

BANK OF NINGBO CO., LTD.

(Stock Code: 002142)

2018 Annual Report

Chapter One Important Notes, Content and Interpretation

The Board of Directors, Board of Supervisors, directors, supervisors and senior managers 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 managers are able to guarantee the authenticity, accuracy and completeness of this report without any objection.

The 9th meeting of the 6th Board of Directors of the Company approved the text and abstract of 2018 Annual Report on Mar 28, 2019. 15 directors in person and 1 as entrusted out of 16 directors attended the meeting, Director Yu Weiye authorized Director Wei Xuemei for voting. 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 4 Yuan (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. Luo Weikai, 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., and the wholly-owned subsidiary, Maxwealth Financial Leasing Co., Ltd. are subject to the unit of RMB.

Ernst & Young Hua Ming LLP audited the 2018 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.
PBOC, 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
Abbreviation of convertible bond	Convertible bond of bank of Ningbo	Convertible bond code	128024
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.NBCB.COM.CN		
E-mail	DSH@NBCB.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@NBCB.COM.CN	DSH@NBCB.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)
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	A full accounting year from now on to the completion of private placement.

(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, Financial Market, Credit Card, Investment Banking, Asset Custody and Asset Management and continuously improve the sustainable development capability of Maxwealth Fund and Maxwealth Financial Leasing, thus to form a more diversified profit growth layout.

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”. Regarding science and technology as one of the most important production capacity for banks, strengthened investment to improve the competence for a long time. 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 2018

(I) In the list of “2018 Top 1000 International Banks” issued by the Banker, the Company was ranked the 166th in the world and 23rd in China with its tier one capital.

(II) In the list of “2018 Top 500 International Banking Brands” issued by the Banker, the Company was ranked the 133rd in the world and 18th in China.

(III) In the Competitiveness Report of Chinese Commercial Banks (2018) issued by the Banker of China, the Company ranked "the 1st among competitive urban commercial banks with over RMB 300 billion assets scale in 2017" and "the best urban commercial bank in 2017".

(IV) The Company won the second prize in the election of 2017 Financial Institution Supporting the Economic and Social Development of Zhejiang, as organized by the People's Government of Zhejiang Province; "the Outstanding Unit" prize in the election of "2017 Annual Financial Institution Reform and Innovation" by the People's Government of Zhejiang Province.

(V) In the "Selection of Listed Companies Most Respected by Investors in 2017" organized by China Association for Public Companies together with China Securities Investor Protection Fund Corporation Limited, Shanghai Stock Exchange, Shenzhen Stock Exchange, Securitas Association of China, Asset Management Association of China and China Securities Investor Services Center, the Company was awarded the honor of "the Listed Company Most Respected by Investors".

(VI) In the 2018 "GYROSCOPE" evaluation system (urban commercial banks with over RMB 200 billion assets scale) of comprehensive evaluation list issued by China Banking Association, the Company was ranked the 2nd.

(VII) In the 12th China Listed Companies Value Selection held by STCN, the Company was awarded two honors: Top Ten of the Top Fifty Small and Medium Enterprise Board Listed

Companies in China and Top Ten Management Team of the Small and Medium Enterprise Board Listed Companies in China.

(VIII) 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 2018" sponsored by Financial Times of China;

(IX) The Company won the "2017 Golden Bull Most Valuable Investment Award" in the 20th "Golden Bull Award of the Listed Companies of China" held by China Securities Journal.

(X) In the 12th China Wealth Management Organizations Selection in 2018 sponsored by the Securities Times, Huitong Financing of the Company won the "2018 Junding Award of Chinese Financing Brands" held by STCN;

(XI) The Company won the award of 2018 "Gold Financing" and "Outstanding Award for Urban Commercial Banks" in the 9th "Gold Financing" selection held by Shanghai Securities News.

(XII) The Company won "2018 Outstanding Competitive Small and Medium Financial Service Banks" in the election of 2018 Excellent Competitive Financial Institutions held by China Business.

(XIII) The Company was awarded as the "Best Cash Management Bank" in the evaluation of the 2018 China Asset Management "Jin Bei Award", organized by 21st Century Business Herald; the Company was awarded as the Excellent Urban Commercial Bank for Investment in the evaluation of Competitiveness of Asian Financial Institutions in 21st century.

(XIV) In the first "Most Trustworthy Listed Companies" competition organized by CNR, the Company won the top 30 "Most Trusted Listed Companies by Investors".

(XV) In the comprehensive evaluation results of the banking customer service center issued by the China Banking Association in 2018, the customer service center of the Company won two honors, including "High Quality Service Unit" and "Outstanding Innovation Unit".

Chapter Three Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

Operating Performance (RMB thousand Yuan)	Year 2018	Year 2017	Increase/Decrease by this year	Year 2016
Operating Income	28,930,304	25,314,320	14.28%	23,645,244
Operating Profit	11,545,815	10,179,905	13.42%	9,653,559
Total Profit	11,497,551	10,163,344	13.13%	9,652,078
Net Profit	11,220,636	9,355,717	19.93%	7,822,742
Net Profit Attributable to Shareholders of the Parent Company	11,186,356	9,333,572	19.85%	7,810,417
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	11,136,509	9,350,208	19.10%	7,812,396
Net Cash Flow from Operating Activities	(50,979,147)	18,000,979	-	109,411,852
Per Share (RMB Yuan/share)				
Basic Earnings Per Share (EPS)	2.15	1.80	19.44%	1.50
Diluted Earnings Per Share (EPS)	2.04	1.79	13.97%	1.50
Basic EPS after Non-recurring Profit and Losses	2.14	1.80	18.89%	1.50
Net Cash Flow from Operating Activities per share	(9.79)	3.55	-	21.58
Equity per share, Attributable to Common Stockholder of the Parent Company	12.68	10.31	22.99%	8.97
Financial Ratios				
Fully-diluted Return on Equity (ROE)	16.59%	17.43%	Decreased by 0.84%	16.69%
Weighted Average ROE	18.72%	19.02%	Decreased by 0.30%	17.74%
Fully-diluted ROE after Non-recurring Profits and Losses	16.52%	17.46%	Decreased by 0.94%	16.70%
Weighted Average ROE after Non-recurring Profits and Losses	18.64%	19.06%	Decreased by 0.42%	17.75%

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 third-phase dividend of the preferred stocks (Preferred 01) on Nov. 16, 2018, the total amount of which was RMB 223 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 thousand Yuan)	End of 2018	End of 2017	Increase/Decrease by this year	End of 2016
Total assets	1,116,423,355	1,032,042,442	8.18%	885,020,411
Client loans and advances	429,086,927	346,200,780	23.94%	302,506,678
— Personal loans and advances	137,066,186	105,664,001	29.72%	95,877,504
— Corporate loans and advances	247,077,413	216,404,495	14.17%	186,304,796

