Disclosure by Commercial Banks* (revised in 2014) formulated by CSRC, the Company had no transaction amounted to over RMB 300,000 with its related persons in the year 2019.

(III) Credit extension implementation of related legal persons

According to the objective and requirement of the Board of Directors on related credit control in 2019, the Company's requirements on credit exposure and bond underwriting limit control for shareholders' related parties in 2019 were: the total limit of credit exposure, bond investment exposure and bond underwriting for shareholders' related parties shall not exceed RMB 14 billion, of which, the total limit of the credit exposure, bond investment exposure and bond underwriting for single shareholder related party shall not exceed RMB 6.5 billion, and the total limit of the credit exposure, bond investment exposure and bond underwriting for single shareholder related group (including persons acting in concert) shall not exceed RMB 10 billion. Details are as follows:

No.	Related legal person	Limit in 2019
1	Ningbo Development & Investment Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
2	Youngor Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
3	Huamao Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
4	Ningbo Fubon Holding Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
5	CUORI ELECTRICAL APPLIANCES(GROUP) COMPANY	For single related party, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment

	LIMITED and related party	exposure is RMB 1 billion.
		For single related group, max general credit exposure is RMB 5 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 3 billion.
6	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	For single related party, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 1 billion. For single related group, max general credit exposure is RMB 5 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 3 billion.

The credit situation of the Company's related legal persons as of the end of December 2019 is as follows:

Unit: RMB 10,000

No.	Related legal person	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment
1	Ningbo Development & Investment Group Co., Ltd. and related party	171,366	40,000	-
2	Youngor Group Co., Ltd. and related party	77,196	-	-
3	Huamao Group Co., Ltd. and related party	91,430	-	-
4	Ningbo Fubon Holding Group Co., Ltd. and related party	99,600	80,000	80,000
5	CUORI ELECTRICAL APPLIANCES(GROUP) COMPANY LIMITED and related party	6,950	-	-
6	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	-	-	-
	Total	446,542	120,000	80,000

Note: bond investment balance is composed of bond investment and credit risk mitigation warrant (CDS, CRMW, etc.).

According to the above statistics, these six shareholder related parties comply with the objectives and requirements of the Company on related credit control in 2019.

1. Ningbo Development & Investment Group Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment	Remarks
1	Ningbo Development & Investment Group Co., Ltd.	40,000			40,000	-	
2	Ningbo Dahongying Education Group	38,000	Liquidity loans 30,000	30,000	-	-	
3	Ningbo University of Finance & Economics	13,000	Liquidity loans 6,540	6,540	-	-	
4	Ningbo Mingzhou Biomass Power Generation Co., Ltd.	5,000	Liquidity loans 500 Discount 3,050 Commercial bills	4,750	-	-	

			transferred to discount 1,200			
5	Ningbo Kaitong International Trade Co., Ltd.	20,000	Bank acceptance 15,000	14,500	-	-
6	Ningbo Ningdian Shipping Co., Ltd.	4,000	Liquidity loans 1,500	1,500	-	-
7	Ningbo Ningdian New Energy Development Co., Ltd.	3,000	Liquidity loans 990 Bank acceptance 2,761.04 Commercial bills transferred to discount 1,000	2,996.83	-	-
8	Ningbo Kingtong Financial Leasing Co., Ltd.	0	Liquidity loans 9,079.26	9,079.26	-	-
9	Ningbo Guangyao Thermal Power Co., Ltd.	5,000	Liquidity loans 2,000	2,000	-	-
10	Yuyao Kaitou Lancheng Investment and Development Co., Ltd.	100,000	Project loans 60,000 Non-banking asset management 40,000	100,000	-	-
Total			173,620.30	171,366.09	40,000	-

2. Youngor Group Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment	Remarks
1	China-Base Ningbo Resources Co., Ltd.	30,000	Bank acceptance 89,383.26	11,958.79	-	-	
2	Ningbo China-Base International Logistics Co., Ltd.	500	Liquidity loans 440	440	-	-	
3	Ningbo Youngor Co., Ltd.	30,000	Bank acceptance 30,000	30,000	-	-	
4	China-Base Ningbo Group Stock Co., Ltd.	130,000	Bank acceptance 61,234.44 L/C 2,336.41 Domestic L/C 355.63	34,467.90	-	-	
5	Ningbo China-Base Import & Export Co., Ltd.	15,000	Letter of guarantee 120 Capital business 120	240	-	-	
6	Ningbo Youngor International Trade Transport Co., Ltd.	5,000	Bank acceptance 34,713 L/C 87.87	89.06	-	-	
Total			218,790.61	77,195.75	-	-	

3. Huamao Group Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment	Remarks
1	Ningbo Huamao International Trade Co., Ltd.	30,000	Liquidity loans 32,125.90 Pledge 3,442.68 Discount 10 L/C 5,513.91	23,774.60	-	-	
2	Ningbo Huamao Science & Technology Co., Ltd.	20,000	Liquidity loans 9,500 Discount 4,000 Commercial bills transferred to discount 11,000	20,000	-	-	
3	Ningbo Maoxuan International Trade Co., Ltd.	58,000	Liquidity loans 55,498.12 Pledge 4,342.04 Bank acceptance 3,145 Commercial bills transferred to discount 4,100 L/C 3,668.73	45,951.97	-	-	
4	Ningbo Ziqiang Education Material Co., Ltd.	0	Discount 19	0	-	-	
5	Ningbo Shuxiang New Material Co., Ltd.	2,000	Liquidity loans 1,650 Bank acceptance 67.2	1,703.76	-	-	
6	Ningbo Huamao International School	0	Bank acceptance 600.78	0	-	-	
7	Ningbo Huamao Foreign Language School	0	Bank acceptance 470	0	-	-	
Total			139,153.36	91,430.33	-	-	

4. Ningbo Fubon Holding Group Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment	Remarks
1	Ningbo Furnitures Co., Ltd.	3,000	Liquidity loans 3,000	3,000	0	0	
2	Ningbo Home Appliance Import and Export Co., Ltd.	50,000	Liquidity loans 18,590 Commercial bills transferred to discount 600 Discount 9,800	28,990	0	0	
3	Ningbo Fubon Wood	8,780	Liquidity loans	7,500.86	0	0	

	Co., Ltd.		2,000 Pledge 465.68 Discount 5,100			
4	Ningbo Yujiang Special Adhesive Tape Co., Ltd.	2,500	Discount 2,500	2,500	0	0
5	Ningbo Fubang Greens Furniture Co., Ltd.	4,000	Commercial bills transferred to discount 4,000	4,000	0	0
6	Ningbo Hengrun Furniture Co., Ltd.	9,800	Commercial bills transferred to discount 9,800	9,800	0	0
7	Ningbo Henrun Polymerization Co., Ltd.	9,900	Liquidity loans 5,825 Bank acceptance 2,968.72 Commercial bills transferred to discount 2,400 Discount 1,514.80	9,709.36	0	0
8	Ningbo Fubon Holding Group Co., Ltd.	50,000	Liquidity loans 18,000 Commercial bills transferred to discount 10,000	28,000	0	0
		130,000			80,000	80,000
9	Ningbo Fubon Furnitures Co., Ltd.	6,100	Commercial bills transferred to discount 5,200 Discount 900	6,100	0	0
10	Ningbo Fubon Logistics Co., Ltd.	0	Discount 1,540	0	0	0
11	Hangzhou Fubon Land Resources Recycling Co., Ltd.	0	Discount 90	0	0	0
12	Yaguang Development Co., Ltd., Ningbo Economic and Technological Development Zone	0	Bank acceptance 919.37	0	0	0
	Total		105,213.58	99,600.22	80,000	80,000

5. Cuori Electrical Appliance (Group) Company Limited and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment	Remarks
1	Cuori Electrical Appliance (Group) Company Limited	8,000	Liquidity loans 5,000 Bank acceptance 1,000 Discount 100	5,000	-	-	
2	Ningbo Cuori Electrical Appliance Co., Ltd.	1,950	Liquidity loans 1,950	1,950	-	-	

Total	8,050	6,950	-	-
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(IV) Non-credit extension implementation of related legal persons

In 2019, the Bank has engaged in the garments purchasing business with 1 related party, that is, Ningbo Youngor Co., Ltd., with a purchasing amount of RMB 26,150,000.

Ningbo Youngor Co., Ltd. is a holding subsidiary of Youngor Group Co., Ltd.. The Bank strictly implements the management of procurement fees in accordance with the relevant provisions of the *Regulations on Centralized Procurement Management of Bank of Ningbo* (Y.Y.Z.F. [2017] No. 596). After verification, it is confirmed that Ningbo Youngor Co., Ltd. has entered our centralized purchasing system directory through the bidding procedures. The related transactions and purchasing prices mentioned above are both reasonable without any unallowed situations concerning unfair pricing of the related party transactions.

(V) Implementation of general related transaction, major related transaction and particularly major related transaction

In accordance with special regulations on information disclosure of commercial banks by China Securities Regulatory Commission and *Implementation Method of Related Transactions of Bank of Ningbo Co., Ltd.*:

General related transactions is a transaction that the single batch of transaction amount between the bank and the related party is lower than 1% of the bank capital net amount or the latest approved net asset (principle of taking lower, the same as below), and the transaction balance of the bank and the related party after the transaction is lower than 5% of the bank capital net amount;

Major related transactions is a transaction that the single batch of transaction amount between the bank and the related party is higher than RMB 30,000,000 and bank capital net amount or the latest approved net asset is greater than 1%, or the transaction balance of the bank and the related party after the transaction is higher than 5% of the bank capital net amount;

Particularly major related transactions is a transaction that the single batch of transaction amount between the bank and the related party is higher than 5% of the bank capital net amount or the latest approved net asset, or the transaction balance of the bank and the related party after the transaction is 10% of the bank capital net amount.

According to the above definitions, in 2019, the situation of the above three related transactions of Ningbo Development & Investment Co., Ltd., Youngor Group Co., Ltd., Huamao Group Co., Ltd., Ningbo Fubon Holding Group Co., Ltd., Cuori Electrical Appliance (Group) Company Limited and Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. are as follows:

1. Statics shows that, there was 1 general related transaction that transaction amounts accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole

year of 2019 as follows:

Enterprise name	Business category	Amount (RMB 10,000)	Interest rate	Business occurrence date	Business due date
Yuyao Kaitou Lancheng Investment and Development Co., Ltd.	Project loans	60,000	6.48%	Dec. 10, 2019	Dec. 10, 2024

2. There's no major related transaction occurred in the year of 2019;

3. There's no particularly major related transaction occurred in the year of 2019.

Depending on statistics of general related transaction, major related transaction and particularly major related transaction in 2019, the approval program of the related credit business is accordant with requirement of the board of directors on the related credit control.

(VI) Transaction with Overseas-Chinese Bank Corporation and related party thereof

According to related regulations of Article VIII of *Commercial Bank and Insider and Shareholder Related Transaction Management Method*, commercial banks is not included in the related legal person of it. But in accordance with regulations prescribed with related clauses of Stock Listing Rule of Shenzhen Stock Exchange approved by the related party, the legal person holding more than 5% of shares belongs to the reorganization range of the related party, therefore, the bank reports related transactions of Overseas-Chinese Bank Corporation and Related Party thereof as follows:

By the end of the year 2019, the Company has provided Overseas-Chinese Bank Corporation with credit limit amount to RMB 2.9 billion and a risk exposure amounted to RMB 10 million, including an estimated settlement of RMB 10 million. the Company has provided Overseas-Chinese Bank (China) Co., Ltd. with credit limit amounted to RMB 1.75 billion, and the actual risk exposure of the bank is RMB 303 million, including an estimated settlement of RMB 209 million and bill acceptance of RMB 94 million; bond investment credit limit RMB 1.1 billion and actual risk exposure of RMB 0. By the end of the year 2019, the accumulated amount of non-credit business between the Company and Overseas-Chinese Bank Corporation and its related parties was RMB 1.003 billion, of which the cash transaction amount was RMB 955million and repurchase transaction amount was RMB 48 million, which complied with the control requirement of the Company for the related transactions of Overseas-Chinese Bank Corporation.

In 2019, the implementations of general related transactions, major related transactions and particularly major related transactions of the Company with Overseas-Chinese Bank Corporation and its related parties are as follows:

① Statistics show that there was no general related transaction with a transaction amount accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year of 2019;

② Statistics show that there was no major related transaction occurred in the year of 2019;

③ Statistics show that there was no particularly major related transaction occurred in the year of 2019.

(VII) Pricing method of related transactions

The pricing of related transactions between the Company and its related parties is in compliance with the market price, business principles and is not superior to any other customers, which meets the control requirements of the Company on related party transactions.

XVII. Major Contract and Implementation

(I) Trusteeship, contract and rent situations

Within the report period, the Company is free from trusteeship, contract, rent and other major contract issues.

(II) Major guarantee situations

By the end of the report period, the balance of the company's guarantee business (letter of guarantee) is RMB 44.485 billion, and company's outward guarantee business is one of conventional bank businesses approved by People's Bank of China and China Banking Regulatory Commission.

(III) Situation of entrusted cash asset management

1. Entrusted wealth management

During the report period, the Company had no entrusted wealth management beyond its normal operation.

2. Entrusted loan

By end of the report period, the Company had no entrusted loan issues beyond its normal operation.

(IV) Other significant contracts

Within the report period, the Company is free from other major contract issues.

XVIII. Social responsibility

(I) Performance of social responsibility

In 2018, the Company adhered to the social responsibility view of "justice and integrity, be kind to the customers, care for employees, be warmhearted in promoting public good, devoted to environmental protection and contribute to the society", closely combined the management behavior with its social responsibilities and continued to make contributions to the society, realizing a stable and sustainable development of the Company. Firstly, based on the financial

origin, relieving private enterprises, supporting high-end manufacturing industry and constantly promoting the quality and efficiency in serving the real economy; secondly, operating stably and sustainably, strictly guarding against all kinds of risks, and continuously creating economic values for the country, shareholders, employees, customers and the public; thirdly, embracing financial science and technology, promoting financial efficiency, co-promoting the service reform, such as "running once for the most"; fourthly, developing inclusive finance, serving small and micro enterprises, urban and rural residents; fifthly, protecting the legitimate rights and interests of financial consumers, innovating and popularizing financial products, optimizing service processes and enhancing financial service experience; sixthly, caring for personnel development, improving the training system, promoting the professional competence and playing the leading role of model employees; seventhly, promoting the green credit loans and supporting energy-saving and environment protection enterprises; eighth, bearing public welfare responsibilities, donating to the education and fixed-point poverty alleviation and lifting people out of poverty.

Please view *Bank of Ningbo Co., Ltd. Annual Social Responsibility Report* in 2019 disclosed on <http://www.cninfo.com.cn> on March 25, 2020 for details.

II) Performance of social responsibility for targeted poverty alleviation

1. Targeted poverty alleviation plans

Poverty alleviation is one of the three key missions in securing a decisive victory in building a moderately prosperous society in all respects and the Company highly recognizes the role of targeted financial poverty alleviation and has taken poverty alleviation as an important content in its performance of social responsibilities, innovating and promoting the poverty alleviation work and enhancing its financial supporting and lifting force, so as to comprehensively promote the financial poverty alleviation work from aspects such as social poverty alleviation, educational poverty alleviation, targeted poverty alleviation, industrial poverty alleviation and consumption poverty alleviation. Firstly, the mechanism of poverty alleviation has been improved, the advantages and resources of the whole line have been integrated, and the aid to poverty-alleviating regions and targets has been strengthened; secondly, the forms of poverty alleviation have been expanded, focusing on product innovation and service upgrading; thirdly, the quality of poverty alleviation has been enhanced, and the poverty alleviation model has been gradually improved in practice, combining with its own characteristics and the actual situation of poverty-alleviating areas, so as to give full play to the education poverty alleviation, industrial poverty alleviation and financial poverty alleviation; fourthly, it has also gathered the forces of poverty alleviation. While giving full play to its own advantages, it has made full use of the advantages of channel network, actively mobilized customers to participate in poverty alleviation work, pooled the forces of poverty alleviation and poverty alleviation for the whole society, and constructed a joint force of poverty alleviation for the whole society to contribute to winning the battle against poverty.

2. Overview on targeted poverty alleviation

2019 is the key year for building a moderately prosperous society in an all-round way, while poverty alleviation has entered the sprint stage. The Company has actively implemented the basic strategies for targeted poverty alleviation work according to the specific targeted poverty alleviation ideas and requirements of the party and country in the new times. On one hand, the Company gave full play to its advantages as a bank, integrated the poverty alleviation work with inclusive finance and financial technology, and conducted various targeted poverty alleviation work in compliance with the regional conditions; and on the other hand, the Company depended on the local party committees and governments and supported the institutions of various business regions to conduct the targeted poverty alleviation work, making its own contributions by means of social poverty alleviation, educational poverty alleviation, targeted poverty alleviation and industrial poverty alleviation.

(1) Social poverty alleviation

In Ningbo, the labor union of the head office, National High-tech Zone Sub-branch, Beilun Sub-branch, Zhenhai Sub-branch, Ninghai Sub-branch, Yuyao Sub-branch, Xiangshan Sub-branch and Yuyao Central District Sub-branch have donated RMB 657,900 to support the charity and public welfare undertakings through "One-day Charitable Donation" activity; Yinzhou Central District Sub-branch donated RMB 500,000 to non-profit foundation, Hudong Sub-branch donated RMB 350,000 to Haishu District Charity Federation, Cixi Central District Sub-branch donated RMB 150,000 to Cixi Charity Federation to contribute to the medical care and poverty alleviation work and support the public good; the labor union of the head office and Yinzhou Central District Sub-branch donated RMB 310,000 in the "Sharing Rice Field" activity; Beilun Sub-branch donated to Qianxinan Autonomous Prefecture and Siming Sub-branch donated to the nursing home amounted to RMB 204,600. And for the branches, Nanjing Branch donated RMB 100,000 for "Warm Winter Action", Suzhou Branch donated RMB 10,000 to Yushu, Qinghai Province for salvaging the animals trapped by the snow disaster and Taizhou Branch donated RMB 59,700 for people afflicted by the typhoon "Lekima".

(2) Educational poverty alleviation

In Ningbo, Haishu Sub-branch reached partner assistance with poor students of Ningbo Xiaoshi High School by donating RMB 18,000; Ninghai Sub-branch donated RMB 25,000 to support education. In terms of the branches, in 2019, Hangzhou Branch donated RMB 28,823,200 to Zhejiang University Education Foundation, RMB 230,000 to Fuyang District Education Foundation and RMB 50,000 to Duolang First Kindergarten, Aqsu, Xinjiang to support the educational cause and help the poor and outstanding students complete their studies; Nanjing Branch donated RMB 44,100 to Riduo Town, Maizhokunggar County, Tibet and Yushu Prefecture Special Education School of Qinghai Province; Shenzhen Branch donated RMB 349,000 to Shenzhen Youth Development Foundation for the project of Social Organization Incubation Base; Suzhou Branch conducted "Dream Realizing Activity" and donated RMB 77,100 for educational

cause.

(3) Fixed point poverty alleviation

The Company has donated RMB 200,000 to Huchen Aoliwang Village, Ninghai County, Ningbo every year in order to help the local government to improve traffic and drinking water conditions, support the development of local economic forest bases and improve its capability in economic development. Hangzhou Branch provided RMB 10,000 to Jiukeng Village Government of Chun'an County for poverty alleviation funds and RMB 30,000 to Chengfengyuan Village, Zhongzhou Town, Chun'an County; Wenzhou Branch paired with Taishun County and donated RMB 10,000; Jinhua Branch paired with Shangxinwu Village, Nvbu Sub-district, Lanxi and Chaoyang Village, Yantou Town, Pujiang County and donated RMB 8,000 for poverty alleviation.

(4) Industrial poverty alleviation

The Company has by integrating with the regional features invested and promoted featured financial products so as to help with the local industries and provide financial support for the poor in the initial stage. The Company launched “Clipper card” micro-credit product in order to facilitate farmers to obtain credit aid and support economic development of villages. By setting up town networks and financial service stations, the Company realized a deep understanding of the farmers' financial service needs, guided farmers to develop characteristic economy, and cultivated characteristic industries.

Taizhou Branch purchased RMB 100,000 of poverty alleviation agricultural products from Xiaoliangshan District, Sichuan Province, and Suzhou Branch subscribed to Dejiang County, Guizhou Province poverty alleviation agricultural products amounted to RMB 44,800, expanding the marketing channels for the agricultural and sideline products in poverty-stricken areas, indirectly supporting the development of local agricultural industry, while meeting the needs of urban residents.

3. Targeted poverty alleviation achievements

Index	Measurement unit	Quantity / Executive condition
I. General situation	RMB 32,542,300	—
II. Sub-item investment	—	—
1. Industrial development poverty alleviation	RMB 582,800	8 measures, benefiting over 100 peasant households
2. Transfer employment poverty alleviation	—	—
3. Relocation removal poverty alleviation	—	—
4. Educational poverty alleviation	RMB 29,617,300	9 projects, benefiting over 10,000 students
5. Health poverty alleviation	—	—
6. Ecological protection poverty alleviation	—	—
7. Miscellaneous assurance	—	—
8. Social poverty alleviation	RMB 2,342,200	18 projects, benefiting over 1,000 persons (times)
9. Others	—	—

4. Follow-up targeted poverty alleviation plan

2020 is the final year of the poverty alleviation, while we will achieve the goal of poverty alleviation for the rural poor under the current standard, relieving all the poverty areas and solving regional poverty issues. As an important force in poverty alleviation, banking industry will provide more solid financial service infrastructure, more in-depth inclusive financial services and more reasonable financial products. The Company will conscientiously implement the strategic plan of the CPC Central Committee and the State Council on poverty alleviation, actively engage in poverty alleviation work of local Party committees and governments at all levels. While continuing to do well in the existing work of poverty alleviation, education and social poverty alleviation, the Company will give full play to its own advantages and characteristics, take financial poverty alleviation as the support, implement diversified poverty alleviation methods, support financial products of projects such as poverty alleviation by agriculture and forestry industry, poverty alleviation by tourism, poverty alleviation by e-commerce, poverty alleviation by science and technology, and poverty alleviation by transferring employment, and further give play to the financial banking institutions in targeted-poverty alleviation undertakings and promote the continuous development of the economy and society of the poverty-stricken areas.

(III) Information related to environment protection

Neither the company nor the subsidiaries of the company belong to the list of key pollutant discharge units issued by the department of environment protection.

XIX. Description on Other Major Issues

Within the report period, the Company is free from other major issues except those have been disclosed.

XX. Major Events of the Company's Subsidiaries

Within the report period, the Company's subsidiaries had no major events except those have been disclosed.

XXI. Relevant Situation of Corporate Bond

The Company has issued RMB 10 billion of convertible bonds of Bank of Ningbo on December 5, 2017, which entered to the convertible period on June 11, 2018. In the 30 consecutive business days from June 12, 2019 to July 23, 2019, closing prices of these bonds in 15 business days of which were not lower than 130% of the current conversion prices, triggering the conditional redemption clauses stipulated in the *Statements on Raising of Shares*. On August 22, the Company stopped trading and share conversion of these convertible bonds of Bank of Ningbo, and redeemed all registered convertible bonds of Bank of Ningbo on the redemption registration date, and delisted them on August 30. The conversion rate of these convertible bonds of Bank of Ningbo was as high as 99.89%, and the final redemption amount only accounted for 0.11% of the total issued amount.

XXII. Specific Description and Independent Suggestion of Company's Independent Directors on Capital Occupation of Company's Outward Guarantee and Company Holding Shareholder or Other Related Parties

Adhering to No.56 document [2003] issued by China Securities Regulatory Commission, as an independent director, with the altitude of being fair, just and object, the company's outward guarantee and situation that company controlling shareholder and other related parties occupying the capital are verified. We think that:

(I) Company's outward guarantee business is one of conventional banking businesses approved by China Securities Regulatory Commission and China People's Bank. By the end of 2019, guarantee business balance of the Company was RMB 44,485,220,000. The Company pays attention to risk management of the business, and strictly implements related operation procedure and approval program, so that the risk of outward guarantee business has been effectively controlled. To December 31, 2019, the Company has carefully obeyed the related regulations of [2003] No. 56 document issued by China Securities Regulatory Commission, and was free from situation of guarantee against regulation.

(II) By the end of 2018, the Company is free from situation when the controlling shareholders or other related parties occupy the company's capital.

Independent directors:

Hu Pingxi, Bei Duoguang, Li Hao, Hong Peili, Wang Weian

Chapter Nine Changes in Share Capital and Shareholding

I. Conditions of Share Change

	Before current change		Increment/decrement of current change				After current change		Unit: share	
	Quantity	Proportion	New share issuing	Share donation	Accumulation fund turn	Other	Subtotal	Quantity	Proportion	
I. Limited sale condition share	577,932,942	11.10%	0	0	0	(571,176,203)	(571,176,203)	6,756,739	0.12%	
1. National holding	0	0.00%	0	0	0	0	0	0	0.00%	
2. State-owned legal person holding	247,201,019	4.75%	0	0	0	(247,201,019)	(247,201,019)	0	0.00%	
3. Other domestic capital holding	6,960,662	0.13%	0	0	0	(203,923)	(203,923)	6,756,739	0.12%	
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%	
domestic natural person holding	6,960,662	0.13%	0	0	0	(203,923)	(203,923)	6,756,739	0.12%	
4. Foreign holding	323,771,261	6.22%	0	0	0	(323,771,261)	(323,771,261)	0	0.00%	
wherein: foreign legal person holding	323,771,261	6.22%	0	0	0	(323,771,261)	(323,771,261)	0	0.00%	
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%	
II. Limit-free condition share	4,630,622,496	88.90%	0	0	0	990,950,293	990,950,293	5,621,572,789	99.88%	
1. RMB ordinary share	4,630,622,496	88.90%	0	0	0	990,950,293	990,950,293	5,621,572,789	99.88%	
2. Domestically listed foreign-invested stock	0	0.00%	0	0	0	0	0	0	0.00%	
3. Aboard listed foreign-invested stock	0	0.00%	0	0	0	0	0	0	0.00%	
4. Others	0	0.00%	0	0	0	0	0	0	0.00%	
III. Total shares	5,208,555,438	100.00%	0	0	0	419,774,090	419,774,090	5,628,329,528	100.00%	

During the reporting period, the Company has cumulatively converted 419,774,090 shares of the convertible bonds (delisted) issued, and thus the total shares of the Company has increased from 5,208,555,438 shares to 5,628,329,52 shares.

II. Sheet on Limited Sale Share Change

Name of shareholder	Limited sale shares at the beginning of the year	Limited sale shares terminated in the year	Increased limited sale shares in the year	Limited sale shares in the end of the year	Reason for limited sale	Terminating date for limited sale
						Unit: share
Ningbo Development Investment Group Co., Ltd.	247,201,019	247,201,019	0	0	Non-public offered subscription share limited sale	October 8, 2019
Singapore Overseas-Chinese	323,771,261	323,771,261	0	0	Non-public offered subscription share limited	October 8, 2019

Banking Co., Ltd.				sale		
Company's directors, supervisors and senior management holding	6,960,662	203,923	0	6,756,739	Senior management locked shares and restricted shares before IPO	In-office directors, supervisors and senior management shall transfer 25% of shares to the greatest extent within 1 year; release date for restricted shares before IPO is October 8, 2019.
合计	577,932,942	571,176,203	0	6,756,739		

III. Situation on Security Issuing and Listing

(I) Situation of security issuing (preferred shares exclusive) within report period

Name of stock and derivative security	Issue date	Issue price (or interest rate)	Issue quantity	Listing date	Quantity of the acquired listing transaction
Financial bond (including tier II capital bond)					
First issue of 2019 financial bonds of Bank of Ningbo Co., Ltd.	January 14, 2019	3.50%	60,000,000 (nominal value: RMB 100)	January 16, 2019	60,000,000
2019 Tier II capital bonds of Bank of Ningbo Co., Ltd.	July 10, 2019	4.40%	100,000,000 (nominal value: RMB 100)	July 12, 2019	100,000,000
First issue of 2019 small and medium-sized bonds of Bank of Ningbo Co., Ltd.	August 8, 2019	3.46%	60,000,000 (nominal value: RMB 100)	August 12, 2019	60,000,000
Second issue of 2019 small and medium-sized bonds of Bank of Ningbo Co., Ltd. (Category I)	October 14, 2019	3.46%	60,000,000 (nominal value: RMB 100)	October 16, 2019	60,000,000
Second issue of 2019 small and medium-sized bonds of Bank of Ningbo Co., Ltd. (Category II)	October 14, 2019	3.80%	10,000,000 (nominal value: RMB 100)	October 16, 2019	10,000,000
2019 financial bonds of Maxwealth Financial Leasing Co., Ltd.	March 13, 2019	3.80%	20,000,000 (nominal value: RMB 100)	March 18, 2019	20,000,000

Situation of security issuing (preferred shares exclusive) within report period:

1. Approved by *Official Reply of China Banking Regulatory Commission Ningbo Office on Issuing of Financial Bonds of Bank of Ningbo Co., Ltd.* (Y.Y.J.F. [2018] No. 21) and *the Administrative Licensing Decision of People's Bank of China* (Y.S.C.X.Z.Y.Z. [2018] No.33), the Company has publically issued "the first issue of 2019 financial bonds of the Bank of Ningbo" amounted to RMB 6 billion to national inter-bank bond market on January 14, 2019, which were 3-year fixed-rate variety with a coupon rate of 3.50%.

2. Approved by *Official Reply of China Banking and Insurance Regulatory Commission Ningbo Office on Issuing of Tier II Capital Bonds of Bank of Ningbo Co., Ltd.* (Y.Y.B.J.F. [2019] No. 95) and *the Administrative Licensing Decision of People's Bank of China* (Y.S.C.X.Z.Y.Z. [2019] No. 66), the Company has publically issued "Tier II capital bonds of the Bank of Ningbo" amounted to RMB 10 billion to national inter-bank bond market on July 10, 2019, which were 10-year fixed-rate variety with a coupon rate 4.40%.

3. Approved by *Official Reply of China Banking and Insurance Regulatory Commission Ningbo*

Office on Issuing of Special Financial Bonds for Small and Micro-sized Enterprises of Bank of Ningbo Co., Ltd. (Y.Y.B.J.F. [2019] No. 119) and the Administrative Licensing Decision of People's Bank of China (Y.S.C.X.Z.Y.Z. [2019] No. 74), the Company has publically issued "the first issue of 2019 special bonds for small and micro-sized enterprises of the Bank of Ningbo" amounted to RMB 6 billion to national inter-bank bond market on August 8, 2019, which were 3-year fixed-rate variety with a coupon rate of 3.46%, and "the second issue of 2019 special bonds for small and micro-sized enterprises of the Bank of Ningbo (Category II)" amounted to RMB 1 billion on the same day, which were 5-year fixed-rate variety with a coupon rate of 3.80%.

4. Approved by Official Reply of Preparatory Group of China Banking and Insurance Regulatory Commission Ningbo Office on Issuing of Financial Bonds of Maxwealth Leasing Co., Ltd. (Y.Y.B.J.C.F. [2018] No. 58 and the Administrative Licensing Decision of People's Bank of China (Y.S.C.X.Z.Y.Z. [2019] No. 28), the Company has publically issued "the 2019 financial bonds of Maxwealth Leasing Co., Ltd." amounted to RMB 2 billion to national inter-bank bond market on March 13, 2019, which were 3-year fixed-rate variety with a coupon rate of 3.80%.

(II) Specification on changes of company's total share amount, shareholder structure as well as company's asset and liability structure change

During the report period, due to the transfer of 419,774,090 convertible bonds to shares, the total shares of Company has increased from 5,208,555,438 shares to 5,628,329,528 shares.

(III) Situation on existing internal staff share

Within the report period, there are no internal staff shares.

IV. Situation on Shareholder and Actual Controller

(I) Situation on Company's shareholder quantity and share holding

Unit: share

Total quantity of shareholders to the end of report period (Account)	69,877	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report	87,639	Total quantity of preferred stockholders recovering voting power at the end of reporting period (Account)	0	Total quantity of preferred stockholders recovering voting power at the end of the previous month before disclosure date of the annual report	0	
Situation on shareholders holding more than 50% of shares or top ten shareholders								
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing	
							Share state	Share state
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	19.99%	1,124,990,768	0	0	1,124,990,768		
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.58%	1,045,993,103	84,075,389	0	1,045,993,103		
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	14.15%	796,408,868	2,139,599	0	796,408,868		
Huamao Group Co., Ltd.	Domestic non-state-owned	3.91%	220,000,020	(26,199,980)	0	220,000,020	pledge	75,670,000

legal person						
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	2.68%	150,657,452	93,405,105	0	150,657,452
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	2.47%	138,792,993	(7,790,080)	0	138,792,993
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.42%	79,791,098	0	0	79,791,098
Ningxing (Ningbo) Property Management Co., Ltd.	State-owned legal person	1.38%	77,589,276	7,779,276	0	77,589,276
Ningbo Shanshan Co., Ltd.	Domestic non-state-owned legal person	1.30%	73,353,580	(45,096,583)	0	73,353,580
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.24%	69,819,360	0	0	69,819,360

Description on related relations, persons acting in concert, controlling shareholders, actual controller and final beneficiaries above mentioned	Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Property Management Co., Ltd. are persons acting in concert and both the controlling shareholder and final beneficiary is State-owned Assets Supervision and Administration Commission of Ningbo Municipal Government; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institutional investor of OCBC Bank Singapore, which neither has controlling shareholders nor actual controllers; the controlling shareholder of Youngor Group Co., Ltd. is Ningbo Youngor Holding Co., Ltd. and the actual controller is Mr. Li Rucheng; Mr. Xu Wanmao is the controlling shareholder of Huamao Group Co., Ltd.. And according to <i>the Interim Measures for the Equity Management of Commercial Banks</i> of China Banking and Insurance Regulatory Commission (CBRC 2018 No. 1 directive), the controlling shareholder of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd., the another major shareholder of the Company, is Beijing Renyin Tech-trading Co., Ltd.					
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Situation on share holding of the top ten shareholders without limited sale condition

Name of shareholder	Share quantity without limited sale condition to the end of year	Share class	
		Share class	Quantity
Ningbo Development Investment Group Co., Ltd.	1,124,990,768	RMB ordinary share	1,124,990,768
Singapore Overseas-Chinese Banking Co., Ltd.	1,045,993,103	RMB ordinary share	1,045,993,103
Youngor Group Co., Ltd.	796,408,868	RMB ordinary share	796,408,868
Huamao Group Co., Ltd.	220,000,020	RMB ordinary share	220,000,020
Hong Kong Securities Clearing Company Ltd.	150,657,452	RMB ordinary share	150,657,452
Ningbo Fubang (Holdings) Limited	138,792,993	RMB ordinary share	138,792,993
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	79,791,098	RMB ordinary share	79,791,098
Ningxing (Ningbo) Property Management Co., Ltd	77,589,276	RMB ordinary share	77,589,276
Ningbo Shanshan Co., Ltd.	73,353,580	RMB ordinary share	73,353,580
Central Huijin Asset Management Co., Ltd.	69,819,360	RMB ordinary share	69,819,360

Description on relationship or consistent activities among top ten circulating shareholders without limited sale as well as top ten circulating shareholders without limited sale and among top ten shareholders	Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.
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Description on shareholders attending securities margin trading	None
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Within the report period, the Company is free from agreed repurchase transaction among top ten shareholders without limited sale and top ten shareholders.

(II) Situation on Company's holding shareholder

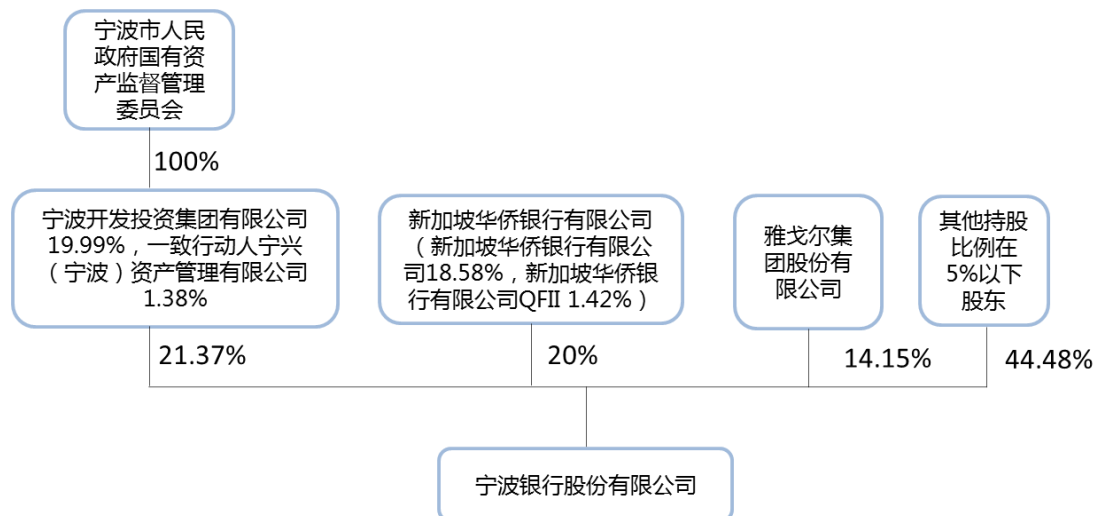
The Company is free from holding shareholder to the end of the report period.

(III) Situation on Company's actual controller

The Company has no actual controller within the report period.

(IV) Company's shareholding structure chart

At the end of the reporting period, Company's shareholding structure chart shows as follows:



宁波国有资产监督管理委员会

State-owned Assets Supervision and Administration Commission of Ningbo Municipal Government

宁波开发投资集团有限公司 19.99%，一致行动人宁兴（宁波）资产管理有限公司 1.38%

Ningbo Development & Investment Co., Ltd. 19.99% and Ningxing (Ningbo) Assets Management Co., Ltd. 1.38% are consistent acting persons

新加坡华侨银行有限公司（新加坡华侨银行有限公司 18.58%，新加坡华侨银行有限公司 QFII 1.42%）

Singapore Overseas-Chinese Banking Co., Ltd. (Singapore Overseas-Chinese Banking Co., Ltd. 18.58%, Singapore Overseas-Chinese Banking Co., Ltd. QFII 1.42%)

雅戈尔集团股份有限公司

Youngor Group Co., Ltd.

其他持股占比 5% 以下的股东

Other shareholders holding lower than 5% of shares

宁波银行股份有限公司

Bank of Ningbo Co., Ltd.

(V) Corporate shareholders holding more than 10% of shares

Name of corporate shareholder	Legal representative/unit leader	Date of establishment	Registered capital	Major businesses or management activities
Ningbo Development & Investment Co., Ltd.	Li Bao	Nov. 12, 1992	RMB 5 billion	Project investment, assets management, real estate development, property management and so on
Singapore Overseas-Chinese Banking Co., Ltd.	Huang Sanguang	Oct. 31, 1932	Singapore Dollar 17.261 billion	Financial service industry
Youngor Group Co., Ltd.	Li Rucheng	June 25, 1993	RMB 3.581 billion	Garment production, real estate development, project investment and so on

V. Situation of Shareholding Limit and Decrease of Majority Shareholders, Actual Shareholders, Restructuring Parties and Other Commitment Bodies

Within the report period, no shareholding limit or decrease happened to majority shareholders, actual shareholders, restructuring parties and other commitment bodies.

Chapter Ten Relevant Situation of Preferred Shares

I. Preferred Shares Issuing and Listing Situation in Last Three Years of the End of Report Period

Abbreviation	Code	Issue method	Issue date	Issue price (RMB/share)	Face dividend rate	Issue quantity (share)	Listing date	Quantity of acquired listed transfer (share)	Expiry date of listing
Ning Hang Preferred 01	140001	Non-public	Nov. 16, 201	100	4.6%	48,500,000	Dec. 9, 2015	48,500,000	None
Ning Hang Preferred 02	140007	Non-public	Nov. 7, 201	100	5.3%	100,000,000	Nov. 28, 2018	100,000,000	None

II. Situation on Company's Preferred Shares Shareholder Quantity and Share Holding

(I) Situation on Ning Hang Preferred 01 Shares Shareholder Quantity and Share Holding

Unit: share

Total quantity of preferred shares shareholders to the end of report period (account)		7		Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual report (account)		7		
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders								
Name of shareholder	Share holder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Pledge or freezing condition	
							Share status	Quantity
Cofco Trust Co., Ltd.	Others	23.53%	11,410,000	0	0	11,410,000		
Bank of Communications International Trust Co., Ltd.	Others	19.79%	9,600,000	0	0	9,600,000		
Bosera Fund Management Co., Ltd.	Others	16.06%	7,790,000	0	0	7,790,000		
China Merchants Wealth Asset Management Co., Ltd.	Others	11.75%	5,700,000	0	0	5,700,000		
HuaAn Future Asset Management (Shanghai) Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000		
AXA SPDB Investment Managers Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000		
Postal Savings Bank of China Co., Ltd.	Others	8.25%	4,000,000	0	0	4,000,000		
Preferred shares have different explanations in terms other than dividend distribution and residual property distribution.		None						
Instructions on the related relations or persons acting in concert among the top 10 preferred shareholders and between the top 10 preferred shareholders and top 10 general shareholders		None						

(II) Situation on Ning Hang Preferred 02 Shares Shareholder Quantity and Share Holding

Unit: share

Total quantity of preferred shares shareholders to the end of report period (account)			10	Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual report (account)			10	
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders								
Name of shareholder	Share holder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement/change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Pledge or freezing condition	
							Share status	Quantity
Bosera Fund Management Co., Ltd.	Others	30.00%	30,000,000	0	0	30,000,000		
CCB TRUST CO., LTD.	Others	15.00%	15,000,000	0	0	15,000,000		
PingAn Assets Management Co., Ltd.	Others	14.04%	14,040,000	0	0	14,040,000		
Ping An Life Insurance of China	Others	14.04%	14,040,000	0	0	14,040,000		
China Zheshang Bank	Others	10.00%	10,000,000	0	0	10,000,000		
Postal Savings Bank of China Co., Ltd.	Others	6.10%	6,100,000	0	0	6,100,000		
GYB Co., Ltd.	Others	5.00%	5,000,000	0	0	5,000,000		
Foresea Life Insurance Co., Ltd.	Others	3.00%	3,000,000	0	0	3,000,000		
Ping An Endowment Insurance Co., Ltd.	Others	2.02%	2,020,000	0	0	2,020,000		
PICC Asset Management Company Limited	Others	0.80%	800,000	0	0	800,000		
Preferred shares have different explanations in terms other than dividend distribution and residual property distribution.			None					
Instructions on the related relations or persons acting in concert among the top 10 preferred shareholders and between the top 10 preferred shareholders and top 10 general shareholders			None					

III. Profit Distribution of Company's Preferred Shares

Profit distribution of preferred shares within reporting period

Preferred share abbreviation	Preferred share code	Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	In compliance with distribution condition and relative procedure	Payment of dividend	Dividend accumulated	Join in residual profit distribution
Ning Hang Preferred 01	140001	Nov. 18, 2019	4.6%	223,100,000	Yes	Cash payment once a year	No	No
Ning Hang Preferred 02	140007	Nov. 7, 2019	5.3%	530,000,000	Yes	Cash payment once a year	No	No

The specific dividend distribution situation will be announced at the notices on the websites of Shenzhen Stock Exchange and the Company.