Scale indicators (RMB thousand Yuan)	End of 2018	End of 2017	Increase/Decrease by this year	End of 2016
— Notes discounted	44,943,328	24,132,284	86.24%	20,324,378
Loan loss reserves	17,495,312	14,001,472	24.95%	9,718,337
Total liabilities	1,035,193,487	974,836,470	6.19%	834,634,298
Client deposits	646,721,375	565,253,904	14.41%	511,404,984
— Personal deposit	122,866,788	105,858,589	16.07%	100,284,157
— Corporate deposit	523,854,587	459,395,315	14.03%	411,120,827
Interbank borrowing	53,943,803	94,606,096	(42.98%)	34,832,834
stockholders' equity	81,229,868	57,205,972	42.00%	50,386,113
Including: equity attributable to shareholders of the Parent Company	80,879,211	57,089,245	41.67%	50,278,002
Net capital	106,757,160	82,019,503	30.16%	64,783,567
Including: Tier-I net capital	80,615,762	56,810,411	41.90%	50,026,660
Net risk-weighted assets	718,273,938	603,762,790	18.97%	528,644,875

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, 2018 was 749.585 billion Yuan, increasing by 82.396 billion Yuan than the end of the previous year with a growth of 12.35%; the total client loans and advances is 431.585 billion Yuan, increasing by 82.263 billion Yuan than the end of the previous year with a growth of 23.55%.

II. Key Quarterly Financial Indicators

Unit: (RMB) Thousand Yuan

	1 st Quarter of 2018	2 nd Quarter of 2018	3 rd Quarter of 2018	4 th Quarter of 2018
Operating income	6,581,443	6,940,767	7,706,372	7,701,722
Net Profit Attributable to Shareholders of the Parent Company	2,821,902	2,879,394	3,222,543	2,262,517
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	2,763,545	2,887,942	3,206,668	2,278,354
Net Cash Flow from Operating Activities	762,859	(38,886,267)	(28,246,460)	15,390,721

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) Thousand Yuan

ITEM	Year 2018	Year 2017	Year 2016
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	105,111	(8,674)	227
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	(6,010)	(5,753)	39
Profit and loss from the reversion of provision for impairment of receivables under the individual impairment test	-	-	-
Other non-operating incomes and expenditures except for the above items	(25,529)	(3,027)	(1,482)
Impacts by income tax	(22,075)	845	(763)

Total	51,497	(16,609)	(1,979)
Of which: non-recurring profit and loss attributable to shareholders of the parent company	49,847	(16,636)	(1,979)
non-recurring profit and loss attributable to minority shareholders	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 2018	Year 2017	Year 2016
According to the Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trial)	Capital adequacy ratio (%)	≥10.5	14.86	13.58	12.25
	Tier-I Capital adequacy ratio (%)	≥8.5	11.22	9.41	9.46
	Core Tier-I Capital adequacy ratio (%)	≥7.5	9.16	8.61	8.55
Liquidity ratio (RMB and foreign currencies) (%)		≥25	57.43	51.54	44.95
Liquidity coverage ratio (%)		≥100	206.57	116.23	83.80
Ratio of deposits and loans (domestic and foreign currencies) (%)			65.88	58.06	55.63
Ratio of non-performing loans (%)		≤5	0.78	0.82	0.91
Provision coverage (%)		≥150	521.83	493.26	351.42
Loan provisioning rate (%)			4.08	4.04	3.21
Loan proportion for the largest single client (%)		≤10	1.02	1.56	1.72
Loan proportion for the ten largest single clients (%)		≤50	8.18	10.89	13.23
Credit proportion for the largest single group client (%)		≤15	2.00	1.75	1.90
Normal loan migration rate (%)	Migration rate of normal loans		1.11	1.15	1.95
	Migration rate of special-mentioned loans		67.48	83.59	45.09
Migration rate of non-performing loans (%)	Migration rate of subprime loans		61.06	48.78	53.20
	Migration rate of doubtful loans		21.89	35.34	25.90
Return on total assets (%)			1.04	0.97	0.98
Cost-income ratio (%)			34.44	34.63	34.26
Asset-liability ratio (%)			92.72	94.46	94.31
Net interest spread (%)			2.20	2.17	1.95
Net interest margin (%)			1.97	1.94	1.95

Note: according to the requirements of *Measures for the Liquidity Risk Management of Commercial Banks (for Trial)*, the liquidity coverage ratio of commercial banks should reach 100% before the end of 2018.

Chapter Four Address of the Chairman

In 2018, the economic operation of China has shown a steady and changing trend, while there are worries about such changes. The pace of global economic recovery has slowed down, the external environment was complex and serve, the economy was facing downward pressure, and there were many uncertainties; the supply-side reform has continued to deepen, and the support role of new momentum for economic development has become increasingly prominent. Looking back into the year 2018, the development of banking industry was also showing a new trend, while the interest rate liberalization was accelerating, industrial profit growth pressure was increasing, the difficulty of risk management was growing, the market competition was much more intense, the banking operation was facing more challenges and the requirements for the transformation and development were getting higher and higher.

In 2018, under the leadership of the Board of Directors, the Company insisted on implementing the management strategy of "imperfect for large banks, impossible for small banks" and took the initiative to adapt to the changing business environment, promoting various businesses in order and achieving new progress in business management. By the end of the reporting period, the total asset of the Company reached 1,116.423 billion Yuan, increasing by 8.18% over the beginning of the year; the net profits attributable to shareholders of our parent company reached 11.186 billion Yuan, increasing by 19.85% from the previous year; earnings per share was 2.15 Yuan, increasing by 0.35 Yuan compared with that of last year; earning per share attributable to the ordinary shareholders of our parent company was 12.68 Yuan, increasing by 22.99% compared with that at the beginning of this year; the weighted average ROE was 18.72%. In the list of "2018 Top 1000 International Banking Brands" issued by the British Banker, the Company ranked the 166th in the world; In the Competitiveness Report of Chinese Commercial Banks (2018) issued by the Banker of China, the Company was named "the Best Urban Commercial Bank".

Firstly, business models of various profit centers gradually formed, laying a foundation for the sustainable development. The Company insisted on exploring business models suitable for its own development, and constantly deepened the construction of profit centers. With the maturing of the business models of diversified profit centers, such as corporate banking, retail business, personal banking, financial market, credit card, investment banking and assets management, the profit centers have formed their own clear target customers and comparatively defined business modes in the market segments. The large retail business and intermediary business of the Company accounted for a higher proportion of revenue, and the profit structure continued to optimize, laying a good foundation for sustainable development. As for subsidiaries, the management scale and market ranking of Maxwealth Fund have improved significantly, and Maxwealth Leasing has achieved steady and sustainable development.