Distribution of preferred shares of the Company in the recent three years

Unit: RMB 1,000

Year of distribution	Amount of distribution (tax inclusive)	Net profit attributable to shareholders of listed companies in annual consolidated statements	Proportion of net profit attributable to shareholders of listed companies in annual consolidated statements	Explanation of the difference accumulated to the next fiscal year due to insufficient distributable profits or the portion of the remaining profit allotment that may be participated in
2019	753,100	13,714,237	5.49%	None
2018	223,100	11,186,356	1.99%	None
2017	223,100	9,333,572	2.39%	None

IV. Repurchase or Conversion of Preferred Shares

Within the report period, there was no repurchase or conversion of the Company's preferred shares.

V. Voting Power Recovery of Preferred Shares within Report Period

Within the report period, there was no voting power recovery of the Company's preferred shares.

VI. Accounting Policies Adopted by Preferred Shares and Reasons

As stipulated in *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprises No. 37—Presentation of Financial Instruments* and *Discrimination between Financial Liability and Equity Instruments and Relevant Accounting Regulations* by Ministry of Finance, the terms of issued preferred shares this time comply with the requirements of accounting as an equity instrument. Therefore, account preferred shares as an equity instrument.

Chapter Eleven Directors, Supervisors, Senior Management and Basic Information on Employees

I. Changes on Shareholding among Directors, Supervisors and Senior Management

Name	Position	Status	Gender	Age	Term start date	Term ending date	Shares held at the beginning of the year (share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
Lu Huayu	Director, chairman	Incumbent	Male	55	Jan. 15, 2005	Feb. 9, 2020	1,249,409	0	0	1,249,409
Luo Mengbo	Director, vice chairman, president	Incumbent	Male	49	Feb. 10, 2014	Feb. 9, 2020	1,919,678	0	0	1,919,678
Shi Tingjun	Director	Incumbent	Male	49	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	44	May 18, 2015	Feb. 9, 2023	0	0	0	0
Chen Shouping	Director	Designated	Male	49	-	-	0	0	0	0
Lian Wenhui	Director	Designated	Male	54	-	-	0	0	0	0
Liu Xinyu	Director	Incumbent	Female	45	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Zhang Kaidong	Director	Incumbent	Male	37	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Hu Pingxi	Independent director	Incumbent	Male	66	Mar. 8, 2018	Feb. 9, 2023	0	0	0	0
Bei Duoguang	Independent director	Incumbent	Male	62	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Li Hao	Independent director	Incumbent	Male	61	Apr. 9, 2020	Feb. 9, 2023	0	0	0	0
Hong Peili	Independent director	Incumbent	Female	56	Apr. 9, 2020	Feb. 9, 2023	0	0	0	0
Wang Wei'an	Independent director	Incumbent	Male	54	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Hong Lifeng	Employees' representative, Supervisory	Incumbent	Male	55	Oct. 9, 2015	Feb. 9, 2023	1,644,113	0	0	1,644,113
Liu Jianguang	Supervisor	Incumbent	Male	48	Sept. 16, 2019	Feb. 9, 2023	0	0	0	0
Shu Guoping	External supervisor	Incumbent	Male	55	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Hu Songsong	External supervisor	Incumbent	Male	39	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Ding Yuanyao	External supervisor	Incumbent	Male	54	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0
Zhuang Ye	Employees' representative, supervisor	Incumbent	Female	42	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Lu Xiaosu	Employees' representative,	Incumbent	Female	50	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0

supervisor										
Fu Wensheng	Vice president	Incumbent	Male	47	Aug. 27, 2012	Feb. 9, 2023	0	0	0	0
Wang Yongjie	Vice president	Incumbent	Male	47	Aug. 27, 2012	Feb. 9, 2023	241,800	0	0	241,800
Feng Peijiong	Director, vice president	Incumbent	Male	45	Feb. 3, 2016	Feb. 9, 2023	0	0	0	0
Ma Yuhui	Vice president	Incumbent	Male	38	Apr. 24, 2015	Feb. 9, 2023	0	0	0	0
Zhuang Lingjun	Director, vice president, financial principal	Incumbent	Male	40	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Yu Gang	Board secretary	Incumbent	Male	43	Jan. 25, 2018	Feb. 9, 2023	0	0	0	0
Luo Weikai	Director, vice president, financial principal	Resigned	Male	55	Apr. 7, 2017	Feb. 9, 2020	2,423,200	0	0	2,423,200
Yu Weiye	Director	Resigned	Male	56	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Zhu Nianhui	Director	Resigned	Male	57	Feb. 7, 2017	Feb. 9, 2020	0	0	0	0
Chen Yongming	Director	Resigned	Male	61	Jan. 14, 2011	Feb. 9, 2020	0	0	0	0
Li Rucheng	Director	Resigned	Male	68	Apr. 7, 2017	Feb. 9, 2020	0	0	0	0
Xu Lixun	Director	Resigned	Male	45	Jan. 10, 2013	Feb. 9, 2020	0	0	0	0
Fu Jianhua	Independent director	Resigned	Male	68	Sept. 11, 2014	Apr. 9, 2020	0	0	0	0
Fu Jijun	Independent director	Resigned	Male	63	Sept. 11, 2014	Apr. 9, 2020	0	0	0	0
Ben Shenglin	Independent director	Resigned	Male	54	Sept. 11, 2014	Apr. 9, 2020	0	0	0	0
Zhang Jixiang	Independent director	Resigned	Male	66	Apr. 7, 2017	Apr. 9, 2020	0	0	0	0
Geng Hong	Independent director	Resigned	Female	64	Apr. 7, 2017	Apr. 9, 2020	0	0	0	0
Wang Zhenhai	Director	Resigned	Male	50	Dec. 26, 2018	Sept. 16, 2019	0	0	0	0
Pu Yiwei	External supervisor	Resigned	Female	50	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Liu Rufen	Employees' representative, supervisor	Resigned	Female	54	Feb. 10, 2014	Feb. 9, 2020	179,144	0	0	179,144

II. Personnel Alteration of the Company's Directors, Supervisors and Senior Management

Name	Position	Type	Date	Reason
Wang Zhenhai	Supervisor	Resigned	Sept. 16, 2019	Job reason
Liu Jianguang	Supervisor	Elected	Sept. 16, 2019	Job demand
Zhuang Lingjun	Vice president	Hired	Oct. 28, 2019	Job demand
Luo Weikai	Director, vice president, financial principal	Resigned	Feb. 9, 2020	Expiration of term of office
Yu Weiye	Director	Resigned	Feb. 9, 2020	Expiration of term of office

Zhu Nianhui	Director	Resigned	Feb. 9, 2020	Expiration of term of office
Chen Yongming	Director	Resigned	Feb. 9, 2020	Expiration of term of office
Li Rucheng	Director	Resigned	Feb. 9, 2020	Expiration of term of office
Xu Lixun	Director	Resigned	Feb. 9, 2020	Expiration of term of office
Pu Yiwei	External supervisor	Resigned	Feb. 9, 2020	Expiration of term of office
Liu Rufen	Employees' representative, supervisor	Resigned	Feb. 9, 2020	Expiration of term of office
Lu Xiaosu	Employees' representative, supervisor	Elected	Feb. 10, 2020	Job demand
Fu Jianhua	Independent director	Resigned	Apr. 9, 2020	Expiration of term of office
Fu Jijun	Independent director	Resigned	Apr. 9, 2020	Expiration of term of office
Ben Shenglin	Independent director	Resigned	Apr. 9, 2020	Expiration of term of office
Zhang Jixiang	Independent director	Resigned	Apr. 9, 2020	Expiration of term of office
Geng Hong	Independent director	Resigned	Apr. 9, 2020	Expiration of term of office
Zhuang Lingjun	Director	Elected	Apr. 3, 2020	Job demand
Shi Tingjun	Director	Elected	Apr. 3, 2020	Job demand
Chen Shouping	Director	Elected	-	Job demand
Lian Wenhui	Director	Elected	-	Job demand
Liu Xinyu	Director	Elected	Apr. 3	Job demand
Zhang Kaidong	Director	Elected	Apr. 3	Job demand
Bei Duoguang	Independent director	Elected	Apr. 3	Job demand
Li Hao	Independent director	Elected	Apr. 9, 2020	Job demand
Hong Peili	Independent director	Elected	Apr. 9, 2020	Job demand
Wang Wei'an	Independent director	Elected	Apr. 3, 2020	Job demand

Notice: 1. The Company has received the written resignation of Wang Zhenhai on September 16, 2019, a supervisor of the Company, who would like to resign as a supervisor of the Company as for the job reason. And on August 29, 2019, Liu Jianguang was nominated as a candidate of supervisor at the fourteenth meeting of the 6th Board of Supervisors; and on September 16, 2019, Liu Jianguang was elected as a supervisor of the Company on the 1st extraordinary general meeting of 2019 of the Company.

2. On August 28, 2019, Zhuang Lingjun was hired as the Vice President of the Company on the eleventh meeting of the 6th Board of Directors. The qualification of Mr. Zhuang Lingjun was approved by China Banking and Insurance Regulatory Commission Ningbo Office on October 28, 2019.

3. By means of democratic election of the employees, Hong Lifeng, Zhuang Ye and Liu Xiaosu were elected as the employees' supervisors of the 7th Board of Supervisors, with a three-year tenure, which was the same as of the shareholders' supervisors and external supervisors of the 7th Board of Supervisors; and as for the expiration of term of office, Liu Rufen was no longer the employees' supervisor of the Company.

4. On February 10, 2020, the Company convened the 1st extraordinary general meeting of 2020 of the Company, at which Lu Huayu, Luo Mengbo, Feng Peijiong, Zhuang Lingjun, Shi Tingjun, Wei Xuemei, Chen Shouping, Lian Wenhui, Liu Xinyu and Zhang Kaidong were elected as non-independent directors of the 7th Board of Directors of the Company; Hu Pingxi, Bei Duoguang, Li Hao, Hong Peili and Wang Wei'an were elected as the independent directors of the 7th Board of Directors of the Company; Liu Jianguang was elected as the shareholders' supervisor of the 7th Board of Supervisors of the Company; Shu Guoping, Hu Songsong and Ding Yuanyao were elected as the external supervisors of the 7th Board of Supervisors of the Company. And as for the expiration of term of office, Luo Weikai, Yu Weiye, Zhu Nianhui, Chen Yongming, Li Rucheng, Xu Lixun, Fu Jianhua, Fu Jijun, Ben Shenglin, Zhang Jixiang and Geng Hong were no longer acting as directors of the Company and Pu Yiwei was no longer acting supervisor of the Company.

5. On February 10, 2020, the Company convened the first meeting of the 7th Board of Directors, at which Lu Huayu was elected as the Chairman of the 7th Board of Directors of the Company; Luo Mengbo was elected as the Vice Chairman of the 7th Board of Directors of the Company; Luo Mengbo was hired as the President of the Company; Fu Wensheng, Wang Yongjie, Feng Peijiong, Ma Yuhui and Zhuang Lingjun were hired as Vice Presidents of the Company; Zhuang Lingjun was hired as the financial principal of the Company; Yu Gang was hired as the secretary of the 7th Board of Directors of the Company.

6. On February 10, 2020, the Company convened the first meeting of the 7th Board of Supervisors, at which Hong Lifeng was elected as the chief supervisor of the 7th Board of Supervisors of the Company.

III. Employment Situation

(I) Professional background, major work experience and major duties of the current director, supervisors and senior management

1. Directors

Mr. Lu Huayu, currently the Chairman of the Board of Directors of Bank of Ningbo Co., Ltd., born in September 1964, obtained a master degree in economics and the title of Senior Accountant. Mr. Lu used to work in Finance Bureau of Ningbo and successively served as Assistant to Director & Vice Director of Administrative Bureau of State-owned Property, Vice Director of Finance bureau of Ningbo. Mr. Lu was the President of Bank of Ningbo from November 2000 to January 2005 and has been the Chairman of Bank of Ningbo since January 2005.

Mr. Luo Mengbo, currently the Director, Vice Chairman and President of the Bank of Ningbo Co., Ltd., born in November 1970, obtained a bachelor's degree and the title of Economist. Mr. Luo successively served as Business Inspector, Assistant General Manager and General Manager of the Corporate Department of the Bank, General Manager of the Credit Management Department of the Bank, President of Beilun Sub-branch of the Bank and General Manager of the Corporate Department of the Bank. Mr. Luo was the Assistant President of the Bank from January 2008 to January 2009 and has been the Vice President of the Company from January 2009 to October 2011 and the Director. He was the director and president of the company from Oct , 2011 to Feb, 2014, and is the vice chairman and the president of the company from February, 2014 till now.

Mr. Shi Tingjun, born in November 1970, has a on-the-job postgraduate degree and is an accountant, and is currently the Deputy Secretary of the Party Committee, Vice Chairman and General Manager of Ningbo Development Investment Group Co., Ltd. and Chairman of Ningbo Kaitou Lancheng Investment and Development Co., Ltd.. Mr. Shi Tingjun has successively served as a leader and Deputy Director of Ningbo Marine Fishery Corporation, Ningbo Light Industry Bureau and Ningbo Light Industry Group Co., Ltd., Deputy Director of the Corporate Office, Ningbo Municipal Economic and Information Technology Bureau, and the Deputy Director, Director, Member of Party Working Committee and Deputy Director of Ningbo State Owned Assets Supervision and Administration Commission, and has been a director of the Company since April 2020.

Ms. Wei Xuemei, born in August 1975, obtained a master's degree and the titles of Senior

Accountant and Economist. She is currently a member of the Party Committee and the Deputy General Manager of Ningbo Development & Investment Group Co., Ltd. and a director of Ningbo Maritime Industrial Fund Management Co., Ltd.. Ms. Wei successively served as Deputy General Manager of Ningbo Kaijian Investment Management Co., Ltd., Deputy Manager, Manager and Vice Chief Economist of the Investment Management Department of Ningbo Development & Investment Group Co., Ltd.; and the Board Chairman of Ningbo Culture Plaza Investment Development Co., Ltd.; she has been a director of the Company since May 2015.

Mr. Chen Shouping, born in November 1970, is a Singaporean with a first class honors degree in accounting of Nanyang Technological University, chartered financial analyst, chartered accountant and a part-time professor of Nanyang technological university. He is currently the Executive Vice President and CFO of Overseas Chinese Banking Corporation, a director of Maxwealth (China) Fund Management Co., Ltd. and a director of the National Taxation Bureau of Singapore. Mr. Chen Shouping has successively served as head of the capital market of the Singapore State Investment Company, General Manager of the Asset and Liability Management Department of Global Capital Business Section of Overseas Chinese Banking Corporation and Deputy Chief Financial Officer of Overseas Chinese Banking Group.

Mr. Lian Wenhui, born in July 1965, is a Singaporean with MBA degree of Nanyang Technological University. He is currently the Chief Credit Officer of Overseas Chinese Banking Corporation and a member of the risk management committee of the Board of Directors. He has successively served as the Director of Singapore Credit Risk Department of Standard Chartered Bank; the Director the Credit Risk Department and Director of the Commercial Real Estate Department of Standard Chartered Bank Southeast Asian Region; Executive Director and Vice President of China Bohai Bank; President of Corporate Banking Department of Standard Chartered Bank Southeast Asian Region; Associated President and Managing Director of Corporate and Financial Service Department, Chartered Bank (China) Corporate Banking; Vice President of Chartered Bank (China); President and CEO of United Overseas Bank (China).

Ms. Liu Xinyu, born in November 1974, obtained a master's degree and the title of Senior Economist. She is currently the Deputy General Manager and Secretary of the Board of Directors and Chairman of the Labor Union of Youngor Group Co., Ltd., member of the 12th CPPCC Committee of Zhejiang Province and representative of the 15th NPC of Ningbo Municipality. Ms. Liu Xinyu has successively served as a cadre of the Planning Department and Editorial Department of Youngor Newspaper of Youngor Group Co., Ltd., and the Deputy Director of the Office of Youngor Group Co., Ltd.; she has been a director of the Company since April 2020.

Mr. Zhang Kaidong, born in March 1983, master's degree, Intermediate Economist, is currently the Deputy General Manager, IT Director and Director of the Policy Research Center of Youngor Group Co., Ltd.. Mr. Zhang Kaidong has successively served as the Director of the Holding Office of Youngor Real Estate Holding Co., Ltd., the Assistant to the President of

Youngor Group Co., Ltd. and the Product Director of brand MAYOR of Youngor Group Co., Ltd.; he has been a director of the Company since April 2020.

Mr. Feng Peijiong, born in November 1974, obtained a master's degree and the title of Senior Economist. He is currently the director and Vice President of the Company. Mr. Feng has successively served as Vice Director of Office of Ningbo Bank Dongmen Subbranch, Direcot, Senior Associate Director at assistant general manager level, Assistant General Manager, Vice General Manager and General Mager of the Corporate HR Department, General Manager of the Corporate Personal Banking Department and Credit Card Center, and President of Ningbo Bank Suzhou Branch; he has been the Vice President of the Company since April 2015 and the Director of the Company since February 2016.

Mr. Zhuang Lingjun, born in July 1979, master's degree, is currently the Director and Vice President of the Company. He has successively served as the Assistant to President of Beilun Sub-branch of the Company, Assistant to General Manager of the Personal Banking Department of the Company, Vice President of Shenzhen Branch of the Company, President of Mingzhou Sub-branch of the Company, General Manger of the Risk Management Department of the Company and President of Beijing Branch of the Company. Mr. Zhuang Lingjun has been the Vice President of the Company since October 2019 and a Director of the Company since April 2020.

Mr. Hu Pingxi, born in October 1953, is a senior economist with an educational background of postgraduate. Mr. Hu Pingxi used to be the clerk, deputy section chief and vice president of People's Bank of China Heilongjiang Mohe County Branch; deputy section chief of the credit section of People's Bank of China Zhejiang Yinxian Branch; deputy director of the credit section and vice president of People's Bank of China Ningbo Central Branch; director of the HR department, director of foreign exchange management department, Secretary of Committee for Discipline Inspection and vice president of People's Bank of China Zhejiang Branch; president and secretary of the party committee of People's Bank of China Fujian Branch and director of State Administration of Foreign Exchange Fujian Bureau; president and secretary of the party committee of People's Bank of China Wuhan Branch and director of State Administration of Foreign Exchange Hubei Bureau; president and secretary of the party committee of People's Bank of China Shanghai Branch and director of State Administration of Foreign Exchange Shanghai Bureau; board chairman and the party committee of Shanghai Rural Commercial Bank. Mr. Hu Pingxi has been an independent director of the Company since March 2018.

Mr. Bei Duoguang, born in May 1957, doctorate degree, is currently the President of Chinese Academy of Financial Inclusion, a Part-time Professor and Doctoral Supervisor of the School of Finance, Renmin University of China, a Consultant of the Strategy and Innovation Committee of Securities Association of China and Chairman of Renda Pratt & Whitney (Beijing) Consulting Co., Ltd.. Mr. Bei Duoguang has successively served as Deputy Director of Treasury Bond Department

of the Ministry of Finance, Deputy Director of International Department of China Securities Regulatory Commission, Chief Representative of J.P. Morgan Beijing Office, Managing Director of China International Capital Corporation Limited, and CEO and Vice Chairman of J.P. Morgan First Capital Securities Co., Ltd.; he has been a Director of the Company since April 2020.

Mr. Li Hao, born in March 1959, master's degree, Senior Accountant, is currently a director of Merchants Union Consumer Finance Company Limited.. Mr. Li Hao has successively served as Assistant to President of the head office of China Merchants Bank Co., Ltd., President of Shanghai Branch, Vice President, Executive Director, Executive Vice President and CFO of the head office of the Bank; he has also served as the Chairman of Merchants Union Fund Management Co., Ltd., Vice Chairman of CMB Qianhai Financial Asset Exchange, Vice Chairman of CMB Wing Lung Bank, a Director of Merchants Union Consumer Finance Company Limited., Vice Chairman of Payment & Clearing Association of China, a Member Director and Part-time Vice President of Asset Management Association of China and a Director of National Internet Finance Association of China. Mr. Li Hao has been a Director of the Company since April 2020.

Ms. Hong Peili, born in March 1964, master's degree and Senior Economist, is currently Vice Chairman and Executive Director of Caixin Asset Group and Associate Chairman of Caixin Investment Co., Ltd.. She has successively served as the Director of the Supervision Department of Foreign Banks of Shanghai Branch of the People's Bank of China, the former Deputy Director of the former China Banking Regulatory Commission Shanghai Office, the former Secretary and Director of the Party Committee of the former China Banking Regulatory Commission Chongqing Office and Chairman of Fubon Bank. Ms. Hong Peili has been a Director of the Company since April 2020.

Mr. Wang Wei'an, born in July 1965, doctorate degree, is currently the Director, Professor and Doctoral Supervisor of has been a Director of the Academy of Financial Research, Zhejiang University; a leader of the Level II Discipline of the 151-talent Program of Zhejiang Province; a Member Director of China Financial Forum, CFF, a Member Director of Zhejiang Financial Forum, a Standing Director of Zhejiang International Finance Society, and a consultant of currency policy of Hangzhou Central Branch of the People's Bank of China; Mr. Wang Wei'an has been a Director of the Company since April 2020.

2. Supervisors

Mr. Hong Lifeng, born in December 1964, obtained a master's degree and the title of Senior Economist. He is currently the Chief Supervisor of the Company. Mr. Hong started to work in July 1986 and has successively served as Vice President of Bank of China Ningbo Branch Beilun Sub-branch, Vice Director of Credit Card Department & Loans Department of Bank of China Ningbo Branch, Manager, Senior Management, Head of China Department and Commercial Banking Department of Hua Chiao Commercial Bank Ltd., Senior Management of Mainland Branches Banking Department of Bank of China (Hong Kong) Limited., Director of Settlement

Department of Bank of China Ningbo Branch. Mr. Hong was the Vice President of the Company from January 2003 to September 2015; the director of the Company from January 2005 to September 2015; and has been the Chief Supervisor of the Company since October 2015.

Mr. Liu Jianguang, born in October 1971, obtained a bachelor's degree, is currently the Deputy General Manager of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd.. Mr. Liu Jianguang has worked in Huarong Building Office subordinated to Government Offices Administration of the Head Office of People's Bank of China from October 1995 to July 2007; worked in the Office of Beijing Renyin Tech-Trading Co., Ltd. from July 2007 to September 2017; has been the Deputy General Manager and Supervisor of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. from September 2017 to April 2019; the Deputy General Manager and Director of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. since April 2019; Mr. Liu Jianguang has been the shareholders' supervisor of the Company since September 2019.

Mr. Shu Guoping, born in January 1965, received a bachelor's degree, is a certified public accountant and is currently an associate of Lixin Zhonglian Realignment Firm and the vice senior accountant of Lixin Zhonglian Realignment Firm Zhejiang Club. Mr. Shu used to be the manager, department manager and vice director of the Ningbo accounting firm project of Ningbo Finance & Local Taxation Bureau; chief associate of Ningbo Guoxin Realignment Accounting Firm; principal of Jiangsu Tianheng Accounting Firm Ningbo Company; chief associate of Ningbo Guoxin Realignment Accounting Firm (general partnership); Vice-chairman of Ningbo Institute of Certified Public Accountants since October, 2016; Vice-chairman of Ningbo New Social Class Fraternity since November, 2018; since August 2016, Mr. Shu Guoping has become an associate of Lixin Zhonglian Realignment Firm (special general partnership); and an external supervisor of the Company since February 2017.

Mr. Hu Songsong, born in January 1981, master of law, a third grade lawyer, is currently the senior associate of Harnest & Garner Law Firm, director of the management council, an arbitrator of Ningbo Arbitration Commission, deputy director of the Financial and Capital Market Commission of the Bar Association of Ningbo. Since his starting to work in September 2002, Mr. Hu Songsong has successively served as the Secretary to the General Manger of Zhejiang Huaye Electric Engineering Co., Ltd.; Secretary to the General Manger of AUX Electrical Co., Ltd.; a clerk of People's Court of Ninghai No. 2 Civil Court (commercial affairs court); Manager of the Human Resources Department of Ningbo Jiangdong Xinbang Consulting Co., Ltd.; lawyer of Ningbo Lawyers Association and a member of the management council; he has been a senior founding associate of Harnest & Garner Law Firm and the director of the Finance and Insurance Commission since January 2014; he became the Director of the management council of Harnest & Garner Law Firm in October 2019; Mr. Hu Songsong has been an external supervisor of the Company since February 2017.

Mr. Ding Yuanyao, born in November 1965, doctor of economics, professor, is currently a

professor and master tutor of the Department of Business, Business School of Ningbo University. Mr. Ding Yuanyao took part in the work in 1990, and has successively served as lecturer and associate professor of Anhui University, lecturer and associate professor of Ningbo University; since 2003, he has been a professor in the Department of Finance, master's supervisor of quantitative economics and finance of Business School of Ningbo University, mainly engaged in the teaching and research of economics and finance, during the period from 1999 to 2000, he has been a visiting scholar in Simon Fraser University of Canada, receiving a doctor's degree in economics from Renmin University of China. He was a visiting scholar at Adelaide University in Australia in 2013 and Southampton University from 2019 to 2020; Mr. Ding Yuanyao has been an external supervisor of the Company since February 2020.

Ms. Zhuang Ye, born in June 1977, received the bachelor's degree and lawyer's qualification certificate, is currently the Deputy General Manager of the compliance department of Bank of Ningbo Co., Ltd.. Ms. Zhuang Ye used to be a senior assistant manager of the compliance department of the Company and the general manager of the compliance department and general manager of the audit department of Suzhou branch of the Company; the vice general manager of the compliance department of the Company since February 2011; Ms. Zhuang Ye has been the employees' supervisor of the Company since February 2017.

Ms. Lu Xiaosu, born in January 1970, bachelor's degree, Grade I national financial planner, is currently the Deputy General Manager of the Audit Department of the Company. Ms. Lu Xiaosu started to work in 1993 and has successively served as the Deputy Director (chairing) of the Office of ICBC Beilun Sub-branch from August 1993 to October 2002, and from November 2002 on, she started to work in the Bank of Ningbo, serving as the Vice President of Daxie Sub-branch, Vice President of Beilun Sub-branch; President of Dongmen Sub-branch in December 2009; Assistant to General Manger of the Audit Department of the Company in October 2014, Deputy General Manager of the Audit Department of the Company from February 2016 so far; Ms. Lu Xiaosu has been the employees' supervisor of the Company since February 2020.

3. Senior Management

Mr. Luo Mengbo: please refer to the Directors part.

Mr. Fu Wensheng, born in August 1972, obtained a master's degree and the title of Economist. He is currently the Vice President of the Bank of Ningbo Co., Ltd. Mr. Fu successively served as the Office Secretary of the Bank of Shanghai, the Assistant President and the Vice President (presided over the work) of the Bank of Shanghai Fuming Sub-branch, the President of the Bank of Shanghai Jingan Sub-branch, the Vice President of the Bank of Ningbo Shanghai Branch, the President of the Bank of Ningbo Beijing Branch. He has been the Assistant President of the Bank of Ningbo Co., Ltd. from October 2011 to August 2012. He has been the Vice President of the Company since August 2012.

Mr. Wang Yongjie, born in October 1972, obtained a bachelor's degree and the title of Intermediate Economist. He is currently the Vice President of the Bank of Ningbo Co., Ltd. Mr. Wang Yongjie has successively served as the loan teller and Director of ABC Ningbo Branch Haishu Sub-branch Zhongshan Square Office, the Vice President of the Bank of Ningbo Lingqiao Sub-branch, the Deputy General Manager (work as chair) of the Risk Management Department of the Bank, the General Manager of Personal Banking Department of the Bank. During this period, Mr. Wang was also the General Manager of the Credit Cards Center of the headquarters He has been the Assistant President of the Bank of Ningbo Co., Ltd. since from Oct, 2011 to Aug, 2012, and has been the Vice President of the Company since August 2012.

Mr. Feng Peijiong: please refer to the Directors part.

Mr. Ma Yuhui, born in October 1981, obtained a bachelor's degree. He is currently the Vice President of the Company. Mr. Ma has successively served as credit operation clerk at Jiangdong Subbranch of the Company, sales staff of the Corporate Fund Operation Department and Financial Market Department, Senior Vice Manager of Product Development Department, Senior Manager and Assistant General Manager of Product Development and Promotion Department; he worked as Vice General Manager (presided over the work) and General Manager of the Corporate Financial Market Department from January 2012 to April 2015. He has been the Vice President of the Company since April 2015.

Mr. Zhuang Lingjun: please refer to the Director part.

Mr. Yu Gang, born in February 1977, is a master of economics and senior economist. He is currently the Secretary to the Board of Directors of Ningbo Co., Ltd.. Mr. Yu Gang used to be an instructor of Ningbo Municipal Committee Party School; a staff member of the capital credit department, principal staff member of the general office, deputy director of the general office and director of the law office of People's Bank of China Ningbo Central Branch; a member of the party committee and vice president of People's Bank of China Shaoxing Central Branch; deputy director of capital project management department of State Administration of Foreign Exchange Ningbo Office; deputy director of the general office and director of the general office of the board of directors of the Company; he has been the Secretary of the Board of Directors of the Company since January 2018.

(II) Employment Information of the Company's Directors, Supervisors and Senior Management under the Shareholder Units

Name of Member	Name of Shareholders	Positions in Shareholder Units	Term of Office	Whether be remunerated in Shareholder units or not
Shi Tingjun	Ningbo Development & Investment Co., Ltd.	Vice Chairman and General Manager	From January 2019 to the present	Yes
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Deputy General Manager	From May 2015 to the present	Yes
Chen	Singapore Overseas-Chinese	Executive Vice-President	From December 2011 to th	Yes

Shouping	Banking Co., Ltd.	and Chief Financial Officer	present	
Lian Wenhui	Singapore Overseas-Chinese Banking Co., Ltd.	Chief Credit Officer	From December 2016 to the present	Yes
Liu Xinyu	Youngor Group Co., Ltd.	Deputy General Manager and Board Secretary	From May 2017 to the present	Yes
Zhang Kaidong	Youngor Group Co., Ltd.	Deputy General Manager and IT Director	From April 2019 to the present	Yes
Liu Jianguang	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd.	Deputy General Manager and Director	From April 2019 to the present	Yes

(III) Employment Information of the Company's Directors, Supervisors and Senior

Management under other Units

Name of Member	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Shi Tingjun	Ningbo Kaitou Lancheng Investment and Development Co., Ltd.	Chairman	Form May 2019 to the present	No
Wei Xuemei	Ningbo Cultural Plaza Investment & Development Co., Ltd.	Director	From September 2018 to the present	No
Wei Xuemei	ingbo Maritime Industrial Fund Management Co., Ltd.	Director	From September 2018 to the present	No
Chen Shouping	Lion Global Investors Limited	Director	From February 2012 to the present	No
Chen Shouping	Maxwealth (China) Fund Management Co., Ltd.	Director	From February 2018to the present	No
Chen Shouping	National Taxation Bureau of Singapore	Director	From September 2019 to the present	Yes
Zhang Kaidong	Youngor Garment Holding Co., Ltd.	Director	From January 2020 to the present	No
Hu Pingxi	Xiamen Rural Commercial Bank	Independent Director	From April 2018 to the present	No
Hu Pingxi	Xingyin Fund Co., Ltd.	Independent Director	From June 2019 to the present	No
Hong Peili	Caixin Investment Co., Ltd.	Associated Chairman	From July 2019 to the present	Yes
Hong Peili	Caixin Asset Group	Vice Chairman of the Board and Executive Director	From July 2019 to the present	Yes
Bei Duoguang	Renmin University of China	Professor and Doctoral Supervisor	From September 2002 to the present	Yes
Bei Duoguang	Chinese Academy of Financial Inclusion	President	From April 2016 to the present	Yes
Bei Duoguang	Strategy and Innovation Committee of Securities Association of China	Consultant	From January 2015 to the present	No
Bei Duoguang	HuaXi Securities Co., Ltd.	Independent Director	From February 2015 to the present	Yes
Bei Duoguang	China Trust Protection Fund Co., Ltd.	Independent Director	From February 2016 to the present	Yes
Bei Duoguang	Beijing Tust Holding Co., Ltd.	Independent Director	From July 2016 to the present	Yes
Bei Duoguang	Hua Chuang Securities	Independent Director	From March 2017 to the present	Yes
Wang Wei'an	Zhejiang Financial Forum	Director	From July 1997 to the present	No
Wang Wei'an	China Financial Forum	Council Member	From July 2003 to the present	No
Wang Wei'an	China Urban Financial Society	Council Member	From July 2005 to the present	No
Wang Wei'an	Zhejiang Huiju Investment Management Co., Ltd.	Director	From February 2011 to the present	No

Wang Wei'an	Zhejiang Financial Education Foundation	Council Member	From July 2012 to the present	No
Wang Wei'an	Hangzhou Central Branch of the People's Bank of China	Currency Policy Consultant	From July 2014 to the present	No
Wang Wei'an	Zhejiang Shengda Bio-pharm Co., Ltd.	Independent Director	From December 2013 to the present	Yes
Wang Wei'an	Shangyu Rural Commercial Bank	Independent Director	From July 2014 to the present	Yes
Wang Wei'an	Zhejiang Huangma Technology Co., Ltd.	Independent Director	From October 2015 to the present	Yes
Wang Wei'an	Zhejin Trust Co., Ltd.	Independent Director	From May 2017 to the present	Yes
Wang Wei'an	Zhejiang Chunhui Environmental Energy Limited	Independent Director	From May 2017 to the present	Yes
Wang Wei'an	Zhejiang Yasha Decoration Co., Ltd.	Independent Director	From August 2019 to the present	Yes
Shu Guoping	Lixin Zhonglian Realignment Firm	Associate	From August 2016 to the present	Yes
Shu Guoping	Lixin Zhonglian Realignment Firm Zhejiang Club	President	From January 2017 to the present	Yes
Shu Guoping	Zhejiang Guoxin Engineering Management Consulting Co., Ltd.	Supervisor	From October 2016 to the present	No
Shu Guoping	Ningbo Jiangdong Duchang Jiuxin Corporate Management Consulting Co., Ltd.	Executive Director and Manger	From November 2016 to the present	No
Shu Guoping	Xuelong Group Co., Ltd.	Independent Director	From September 2016 to the present	Yes
Hu Songsong	Harnest & Garner Law Firm Zhejiang	Director of Management Council, Senior Founding Associate and Director of Finance and Insurance Commission	From January 2014 to the present	Yes
Ding Yuanyao	Ningbo University	Professor and Master Tutor	From December 2003 to the present	Yes

(IV) Situation of company's current and resigned directors, supervisors and senior management within report period being punished by securities regulatory institution in last three years

The current or resigned directors, supervisors and senior managers within report period were not punished by securities regulatory institution in the last three years.

IV. Remuneration of Directors, Supervisors and Senior Management Personnel

(I) Decision-making Process and Determination Basis for the Remuneration of Directors, Supervisors and Senior Management

Decision-making process for the remuneration of directors, supervisors and senior management personnel	Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd are drawn up by Remuneration Committee of the Board of Directors. Among of which, Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd and Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd will be submitted to the general meeting of shareholders for approval after being consented by Board of Directors; and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd will be examined and approved by Board of Directors.
Determination basis for the remuneration of directors, supervisors and senior management personnel	The annual remuneration of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be determined in accordance with Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd and their results of appraisal; remuneration of other directors and supervisors will be determined in

	accordance with Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd.
Actual payment of the remuneration of directors, supervisors and senior management personnel	The basic wages of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be paid in accordance with the salary management system, and their performance pay will be determined in accordance with the annual performance evaluation; remuneration of other directors and supervisors will be paid monthly in accordance with their allowance standard.
Composition of the Remuneration Committee of the Board of Directors and Their Duties	Remuneration Committee of the Board of Directors are composed of 3 directors, 3 of which are independent directors. Mr. Fu Jijun is currently the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee: 1. Study the standard for the assessment of the annual remuneration of the directors and senior management and conduct the assessment and offer suggestions in compliance with the actual situation of the Company; 2. Deliberate the remuneration management system and policies of the Company, propose on the remuneration plans of the directors and senior management and submit such plans to the Board of Directors, and supervise on the implementation of the plans; 3. Other matters authorized by the Board of Directors.

(II) Remuneration of Directors, Supervisors and Senior Manager during the Reporting Period

Unit: (RMB) 10,000

Name	Position	Gender	Age	Tenure Status	Total Pre-tax Remuneration Received from the Company	Whether be remunerated from Shareholders or other related methods
Lu Huayu	Director, chairman	Male	55	Incubent	290	No
Luo Mengbo	Director, vice chairman, president	Male	49	Incubent	290	No
Shi Tingjun	Director	Male	49	Incubent	0	Yes
Wei Xuemei	Director	Female	44	Incubent	10	Yes
Chen Shouping	Director	Male	49	Designated	0	Yes
Lian Wenhui	Director	Male	54	Designated	0	Yes
Liu Xinyu	Director	Female	45	Incubent	0	Yes
Zhang Kaidong	Director	Male	37	Incubent	0	Yes
Hu Pingxi	Independent director	Male	66	Incubent	0	No
Bei Duoguang	Independent director	Male	62	Incubent	0	No
Li Hao	Independent director	Male	61	Incubent	0	No
Hong Peili	Independent director	Female	56	Incubent	0	No
Wang Wei'an	Independent director	Male	54	Incubent	0	No
Hong Lifeng	Staff representative supervisor, chief supervisor	Male	55	Incubent	275.5	No
Liu Jianguang	Supervisor	Male	48	Incubent	2	Yes
Shu Guoping	External supervisor	Male	55	Incubent	30	No
Hu Songsong	External supervisor	Male	39	Incubent	30	No
Ding Yuanyao	External supervisor	Male	54	Incubent	0	No
Zhuang Ye	Staff representative super	Female	42	Incubent	110	No
Lu Xiaosu	Staff representative super	Female	50	Incubent	120	No
Fu Wensheng	Vice president	Male	47	Incubent	261	No
Wang Yongjie	Vice president	Male	47	Incubent	261	No
Feng Peijiong	Director, vice president	Male	45	Incubent	261	No
Ma Yuhui	Vice president	Male	38	Incubent	261	No

Zhuang Lingjun	Director, vice president, financial officer	Male	40	Incubent	43.5	No
Yu Gang	Secretary to the board of directors	Male	43	Incubent	246.5	No

Notes: Performance annual salary of the chairman of the board of directors, chairman of board of supervisors and senior management undergo deferred payment; as specified within the sheet, deferred remuneration of senior management in 2019 is RMB 7,481,700, which will be paid and deferred in three years. The remuneration of Zhuang Lingjun as the director, Vice President and financial officer of the Company will be the remuneration of him received from the Company as the Vice President of the Company. In 2019, Mr. Luo Weikai, the former director, Vice President and financial officer of the Company, received a remuneration of RMB 2,610,000 during his tenure, Mr. Yu Weiye, the former director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Zhu Nianhui, the former director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Chen Yongming, the former director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Li Rucheng, the former director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Xu Lixun, the former director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Fu Jianhua, Mr. Zhang Jixiang and Ms. Geng Hong, the former independent directors of the Company, didn't receive any remuneration from the Company during their tenures, Mr. Fu Jijun, the former independent director of the Company, received a remuneration of RMB 350,000 during his tenure, Mr. Ben Shenglin, the former independent director of the Company, received a remuneration of RMB 350,000 during his tenure, Mr. Wang Zhenhai, the former shareholder of the Company, received a remuneration of RMB 60,000 during his tenure, Ms. Pu Yiwei, the former external supervisor of the Company, received a remuneration of RMB 300,000 during her tenure, and Ms. Liu Rufen, the former employees' representative of the Company, received a remuneration of RMB 443,200 during her tenure. The Company has paid the deferred payable remuneration of 2016, including RMB 434,300 for Luo Mengbo, Vice Chairman and President of the Company, RMB 543,100 for Hong Lifeng, Chief Supervisor of the Company, RMB 544,000 for Luo Weikai, the former director, Vice President and financial officer of the Company, RMB 295,400 for Fu Wensheng, the Vice President of the Company, RMB 544,000 for Wang Yongjie, Vice President of the Company, RMB 388,600 for Feng Peijiong, director and Vice President of the Company and RMB 544,000 for Ma Yuhui, Vice President of the Company.

(III) Equity Incentive Awarded of the Company's Directors, Supervisors and Senior Management during the Reporting Period

Company Directors, Supervisors and Senior Management Personnel have not been awarded any equity incentive during the reporting period.

V. Employees in the Company

Up to Dec. 31, 2019, there are 17,337 employees in the Company, amongst which, 16,955 employees are of the parent company and 382 are of the subsidiaries. For the parent company, 5,170 employees are engaged in the corporate banking, 4,900 in personal banking, 3,388 are operation management staffs, 1,200 are risk and compliance management staffs, 731 are information technology staffs, 165 are other financial business staffs and 1,401 are comprehensive management staffs; among the employees of the parent company, employees with bachelor degree or above account for 97.46% and employees with college degree and below account for 2.54%.

The Company provides good training and professional development opportunities and superior remunerations and benefits for the employees. The remuneration policies of the Company are unified with the Company's governance requirements, combined with the sustainable development goals, applied with the risk management system, coordinated with the talents development strategies and matched with the value contributions of the employees, aiming at

promoting the stable operation and sustainable development of the Bank. The remuneration management policies of the Company apply to all the type institutions and employees of the Company.

The employees' remunerations are mainly composed of the basic remuneration and performance remuneration and the income gap is rationally reflected by the differences of the employees' posts, work responsibilities and obligations. The basic remuneration is determined by the class of positions of the employees and the performance remuneration is decided by the performances of the entire Company, the institution or department where the employee is belonged and the personal performance of the employee. During the report period, the Company has not applied the medium and long-term motivations in the way of shareholding and other forms of shareholding and the remunerations of the employees are paid in cash.

The Company has set up a performance evaluation system centered on the value creation, risk control and sustainable development, composing of three guide lines including performance, risk and development. The Company not only focuses on the spot indicators' performances, but also values a lot the long-term development indicators including the customers, market and the structural adjustment so as to balance well among the benefits, risks and quality and improve the stability and scientificity of the operation management.

The remuneration policies of the Company are consistent with the risk management system and matched with the size of the organization, nature and complexity of the business so as to restrain the short-term behaviors of the employees. According to the various risk management requirements, the Company applies different remuneration structures in compliance with the post natures of the employees. For the risk elements that have not been completely reflected in the very period, the Company will adjust them by reserving the risk funds and deferring the payment and advocate benign and healthy risk management cultures through behavior appraisal and corresponding motivations.

Chapter Twelve Corporate Governance

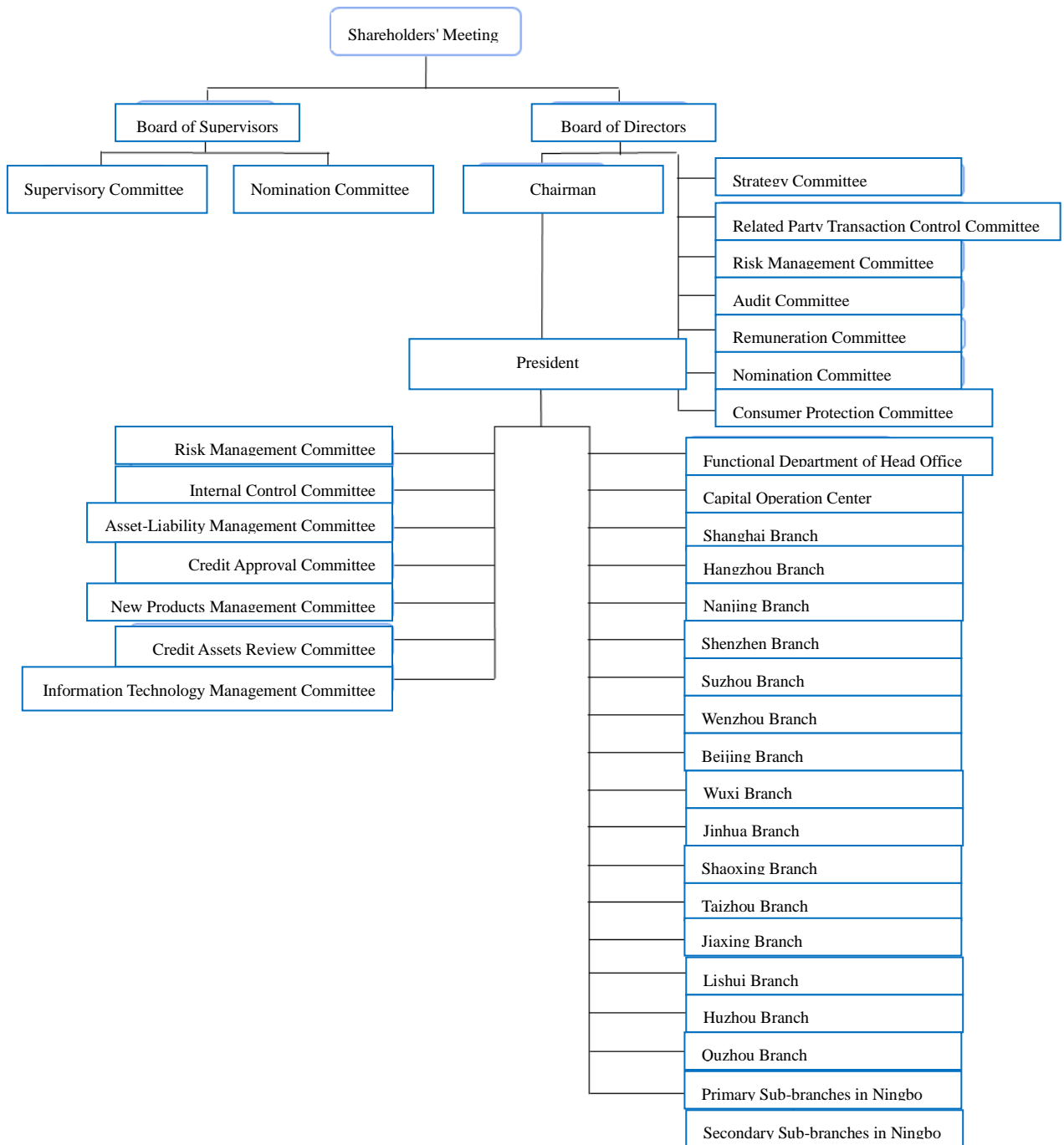
I. Basic conditions of the Company governance

The Company has basically formed a modern corporate governance system of "three meetings and one management" in strict accordance with the requirements of *the Company Law*, *the Securities Law*, *Governance Criteria of Listed Companies*, *Listing Rules of Shenzhen Stock Exchange* and *Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange*. During the reporting period, the Company held 1 annual general meeting of the shareholders and 1 extraordinary general meeting of the shareholders; 4 regular meetings and 3 extraordinary meetings of the Board of Directors; and 22 meetings of the special committees of the Board of Directors. The Board of Directors has carefully considered and deliberated various proposals, listened to the work report of the senior management, understood the business status of the Company, and made scientific decisions around the Company's strategic development, risk management, internal control, related party transaction management and other matters, effectively safeguarding the Company's overall interests and the legitimate rights and interests of shareholders. The Board of Supervisors has actively performed the supervision function and independently supervised the performance of the Board of Directors and Senior Management. The Senior Management has consciously accepted the supervision of the Board of Directors and Board of Supervisors, regularly reported to the Board of Directors on the operation status of the Bank, implemented the opinions and suggestions of the Board of Directors and Board of Supervisors, and solidly promoted various work requirements.

During the reporting period, the Company continued to follow up and implement various regulatory requirements, and comprehensively sorted out and timely improved various systems of corporate governance. Firstly, the Articles of Association have been revised to further improve the management of major shareholders; Secondly, the rules of procedure of each special committee have been revised to further clarify the composition and responsibilities of the members of the special committees; Thirdly, the Equity Management Measures of the Company have been revised to further refine the division of responsibilities for equity management; Fourthly, the Proposal Management Measures of the Company have been formulated to establish the work arrangement of various proposals and clarify the standards for proposals, which have significantly promoted the work efficiency.

During the reporting period, the Company has attached great importance to capital management, strengthened intensive capital management, actively expanded external capital supplement channels, ensured that the Company's capital adequacy level continued to meet regulatory requirements, and improved the momentum of serving the real economy. First, the Company has successfully converted convertible bonds amounted to RMB 10 billion to shares, with a conversion rate as high as 99.89%, increasing the total equity of the Company from 559 million shares to 5,628 million shares and further replenishing Core Tier One Capital; Second, the Company has successfully issued in public Tier Two capital bonds amounted to RMB 10 billion to the national inter-bank market, further enhancing the risk resistance capacity of the Company.

During the reporting period, the Company strictly complied with the relevant regulations and did a good job of information disclosure truthfully, accumulatively issued 78 announcements and disclosed 110 documents, including periodic reports, interim announcements, corporate governance documents, and record sheets of investor relations activities, ensuring the truthfulness, completeness and timeliness of the documents and protecting the legitimate interests and rights of the investors to the maximum extent. At the same time, the Company attaches great importance to the management of investor relations. By means of performance release, network communication, telephone communication and on-site communication, the Company has maintained good interaction with investors and effectively safeguarded the interests of investors, especially small and medium-sized investors. In the annual information disclosure assessment of Shenzhen Stock Exchange, the Company has been awarded A Level for 11 consecutive years; in the joint selection by Jiemian•CLS, the Company was granted the title "the Outstanding Listed Company of China"; and "the Most Socially Responsible Listed Company" in 2019 Reputation Award for Listed Companies of China by National Business Daily.



II. Independence of the Company and shareholders having more than 5% of Company shares in the business, personnel, asset, organization and finance

During this report period, the Company has no controlling shareholders.

(I) Business: the Company business is independent of shareholders that hold over 5% of shares. The Company adopts independent management and has complete business structure.

(II) Personnel: the Company adopts independent operation in human resources and wage management.

(III) Assets: the Company owns independent operation sites and equipped facilities.

(IV) Organization: the Company has set up a sound organizational structure system, in which the board of directors, the board of supervisors and the functional department are operated independently and have well-defined responsibilities, without any subordination to the functional department of shareholders' unit holding more than 5% of the Company shares.

(V) Finance: the Company has set up independent finance department and audit department which separately comprise professional accountants and auditors, and has formed independent accounting system and financial management system.

III. Horizontal competition

The Company has no controlling shareholders, so it has no horizontal competition with controlling shareholders, actual controllers and controlled companies.

IV. Annual general meeting and extraordinary general meeting held during the report period

Session and type of meeting	Ratio of participating investors	Date of meeting	Date of disclosure	Disclosure index
2018 Annual General Meeting of Shareholders	67.21%	May 16, 2019	May 17, 2019	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
The 1 st Session of 2019 Extraordinary General Meeting of Shareholders	67.09%	September 16, 2019	September 17, 2019	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)

During the report period, preferred stockholders whose voting rights are recovered cannot request the convening of extraordinary general meeting.

V. Performance of responsibilities by independent directors within the report period

(I) Information on independent directors' attending of the board meeting and shareholders' meeting

Information on independent directors' attending of the board meeting						
Name of independent director	Times of attending the board meeting during this report term	Times of attending the board meeting in person	Times of attending the board meeting by communication	Times of attending the board meeting by entrusted representative	Absent	Did you attend the meeting by other means other than in person for 2 times in a row?
Fu Jianhua	7	4	3	0	0	No
Fu Jijun	7	4	3	0	0	No
Ben Shenglin	7	3	3	1	0	No
Zhang Jixiang	7	4	3	0	0	No
Geng Hong	7	4	3	0	0	No
Hu Pingxi	7	3	3	1	0	No
Number of times of independent directors' attending of the				1		

shareholders' meeting

During the report period, there is no such case that independent directors fail to attend the board meeting in persons in two successive times.

(II) Objections raised by independent directors to related items

During the report term, no directors raise objections to company's related items.

(III) Other notes on the performance of responsibilities by independent directors

For the sake of the Company and investors, independent directors shall fulfill respective responsibilities, attend the board meeting, shareholders' meeting and committee meeting, understand the Company's business conditions, internal control mechanism and implementation of resolutions made by board of directors through field survey, voice their independent opinions on the employment of senior executives, external guarantee, capital use of related parties, internal control, annual profit distribution plan and reappointment of audit institution and protect interests of shareholders, especially shareholders of public shares, in accordance with *the Company Law, Securities Law, Guidelines for the Standard Operation of the Listed Companies of Shenzhen Stock Exchange, Articles of Association and Working System of Independent Directors*. During the report period, independent directors have raised their own opinions on related issues under discussion by the board of directors and provided many suggestions during the meeting and survey, all of which have been adopted or responded.

Date of disclosure	Items	Opinions
March 30, 2019	Independent opinions on 2018 annual profit distribution plan.	Agree
March 30, 2019	Independent opinions on the implementation of 2018 related party transactions.	Agree
March 30, 2019	Special opinions on the deposit and actual use of the raised funds of the Company.	Agree
March 30, 2019	Independent opinions on hiring external audit institution.	Agree
March 30, 2019	Independent opinions on self-assessment reports of internal control.	Agree
March 30, 2019	Independent opinions on derivatives trading and risk control.	Agree
March 30, 2019	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
March 30, 2019	Independent opinions on remuneration of directors, supervisors and senior executives.	Agree
April 26, 2019	Independent opinions on <i>Shareholder Return Planning for the Next Three Years (2019-2021) of Bank of Ningbo Co., Ltd.</i>	Agree
April 26, 2019	Independent opinions on non-public issuing of A-shares of the Company.	Agree
April 26, 2019	Independent opinions on the related trading items of the non-public issuing of stocks of the Company in 2017.	Agree
April 26, 2019	Opinions on previous approval of the related trading items of the non-public issuing of stocks of the Company.	Agree
April 26, 2019	Independent opinions on derivatives investment and risk control.	Agree
August 30, 2019	Independent opinions on the implementation of related party transactions of the first half year of 2019.	Agree
August 30, 2019	Independent opinions on derivatives trading and risk control.	Agree
August 30, 2019	Special explanation and independent opinions on company's external	Agree

	guarantee and capital occupying of controlling shareholders and other related parties.	
August 30, 2019	Independent opinions on hiring Mr. Zhuang Lingjun as the Vice President of the Company.	Agree
December 14, 2019	Independent opinions on the general election of the Board of Directors.	Agree
December 14, 2019	Independent opinions on 2020 annual estimated limit of daily connected transactions.	Agree

VI. Fulfillment of responsibilities by special committees under the Board of Directors during the report period

The Board of Directors comprised 13 directors at the end of the reporting period, including 5 independent directors. Independent directors are assumed by professionals in the field of finance and law etc, which assure the quality and level of decision-making of the Board of Directors, safeguard the rights and interests of the Company and all shareholders and give full play to the central role of the Board of Directors in corporate governance. In compliance with the requirements of the relevant provisions, the Board of Directors of the Company consists of seven special committees: Strategic Committee, Audit Committee, Related Party Transaction Control Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Consumer Protection Committee. There is a clear division of labor, rights and responsibilities between each committee to ensure the effective operation of all committees.

In 2019, special committees organized 22 meetings in total, including 4 by Strategic Committee, 4 by Audit Committee, 3 by Related Party Transaction Control Committee, 4 Risk Management Committee, 4 by Nomination Committee, 1 by Remuneration Committee and 2 by Consumer Protection Committee. Pursuant to the Articles of Association, Rules and Procedures for the Meeting of Board of Directors and Detailed Working Rules of the Company, special committees shall fulfill respective responsibilities by law and convene a meeting regularly, at which respective representatives shall propose opinions and suggestions for major development strategies, financial statements, internal audit and control, compliance management, related transaction management, risk management and control, director nomination, remuneration and assessment and consumer protection.

VII. Performance of the Board of Supervisors

7 supervisors comprise the Board of Supervisors by the end of the reporting period, including 3 employee supervisors, 3 external supervisors and 1 supervisor of shareholder. The structure of the Board of Supervisors follows the requirements of laws and regulations. The Board of Supervisors consists of Audit Committee and Nomination Committee. The supervisors of the Company can fulfill their duties earnestly, and supervise the legality and compliance of Company's financial personnel, directors and senior management personnel during the performance of their responsibilities in line with the spirit of being responsible to the shareholders.

VIII. Evaluation and incentive of senior management

During the reporting period, the senior management of the Company is composed of one president of the Bank, five vice presidents of the Bank and one secretary of the Board of Directors. The president is appointed by the Board of Directors, to be fully responsible for the daily operation and management of the Company. Senior executives are directly responsible to the board of directors and are evaluated, rewarded or punished by the board of directors. The Company's incentive and restraint mechanism is mainly reflected by the income distribution of senior executives, and policies and systems for distribution of company income are determined by the board of directors. The remuneration of senior executives is approved and granted according to Measures for Remuneration of Senior Executives of Bank of Ningbo and disclosed publicly in accordance with relevant regulations. During the report term, the Company evaluated the annual performance of senior management according to methods for evaluation of performance of senior management and senior executives and requirements of related regulatory department. Upon assessment, the senior management achieved all targets that the board of directors set in 2019, bringing more benefits to shareholders.

IX. Evaluation reports of internal control

(I) Material defects found in internal control during the report period

During the report period, no material defects of internal control are found.

(II) Self-assessment reports of internal control

Date of disclosure of evaluation reports of internal control	April 25, 2020	
Index for disclosure of evaluation reports of internal control	http://www.cninfo.com.cn	
Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100.00%	
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100.00%	
Standards for recognition of defects		
Category	Financial statements	Non-financial statements
Qualitative criteria	1. Material defects: Financial statements have received or are more likely to receive an adverse opinion or a disclaimer of opinion issued by certified public accountants; senior executives have been involved or are suspected of being involved in fraud; disclosed financial statements have material errors; the Company is lack of media, generating a wide range of impacts; financial control system or the system has important businesses are under no system been invalid; material or important defects control or the system has been invalid; in financial statements of internal control have not been modified.	1. Material defects: Democratic decision-making procedures are incomplete; national laws and regulations are severely breached and corresponding punishment is not received; senior executives and senior technicians are of higher mobility; its news is frequently broadcast by material errors; the Company is lack of media, generating a wide range of impacts; financial control system or the system has important businesses are under no system been invalid; material or important defects control or the system has been invalid; in financial statements of internal control have not been corrected.

	<p>2. Important defects: The Company's financial system is deficient; important defects in financial statements of internal control have not been modified; there are regulations are breached, causing great other defects of internal control that may lead to material error of financial statements.</p> <p>3. General defects: Other defects in financial statements of internal control except those material and important defects mentioned above.</p>	<p>2. Important defects: Democratic decision-making procedures exist but are not complete; the Company's internal control radiating local areas; the important business system is deficient; important defects of internal control have not been corrected.</p> <p>3. General defects: Decision-making procedures are less efficient; the Company's internal regulations are breached, without causing any losses; ordinary staff is of high mobility; its negative news is broadcast by media, generating less damages; general business system is deficient; general defects have not been corrected; other defects.</p>
Quantitative criterion	<p>1. Material defects: the amount of misstatement caused by defects of internal control: profits of misstatement $\geq 100\%$ of auditing importance level of financial statements</p> <p>2. Important defects: the amount of misstatement caused by defects of internal control: 30% of auditing importance level of financial statements \leq profits of misstatement $< 100\%$ of auditing importance level of financial statements</p> <p>3. General defects: the amount of misstatement caused by defects of internal control: profits of misstatement $< 30\%$ of auditing importance level of financial statements</p>	<p>1. Material defects: direct property losses caused by defects of internal control: direct property losses $\geq 100\%$ of auditing importance level of non-financial statements</p> <p>2. Important defects: direct property losses caused by defects of internal control: 30% of auditing importance level of non-financial statements \leq direct property losses $< 100\%$ of auditing importance level of non-financial statements</p> <p>3. General defects: direct property losses caused by defects of internal control: direct property losses $< 30\%$ of auditing importance level of non-financial statements</p>
Number of material defects in financial statements		0
Number of material defects in non-financial statements		0
Number of important defects in financial statements		0
Number of important defects in non-financial statements		0

X. Audit reports or verification reports of internal control

Opinions on audit reports of internal control	
We held that Bank of Ningbo remained effective internal control of financial reports regarding all important aspects as of December 31, 2019 in accordance with Basic Standard for Enterprise Internal Control and relevant regulations.	
Date of disclosure of audit reports of internal control	April 25, 2020
Index for disclosure of audit reports of internal control	http://www.cninfo.com.cn
Opinions on audit reports of internal control	Standard & unqualified opinion
Whether non-financial reports have material defects or not	No

Audits reports of internal control issued by the accounting firm are consistent with self-evaluation reports of the board of directors.

Chapter Thirteen Financial Statements

- I. Audit Report (see appendixes).
- II. Unqualified Audit Report based on 2019 financial statements issued by Ernst & Young Hua Ming Certified Public Accountants.
- III. Financial statements (see appendixes).
- IV. Notes to the financial statements (see appendixes).

Chapter Fourteen Catalogue

- I. 2019 Annual Report with signature of Mr. Lu Huayu, Chairman of the Board of Directors.
- II. Financial Statements signed and stamped by Mr. Lu Huayu, Legal Representative of the Company, Mr. Luo Mengbo, President of the Bank, Mr. Zhuang Lingjun, CFO of the Bank, and Ms. Sun Hongbo, Principal of the Accounting Department.
- III. Original Audit Report signed and stamped by the accounting firm and CPAs.

Bank of Ningbo Co., Ltd.

Audited Financial Statements

Year 2019

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Auditor's Report

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

To Shareholders of Bank of Ningbo Co., Ltd.,

I. Opinion

We have audited the attached financial statements of Bank of Ningbo Co., Ltd. and its subsidiaries (hereinafter referred to as the "Group"), including the Consolidated Balance Sheet, Consolidated Income Statement and the Consolidated Statement of Changes in Shareholders' Equity and Cash Flow Statement of 2019, as well as Balance Sheet at 31 December 2019, Income Statement for the year of 2019, Statement of Changes in Shareholders' Equity and Cash Flow Statement as well as Notes to the Financial Statements.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended.

II. Basis for Opinion

We conducted our audit in accordance with Auditing standards for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Auditor's Report (Continued)

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment provision for investments in loans and receivables</i>	
<p>In March 2017, the Ministry of Finance of the People's Republic of China revised and promulgated Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, requiring the measurement of impairment of financial assets to be changed from the "incurred loss model" to the "expected credit loss model", which has been adopted by the Group since January 1, 2019. The Group has used multiple models and assumptions in the measurement of expected credit loss, such as:</p> <p>Judgment criteria for significant increase of credit risk;</p> <p>Definition of assets with credit impairment;</p> <p>Model and parameters of expected credit loss measurement;</p> <p>Forward-looking information;</p> <p>Individual impairment assessment.</p> <p>As the impairment assessment of loans, advances and debt investment involves many significant judgments and assumptions, and due to the importance of its amount (as of December 31, 2019, the total amount of loans, advances and debt investment was RMB 716.826 billion, accounting for 54.40% of total assets; the total amount of provision for impairment of loans, advances and debt investment was RMB 23.395 billion), we regard it as a key audit item.</p>	<p>We have evaluated and tested the effectiveness of the design and implementation of key controls related to loan approval, post-loan management, credit rating, collateral management, and loan impairment testing, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling approach in our review procedures. We assessed the debtors' repayment capacity and evaluate the judgment result of customers loans and advances and Investment receivable according to the post-loan investigation report, financial information of debtor, report on pledge value and other information available.</p> <p>With the assistance of the internal credit risk model experts, we have evaluated and tested the important parameters of the expected credit loss model, the significant judgments of the management and the application of relevant assumptions, mainly focusing on the following aspects:</p> <p>1. Expected credit loss model:</p> <ul style="list-style-type: none"> •Evaluate the rationality of expected credit loss model methodology and related parameters, including default probability, default loss rate, risk exposure, significant increase of credit risk, etc; •Evaluate the forward-looking information used by management in determining the expected credit loss, including the prediction of macroeconomic variables and the assumption of multiple macroeconomic scenarios; •Evaluate the model and assumption of

	<p>single impairment test, and analyze the amount, time and probability of future cash flow expected by the management, especially the recoverable amount of collateral.</p> <p>2. Effectiveness of the design and implementation of key controls:</p> <ul style="list-style-type: none">•Evaluate and test the data and process used to confirm the expected credit loss provision, including loan business data, internal credit rating data, macroeconomic data, etc., as well as the calculation logic, data input, system interface, etc. of the impairment system;
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Auditor's Report (Continued)

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
<i>Impairment provision for investments in loans and receivables (continued)</i>	
<p>Relevant disclosures are included in Note III. 30, Note V. 7 and 8.2 and Note XI. 1 to the consolidated financial statements.</p>	<p>•Evaluate and test the key controls of the expected credit loss model, including model change approval, continuous monitoring of model performance, model validation and parameter calibration, etc;</p> <p>We have evaluated and tested the effectiveness of the control design and implementation on the disclosures related to the credit risk exposure and expected credit loss of the Group.</p>
<i>Evaluation on consolidation of structured entities</i>	
<p>The manages and invests several structured entities (mainly included financial products, funds, trust products and assets management plan, etc), and we evaluated whether the Group has control over these structured entities and whether these structured entities need to be consolidated. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns. The assessment of the Group's control over structured entities involves significant judgment on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis of these factors and the conclusion on whether it is controlled</p>	<p>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.</p> <p>We sampled relevant legal document to analysis whether the Group has to take the risk of such structured entities. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities.</p> <p>Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures structured entity that not included in the consolidated financial statements.</p>

<p>involve significant judgment and evaluation of management.</p> <p>Due to the significance of the consolidated structured entities and the complexity of judgment exercised by management, consolidation structured entities is considered a key audit matter.</p> <p>Relevant disclosures are included in Note III., 30, Note VI, 2 and 3.</p>	
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Auditor's Report (Continued)

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

IV. Other Information

The management of Bank of Ningbo Co., Ltd. is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the Management Personnel and Governance for the Consolidated Financial Statements

The management of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view e, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The governance personnel of the Group is responsible for overseeing the Group's financial reporting process.

Auditor's Report (Continued)

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

VI. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Report (Continued)

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

VI. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also (continued):

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Management with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditor's Report (Continued)

A.Y.H.M. (2020) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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Ernst & Young Certified Public Accountants
(Special general partnership)

CPA: Yan Shengwei
(Engagement partner)

CPA: Liu Dalu

Beijing, China

April 23, 2020

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet
For the Year Ended 31 December 2019

Unit: CNY Thousand

Assets	Note V	31 Dec. 2019	31 Dec. 2018
Cash and balances at central banks	1	93,555,663	88,457,374
Due from banks	2	15,409,022	9,251,993
Precious metal		12,515,747	7,554,430
Loans to banks	3	3,595,946	2,417,760
Derivative financial assets	4	20,260,229	30,257,173
Hold for trading financial asset	5	17,259,205	3,703,483
Interest receivable	6	Not Applicable	6,071,662
Loans and advances	7	510,038,566	411,591,615
Financial investment:	8		
Trading financial assets		248,891,658	Not Applicable
Investment on bonds		183,392,415	Not Applicable
Other investment on bonds		197,149,323	Not Applicable
Other equity investment		98,077	Not Applicable
Financial assets designated at fair value			
with its change enter into income statement		Not Applicable	134,766,743
Available-for-sale financial assets		Not Applicable	221,033,846
Held-to-maturity investment		Not Applicable	70,118,200
Accounts receivable held for investment		Not Applicable	119,427,658
Investment real estate	9	39,280	39,240
Fixed assets	10	6,448,097	5,185,166
Intangible assets	11	380,572	346,996
Construction in progress	12	1,324,356	1,184,628
Deferred income tax assets	13	4,858,203	3,668,448
Other assets	14	2,500,687	1,346,940
Total assets		<u>1,317,717,046</u>	<u>1,116,423,355</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

Liabilities	Note V	31 Dec. 2019	31 Dec. 2018
Due to Central Bank	16	30,490,563	15,500,000
Due to banks and other financial institutions	17	35,697,447	21,214,973
Loans from other banks	18	35,962,274	53,943,803
Trading financial liabilities	19	10,880,977	11,856,092
Derivative financial liabilities	4	20,368,170	27,564,862
Financial assets sold for repurchase	20	62,694,202	26,930,116
Deposit taking	21	779,224,138	646,721,375
Wages and salaries payable	22	2,430,358	2,248,180
Taxes payable	23	3,323,506	740,442
Interests payable	24	Not Applicable	10,287,788
Anticipation liabilities	25	2,122,934	-
Bonds payable	26	212,885,759	208,437,348
Other liabilities	27	<u>20,900,607</u>	<u>9,748,508</u>
Total liabilities		<u>1,216,980,935</u>	<u>1,035,193,487</u>
Shareholders' equity			
Equity	28	5,628,330	5,208,555
Other equity tools	29	14,810,446	16,232,978
Including: preferred shares		14,810,446	14,811,578
Convertible bonds		-	1,421,400
Capital reserve	30	18,785,134	11,219,205
Other comprehensive income	31	2,219,826	689,316
Surplus reserve	32	7,249,585	5,942,864
General risk reserve	33	10,920,827	9,138,300
Undistributed profit	34	<u>40,694,699</u>	<u>32,447,993</u>
Equity attributable to shareholders of the parent company		100,308,847	80,879,211
Minority shareholders' equity		<u>427,264</u>	<u>350,657</u>
Total shareholders' equity		<u>100,736,111</u>	<u>81,229,868</u>
Total liabilities and shareholders' equity		<u>1,317,717,046</u>	<u>1,116,423,355</u>

The Financial Statements are signed by:

Legal Representative:	President:	Financial work principal:	Accounting institution principal:Seal:
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Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Income Statement
For the Year Ended 31 December 2019

Unit: CNY Thousand

	Note V	2019	2018
I. Operating income		35,081,391	28,930,304
Net interest income	35	19,563,830	19,120,253
Interest income	35	45,153,877	42,871,208
Interest expense	35	(25,590,047)	(23,750,955)
Net fee and commission income	36	7,783,699	5,794,164
Fee and commission income	36	8,480,938	6,329,921
Fee and commission expense	36	(697,239)	(535,757)
Other income	37	39,811	40,661
Investment gains	38	6,540,530	5,072,656
Changes in fair value recognized in profit or loss	39	2,016,141	6,262,824
Exchange gain or loss		(904,238)	(7,496,306)
Other operating income	40	36,159	30,941
Assets disposal income	41	<u>5,459</u>	<u>105,111</u>
II. Operating expenditure		(19,791,835)	(17,384,489)
Tax and surcharges	42	(257,339)	(200,084)
Business and administration expenses	43	(12,037,744)	(9,963,906)
Credit impairment losses	44	(7,461,237)	Not Applicable
Assets impairment losses	45	Not Applicable	(7,207,407)
Other operating expenses	40	<u>(35,515)</u>	<u>(13,092)</u>
III. Operating profits		15,289,556	11,545,815
Non-operating income	46	21,824	14,292
Non-operating expenditure	47	<u>(93,487)</u>	<u>(62,556)</u>
IV. Total profits		15,217,893	11,497,551
Income tax	48	<u>(1,427,049)</u>	<u>(276,915)</u>
V. Net profits		<u>13,790,844</u>	<u>11,220,636</u>
Including: net profit attributable to the parent company		13,714,237	11,186,356
Minority shareholders' gain and loss		76,607	34,280
VI. Net after-tax value for other comprehensive income		1,106,502	2,763,532
Net of tax for other comprehensive income attributable to shareholders of the parent company	31	1,106,502	2,763,452
Other comprehensive income that cannot be reclassified into profit and loss		5,622	Not Applicable
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		5,622	Not Applicable
Other comprehensive income will subsequently be reclassified into profit and loss		1,100,880	2,763,452
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		930,592	Not Applicable
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		170,288	Not Applicable

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Income Statement (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

	Note V	2019	2018
VI. Net after-tax value for other comprehensive income (continued)			
Fair value change on financial assets available for sale	Not Applicable		2,768,958
Difference between fair value and book value of the investment real estate on the day of conversion measured at fair value mode converted from self-use real estate or inventory		-	(5,506)
Net of other comprehensive income attributable to minority shareholders after tax		-	80
VII. Total comprehensive income		<u>14,897,346</u>	<u>13,984,168</u>
Including: attributable to shareholders of the parent company		14,820,739	13,949,808
Attributable to minority shareholders		76,607	34,360
VIII. Earnings per share (RMB/share)			
Basic earnings per share	49	2.41	2.15
Diluted earnings per share	49	2.41	2.04

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2019

Unit: CNY Thousand

2019

Item	Equity attributable to shareholders of the parent company								Minority Shareholders' Equity	Total Shareholders' Equity
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Subtotal		
I. End balance of previous year	5,208,555	16,232,978	11,219,205	689,316	5,942,864	9,138,300	32,447,993	80,879,211	350,657	81,229,868
Add: changing in accounting policy	-	-	-	424,008	-	-	534,192	958,200	-	958,200
II. Beginning balance of the year	5,208,555	16,232,978	11,219,205	1,113,324	5,942,864	9,138,300	32,982,185	81,837,411	350,657	82,188,068
III. Increase/decrease in the year	419,775	(1,422,532)	7,565,929	1,106,502	1,306,721	1,782,527	7,712,514	18,471,436	76,607	18,548,043
(I) Total comprehensive income	-	-	-	1,106,502	-	-	13,714,237	14,820,739	76,607	14,897,346
(II) Capital invested and reduced	419,775	(1,422,532)	7,565,929	-	-	-	-	6,563,172	-	6,563,172
1. Shareholder invested capital	419,775	-	7,565,929	-	-	-	-	7,985,704	-	7,985,704
2. Other equity owners'										
investment capital	-	(1,422,532)	-	-	-	-	-	(1,422,532)	-	(1,422,532)
Preferred shares	-	(1,132)	-	-	-	-	-	(1,132)	-	(1,132)
Convertible bonds equity	-	(1,421,400)	-	-	-	-	-	(1,421,400)	-	(1,421,400)
(III) Profit distribution	-	-	-	-	1,306,721	1,782,527	(6,001,723)	(2,912,475)	-	(2,912,475)
1. Withdrawal surplus reserves	-	-	-	-	1,306,721	-	(1,306,721)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,782,527	(1,782,527)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(2,912,475)	(2,912,475)	-	(2,912,475)
III. End balance of the year	<u>5,628,330</u>	<u>14,810,446</u>	<u>18,785,134</u>	<u>2,219,826</u>	<u>7,249,585</u>	<u>10,920,827</u>	<u>40,694,699</u>	<u>100,308,847</u>	<u>427,264</u>	<u>100,736,111</u>

Notes: including the general risk reserve by the subsidiary amounted to RMB 149,121,000.

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.

Consolidated Statement of Changes in Shareholders' Equity (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

2018

Item	Equity attributable to shareholders of the parent company							Minority Shareholders' Equity	Total Shareholders' Equity	
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit Subtotal			
I. Beginning balance of the year	5,069,732	6,719,945	8,779,906	(2,074,136)	4,857,149	7,858,597	25,878,052	57,089,245	116,727	57,205,972
II. Increase/decrease in the year	138,823	9,513,033	2,439,299	2,763,452	1,085,715	1,279,703	6,569,941	23,789,966	233,930	24,023,896
(I) Total comprehensive income	-	-	-	2,763,452	-	-	11,186,356	13,949,808	34,360	13,984,168
(II) Capital invested and reduced	138,823	9,513,033	2,439,299	-	-	-	-	12,091,155	199,570	12,290,725
1. Shareholder invested capital	138,823	-	2,439,299	-	-	-	-	2,578,122	-	2,578,122
2. Other equity owners'										
investment capita	-	9,513,033	-	-	-	-	-	9,513,033	-	9,513,033
Preferred shares	-	9,986,887	-	-	-	-	-	9,986,887	-	9,986,887
Convertible bonds equity	-	(473,854)	-	-	-	-	-	(473,854)	-	(473,854)
3. Minority shareholder invested capital-	-	-	-	-	-	-	-	-	199,570	199,570
(III) Profit distribution	-	-	-	-	1,085,715	1,279,703	(4,616,415)	(2,250,997)	-	(2,250,997)
1. Withdrawal surplus reserves	-	-	-	-	1,085,715	-	(1,085,715)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,279,703	(1,279,703)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(2,250,997)	(2,250,997)	-	(2,250,997)
III. End balance of the year	5,208,555	16,232,978	11,219,205	689,316	5,942,864	9,138,300	32,447,993	80,879,211	350,657	81,229,868

Notes: including the general risk reserve by the subsidiary amounted to RMB 207,929,000.

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Cash Flow Statement
For the Year Ended 31 December 2019

Unit: CNY Thousand

	Vote V	2019	2018
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		139,230,338	70,780,617
Net increase in loan from the central bank		14,565,000	13,000,000
Cash received from interest, fees and commission		42,476,924	30,886,030
Net increase of financial assets sold for repurchase		35,733,472	-
Net decrease in loan to the central bank and other financial institutions		-	833,479
Other cash received relating to operating activities	51	<u>1,856,553</u>	<u>8,882,911</u>
Sub-total of cash inflow from operating activities		<u>233,862,287</u>	<u>124,383,037</u>
Net increase in loans and advance payments to customers		98,787,434	82,277,291
Net increase in deposits with the central bank and other banks		8,336,116	-
Net decrease in placements from other financial institutions		18,277,883	40,962,292
Net decrease of financial assets sold for repurchase		-	19,058,674
Net increase in financial assets held for trading purposes		29,959,489	Not Applicable
Net increase in lending funds		990,487	93,059
Cash paid to interest, fees and commission		19,100,160	14,958,021
Cash paid to and on behalf of employees		7,587,201	6,178,583
Taxes paid		2,879,052	4,271,716
Cash paid relating to other operating activities ⁵²		<u>7,605,834</u>	<u>7,562,548</u>
Sub-total of cash outflow from operating activities		<u>193,523,656</u>	<u>175,362,184</u>
Net cash flows generated from operating activities	53	<u>40,338,631</u>	<u>(50,979,147)</u>
II. Cash flow from investing activities			
Cash received from investment		1,795,256,818	4,843,439,077
Cash received from returns on investment		15,345,852	17,131,723
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		<u>18,306</u>	<u>387,565</u>
Sub-total of cash outflow from investing activities		<u>1,810,620,976</u>	<u>4,860,958,365</u>
Cash paid as investment		1,832,319,189	4,866,486,011
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>2,608,517</u>	<u>1,290,487</u>
Sub-total of cash outflow from investing activities		<u>1,834,927,706</u>	<u>4,867,776,498</u>
Net cash flow from investing activities		<u>(24,306,730)</u>	<u>(6,818,133)</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Cash Flow Statement (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

	Vote V	2019	2018
III. Cash flow from financing activities			
Cash received by absorbing investment		-	10,186,457
Cash received by bonds issuing		<u>376,509,057</u>	<u>452,270,000</u>
Sub-total of cash inflow from financing activities		<u>376,509,057</u>	<u>462,456,457</u>
Cash for payment of borrowing		368,885,485	413,245,942
Cash paid for distribution of dividends or profits, or cash paid for interests		7,266,125	10,218,696
Cash paid for other financing activities		<u>1,132</u>	-
Sub-total of cash outflow from financing activities		<u>376,152,742</u>	<u>423,464,638</u>
Net cash flow from financing activities		<u>356,315</u>	<u>38,991,819</u>
IV. Effect of foreign exchange rate change on cash		<u>90,321</u>	<u>233,627</u>
V. Net increase (decrease) in cash and cash equivalents		<u>16,478,537</u>	<u>(18,571,834)</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>25,573,215</u>	<u>44,145,049</u>
VI. Balance of cash and cash equivalents at the end of the year	50	<u><u>42,051,752</u></u>	<u><u>25,573,215</u></u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Balance Sheet****For the Year Ended 31 December 2019****Unit: CNY Thousand**

Assets	Note XIII	31 Dec. 2019	31 Dec. 2018
Cash and deposits at central banks		93,555,663	88,457,305
Due from other banks		14,111,466	9,157,897
Precious metal		12,515,747	7,554,430
Loans to other banks		4,376,007	2,517,760
Derivative financial assets		20,260,229	30,257,173
Hold for trading financial asset		17,259,205	3,703,483
Interest receivable		Not Applicable	5,824,807
Loans and advances	2	476,887,768	391,671,249
Financial investment:			
Trading financial assets		247,384,720	Not Applicable
Investment on bonds		183,392,415	Not Applicable
Other investment on bonds		197,149,323	Not Applicable
Other equity investment		98,077	Not Applicable
Financial assets designated at fair value			
with its change enter into income statement		Not Applicable	133,672,485
Available-for-sale financial assets		Not Applicable	221,029,042
Held-to-maturity investments		Not Applicable	70,108,013
Accounts receivable held for investment		Not Applicable	119,194,658
Long-term equity investment	1	5,147,200	2,647,200
Investment real estate		39,280	39,240
Fixed assets		6,421,112	5,173,659
Intangible assets		359,816	337,537
Construction in progress		1,315,252	1,175,974
Deferred income tax assets		4,638,661	3,568,897
Other assets		2,295,316	1,094,271
Total assets		<u>1,287,207,257</u>	<u>1,097,185,080</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Balance Sheet (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

Liabilities	Note XIII	31 Dec. 2019	31 Dec. 2018
Due to Central Banks		30,490,563	15,500,000
Deposits by banks and other financial institutions		36,567,770	21,229,586
Loan from other banks		12,090,988	37,963,441
Trading financial liabilities		10,880,951	11,830,546
Derivative financial liabilities		20,368,170	27,564,862
Financial assets sold for repurchase		62,689,273	26,930,116
Deposits taking		781,112,068	647,687,269
Wages and salaries payable		2,186,591	2,139,486
Taxes payable		3,168,844	613,823
Interests payable	Not Applicable		10,115,018
Anticipation liabilities		2,122,934	-
Bonds payable		210,826,160	208,437,348
Other liabilities		<u>15,824,714</u>	<u>7,078,226</u>
Total liabilities		<u>1,188,329,026</u>	<u>1,017,089,721</u>
Shareholders' equity			
Equity		5,628,330	5,208,555
Other equity tools		14,810,446	16,232,978
Including: preferred shares		14,810,446	14,811,578
Convertible bonds		-	1,421,400
Capital reserve		18,784,954	11,219,025
Other comprehensive income		2,219,640	689,235
Surplus reserve		7,249,585	5,942,864
General risk reserve		10,434,073	8,800,667
Undistributed profits		<u>39,751,203</u>	<u>32,002,035</u>
Total shareholders' equity		<u>98,878,231</u>	<u>80,095,359</u>
Total shareholders' equity		<u>1,287,207,257</u>	<u>1,097,185,080</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Income Statement****For the Year Ended 31 December 2019****Unit: CNY Thousand**

	Note XIII	2019	2018
I. Operating income		33,286,555	27,956,655
I. Operating income	3	18,853,014	18,905,987
Interest income	3	43,688,121	41,908,100
Interest expense	3	(24,835,107)	(23,002,113)
Net fee and commission income		6,928,610	5,080,820
Fee and commission income		7,620,744	5,610,544
Fee and commission expense		(692,134)	(529,724)
Other income		23,971	31,699
Investment gains		6,473,132	5,035,433
Changes in fair value recognized in profit or loss		1,870,978	6,241,827
Exchange gain or loss		(904,982)	(7,475,589)
Other operating income		36,584	31,367
Assets disposal income		<u>5,248</u>	<u>105,111</u>
II. Operating expenditure		(18,947,621)	(16,885,514)
Tax and surcharges		(247,848)	(192,029)
Business and administration expenses		(11,621,080)	(9,718,371)
Credit impairment losses		Not Applicable	(6,962,022)
Other operating expenses		<u>(35,515)</u>	<u>(13,092)</u>
Other operating expenses		14,338,934	11,071,141
Non-operating income		21,762	14,187
Non-operating expenditure		<u>(92,200)</u>	<u>(62,527)</u>
IV. Total profits		14,268,496	11,022,801
Income tax		<u>(1,201,290)</u>	<u>(165,650)</u>
V. Net profits		<u>13,067,206</u>	<u>10,857,151</u>
VI. Net after-tax value of other comprehensive income		1,106,502	2,763,251
Other comprehensive income that cannot be reclassified into profit and loss		5,622	Not Applicable
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		5,622	Not Applicable
Other comprehensive income will subsequently be reclassified to the income statement		1,100,880	2,763,251
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		930,592	Not Applicable
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		170,288	Not Applicable

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.