Secondly, the level of service to the real economy continued to improve, business comparative advantage continued to accumulate. Serving the real economy is the duty and also purpose of finance. Only in the process of serving the real economy can the comparative advantages of banks be truly formed. In 2018, the Company began to implement "211 Program". It is planned that each branch will serve 20,000 individual bank customers, 1,000 retail company customers and 100 corporate bank customers in three years, and expand the coverage of financial services by continuously consolidating basic business and basic customer groups. In 2018, the Company firmly implemented the regulatory requirements, strengthened its ability to serve the real economy, adhered to business positioning and the return to the source, continued to increase resource tilt and further deepened financial services for private and small enterprises. And by relying on the advantages of special products, business processes, service efficiency and other aspects, the Company has helped various enterprises solve their financing problems. Under the background of the two-way fluctuation of RMB exchange rate, the Company played a comparative advantage in international business and financial market to help customers effectively avoid exchange rate risk.

Thirdly, the comprehensive risk management system has been continuously improved, and non-performing loans have remained at a low level. Faced with the cyclical changes of macro-economy, the Company continued to deepen the concept of sound management, constantly improved the comprehensive risk management system, and the bad rate continued to maintain a low market level, which has proven the effectiveness of the current risk management system. By the end of 2018, the Company's non-performing loan rate was 0.78%, down 0.04% from the beginning of the year, and it continued to maintain a low level in the banking industry. Good asset quality can always ensure that the company is light-loaded and focused on business development.

Fourthly, the business support capacity has been continuously strengthened and the service entity economic momentum has been improved. Financial science and technology helped to improve the fine management, through persistent process innovation, the Company has basically realized "business online, office mobile, management data"; through the continuous implementation of Ningbo Banking University, Ningbo Bank Knowledge Base, standardization, template, systematization, staff professional ability improvement has found an effective carrier in the capital supplement side; In terms of capital replenishment, 2.5 billion Yuan out of 10 billion Yuan convertible bonds issued in 2017 has already completed the conversion, supplementing the core first-level capital, and another 10 billion Yuan preferred shares were issued in 2018, supplementing other first-level capital. The orderly replenishment of capital enabled the Company to develop more vigorously and to support the real economy more vigorously.

Looking ahead to 2019, China's economy will face more challenges, but the trend that Chinese economy realizing a high quality development will not change; the competition in banking industry will become more intense, but the intention of Bank of Ningbo to support the real economic development will neither change. In 2019, facing the new external business environment and industry

competition pattern, under the leadership of the Board of Directors, the Company will continue to explore and implement the management strategy of "imperfect for large banks, impossible for small banks", adhere to the main business, return to the basics, continue to accumulate comparative advantages, continue to increase support for the real economy, maintain the bottom line of risk management, and promote the steady and sustainable development of the Company.

Chairman: Lu Huayu

Chapter Five Address of the President

We make change every day as we believe that god rewards the diligent. In the past 2018, under the leadership of the Board of Directors, the Company devoted itself to creating more value for its customers. It adhered to serving the real economy as the main line, constantly accumulated the comparative advantages of differentiation in various fields. The total assets of the Company reached the trillion level and the net profit reached ten billion. By the end of the reporting period, the total assets was RMB 1116.426 billion, increased by 8.18% from the beginning of the year; the deposit balance was RMB 646.721 billion, increased by 14.41% from the beginning of the year; the loan balance was RMB 429.087 billion, increased by 23.94% from the beginning of the year; an operating income amounted to RMB 28.93 billion was realized, increased by 14.28% from the beginning of the year, a net profit attributable to shareholders of the parent company amounted to RMB 11.186 billion was realized as well, with a year-on-year growth of 19.85%. The operating and management work in 2018 have the following four outstanding features:

First, the capability in supporting the real economy was continuously strengthened. By adhering to the requirement of "focusing on the main business, returning to the origin and serving the entity", the Company constantly improve the quality and efficiency in serving the real economy. In respect to services for small and micro businesses, the Company continued to provide resource support and preferential policies, and realized the goal of "Two increase and two control" successfully; in respect to services for private enterprise, the Company made full use of the advantages of cash management, international business, principal bond underwriter and other products to tailor exclusive financial service scheme for customers, thus creating value for them; in respect to services for manufacturing enterprises, the Company established mechanism, innovated products, increased support for advanced manufacturing industry, and actively promoted the construction of Ningbo as the pilot demonstration city of "Made in China 2025".

Second, the business mode for profit center was gradually formed. In 2018, the business mode for profit center was gradually formed, and clearer positioning for clients and market operation was available, thus to continuously strengthen the sustainable development capacity. The profit of traditional corporate banking business continued to rise, with its proportion in total profit declined year by year, and the profit proportion of individual bank and retail corporation business continued to rise; the proportion of intermediary business income has maintained a steady growth trend, and the profit contribution of asset-light intermediary business including financial market transaction business, investment bank, asset custody, international business continued to increase. While optimizing the profit structure, we have also made it clear the target customers and sustainable business model for each profit center in the market segmentation, enabling it to create value for customers through service and thus promoting long-term sustainable development of the Bank. The

operation of the subsidiaries was constantly improved as well. Maxwealth Fund Management Co., Ltd realized a net profit of RMB 120 million and managed money scale of RMB 121.3 billion. It ranked 22nd among 131 public fund management institutions, , far exceeding the banking fund companies established in the same period. Maxwealth Financial Leasing Co., Ltd. also realized a smooth development, as it realized a net profit of RMB 243 million, and leasing assets balance of RMB 20.5 billion.

Third, the comprehensive risk management system was constantly perfected. By sticking to the operation philosophy of "Controlling the risk is exactly reducing the cost ", the Company attached great importance to risk management, and its risk management capabilities have withstood the test of the market. The NPL ratio was 0.78% at the end of the year, which is quite a low value in the industry. Through constant efforts, the Company has established a comprehensive process for the risk control system composed by three main segments, including the independent credit approval, the 4+N intelligent early warning and the independent business review, together with the implementation of process analysis, industry research and liquidation of non-performing loan, thus realizing a sound credit risk management. At the same time, with the full implementation of the process bank, credit centralized operation center, business processing center and mobile credit, all businesses can be completed online, thus effectively reducing the operational risk. A solid and effective risk management mechanism together with a low NPL ratio enabled the Company to devote more energy to business development, and serve more real economy customers, thus supporting its sustainable development.