Income Statement (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

	Note XIII	2019	2018
VI. Net after-tax value of other comprehensive income (continued)			
Changes in the fair value of financial assets available for sale			
		Not Applicable	2,768,757
Difference between fair value and book value of the investment real estate on the day of conversion measured at fair value mode converted from self-use real estate or inventory		-	(5,506)
VII. Total comprehensive income		<u>14,173,708</u>	<u>13,620,402</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2019

Unit: CNY Thousand

2019

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk reserve	Undistributed Profits	Total shareholder's equity
I. End balance of previous year	5,208,555	16,232,978	11,219,025	689,235	5,942,864	8,800,667	32,002,035	80,095,359
Add: changing in accounting policy	-	-	-	423,903	-	-	534,564	958,467
II. Balance on January 1, 2019	5,208,555	16,232,978	11,219,025	1,113,138	5,942,864	8,800,667	32,536,599	81,053,826
III. Increase/decrease in the year	419,775	(1,422,532)	7,565,929	1,106,502	1,306,721	1,633,406	7,214,604	17,824,405
(I) Total comprehensive income	-	-	-	1,106,502	-	-	13,067,206	14,173,708
(II) Capital invested and reduced	419,775	(1,422,532)	7,565,929	-	-	-	-	6,563,172
1. Shareholder invested capital	419,775	-	7,565,929	-	-	-	-	7,985,704
2. Other equity owners'								
investment capital	-	(1,422,532)	-	-	-	-	-	(1,422,532)
Preferred shares	-	(1,132)	-	-	-	-	-	(1,132)
Convertible bonds equity	-	(1,421,400)	-	-	-	-	-	(1,421,400)
(III) Profit distribution	-	-	-	-	1,306,721	1,633,406	(5,852,602)	(2,912,475)
1. Withdrawal surplus reserves	-	-	-	-	1,306,721	-	(1,306,721)	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,633,406	(1,633,406)	-
3. Dividend distribution	-	-	-	-	-	-	(2,912,475)	(2,912,475)
IV. End balance of the year	<u>5,628,330</u>	<u>14,810,446</u>	<u>18,784,954</u>	<u>2,219,640</u>	<u>7,249,585</u>	<u>10,434,073</u>	<u>39,751,203</u>	<u>98,878,231</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Statement of Changes in Shareholders' Equity (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

2018

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk reserve	Undistributed Profits	Total shareholder's equity
I. Beginning balance of the year	5,069,732	6,719,945	8,779,726	(2,074,016)	4,857,149	7,728,893	25,553,370	56,634,799
II. Increase/decrease in the year	138,823	9,513,033	2,439,299	2,763,251	1,085,715	1,071,774	6,448,665	23,460,560
(I) Total comprehensive income	-	-	-	2,763,251	-	-	10,857,151	13,620,402
(II) Capital invested and reduced	138,823	9,513,033	2,439,299	-	-	-	-	12,091,155
1. Shareholder invested capital	138,823	-	2,439,299	-	-	-	-	2,578,122
2. Other equity owners'								
investment capital	-	9,513,033	-	-	-	-	-	9,513,033
Preferred shares	-	9,986,887	-	-	-	-	-	9,986,887
Convertible bonds equity	-	(473,854)	-	-	-	-	-	(473,854)
(III) Profit distribution	-	-	-	-	1,085,715	1,071,774	(4,408,486)	(2,250,997)
1. Withdrawal surplus reserves	-	-	-	-	1,085,715	-	(1,085,715)	-
2. Withdrawal general risk reserve	-	-	-	-	-	1,071,774	(1,071,774)	-
3. Dividend distribution	-	-	-	-	-	-	(2,250,997)	(2,250,997)
III. End balance of the year	<u>5,208,555</u>	<u>16,232,978</u>	<u>11,219,025</u>	<u>689,235</u>	<u>5,942,864</u>	<u>8,800,667</u>	<u>32,002,035</u>	<u>80,095,359</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Cash Flow Statement****For the Year Ended 31 December 2019****Unit: CNY Thousand**

	Note XIII	2019	2018
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		141,006,297	71,671,890
Net increase in loan from the central bank		14,565,000	13,000,000
Net decrease in lending funds		-	906,941
Cash received from interest, fees and commission		40,332,574	29,237,125
Net increase of financial assets sold for repurchase		35,728,543	-
Net decrease in loan to the central bank and other financial institutions		-	803,240
Other cash received relating to operating activities		<u>1,365,542</u>	<u>8,087,885</u>
Sub-total of cash inflow from operating activities		<u>232,997,956</u>	<u>123,707,081</u>
Net increase in loans and advance payments to customers		87,951,609	79,507,806
Net increase in deposits with the central bank and other banks		7,976,383	-
Net decrease in placements from other financial institutions		25,928,456	42,919,428
Net decrease of financial assets sold for repurchase		-	19,058,674
Net increase in financial assets held for trading purposes		30,359,488	Not Applicable
Net increase in lending funds		890,488	-
Cash paid to interest, fees and commission		18,429,249	14,139,159
Cash paid to and on behalf of employees		7,402,518	6,048,636
Taxes paid		2,263,902	3,939,533
Cash paid relating to other operating activities		<u>6,889,959</u>	<u>7,009,914</u>
Sub-total of cash outflow from operating activities		<u>188,092,052</u>	<u>172,623,150</u>
Net cash flows generated from operating activities	4	<u>44,905,904</u>	<u>(48,916,069)</u>
II. Cash flow from investing activities			
Cash received from investment		1,795,044,369	4,842,826,402
Cash received from returns on investment		15,339,381	17,106,757
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		<u>16,653</u>	<u>379,858</u>
Sub-total of cash outflow from investing activities		<u>1,810,400,403</u>	<u>4,860,313,017</u>
Cash paid as investment		1,834,769,189	4,866,562,820
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>2,570,168</u>	<u>1,271,173</u>
Sub-total of cash outflow from investing activities		<u>1,837,339,357</u>	<u>4,867,833,993</u>
Net cash flow from investing activities		<u>(26,938,954)</u>	<u>(7,520,976)</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Cash Flow Statement (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

	Note XIII	2019	2018
III. Cash flow from financing activities			
Cash received by absorbing investment		-	9,986,887
Cash received by bonds issuing		<u>374,510,000</u>	<u>452,270,000</u>
Sub-total of cash inflow from financing activities		<u>374,510,000</u>	<u>462,256,887</u>
Cash for payment of borrowing		368,885,485	413,245,942
Cash paid for distribution of dividends or profits, or cash paid for interests		7,266,125	10,218,696
Cash paid for other financing activities		<u>1,132</u>	<u>-</u>
Sub-total of cash outflow from financing activities		<u>376,152,742</u>	<u>423,464,638</u>
Net cash flow from financing activities		<u>(1,642,742)</u>	<u>38,792,249</u>
IV. Effect of foreign exchange rate change on cash		<u>90,164</u>	<u>233,091</u>
V. Net increase (decrease) in cash and cash equivalents		<u>16,414,372</u>	<u>(17,411,705)</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>25,554,703</u>	<u>42,966,408</u>
VI. Balance of cash and cash equivalents at the end of the year		<u><u>41,969,075</u></u>	<u><u>25,554,703</u></u>

Attached notes to financial statements are components of the Financial Statements

I. Group Profile

1. Company History

Bank of Ningbo Co., Ltd. (the "Bank"), which was previously known as Ningbo Commercial Bank, is a joint-stock commercial bank established on 31 March 1997 in accordance with "Notice on the Establishment of City Cooperative Banks" issued by State Council (G.F.[1995] No.25) and on the basis of document no. Y.F.(1997)136 by People's Bank of China. Originally named as "Ningbo City Cooperative Bank Co., Ltd.", it was changed to "Ningbo Commercial Bank Co., Ltd." on 2 June 1998, approved by People's Bank of China, Ningbo Branch. The Bank was renamed as "Bank of Ningbo Co., Ltd." on 13 February 2007 upon the approval of China Banking and Insurance Regulatory Commission (hereinafter referred to as "CBIRC"). On 19 July 2007, the Bank was listed on the Shenzhen Stock Exchange, with the stock code of 002142.

The Bank holds the No. 00498103 Financial Business Operation Permit, as approved by CBIRC. The enterprise business license No. of the Bank is 91330200711192037M, as issued by Ningbo Administrative Bureau for Industry and Commerce.

Business nature of the Bank is finance. Main business activities during the reporting period are absorption of public deposits; granting of short-term, medium-term and long-term loans; domestic settlements; discounting; issuance of financial bonds; acting as distribution agent, payment agent, and underwriter of government bonds; trading government bonds; inter-bank borrowing (lending); bank cards; bank guarantee; payment/collection agent and insurance agent; providing safe deposit box service; consignment loan of local fiscal revolving funds; foreign currency deposit, loans and remittance; international settlements, foreign exchange settlement and sale; inter-bank foreign exchange borrowing (lending); acceptance and discount of negotiable instruments in foreign currencies; foreign currency guarantees, as well as other businesses as granted by CBIRC, People's Bank of China and the National Foreign Exchange Authority.

The business address of the Bank is No. 345, Ningdong Road,, Yinzhou District, Ningbo, Zhejiang, China. The Bank operates within the People's Republic of China ("China").

2. Structure

As of December 31, 2019, the Bank has established 14 branches and 19 primary sub-branches with its sales department of head office and sub-branch located in downtown, suburb and county (county-level city) of Ningbo,

Bank of Ningbo Co., Ltd.

Notes to Financial Statements

For the Year Ended 31 December 2019

Unit: CNY Thousand

Zhejiang Province, and branches located in Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou, Jiaxing, Lishui and Huzhou, and with its capital operation center in Shanghai. The consolidation scope of consolidated financial statements is determined on the basis of control.

This Financial Statement was submitted and approved by the board of director of the Company on April 23, 2020. According to the Articles of Association of the Company, the Financial Statement will be submitted to the shareholders' meeting for approval.

II. Basis for preparation of the Financial Statements

These financial statements have been prepared in accordance with "*Accounting Standards for Business Enterprises-Basic Standards*" issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as the "Ministry of Finance") in February 2006, as well as the specific accounting standards, application guidelines, explanations and other relevant regulations issued and amended thereafter (collectively referred to as "Accounting Standards for Business Enterprises").

These financial statements are prepared on the basis of sustainable operation.

The recording principle applies accrual basis and adopts historical cost for pricing except for derivative financial instruments, precious metals held for transaction, financial assets/liabilities at fair value through profit or loss, available-for-sale financial assets and investment real estate. An impairment provision shall be correspondingly recorded into the event of assets impairment.

III. Critical Accounting Policies and Estimates

The Group established the specific accounting policies and estimates according to the actual operation features, as detailed in the classification, recognition, measurement, depreciation of the financial assets, as well as the recognition of income.

1. Declaration of compliance with *Accounting Standards for Business Enterprises*

These financial statements comply with the requirements of Accounting Standards for Business Enterprises and in all material respects truly and accurately present the financial condition of the Bank and the Group on 31 December 2019 and the operating results and cash flow for 2019.

2. Accounting period

Calendar year from 1 January to 31 December.

3. Recording currency

CNY as recording currency for all financial statements and CNY Thousand as monetary unit unless otherwise specially instructed.

4. Business combination

Business combination are classified into the combinations under common control and the combinations not under common control.

III. Critical Accounting Policies and Estimates (continued)

4. Business combination (continued)

Business Combination under the Common Control

Business combination under the common control is a kind of combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the common control, the party which obtains the control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The combining date refers to the date on which the combining party actually obtains the control on the combined party.

The assets and liabilities (including goodwill) that the combining party obtains in a business combination shall be measured on the basis of the carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the share premium in the additional paid-in capital and the transferred balance in the original system of the additional paid-in capital shall be adjusted. If it is not sufficient to be offset, the retained earnings shall be adjusted.

Business Combination under the Non-common Control

A business combination under non-common control is a kind of combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination under the non-common control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree. The acquisition date refers to the date on which the acquirer actually obtains the control on the acquired.

In a business combination under the non-common control, the identifiable assets, liabilities and the contingent liabilities obtained from the acquiree shall be measured at the fair value on the acquisition date.

If the sum of the fair value of the paid balances (or the fair value of the issued equities securities) and the fair value of equity held by the acquiree before the acquisition date is larger than the fair value of the identifiable net assets obtained from the acquiree in the combination, the balance between them is defined as the

Bank of Ningbo Co., Ltd.

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business reputation. And the subsequent measurement shall be measured on the basis of its costs minus the accumulative impairment. If the sum of the fair value of the paid balances (or the fair value of the issued equities securities) and the fair value of equity held by the acquiree before the acquisition date is less than the fair value of the identifiable net assets obtained from the acquiree in the combination, then firstly a reexamination shall be conducted as for the measurement of the identifiable assets, liabilities and the contingent liabilities obtained from the acquiree, the fair value of the paid balances (or the fair value of the issued equities securities) and the fair value of equity held by the acquiree before the acquisition date. After the reexamination, if the sum of the fair value of the paid balances (or the fair value of the issued equities securities) and the fair value of equity held by the acquiree before the acquisition date is still less than the fair value of the identifiable net assets obtained from the acquiree in the combination, the balance between them shall be recorded into the profits and losses of the current period.

III. Critical Accounting Policies and Estimates (continued)

5. Consolidated Financial Statements

The consolidated scope of the consolidated financial statements is on the basis of control, including the consolidated financial statements of the Company and all of its subsidiary companies. A subsidiary company refers to the entity controlled by the Company (including divisible part in the enterprise or invested unit, as well as the structured entity controlled by the Company).

During the preparation of the consolidated financial statements, the subsidiary companies shall adopt the same accounting period and accounting policies as the Company. All the assets, liabilities, equity, revenues, expenses and cash flows arising from transactions between the companies within the Group shall be completely eliminated on the consolidation.

If losses of the current period for the minority shareholders in the subsidiary exceed the shareholders' equity enjoyed by them in the subsidiary at the beginning period, the balance shall still offset the interests of the minority shareholders.

As for the subsidiary companies acquired from the business combination under the non-common control, the business results and cash flows of the acquiree shall be included in the consolidated financial statements since the day when the Group obtains the control until the Group terminates its control. While preparing the consolidated financial statements, the financial statements of the subsidiary companies shall be adjusted on the basis of the fair value of its various identifiable assets, liabilities and the contingent liabilities that are confirmed on the acquisition date.

As for the subsidiary companies acquired from the business combination under the common control, the combined business results and cash flows shall be included in the consolidated financial statements since the beginning of the period of combination. While compiling and comparing the consolidated financial statements, the relevant programs of the earlier financial statements shall be adjusted. Together with the reporting entity after the combination, they shall always exist since the ultimate controlling party begins to implement its conduction of control.

In case one or more controlled factors change due to the changes of related facts and conditions, the Group will make reevaluation to consider whether to control the invested party or not.

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Notes to Financial Statements (Continued)

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6. Cash and cash equivalents

Cash refers to the cash holdings and the deposits available for payments at anytime in the Group; cash equivalents refer to the short term and high liquidity investments held by the group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

7. Precious metals

Precious metals include the gold and other precious metals. Non-transactional precious metals in the Group are measured by the cost at the time of acquisition. The subsequent measurement is calculated by the cost and the lower net realizable value. Precious metals obtained within the Group by the purpose of transaction shall be initially recognized by the fair value at the time of acquisition, and the subsequent measurement should be measured by the fair value on the day of balance sheet. The relevant changes shall be recorded into the profits and losses of the current period.

III. Critical Accounting Policies and Estimates (continued)

8. Accounting method of foreign currency transactions

The foreign currency amount are translated into the recording currency one for the foreign currency transactions occurred.

Upon the initial recognition of the foreign currency transaction, spot rate of the trading day is adopted to converted the foreign currency amount into the recording currency. Monetary assets and liabilities denominated in foreign currencies are translated into the recording currency at the spot rate of the balance sheet date. Any resulting exchange differences are included in the income statement, with the exception of differences on foreign currency borrowings for the purchase of assets subject to capitalization are recorded in the principle of capitalized borrowings. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the rate of exchange ruling at the date when the fair value was determined. Exchange differences arising from the translation are recognized in the income statement or under the item of other comprehensive income.

Foreign currency cash flow is translated into the recording currency by adopting the average exchange rate at the occurrence of cash flow. Effect of exchange rate changes on cash, as an adjustment item, is separately presented in the statement of cash flow.

9. Financial instruments (applicable since January 1, 2019)

The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or equity instruments of any other entity are formed.

Recognition and derecognition of financial instruments

When the Group becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

The financial assets shall be derecognized under any of the following circumstances (or partial of the financial assets, or partial of a group of similar financial assets), that is, they shall be written off from their accounts and balance sheet:

- (1) where the rights to receive cash flows from the financial asset have

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Notes to Financial Statements (Continued)

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expired;

- (2) where the rights to receive cash flows from the financial asset have been transferred, or where the obligations of paying all the collected cash flow to a third party are undertaken under "pass-through" agreements, and (a) all the risks and rewards of the ownership of this financial asset have been substantially transferred, or (b) even if all the risks and rewards of the ownership of this financial asset have neither been transferred nor retained substantially, the control of this financial asset is not retained.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Recognition and derecognition of financial instruments (continued)

In the event that the obligations of a financial liability are performed, cancelled or expired, it shall be derecognized. Where an existing financial liability is replaced with another financial liability and the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, or the stipulations of an existing financial liability are substantially revised, the original liability shall be derecognized and the liability of replaced or revised stipulations shall be recognized as a new financial liability. Differences arising hereby shall be recorded in the income statement.

For buying and selling of financial assets in conventional ways, the accountant made recognition and de-recognition according to trade date. Buying and selling of financial assets in conventional ways refers to receiving or paying financial assets within the specified period of laws, rules or common practices according to contract terms. Trade date refers to the date on which the financial assets bought or sold.

Classification and measurement of financial assets

At initial recognition, the financial assets of the Group are classified into financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and financial assets measured at fair value through other comprehensive income according to the business model of financial assets managed by the Group's enterprises and the contractual cash flow characteristics of financial assets. When and only when the Group changes the business model of managing financial assets, it will reclassify all affected related financial assets.

Financial assets are measured at fair value at the time of initial recognition, but receivables or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not take into account the financing components for no more than one year, the initial measurement shall be made according to the transaction price.

The costs of transaction shall be directly recorded in the income statement in the case of financial assets designated at fair value through profit or loss and attributable to the initially recognized amount in the case of other categories.

The follow-up measurement of the financial assets shall be subject to its

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Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

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classification.

Debt instrument investment measured at amortized cost

Financial assets that meet the following conditions at the same time are classified as financial assets measured at amortized cost: the business model of managing the financial assets is to collect the contract cash flow as the goal; the contract terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. The interest income of such financial assets is recognized by the effective interest method, and the gains or losses arising from the derecognition, modification or impairment are included in the current profits and losses.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Debt instrument investment measured at fair value with changes included in other comprehensive income

Financial assets that meet the following conditions at the same time are classified as financial assets measured at fair value and whose changes are included in other comprehensive income: the business mode of the Group's management of the financial assets is to receive the contract cash flow as the goal and to sell the financial assets as the goal; the contract terms of the financial assets stipulate that the cash flow generated on a specific date is only for the payment of the interests of the principal and outstanding principal. Such financial assets are recognized as interest income using the effective interest method. Except that interest income, impairment loss and exchange difference are recognized as current profit and loss, other changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Equity instrument investment measured at fair value with changes included in other comprehensive income

The Group irrevocably chooses to designate some non-tradable equity instrument investments as financial assets measured at fair value and their changes are included in other comprehensive income, only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is included in current profit and loss, and subsequent changes in fair value are included in other comprehensive income, without provision for impairment. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

Financial assets measured at fair value with changes included in current profit or loss

Financial assets other than those measured at amortized cost and those measured at fair value with changes included in other comprehensive income are classified as financial assets measured at fair value with changes included in current profits and losses. For such financial assets, fair value shall be adopted for subsequent measurement, and all changes in fair value shall be included in the current profit and loss except those related to hedge accounting.

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Notes to Financial Statements (Continued)

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Only when accounting mismatches can be eliminated or significantly reduced can financial assets be designated as financial assets measured at fair value and the changes of which are included in the current profit and loss at the initial measurement.

When an enterprise initially recognizes a financial asset as a financial asset measured at fair value through profit or loss, it cannot be reclassified as another type of financial asset; other types of financial assets cannot be re designated as a financial asset measured at fair value through profit or loss after initial recognition.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities

The financial liabilities of the Group are classified at initial recognition as: financial liabilities designated at fair value through profit or loss, other financial liabilities. The costs of transaction shall be directly recorded in the income statement in the case of financial liabilities designated at fair value through profit or loss and attributable to the initially recognized amount in the case of other liabilities.

The follow-up measurement of financial liabilities shall be subject to the classification.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss have two sub-categories: financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and those designated at fair value through profit or loss at inception. Financial liabilities held for trading (including derivative instruments belonging to financial liabilities) are subsequently measured at fair value. Except for those related to hedge accounting, all changes in fair value are included in current profits and losses. For the financial liabilities designated to be measured at fair value with the changes included in the current profit and loss, the subsequent measurement shall be carried out according to the fair value. In addition to the changes in fair value caused by the changes in the Group's own credit risk, other changes in fair value shall be included in the current profit and loss; if the changes in fair value caused by the changes in the Group's own credit risk are included in other comprehensive income and will cause or expand accounting mismatch in profit and loss, the Group will include all changes in fair value (including the impact amount of changes in its own credit risk) into current profit and loss.

Financial liabilities, which satisfy any of the following conditions, can be assigned as financial liabilities with changes in fair value taken to profit or loss:

- (1) Able to eliminate or significantly reduce accounting mismatches;
- (2) It is specified in official written file of risk management or investment strategy that the financial instrument set is managed, evaluated and reported to key managers on the basis of fair value;
- (3) Mixed instruments containing one or more embedded derivative instruments, unless the embedded derivative instruments have no significant effect on the cash flow of the mixed instruments, or such

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Notes to Financial Statements (Continued)

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- derivative instruments shall not be separated from the mixed instruments;
- (4) Mixed instruments containing embedded derivatives that need to be partitioned but is not able to be solely measured upon acquisition or on subsequent balance sheet date.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Financial liabilities designated at fair value through profit or loss (continued)

Financial assets classified as financial assets entered into income statement on its fair value by enterprise at the initial recognition shall not be reclassified as other financial assets; nor other financial liabilities shall be reclassified as financial liabilities measured at fair value through profit or loss after initial recognition.

According to the above conditions, such financial liabilities designated by the Group mainly include the equity of other investors other than the Group in the securities investment funds and asset management plans included in the consolidation scope.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Impairment of financial instruments

On the basis of expected credit loss, the Group conducts impairment treatment and recognizes loss reserves for financial assets measured at amortized cost, debt instrument investment measured at fair value with changes included in other comprehensive income, loan commitment and financial guarantee contract.

For receivables without significant financing components, the Group uses simplified measurement method to measure the loss reserves according to the expected credit loss amount within the whole duration.

For financial assets, loan commitments and financial guarantee contracts other than the above-mentioned simplified measurement methods, the Group assesses whether its credit risk has increased significantly since initial recognition on each balance sheet date. If the credit risk has not increased significantly since initial recognition, it is in the first stage, and the Group measures according to the amount equivalent to the expected credit loss in the next 12 months; and calculate interest income according to book balance and effective interest rate; If the credit risk has increased significantly since the initial recognition, but no credit impairment has occurred, it is in the second stage, the Group will measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book

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balance and the actual interest rate; If the credit impairment occurs after the initial recognition, it is in the third stage, the Group will calculate the interest income according to the amount equivalent to the whole duration. The amount of the expected credit loss within the duration shall be measured as the loss reserve, and the interest income shall be calculated according to the amortized cost and the actual interest rate. For financial instruments with low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial instruments (continued)

Please refer to Note XI, 1 for the disclosure of the Groups' judgment criteria for significant increase in credit risk, the definition of assets with credit impairment occurred, and the assumption of measurement of expected credit loss.

When the Group no longer reasonably expects to be able to recover all or part of the contractual cash flow of the financial assets, the Group will write down the book balance of the financial assets directly.

Financial guarantee contracts

A financial guarantee contract refers to a contract whereby the issuer pays a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay its debts in accordance with the terms of the debt instrument. Financial guarantee contracts are measured at fair value upon initial recognition. Except for financial guarantee contracts designated as financial liabilities measured at fair value with changes included in current profits and losses, the remaining financial guarantee contracts are will be subsequently measured by deducting the accumulated amortization determined in accordance with the income recognition principle from the expected credit loss reserve and initial recognition amount determined on the balance sheet date after initial recognition, which shall be carried out for the highest balance after cancellation.

Derivative financial instruments

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

Except related to hedge accounting, gains or losses arising from changes in the fair value of derivatives are directly included in the current profit and loss.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Convertible bonds

The group determines the liability and equity component of the convertible bond according to the terms upon issuance. For convertible bond that involves both liability and equity, such liability and equity will be distinguished in the initial recognition. In the initial recognition, the initial recognized value of liability will be determined according to its fair value, and the initial recognized value of equity will be determined according to the overall issuing price of the convertible bond deducting its initial recognized value of liability. The transaction fee shall be apportioned to liability and equity component according to the relevant fair value. The liability component will be listed in the column of liabilities, and will be subject to future measurement according to the amortized cost before cancellation, conversion or redemption. The equity component will be listed in the column of equities, and will not be subject to future measurement. In case the convertible bond issued involves liability component and embedded derivative, in other word, its share transfer right has the characteristics of embedded derivatives, such bond can be separated from convertible bonds and disposal as the derivative financial instrument, and its fair value will be adopted for the initial recognition. Any part of issuing price that exceeds the derivative financial instrument according to the initial recognition will be recognized as the liability instrument. The transaction fee shall be apportioned to liability and derivative financial instruments according to the relevant fair value. Any transaction fee related to the liability instrument will be recognized as liability, and any transaction fee related to derivative financial instrument will be recognized as the current profit and loss.

Transfer of financial assets

For financial assets with all the risk and profit of the ownership transferred to transferee, the Group would terminate the confirmation of the financial assets. For financial assets with all the risk and profit of the ownership being retained, the group would not terminate the confirmation.

For financial assets that Group has neither transferred nor retained all the risk and profit of the ownership, those will be disposed as follows: in case the financial assets are not in control any more, the group will terminate the confirmation, and will confirm the assets and liabilities of it; in case the financial assets are still in control, it will be determined according to the related amount, with the related liabilities being recognized as well.

III. Critical Accounting Policies and Estimates (continued)

10. Repurchase and reverse repurchase transactions

Reverse repurchase transactions refer to selling an asset at agreed price and on agreed date under the agreement signed when this asset was purchased. Repurchase agreements refer to repurchasing an asset at agreed price and on agreed date under the agreement signed when this asset was sold. For purchased assets to be resold, the purchase cost is recognized as lending and these assets are recognized as collaterals for lending. For sold assets to be repurchased, these assets are continuously reflected in the balance sheet and the revenues from selling these assets are recognized as liabilities.

Interest revenue from reverse repurchase agreements and interest expenditure from repurchase agreements are recognized as interest revenues and interest expenditures using the effective interest method during agreement term.

11. Long-term equity investments

Long-term equity investments include the equity investments on subsidiaries, joint ventures and associated enterprises. Long-term equity investments are initially measured at initial investment cost at the time of acquisition.

The Company adopted cost methods in individual financial statement for the accounting of the long-term equity investment controlled by the invested enterprises. Control means having the power over the invested party, enjoying the variable returns by participating in related activities of the invested party and possessing the ability to affect the return amount by using the power over the invested party.

With the cost method, the price of long-term equity investments is measured at initial investment cost. If additional investments are made or investments are retrieved, the cost should be corrected accordingly. Cash dividends or profits which have been included in consideration and declared but not distributed, are recognized as current investment revenues. The difference between face value and actual transaction should be recorded in profit and loss statement.

12. Investment real estate

Investment real estate is held to generate rental income or earn capital gains or both.

Since there is an active trading market of real estate in the location of the investment real estate owned by the Group, and the Group is able to obtain the

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Notes to Financial Statements (Continued)

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market prices of the identical or similar real estates and other relevant information from the trading market of real estate, so as to be able to estimate the fair value of the investment real estate, the fair value pattern is applied for the measurement of investment real estate.

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Notes to Financial Statements (Continued)

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III. Critical Accounting Policies and Estimates (continued)

12. Investment real estate (continued)

Investment real estate is initially measured at cost. Where the economic benefits pertinent to this real estate are likely to flow into the Group and the cost of it can be reliably measured, the relevant follow-up expenses are included in the cost of investment real estate. Otherwise, it is recorded in the income statement. Investment real estate converted from a fixed asset is initially measured at fair value on the date of conversion. Differences are carried as capital reserve (other capital reserve) if the fair value is higher than the carrying value and recorded in the income statement on the contrary.

Thereafter, investment real estate is measured at fair value on each balance sheet date and changes on fair value are taken into the income statement.

13. Fixed assets

Fixed assets are recognized when the related economic benefits are likely to flow into the Group and the cost can be measured reliably. If the above requirement is satisfied, the follow-up expenses involved are carried as cost of fixed assets and the carrying value of the replaced part is derecognized. Otherwise, the follow-up expenses are recorded in the income statement.

Fixed assets are initially measured at cost. The cost of a fixed asset comprises its purchase price, related taxes and any directly attributable costs for bringing the fixed asset to its present usable condition can be recorded as other expenses of the fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis. The expected useful life, expected net salvage value and annual depreciation rate are as follows:

Category	Expected Useful Life	Expected Net Salvage Value	Annual Depreciation Rate
Housing & buildings	20 years	3%	4.85%
Transportation vehicles	5 years	3%	19.40%
Electronic equipments	5 years	3%	19.40%
Machinery	5-10 years	3%	9.70%-19.40%

The expected useful life, expected net salvage value and annual depreciation rate of fixed assets are reviewed by the Group at least once at the end of each year.

III. Critical Accounting Policies and Estimates (continued)

14. Construction in progress

Cost of construction in progress is calculated at the actual expenditure, covering all necessary expenses for construction and related expenses during the period of construction.

Construction in progress is reclassified as fixed assets when completed and ready for use.

15. Construction in progress is reclassified as fixed assets when completed and ready for use.

Intangible assets are recognized at cost when the related economic benefits are likely to flow into the Group and the cost can be measured reliably.

The useful life of an intangible asset is determined based on economic benefits it brings to the Group.

Useful life of each intangible asset is as follows:

Category	Useful Life
Software	5-10 years
Land-use rights	40 years
Membership right	10 years

Intangible assets are recognized at cost when the related economic benefits are likely to flow into the Group and the cost can be measured reliably.

The useful life of an intangible asset is determined based on economic benefits it brings to the Group.

III. Critical Accounting Policies and Estimates (continued)

16. Impairment of assets

Except for investment real estate, deferred income tax and financial assets, impairment for other assets shall be determined as follows:

The Group assesses at each date of balance sheet whether there is any evidence that an asset may be impaired. If any such evidence exists, the Group would make an estimate of the asset's recoverable amount and performs impairment assessment. An impairment assessment is carried out at least once at end of the year, on goodwill arising from corporate combination and intangible assets with uncertain useful life, regardless of the evidence of impairment. The annual impairment assessment is also required for intangible assets which have not been ready for use.

An asset's recoverable amount is the higher of its fair value less net amount after disposal and the present value of expected future cash flow. The recoverable amount is estimated on the basis of an individual asset or on the basis of a group of financial assets which such asset belongs to if its recoverable amount is unable to be estimated on individual asset basis. A group of financial assets is recognized by determining whether the Critical cash flows arising from such group are independent from those on other asset or group of assets.

Where the carrying amount of an asset or a group of assets exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement and an impairment provision is recorded.

The above impairment losses, once recognized, will not be reversed in the following accounting years.

17. Long-term deferred expenses

Long-term deferred expenses refer to all expenses which have been paid with an amortization period over 1 year (excluding 1 year).

Lease expenses are incurred as the Group rented a fixed asset by operating lease and equally amortized it over contract term.

The Group has purchased lump-sum complementary endowment for employees which are amortized in the income statement accordingly during employment.

The Group has purchased lump-sum complementary endowment for employees

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Notes to Financial Statements (Continued)

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which are amortized in the income statement accordingly during employment.

Amortization period for other long-term deferred expenses are equally amortized and determined by the contract or at the shorter of the contract period and the benefit period.

III. Critical Accounting Policies and Estimates (continued)

17. Long-term deferred expenses (continued)

In the case that the long-term deferred expenses are not beneficial for following accounting years, the amortized value of projects not amortized yet shall all be charged into current profits and losses.

18. Debt assets

Debt assets are initially recognized at fair value. Differences arising from the fair value and the sum of related loan principal, confirmed interest and impairment provision are charged into the income statements. Debt assets are subsequently measured at the lower of the carrying value and the recoverable amount.

19. Employee remuneration

Employee remuneration refers to all forms of remuneration or compensatory payment paid by the Group to employees for their service or termination of labor relationship. Employee compensation mainly includes short-term remuneration and welfare after departure. Other welfares the Group provides to spouse, children, dependents, members of deceased's family and other beneficiaries, etc of employees shall also be regarded as employee compensation.

(1) Short-term remuneration

During the accounting period when employees provide services, short-term remuneration incurred shall be regarded as liability and is calculated into current profits and losses or relevant asset cost.

(2) Welfare and Defined Contribution Plans after Departure (defined contribution plans)

Pension insurance and unemployment insurance

The pension insurance and unemployment insurance of the Group's employees are managed by local government, corresponding expenditures incurred shall be regarded as relevant asset cost or current profits and losses.

Corporate annuity plan

Employees who sign formal labor contracts with the Group, participate in basic pension insurance and perform payment obligations according to law, and have

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served the Group for over a year can choose to participate in the corporate annuity plan of Bank of Ningbo Co., Ltd. (“corporate annuity”) set up by the Group. Expenses for the corporate annuity shall be undertaken by the Group and employees.

III. Critical Accounting Policies and Estimates (continued)

20. Estimated liabilities

Except for the contingent consideration and the contingent liabilities assumed in the business combination not under the same control, when the obligations related to the contingencies meet the following conditions at the same time, the Group will recognize them as estimated liabilities:

- (1) The obligation is the current obligation of the Group;
- (2) The performance of the obligation is likely to cause the economic benefits to flow out of the Group;
- (3) The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured according to the best estimate of the expenditure required to perform the relevant current obligations, and the risk, uncertainty, time value of currency and other factors related to the contingencies are comprehensively considered. The book value of the estimated liabilities shall be rechecked on each balance sheet date. If there is conclusive evidence that the book value cannot reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

21. Fiduciary activities

Where the Group acts in a fiduciary capacity such as assignee, custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

In fund custody, the Group, as approved by related authorities, acts as the trustee to carry out related business in accordance with the contract with client, as well as laws and regulations. The Group undertakes its obligations and charge accordingly on the basis of the custody contract, but it does not undertake the obligation for any risk and income arising from such custody. Therefore, it attributes to the off-balance item.

The Group grants entrusted loans on behalf of third-party lenders who fund these loans (entrusted deposits) and in accordance with terms covering loan object, application, amount, period and interest rate determined by the third-party lenders. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. All the risks are borne by the third-party lenders. The Group only charges a commission.

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22. Preferred shares

The preferred shares issued by the Group do not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions; at the same time, these preferred shares are non-derivative financial instruments to be settled with their own equity instruments in the future, but do not include the contractual obligation to deliver a variable number of their own equity instruments for settlement. The Group classifies preferred shares issued as equity instruments, and deducts transaction costs such as handling fees and commissions incurred in issuing preferred shares from equity. Preferred dividends are treated as profit distribution when they are declared.

III. Critical Accounting Policies and Estimates (continued)

23. Income

Interest income

Interest income or expense is recorded at the time of occurrence using 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 asset or financial liability. The calculation takes into account all contractual terms of the financial instrument, including any fees or incremental costs that are an integral part of the effective interest rate except for future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as an interest income or expense.

For the purchased or original financial assets with credit impairment, the Group shall, from the initial recognition, calculate and determine the interest income according to the amortized cost of the financial assets and the actual interest rate adjusted by credit. The actual interest rate adjusted by credit refers to the interest rate that discounts the estimated future cash flow of the purchased or original financial assets with credit impairment into the amortized cost of the financial assets during the expected duration.

For the purchased or original financial assets without credit impairment but become credit impairment in the subsequent period, the Group will calculate and recognize the interest income according to the amortized cost and actual interest rate of the financial assets in the subsequent period.

Fee and commission income

Fee and commission income are recognized on accrual basis after services are provided and received payments are reasonably estimated.

Dividend income

Dividend income is recognized when the Group's right to receive payment has been established.

Rental income

Rental income from investment real estate related to operating leases is charged to the income statement on the straight-line basis over the lease terms.

III. Critical Accounting Policies and Estimates (continued)

24. Government subsidies

Government subsidies are confirmed when they can be received and conditions are satisfied. If the government subsidies are monetary assets, calculate according to received amount or amount receivable. If the government subsidies are non-monetary assets, calculate at the fair value; if the fair value cannot be obtained in a reliable way, calculate according to nominal amount.

Assets required by the government document to be used for purchase and construction or turned into long-term assets in other ways shall be recognized as government subsidies related with assets; where the government document does not clearly specify, judge on the basis of fundamental conditions to be met to obtain subsidies, assets used for purchase and construction or turned into long-term assets in other ways shall be recognized as government subsidies related with assets and others shall be recognized as government subsidies related with incomes.

Government subsidies related with incomes that are used to compensate related cost expenses or losses in the future shall be recognized as deferred income and shall be included in the current profits and losses or write off against relevant costs when confirming related costs or losses; those used to compensate related cost expenses or losses that have already occurred shall be included in current profits and losses or write off against relevant costs immediately.

Government subsidies related with assets shall write off against the book value of the related assets; or recognized as deferred income and included in profits and losses (government subsidies measured by nominal amount shall be included in current profits and losses immediately) when being installed in a reasonable and systematic way within the service life of related assets; where related assets are sold, transferred, scrapped or destroyed before the end of the service life, balance of related deferred income that has not been distributed shall be transferred to current profits and losses of assets disposal.

25. Income tax

Income tax comprises current income tax and deferred income tax. Income tax is recognized in the income statement except to the extent that it relates to transactions or events recognized directly in equity, in which case it is recognized in equity.

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

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Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the amount attributed to such assets and liabilities for tax purposes in the balance sheet, and also on temporary differences between the carrying amounts and the tax bases of those which are not recognized as assets and liabilities, but whose tax bases are determined in accordance with tax laws.

III. Critical Accounting Policies and Estimates (continued)

25. Income taxes (continued)

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

- (1) that are generated in the following trade: the deferred income tax liabilities occurred at the initial recognition of goodwill, or at the initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) for the taxable temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, the reversed time can be controllable and the temporary differences are unlikely to be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) the deferred income tax asset, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) the deferred income tax asset is recognized for the deductible temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, which at the same time meet the following conditions: it is probable that the temporary differences will be reversed in the foreseeable future and the taxable profit will be available against the deductible temporary differences.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date and reflecting the corresponding tax effect.

On the balance sheet date, the Group reviews the book value of deferred income tax assets. If it is likely that sufficient taxable income will not be obtained in the

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Notes to Financial Statements (Continued)

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future to offset the interests of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. On the balance sheet date, when the Group reassesses the unrecognized deferred income tax assets and is likely to obtain sufficient taxable income, the amount written down shall be reversed.

III. Critical Accounting Policies and Estimates (continued)

25. Income taxes (continued)

After the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting each other: have the legal right of calculating the current income tax assets and the current income tax liabilities as net value; the deferred income tax assets and deferred income tax liabilities involve the same taxpayer or different taxpayer levied by the same tax department, but during each period of important inversion of deferred income tax assets and deferred income tax liabilities, the involved taxpayer intends to calculate the current deferred income tax assets and the current deferred income tax liabilities as net value or obtain assets while paying off debts.

26. Leases

Leases which transfer substantially all the risks and rewards associated with ownership of the assets are classified as finance leases. All leases other than finance leases are classified as operating leases.

As a lessee under an operating lease

Rental expenses are charged in related cost or in the income statement on a straight-line basis over the periods of the lease and contingent rental is taken into the income statement when actually incurred.

As a lessor under an operating lease

Rental income is recognized in the income statement on a straight-line basis over the periods of the lease and contingent rental is taken into the income statement when actually incurred.

As a lessor under a finance lease

For assets under finance leases, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognized as a receivable. The difference between the receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using an interest rate which reflects a constant rate of return.

III. Critical Accounting Policies and Estimates (continued)

27. Profit distribution

Cash dividends of the Group are recognized as liabilities after the approval of the shareholders' meeting.

28. Fair value measurement

Fair value, occurring in orderly transaction on measurement date, refers to the payment the market participant receives when an asset is sold, or the amount paid when a liability is transferred. In the case that asset selling or liability transference is dealt with in staple market of relevant assets or liabilities, the Group measures relevant assets or liabilities by fair value; for the cases where there is no staple market, the Group assumes that the transaction is dealt with in the most advantageous market of relevant assets or liabilities. Staple market (or the most advantageous market) is the trading market the Group can enter on measurement date. The Group adopts the same assumption that the market participant uses to maximize its economic benefit when pricing the assets or liabilities.

For non-financial assets measured by fair value, the capability for the market participant to best use the assets to generate economic benefit, or the capability for the market participant to sell the assets to other market participant to best use the assets to generate economic benefit is considered.

The Group adopts applicable valuation technique supported by adequate data and other information available, prioritizing relevant observable input value. Only when observable input value is unable or infeasible to be obtained, can unobservable input value be adopted.

In financial statement, assets or liabilities measured or disclosed by fair value are leveled according to the input value of the lowest level with significance for overall fair value measurement: input value of the first level is the unadjusted quoted price of the same assets or liabilities available in active market on measurement date; input value of the second level is the directly or indirectly observable input value of relevant assets or liabilities apart from input value of the first level; input value of the third level is the unobservable input value of relevant assets or liabilities.

On each balance sheet date, the Group reevaluates the assets or liabilities continuing to be measured by fair value recognized in financial statement, to confirm that whether there is any shift between different levels of fair value measurement.

III. Critical Accounting Policies and Estimates (continued)

29. Related parties

When financial or operating decisions are made, a party is considered to be related to another party if the party, directly or indirectly controls or jointly controls the other party, or gives its significant influence over the other party, and two or more parties are considered to be related if they are controlled by, jointly controlled by or significantly affected by one party.

Related parties to a company are as follows:

- 1) parent company;
- 2) subsidiaries;
- 3) other entities controlled by the same parent company;
- 4) investors which have joint control;
- 5) investors which give significant influence;
- 6) investors which give significant influence;
- 7) associated companies and their subsidiaries;
- 8) key investors and close members of their families;
- 9) key management personnel of the Company or its parent company, and their close family members;
- 10) other entities that are controlled, jointly controlled or significantly influenced directly or indirectly by key investors, key management personnel or their close family members.

Entities which are only controlled by the government without any other relations with other companies are not the related parties of the Group.

30. Significant accounting judgments and estimates

As required for the preparation of financial statements, the management makes judgments estimates and assumption that would affect reporting amounts of income, expense, assets and liabilities as well as the disclosure of contingent liabilities at the balance sheet date. However, the uncertainty of these estimates may result in significant adjustments on the carrying amount of affected future assets and liabilities.

III. Critical Accounting Policies and Estimates (continued)

30. Significant accounting judgments and estimates (continued)

Judgments

The management makes following adjustments which have significant effects on recognized amounts in the financial statements when applying accounting policies of the Group:

Business model

The classification of financial assets upon initial recognition depends on the business model of the Group's management of financial assets. When judging the business model, the Group considers the methods of enterprise evaluation and reporting the performance of financial assets to key management, the risks affecting the performance of financial assets and their management methods, as well as the ways of relevant business management getting remuneration, etc.. When assessing whether the target is to collect contract cash flow, the Group needs to analyze and judge the reason, time, frequency and value of the sale of financial assets before the maturity date.