Fourth, the supporting system of financial technology further improved. In 2018, the Company promoted the construction of technology systems continuously, enhanced business support capabilities and strengthened the construction of electronic channels to improve the customer service experience. At the same time, the company kept pace with the development trend of the industry, strived to promote the integration of technology and business innovation, built a financial technology system integrating demand, R&D, operation and maintenance, and testing, thus accelerating the digitalization and systematization of data, and enhancing the competitiveness of the Bank. In 2018, the Company set up IT support departments in various business, risk and operation departments of the head office to accelerate the integration of business and technology, thus to improve the capability in product planning, requirements reaction, and quick response; It established an independent testing center in the Science and Technology Department of the head office, through which testers scattered in various departments were gathered to realize unified management of business system testing, thus reducing the defect rate, improving software quality, and ensuring accurate and timely updating of applications. Science and Technology Departments were established in 7 first-tier and new first-tier cities including Shanghai, Hangzhou, Nanjing, Shenzhen, Beijing and Wuxi, as to meet the growing demand for business innovation and integration, and to make quick response to the characteristic business and system integrating by branches.

The operation and management of the Company were widely recognized by the market and customers. In the list of “2018 Top 1000 International Banks” issued by the Banker, the Company ranked the 166th in the world. The Bank was awarded the title of the Best City Commercial Bank by the Banker in its "2018 China Commercial Bank Competitiveness Evaluation Report". According to the Moody's, the Bank has a basic credit rating of Ba1, and a long-term deposit rating of Baa2, and the outlook of the Company was steady. In 2019, as led by the Board of Directors of the Bank, and as abide by the operation concept of Customers Oriented, 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

In recent years, the banking industry has confronting interest rate liberalization, financial disintermediation, pressure-bearing of risk, tighter policies, slow profit growth and other complicated and volatile operation situations. The Company thinks that for the banking industry and financial institutions, challenges and opportunities exist side by side and only banks with core competitiveness can stand out in the industrial division. After over 20 years' 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. In the aspect of operation area, 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. Meanwhile, with more prominent resource agglomeration effect of the center line cities, the deeply ploughed and high-quality operation area will be the powerful guarantee for the Company's sustainable development. In the aspect of business development, 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. After years of efforts and accumulation and having been devoted to construction of diversified profit centers, the Company has formed a diversified profitability structure in corporate banking, personal banking, retail company, credit card, financial market, investment bank, asset custody and asset management. The profit proportion of large-scale retail and light capital business have increased year by year, the structure has tended to be more reasonable and the momentum for sustainable development has further increased. Meanwhile, two subsidiaries namely Maxwealth Fund Management Co., Ltd. and Maxwealth Financial Leasing Co., Ltd., have initially accumulated differential comparative advantages in its respective fields, and have formed great complementary relationship with the parent company in business development, thus achieving more diversified profit source for the Company.

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. In recent years, the Company has continuously strengthened its risk management approaches, effectiveness of vertical and concentrated credit granting, 4+N risk early-warning, post-loan review and other risk management measures has emerged continuously, which has better responded periodic fluctuation and structure adjustment of economy and made the Company’s non-performing ratio at a relatively low level of the industry. Good asset quality enables the Company to be devoted to business expansion wholeheartedly without any burden and performing guaranteed long-term steady development.

Fourthly, integration and innovation of finance and technology, and strong support for business development. After several years of continuous accumulation and effort, the current technological 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, continuously excavated new business modes and special product services, and further helped businesses develop steadily and sustainably. The Company will build a new data center in 2019. After being put into use, the Company will form a leading dual-live data center structure with existing data centers. The system support capability will be significantly enhanced, and business continuity will be further guaranteed, which will strongly support the sustainable development of the Company's business.

Fifthly, solid talents reserve and continuous enhancement of employees’ quality. Essentially, the core competitiveness of the Bank depends on talents for the competition in the industry is competition among talents after all. In recent years, the Company has enhanced corporate culture construction, optimized incentive and examination systems, achieved evident results in talent team construction, gradually established systematic talent introduction mechanism, promotion and

cultivation mechanism and layered selection mechanism, and ensured a stable and energetic talent team. Meanwhile, the Company has accelerated improvement of employees' professional quality and trained reserved business backbone through continuous the implementation of NBCB University, NBCB knowledge base and the construction of three main sectors, namely standardization, template and systematization, so as to better respond to industrial competition and provide power for 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 in all level 1 institutions within 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, keep exploring the integrated business model, establish diversified profit-making channel and improve comprehensive financial service capability.

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 and continuously improve the risk management and control competitiveness, and 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 constantly accelerate the construction of IT infrastructure and information system. Through technological innovation, service innovation and product innovation, we can promote the ability of science and technology support to a higher level, 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, templated and systematic construction, as well as the implementation of NBCB University, NBCB knowledge base, so as to strengthen human resources guarantee for the development.

Chapter Seven Discussion and Analysis of Business Conditions

I. General review

Since 2018, global economic recovery has slowed down under the influence of Sino-US trade frictions and political turmoil in the euro area. In such an period of strategic opportunities, the China's economy has continued its steady growth with the coexistence of risks, uncertainties, opportunities and challenges. At the same time, under the influence of composite factors such as the fluctuation of economic cycle, the marketization of interest rate, the emerging of financial science and technology, and the policy of industry supervision, the business structure of banking industry is subject to continuous remodeling, and there is a long way to go for its transformation and development.

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) And scale stepped into new phase, and new connotation was integrated into operation quality

In 2018, by adhering to the requirement of "focusing on the main business, returning to the origin and serving the entity", the Company vigorously implemented "211 Project" on the basis of persistent promotion of various business strategies, continuously improved the depth and breadth of services for the entity economy, and promoted the coordinated development of various operations, and developed the profit and scale to a new level. By the end of the reporting period, the total assets of the Company were RMB 1116.423 billion, increasing by 8.18% from the beginning of the year; the total deposit was RMB 646.721 billion, increasing by 14.41% from the beginning of the year; and the total loan was RMB 429.087 billion, increased by 23.94% from the beginning of the year; the business income was RMB 28.93 billion, increased by 14.28% from the beginning of the year; and net profit attributable to the shareholders of the parent company was RMB 11.186 billion, increased by 19.85% from the beginning of the year. At the same time, in 2018, the risk indicators have been further improved, and the comparative advantage in the same industry has been maintained. By the end of 2018, the non-performing loan balance of the Company was RMB 3.353 billion, and the non-performing loan rate was 0.78%, 0.04% lower as compared with that at the beginning of the year; the balance of overdue loans over 90 days was RMB 2.764 billion, and there was no price scissors between non-performing loans and overdue loans over 90 days. In 2018, the Company realized comprehensive improvement in scale, benefit and quality, thus integrating new connotation into its

operation.

(II) Pluralistic development supported the linkage operation

In 2018, on the basis of continuous promotion of diversified profit centers construction, and by adhering to the business concept of "customer-centered", the Company took full advantage of the comparative advantages of profit centers, and provided comprehensive financial service programs for customers to meet their diversified financial service demands. In 2018, the Company realized the operating income of RMB 28.93 billion, increased by 14.28% from the beginning of the year, thereinto, the new interest income reached RMB 19.12 billion and the non-interest income reached RMB 9.81 billion, increased by 16.67% and 9.91% respectively from the beginning of the year. The coordinated development of profit centers promoted the steady and sustained growth of the Company's revenue. At the same time, the comparative advantages of efficient linkage and synergy between headquarters and branches have been further developed. The professional promotion and efficient landing of key businesses in branches further promoted the sustained growth of the operating efficiency of regional organizations and subsidiaries of the Company, thus forming a good situation of diversified development.

(III) Advancement of strategy transformation stimulated the operating drivers

In 2018, on the basis of the strategic transformation of big retail business, the Company followed the wave of financial science and technology, continuously enhanced customer experience and market reputation, and further strengthened the driving forces of large retail businesses such as wealth management and private banking. By the end of 2018, the personal loan balance of the Company was RMB 137.066 billion, increased by 29.72 from the beginning of the year, and the proportion of personal loan to total loan was increased by 1.43 percent point as well; the personal deposit balance of the Company was RMB 122.867 billion, increased by 16.07% from the beginning of the year. Through products and services both online and offline, the Company promoted the growth of customer AUM, and achieved deposit growth and structural optimization. During the reporting period, the development model of wealth management and private banking business became clearer, which injected new energy for the sustainable development of the Company.

(IV) Improvement of management assisted the breakthrough of operating efficiency

In 2018, the Company continuously strengthened management upgrading, effectively coordinated strategic transformation, and constantly explored systems, mechanisms and measures in terms of capital management, asset liability management and risk management according to its strategic positioning and long-term development goals, thus promoting the continuous improvement of overall operating efficiency, and making its comprehensive indicators such as capital adequacy, capital efficiency and risk resistance ability at an ideal level. By the end of 2018, the capital adequacy ratio of the Company was 14.84%, increased by 1.28% from the beginning of the year; the tier-one capital adequacy ratio was 11.22%, increased by 1.81% from the beginning of the year; the core tier-one capital adequacy ratio was 9.16%, increased by 0.55% from the beginning of the year.

The risk resistance of the Company was further strengthened. By the end of 2018, the loan provisioning ratio of the Company was 4.08% with an increase of 0.04 percentage points than the beginning of the year and the provision coverage was 521.83%, 28.57 percentage points higher than the beginning of the year.

II. Analysis of Main Business

(I) Analysis on items in the Income Statement

In 2018, facing the new normal of economic downward pressure and industry profit pressure, the Company, under the leadership of the Board of Directors, implemented the business strategy of “Do what big banks can't do well and small banks can't do”, insisted on compliance management and steady development, thus realizing continuous improvement in main businesses and a balanced growth. In 2017, the Company realized a operating income of RMB 28.930 billion, increased by RMB 3.616 billion from the previous year with the increasing rate of 14.28%, and a net profit attributable to the shareholders of the Parent company of RMB 11.186 billion, increased by 1.853 billion Yuan from the last year at a year-on-year growth rate of 19.85%.

Changes of Key Items in the Income Statement

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Increase/ Decrease	Increase rate
Operating income	28,930,304	25,314,320	3,615,984	14.28%
Net interest income	19,120,253	16,388,978	2,731,275	16.67%
Interest income	42,871,208	36,524,250	6,346,958	17.38%
Interest expense	(23,750,955)	(20,135,272)	(3,615,683)	17.96%
Non-interest income	9,810,051	8,925,342	884,709	9.91%
Net fees and commissions income	5,794,164	5,895,810	(101,646)	(1.72%)
Other non-interest income	4,015,887	3,029,532	986,355	32.56%
Operating expense	(17,384,489)	(15,134,415)	(2,250,074)	14.87%
Business tax and surcharges	(200,084)	(247,472)	47,388	(19.15%)
Operating and administrative expenses	(9,963,906)	(8,766,635)	(1,197,271)	13.66%
Assets impairment loss	(7,207,407)	(6,108,069)	(1,099,338)	18.00%
Other operating expenses	(13,092)	(12,239)	(853)	6.97%
Operating profit	11,545,815	10,179,905	1,365,910	13.42%
Net non-operating income	(48,264)	(16,561)	(31,703)	191.43%
Profit before tax	11,497,551	10,163,344	1,334,207	13.13%
Income tax expense	(276,915)	(807,627)	530,712	(65.71%)
Net profit	11,220,636	9,355,717	1,864,919	19.93%
Including: net profit attributable to shareholders of the Parent company	11,186,356	9,333,572	1,852,784	19.85%
Minority interest income	34,280	22,145	12,135	54.80%

1. Net Interest Income

In 2018, the Company conformed to the market situation and regulatory requirements, increased the support to the real economy, adjusted the distribution of assets and liabilities flexibly and timely, and improved the efficiency of asset allocation continuously. The net interest income of the Company was RMB 19.12 billion, increased by RMB 2.731 billion over the same period last year with an increasing rate of 16.67%. The interest income was RMB 42.871 billion, increased by RMB 6.347 billion with an increasing rate of 17.38%. The interest expenses were RMB 23.751 billion, increased by RMB 3.616 billion with an increase rate of 17.96%.