Characteristics of contractual cash flows

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the evaluation of the correction of the time value of capital, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for financial assets with the prepayment characteristics, it is necessary to judge whether the fair value of prepayment characteristics is very small.

Combination of structured bodies

For the structure bodies involved in the daily operation, the group shall judge whether it is in control of such structure bodies, and whether to include it into the consolidated financial statements. In judging whether in control of such structured bodies, the group shall take into consideration the right, realizable return and their connection directly or indirectly obtained through the subsidiaries (including the controlled structured bodies).

The realizable return obtained by the group through the structured bodies includes the management fees and performance compensation, other kinds of interests, such as direct investment income, income and potential losses by providing credit upgrading of liquidity support, as well as realizable return from transaction with structured bodies. In judging whether in control of the

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Notes to Financial Statements (Continued)

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structured bodies, the group shall not only consider the laws, regulations and arrangement according to the contract, but also other possible losses that the group may suffer from the structured bodies.

The group shall re-evaluate whether it is in control of the structured bodies when there's any change in related facts or conditions that may result in the change of concept of control.

III. Critical Accounting Policies and Estimates (continued)

30. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date hereunder may cause a material adjustment to the carrying amount of assets and liabilities within the next financial period.

Impairment of financial instruments

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and basis information, including forward-looking information, should be considered. While such judgments and estimates, the Group infers the expected change of the debtor's credit risk according to the historical repayment data in combination with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment loss in the future.

Impairment of non-financial assets

On the balance sheet date, the Group judges whether there is any sign of possible impairment for noncurrent assets other than financial assets. Other noncurrent assets other than financial assets shall be tested for impairment when there is evidence that their carrying amount is not recoverable. When the book value of an asset or asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value minus the disposal expenses and the present value of the estimated future cash flow, it indicates that an impairment has occurred. The net amount of the fair value after deducting the disposal expenses shall be determined by referring to the sales agreement price or observable market price of similar assets in fair transactions, and deducting the incremental cost directly attributable to the disposal of such assets. When estimating the present value of future cash flow, the management must estimate the expected future cash flow of the asset or asset group, and select an appropriate discount rate to determine the present value of future cash flow.

Estimated liabilities

On each balance sheet date, the Group will judge whether current legal obligations or constructive obligations are formed due to past events, and judge the possibility of outflow of economic benefits due to performance of relevant obligations, so as to determine the reliable estimate of the amount of the obligation and the relevant disclosure in the accounting statements.

Fair value of financial instruments

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Notes to Financial Statements (Continued)

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If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, 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, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on credit risk, market fluctuation and pertinency of the Group and its counterparties. Changes on these assumptions would affect the fair value of financial instruments.

III. Critical Accounting Policies and Estimates (continued)

30. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates (continued)

Deferred income tax assets

Deferred income assets are recognized in compliance with deductible tax losses and deductible temporary differences. The deferred income tax assets will only be recognized when the future taxable income is likely to be used to offset the relevant deferred income tax assets, so the management needs to judge the possibility of obtaining the future taxable income. The Group continues to review the judgment on deferred income tax, and if it is expected that the future taxable income that can be utilized is likely to be obtained in the future, the corresponding deferred income tax assets will be recognized.

31. Changes in accounting policies and estimates

New financial instrument standards

In 2017, the Ministry of Finance issued the revised *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets*, *Accounting Standards for Enterprises No. 24 - Hedging and Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments* (collectively referred to as "the new financial instrument standards"). The Group began to carry out accounting treatment in accordance with the new financial instrument standards on January 1, 2019. According to the bridging provisions, the information of comparable periods will not be adjusted. And adjustment will be made on the undistributed profits or other comprehensive income at the beginning of 2019 according to the difference between the new standards and the current standards on the first day implementing the new financial standards.

The new financial instrument standard changes the classification and measurement method of financial assets, and determines three main measurement categories: amortized cost; measured at fair value with changes included in other comprehensive income; measured at fair value with changes included in current profit and loss. Enterprises need to consider their own business model, as well as the contractual cash flow characteristics of financial assets for the above classification. Equity instrument investment shall be measured at fair value and its changes shall be included in current profits and losses, but non-tradable equity instrument investment can be irrevocably designated as a financial asset measured at fair value and its changes shall be included in other comprehensive income at initial recognition.

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Notes to Financial Statements (Continued)

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The new financial instrument standards require that the impairment measurement of financial assets should be changed from the "incurred loss model" to the "expected credit loss model", which is applicable to financial assets measured at amortized cost, financial assets measured at fair value with changes included in other comprehensive income, as well as loan commitments and financial guarantee contracts.

The return of certain financial products, fund investment, trust plans and asset management plans held by the Group depends on the return rate of the underlying assets. The Group classifies it as available for sale financial assets or receivables investment before January 1, 2019. After January 1, 2019, the Group analyzed that its contractual cash flow represents not only the payment for the interest of the principal and outstanding principal. Therefore, the financial products, fund investment, trust plans and asset management plans were reclassified as financial assets measured at fair value with their changes included in the current profit and loss, and reported as trading financial assets.

III. Critical Accounting Policies and Estimates (continued)

31. Changes in accounting policies and estimates (continued)

New financial instrument standards (continued)

The Group transfers some discount bills out in daily fund management. The business model of managing the above discount bills is to receive contract cash flow as well as to sell them. Therefore, after January 1, 2019, the Group reclassified the discount as financial assets measured at fair value with changes included in other comprehensive income, which was reported in the loan and advance account.

After January 1, 2019, the Group designated part of the equity investment held as financial assets measured at fair value with changes included in other comprehensive income and presented as other equity instrument investment.

Changes in presentation of financial statements

With the implementation of the new financial instrument standards in this year, in accordance with the requirements as stipulated in the *Notice on Revising and Issuing the Financial Statement Format of Financial Enterprises in 2018* (C.K. [2018] No. 36), the Group adopts the revised financial statement format to prepare financial statements from the fiscal year beginning on January 1, 2019, and does not retroactively adjust the comparative data according to the convergence provisions of the new financial instrument standards. The adoption of the above amendments has no significant impact on the financial position, operating results and cash flow of the Group. The specific impact and changes are as follows:

The Group includes the interest of the financial instruments accrued based on the effective interest method in the book balance of the corresponding financial instruments and reflects it in the relevant items such as "cash and deposits with the central bank", "deposits with other banks", "lending funds", "hold for trading financial assets", "loans and advances", "financial investment", "deposits with other financial institutions", "loans from other banks", "financial assets sold for repurchase", "deposits taking", "bonds payable", etc., and will no longer present it separately in the items such as "interest receivable" or "interest payable". Items "interest receivable" and "interest payable" only reflect the interest that can be collected or paid when the relevant financial instrument is due but has not been received or paid at the balance sheet date, which due to its comparatively low amount, will be presented in items such as "other assets" or "other liabilities".

Item "exchange gain or loss" in the income statement mainly includes the gain

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or loss of foreign currency transactions due to exchange rate changes and the gain or loss of foreign exchange derivative financial instruments; item "credit impairment loss" reflects the credit loss recognized by the Group for the provision of financial instrument credit loss in accordance with the relevant provisions of *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* (Revision 2017).

Item "net increase in financial assets held for trading purposes" in the cash flow statement reflects the net cash flow from operating activities paid and received by the Group for trading financial assets held for trading purposes.

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Notes to Financial Statements (Continued)
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III. Critical Accounting Policies and Estimates (continued)

31. Changes in accounting policies and estimates (continued)

Adjustment table for the balances in the balance sheet transferred from the original financial instrument standard to the new financial instrument standard on the first implementation day as follows:

	Note	Presentation in compliance with original financial instrument standard			Reclassification	Remeasurement	Presentation in compliance with new financial instrument standard	
		Classification	Book value	Interest accrued			Book value	Classification
Cash and balances in the central bank		L&R	88,457,374	-	-	-	88,457,374	AC
Due from other banks		L&R	9,251,993	60,377	-	(60,882)	9,251,488	AC
Precious metals		L&R/ FVTPL	7,554,430	10,357	-	(5,328)	7,559,459	AC/ FVTPL
Lending funds		L&R	2,417,760	7,323	-	(1,370)	2,423,713	AC
Derivative financial assets		FVTPL	30,257,173	739,569	-	-	30,996,742	FVTPL
Hold for trading financial asset		L&R	3,703,483	6,308	-	(488)	3,709,303	AC
Loans and advances		L&R	411,591,615	1,408,935	-	1,713,876	414,714,426	AC/ FVOCI
Transferred to: loans and advances recognized at fair value with changes included in other comprehensive income	(i)				(44,019,487)	898,642		
Transferred from: loans and advances measured at amortized cost	(i)				44,019,487	815,234		
Trading financial assets			N/A		212,876,159	724,345	213,600,504	FVTPL
Transferred from: financial assets recognized at fair value with changes included in current profit and loss					135,000,896			
Transferred from: available-for-sale financial assets	(ii)				58,151,271	6,548		
Transferred from: receivables investment	(ii)				19,723,992	717,797		
Lending investment			N/A		171,204,985	714,325	171,919,310	AC
Transferred from: held-to-maturity investment	(iii)				71,093,878	(21,189)		
Transferred from: receivables investment	(iii)				100,111,107	735,514		
Other lending investment			N/A		164,879,991	33,228	164,913,219	FVOCI
Transferred from: available-for-sale financial assets	(iv)				164,879,991	33,228		
Other equity instruments			N/A		28,260	62,321	90,581	FVOCI
Transferred from: available-for-sale financial assets	(v)				28,260	62,321		
Financial assets recognized at fair value with changes included in current profit and loss		FVTPL	134,766,743	234,153	(135,000,896)		N/A	
Transferred to: trading financial assets					(135,000,896)			
Available-for-sale financial		AFS	221,033,846	2,025,676	(223,059,522)		N/A	

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Notes to Financial Statements (Continued)
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assets								
Transferred to: trading financial assets	(ii)				(58,151,271)			
Transferred to: other lending investment	(iv)				(164,879,991)			
Transferred to: other equity investment	(v)				(28,260)			
Held-to-maturity investment		HTM	70,118,200	975,678	(71,093,878)			N/A
Transferred to: lending investment	(iii)				(71,093,878)			
Receivables investment		L&R	119,427,658	407,441	(119,835,099)			N/A
Transferred to: lending investment	(iii)				(100,111,107)			
Transferred to: trading financial assets	(ii)				(19,723,992)			
Other assets			17,843,080	(5,875,817)	-	(351,507)	11,615,756	
Including: deferred income tax assets			3,668,448			(319,401)	3,349,047	
Interest receivable			6,071,662	(5,875,817)			195,845	
Total assets			1,116,423,355	-	-	2,828,520	1,119,251,875	

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III. Critical Accounting Policies and Estimates (continued)

31. Changes in accounting policies and estimates (continued)

Adjustment table for the balances in the balance sheet transferred from the original financial instrument standard to the new financial instrument standard on the first implementation day as follows (continued):

	Note	Presentation in compliance with original financial instrument standard			Reclassification	Remeasurement	Presentation in compliance with new financial instrument standard	
		Classification	Book value	Interest accrued			Book value	Classification
Borrowings from central bank		AC	15,500,000	217,938	-	-	15,717,938	AC
Due to other banks and financial institutions		AC	21,214,973	91,404	-	-	21,306,377	AC
Loans from other banks		AC	53,943,803	296,248	-	-	54,240,051	AC
Trading financial liabilities		FVTPL	11,856,092	-	(6,111,250)	-	5,744,842	FVTPL
Transferred to: other liabilities					(6,111,250)			
Derivative financial liabilities		FVTPL	27,564,862	738,625	-	-	28,303,487	FVTPL
Financial assets sold for repurchase		AC	26,930,116	11,760	-	-	26,941,876	AC
Deposit taking		AC	646,721,375	7,748,443	-	-	654,469,818	AC
Bond payable		AC	208,437,348	1,144,810	-	-	209,582,158	AC
Estimated liabilities			-	-	-	1,870,320	1,870,320	
Other liabilities			23,024,918	(10,249,228)	6,111,250	-	18,886,940	
Including: interest payable			10,287,788	(10,287,788)				
Total liabilities			1,035,193,487	-	-	1,870,320	1,037,063,807	

Note: L&R	Loans and receivables
AFS	Available-for-sale financial assets
HTM	Held-to-maturity investment
AC	Amortized cost
FVTPL	Fair value through profit and loss
FVOCI	Fair value through other comprehensive income
ECL	Estimated credit loss
N/A	Not applicable

- (i) On January 1, 2019, the Group reclassified discount assets from loans and advances measured at amortized cost to loans and advances measured at fair value with changes through other comprehensive income. In the Group's view, the Group's business model for managing the discounted assets is to receive contract cash flow as well as sell the financial assets. Therefore, the discounted assets are reclassified as loans and advances measured at fair value with changes through other comprehensive income.
- (ii) On January 1, 2019, the Group reclassified a part of available for sale financial assets and receivables investment that failed to comply with "characteristics of contractual cash flows" to financial assets measured at fair value with changes through current profit and loss.
- (iii) On January 1, 2019, the Group reclassified held-to-maturity investment and receivables investment that are able to comply with test of "characteristics of contractual cash flows" with the goal of receiving contractual cash flow to financial assets measured at amortized cost.
- (iv) On January 1, 2019, the Group reassessed the current asset portfolio originally classified as available for sale debt instruments. In the Group's opinion, except for the financial assets mentioned in item (ii) above, the Group's business model for managing other available for sale debt instruments is to receive contractual cash flow and sell the financial assets. Therefore, all other available for sale debt instruments are reclassified as financial assets measured at fair value with changes included in other comprehensive income.
- (v) On January 1, 2019, the Group irrevocably designated the equity instrument measured at cost in the available for sale financial assets as the equity instrument measured at fair value with its changes included in other comprehensive income.

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III. Critical Accounting Policies and Estimates (continued)

31. Changes in accounting policies and estimates (continued)

On the first implementation day, the amount of the original impairment provision for financial assets on December 31, 2018 is adjusted to a new adjustment statement of loss provision classified and measured in accordance with the revised financial instrument standards as follows:

Measurement category	Loss provision in accordance with original financial instrument standards / estimated liabilities in accordance with contingency rules December 31, 2018	Reclassification	Remeasurement	Loss provision in accordance with revised financial standards January 1, 2019
Loans and receivables (original financial instrument standards) /financial assets measured at amortized cost (revised financial instrument standards)				
Deposits in other banks	21,612	-	60,882	82,494
Lending funds	-	-	1,370	1,370
Hold for trading financial asset	-	-	488	488
Loans and advances	17,495,312	(923,841)	(815,234)	15,756,237
Financial investment	3,192,676	(527,428)	(735,514)	1,929,734
Loans and receivables (original financial instrument standards) /financial assets measured at fair value with changes through other comprehensive income (revised financial instrument standards)				
Loans and advances	-	923,841	(351,181)	572,660
Held-to-maturity investment ((original financial instrument standards) /financial assets measured at amortized cost (revised financial instrument standards)				
Financial investment	-	-	21,189	21,189
Available-for-sale financial assets (original financial instrument standards) /financial assets measured at fair value with changes through other comprehensive income (revised financial instrument standards)				
Financial investment	50,296	-	329,276	379,572
Off-balance sheet business	-	-	1,870,320	1,870,320
Others	-	-	37,434	37,434
Total	20,759,896	(527,428)	419,030	20,651,498

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

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IV. Taxation

The primary taxes and tax rates of the Group are listed as below:

<u>Category</u>	<u>Tax basis</u>	<u>Rate</u>
VAT	Taxable interests income (Note 1)	6%
Urban construction tax	VAT	5%, 7%
Educational surcharges	VAT	5%
Business income tax	Taxable income	25%

Note 1: The Maxwealth Leasing Co., Ltd. and Maxwealth Fund Management Co., Ltd. under the Group is the general taxpayer of VAT, and adopt 6% as the tax rate for its output tax, and pays the VAT after deducted the input tax of the same period.

V. Notes to Items in the Consolidated Financial Statements

1. Cash and balances with central banks

	Dec. 31, 2019	Dec. 31, 2018
Cash on hand	1,386,518	1,313,405
Statutory deposit reserve in the central bank	76,965,311	72,133,771
Provision in the central bank	11,668,665	11,831,576
Public Finance-cash In Bank in the central banks	<u>3,535,169</u>	<u>3,178,622</u>
	<u>93,555,663</u>	<u>88,457,374</u>

By 31 December 2019, the Group's statutory deposit reserve in the central bank is calculated according to the regulations of the People's Bank of China that RMB reserve balances shall be no less than 9.5% of the RMB deposit at the end of the early month (31 Dec. 2018: 11%). While those denominated in foreign currencies was 5% (31 Dec. 2018: 5%) of the previous month regulated by the People's Bank of China.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

2. Due from other banks

	Dec. 31, 2019	Dec. 31, 2018
Due from domestic banks	9,606,960	1,891,762
Due from other domestic financial institutions	2,498,418	3,403,847
Due from foreign banks	<u>3,150,584</u>	<u>3,977,996</u>
Subtotal	15,255,962	9,273,605
Interest accrued	191,007	Not Applicable
Less: provision for depreciation (Note V, 15)	<u>(37,947)</u>	<u>(21,612)</u>
	<u><u>15,409,022</u></u>	<u><u>9,251,993</u></u>

3. Loans to other banks

	Dec. 31, 2019	Dec. 31, 2018
Banks	1,900,495	19,566
Other financial institutions	<u>1,692,846</u>	<u>2,398,194</u>
Subtotal	3,593,341	2,417,760
Interest accrued	11,704	Not Applicable
Less: provision for depreciation (Note V, 15)	<u>(9,099)</u>	<u>-</u>
	<u><u>3,595,946</u></u>	<u><u>2,417,760</u></u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****4. Derivative financial instruments**

Nominal amount and fair value of derivative financial instruments held by the Bank as follows:

	Nominal amount	Dec. 31, 2019	
		Fair value	
		Assets	Liabilities
Currency forward	56,083,873	390,838	(314,688)
Currency swap	1,211,100,205	8,721,929	(9,646,041)
Interest rate swap	2,046,864,908	8,249,098	(8,213,653)
Currency exchange	7,630,810	71,243	(64,455)
Option	148,947,294	1,157,701	(1,777,133)
Credit risk mitigation instrument	890,000	314	(12,924)
Nobel metal forward/swap	17,785,738	1,669,106	(339,276)
	<u>3,489,302,828</u>	<u>20,260,229</u>	<u>(20,368,170)</u>

	Nominal amount	Dec. 31, 2018	
		Fair value	
		Assets	Liabilities
Currency forward	40,914,992	360,303	(169,759)
Currency swap	1,634,591,964	17,039,165	(14,640,542)
Interest rate swap	1,829,792,379	9,421,370	(9,471,807)
Currency exchange	7,540,862	313,292	(111,004)
Option	178,104,079	2,064,436	(2,318,423)
Credit risk mitigation instrument	2,120,000	413,160	(392,653)
Nobel metal forward/swap	34,110,333	645,447	(460,674)
	<u>3,727,174,609</u>	<u>30,257,173</u>	<u>(27,564,862)</u>

The nominal amount is reflected in a full amount and represents the amount of the underlying asset or reference index of derivatives, which is the basis of measuring changes in fair value of the derivative financial instruments. The nominal amount can reflect the risk exposures not settled to the end of the year, but it cannot directly reflect the market or credit risk.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

5. Hold for trading financial assets

	Dec. 31, 2019	Dec. 31, 2018
Classified by pledges:		
Bonds	<u>17,252,396</u>	<u>3,703,483</u>
Interest accrued	6,858	Not Applicable
Less: impairment provision (Note V, 15)	<u>(49)</u>	<u>-</u>
	<u>17,259,205</u>	<u>3,703,483</u>
Classified by counter parties:		
Banks	7,550,230	100,007
Other financial institutions	<u>9,702,166</u>	<u>3,603,476</u>
Subtotal	17,252,396	3,703,483
Interest accrued	6,858	Not Applicable
Less: impairment provision (Note V, 15)	<u>(49)</u>	<u>-</u>
	<u>17,259,205</u>	<u>3,703,483</u>

6. Interest receivable (only applicable to year 2018)

	<u>Dec. 31, 2018</u>	
	Amount	Proportion
Interest receivable from financial asset investment	3,644,016	60.02%
Interest receivable from financial institutions	67,700	1.12%
Interest receivable on loans	1,593,972	26.25%
Interest receivable on swap	713,694	11.75%
Interest receivable from assets held for trading	6,308	0.10%
Other interest receivables	<u>46,039</u>	<u>0.76%</u>
Total interest receivable	6,071,729	100.00%
Less: interest receivable impairment provision (Note V, 15)	<u>(67)</u>	<u>6,071,662</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

7. Loans and advances

7.1 Classification of guarantees for loans and advance payments

	Dec. 31, 2019	Dec. 31, 2018
Measured at amortized cost		
Corporate loans and advances	304,985,013	292,020,741
Loan	298,810,347	242,302,416
Discount	Not Applicable	44,943,328
Trade financing	6,174,666	4,774,997
Individual loans	179,697,704	137,066,186
Individual consumption loan	141,871,121	114,974,875
Individual operating loan	35,036,087	20,842,982
Individual housing loan	2,790,496	1,248,329
Measured at fair value with changes through other comprehensive income		
Discount	<u>44,419,080</u>	<u>Not Applicable</u>
Subtotal	<u>529,101,797</u>	<u>429,086,927</u>
Interest accrued	<u>2,049,165</u>	<u>Not Applicable</u>
Less: loan impairment provision measured at amortized cost	<u>(21,112,396)</u>	<u>(17,495,312)</u>
Book value of loans and advances	<u>510,038,566</u>	<u>411,591,615</u>

As of December 31, 2019, the loans of the Group measured at fair value with changes through other comprehensive income are the discount business, with an impairment provision of RMB 589,721,000, which is included in other comprehensive income.

Please refer to Note IX, 2.1 for the loans of the related parties of the Group as of the end of the year.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

7. Loans and advances (continued)

7.2 Classification of guarantees for loans and advance payments

	Dec. 31, 2019	Dec. 31, 2018
Credit loan	175,300,862	135,370,570
Guarantee loan	155,262,170	130,001,693
Mortgage loan	146,144,345	112,288,721
Pledge loan	<u>52,394,420</u>	<u>51,425,943</u>
Total loans and advances	529,101,797	429,086,927
Interest accrued	2,049,165	Not Applicable
Less: credit loss provision	<u>(21,112,396)</u>	<u>(17,495,312)</u>
Net value of loans and advances	<u>510,038,566</u>	<u>411,591,615</u>

7.3 Overdue loans

	Dec. 31, 2019				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit loan	384,918	943,595	372,170	42,133	1,742,816
Guarantee loan	24,549	367,947	273,245	12,192	677,933
Mortgage and pledge loan	<u>341,428</u>	<u>551,115</u>	<u>1,081,297</u>	<u>173,224</u>	<u>2,147,064</u>
	<u>750,895</u>	<u>1,862,657</u>	<u>1,726,712</u>	<u>227,549</u>	<u>4,567,813</u>
	Dec. 31, 2018				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit loan	228,019	454,168	218,796	25,786	926,769
Guarantee loan	175,403	182,808	514,539	7,460	880,210
Mortgage and pledge loan	<u>640,100</u>	<u>795,765</u>	<u>497,797</u>	<u>66,486</u>	<u>2,000,148</u>
	<u>1,043,522</u>	<u>1,432,741</u>	<u>1,231,132</u>	<u>99,732</u>	<u>3,807,127</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****7. Loans and advances (continued)****7.4 Provision for loan losses**

Changes to the provisions for loans and advances of the year 2019 are as follows:

Provision for loans measured at amortized cost

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Estimated credit loss for whole duration —— impaired	Total
Beginning balance	-	-	-	-
Changes of accounting policy	6,154,013	7,102,667	2,499,557	15,756,237
Adjusted beginning balance	6,154,013	7,102,667	2,499,557	15,756,237
Drawing in the year	1,002,830	3,823,323	1,688,861	6,515,014
Transferred to stage I	1,096,186	(1,095,931)	(255)	-
Transferred to stage II	(282,393)	283,789	(1,396)	-
Transferred to stage III	(25,620)	(175,801)	201,421	-
Write-off and transfer	-	-	(1,911,607)	(1,911,607)
Received from loans for sale and reconciliation from advance payment	-	-	791,959	791,959
Transfer by write-down of impaired loan and advance interest	-	-	(39,207)	(39,207)
End balance	<u>7,945,016</u>	<u>9,938,047</u>	<u>3,229,333</u>	<u>21,112,396</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

7. Loans and advances (continued)

7.4 Provision for loan losses (continued)

Changes to the provisions for loans and advances of the year 2019 are as follows (continued):

Provision for loans measured at fair value with changes through other comprehensive income

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Estimated credit loss for whole duration	Total
Beginning balance	-	-	-	-
Changes of accounting policy	550,438	22,222	-	572,660
Adjusted beginning balance	550,438	22,222	-	572,660
Withdrawing / provision of the year	(36,775)	53,836	-	17,061
End balance	<u>513,663</u>	<u>76,058</u>	<u>-</u>	<u>589,721</u>
	<u>Dec. 31, 2018</u>			
	Individual item	Portfolio	Total	
Beginning balance	1,382,944	12,618,528	14,001,472	
Provision of the year	399,701	3,544,234	3,943,935	
Write-off of the year	(840,346)	(301,433)	(1,141,779)	
Transfer of the year	600,131	136,611	736,742	
<i>Including: received from loans for sale and reconciliation</i>				
<i>from advance payment</i>	600,131	136,611	736,742	
Transferred from impaired loan interest	(39,777)	(5,281)	(45,058)	
End balance	<u>1,502,653</u>	<u>15,992,659</u>	<u>17,495,312</u>	

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment

8.1 Trading financial assets (only applicable to year 2019)

Dec. 31, 2019

Financial assets measured at fair value with changes through current profit and loss

Debt instruments	
Government bond	2,193,104
Policy based financial bond	6,190,012
Due from other banks	991,574
Corporate bond	3,277,660
Financial bond	1,521,476
Asset management plan	31,358,450
Trust plan	33,925,864
Fund investment	168,831,714
Equity instruments	
Equity investment	<u>1,000</u>
Subtotal	248,290,854
Interest accrued	<u>600,804</u>
	<u><u>248,891,658</u></u>

Pledges of trading financial assets are as follows:

Dec. 31, 2019

Pledge assets	Book value	Pledge purpose	Pledge amount	Due date
Trading financial assets - bonds	5,600	Financial assets sold for repurchase - bonds	4,928	January 2, 2020

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment (continued)

8.2 Lending investment (only applicable to year 2019)

	Dec. 31, 2019
Government bond	82,058,031
Asset management plan	68,626,128
Trust plan	<u>33,326,637</u>
Subtotal	184,010,796
Interest accrued	1,663,884
Less: impairment provision (Note V, 15)	<u>(2,282,265)</u>
	<u><u>183,392,415</u></u>

Changes to the impairment provisions of the lending investment in separate compliance with estimated credit loss within 12 months and whole duration are as follows:

2019:

	Stage I (estimated credit loss for next 12 months)	Stage II (estimated credit loss for whole duration)	Stage III (financial assets with impaired credit loss-estimated credit loss or whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	1,105,820	845,103	-	1,950,923
Adjusted beginning balance	1,105,820	845,103	-	1,950,923
Withdrawing / provision of the year	484,168	(172,733)	136,107	447,542
Write-off the year	-	-	(233,200)	(233,200)
Transferred from recovery of original investment	-	-	<u>117,000</u>	<u>117,000</u>
End balance	<u>1,589,988</u>	<u>672,370</u>	<u>19,907</u>	<u>2,282,265</u>

Pledges of lending investment are as follows:

Dec.31, 2019

Pledge assets	Book value	Pledge purpose	Pledge amount	Due date
Lending investment - bonds	13,145,387	Financial assets sold for repurchase - bonds	12,700,427	January 2, 2020 -January 6, 2020

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment (continued)

8.3 Other lending investments (only applicable to year 2019)

	Dec. 31, 2019
Government bond	118,207,700
Policy based financial bond	924,790
Corporate bond	11,749,407
Due from other banks	13,986,730
Other financial bonds	233,349
Trust plan	<u>50,102,426</u>
Subtotal	195,204,402
Interest accrued	<u>1,944,921</u>
	<u><u>197,149,323</u></u>

Changes to the impairment provisions of the other lending investments in separate compliance with estimated credit loss within 12 months and whole duration are as follows:

2019:

	Stage I (estimated credit loss for next 12 months)	Stage II (estimated credit loss for whole duration)	Stage III (financial assets with impaired credit loss- estimated credit loss or whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	337,033	15,346	27,193	379,572
Adjusted beginning balance	337,033	15,346	27,193	379,572
Provision of the year	<u>176,230</u>	<u>(1,666)</u>	<u>35,425</u>	<u>209,989</u>
End balance	<u><u>513,263</u></u>	<u><u>13,680</u></u>	<u><u>62,618</u></u>	<u><u>589,561</u></u>

Pledges of other lending investments are as follows:

Dec. 31, 2019

Pledge assets	Book value	Pledge purpose	Pledge amount	Due date
		Financial assets sold for		January 2, 2020
Other lending investment - bonds	50,880,613	repurchase - bonds	48,221,173	-January 6, 2020

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment (continued)

8.4 Other equity instrument investment (only applicable to year 2019)

	Accumulative changes of fair value		Fair value	Shareholding ratio (%)	2019 cash dividend
	Cost	through other comprehensive income			
China Union Co., Ltd.	13,000	75,471	88,471	0.34	1,500
Clearing Center for City Commercial Bank	250	3,345	3,595	0.83	-
Lushan Tourism Development Stock Co., Ltd.					
	<u>15,010</u>	<u>(8,999)</u>	<u>6,011</u>	<u>1.50</u>	<u>351</u>
	<u>28,260</u>	<u>69,817</u>	<u>98,077</u>		<u>1,851</u>

8.5 Financial assets measured at fair value with changes through current and loss (only applicable to the year 2018)

Dec. 31, 2018

Trading financial assets

Debt instruments

Government bonds	537,159
Policy financial bonds	9,923,312
Deposit from other banks	2,761,379
Corporate bonds	4,716,459

Equity instruments

Fund investment	116,826,007
Stock investment	1,427

Financial assets designated to be measured at fair value with changes through current profit and loss

Equity instrument	<u>1,000</u>
	<u>134,766,743</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment (continued)

8.6 Available-for-sale financial assets (only applicable to the year 2018)

	Dec. 31, 2018
Debt instrument available for sale	
Measured at fair value	
Government bonds	82,273,588
Policy based financial bonds	4,386,598
Corporate bonds	7,795,603
Due from other banks	18,359,805
Other financial bonds	621,249
Financial products and trust plans	<u>74,500,744</u>
Equity instrument available for sale	
Measured at fair value	
Fund investment	<u>33,118,295</u>
Less: impairment provision (Note V, 15)	<u>(50,296)</u>
Subtotal at fair value	<u>221,005,586</u>
Measured at cost	
Equity investment	<u>28,260</u>
	<u><u>221,033,846</u></u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment (continued)

8.6 Available-for-sale financial assets (only applicable to the year 2018) (continued)

Available-for-sale financial assets measured at fair value:

	2018		Total
	Available for sale equity instrument	Available for sale debt instrument	
Equity instrument cost/debt instrument			
amortized cost	32,738,446	187,367,081	220,105,527
Fair value	33,118,295	187,887,291	221,005,586
Accumulative changes of fair value through			
other comprehensive income	379,849	520,210	900,059
Provision for impairment	-	(50,296)	(50,296)

Available for sale financial assets measured at cost:

	Book value		Impairment		Shareholding (%)	2018 cash dividend
	beginning	end	beginning	end		
China Union Co., Ltd.	13,000	13,000	-	-	0.34	1,100
Clearing Center for City Commercial Bank	250	250	-	-	0.83	-
Lushan Tourism Development Stock Co., Ltd.	15,010	15,010	-	-	1.50	-
	<u>28,260</u>	<u>28,260</u>	<u>-</u>	<u>-</u>		<u>1,100</u>

Pledges of available-for-sale investments are as follows:

Dec. 31, 2018

Pledge assets	Book value	Pledge purpose	Pledge amount	Due date
Available-for-sale investment -bond	20,084,885	Financial assets sold for repurchase - bonds	18,960,721	January 2, 2019 -January 12, 2019

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Financial investment (continued)

8.7 Held-to-maturity investments (only applicable to the year 2018)

Dec. 31, 2018

Government bond	69,669,255
Bonds of other financial institutions	<u>448,945</u>
Total	<u><u>70,118,200</u></u>

Pledges of held-to-maturity investments are as follows:

Dec. 31, 2018

Pledge assets	Book value	Pledge purpose	Pledge amount	Due date
		Financial assets sold for		January 2, 2019
Held-to-maturity investment - bond	6,908,115	repurchase - bonds	6,447,579	-January 11, 2019

8.8 Account receivable held for investments (only applicable to the year 2018)

Dec. 31, 2018

Government bond	103,807
Assets management plan and trusted plan	<u>122,516,527</u>
Impairment provision (Note V, 15)	<u>(3,192,676)</u>
	<u><u>119,427,658</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
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Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

9. Investing real estate

Continuing measurement on fair value:

Houses and buildings	Dec. 31, 2019	Dec. 31, 2018
Beginning balance	39,240	46,726
Disposal or scrapping	-	(1,476)
Changes of fair value	<u>40</u>	<u>(6,010)</u>
End balance	<u><u>39,280</u></u>	<u><u>39,240</u></u>

City where the Group is located has flourishing real estate market, which can provide market price or other related information to the external real estate evaluators so that the fair value of investment real estate can be appropriately evaluated.

10. Fixed assets

2019	House and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2018	6,272,783	170,810	1,100,182	140,677	7,684,452
Purchase in the year	1,297,191	27,386	305,766	72,772	1,703,115
Transfer from construction in progress	69,847	-	1,815	-	71,662
Disposal / scrapping	<u>(21,537)</u>	<u>(14,896)</u>	<u>(15,705)</u>	<u>(2,732)</u>	<u>(54,870)</u>
Dec. 31, 2019	<u>7,618,284</u>	<u>183,300</u>	<u>1,392,058</u>	<u>210,717</u>	<u>9,404,359</u>
Accumulated depreciation:					
Dec. 31, 2018	1,562,858	121,827	741,554	68,242	2,494,481
Drawing	325,922	18,611	112,720	43,035	500,288
Disposal / scrapping	<u>(11,141)</u>	<u>(14,708)</u>	<u>(14,703)</u>	<u>(2,760)</u>	<u>(43,312)</u>
Dec. 31, 2019	<u>1,877,639</u>	<u>125,730</u>	<u>839,571</u>	<u>108,517</u>	<u>2,951,457</u>
Depreciation Provision:					
Dec. 31, 2018	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Dec. 31, 2019	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Book value:					
Dec. 31, 2019	<u>5,738,983</u>	<u>56,861</u>	<u>550,778</u>	<u>101,475</u>	<u>6,448,097</u>
Dec. 31, 2018	<u>4,708,263</u>	<u>48,274</u>	<u>356,919</u>	<u>71,710</u>	<u>5,185,166</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

10. Fixed assets (continued)

2018	House and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2017	5,752,870	164,745	967,271	141,887	7,026,773
Purchase in the year	23,342	16,204	142,151	24,087	205,784
Ttransfer from construction in progress	891,375	-	783	1,572	893,730
Disposal / scrapping	(394,804)	(10,139)	(10,023)	(26,869)	(441,835)
Dec. 31, 2018	<u>6,272,783</u>	<u>170,810</u>	<u>1,100,182</u>	<u>140,677</u>	<u>7,684,452</u>
Accumulated depreciation:					
Dec. 31, 2017	1,389,357	113,329	632,362	75,961	2,211,009
Drawing	290,439	17,994	118,836	18,445	445,714
Disposal / scrapping	(116,938)	(9,496)	(9,644)	(26,164)	(162,242)
Dec. 31, 2018	<u>1,562,858</u>	<u>121,827</u>	<u>741,554</u>	<u>68,242</u>	<u>2,494,481</u>
Depreciation Provision:					
Dec. 31, 2017	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Dec. 31, 2018	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Book value:					
Dec. 31, 2018	<u>4,708,263</u>	<u>48,274</u>	<u>356,919</u>	<u>71,710</u>	<u>5,185,166</u>
Dec. 31, 2017	<u>4,361,851</u>	<u>50,707</u>	<u>333,200</u>	<u>65,201</u>	<u>4,810,959</u>

As of December 31, 2019, all the houses and buildings of the Group have obtained the property certificate. As of 31 Dec. 2018, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB 155,334,000. The management believed that no significant obstacles would be affected by the application of property ownership certificates of houses and buildings, and above issues had no serious negative effects on the overall financial position of the Group.

As of 31 Dec. 2019 and as of 31 Dec. 2018, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 879,614,000 and RMB 794,712,000. The net book value was RMB 25,331,000 and RMB 23,065,000 respectively.

As of 31 Dec. 2019 and as of 31 Dec. 2018, there were no temporarily idle fixed assets.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

11. Intangible assets

2019	Software	Land use right	Membership right	Total
2019:				
Dec. 31, 2018	561,814	100,571	22,000	684,385
Increase	137,064	-	-	137,064
Decrease	<u>(2,221)</u>	<u>-</u>	<u>-</u>	<u>(2,221)</u>
Dec. 31, 2019	<u>696,657</u>	<u>100,571</u>	<u>22,000</u>	<u>819,228</u>
Accumulated amortization:				
Dec. 31, 2018	301,115	17,024	19,250	337,389
Increase	96,942	2,507	2,750	102,199
Decrease	<u>(932)</u>	<u>-</u>	<u>-</u>	<u>(932)</u>
Dec. 31, 2019	<u>397,125</u>	<u>19,531</u>	<u>22,000</u>	<u>438,656</u>
Book value:				
Dec. 31, 2019	<u>299,532</u>	<u>81,040</u>	<u>-</u>	<u>380,572</u>
Dec. 31, 2018	<u>260,699</u>	<u>83,547</u>	<u>2,750</u>	<u>346,996</u>
2018	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2017	477,209	77,228	22,000	576,437
Increase	<u>84,605</u>	<u>23,343</u>	<u>-</u>	<u>107,948</u>
Dec. 31, 2018	<u>561,814</u>	<u>100,571</u>	<u>22,000</u>	<u>684,385</u>
Accumulated amortization:				
Dec. 31, 2017	212,125	13,099	8,250	233,474
Increase	<u>88,990</u>	<u>3,925</u>	<u>11,000</u>	<u>103,915</u>
Dec. 31, 2018	<u>301,115</u>	<u>17,024</u>	<u>19,250</u>	<u>337,389</u>
Book value:				
Dec. 31, 2018	<u>260,699</u>	<u>83,547</u>	<u>2,750</u>	<u>346,996</u>
Dec. 31, 2017	<u>265,084</u>	<u>64,129</u>	<u>13,750</u>	<u>342,963</u>

No depreciation of the intangible assets happened to the Group, so there is no provision for impairment of intangible assets.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

12. Construction in progress

2019						
	Dec. 31, 2018	Increase	Transfer into fixed assets	Other decreases	Dec. 31, 2018	Source of fund
Business occupancy	1,163,050	149,834	(69,847)	-	1,243,037	Self
Others	<u>21,578</u>	<u>167,569</u>	<u>(1,815)</u>	<u>(106,013)</u>	<u>81,319</u>	Self
	<u>1,184,628</u>	<u>317,403</u>	<u>(71,662)</u>	<u>(106,013)</u>	<u>1,324,356</u>	
2018						
	Dec. 31, 2018	Increase	Transfer into fixed assets	Other decreases	Dec. 31, 2018	Source of fund
Business occupancy	1,262,534	791,891	(891,375)	-	1,163,050	Self
Others	<u>15,518</u>	<u>91,320</u>	<u>(2,355)</u>	<u>(82,905)</u>	<u>21,578</u>	Self
	<u>1,278,052</u>	<u>883,211</u>	<u>(893,730)</u>	<u>(82,905)</u>	<u>1,184,628</u>	

No interest capitalized expenses existed in the construction in progress.

No depreciation happened in the construction in progress of the Group, so no impairment provision of the construction in progress was accrued.

13. Deferred income tax assets/liabilities

13.1. Deferred income tax assets and deferred income tax liabilities are listed on net basis

Deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	Dec. 31, 2019		Dec. 31, 2018	
	Deductible/ (taxable)	Deferred income tax	Deductible/ (taxable)	Deferred income tax
Temporary difference assets / (liabilities)	temporary difference assets / (liabilities)			
Deferred income tax assets	<u>41,913,576</u>	<u>10,478,394</u>	<u>44,986,188</u>	<u>11,246,547</u>
Deferred income tax liabilities	<u>(22,480,764)</u>	<u>(5,620,191)</u>	<u>(30,312,396)</u>	<u>(7,578,099)</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

13. Deferred income tax assets/liabilities (continued)

13.1. Deferred income tax assets and deferred income tax liabilities are listed on net basis (continued)

Temporary differences of the deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	Dec. 31, 2019		Dec. 31, 2018	
	Deductible	Deferred	Deductible	Deferred
Temporary difference income tax assets, temporary difference income tax assets				
Deferred income tax assets				
Provisions for asset depreciation	18,219,809	4,554,952	16,461,560	4,115,390
Changes in fair value of derivative financial liabilities	19,162,456	4,790,614	26,752,224	6,688,056
Changes in fair value of available-for-sale financial assets	320,457	80,114	136,244	34,061
Changes in fair value of investment real estate	-	-	1,952	488
Estimated liabilities	2,122,934	530,734	-	-
Deferred income	1,992,516	498,129	1,549,900	387,475
Others	95,404	23,851	84,308	21,077
	<u>41,913,576</u>	<u>10,478,394</u>	<u>44,986,188</u>	<u>11,246,547</u>

	Dec. 31, 2019		Dec. 31, 2018	
	Taxable	Deferred	Taxable	Deferred
Temporary difference income tax liability, temporary difference income tax liability				
Deferred income tax liabilities				
Conversion of self use real estate to investment real estate measured at fair value	18,724	4,681	18,724	4,681
Changes in fair value of available-for-sale financial assets	Not Applicable	Not Applicable	900,064	225,016
Changes in fair value of other debt investment	1,684,445	421,111	Not Applicable	Not Applicable
Changes in fair value of other equity instrument investments	69,817	17,454	Not Applicable	Not Applicable
Changes in fair value of derivative financial assets	19,071,059	4,767,765	29,348,584	7,337,146
Changes in fair value of trading financial assets	1,614,611	403,653	33,420	8,355
Others	22,108	5,527	11,604	2,901
	<u>22,480,764</u>	<u>5,620,191</u>	<u>30,312,396</u>	<u>7,578,099</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****13. Deferred income tax assets/liabilities (continued)****13.2. Deferred income tax assets and liabilities after offsetting**

After the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting each other: have the legal right of calculating the current income tax assets and the current income tax liabilities as net value; the deferred income tax assets and deferred income tax liabilities involve the same taxpayer or different taxpayer levied by the same tax department, but during each period of important inversion of deferred income tax assets and deferred income tax liabilities, the involved taxpayer intends to calculate the current deferred income tax assets and the current deferred income tax liabilities as net value or obtain assets while paying off debts. The Company's deferred income tax assets and liabilities after offsetting and the corresponding temporary differences are as follows:

	Dec. 31, 2019		Dec. 31, 2018	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>10,478,394</u>	<u>4,858,203</u>	<u>11,246,547</u>	<u>3,668,448</u>
Deferred income tax liabilities	<u>(5,620,191)</u>	<u>-</u>	<u>(7,578,099)</u>	<u>-</u>

14. Other assets

		Dec. 31, 2019	Dec. 31, 2018
Deferred expenses	14.1	198,241	168,723
Other receivables	14.2	995,229	476,789
Amount to be settled/liquidated		389,399	25,908
Debt assets	14.3	48,992	65,390
Long-term deferred expenses	14.4	647,917	587,938
Interest receivable		214,575	Not Applicable
Pending deduct VAT on purchase		2,423	21,489
Others		<u>3,911</u>	<u>703</u>
		<u>2,500,687</u>	<u>1,346,940</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

14. Other assets (continued)

14.1. Deferred expenses

	Dec. 31, 2019	Dec. 31, 2018
Renting	190,856	154,815
Others	<u>7,385</u>	<u>13,908</u>
	<u>198,241</u>	<u>168,723</u>

14.2 Other receivables

	Dec. 31, 2019					Proportion	Provision For bad debts	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total			
Others	854,998	112,229	6,951	41,693	1,015,871	97.63%	(45,350)	970,521
Deposit	<u>14,969</u>	<u>3,826</u>	<u>331</u>	<u>5,582</u>	<u>24,708</u>	2.37%	-	24,708
	<u>869,967</u>	<u>116,055</u>	<u>7,282</u>	<u>47,275</u>	<u>1,040,579</u>	100%	(45,350)	995,229

	Dec. 31, 2018					Proportion	Provision For bad debts	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total			
Settlement receivable and other liquidates	380,171	22,403	24,337	55,115	482,026	97.72%	(17,074)	464,952
Deposit	<u>4,183</u>	<u>339</u>	<u>1,182</u>	<u>6,133</u>	<u>11,837</u>	2.28%	-	11,837
	<u>384,354</u>	<u>22,742</u>	<u>25,519</u>	<u>61,248</u>	<u>493,863</u>	100.00%	(17,074)	476,789

The balance of the account does not involve the arrearages to those shareholders' companies with 5% or over 5% shareholding of the Company till 31 December 2019 (31 Dec. 2018: none).