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Increase/Decrease	Increase rate
Interest income	42,871,208	36,524,250	6,346,958	17.38%
Loans and advances	20,987,886	17,052,256	3,935,630	23.08%
Due from banks	396,175	521,789	(125,614)	(24.07%)
Deposit in the central bank	1,252,925	1,212,721	40,204	3.32%
Lending funds	258,664	99,905	158,759	158.91%
Buying back the sale of financial assets	680,529	371,828	308,701	83.02%
Bond investment	11,791,364	6,782,627	5,008,737	73.85%
Financial product and asset management plan	7,482,014	10,471,770	(2,989,756)	(28.55%)
Others	21,651	11,354	10,297	90.69%
Interest expense	23,750,955	20,135,272	3,615,683	17.96%
Deposits from banks	602,243	1,102,406	(500,163)	(45.37%)
Borrowings from central bank	229,133	501,696	(272,563)	(54.33%)
Borrowing funds	2,045,923	1,471,108	574,815	39.07%
Deposit from customers	11,408,176	9,439,917	1,968,259	20.85%
Financial assets sold for repurchase	1,020,990	1,140,272	(119,282)	(10.46%)
Bond issued	8,424,262	6,472,201	1,952,061	30.16%
Others	20,228	7,672	12,556	163.66%
Net interest income	19,120,253	16,388,978	2,731,275	16.67%

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) Thousand Yuan

Item	Year 2018			Year 2017		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate

Assets						
General loans	331,665,280	19,167,892	5.78%	291,661,134	15,845,852	5.43%
Securities investment	415,550,639	19,273,379	4.64%	370,158,730	17,254,397	4.66%
Deposit in People's Bank of China	84,563,606	1,252,925	1.48%	82,295,813	1,212,721	1.47%
Due from banks and other financial institutions	46,655,785	1,357,019	2.91%	37,859,669	1,004,876	2.65%
Total interest-bearing assets	878,435,310	41,051,215	4.67%	781,975,346	35,317,846	4.52%
Liabilities						
Deposits	635,412,821	11,408,176	1.80%	551,235,242	9,439,917	1.71%
Due to banks and other financial institutions	126,067,861	3,689,384	2.93%	139,524,975	3,721,458	2.67%
Bonds payable	191,923,898	8,424,262	4.39%	150,315,079	6,472,201	4.31%
Borrowings from central bank	7,287,671	229,133	3.14%	16,721,945	501,696	3.00%
Total interest-bearing liabilities	960,692,251	23,750,955	2.47%	857,797,241	20,135,272	2.35%
Net interest income	17,300,260				15,182,574	
Net interest spread (NIS)			2.20%			2.17%
Net interest margin (NIM)			1.97%			1.94%

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

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

Unit: (RMB) Thousand Yuan

Item	Year 2018 VS Year 2017		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
Assets			
General loans	2,173,412	1,148,628	3,322,040

Securities investment	2,115,877	(96,895)	2,018,982
Deposit in People's Bank of China	33,418	6,786	40,204
Due from banks and other financial institutions	233,467	118,676	352,143
Changes on interest income	4,556,174	1,177,195	5,733,369
Liabilities			
Customer deposits	1,441,543	526,716	1,968,259
Due to banks and other financial institutions	(358,933)	326,859	(32,074)
Bonds payable	1,791,574	160,487	1,952,061
Borrowings from central bank	(283,048)	10,485	(272,563)
Changes on interest expense	2,591,136	1,024,547	3,615,683
Changes on net interest income	1,965,038	152,648	2,117,686

Net interest margin and net profit margin

In 2018, the net interest margin and net profit margin was 2.20% and 1.97% respectively, increased by 0.03% from the beginning of the year. 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; secondly, under the continuous promotion of the big retail strategy, the proportion of individual loans in total loans has increased year by year; thirdly, by adhering to the principle of "Customer Oriented", and driven by the implementation of "211 Project", the customer base has been continuously consolidated, and the debt structure has been continuously optimized, thus effectively consolidating the advantage of debt cost.

(1) Interest income

In 2018, the Company achieved the interest income of 42.871 billion, increased by 17.38% over the previous year. It was mainly due to the expansion of interest-bearing assets and optimization of structure.

Loan interest income

In 2018, the general loan interest income of the Company was RMB 19.168 billion, increased by RMB 3.322 billion from the beginning of the year with an increase rate of 20.96%, as mainly due to the increase in loan scale and average interest rate.

During the reporting period, facing the trend of acceleration of interest rate liberalization process and continuous narrowing of interest spreads of deposit and loan, 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 credit support to SMEs and promoted the average daily loan scale to realize a year-on-year growth of 13.72%.

The average interest rate of general loans of the Company was 5.78%, increased by 0.35% 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 5.19%, increased by 0.13% from the previous year; the average interest rate of private loan was 7.16%, increased by 0.71% 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.

Item	Unit: (RMB) Thousand Yuan					
	Year 2018			Year 2017		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	232,506,606	12,064,883	5.19%	214,005,229	10,838,833	5.06%
Personal loans	99,158,674	7,103,009	7.16%	77,655,905	5,007,019	6.45%
Total loans	331,665,280	19,167,892	5.78%	291,661,134	15,845,852	5.43%

Securities investment interest income

In 2018, the Company reached the interest income from securities investment of RMB 19.273 billion, increasing by RMB 2.019 billion from the previous year. The Company, by taking into consideration the liquidity management and assets & liabilities structure optimization, adapted to the market change, reasonable set the investment variety, and guaranteed the solid growth of securities investment scale. At the same time, , on the premise of implementing the national macro-control policy and prudent operation, the Company focused on serving the real economy, gave priority to the individualized financing needs of high-quality enterprises, and appropriately increased investment such as credit bonds.

Interest income from due from banks and other financial institutions

In 2018, the Company achieved the interest income from due from banks and other financial institutions as RMB1.357 billion, increased by RMB 0.352 billion from the previous year. Under the downward trend of market interest rate in 2018, the Company continued to improve its asset allocation capability, rationally grasped the investment opportunities in the fluctuated market, timely increased investment in due from banks and other financial institutions, and achieved progresses in both scale and income.

(2) Interest expense

In 2018, the interest expense of the Company was RMB 23.751 billion, increased by RMB 3.616 billion from the previous year. It was mainly due to the expansion of interest-paying liabilities.

Interest expense for customer deposits

In 2018, the interest expense for customer deposits of the Company was RMB 11.408 billion,

accounting for 48.03% of the total interest expense, increasing by RMB 1.968 billion from the previous year at a growth rate of 20.85%. It was mainly due to the increase in customer deposit scale.

During the reporting period, the Company further stabilized its deposit customer group, continuously strengthened the application of advantageous products including cash management, international business, bill business, E-bank, etc, and implemented comprehensive operation towards different kinds of customers, thus to improve the customer experience. As a result, the daily deposit scale was increased by 15.27% as compared with that of the previous year.

The cost rate of deposit during the reporting period of the Company was 1.08%, A slight increase over the same period last year, mainly due to the increased proportion of time deposits; The cost rate of private deposit was 2.16, decreased by 0.15% from the previous year, mainly due to the continuous promotion of the big retail strategy and accumulation of individual customers. In addition the good online and offline service of the Company led to the increase in customer AUM and deposit, thus to realize structural optimization and cost reduction of individual deposit.

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

Unit: (RMB) Thousand Yuan

Item	Year 2018			Year 2017		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	257,945,745	3,110,489	1.21%	256,002,348	2,782,120	1.09%
Time	257,846,363	5,714,372	2.22%	186,921,433	4,159,796	2.23%
Subtotal	515,792,108	8,824,861	1.71%	442,923,781	6,941,916	1.57%
Personal deposits						
Demand	36,457,660	131,824	0.36%	31,274,358	104,841	0.34%
Time	83,163,053	2,451,491	2.95%	77,037,103	2,393,160	3.11%
Subtotal	119,620,713	2,583,315	2.16%	108,311,461	2,498,001	2.31%
Total	635,412,821	11,408,176	1.80%	551,235,242	9,439,917	1.71%

Interest expense for due to banks and other financial institutions

In 2018, the interest expense for due to banks and other financial institutions of the Company reached RMB 3.689 billion, decreasing by RMB 32 million over the previous year. It was mainly due to the decreasing of liabilities scale.

Interest expense for issued liabilities

In 2018, the interest expense for issued liabilities of the Company was RMB 8.424 billion, increasing by RMB 1.952 billion over the previous year. It was mainly due to the expanded issuing scale of the interbank deposit and the increase of cost ratio for financial bond issuance.

2. Non-interest Income

During the reporting period, the non-interest income of the Company reached RMB 9.81 billion, including the net fees and commission income as RMB 5.794 billion, increased by RMB 0.885 billion with the growth rate of 9.91%.

Main composition of non-interest income

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Increase/decrease	Increase rate
Fees and commissions income	6,329,921	6,371,375	(41,454)	(0.65%)
Less: fees and commission expense	535,757	475,565	60,192	12.66%
Net fees and commissions income	5,794,164	5,895,810	(101,646)	(1.72%)
Other non-interest income	4,015,887	3,029,532	986,355	32.56%
Total	9,810,051	8,925,342	884,709	9.91%

Net fees and commissions income

Unit: (RMB) Thousand Yuan

Item	Year 2017	Year 2016	Increase/decrease	Increase rate
Settlement business	221,302	185,569	35,733	19.26%
Bank cards business	1,826,310	1,578,169	248,141	15.72%
Agency services business	3,344,533	3,795,111	(450,578)	(11.87%)
Guarantees business	502,114	281,066	221,048	78.65%
Custody business	407,416	492,035	(84,619)	(17.20%)
Consulting business	26,494	29,972	(3,478)	(11.60%)
Others	1,752	9,453	(7,701)	(81.47%)
Fees and commissions income	6,329,921	6,371,375	(41,454)	(0.65%)
Less: fees and commissions	535,757	475,565	60,192	12.66%
Net fees and commissions income	5,794,164	5,895,810	(101,646)	(1.72%)

During the reporting period, as guided by the principle of "Customer Oriented" and supported by financial technology, the Company met the diversified needs of customers in financial scenarios, realized the value matching between customers and products, and promotes the transformation and development of various intermediary businesses through the innovation and upgrading of products, business and services; at the same time, the Company actively executed the inclusive financial strategy, implemented the new regulatory policy, and promoted the steady development of the real economy by optimizing the intermediary business structure and increasing the reduction of fees and profits.

In 2018, the fees and commissions income of the Company was RMB 5.794 billion, of which, the business income from bank card and international L/G achieved rapid growth, and business income from agency services, guarantees and custody slightly decreased. Follows are the detailed commission income:

The income from bank card business was RMB 1.826 billion, increased by 15.72% 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 from guarantee business reached RMB 0.502 billion, increasing by 78.68% from the previous year. The main reason was that the Company gave full play to the comparative advantages of international business and financial market business, and promoted the rapid growth of revenue of international guarantee business.

The income of agency services business reached RMB 3.345 billion, increased by 11.87% from the previous year. It was mainly due to the decrease of income from financial management business, as influenced by the new rules for asset management.

The income of custody business reached RMB 0.407 billion with a year-on-year increase of 17.20%. It was mainly due to the decrease of business scale as influenced by the external regulatory policy, which led to the decrease of income.

3. Business and Administrative Expenses

In 2018, the business and administrative expense of the Company was RMB 9.964 with a year-on-year growth of 13.66% and the cost-income ratio was 34.44%. Of which, the personnel cost was RMB 6.431 billion, increased by 17.89% from the previous year; and the operating cost was RMB 2.8 billion, increased by 4.52% from the previous year.

During the reporting period, the Company continuously upgraded the cost budget management tool, strengthened the delicacy management of cost, optimized the resource allocation, improved the cost effectiveness, and strengthened the guarantee and support for business development, thus to realize a steady growth of cost. First, in order to construct a more professional and efficient staff team, the Company increased the investment on the establishment of talent training system, thus to promote rapid growth of employees. At the same time, in order to support the implementation of "211 Project" and expand the coverage of financial services, the Company continued to introduce outstanding talents to consolidate the construction of marketing teams; second, in order to realize the overall layout and upgrading of financial science and technology, the Company has increased its investment in information technology and electronic channel construction. In 2018, with the advancement of online and mobile service, as well as the breakthroughs in intelligent technology, the technology supporting system was further perfected.

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Increase/decrease	Increase rate
Staff costs	6,430,654	5,454,969	975,685	17.89%
Business expenses	2,799,637	2,678,478	121,159	4.52%
Depreciation of fixed assets	445,714	392,775	52,939	13.48%
Amortization of long-term deferred expenses	176,349	157,097	19,252	12.25%
Amortization of intangible	103,915	75,233	28,682	38.12%

assets				
Taxes	7,637	8,083	(446)	(5.52%)
Total	9,963,906	8,766,635	1,197,271	13.66%

3. Assets Impairment Loss

In 2018, the assets impairment loss of the Company was RMB 7.207, increased by RMB 1.099 BILLION than the previous year at a growth rate of 18.00%. The main reason is that the Company continued to follow the principle of prudent management, appropriately increased the provision for impairment of assets, and further enhanced the risk resistance according to the market operating environment and the structural changes of various types of assets.

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Increase/decrease	Increase rate
Loan impairment loss	3,943,935	5,717,662	(1,773,727)	(31.02%)
Impairment loss of due from banks	21,612	-	21,612	-
Investment impairment loss of receivables	3,178,268	369,163	2,809,105	760.94%
Impairment loss of other receivables	6,680	8,744	(2,064)	(23.60%)
Held-to-maturity investment impairment loss	-	12,500	(12,500)	(100.00%)
Impairment loss of interest receivables	67	-	67	-
Impairment loss of interest mortgage asset	6,549	-	6,549	-
Financial assets available for sale impairment loss	50,296	-	50,296	-
Total	7,207,407	6,108,069	1,099,338	18.00%

5. Income tax

In 2018, the income tax expense of the Company was RMB 0.277 billion, decreased by RMB 0.531 billion from the previous year. It is mainly due to that the Company continued to optimize asset allocation and increased the investment in tax-free asset.