14.3. Debt assets

	31 Dec. 2019			31 Dec. 2018		
	Original value	impairment provision	Net value	Original value	impairment provision	Net value
Real estate	<u>55,541</u>	<u>(6,549)</u>	<u>48,992</u>	<u>71,939</u>	<u>(6,549)</u>	<u>65,390</u>
	<u>55,541</u>	<u>(6,549)</u>	<u>48,992</u>	<u>71,939</u>	<u>(6,549)</u>	<u>65,390</u>

The original value of debt assets disposed by the Group in 2019 is RMB 16,398,000 (2018: None).

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****14. Other assets (continued)****14.4. Long-term deferred expenses**

2019	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Others	Total
Dec. 31, 2018	146,535	33,529	407,383	491	587,938
Increase	-	6,879	267,413	7,174	281,466
Decrease	(61,286)	-	-	-	(61,286)
Amortize	<u>(17,489)</u>	<u>(12,839)</u>	<u>(126,460)</u>	<u>(3,413)</u>	<u>(160,201)</u>
Dec. 31, 2019	<u>67,760</u>	<u>27,569</u>	<u>548,336</u>	<u>4,252</u>	<u>647,917</u>
2018	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Others	Total
Dec. 31, 2017	168,336	37,399	347,314	5,802	558,851
Increase	-	16,098	189,338	-	205,436
Amortize	<u>(21,801)</u>	<u>(19,968)</u>	<u>(129,269)</u>	<u>(5,311)</u>	<u>(176,349)</u>
Dec. 31, 2018	<u>146,535</u>	<u>33,529</u>	<u>407,383</u>	<u>491</u>	<u>587,938</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

15. Allowances for assets impairment

2019	Dec. 31, 2018 (Back appropriation)	Withdraw / Withdrawal after verification	Write-off/ Withdrawal	Dec. 31, 2019
Provision for impairment of deposits with banks	82,494	(44,547)	-	37,947
Provision for impairment of interbank funds	1,370	7,729	-	9,099
Other provision for impairment of investment on creditor's rights	379,572	209,989	-	589,561
Provision for impairment of investment on creditor's rights	1,950,923	447,542	(116,200)	2,282,265
Provision for impairment of other assets	49,180	53,699	-	102,879
Provision for impairment of off-balance-sheet business	1,870,320	252,614	-	2,122,934
Provision for impairment of debt assets	6,549	-	-	6,549
Provision for impairment of fixed assets	4,805	-	-	4,805
Provision for impairment of precious metals	5,328	2,575	-	7,903
Provision for impairment of financial assets purchased for resale	488	(439)	-	49
	<u>4,351,029</u>	<u>929,162</u>	<u>(116,200)</u>	<u>5,163,991</u>
2018	Dec. 31, 2017	Increase (decrease)	Write-off	Dec. 31, 2018
Provision for bad loans of other receivables	11,150	6,680	(756)	17,074
Provision for depreciation of assets against debts	-	6,549	-	6,549
Provision for bad loans of due from other banks	-	21,612	-	21,612
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for depreciation of held-to-maturity investment	50,000	-	(50,000)	-
Provision for depreciation of available-for-sale financial assets	1,698	50,296	(1,698)	50,296
Provision for depreciation of interest receivable	-	67	-	67
Provision for depreciation of receivables	<u>804,408</u>	<u>3,178,268</u>	<u>(790,000)</u>	<u>3,192,676</u>
	<u>872,061</u>	<u>3,263,472</u>	<u>(842,454)</u>	<u>3,293,079</u>

The above sheets do not include provision for loan loss; please see Note V/7.4 for detailed changes.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

16. Borrowing from the central bank	Dec. 31, 2019	Dec. 31, 2018
Medium term loan	<u>30,065,000</u>	<u>15,500,000</u>
Accrued interest	<u>425,563</u>	<u>Not Applicable</u>
	<u>30,490,563</u>	<u>15,500,000</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****17. Deposit in other banks/financial institutions**

	Dec. 31, 2019	Dec. 31, 2018
Deposit with domestic banks	24,618,988	18,799,958
Deposit with foreign banks	114,225	-
Other financial institutions	<u>10,806,760</u>	<u>2,415,015</u>
Subtotal	35,539,973	21,214,973
Accrued interest	<u>157,474</u>	<u>Not Applicable</u>
	<u><u>35,697,447</u></u>	<u><u>21,214,973</u></u>

18. Deposit funds

	Dec. 31, 2019	Dec. 31, 2018
Banks	35,165,920	53,943,803
Other financial institutions	<u>500,000</u>	<u>-</u>
Subtotal	35,665,920	53,943,803
Accrued interest	<u>296,354</u>	<u>Not Applicable</u>
	<u><u>35,962,274</u></u>	<u><u>53,943,803</u></u>

19. Trading financial liabilities

	Dec. 31, 2019	Dec. 31, 2018
Precious metal	10,880,951	11,820,231
Short position of bonds	-	10,315
Financial liabilities measured at fair value through profit or loss	<u>26</u>	<u>25,546</u>
	<u><u>10,880,977</u></u>	<u><u>11,856,092</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

20. Financial assets sold for repurchase

Classified by pledges	Dec. 31, 2019	Dec. 31, 2018
Bonds	60,926,528	25,408,300
Bills	<u>1,737,060</u>	<u>1,521,816</u>
Subtotal	62,663,588	26,930,116
Accrued interest	<u>30,614</u>	<u>Not Applicable</u>
	<u><u>62,694,202</u></u>	<u><u>26,930,116</u></u>
Classified by counter party	Dec. 31, 2019	Dec. 31, 2018
Banks	62,658,660	26,930,116
Other financial institutions	<u>4,928</u>	<u>-</u>
Subtotal	62,663,588	26,930,116
Accrued interest	<u>30,614</u>	<u>Not Applicable</u>
	<u><u>62,694,202</u></u>	<u><u>26,930,116</u></u>

21. Deposit

	Dec. 31, 2019	Dec. 31, 2018
Demand deposit		
Corporate	293,189,406	260,442,932
Personal	44,825,811	36,890,802
Fixed time deposit		
Corporate	284,752,985	232,361,038
Personal	114,315,887	85,975,986
Guarantee deposit	31,548,845	27,670,865
Others	<u>2,888,160</u>	<u>3,379,752</u>
Subtotal	771,521,094	646,721,375
Accrued interest	<u>7,703,044</u>	<u>Not Applicable</u>
	<u><u>779,224,138</u></u>	<u><u>646,721,375</u></u>

See Note IX/2.3 for deposits of the related parties of the Company at the end of the year.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****22. Payroll payable**

2019	Dec. 31, 2018	Addition	Payment	Dec. 31, 2019
Short-term salary:				
Salary, bonus and allowance	2,247,383	6,290,071	6,107,786	2,429,668
Welfare	-	568,998	568,998	-
Social insurances				
Medical insurance	1	152,920	152,920	1
Work injury insurance	-	3,725	3,725	-
Maternity insurance	-	11,320	11,320	-
House funds	-	329,735	329,735	-
Labor union's funds and employee education funds	-	39,419	39,419	-
Contribution plan:				
Basic pension insurance	2	284,102	284,102	2
Unemployment insurance	1	8,550	8,550	1
Annuity plan	793	80,539	80,646	686
	<u>2,248,180</u>	<u>7,769,379</u>	<u>7,587,201</u>	<u>2,430,358</u>
2018	Dec. 31, 2017	Addition	Payment	Dec. 31, 2018
Short-term salary:				
Salary, bonus and allowance	1,996,019	5,238,140	4,986,776	2,247,383
Welfare	-	403,239	403,239	-
Social insurances				
Medical insurance	11	129,670	129,680	1
Work injury insurance	-	3,855	3,855	-
Maternity insurance	-	10,723	10,723	-
Disability insurance	2	424	426	-
House funds	1	273,247	273,248	-
Labor union's funds and employee education funds	50	34,332	34,382	-
Contribution plan:				
Basic pension insurance	10	255,973	255,981	2
Unemployment insurance	16	6,944	6,959	1
Annuity plan	-	74,107	73,314	793
	<u>1,996,109</u>	<u>6,430,654</u>	<u>6,178,583</u>	<u>2,248,180</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

23. Tax payable

	Dec. 31, 2019	Dec. 31, 2018
Value-added tax	661,885	394,222
City maintenance and construction tax	43,912	48,798
Educational surcharges	30,698	33,021
Corporate income tax	2,491,687	230,240
Individual income tax	41,538	23,324
Taxes payable on behalf of entrusted loans	12,504	3,263
Others	<u>41,282</u>	<u>7,574</u>
	<u>3,323,506</u>	<u>740,442</u>

24. Interest payable (only applicable to the year of 2018)

	Dec. 31, 2018
Interest on deposit	7,752,562
Interest on repurchase financial assets	11,760
Interest on inter-bank deposit and borrowings	602,395
Interest on bond	1,144,810
Interest on rate exchange	716,123
Other interests payable	<u>60,138</u>
	<u>10,287,788</u>

25. Estimated liabilities

	Dec. 31, 2019	Dec. 31, 2018
Provision for estimated off-sheet credit loss	<u>2,122,934</u>	<u>-</u>

Bank of Ningbo Co., Ltd.
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V. Notes to Items in the Consolidated Financial Statements (continued)

26. Bond payable

	Dec. 31, 2019	Dec. 31, 2018
Financial bond payable	50,979,308	29,972,622
Subordinated bond payable	2,995,483	2,995,082
Subordinated capital bond payable	26,983,238	16,981,500
Convertible corporate bond payable	-	6,389,952
Deposit of other banks payable	<u>130,187,053</u>	<u>152,098,192</u>
Subtotal	211,145,082	208,437,348
Accrued interest	<u>1,740,677</u>	<u>Not Applicable</u>
	<u><u>212,885,759</u></u>	<u><u>208,437,348</u></u>

Balance of bond payables to the date 31 December 2018 is as follows:

	Bond Date of issue	Bond period	Book value	Dec. 31, 2018	2019 Premium discount			Repayment	Dec. 31, 2019
					Issued in 2019	Accrued interest	Amortize		
12 Subordinated (1)11/22/2012	15years	3,000,000	2,995,082	-	172,855	401	-	2,995,483	
13 Financial bond(2)4/16/2013	10years	3,000,000	2,996,709	-	154,131	528	-	2,997,237	
Tier II capital									
Bonds (3)	5/26/2015	10years	7,000,000	6,990,814	-	363,645	941	6,991,755	
17 Tier II capital									
Bonds (4)	12/6/2017	10years	10,000,000	9,990,686	-	480,711	797	9,991,483	
Convertible corporate									
bonds(5)	12/5/2017	6years	10,000,000	6,389,952	-	183,089	165,830	(6,555,782)	
18 Financial bond(7)3/20/2018	3years	10,000,000	9,990,314	-	517,131	3,230	-	9,993,544	
18 Financial bond(6)5/21/2018	3years	8,000,000	7,992,349	-	377,627	2,255	-	7,994,604	
18 Financial bond(6)7/24/2018	3years	6,000,000	5,994,597	-	259,223	1,530	-	5,996,127	
18 Green financial									
Bond (7)	10/24/2018	3years	3,000,000	2,998,653	-	119,383	343	2,998,996	
19 Financial bond (8)1/14/2019	3years	6,000,000	-	6,000,000	201,370	-	-	6,000,000	
19 Tier II capital									
Bonds (9)	7/10/2019	10years	10,000,000	-	10,000,000	207,978	-	10,000,000	
19 Small and micro financial									
bonds (10)	8/8/2019	3years	6,000,000	-	6,000,000	80,544	-	6,000,000	
19 Small and micro financial									
Bonds (10)	10/14/2019	3years	6,000,000	-	6,000,000	43,675	-	6,000,000	
19 Small and micro financial									
bonds (10)	10/14/2019	5years	1,000,000	-	1,000,000	7,995	-	1,000,000	
19 Maxwealth financial									
Bond (11)	3/13/2019	3years	2,000,000	-	2,000,000	60,543	(1,200)	1,998,800	
	Term of bond			Actual interest rate		Book value		Balance at the end of year	
Deposit of other banks from 1 month to 1 year				2.89%-3.79%		131,090,000		130,187,053	

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Notes to Financial Statements (Continued)

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V. Notes to Items in the Consolidated Financial Statements (continued)

26. Bond payable (continued)

Balance of bond payables to the date 31 December 2018 is as follows:

	Bond		Dec. 31, 2017	Issued in 2018	2018		Repayment	Dec. 31, 2018	
	Date of issue	period			Book value	Accrued interest			Premium discount Amortize
12 Subordinated (1)	11/22/2012	15 years	3,000,000	2,994,704	-	172,878	378	-	2,995,082
13 Financial bond (2)	4/16/2013	5 years	5,000,000	4,997,164	-	71,726	2,836	(5,000,000)	-
13 Financial bond (2)	4/16/2013	10 years	3,000,000	2,996,203	-	154,406	506	-	2,996,709
15 Tier II capital									
Bonds (3)	5/27/2015	10 years	7,000,000	6,989,916	-	364,198	898	-	6,990,814
15 Financial bond (4)	7/3/2015	3 years	500,000	499,670	-	10,658	330	(500,000)	-
15 Financial bond (4)	9/9/2015	3 years	9,500,000	9,493,723	-	266,286	6,277	(9,500,000)	-
17 Tier II capital									
Bonds (5)	12/6/2017	10 years	10,000,000	10,000,000	-	480,119	(9,314)	-	9,990,686
Convertible corporate									
bonds(6)	12/5/2017	6 years	10,000,000	8,119,066	-	390,895	371,260	(2,100,374)	6,389,952
18 Financial bond									
(7)	3/20/ 2018	3 years	10,000,000	-	10,000,000	402,312	(9,686)	-	9,990,314
18 Financial bond									
(7)	5/21/2018	3 years	8,000,000	-	8,000,000	228,982	(7,651)	-	7,992,349
18 Financial bond									
(7)	7/24/2018	3 years	6,000,000	-	6,000,000	111,693	(5,403)	-	5,994,597
18 Green									
Financial bond (8)	10/24/2018	3 years	3,000,000	-	3,000,000	21,577	(1,347)	-	2,998,653
		Term of bond			Actual interest rate	Book value			Balance at the end of year
Deposit of other banks		3 months – 1 year			2.70%-5.08%	153,530,000			152,098,192

- (1) On 22 November 2012, the Company issued 15-year term subordinated bonds at the par value of RMB 3 billion in the national inter-bank bond market. The Company has the right of redemption of these subordinated bonds at the end of the 10th year of interest accrual. The annual interest rate for these subordinated bonds is 5.75%. The interest shall be paid annually and once it is in due, the principal shall be paid off at one time.
- (2) On 16 April 2013, the Company issued the term financial bonds at the par value of RMB 8 billion in the national inter-bank bond market, including: type 1 is the five-year bonds of fixed interest rate, RMB 5 billion, coupon rate 4.70%; type 2 is the ten-year bonds of fixed interest rate, RMB 3 billion coupon rate 5.13%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.
- (3) On 26 May 2015, the Company issued the Tier II Capital bonds at the par value of RMB 7 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interested rate. Right of redemption with certain premise is attached. The nominal interest rate is 5.19%, with the interest paid annually. The principal will be repaid at the time of maturity all at once.
- (4) On 6 December 2017, the Company issued the Tier II Capital bonds at the par value of RMB 10 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interested rate. Right of redemption with certain premise is attached. The nominal interest rate is 4.80%, with the interest paid annually. The principal will be repaid at the time of maturity all at once.

V. Notes to Items in the Consolidated Financial Statements (continued)

26. Bond payable (continued)

- (5) Pursuant to the approval by relevant PRC regulatory authorities, on 5 Dec. 2017, the Group issued A-share convertible bonds (hereinafter referred to as “convertible bonds”) with a total principal amount of RMB 10 billion on Shenzhen Stock Exchange. The convertible bonds have a maturity term of six years from 5 Dec. 2017 to 5 Dec. 2023 and bear a fixed interest rate of 0.2% for the first year, 0.4% the second year, 0.8% the third year, 1.2% the fourth year, 1.6% the fifth year and 2.0% the sixth year. The convertible bond holders may exercise their rights to convert the convertible bonds into the Group’s A shares at the stipulated conversion price during the period beginning six months after the date of issuance 11 Dec. 2017 (T+4) until the maturity date (or from 11 June 2018 to 5 Dec. 2023). Within 5 trading days after maturity, the Group shall redeem the outstanding convertible bonds at 105% of par value, including interest for the sixth year.

During the conversion period, if the closing price of the Company’s A shares is not lower than or equal to 130% (inclusive) of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, the Group has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest with the approval of relevant regulatory departments (if required). Under circumstances where the conversion price of the Group is adjusted because of ex-right or ex-dividend on any of the above mentioned trading days, calculate according to conversion price and closing price before adjustment for trading days before adjustment while according to conversion price and closing price after adjustment for trading days after adjustment. Besides, the Group also has the right to redeem all the convertible bonds at par value plus accrued interest should the total outstanding amount be less than RMB 30 million.

Subject to the formulae provided for in the bond prospectus, the initial conversion price of the issued bonds is RMB 18.45 per share, and since 11 Jun. 2018, holders of the convertible bonds can transfer these bonds into general A-shares at price of RMB 18.45 per share and RMB 18.01 since 12 Jul. 2018, not lower than the average trading price of the Company’s A shares during 20 trading days before the announcement date of the prospectus (in the case of the share price adjusted due to de-right or de-dividend during the 20 trading days, the trading price on the trading days before adjustment shall be calculated at the price after adjustment), the average trading price of the Company’s A shares on the previous trading day, or the latest audited net asset per share and par value of shares.

In the 30 consecutive trading days from June 12, 2019 to July 23, 2019, the closing price of the Company's shares has been no less than 130% of the current conversion price (18.45) for 15 trading days, triggering conditional redemption terms. On July 24, 2019, the Company held the second interim meeting of the sixth board of directors in 2019, deliberated and passed the proposal on early redemption of "Ninghang convertible bonds", and decided to exercise the conditional redemption right of "Ninghang convertible bonds". As of August 21, 2019, the

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

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holders of convertible bonds have converted the convertible bonds with a par value of RMB 7,488,952,800 into 419,774,090 common shares of A type, increasing the share capital by RMB 419,774,090. On August 22, 2019, the Company redeemed all the "Ninghang convertible bonds" (face value of RMB 10837000) with the amount not yet converted on the registration date of August 21.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

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V. Notes to Items in the Consolidated Financial Statements (continued)

26. Bond payable (continued)

Up to 31 Dec. 2019, the Group has paid a total of RMB 183,089,000 for the interest of convertible bonds (2018: 15,000,000).

The liabilities and rights and interests of issued convertible corporate bonds are divided as follows:

	Liabilities	Rights and interests	Total
Amount of issued convertible bonds			
	8,101,971	1,898,029	10,000,000
Direct issuance expenses	<u>(11,847)</u>	<u>(2,775)</u>	<u>(14,622)</u>
Balance on date of issue	8,090,124	1,895,254	9,985,378
Amortization of 2017	28,942	-	28,942
Ending balance of 2017	<u>8,119,066</u>	<u>1,895,254</u>	<u>10,014,320</u>
Amortization of 2018	371,260	-	371,260
Conversion amount of shares of 2019	(2,100,374)	(473,854)	(2,574,228)
Ending balance of 2018	<u>6,389,952</u>	<u>1,421,400</u>	<u>7,811,352</u>
Amortization of 2019	165,830	-	165,830
Conversion amount of shares of 2019	(6,546,271)	(1,419,347)	(7,965,618)
Redemption in 2019	<u>(9,511)</u>	<u>(2,053)</u>	<u>(11,564)</u>
Balance at 31 Dec. 2019	<u>-</u>	<u>-</u>	<u>-</u>

- (6) On 20 March 2018, 21 May 2018 and 24 July 2018, the Company issued the financial bonds at the par values of RMB 10 billion, RMB 8 billion and RMB 6 billion in the national inter-bank bond market respectively, including: type 1 is the three-year bonds of fixed interest rate, RMB 10 billion, coupon rate 5.15%; type 2 is the three-year bonds of fixed interest rate, RMB 8 billion, coupon rate 4.70%; type 3 is the three-year bonds of fixed interest rate, RMB 6 billion, coupon rate 4.30%. All of these three bonds need to pay interest annually and fully repay the principal at the time of maturity.
- (7) On 24 October 2018, the Company issued the green financial bonds at the par value of RMB 3 billion in the national inter-bank bond market, which are the three-year bonds of fixed interest rate with a coupon rate of 3.97%. The interest is paid annually and the principal is fully repaid at the time of maturity.
- (8) On January 14, 2019, the Group publicly issued financial bonds with a total face value of RMB 6 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years, a scale of RMB 6 million, and a nominal interest rate of 3.50%. The interest will be paid by year, and the principal will be return upon maturity.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

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- (9) On July 10, 2019, the Group publicly issued RMB secondary capital bonds amounted to RMB 10 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 10 years and a nominal interest rate of 4.40%. The bonds are subject to the issuer's redemption right with preconditions at the end of the 5th year. The interest will be paid by year, and the principal will be return upon maturity.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****26. Bond payable (continued)**

(10) On August 8, 2019 and October 14, 2019, the Group issued special financial bonds with total face value of RMB 6 billion, RMB 6 billion and RMB 1 billion for small and micro enterprise loans in the national inter-bank bond market. Among which, the bonds of type I have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type II have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type III have fixed interest rate, with the maturity of 5 years, a scale of RMB 1 billion, and a nominal interest rate of 3.8%. The interest will be paid by year, and the principal will be return upon maturity.

(11) On March 13, 2019, the Group publicly issued RMB financial bond amounted to RMB 2 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 3.80%. The interest will be paid by year, and the principal will be return upon maturity.

27. Other liabilities

		Dec. 31, 2019	Dec. 31, 2018
Dividend payable	27.1	383,773	23,811
Other payables	27.2	5,769,049	5,577,202
Settlement amount payable	27.3	3,696,419	3,561,735
Lease and rent of precious metal		10,451,930	-
Deferred income	27.4	364,198	427,324
Output tax to be carried forward		72,911	64,909
Others		<u>162,327</u>	<u>93,527</u>
		<u>20,900,607</u>	<u>9,748,508</u>

27.1. Dividend payable

	Dec. 31, 2019	Dec. 31, 2018
Dividend of shareholders (note)	<u>383,773</u>	<u>23,811</u>

Note: Dividend of shareholder is not paid because the shareholder of the non-tradable share has not come to draw it yet.

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Notes to Financial Statements (Continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

27.2. Other payables

	Dec. 31, 2019	Dec. 31, 2018
Derivative product mark-to-market settlement deposit	-	1,458,336
Security assets to be transferred	954,006	1,493,541
Bills payable	3,570,494	1,257,701
Lease deposit	693,432	737,070
Unclaimed deposit account	60,672	78,604
Unpaid of construction	167,348	360,299
Others	<u>323,097</u>	<u>191,651</u>
	<u>5,769,049</u>	<u>5,577,202</u>

The balance of the account does not involve the arrearages to those shareholders' companies or affiliated parties with 5% or over 5% shareholding of the Group to the date 31 December 2019 (31 Dec. 2018: none).

27.3. Settlement amount payable

	Dec. 31, 2019	Dec. 31, 2018
Financial payment to be settled	3,274,918	3,301,755
Settlement amount payable to Unionpay	-	114,432
Payment to be transferred	421,501	144,462
Online payment settlement	<u>-</u>	<u>1,086</u>
	<u>3,696,419</u>	<u>3,561,735</u>

27.4. Deferred income

	Dec. 31, 2019	Dec. 31, 2018
Service charge income of financial leasing project	322,508	394,230
Custody fee income	3,692	1,090
Income from guarantee service	34,326	29,810
Others	<u>3,672</u>	<u>2,194</u>
	<u>364,198</u>	<u>427,324</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

28. Share capital

2019	Dec. 31, 2018		Change		Dec. 31, 2017	
	Amount	Prop%	Desterilization	Newly issued	Amount	Prop%
I. Shares subject to restriction on sale						
1. State-owned shares	-	0.00%	-	-	-	0.00%
2. Shares held by state-owned legal persons	247,201	4.75%	(247,201)	-	-	0.00%
3. Shares held by other domestic investors	44	0.00%	(8)	-	36	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
<i> Shares held by domestic natural person</i>	44	0.00%	(8)	-	36	0.00%
4. Shares held by foreign investors	323,771	6.22%	(323,771)	-	-	0.00%
<i>Amongst: shares held by foreign legal person</i>	323,771	6.22%	(323,771)	-	-	0.00%
5. Shares held by senior management	6,916	0.13%	(195)	-	6,721	0.12%
Total of shares subject to restriction on sales	<u>577,932</u>	<u>11.10%</u>	<u>(571,175)</u>	<u>-</u>	<u>6,757</u>	<u>0.12%</u>
II. Shares not subject to restriction on sales RMB-denominated ordinary shares	<u>4,630,623</u>	<u>88.90%</u>	<u>571,175</u>	<u>419,775</u>	<u>5,621,573</u>	<u>99.88%</u>
Total of shares not subject to restriction on sales	<u>4,630,623</u>	<u>88.90%</u>	<u>571,175</u>	<u>419,775</u>	<u>5,621,573</u>	<u>99.88%</u>
III. Total shares	<u>5,208,555</u>	<u>100.00%</u>	<u>-</u>	<u>419,775</u>	<u>5,628,330</u>	<u>100.00%</u>
2018	Dec. 31, 2017		Change		Dec. 31, 2018	
	Amount	Prop%	Desterilization	Newly issued	Amount	Prop%
I. Shares subject to restriction on sale						
1. State-owned shares	-	0.00%	-	-	-	0.00%
2. Shares held by state-owned legal persons	247,201	4.88%	-	-	247,201	4.75%
3. Shares held by other domestic investors	44	0.00%	-	-	44	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
<i> Shares held by domestic natural person</i>	44	0.00%	-	-	44	0.00%
4. Shares held by foreign investors	323,771	6.38%	-	-	323,771	6.22%
<i>Amongst: shares held by foreign legal person</i>	323,771	6.38%	-	-	323,771	6.22%
5. Shares held by senior management	8,171	0.16%	(1,255)	-	6,916	0.13%
Total of shares subject to restriction on sales	<u>579,187</u>	<u>11.42%</u>	<u>(1,255)</u>	<u>-</u>	<u>577,932</u>	<u>11.10%</u>
II. Shares not subject to restriction on sales RMB-denominated ordinary shares	<u>4,490,545</u>	<u>88.58%</u>	<u>1,255</u>	<u>138,823</u>	<u>4,630,623</u>	<u>88.90%</u>
Total of shares not subject to restriction on sales	<u>4,490,545</u>	<u>88.58%</u>	<u>1,255</u>	<u>138,823</u>	<u>4,630,623</u>	<u>88.90%</u>
III. Total shares	<u>5,069,732</u>	<u>100.00%</u>	<u>-</u>	<u>138,823</u>	<u>5,208,555</u>	<u>100.00%</u>

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Notes to Financial Statements (Continued)

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The increase in equity in 2019 was attributed to "Ning Hang Convertible Bonds" issued by the Bank on December 5, 2017, with a total of 419,775,000 shares amounted to RMB 7,488,952,800 being converted into the A-share common stock of the Company

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

29. Other equity instruments

As of Dec. 31, 2019, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Acc. classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y.01								
2015/11/16	Preferred share	4.60%	100.00	48.5 million shares	RMB 4.85 billion	NA	Mandatory conversion under certain trigger events	NA
N.H.Y.02								
2018/11/7	Preferred share	5.30%	100.00	0.1 billion shares	RMB 10 billion	NA	Mandatory conversion under certain trigger events	NA

As of Dec. 31, 2018, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Accounting classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y.01:								
2015/11/16	Preferred share	4.60%	100.00	48.5 million shares	RMB 4.85 billion	NA		
N.H.Y.02:								
2018/11/7	Preferred share	5.30%	100.00	0.1 billion shares	RMB 10 billion	NA	Mandatory conversion under certain trigger events	NA
N.H.Z.Z.								
2017/12/5	Convertible bond	V. 26	100.00	0.1 billion shares	RMB 10 billion	2023/12/5	See Note V.26	See Note V.26

N.H.Y.01: The Company issued preferred shares on November 16, 2015. The preferred shares have no maturity date. The Company has the right to redeem them in advance. The fixed dividend rate of preferred stock is 4.60%, and it does not participate in the distribution of residual profits. The Company has the right to cancel the dividend payment. In case the Company is forced to transfer shares, it has the right to convert preferred shares into common shares according to the price of forced conversion. According to the relevant regulatory provisions, the preferred shares belong to the first-class capital instruments. The Company classifies it as other equity instruments.

N.H.Y.02: The Company issued preferred shares on November 16, 2015. The preferred shares have no maturity date. The Company has the right to redeem them in advance. The fixed dividend rate of preferred stock is 2.30%, and it does not participate in the distribution of residual profits. The Company has the right to cancel the dividend payment. In case the Company is forced to transfer shares, it has the right to convert preferred shares into common shares according to the price of forced conversion. According to the relevant regulatory provisions, the preferred shares belong to the first-class capital instruments. The Company classifies it as other equity instruments.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

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N.H.Z.Z.: with the approval of relevant regulatory authorities in China, the Company completed the issuance of convertible bonds on December 5, 2017. Please refer to Note V.26 for details. As of December 31, 2019, the conversion or redemption of convertible bonds of the Bank has been completed, and there is no balance at the end of the year.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

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V. Notes to Items in the Consolidated Financial Statements (continued)

29. Other equity instruments (continued)

The changes of preferred shares and convertible bonds issued are as follows:

2019

	Jan 1, 2019		Increase		Decrease		Dec. 31, 2019	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
Preferred share 148.5 million		14.812 billion	-	-	-	2 million	148.5 million	14.812 billion
Convertible bond	=	<u>1.421 billion</u>	=	=	=	<u>1.421 billion</u>	=	=
		<u>16.233 billion</u>		=		<u>1.423 billion</u>		<u>14.84 billion</u>

2018

	Jan 1, 2018		Increase		Decrease		Dec. 31, 2018	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
Preferred share 48,500,000		4.825 billion	100,000,000	9.987 billion	-	-	148,500,000	14.812 billion
Convertible bond	=	<u>1.895 billion</u>	=	=	=	<u>0.474 billion</u>	=	<u>1.421 billion</u>
		<u>6.72 billion</u>		<u>9.987 billion</u>		<u>0.474 billion</u>		<u>16.233 billion</u>

Specific information on the attribution of preferred shares and convertible bonds to other equity holders is as follows:

	2019	2018
Equity attributable to parent company	100,308,847	80,879,211
Equity attributable to ordinary shareholders of parent company	85,498,401	64,646,233
Equity attributable to other shareholders of parent company	14,810,446	16,232,978
Equity attributable to minority shareholder	427,264	350,657
Equity attributable to minority shareholder of ordinary shares	427,264	350,657

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****30. Capital reserve**

2019	Dec. 31, 2018	Change	Dec. 31, 2019
Capital premium (note 1)	11,219,025	7,565,929	18,784,954
Others	<u>180</u>	<u>-</u>	<u>180</u>
	<u>11,219,205</u>	<u>7,565,929</u>	<u>18,785,134</u>
2018	Dec. 31, 2017	Change	Dec. 31, 2018
Capital premium (note 1)	8,779,726	2,439,299	11,219,025
Others	<u>180</u>	<u>-</u>	<u>180</u>
	<u>8,779,906</u>	<u>2,439,299</u>	<u>11,219,205</u>

Note 1: due to capital reserves converted into share capital of parent company, capital reserves changed.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

31. Other comprehensive income

Other comprehensive income in the consolidated comprehensive income statement:

	Jan. 1, 2018	Change	Dec. 31, 2018	Changes in accounting policies	Jan. 1, 2019	Change	Dec. 31, 2019
Other comprehensive income not expected to be reclassified into profit and loss							
Changes in fair value of other equity instrument investments	Not Applicable	Not Applicable	Not Applicable	46,741	46,741	5,622	52,363
Other comprehensive income expected to be reclassified into profit and loss							
Changes in fair value of available for sale financial assets	(2,093,685)	2,768,958	675,273	(675,273)	Not Applicable	Not Applicable	Not Applicable
Conversion of self use real estate to investment real estate measured by fair value	19,549	(5,506)	14,043	-	14,043	-	14,043
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	Not Applicable	Not Applicable	Not Applicable	338,180	338,180	930,592	1,268,772
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	Not Applicable	Not Applicable	Not Applicable	714,174	714,174	170,288	884,462
Others	-	-	-	186	186	-	186
Total other comprehensive incomes	(2,074,136)	2,763,452	689,316	424,008	1,113,324	1,106,502	2,219,826

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****31. Other comprehensive income (continued)**

Current amount of other comprehensive income in the consolidated income statement:

2019	Pretax amount	Income tax	After-tax amount
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of other equity instrument investments	7,496	(1,874)	5,622
Other comprehensive income expected to be reclassified into profit and loss			
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	1,240,789	(310,197)	930,592
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	<u>227,050</u>	<u>(56,762)</u>	<u>170,288</u>
	<u>1,475,335</u>	<u>(368,833)</u>	<u>1,106,502</u>
2018	Pretax amount	Income tax	After-tax amount
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of available for sale financial assets	3,691,944	(922,986)	2,768,958
Conversion of self use real estate to investment real estate measured by fair value	<u>(7,341)</u>	<u>1,835</u>	<u>(5,506)</u>
	<u>3,684,603</u>	<u>(921,151)</u>	<u>2,763,452</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****32. Surplus reserve**

2019	Dec. 31, 2018	Provision for this year	Dec. 31, 2019
Statutory surplus reserve	<u>5,942,864</u>	<u>1,306,721</u>	<u>7,249,585</u>
2018	Dec. 31, 2017	Provision for this year	Dec. 31, 2018
Statutory surplus reserve	<u>4,857,149</u>	<u>1,085,715</u>	<u>5,942,864</u>

The Company appropriated 10% of the net profit to the statutory surplus reserve as stipulated by Corporate Law and regulations of the Company. The accumulated statutory surplus reserve that more than 50% of the registered capital of the Group cannot be relieved from provisions.

33. Provision for general risks

2019	Dec. 31, 2018	Provision for this year	Dec. 31, 2019
Provision for general risks	<u>9,138,300</u>	<u>1,782,527</u>	<u>10,920,827</u>
2018	Dec. 31, 2017	Provision for this year	Dec. 31, 2018
Provision for general risks	<u>7,858,597</u>	<u>1,279,703</u>	<u>9,138,300</u>

In accordance with the provisions of the administrative measures for the provision of financial enterprises (CJ [2012] No. 20) issued by the Ministry of finance, the Group has set up general risk reserves to partially make up for the unidentified possible losses on the basis of the provision for asset impairment. The general risk reserve, as a part of the owner's equity, shall be treated as profit distribution, and shall not be less than 1.5% of the balance of risk assets in principle. It can be distributed year by year with a duration not exceeding 5 years in principle.

According to the resolution of the 2018 general meeting of shareholders of the Group on May 16, 2019, the general risk reserve amounted to RMB 1,633,406,000 was withdrawn from the undistributed profits of 2018. The general risk reserves of subsidiaries in 2019 are RMB 149,121,000 (2018: RMB 207,929,000).

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****34. Undistributed profit**

	Dec. 31, 2019	Dec. 31, 2018
Undistributed profit of 2017 before adjustment	32,447,993	25,878,052
Changes in accounting policies	534,192	-
Undistributed profit at the beginning of the year after adjustment	32,982,185	25,878,052
Net profit belongs to the parent company	13,714,237	11,186,356
Less: provision for accumulated statutory surplus reserve		
Provision for general risks	1,306,721	1,085,715
Cash dividend payable for preferred shares	1,782,527	1,279,703
Cash dividend payable for ordinary shares	753,100	223,100
	2,159,375	2,027,897
	<u>40,694,699</u>	<u>32,447,993</u>

See Note XII for the predetermined 2019 distribution plan. The financial statement of the year 2020 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On March 28, 2019, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2019 net profit as the statutory surplus reserve and withdraw the amount of RMB 1,633,406,000 as general provision. Cash dividends were distributed to the registered ordinary shareholders after the close of the stock market on the equity distribution registration date, and the payment of cash dividend was RMB 4 (including tax) per 10 shares, with the total cash dividend of RMB 2,159,375,000 being distributed. This distribution decision has passed on the general meeting of shareholders on May 16, 2019.

The Company has discussed and passed the dividend distribution plan of the preferred shares (hereinafter referred to as “Bank of Ningbo Preferred 01”) on the meeting of the Board of Directors held on October 29, 2019, which approved the start value date for the distribution of the dividend would be November 16, 2018. And according to the total amount of the shares of Bank of Ningbo Preferred 01 that is 48,500,000 with a nominal dividend rate of 4.60%, the cash dividend per share will be RMB 4.6 (tax included) and the total dividend value will be RMB 223,100,000.

The Company has discussed and passed the dividend distribution plan of the preferred shares (hereinafter referred to as “Bank of Ningbo Preferred 02”) on the meeting of the Board of Directors held on October 29, 2019, which approved the start value date for the distribution of the dividend would be November 17, 2018. And according to the total amount of the shares of Bank of Ningbo Preferred 02 that is 100,000,000 with a nominal dividend rate of 5.30%, the cash dividend per share will be RMB 5.3 (tax included) and the total dividend value will be RMB 530,000,000.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

35. Net interest income

	2019	2018
Interest income		
Loans and advances	26,241,723	20,987,886
<i>Including: corporate loans and advances</i>	<i>14,174,154</i>	<i>11,607,070</i>
<i>Personal loans and advances</i>	<i>8,783,634</i>	<i>7,368,298</i>
<i>Notes discounted</i>	<i>2,846,195</i>	<i>1,554,706</i>
<i>Trade financing</i>	<i>437,740</i>	<i>457,812</i>
Due from other banks	676,187	396,409
Deposit in central bank	1,217,073	1,252,925
Loans to other banks	364,072	279,932
Redemptory monetary capital for sale	676,963	680,529
Bond investment	9,549,687	11,791,513
Financing product and credit plan	<u>6,428,172</u>	<u>7,482,014</u>
	<u>45,153,877</u>	<u>42,871,208</u>
Interest expenses		
Due to other banks	(955,112)	(606,295)
Borrowing from central bank	(737,246)	(229,133)
Placements from other institutions	(1,554,922)	(2,061,692)
Deposit	(14,471,621)	(11,408,176)
Repurchase agreements financial assets	(913,200)	(1,020,990)
Bond issuance	<u>(6,957,946)</u>	<u>(8,424,669)</u>
	<u>(25,590,047)</u>	<u>(23,750,955)</u>
Net interest income	<u><u>19,563,830</u></u>	<u><u>19,120,253</u></u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****36. Net fee and commission income**

	2019	2018
Fee and commission incomes		
Settlement and clearing business	244,121	221,302
Bank cards business	2,831,751	1,826,310
Intermediary commissions	4,383,766	3,344,533
Guarantees	564,459	502,114
Trusting business	385,277	407,416
Intermediary consultations	68,680	26,494
Others	<u>2,884</u>	<u>1,752</u>
	<u>8,480,938</u>	<u>6,329,921</u>
Fee and commission expenses		
Settlement and clearing business	(67,687)	(63,958)
Bank cards business	(79,391)	(78,562)
Intermediary commissions	(418,273)	(312,232)
Trusting business	(64,633)	(50,894)
Others	<u>(67,255)</u>	<u>(30,111)</u>
	<u>(697,239)</u>	<u>(535,757)</u>
Net fee and commission income	<u><u>7,783,699</u></u>	<u><u>5,794,164</u></u>

37. Other incomes

Government subsidies related to daily activities are as follows:

	2019	2018
Financial aid	23,037	19,171
Loan risk compensation	-	5,348
Government incentive	9,392	3,534
Refund of withholding personal income tax	7,197	12,579
Special fund for inclusive finance	<u>185</u>	<u>29</u>
	<u><u>39,811</u></u>	<u><u>40,661</u></u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****38. Investment income**

	2019	2018
Investment income from disposal of trading financial assets	(518,742)	521,977
Investment income from disposal of other debt investment	(60,189)	Not Applicable
Gains from trading financial assets during the holding period	8,143,845	4,582,918
Profit and loss of derivatives business	44,961	115,348
Profit and loss of precious metal business	(1,072,197)	(148,757)
Income from equity investment	2,132	1,100
Others	<u>720</u>	<u>70</u>
	<u><u>6,540,530</u></u>	<u><u>5,072,656</u></u>

39. Gains and losses from fair value changes

	2019	2018
Fair value change of financial instrument measured by fair value and entered into the current income statement	797,121	(90,917)
Fair value changes on investment real estate	40	(6,010)
Fair value changes on derivative instrument	<u>1,218,980</u>	<u>6,359,751</u>
	<u><u>2,016,141</u></u>	<u><u>6,262,824</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

40. Other operating incomes/expenses

	2019	2018
Other business incomes		
Rent income	28,706	27,041
Others	<u>7,453</u>	<u>3,900</u>
	<u>36,159</u>	<u>30,941</u>
Other business costs		
Asset securitization expense	-	(7,207)
Others	<u>(35,515)</u>	<u>(5,885)</u>
	<u>(35,515)</u>	<u>(13,092)</u>

In the year 2019, the bank deals with no investment property (year 2018: yes).

41. Assets disposal income

	2019	2018
Fixed assets	8,048	105,111
Mortgaged assets	<u>(2,589)</u>	<u>-</u>
	<u>5,459</u>	<u>105,111</u>

42. Business tax and surcharges

	2019	2018
City Maintenance and Construction Tax	105,852	87,580
Educational surcharges	74,326	59,735
Stamp Duty	15,528	14,281
Housing Property Tax	59,546	35,974
Other taxes	<u>2,087</u>	<u>2,514</u>
	<u>257,339</u>	<u>200,084</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****43. Business and administrative expenses**

	2019	2018
Staff costs	7,769,379	6,430,654
Business expenses	3,496,663	2,799,637
Depreciation of fixed assets	500,288	445,714
Amortization of long-term deferred expenses	160,201	176,349
Amortization of intangible assets	102,199	103,915
Taxes	<u>9,014</u>	<u>7,637</u>
	<u>12,037,744</u>	<u>9,963,906</u>

44. Credit impairment losses (only applicable to the year of 2019)

	2019
Impairment loss of loans and advances measured at amortized cost measured at amortized cost	6,515,014
Impairment loss of loans and advances measured at fair value with changes included in other comprehensive income	17,061
Impairment loss of deposit in banks	(44,547)
Impairment loss of due from banks	7,729
Impairment loss of other debt investment	209,989
Impairment loss of debt investment	447,542
Impairment loss of other assets	53,699
Impairment loss of off-sheet businesses	252,614
Impairment loss of precious metal	2,575
Impairment loss of financial assets purchased for resale	<u>(439)</u>
	<u>7,461,237</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****45. Asset impairment losses(only applicable to the year of 2018)**

	2018
Loan impairment losses	3,943,935
Impairment loss of deposit in banks	21,612
Impairment loss of receivables investment	3,178,268
Impairment loss of other receivable	6,680
Impairment loss of interest receivable	67
Provision for impairment of debt paying assets	6,549
Impairment loss of available-for-sale financial assets	<u>50,296</u>
	<u><u>7,207,407</u></u>

46. Non-operating incomes

	2019	2018	Non-recurring profit and loss of 2019
Unclaimed deposit account	11,417	1,027	11,417
Government subsidies unrelated to daily operation	816	2,138	816
Others	<u>9,591</u>	<u>11,127</u>	<u>9,591</u>
	<u><u>21,824</u></u>	<u><u>14,292</u></u>	<u><u>21,824</u></u>

47. Non-operating expenses

	2019	2018	Non-recurring profit and loss of 2018
Donation and sponsorship	35,900	29,758	35,900
<i>Including: charitable donation</i>			
<i>Expenses</i>	34,536	22,083	34,536
Penalty and overdue fine	4,698	7,054	4,698
Others	<u>52,889</u>	<u>25,744</u>	<u>52,889</u>
	<u><u>93,487</u></u>	<u><u>62,556</u></u>	<u><u>93,487</u></u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****48. Income tax**

	2019	2018
Income tax of the current period	3,305,039	215,477
Deferred income tax	<u>(1,877,990)</u>	<u>61,438</u>
	<u>1,427,049</u>	<u>276,915</u>

Relationship between income tax and accounting profits as follows:

	2019	2018
Total profits	15,217,893	11,497,551
Tax rate	25%	25%
Tax amount at statutory tax rate	3,804,473	2,874,388
Adjustment of current tax items	(30,240)	(189,455)
Tax-free income	(2,676,339)	(2,721,243)
Non-deductible costs	<u>329,155</u>	<u>313,225</u>
	<u>1,427,049</u>	<u>276,915</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

49. Earnings per share

Basic earnings per share

Ordinary shareholders' net profit of the current period divided by the weighted average of the outstanding common stock equal to basic earnings per share.

Calculation of basic earnings per share is as follows:

	2019	2018
Current net profit of the shareholders of the parent company	13,714,237	11,186,356
Less: current net profit of the other equity holders of the parent company	753,100	223,100
Current net profit of the ordinary shareholders of the parent company	12,961,137	10,963,256
Weighted average of issuing ordinary shares of the Company	5,380,357	5,104,440
Earnings per share (RMB 1/share)	2.41	2.15

Diluted earnings per share

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the reporting period by the adjusted weighted average number of ordinary shares in issue.

	2019	2018
Net profit attributable to ordinary shareholders of the parent company	12,961,137	10,963,256
Add: interest expenses of convertible bonds (post-tax)	Not Applicable	293,171
Net profit used to calculate diluted earnings per share	12,961,137	11,256,427
Weighted average of ordinary shares in issue	5,380,357	5,104,440
Add: weighted average of ordinary shares converted from all bonds	Not Applicable	416,424
Weighted average of shares in issue used to calculate diluted earnings per share	5,380,357	5,520,864
Diluted earnings per share (in RMB/share)	2.41	2.04

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

50. Cash and cash equivalents

	Dec. 31, 2019	Dec. 31, 2018
Cash	22,106,286	19,361,756
<i>Including: Cash</i>	<i>1,386,518</i>	<i>1,313,405</i>
<i>Current deposit in other banks</i>	<i>9,051,103</i>	<i>6,216,775</i>
<i>Payable balances with central banks</i>	<i>11,668,665</i>	<i>11,831,576</i>
Cash equivalent	19,945,466	6,211,459
<i>Including: Placements with other institutions</i>		
<i>due within 3 months</i>	<i>2,693,070</i>	<i>2,507,976</i>
<i>Reserve repurchase financial assets</i>		
<i>due within 3 months</i>	<u><i>17,252,396</i></u>	<u><i>3,703,483</i></u>
Balance of cash and cash equivalents at the end of the year	<u><u>42,051,752</u></u>	<u><u>25,573,215</u></u>

51. Other cash receivable relating to operating activities

	2019	2018
Pending settlement paid	1,606,990	8,598,087
Premium for lease	43,638	36,369
Rent income	28,706	27,041
Other incomes	<u>177,219</u>	<u>221,414</u>
	<u><u>1,856,553</u></u>	<u><u>8,882,911</u></u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****V. Notes to Items in the Consolidated Financial Statements (continued)****52. Cash paid for other operating related activities**

	2019	2018
Pending settlement paid	3,592,350	4,966,987
Business promotion and advertising	127,403	117,368
Entertainment expense	618,346	588,715
Office and administration expenses	<u>3,267,735</u>	<u>1,889,478</u>
	<u>7,605,834</u>	<u>7,562,548</u>

53. Operating activities cash flow

	2019	2018
Net profit adjusted to operating activities cash flow		
Net profit	13,790,844	11,220,636
Add: loss of fixed assets impairment	7,461,237	7,207,407
Depreciation of fixed assets	500,288	445,714
Amortization of intangible assets	102,199	103,915
Amortization of deferred expenses	528,592	488,825
Income from disposal of fixed assets, intangible assets and other long-term assets	(5,459)	(105,111)
Income of fair value adjustment	(2,016,141)	(6,262,824)
Investment income	(16,477,367)	(18,645,642)
Interest expense on bond issuance	6,957,946	8,424,669
Increase (/decrease) of deferred income tax assets	(1,877,990)	61,438
Increase of operating receivable	(144,751,504)	(76,961,731)
Increase of operating payable	<u>176,125,986</u>	<u>23,043,557</u>
	<u>40,338,631</u>	<u>(50,979,147)</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

54. Transfer of financial assets

The Company enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Company has retained substantially all the risks and rewards of these assets, the Company continued to recognize the transferred assets.

Securitization of credit assets

In terms of securitization of credit assets, the Group sells credit assets to special trust institutions, and then the special trust institutions issue asset-backed securities to investors. The Group may hold some sub-prime asset-backed securities in such businesses, thus retaining some risks and rewards for the transferred credit assets. The Group analyzes and judges whether to derecognize relevant credit assets according to the retention degree of risk and reward.

On December 31, 2019, all credit assets transferred by the Group in the securitization of credit assets have been derecognized. In 2019, the book value of the credit assets transferred by the Group to the special trust institutions designated in the securitization of credit assets on the transfer date is RMB 37.577 billion (2018: RMB 57.312 billion). In 2019, the Group did not provide financial support to unconsolidated financial products and asset management plans (2018: none).

Credit asset factoring without right of recourse

The underlying assets transferred by the Group in the credit asset factoring business without recourse have all been derecognized. In 2019, the Group has no credit asset factoring business without recourse (2018: the book value of the subject assets transferred in the credit asset factoring business without recourse on the transfer date is RMB 1,093,526).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

VI. Interests in Other Entities

1. Interests in the subsidiary

The subsidiaries of the Company as of Dec. 31, 2019 are as follows:

Subsidiary obtained through establishment	Major operation site	place of registry	Business nature	Registered capital (RMB)	Shareholding ratio	Direct	Indirect
Maxwealth Finance Leasing Co. Ltd. (Note 1)	Ningbo	Ningbo	Finance leasing	3 billion	100%	-	-
Maxwealth Fund Management Co., Ltd.	Shanghai	Zhejiang	Fund management	0.9 billion	71.49%	-	-
Maxwealth Assets Management Co., Ltd.	Shanghai	Shanghai	Assets management	0.8 billion	-	-	71.49%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	20 million	-	-	71.49%
Ningyin Financial Management Co., Ltd. (Note. 2)	Ningbo	Ningbo	Financial service	1.5 billion	-	-	100%

Neither of the above-mentioned subsidiaries is listed, so they are both included into the Consolidated Statements of the Company.

In accordance with the enterprise accounting principles, it is required to disclose all the financial information abstracts of the subsidiary with material non-controlling interests. The Company evaluates the non-controlling interests of each subsidiary and comes to the conclusion that neither of them has material non-controlling interests with our Group. Thus we do not think it is necessary to disclose their financial information abstracts.

Note 1: Maxwealth Finance Leasing Co. Ltd. increased the registered capital by RMB 1 billion in 2019

Note 2: Ningyin Wealth Management Co., Ltd. is a limited liability company established by the company with separate capital contribution. On December 24, 2019, it obtained the business license of enterprise legal person with unified social credit code of 91330212MA2GWJ9M93 issued by Yinzhou District market supervision administration of Ningbo City. Its registered capital is RMB 1.5 billion.

2. Interests in the structured entities included into the consolidation scope

The structured entities included in the consolidation scope of the Group are mainly asset management plans and securities investment funds issued, managed and invested by the Group.

VI. Interests in Other Entities (continued)

3. Interests in the structured entities not included into the consolidated financial statement scope

3.1. Interests in the structured entities not included into the consolidated financial statement scope

(1) Financial products

The structured entities managed by the Group but not included into the consolidated scope are mainly the financial products issued and managed by the Group as the administrator. On the basis of potential customer group analysis and study, the Group designs and sells capital investment and management plan to target customer groups, inputs the collected financial capital into related financial market or financial products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the Group obtains the commission including sales fee, fixed management fee, and floating management fee. The Group obtains the commission income as the asset manager. As of December 31, 2019, the scale balance of such unconsolidated bank financial products of the Group totaled RMB 267,584,692,000 (December 31, 2018: RMB 234,704,947,000). In 2019, the service charge and commission income related to financial management business is RMB 690,890,000 (RMB 2018: 549,952,000).

(2) Asset securitization business

Another type of structured entity managed by the Group but not included into the consolidation scope is the trust of specific objective set by third trust company due to the Group's asset securitization business. The Group, as the loan service mechanism for this kind of trust with specific objective, manages the credits assets of transferred trust with specific objective, and charges corresponding commission as the loan assets administrator. The Group believes its variable return on such kind of structured entities is non-significant. The book value of the asset-backed securities investment held by the Group in such assets securitization business to the end of December 31, 2019 amounted to RMB 319,972,000 (December 31, 2018: RMB 800,345,000), and the maximum loss exposure was close to the book value.

(3) Fund and Asset Management Plan

Another type of structured entity managed by the Group but not included into the consolidation scope is the securities investment fund, asset management plan and partnership private equity fund managed by the Group. The nature and purpose of this kind of structured subject is mainly to manage investors' assets and earn management fee income. The Group has no control over this kind of structured subject, so does not consolidate this kind of structured subject. As of December 31, 2019, the scale balance of this category was RMB 204.4 (RMB 203.2 billion as of December 31, 2018).

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

On December 31, 2019, the book value of the Group's investments in the above-mentioned securities investment funds, asset management plans and partnership private equity funds totaled RMB 1,121,442,000 (RMB 687,284,000 as on December 31, 2017). The largest loss of investment in the above-mentioned securities investment funds, asset management plans and partnership private equity funds and their accounts, and the maximum loss exposure was close to the book value.

In 2019, the management fee income and sales service fee from the securities investment funds, asset management plans and partnership private equity funds issued and managed by the Group but not included in the consolidated financial statements was RMB 427,023,000 (2018: RMB 301,752,000) and RMB 17,540,000 (2018: RMB 20,046,000) respectively.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****VI. Interests in Other Entities (continued)****3. Interests in the structured entities not included into the consolidated financial statement scope (continued)****3.2. Interests in the structured entities in the third party financial institution**

The Group invested in the structured entities not included into the consolidated financial statement scope in some other institutions, with their income being confirmed. Such structured entities include financing products, special assets management planning, credit investment plan, as well as financing bonds for purpose of assets support. The nature and purpose of these structured entities are to earn management fees through the management of investors' assets. It realizes the purpose of financing through launching the investment products towards investors. The Group provides no liquidity support for such structured entities in 2019 (year 2018: none).

By Dec. 31, 2019, the book value and max loss risk exposure of the assets formed from the structured entities not included into the consolidations scope but held by the Group are as follows:

2019	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Trust plan	33,925,864	33,326,637	50,102,426	117,354,927	117,354,927
Assets management plan	31,358,450	68,626,128	-	99,984,578	99,984,578
Fund	168,831,714	-	-	168,831,714	168,831,714

By Dec. 31, 2018, the book value and max loss risk exposure of the assets formed from the structured entities not included into the consolidations scope but held by the Group are as follows:

2018	Financial assets at fair value through profit and loss	Receivable investment	Available for sale financial assets	Total	Max loss exposure
Financial products	-	-	2,984,702	2,984,702	2,984,702
Trust plan	-	11,886,823	71,516,042	83,402,865	83,402,865
Assets management plan	-	110,629,704	-	110,629,704	110,629,704
Fund	116,826,007	-	33,114,491	149,940,498	149,940,498

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****VII. Capital Management**

The Group adopts a capital management method that is able to prevent inherent risks of the operating business of the Company in compliance with the relative requirements of the regulatory authority. The capital management is not only to meet the requirements of the regulatory authority but also to guarantee a capital adequacy ratio and a maximum shareholders' equity. Depending on the economical environment changes and risks confronted with, the Company would actively adjust the capital structure including regulating the dividend distribution, transferring capitals and issuing new bonds. The targets and methods of the capital management are the same as the previous year.

Since 2013, the Bank disclosure and improve continually the information related to capital adequacy ratio according to "Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)". As required by CBRC, before 2018, for the non-systemically important Banks' the core tier-I capital adequacy ratio shall be no lower than 7.5 percent, the tier-I capital adequacy ratio no lower than 8.5 percent, and the capital adequacy ratio no lower than 10.5 percent. During the reporting period, the Group has complied with the regulatory capital requirements.

The Group calculated the core capital and subordinate capital in compliance with *Measures for Management of Adequacy Ratio of Commercial Banks* issued by CBRC. The related core tier-I capital adequacy, tier-I capital adequacy ratio and capital adequacy ratio are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Core tier-I capital		
Including: paid-in capital entered	5,628,330	5,208,555
Capital reserve, other equity instruments and other comprehensive incomes entered	21,004,960	13,329,921
Surplus reserve	7,249,585	5,942,864
General risk reserve	10,920,827	9,138,300
Undistributed profit	40,694,699	32,447,993
Less: other intangible assets (excluding right to use land)	(299,532)	(263,449)
Net value of core tier-I capital	85,198,869	65,804,184
Other tier-I capital		
Including: preferred share and premium	14,810,446	14,811,578
Net value of core tier-I capital	100,009,315	80,615,762
Tier-II capital		
Including: tier-II capital tools and premium	27,900,000	18,200,000
Provision for jumbo loan loss	9,887,532	7,941,398

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

Net capital value	137,796,847	106,757,160
Risk weighted capital	885,201,520	718,273,938
Core tier-I capital adequacy ratio	9.62%	9.16%
Tier-I capital adequacy ratio	11.30%	11.22%
Capital adequacy ratio	15.57%	14.86%

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****VIII. Segmental Report**

For management purposes, the Group dividing products and services into business units, the Group has four segmental reports below:

- (1) Corporate banking involves services provided specifically for Company clients, including deposits, loans, settlements, trade related products and other services;
- (2) Personal banking refers to banking services for individual clients, such as deposits, credit card and debit card businesses, consumer credit services, mortgage loans and private property management;
- (3) Capital banking services include interbank deposit/call loan services, back sale and repurchase services, investment business, foreign exchange transactions, such self-operating and agency services;
- (4) Other banking services other than the corporate, personal and capital banking services are those segments without forming an individually reportable business unit or the assets, liabilities, incomes and costs without appropriate allocation.

The internal transfer price is determined on the basis of deposit/loan interest rate declared by PBC and inter-bank offered rate corresponding to different fund sources and applied periods. Expenses are allocated in different segments subject to benefit.

2019	Corporate banking	Personal banking	Capital banking	others	Total
Net external interest income	5,728,471	5,182,620	8,652,739	-	19,563,830
Net internal interest income	4,202,471	2,822,721	(7,025,192)	-	-
Net fee and commission income	3,271,094	4,462,892	49,713	-	7,783,699
Investment gains	-	-	6,540,530	-	6,540,530
Gains from fair value adjustment	-	-	2,016,141	-	2,016,141
Foreign exchange gains	214,379	4,943	(1,123,560)	-	(904,238)
Other operating income/expense	-	-	(1,813)	2,457	644
Gains from assets disposal	-	-	-	5,459	-
Other gains	-	-	-	39,811	39,811
ax and surcharge	(101,581)	(88,212)	(67,209)	(337)	(257,339)
Business/administrative fee	(4,548,473)	(4,136,058)	(3,337,387)	(15,826)	(12,037,744)
Credit impairment loss	(3,596,046)	(2,634,037)	(1,231,154)	-	(7,461,237)
Operating profit	5,170,315	5,614,869	4,472,808	31,564	15,289,556
Net non-Operating Income	-	-	-	(71,663)	(71,663)
Total profits	<u>5,170,315</u>	<u>5,614,869</u>	<u>4,472,808</u>	<u>(40,099)</u>	<u>15,217,893</u>
Total assets	<u>344,419,874</u>	<u>174,739,182</u>	<u>798,518,223</u>	<u>39,767</u>	<u>1,317,717,046</u>
Total liabilities	<u>624,839,310</u>	<u>162,326,594</u>	<u>429,431,087</u>	<u>383,944</u>	<u>1,216,980,935</u>
Supplementary information:					
Capital expenditure	998,604	928,397	677,964	3,552	2,608,517
Depreciation and amortization expenses	433,006	402,562	293,972	1,539	1,131,079

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

VIII. Segmental Report (continued)

2018	Corporate banking	Personal banking	Capital banking	others	Total
Net external interest income	3,926,102	3,902,115	11,292,036	-	19,120,253
Net internal interest income	4,775,885	2,697,118	(7,473,003)	-	-
Net fee and commission income	2,096,658	3,695,275	2,231	-	5,794,164
Investment gains	-	-	5,072,656	-	5,072,656
Gains from fair value adjustment	-	-	6,262,824	-	6,262,824
Foreign exchange gains	(238,851)	(1,665,125)	(5,592,330)	-	(7,496,306)
Other operating income/expense	-	-	-	17,849	17,849
Gains from assets disposal	-	-	-	105,111	105,111
Other gains	-	-	-	40,661	40,661
Tax and surcharge	(116,157)	(80,308)	(3,619)	-	(200,084)
Business and administrative fee	(4,290,509)	(2,660,924)	(3,012,473)	-	(9,963,906)
Assets impairment loss	(2,106,291)	(1,889,576)	(3,211,540)	-	(7,207,407)
Operating profit	4,046,837	3,998,575	3,336,782	163,621	11,545,815
Non-operating net balance	-	-	-	(48,264)	(48,264)
Total profits	<u>4,046,837</u>	<u>3,998,575</u>	<u>3,336,782</u>	<u>115,357</u>	<u>11,497,551</u>
Total assets	<u>314,161,817</u>	<u>105,314,824</u>	<u>696,907,155</u>	<u>39,559</u>	<u>1,116,423,355</u>
Total liabilities	<u>539,636,320</u>	<u>124,609,102</u>	<u>370,924,044</u>	<u>24,021</u>	<u>1,035,193,487</u>
Supplementary information:					
Capital expenditure	363,143	121,735	805,563	46	1,290,487
Depreciation and amortization expenses	340,727	245,323	452,404	-	1,038,454

IX. Related Parties Relationships and Transactions

1. Identification of related parties

Related parties of the Group consist of parties listed below:

1) Primary shareholders:

Primary shareholders of the Bank are the shareholders and shareholder groups with 5% shares or more of the Bank, or those shareholders and shareholder groups who have assigned directors within the Bank.

Name of related party	Dec. 31, 2019		Dec. 31, 2019	
	Related party or not	Prop	Related party or not	Prop
Ningbo Development & Investment Group Co., Ltd.	Yes	19.99%	Yes	21.60%
Singapore Overseas-Chinese Banking Co., Ltd.	Yes	18.58%	Yes	18.47%
Ningbo Youngor (Group) Co., Ltd.	Yes	14.15%	Yes	15.25%
Ningbo Huamao Group Co., Ltd.	Yes	3.91%	Yes	4.73%

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****IX. Related Parties Relationships and Transactions (continued)****1. Identification of related parties (continued)**

Related parties of the Group consist of parties listed below (continued):

2) Subsidiary

See note VI (1. Entities in subsidiary) and consolidated financial statements for basic and related information of the subsidiary.

3) Key management staff and their close family members of the Group.

4) Other entities bearing major influences from the key management staff and their close family members of the Group.

2. Major transactions between the Group and the related parties**2.1. Loans and advances**

Name of related party	Dec. 31, 2019	Dec. 31, 2018
Ningbo Development & Investment Group Co., Ltd.	1,136,593	650,900
Ningbo Youngor (Group) Co., Ltd.	4,400	153,851
Ningbo Huamao Group Co., Ltd.	1,105,877	884,782
Key management staff of the Group and their close family members	<u>10,308</u>	<u>800</u>
	<u>2,257,178</u>	<u>1,690,333</u>

2.2. Creditor's rights investment

Name of related party	Dec. 31, 2019	Dec. 31, 2018
Ningbo Development & Investment Group Co., Ltd.	<u>400,000</u>	<u>-</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****IX. Related Parties Relationships and Transactions (continued)****2. Major transactions between the Group and the related parties (continued)****2.3. Deposit**

Name of related party	Dec. 31, 2019	Dec. 31, 2018
Ningbo Development & Investment Group Co., Ltd.	151,976	90,885
Ningbo Youngor (Group) Co., Ltd.	368,444	167,151
Ningbo Huamao Group Co., Ltd.	551,826	693,415
Key management staff of the Group and their close family members	<u>34,762</u>	<u>21,851</u>
	<u>1,107,008</u>	<u>973,302</u>

2.4. Deposit due from banks

Name of related party	Dec. 31, 2019	Dec. 31, 2018
Singapore Overseas-Chinese Banking Co., Ltd.	<u>56,554</u>	<u>50,321</u>

2.5. Deposit due to the Bank

Name of related party	Dec. 31, 2019	Dec. 31, 2018
Singapore Overseas-Chinese Banking Co., Ltd.	<u>114,225</u>	<u>-</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****IX. Related Parties Relationships and Transactions (continued)****2. Major transactions between the Group and the related parties (continued)****2.6. Off-sheet events**

Name of related party	Dec. 31, 2019	Dec. 31, 2018
Ningbo Development & Investment Group Co., Ltd.	177,610	-
Ningbo Youngor (Group) Co., Ltd.	2,182,306	1,979,522
Ningbo Huamao Group Co., Ltd.	<u>134,656</u>	<u>392,760</u>
	<u>2,494,572</u>	<u>2,372,282</u>

2.7. Derivative transaction

On 31st Dec. 2019, the balance of long-term foreign exchange trading of the Group was RMB 36,498,000,000 (On 31st Dec. 2018, 186,507,000). The balance of long-term foreign exchange swap was RMB 5,264,823,000 and the balance of long-term installment was RMB 5,286,452,000 (On 31st Dec. 2018, the balance of long-term foreign exchange swap was RMB 4,611,512,000 and the balance of long-term installment was RMB 4,622,279,000). Interest rate swap long-term was RMB 7,180,000,000 (On 31st Dec. 2018, the interest rate swap long-term was RMB 7,260,000,000). Option contract RMB 322,004,000 (On 31st Dec. 2018, option contract RMB 3,744,635,000). Net expense of derivative transactions of 2018 was RMB 4,545,000 (2018: RMB 22,269,000).

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****IX. Related Parties Relationships and Transactions (continued)****2. Major transactions between the Group and the related parties (continued)****2.8. Loan interest income**

Name of related party	2019	2018
Ningbo Development & Investment Group Co., Ltd.	32,485	23,429
Ningbo Shanshan Co., Ltd.	Not Applicable	8,322
Ningbo Youngor (Group) Co., Ltd.	237	180
Ningbo Fubang (Holding) Group Co., Ltd.	Not Applicable	29,510
Ningbo Huamao Group Co., Ltd.	20,283	17,852
Key management staff of the Group and their close family members	<u>416</u>	<u>32</u>
	<u>53,421</u>	<u>79,325</u>

2.9. Deposit interest expenses

Name of related party	2019	2018
Ningbo Development & Investment Group Co., Ltd.	1,895	331
Ningbo Shanshan Co., Ltd.	Not Applicable	136
Ningbo Youngor (Group) Co., Ltd.	2,824	157
Ningbo Fubang (Holding) Group Co., Ltd.	Not Applicable	40
Ningbo Huamao Group Co., Ltd.	8,167	2,073
Key management staff of the Group and their close family members	<u>764</u>	<u>371</u>
	<u>13,650</u>	<u>3,108</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****IX. Related Parties Relationships and Transactions (continued)****2. Major transactions between the Group and the related parties (continued)****2.10. Interests expenses of capital business**

Name of related party	2019	2018
Singapore Overseas-Chinese Banking Co., Ltd.	<u>24</u>	<u>261</u>

2.11. Transactions with other related parties

Name of trade	2019	2018
Remuneration of key management	<u>28,268</u>	<u>27,478</u>

The Management Team of the Group thought the transactions with above-mentioned related parties have been proceeded in compliance with the regular business transaction terms and conditions and the normal business procedures with the general market price as the pricing fundamentals.

X. Contingent Items, Commitment Items and Main Off-balance Sheet Items**1. Capital expenditure commitments**

	Dec. 31, 2019	Dec. 31, 2018
Contracts signed but proceeds not yet be withdrawn	<u>816,409</u>	<u>278,733</u>

2. Operating lease commitment

According to the lease contract, the minimum lease rent of irrevocable operating sites are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Within 1 year (included)	593,494	490,578
1-2 years (included)	527,621	457,161
2-3 years (included)	472,895	409,070
Over 3 years	<u>1,319,645</u>	<u>1,234,523</u>
	<u>2,913,655</u>	<u>2,591,332</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

X. Contingent Items, Commitment Items and Main Off-balance Sheet Items (continued)

3. Off-balance sheet commitments

	Dec. 31, 2019	Dec. 31, 2018
L/C issuance	11,907,109	13,290,801
Bank acceptance bill	126,963,981	85,150,073
L/G issuance	44,485,222	42,423,837
Loan commitment	444,830,731	322,884,302

Note: treasury acceptance commitment

Treasury Bill Redemption Commitment and Savings Bond Redemption Commitment refer to that the Company is entrusted by the Ministry of Finance to issue certain treasury bills and savings bonds (electronic). Investors of treasury bills and savings bonds have a right to ask for redemption of the bills and bonds (electronic) at any time prior to maturity and the Company is committed to redeem those bills and bonds. The redemption price is principal value of the bills and bonds plus the interests payable at that day. Until 31 Dec. 2019, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 3,232,259,000 (31 Dec. 2018 RMB 2,625,646,000). The Ministry of Finance is not to redeem the principal and interest of the bills and bonds (electronic) until the maturity. The Management of the Company considers that the amount for redemption of the treasury bills and savings bonds (electronic) prior to the maturity is not significant.

The issuance of Letter of Credit refers to credit operation that the Group acting at the request and on the instruction of applicant, make a documentary credit with a certain amount to the beneficiary and to pay at a certain place under the complying presentation of required documents within a certain period.

Bank Acceptance Bill refers to such credit business that a draft or a bill of exchange drawn upon a payee or a drawee (applicant) is examined and agreed to accept by the Company from applicant's application for acceptance.

Letter of Guarantee is a written undertaking made by the Group at the request of the applicant to the beneficiary, guaranteeing that the applicant will perform obligations under the contract signed between the applicant and the beneficiary, or the Company will take the responsibility.

Loan commitment is a commitment made by the Group guarantees to the clients to offer certain amount loan in a certain period.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

X. Contingent Items, Commitment Items and Main Off-balance Sheet Items (continued)

4. Lawsuit

If during the normal operation of the Group, the Group is taken as a defendant for several lawsuits, the management of the Group believes the final ruling results will not incur significant impact to the financial status or operation of the Group. By the end of Dec. 31, 2019, the total subject amount of the Group for the pending lawsuits was RMB 4,163,000,000 (Dec. 31, 2018: RMB 4,156,000,000). According to the court ruling and opinions of the internal and external legal counsels, the compensation is negligible in possibility, therefore it's no need to estimate the liabilities (Dec. 31, 2018: no need to estimate the liabilities).

XI. Financial Instruments and Risk Analysis

According to the disclosure requirements stipulated in *Accounting Standards for Enterprises No.37–Presentation of Financial Instruments*, the Group discloses the relative quantitative information of credit risk, liquidity risk and market risk in the year 2019 and 2018.

The financial risk management mainly reveals the risks taken by the Group and its management and controlling conditions of the risks, particularly the risks confronted in the using of the financial instruments.

- Credit risk: it means the risks the Company may take when the clients or transaction counter-parties of the Company fail to fulfill their obligations agreed, including the credit exposure and settlement risk.
- Market risk: it means the exposures influenced by the observable economic parameters of the market, including the fluctuations of interest rate, exchange rate and prices of shares and commodities.
- Liquidity risk: it means the risks brought by the Company's failure to pay the matured debts under normal or depressed market environment.
- Operational risk: it means the economical or credit losses resulting from incompliance with the systems and procedures or for the fraudulences.

The Group has stipulated corresponding policies and procedures for recognition and analysis of above mentioned risks, and also appropriate risk limits and controlling mechanisms. The Group has Risk Management Committee and its specific department, The Risk Management Department being responsible for the management of risks. The risk management department has its own clear responsibilities and is somehow independent from the business department bearing risks, and would submit its independent risk reports to the Board of Directors and the Management. The Risk Management Committee is responsible for formulating the policies and procedures for management of the risks, and also regulating the risk limits and management mechanisms. Besides, the Risk Management Committee shall

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Notes to Financial Statements (Continued)

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at regular intervals host risk management conferences and meetings in compliance with the market conditions to improve those risk policies and procedures.

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk

Credit risk means that clients or transaction counter-parties who may be incapable or unwilling to honor the obligations agreed with the Group. Once all of the transaction-parties are in one industry or region, the credit risks would rise for their ability to pay the accounts are affected by the same influence of economical development.

Concentration of credit risks: when a certain amount of clients do the same operations or are in the same geographic region, or share the similar economic characteristics in their trades, their ability to fulfill the obligations regulated in the agreements would be simultaneously influenced by the same economic changes. The concentration level of the credit risks reveals the sensitivity of the Company's achievements to the specific trade or geographic area.

Before approving credit for clients, the Group would firstly assess the credit rate and check the credit limit at regular intervals. Management of credit risk also includes to receive the guaranties and guarantees. For the off-balance sheet credit promises, the Company would regularly charge deposits to lower the credit risks.

Measurement of expected credit loss

Expected credit loss is the weighted average value of credit loss of financial instruments weighted by the risk of default. Credit loss is the difference between all contract cash flows receivable by the Group according to the original effective interest rate and all expected cash flows received, that is, the present value of all cash shortages.

The Group calculates the expected credit loss in three stages according to the change of credit risk after the initial recognition of financial instruments:

Stage I: Financial instruments with no significant increase in credit risk since initial recognition will be included in stage I, and their impairment reserves will be measured according to the amount of expected credit loss of the financial instrument in the next 12 months;;

Stage II: Financial instruments with significantly increased credit risk since initial recognition with no objective evidence of impairment will be included in stage II, and their impairment reserves will be measured according to the expected credit loss during the whole duration of the financial instrument;

Stage III: Financial assets with objective evidence of impairment on the balance sheet date will be included in stage III, and the impairment provision will be measured according to the expected credit loss amount of the financial instrument in the whole life span.

For the financial instrument whose impairment provision has been measured in the

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

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previous accounting period according to the amount of expected credit loss in the whole duration of the financial instrument, however, on the balance sheet date of the current period, it no longer conforms to the situation of significant increase in credit risk since initial recognition, the Group measures the provision for impairment of such financial instrument in the balance sheet date of the current period according to the amount of expected credit loss in the next 12 months.

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Measurement of expected credit loss (continued)

The way the Group measures the expected credit loss of financial instruments reflects:

- The unbiased probability-weighted amount determined by evaluating a range of possible results;
- The time value of money;
- Reasonable and reliable information about past events, current situation and forecast of future economic situation that can be obtained without extra cost or effort.

It is not necessary to identify every possible situation when measuring the expected credit loss. However, by taking the risk or probability of credit loss into consideration, the Group reflects the possibility of credit loss and the possibility of no credit loss (even if the possibility of credit loss is very low).

The Group evaluates the expected credit loss based on forward-looking information, and uses complex models and assumptions in the measurement of expected credit loss. These models and assumptions involve future macroeconomic conditions and the borrower's credit profile (e.g., the likelihood of a defaulting by customers and the corresponding losses). The Group uses judgments, assumptions and estimates in the measurement of expected credit loss according to the requirements of accounting standards, such as:

- Criteria used to judge a significant increase in credit risk
- Definition of assets with credit impairment
- Parameters for the measurement of expected credit loss
- Forward-looking information
- Assessment of individual impairment

Criteria used to judge a significant increase in credit risk

On each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers that it can obtain reasonable and reliable information, including qualitative and quantitative analysis, external credit risk rating and forward-looking information based on the Group's historical data and without paying extra cost or effort. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group determines the change of default risk during the expected duration of financial instruments by

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comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Criteria used to judge a significant increase in credit risk (continued)

The Group believes that the credit risk of financial instruments has increased significantly when one or more of the following quantitative, qualitative criterion or bottom-line constraint indicator are triggered:

Quantitative criterion:

- The rating / default probability of financial instruments at the reporting date has risen to a certain threshold, as compared with the value at its initial recognition.

Qualitative criterion:

- The debtor has a credit risk event and is likely to cause a significant adverse effect;
- The debtor faces cash flow or liquidity problems, such as the delay of repayment;
- Deterioration of willingness for repayment, such as malicious debt evasion, fraud, etc;
- Default of debtor outside the Group, for example, non-performing asset of the debtor is found in the Credit Reference Center of the People's Bank of China.
- A significant increase in credit spreads;
- Changes in the value of collateral that may increase the risk of default (for mortgage and pledge loans)

Bottom-line constraint indicator

- The time of payment of the debtor according to the contract (including principal and interest) has been overdue for more than 30 days.

Definition of assets with credit impairment

In order to determine whether there is credit impairment under the new financial instrument standard, the Group adopts the definition standard that is consistent with the internal credit risk management objectives for relevant financial instruments, and considers quantitative and qualitative indicators at the same time. When assessing whether the debtor has credit impairment, the Group mainly considers the following factors:

- Significant financial difficulties of the issuer or debtor;
- The debtor's breach of contract, such as default or overdue payment of interest or principal;

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- The creditor gives the debtor concessions that will not be made in any other circumstances due to economic or contractual considerations related to the financial difficulties of the debtor;
- The debtor is likely to go bankrupt or undergo other financial restructuring; ;
- The active market of the financial asset disappears due to the financial difficulties of the issuer or debtor;
- Purchase or originate a financial asset at a substantial discount reflecting the fact that a credit loss has occurred

The credit impairment of financial assets may be caused by the joint action of multiple events rather than the events that can be identified separately.

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Parameters for the measurement of expected credit loss

The Group measures the provision for impairment of different assets based on the expected credit loss of 12 months or the whole duration by taking into consideration whether the credit risk has increased significantly and whether the credit impairment has occurred. The key parameters of expected credit loss measurement include probability of default, loss rate of default and exposure to default. By taking the Basel New Capital Accord system used in current risk management system as the basis, and by adhering to the requirements of the new financial instrument standards, the Group has established a model integrating factors of default probability, default loss rate and default risk exposure, taking into account the quantitative analysis and forward-looking information of historical statistical data (such as counterparty rating, guarantee method, collateral type, repayment method, etc.).

Related definitions are as follows

- Probability of default is the probability that the debtor will not be able to perform its payment obligations in the next 12 months or the whole duration. The default probability of the Group is adjusted according to the results of the internal evaluation model of the new capital accord, introducing forward-looking information and removing prudent adjustment, thus reflect the default probability of the debtor under the current macroeconomic environment;
- Default loss rate refers to the Group's expectation on the loss degree of default risk exposure. Default loss rate varies with the type of counterparty, the way and priority of recourse, and the type of collateral. Default loss rate is the percentage of exposure loss at the time of default, as calculated on the basis of the next 12 months or the whole duration;
- Default exposure is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the duration.

Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit loss involve forward-looking information. By analyzing the historical data, the Group identifies key economic indicators that affecting credit risk and expected credit loss of various business types, such as GDP, IVA, CPI and PPI.

The impact of these economic indicators on the probability of default and the loss rate of default varies with the type of business. In this process, the Group mainly uses external data, which is supplemented by judgment of internal expert. The Group determines the relationship between these economic indicators and default probability

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Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

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and default loss rate through regression analysis.

In addition to the benchmark economic scenario, the internal experts of the Group also provide other possible scenarios and scenario weights based on the benchmark scenario. The Group measures the relevant impairment provision with 12-month weighted expected credit loss (Stage I) or the expected weighted credit loss (Stage II and Stage III) of the whole duration. The above weighted credit loss is calculated by multiplying the expected credit loss under each scenario by the weight of the corresponding scenario.

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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.1. In-balance-sheet assets

Loans and advances by industry are listed as follows:

	Dec. 31, 2019		Dec. 31, 2018	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	2,079,452	0.39	1,865,038	0.43
Mining	439,103	0.08	331,036	0.08
Manufacturing	82,995,139	15.69	72,601,578	16.92
Production and supply of electricity, gas and water	10,764,621	2.03	7,918,485	1.85
Construction	24,111,359	4.56	21,407,436	4.99
Transportation, storage and mailing	10,900,735	2.06	9,131,324	2.13
Information transfer, pc service and software	6,928,196	1.31	7,576,217	1.77
Commerce and trade	47,176,927	8.92	44,522,744	10.38
Hotel and restaurant	776,623	0.15	479,439	0.11
Finance	1,919,855	0.36	2,952,782	0.69
Real estate	28,287,516	5.35	22,994,854	5.36
Leasing and commercial service	92,554,808	17.49	57,478,570	13.40
Scientific research, technological service and geological reconnaissance	4,104,657	0.78	2,115,948	0.49
Management and investment of water resource, environmental and public facilities	31,965,945	6.04	35,420,300	8.25
Residential and other services	745,755	0.14	516,924	0.12
Education	1,171,977	0.22	959,015	0.22
Sanitation, social security and welfare	692,500	0.13	553,682	0.13
Culture, sports and entertainment	1,487,694	0.28	2,199,668	0.51
Public management and social organization	301,231	0.06	995,701	0.23
Subtotal of loans and advances	<u>349,404,093</u>	<u>66.04</u>	<u>292,020,741</u>	<u>68.06</u>
Personal loans and advances	<u>179,697,704</u>	<u>33.96</u>	<u>137,066,186</u>	<u>31.94</u>
Total	<u>529,101,797</u>	<u>100.00</u>	<u>429,086,927</u>	<u>100.00</u>

Loans and advances by region are listed as follows:

	Dec. 31, 2019		Dec. 31, 2018	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	333,330,951	62.99	258,851,893	60.32
<i>including: Ningbo</i>	215,958,732	40.82	173,326,451	40.39
Shanghai	34,910,731	6.60	29,933,172	6.98
Jiangsu Province	119,357,929	22.56	100,840,464	23.50
Guangdong Province	18,614,363	3.52	19,606,962	4.57
Beijing	<u>22,887,823</u>	<u>4.33</u>	<u>19,854,436</u>	<u>4.63</u>
	<u>529,101,797</u>	<u>100.00</u>	<u>429,086,927</u>	<u>100.00</u>

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Notes to Financial Statements (Continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2. Credit risk exposure

The table below illustrates the maximum on-balance sheet credit exposure when available pledge or other credit enhancement was not considered in the analysis.

	Dec. 31, 2019	Dec. 31, 2018
Due from the central bank	92,169,145	87,143,969
Due from other banks	15,409,022	9,251,993
Loan to other banks	3,595,946	2,417,760
Derivative financial assets	20,260,229	30,257,173
Redemptory monetary capital for sale	17,259,205	3,703,483
Interest receivable	Not Applicable	6,071,662
Loans and advance payments	510,038,566	411,591,615
Financial investment:		
Trading financial assets	248,891,658	Not Applicable
Investment on creditors' right	183,392,415	Not Applicable
Other investment on creditors' right	197,149,323	Not Applicable
Other equity instruments investment	98,077	Not Applicable
Financial assets measured at		
fair value through profit or loss	Not Applicable	134,764,316
Available-for-sale financial assets	Not Applicable	221,005,586
Held-to-maturity investment	Not Applicable	70,118,200
Receivables investment	Not Applicable	119,427,658
Other financial assets	<u>1,599,203</u>	<u>502,697</u>
In-balance-sheet credit risk exposure	<u>1,289,862,789</u>	<u>1,096,256,112</u>
Financial guarantee	183,356,312	140,864,711
Commitment	<u>444,830,731</u>	<u>322,884,302</u>
Maximum credit risk exposure	<u>1,918,049,832</u>	<u>1,560,005,125</u>

In the table above, the maximum risk exposure designated at fair value only represents current maximum credit exposure, while not the maximum risk exposure when fair value changes in the future.

The "Other assets" in the table are the financial assets with credit risks of the Group.

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk exposure

1.3. Pledge and other credit enhancement

The kind of pledge and its amount are made upon the evaluation of credit risk of counter-party. The Group takes the kind and value of the pledge as the execution standard.

Classification of pledges accepted by the Group:

- (i) Reverse repurchase agreements: bills and bonds, etc;
- (ii) Corporate loan: real estate, machinery facilities, land use right, deposit receipt, equity, etc;
- (iii) Personal loan: real estate and deposit receipt, etc;
- (iv) Accounts receivable hold for investment: real estate, deposit receipt, equity, land-use right, etc.

The Management shall check pledge value periodically and ask client to increase the amount of pledge when necessary according to the agreement.

1.4. Credit quality analysis of financial assets in compliance with credit rating system of the Group

If objective evidences of depreciation can prove that there is one or more than one circumstance have happened after the original confirmation of loans and advance payments issuance and these circumstances can be reliably assessed with influences on the anticipation of the future cash flows, these loans and advance payments are considered as the depreciated ones.

On December 31, 2019, the amount of impaired corporate loans and advances was RMB 268,4423,000 (December 31, 2018: RMB 2,490,544,000). The fair value of the impaired corporate loans and advances is RMB 2,841,525,000 (December 31, 2018: RMB 2,065,576,000). The pledge includes machinery and equipment, real estate and land, etc.

1.5. Restructured loans

Restructured loans represent the loans whose original repayment terms have been modified as a result of the deterioration of borrower's financial conditions or inability to repay the loans according to the contractual terms. Expressive forms of restructured loans: loan extension, borrowing for repaying, interest deduction, deduction of partial principal, adjustment of payment method, improvement of collateral and change guarantee conditions. By December 31, 2019, the book balance of restructured loans of the Company was RMB 90,914,000 (December 31, 2017: RMB 72,919,000).

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Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.6. Risk exposure of loans and advances at three stages

Loans and advances are classified into five levels and listed in three stages as follows:

	Dec. 31, 2019			Total
	Stage I (Expected credit loss (in the next 12 months))	Stage II (Expected credit over the duration)	Stage III (Financial assets with credit impairment occurred - expected credit loss for the whole duration)	
Normal	453,887,142	67,177,078	-	521,064,220
Special attention	-	3,697,802	198,744	3,896,546
Secondary	-	-	1,097,570	1,097,570
Doubtful	-	-	2,052,920	2,052,920
Loss	-	-	990,541	990,541
Total	453,887,142	70,874,880	4,339,775	529,101,797

1.7. Investment financial products

The book value of bond investment (excluding accrued interest) is listed as follows according to external credit rating and credit loss impairment stage:

	Dec. 31, 2019			Total
	Stage I (Expected credit loss (in the next 12 months))	Stage II (Expected credit over the duration)	Stage III (Financial assets with credit impairment occurred - expected credit loss for the whole duration)	
Not rated	137,999,605	408,020	-	138,407,625
Above A (included)	84,206,513	-	-	84,206,513
Below A	4,510,974	-	34,895	4,545,869
Total	226,717,092	408,020	34,895	227,160,007

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk

Liquidity risk is the risk of incapable to meet the repayment obligations at the maturity, which can be resulted by the mismatches of terms or amounts of the assets and liabilities. The management of liquidity risks of the Group covers the prior plans, current management, afterward-adjustment and emergency plans. According to supervision authority's administration index system for the liquidity risks, the Company has also designed a series of daily liquidity risk supervision system in compliance with applicability and the actual conditions of the Company so as to control the executions of limitations on specific indexes daily, and also classify the system in accordance with supervision and adjustment rates.

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Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2019	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of assets								
Cash and balances with central banks	76,965,311	16,628,070	-	-	-	-	-	93,593,381
Due from other banks	-	9,924,396	1,556,786	4,054,227	128,763	-	-	15,664,172
Loans to other banks	-	-	752,707	2,623,500	625,510	-	-	4,001,717
Redemptory monetary capital for sale	-	-	17,264,930	-	-	-	-	17,264,930
Loans and advance payments	4,118,883	448,930	33,902,066	53,825,780	299,003,671	157,088,579	42,835,759	591,223,668
Financial investment								
Trading financial assets	169,298	168,831,714	423,054	3,110,216	27,048,147	26,161,733	28,022,359	253,766,521
Investment on creditor's rights	30,000	-	2,151,783	3,825,544	33,144,571	138,524,122	35,719,404	213,395,424
Other investment on creditor's rights	-	-	9,485,865	6,754,676	45,465,110	104,392,170	51,875,244	217,973,065
Other equity instrument investment	98,077	-	-	-	-	-	-	98,077
Other financial assets	<u>298,797</u>	<u>364,342</u>	<u>52,247</u>	<u>19,165</u>	<u>280,775</u>	<u>630,398</u>	<u>56,358</u>	<u>1,702,082</u>
Total assets	<u>81,680,366</u>	<u>196,197,452</u>	<u>65,589,438</u>	<u>74,213,108</u>	<u>405,696,547</u>	<u>426,797,002</u>	<u>158,509,124</u>	<u>1,408,683,037</u>

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Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

Xi. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1. Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2019	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Cash and balances with central banks	-	-	84,663	163,865	30,818,143	-	-	31,066,671
Due from other banks and financial institutions	-	22,092,371	3,232,279	148,493	9,649,172	920,844	-	36,043,159
Placements from other institutions	-	-	10,715,959	7,163,982	16,220,716	2,475,960	-	36,576,617
Trading financial liabilities	-	10,880,951	-	26	-	-	-	10,880,977
Financial Assets sold for repurchase	-	-	61,320,483	820,244	564,270	-	-	62,704,997
Deposits	-	412,182,278	56,340,181	57,032,353	162,949,717	113,548,189	14,974	802,067,692
Bonds payable	-	-	30,422,199	67,364,429	38,316,150	60,364,700	34,520,800	230,988,278
Other financial liabilities	-	4,365,985	676,182	824,720	3,665,037	312,122	44,761	9,888,807
Total liabilities	-	449,521,585	162,791,946	133,518,112	262,183,205	177,621,815	34,580,535	1,220,217,198
Net amount of balance sheet liquidity	81,680,366	(253,324,133)	(97,202,508)	(59,305,004)	143,513,342	249,175,187	123,928,589	188,465,839
Off-balance sheet credit liquidity	4,150,999	449,561,799	22,360,468	39,757,589	103,831,226	8,421,931	103,031	628,187,043

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Notes to Financial Statements (Continued)

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Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1. Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2018	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of assets								
Cash and balances with central banks	72,133,771	16,323,603	-	-	-	-	-	88,457,374
Due from other banks	-	7,480,356	58,071	38,878	1,764,772	-	-	9,342,077
Loans to other banks	-	-	2,203,366	218,677	10,028	-	-	2,432,071
Financial assets at fair value								
through profit and loss	89,743	116,826,007	922,251	557,630	7,667,132	8,769,710	1,689,859	136,522,332
Reverse repurchase agreements	-	-	3,717,485	-	-	-	-	3,717,485
Loans and advance payments	3,239,958	567,169	29,511,432	48,032,911	249,718,618	112,183,447	28,145,171	471,398,706
Available-for-sale financial assets	25,473	-	4,283,028	7,623,882	58,774,999	99,242,148	67,890,053	237,839,583
Held-to-maturity investments	-	-	164,352	852,205	7,734,329	45,477,471	28,688,613	82,916,970
Other investment receivable	-	-	4,075,459	4,912,861	21,941,827	99,469,156	14,461,197	144,860,500
Other financial assets	44,824	23,888	24,165	14,776	362,706	15,033	34,379	519,771
Total assets	<u>75,533,769</u>	<u>141,221,023</u>	<u>44,959,609</u>	<u>62,251,820</u>	<u>347,974,411</u>	<u>365,156,965</u>	<u>140,909,272</u>	<u>1,178,006,869</u>

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Notes to Financial Statements (Continued)

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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1. Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date (continued):

Dec. 31, 2018	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Cash and balances with central banks	-	-	44,046	83,829	15,892,150	-	-	16,020,025
Due from other banks	-	10,646,230	4,630,671	1,913,078	4,227,024	-	-	21,417,003
Placements from other institutions	-	-	28,816,869	10,477,347	15,312,127	96,129	-	54,702,472
Financial assets at fair value								
through profit and loss	-	11,830,546	-	25,546	-	-	-	11,856,092
Proceeds generated from repurchase agreements	-	-	25,551,671	352,945	1,030,624	-	-	26,935,240
Deposit	-	364,554,615	43,829,520	59,325,638	112,143,532	81,863,796	13,134	661,730,235
Bond payable	-	-	19,009,625	76,161,715	58,358,660	45,078,800	25,006,300	223,615,100
Other financial liabilities	-	6,108,413	429,131	755,578	1,110,295	757,353	45,972	9,206,742
Total liabilities	-	<u>393,139,804</u>	<u>122,311,533</u>	<u>149,095,676</u>	<u>208,074,412</u>	<u>127,796,078</u>	<u>25,065,406</u>	<u>1,025,482,909</u>
Net amount of balance sheet liquidity	<u>75,533,769</u>	<u>(251,918,781)</u>	<u>(77,351,924)</u>	<u>(86,843,856)</u>	<u>139,899,999</u>	<u>237,360,887</u>	<u>115,843,866</u>	<u>152,523,960</u>
Off-balance sheet credit liquidity	<u>14,345,924</u>	<u>324,154,629</u>	<u>12,999,321</u>	<u>27,840,002</u>	<u>77,709,696</u>	<u>5,673,960</u>	<u>1,025,481</u>	<u>463,749,013</u>

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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2. Cash flow analysis of derivative financial instruments

Derivative financial instruments at close-out netting

Derivative financial instruments at close-out netting include interest rate and currency derivatives based on rate swap.

The table below represented cash flow distribution of derivative financial instruments at close-out netting with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments under specified periods is the cash flow that has not been converted into cash.

Dec. 31, 2019	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>5,277</u>	<u>16,137</u>	<u>12,528</u>	<u>1,502</u>	<u>35,444</u>
Dec. 31, 2018	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>70</u>	<u>(19,696)</u>	<u>(31,979)</u>	<u>1,168</u>	<u>(50,437)</u>

Derivative financial instruments settled at full amount

Derivative financial instruments settled at full amount include foreign exchange forwards, currency swap, currency exchange, option and noble metal agreement.

The table below represented cash flow distribution of derivative financial settled at full amount with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments in specified periods is the contract cash flow, which has not been converted into cash.

Dec. 31, 2019	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(24,752,684)	(30,515,729)	(874,234)	-	(56,142,647)
Cash inflow	24,848,112	30,376,363	859,398	-	56,083,873
Credit risk mitigation tools					
Cash outflow	-	-	(160,000)	(520,000)	(680,000)
Cash inflow	20,000	10,000	50,000	130,000	210,000
Currency swap					
Cash outflow	(546,947,991)	(626,007,042)	(39,220,474)	-	(1,212,175,507)
Cash inflow	546,295,930	625,452,683	39,351,592	-	1,211,100,205
Currency exchange					
Cash outflow	(1,265,026)	(5,198,761)	(1,172,611)	-	(7,636,398)
Cash inflow	1,275,820	5,174,944	1,180,046	-	7,630,810
Option					
Cash outflow	(58,023,177)	(88,211,325)	(840,910)	-	(147,075,412)
Cash inflow	58,205,603	89,058,623	859,968	-	148,124,194
Nobel metal agreement					
Cash outflow	(4,964,758)	(551,758)	-	-	(5,516,516)
Cash inflow	8,780,653	6,134,809	-	-	14,915,462

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2. Cash flow analysis of derivative financial instruments

Derivative financial instruments settled at full amount (continued)

Dec. 31, 2018	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(24,988,385)	(14,941,602)	(786,357)	-	(40,716,344)
Cash inflow	25,172,098	14,966,434	776,460	-	40,914,992
Credit risk mitigation tools					
Cash outflow	(420,000)	-	(720,000)	-	(1,140,000)
Cash inflow	-	280,000	700,000	-	980,000
Currency swap					
Cash outflow	(783,153,160)	(812,984,902)	(35,904,239)	-	(1,632,042,301)
Cash inflow	783,774,283	814,913,133	35,904,548	-	1,634,591,964
Currency exchange					
Cash outflow	(2,359,247)	(4,279,244)	(691,148)	-	(7,329,639)
Cash inflow	2,317,247	4,535,683	687,932	-	7,540,862
Option					
Cash outflow	(69,566,525)	(106,788,214)	(71,022)	-	(176,425,761)
Cash inflow	69,682,991	107,713,498	71,128	-	177,467,617
Nobel metal agreement					
Cash outflow	(13,003,131)	(3,537,803)	-	-	(16,540,934)
Cash inflow	12,111,451	8,767,957	-	-	20,879,408

3. Market risk

Market risk can exist within non-transaction business, as well as transaction business.

The Group established market risk management institutions and teams with the Market Risk Department observing the market risk exposures of the trade, which is also responsible for preparing the relative market risk management policies and submitting them to the Risk Management Committee. Under the current risk management structure, the Market Risk Department is mainly responsible for managing the risks arising from transaction business market and foreign exchange. And the risks of the transaction business market of the Company mainly comes from the market maker business, client-investment business and some short-term market investment profit chances.

The Group in compliance with the established standard and current management capability measures the market risks through sensitivity analysis. Before releasing new products or business, its market risks shall be identified according to corresponding regulations and rules.

3.1. Interest rate risk

The interest rate risk of the Group arises from the mismatch of the agreed maturity of interest-bearing assets and interest-paying liabilities and the re-pricing date. And the interest-bearing assets and interest-paying liabilities of the Group are mainly counted in the unit of RMB. RMB benchmark interest rate issued by People's Bank of China has set rules for the lower limit of RMB loan interest rate and the upper limit of RMB deposit interest rate.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.1. Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec. 31, 2019	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	82,586,060	-	-	-	-	10,969,603	93,555,663
Due from other banks	11,265,684	3,825,477	126,854	-	-	191,007	15,409,022
Loans to other banks	359,615	2,606,522	618,105	-	-	11,704	3,595,946
Derivative financial assets	-	-	-	-	-	20,260,229	20,260,229
Redemptory monetary capital for sale	17,252,347	-	-	-	-	6,858	17,259,205
Loans and advance payments	65,410,154	43,879,591	270,723,183	58,390,339	17,922,653	53,712,646	510,038,566
Financial investments							
Trading financial assets	399,634	2,727,268	25,116,314	23,148,713	27,983,988	169,515,741	248,891,658
Investment on creditor's rights	1,863,382	1,987,972	25,949,005	120,690,582	31,227,474	1,674,000	183,392,415
Other investment on creditor's rights	32,704,932	6,198,832	39,488,499	77,933,339	38,878,800	1,944,921	197,149,323
Other equity instrument investment	-	-	-	-	-	98,077	98,077
Other financial assets	-	-	-	-	-	1,599,203	1,599,203
Total assets	<u>211,841,808</u>	<u>61,225,662</u>	<u>362,021,960</u>	<u>280,162,973</u>	<u>116,012,915</u>	<u>259,983,989</u>	<u>1,291,249,307</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:
(Continued)

Dec. 31, 2019	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	-	-	30,065,000	-	-	425,563	30,490,563
Due to banks and other financial institutions	25,292,439	94,063	9,403,471	750,000	-	157,474	35,697,447
Placements from other institutions	10,594,941	7,108,477	15,653,926	2,308,576	-	296,354	35,962,274
Derivative financial liabilities	-	-	-	-	-	20,368,170	20,368,170
Trading financial liabilities	-	-	-	-	-	10,880,977	10,880,977
Financial assets sold for repurchase	61,288,144	815,500	559,944	-	-	30,614	62,694,202
Deposits	456,558,581	56,669,165	157,349,133	100,456,369	14,491	8,176,399	779,224,138
Bond payable	30,119,987	66,962,343	33,104,724	50,979,308	29,978,720	1,740,677	212,885,759
Other financial liabilities	415,228	398,240	3,181,351	269,106	-	5,619,364	9,883,289
Total liabilities	<u>584,269,320</u>	<u>132,047,788</u>	<u>249,317,549</u>	<u>154,763,359</u>	<u>29,993,211</u>	<u>47,695,592</u>	<u>1,198,086,819</u>
Interest sensitive gap	<u>(372,427,512)</u>	<u>(70,822,126)</u>	<u>112,704,411</u>	<u>125,399,614</u>	<u>86,019,704</u>	<u>212,288,397</u>	<u>93,162,488</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec. 31, 2018	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	80,608,388	-	-	-	-	7,848,986	88,457,374
Due from other banks	7,529,357	22,000	1,700,636	-	-	-	9,251,993
Loans to other banks	2,192,232	215,745	9,783	-	-	-	2,417,760
Financial assets at fair value							
through profit and loss	899,681	504,074	7,161,588	7,830,896	1,452,327	116,915,750	134,764,316
Derivative financial assets	-	-	-	-	-	30,257,173	30,257,173
Reverse repurchase agreements	3,703,483	-	-	-	-	-	3,703,483
Loans and advance payments	47,548,953	42,880,202	224,286,539	45,611,927	11,129,443	40,134,551	411,591,615
Available-for-sale financial assets	18,871,125	8,026,049	53,664,985	84,519,443	40,200,356	15,723,628	221,005,586
Held-to-maturity investments	53,949	569,237	6,070,676	38,503,975	24,920,363	-	70,118,200
Accounts receivable held for investment	3,949,739	3,109,435	16,323,395	84,423,292	11,621,797	-	119,427,658
Other financial assets	-	-	-	-	-	6,574,359	6,574,359
Total assets	<u>165,356,907</u>	<u>55,326,742</u>	<u>309,217,602</u>	<u>260,889,533</u>	<u>89,324,286</u>	<u>217,454,447</u>	<u>1,097,569,517</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec. 31, 2018	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	-	-	15,500,000	-	-	-	15,500,000
Due to banks and other financial institutions	15,209,193	1,873,080	4,132,700	-	-	-	21,214,973
Placements from other institutions	28,669,970	10,429,246	14,844,587	-	-	-	53,943,803
Financial assets at fair value							
through profit and loss	-	-	-	-	-	11,856,092	11,856,092
Derivative financial liabilities	-	-	-	-	-	27,564,862	27,564,862
Proceeds generated from repurchase agreements	25,547,140	352,828	1,030,148	-	-	-	26,930,116
Deposits	407,207,745	58,221,691	108,461,014	72,318,659	11,197	501,069	646,721,375
Bond payable	18,566,357	75,601,190	57,930,645	36,362,574	19,976,582	-	208,437,348
Other liabilities	-	-	-	-	-	19,494,530	19,494,530
Total liabilities	<u>495,200,405</u>	<u>146,478,035</u>	<u>201,899,094</u>	<u>108,681,233</u>	<u>19,987,779</u>	<u>59,416,553</u>	<u>1,031,663,099</u>
Interest sensitive gap	<u>(329,843,498)</u>	<u>(91,151,293)</u>	<u>107,318,508</u>	<u>152,208,300</u>	<u>69,336,507</u>	<u>158,037,894</u>	<u>65,906,418</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Sensitivity analysis is the primary instrument for measuring and controlling the risks in the transaction business market, of which the duration analysis is to evaluate the potential influences of the market price fluctuation of the fixed-profit financial instruments to the Company's benefits and equity. And the gap analysis is mainly used by the Company to control the risks in the non-transaction business market.

Duration analysis is also called as persistent period analysis or duration elastic analysis, which is a method to measure the influences on the economic values of the banks caused by the fluctuations of interest rate, and also one of the methods to evaluate the sensitivity of interest rate's fluctuation.

Gap analysis is used to predicate the cash flow conditions in the future by calculating the balance between assets and liabilities in a specific duration in the future.

The Group primarily adopts sensitivity analysis to measure and control the interest rate risks. For the portfolio of available-for-sale bond investment, the Group uses duration analysis to evaluate the potential influences of the market price fluctuation of this kind of financial instrument market to the benefits and equity of the Group. And for the non-transaction financial assets and liabilities with Held-to-maturity bond investment, clients' loans and deposits as the primary content, the Company uses gap analysis to measure and control the interest rate risks of this kind of financial instruments.

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows:

1) Duration analysis

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	724,477	(724,477)
	Dec. 31, 2018	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	329,756	(329,756)

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.1. Interest rate risk (continued)**

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

1) Duration analysis (continued)

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	8,528,330	(8,528,330)

	Dec. 31, 2018	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	2,957,634	(2,957,634)

The Group adopts Macaulay duration analysis. Macaulay duration of the transaction bond investment and available-for-sale bond investment is received from specialty software by the Group and analyzed and calculated with Summit system to get an accurate understanding of the influences of interest rate risks to the Group.

2) Gap analysis

Gap analysis results in compliance with non-transaction financial assets and liabilities at that time to the Balance Sheet date as follows:

	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	3,857,383	(3,857,383)

	Dec. 31, 2018	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	3,557,828	(3,557,828)

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

2) Gap analysis (continued)

The above gap analysis is proceed on the presumption that non-transaction financial assets and liabilities have static interest rate risks. And the analysis only measures the fluctuations of interest rate within one year, reflecting the influences on the gain and loss of the Group in a year by the re-pricing of the non-transaction financial assets and liabilities. The analysis is based on the presumptions that: (1) the incurred amounts of various non-transaction financial instruments don't change; (2) the income curve moves in parallel according to the changes of interests; (3) the portfolio of non-transaction financial assets and liabilities are released from other changes. Based on the above analysis, the real changes of the gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3) Summit system analysis

The Company adopts Summit system analysis to measure and manage the risks of derivative financial instruments. This system is mainly designed to comprehensively weigh the influences of factors like interest rate, exchange rate and stock price on the fair values of derivative financial instruments. The cash positions of derivative financial instruments held by the Company are mainly effected by interest rate.

Summit system analysis results in compliance with cash positions of derivative financial instruments at that time to the Balance Sheet date as follows:

	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	96,061	(96,061)
	Dec. 31, 2018	
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	(42,076)	42,076

3.2. Foreign exchange risk

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

The Group is established in the territory of the People's Republic of China and operates within and mainly deals with RMB businesses, along with USD business for the foreign exchange.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.2. Foreign exchange risk (continued)**

From 21 July 2005 on, People's Bank of China started to implement the floating exchange regime based on the supply and demand of the market and adjust in reference to the principle of "basket of currencies", which caused a gradual rising of RMB against U.S. dollars.

Assets and liabilities in compliance with currencies as follows:

Dec. 31, 2019	RMB	USA	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of assets				
Cash and balances with central bank	87,357,364	6,096,949	101,350	93,555,663
Due from other banks	4,797,606	9,587,282	1,024,134	15,409,022
Loans to other banks	1,302,605	2,293,341	-	3,595,946
Derivative financial assets	15,102,850	5,096,765	60,614	20,260,229
Redemptory monetary capital for sale	17,259,205	-	-	17,259,205
Loans and advance payments	501,126,067	6,537,825	2,374,674	510,038,566
Financial investment				
Trading financial asset	247,526,701	1,364,957	-	248,891,658
Investment on creditor's rights	183,392,415	-	-	183,392,415
Other investment on creditor's rights	189,047,146	7,953,500	148,677	197,149,323
Other equity instrument investment	98,077	-	-	98,077
Other financial assets	<u>1,597,918</u>	<u>1,285</u>	<u>-</u>	<u>1,599,203</u>
Total assets	<u>1,248,607,954</u>	<u>38,931,904</u>	<u>3,709,449</u>	<u>1,291,249,307</u>
Dec. 31, 2019	RMB	USA	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of liabilities				
Due to central bank	30,490,563	-	-	30,490,563
Due to banks and other financial				
Institutions	32,467,783	3,229,426	238	35,697,447
Trading financial liabilities	10,880,977	-	-	10,880,977
Loans from other banks	31,477,289	4,144,383	340,602	35,962,274
Derivative financial liabilities	15,138,795	5,177,811	51,564	20,368,170
Financial assets sold for repurchase	62,694,202	-	-	62,694,202
Deposits	691,641,771	84,818,706	2,763,661	779,224,138
Bonds payable	212,885,759	-	-	212,885,759
Other financial liabilities	<u>9,872,266</u>	<u>10,583</u>	<u>440</u>	<u>9,883,289</u>
Total liabilities	<u>1,097,549,405</u>	<u>97,380,909</u>	<u>3,156,505</u>	<u>1,198,086,819</u>
Balance sheet net position	<u>151,058,549</u>	<u>(58,449,005)</u>	<u>552,944</u>	<u>93,162,488</u>
Off-balance sheet position	<u>595,260,499</u>	<u>12,793,968</u>	<u>20,132,576</u>	<u>628,187,043</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.2. Foreign exchange risk (continued)**

Assets and liabilities in compliance with currencies as follows: (continued):

Dec. 31, 2018	RMB	USA Converted to RMB	Other currencies Converted to RMB	Total
Items of assets				
Cash and balances with central bank	85,022,856	3,315,599	118,919	88,457,374
Due from other banks	3,504,286	4,364,141	1,383,566	9,251,993
Loans to other banks	2,000,000	417,760	-	2,417,760
Financial assets at fair value				
through profit and loss	134,344,735	302,078	117,503	134,764,316
Derivative financial assets	16,453,709	13,498,305	305,159	30,257,173
Reverse repurchase agreement	3,703,483	-	-	3,703,483
Loans and advance payments	404,332,027	5,486,489	1,773,099	411,591,615
Available-for-sale financial assets	216,634,001	4,186,154	185,431	221,005,586
Held-to-maturity investments	70,118,200	-	-	70,118,200
Accounts receivable held for investment				
	119,427,658	-	-	119,427,658
Other financial assets	<u>6,511,469</u>	<u>54,426</u>	<u>8,464</u>	<u>6,574,359</u>
Total assets	<u>1,062,052,424</u>	<u>31,624,952</u>	<u>3,892,141</u>	<u>1,097,569,517</u>
Dec. 31, 2018	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of liabilities				
Due to central bank	15,500,000	-	-	15,500,000
Due to banks and other financial institutions				
	15,113,250	6,101,491	232	21,214,973
Placements from other institutions	22,130,361	29,759,084	2,054,358	53,943,803
Financial assets at fair value				
through profit and loss	11,856,092	-	-	11,856,092
Derivative financial liabilities	23,772,202	3,704,802	87,858	27,564,862
Proceeds generated by repurchase agreements				
	26,930,116	-	-	26,930,116
Deposit	606,512,675	38,080,362	2,128,338	646,721,375
Bonds payable	208,437,348	-	-	208,437,348
Other financial liabilities	<u>19,035,529</u>	<u>452,535</u>	<u>6,466</u>	<u>19,494,530</u>
Total liabilities	<u>949,287,573</u>	<u>78,098,274</u>	<u>4,277,252</u>	<u>1,031,663,099</u>
Balance sheet net position	<u>112,764,851</u>	<u>(46,473,322)</u>	<u>(385,111)</u>	<u>65,906,418</u>
Off-balance sheet position	<u>428,927,665</u>	<u>16,231,099</u>	<u>18,590,249</u>	<u>463,749,013</u>

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2019

Unit: CNY Thousand

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2. Foreign exchange risk (continued)

The Company adopts sensitivity analysis to measure the possible influences of exchange rate changes to the net exchange loss and gain of the Group. Sensitivity analysis results in compliance with the exchange rates of assets and liabilities on December 31, 2019 and December 31, 2018 as follows:

		Dec. 31, 2019
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	578,961	(578,961)
		Dec. 31, 2018
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	468,584	(468,584)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and also calculates the influences of the rational changes of foreign currencies exchange rate against Renminbi on the net profits and equities when all the other factors remain stable. The analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 1% (absolute) against closing price on the balance sheet date (middle price); (2) currency rates fluctuate against Renminbi simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure. Based on the above analysis, the real changes of the net exchange gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3.3. Disclosure of fair value

Financial assets and liabilities measured by fair value

Fair value is the price the market participant receives when selling an asset or pays when transferring a liability in the orderly transaction on the date of measurement. The fair value measured and disclosed in the financial statement is determined on this basis price that is either observable or estimated using a valuation technique.

The financial assets and financial liabilities measured by fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.com.

Level 3: the unobservable inputs of the related assets or liabilities.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.3. Disclosure of fair value (continued)****Financial assets and liabilities measured by fair value (continued)**

As of Dec. 31, 2019, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv.1)	Valuation technique- Observable market variable (Lv.2)	Valuation technique-- Unobservable market variable (Lv.3)	Total
Dec. 31, 2019				
Continues fair value measurement				
Nobel metal	11,768,978	-	-	11,768,978
Derivative financial assets	-	20,260,229	-	20,260,229
Loans and advances	-	44,419,080	-	44,419,080
Trading financial assets	168,831,715	80,058,943	1,000	248,891,658
Other investment on creditor's rights	-	197,149,323	-	197,149,323
Other equity instrument investment	-	-	98,077	98,077
Total financial assets	<u>180,600,693</u>	<u>341,887,575</u>	<u>99,077</u>	<u>522,587,345</u>
Trading financial liabilities	10,880,977	-	-	10,880,977
Derivative financial liabilities	-	20,368,170	-	20,368,170
Total financial liabilities	<u>10,880,977</u>	<u>20,368,170</u>	<u>-</u>	<u>31,249,147</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.3. Disclosure of fair value (continued)****Financial assets and liabilities measured by fair value (continued)**

As of Dec. 31, 2018, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv.1)	Valuation technique- Observable market variable (Lv.2)	Valuation technique-- Unobservable market variable (Lv.3)	Total
Dec. 31, 2018				
Continues fair value measurement				
Nobel metal	7,554,430	-	-	7,554,430
Financial assets at fair value through profit and loss	116,827,434	17,938,309	1,000	134,766,743
Derivative financial assets	-	30,257,173	-	30,257,173
Financial assets available for sale	<u>33,114,491</u>	<u>187,890,095</u>	<u>1,000</u>	<u>221,005,586</u>
Total financial assets	<u>157,496,355</u>	<u>236,085,577</u>	<u>2,000</u>	<u>393,583,932</u>
Financial liabilities at fair value through profit and loss	11,845,777	10,315	-	11,856,092
Derivative financial liabilities	-	<u>27,564,862</u>	-	<u>27,564,862</u>
Total financial liabilities	<u>11,845,777</u>	<u>27,575,177</u>	-	<u>39,420,954</u>

In 2019 and 2018, the Group has neither transferred the financial instrument fair value's levels from 1 and 2 to level 3, nor switched the fair values between level 1 and level 2.

XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

For the financial instruments that are traded in the active market, the Group determines their fair values in compliance with the quotation of the active market; for the financial instruments that are not traded in the active market, the Group determines their fair values in compliance with the valuation technique. The primary valuation model adopted is the discount cash flow method. The level 2 financial instruments of the Group mainly include the bond investment and derivative financial instruments. The fair value of Renminbi bond is determined in compliance with the valuation results of China Government Securities Depository Trust & Clearing Co., Ltd. and the derivative financial instruments are valued complying with discount cash flow method and Black-Scholes Model. All the major valuation parameters adopt the valuation method that can observe the market information. Except some investment adopts the latest transaction price of similar or same financial instruments, the unlisted equity investment held by the Group mainly adopts comparative company valuation multiplier method and is adjusted appropriately, such as in terms of liquidity shortage. Such fair value may be measured by unobservable parameters that have significant influence in the valuation, so the Group classifies these assets and liabilities as level 3. The unobservable parameters that may have influence in the valuation include discount for lack of liquidity. As of Dec. 31, 2019, fair value changes caused by the change of the above unobservable parameters are not significant. The management have evaluated the influence of macroeconomic changes, evaluation of external assessors, loss coverage and other parameters, to determine whether to adjust the fair value of level 3 financial instruments. The Group has set up a relevant internal control procedure to monitor the exposure of the Group to such financial instruments.

Adjustment of fair value measurement

Adjustment of continuous L3 fair value measurements is as follows:

	<u>2019</u>	<u>2018</u>
Financial assets at fair value through profit and loss		
Beginning balance	2,000	3,000
Changes in accounting policies	98,077	1,000
Included in gains and losses	<u>(1,000)</u>	<u>(2,000)</u>
Ending balance	<u>99,077</u>	<u>2,000</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XI. Financial Instruments and Risk Analysis (continued)****3. Market risk (continued)****3.3. Disclosure of fair value (continued)****Financial assets and liabilities not measured by fair value**

Financial assets and liabilities not measured by fair value include: cash and balances in the central bank, due from other banks, lending, reverse repurchase agreements, loans and advance payment, held-to-maturity investment, account receivable investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, repurchase agreements, deposits and bond payable.

For the held-to-maturity investment, accounts receivable investment and bond payable that are not reflected or disclosed by fair value, their book values and fair values are as follows:

	Dec. 31, 2019		Dec. 31, 2018	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Investment on creditors' right	183,392,415	188,824,098	Not Applicable	Not Applicable
Held-to-maturity investment	Not Applicable	Not Applicable	70,118,200	72,082,021
Accounts receivable investment	Not Applicable	Not Applicable	<u>119,427,658</u>	<u>122,985,760</u>
Financial liabilities:				
Bond payable	<u>212,885,759</u>	<u>214,144,729</u>	<u>208,437,348</u>	<u>213,800,379</u>

Besides the above financial assets and liabilities, the fair values of the other financial assets and liabilities of the balance sheet not measured by fair value are determined in compliance with future discount cash flow method and their book values are similar to their fair values:

Assets	Liabilities
Cash and deposit of central bank	Borrowings from central bank
Deposits in other banks	Deposits from banks and other financial institutions
Loans to other banks	Loans from other banks
Reverse repurchase agreement	Proceeds generated from repurchase agreements
Loans and advances	Deposit
Other financial assets	Other financial liabilities

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XII. Other Items After Balance Sheet Day**

According to the resolution of the Board of Directors held on April 23, 2019, the profit distribution plan (predetermined) of the year 2019 is listed as follow:

- 1) Distribute 10% of 2019 net profit RMB 1,306,721,000 as statutory welfare reserve;
- 2) According to *Administrative Measures for the Withdrawal of Reserves of Financial Enterprises* (C.J. [2012] No. 20), The Company will withdraw the amount of 1.5% of risk assets value RMB 2,337,674,000 as general provision;
- 3) Distribute cash dividends amounted to RMB 2,814,165,000 to the shareholders of 5.628 billion shares by RMB 5 per 10 shares (including tax) (i.e. RMB 0.5 per share), and this distribution decision is to be approved by the general meeting of shareholders

Since the outbreak of COVID-19 in China in January 2020, the prevention and control of the new coronavirus is continuing nationwide. The outbreak of COVID-19 has had an impact on commercial and economic activities, and may affect the development of various businesses of the Group. The Group will pay close attention to the development of the COVID-19 and actively respond to its impact on the financial situation, operating results and other aspects.

Save as disclosed above, there's no other significant event of the Company that need to be disclosed after this balance sheet day

XIII. Long-term equity investment**1. Long-term equity investment**

Year 2019	Beginning Balance Investment	Changes during the year					End book value	End impairment provision
		Increased investment	Gains & losses under equity method	Other comprehensive income	Other declared cash dividend	Changes		
Subsidiary								
Maxwealth Fund Management Co., Ltd.	647,200	-	-	-	-	-	-647,200	-
Maxwealth Financial Leasing Co., Ltd.	2,000,000	1,000,000	-	-	-	-	-3,000,000	-
Ningyin Financial Management Co., Ltd.	-	1,500,000	-	-	-	-	1,500,000	-
	<u>2,647,200</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,147,200</u>	<u>-</u>
Year 2018								
Subsidiary								
Maxwealth Fund Management Co., Ltd.	146,770	500,430	-	-	-	-	647,200	-
Maxwealth Financial Leasing Co., Ltd.	1,500,000	500,000	-	-	-	-	2,000,000	-
	<u>1,135,000</u>	<u>511,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,770</u>	<u>-</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XIII. Notes to Main Items of the Financial Statement (continued)****2. Loans and advance payments****2.1. Classified by corporation and individual**

	Dec. 31, 2019	Dec. 31, 2018
Measured at amortized cost		
Corporate loans and advances	271,299,881	271,540,822
Loans	265,125,215	221,822,497
Discounts	Not Applicable	44,943,328
Trade financing	6,174,666	4,774,997
Individual loans	179,692,693	137,062,439
Individual consumption loan	141,866,110	114,973,103
Individual operating loan	35,036,087	20,841,007
Individual housing loan	2,790,496	1,248,329
Measured at fair value with changes included in other comprehensive income		
Discount	<u>44,419,080</u>	<u>Not Applicable</u>
Subtotal	<u>495,411,654</u>	<u>408,603,261</u>
Accrued interest	<u>1,612,707</u>	<u>Not Applicable</u>
Less: Provision for loan impairment measured at amortized cost	<u>(20,136,593)</u>	<u>(16,932,012)</u>
Book value of loans and advances	<u>476,887,768</u>	<u>391,671,249</u>

On December 31, 2019, the loans measured at fair value with changes included in other comprehensive income are generated from discount business, and their impairment provision is RMB 589,721,000, which is included in other comprehensive income.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XIII. Notes to Main Items of the Financial Statement (continued)****2. Loans and advance payments (continued)****2.2. Classification of guarantees for loans and advance payments**

	Dec. 31, 2019	Dec. 31, 2018
Credit loan	174,758,270	135,096,076
Guarantee loan	122,844,492	110,234,320
Mortgage loan	145,672,094	111,864,630
Pledge loan	<u>52,136,798</u>	<u>51,408,235</u>
Total loans and advances	495,411,654	408,603,261
Accrued interest	1,612,707	Not Applicable
Less: provision of loan impairment	<u>(20,136,593)</u>	<u>(16,932,012)</u>
Net value of loans and advances	<u><u>476,887,768</u></u>	<u><u>391,671,249</u></u>

2.3. Overdue loans

	Dec 31, 2019				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	384,918	943,595	372,170	42,133	1,742,816
Guarantee loan	24,549	367,947	273,245	12,192	677,933
Mortgage/pledge loan	<u>341,428</u>	<u>551,115</u>	<u>1,081,297</u>	<u>173,224</u>	<u>2,147,064</u>
	<u><u>750,895</u></u>	<u><u>1,862,657</u></u>	<u><u>1,726,712</u></u>	<u><u>227,549</u></u>	<u><u>4,567,813</u></u>
	Dec 31, 2018				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	228,019	454,168	218,796	25,786	926,769
Guarantee loan	175,403	182,808	514,539	7,460	880,210
Mortgage/pledge loan	<u>640,100</u>	<u>795,765</u>	<u>497,797</u>	<u>66,486</u>	<u>2,000,148</u>
	<u><u>1,043,522</u></u>	<u><u>1,432,741</u></u>	<u><u>1,231,132</u></u>	<u><u>99,732</u></u>	<u><u>3,807,127</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2019

Unit: CNY Thousand

XIII. Notes to Main Items of the Financial Statement (continued)

3. Net interest income

	2019	2018
Interest income		
Loans and advances	24,790,888	20,053,029
<i>Including: corporate loans and advances</i>	12,722,959	10,672,044
<i>Personal loans and advances</i>	8,783,181	7,368,298
<i>Notes discounted</i>	2,847,008	1,554,875
<i>Trade financing</i>	437,740	457,812
Due from other banks	662,480	359,186
Balance with central banks	1,217,073	1,252,925
Placements to other financial institutions	367,196	289,158
Reserve purchase agreement	676,942	680,424
Bond investment	9,549,572	11,791,364
Financing product and credit plan	<u>6,423,970</u>	<u>7,482,014</u>
	<u>43,688,121</u>	<u>41,908,100</u>
Interest expense		
Due to other banks	(963,932)	(552,691)
Borrowing from central bank	(737,246)	(229,133)
Placements from other institutions	(844,218)	(1,366,454)
Deposit	(14,479,219)	(11,408,176)
Repurchase agreements financial assets	(913,088)	(1,020,990)
Bond issuance	<u>(6,897,404)</u>	<u>(8,424,669)</u>
	<u>(24,835,107)</u>	<u>(23,002,113)</u>
Net interest income	<u><u>18,853,014</u></u>	<u><u>18,905,987</u></u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements (Continued)****For the Year Ended 31 December 2019****Unit: CNY Thousand****XIII. Notes to Main Items of the Financial Statement (continued)****4. Cash flow of operating activities**

	2019	2018
Adjusting net Profit to Cash Flow of Operating Activities		
Net profit	13,067,206	10,857,151
Add: loss for fixed assets impairment	7,043,178	6,962,022
Depreciation of fixed assets	496,852	442,922
Amortization of intangible assets	97,072	101,159
Amortization of deferred expenses	520,148	481,557
Income from disposal of fixed assets, intangible assets and other long-term assets	(5,248)	(105,111)
Loss/(income) of fair value adjustment	(1,870,978)	(6,241,827)
Investment income	(16,472,472)	(18,623,233)
Interest payments on bond issuance	6,897,404	8,424,669
(Increase)/decrease of deferred income tax assets	(1,758,087)	105,545
Increase of operating receivable	(129,071,369)	(71,974,082)
Increase of operating payable	<u>165,962,198</u>	<u>20,653,159</u>
	<u>44,905,904</u>	<u>(48,916,069)</u>

XIV. Comparative Data

Several comparative data have been recategorized and edited so as to comply with the presentation and accounting treatment requirements of the financial statement.

Bank of Ningbo Co., Ltd.
Supplementary to Financial Statements
For the Year Ended 31 December 2019

Unit: CNY Thousand

Supplementary to financial statements:

1. List of non-recurring incomes and losses

	2019	2018
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	5,459	105,111
Profit and loss from changes in the fair value of investment real estate which is subsequently measured at fair value	40	(6,010)
Receivables for impairment reversal of impairment testing alone	-	-
Other non-operating income and expense besides the above items	<u>(39,049)</u>	<u>(25,529)</u>
Affected amount of income tax	<u>6,872</u>	<u>(22,075)</u>
Affected amount minority equity(after tax)	<u>(3,320)</u>	<u>(1,650)</u>
Non recurring profit and loss attributable to common shareholders of the parent company	<u>(29,998)</u>	<u>49,847</u>

The confirmation on the items of non-operating gains and loss of the Group is reported in compliance with CSRC Notice [2008] No. 43 *the Explanatory Announcement Concerning the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit & Loss*.

2. ROE (return on equity) and earnings per share

2019	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Common shares attributable to the company			
Net profit of shareholders	17.10	2.41	2.41
Net profit attributable to common shareholders after deducting non recurring profit and loss	17.14	2.41	2.41
2018	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Common shares attributable to the company			
Net profit of shareholders	18.72	2.15	2.04
Net profit attributable to common shareholders after deducting non recurring profit and loss	18.64	2.14	2.03