(II) Analysis of the Balance Sheet

1. Assets

As of Dec. 31, 2018, the total assets of the Company reached RMB 1,116.423 billion, increased by 8.18% from the beginning of the year. 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 2018, the proportion of loans and advances in total assets was increased from 32.19% at the beginning of the year to 36.87%, increased by 4.68 percentage points.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2018		Dec. 31, 2017		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	88,457,374	7.92%	90,193,821	8.74%	(1,736,447)	(0.82)
Due from other banks	9,251,993	0.83%	29,550,692	2.86%	(20,298,699)	(2.03)
Precious metals	7,554,430	0.68%	843,573	0.08%	6,710,857	0.60
Lending funds	2,417,760	0.22%	2,045,994	0.20%	371,766	0.02
Financial assets at fair value through profit and loss	134,766,743	12.07%	146,481,901	14.19%	(11,715,158)	(2.12)
Derivative financial assets	30,257,173	2.71%	31,333,752	3.04%	(1,076,579)	(0.33)
Redemptory monetary capital for sale	3,703,483	0.33%	1,096,968	0.11%	2,606,515	0.22
Interest receivable	6,071,662	0.54%	4,156,455	0.40%	1,915,207	0.14
Loans and advances	411,591,615	36.87%	332,199,308	32.19%	79,392,307	4.68
Available-for-sale financial assets	221,033,846	19.80%	218,842,775	21.20%	2,191,071	(1.40)
Held-to-maturity investment	70,118,200	6.28%	60,782,788	5.89%	9,335,412	0.39
Investment receivables	119,427,658	10.70%	95,278,972	9.23%	24,148,686	1.47
Investment real estate	39,240	-	46,726	-	(7,486)	-
Fixed assets	5,185,166	0.46%	4,810,959	0.47%	374,207	(0.01)
Intangible assets	346,996	0.03%	342,963	0.03%	4,033	0.00
Construction in progress	1,184,628	0.11%	1,278,052	0.12%	(93,424)	(0.01)
Deferred income tax assets	3,668,448	0.33%	4,651,064	0.45%	(982,616)	(0.12)
Other assets	1,346,940	0.12%	8,105,679	0.80%	(6,758,739)	(0.68)
Total assets	1,116,423,355	100.00%	1,032,042,442	100.00%	84,380,913	-

(1) Loans and advances

In 2018, by focusing on serving the real economy, the Company adhered to its business

orientation, effectively expanded the coverage of financial services by vigorously implementing the 211 Project, and promoted the steady growth of loan scale by introducing financial science and technology, upgrading products and services, and actively supporting the financing needs of enterprises. As of Dec. 31, 2018, the total loans and advances of the Company reached RMB 429.087 billion and the net amount was RMB 411.592 BILLION after deducting the loan loss reserves of RMB 17.495 billion, increased by 23.90% from the beginning of the year.

Corporate loan

In 2018, 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, 2018, the total corporate loan of the Company was RMB 247.077 billion with an increase of RMB 30.673 billion over the beginning of the year and accounting for 57.58% of the total loans and advances.

Discount for bills

In 2018, the Company continued to adopt "Serving the Real Economy and SMEs" as the principle for the bill business. During the reporting period, The Company continuously optimized its business process, launched the "Quick Bill Discount" service, provided online self-discount service for customers, effectively solved the problems of small bill discount and high operating costs, and actively reduced the cost of bill financing and supported the financing of small and micro enterprises. In 2018, the small and micro enterprises accounted for 45.5% of the bill financing of the Company, and 1,114 small and micro enterprises were newly cooperated. As of Dec. 31, 2018, the discount for bills was RMB 44.943 billion, accounting for 10.47% of the total loans and advances.

Personal loan

In 2018, the Company continued to implement the big retail strategy unswervingly. By fully utilizing new technologies such as Internet and big data, the Company continuously improved its products, channels and services, optimized the accuracy of customer acquisition, realized the efficient interactive development of online and offline business, and promoted the rapid growth of personal loans. As of Dec. 31, 2018, the total personal loan was RMB 137.066 billion, increased by 29.72% from the beginning of the year, accounting for 30.52% of the total loans and advances, which is 1.43 percentage points higher than that at the beginning of the year.

Unit: (RMB) Thousand Yuan

Industry	2018		2017	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	247,077,413	57.58%	216,404,495	62.51%
Loans	242,302,416	56.47%	212,156,660	61.28%

Industry	2018		2017	
	Amount	Proportion	Amount	Proportion
Trading financing	4,774,997	1.11%	4,247,835	1.23%
Bill discounting	44,943,328	10.47%	24,132,284	6.97%
Personal loans and advances	137,066,186	31.95%	105,664,001	30.52%
Personal consumption loan	114,974,875	26.80%	87,301,230	25.21%
Personal operation loan	20,842,982	4.86%	17,237,071	4.98%
Personal housing loan	1,248,329	0.29%	1,125,700	0.33%
Total amount	429,086,927	100.00%	346,200,780	100.00%

(2) Security investment

The security investments include financial assets at fair value through profit and loss, financial assets available for sale, held-to-maturity investments and investment receivables.

Investment structure divided upon purpose

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2018		Dec. 31, 2017	
	Amount	Proportion	Amount	Proportion
Financial assets at fair value through profit and loss	134,766,743	24.71%	146,481,901	28.10%
Financial assets available for sale	221,033,846	40.53%	218,842,775	41.97%
Held-to-maturity investments	70,118,200	12.86%	60,782,788	11.66%
Investment receivables	119,427,658	21.90%	95,278,972	18.27%
Total	545,346,447	100.00%	521,386,436	100.00%

In 2018, 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.

Financial assets at fair value through profit and loss

As of Dec. 31, 2018, the financial assets at fair value through profit and loss of the Company were RMB 134.767 billion, decreased by RMB 11.715 billion from the beginning of the year. The main reason was that the Company complied with the regulatory orientation and took into account the needs of liquidity management and asset-liability structure optimization, and reduces the investment in interbank deposit.

Financial assets available for sale

As of Dec. 31, 2018, the financial assets available for sale of the Company were RMB 221.034 billion, increased by RMB 2.191 billion from the beginning of the year. During the reporting period, following the guidance of the national macro-control policy and taking into account the needs of operating performance, the Company appropriately increased the investment in ABS and credit

bonds, reduced the investment scale of interbank deposit, and further strengthened the investment in real economy to support its development.

Held-to-maturity investments

As of Dec. 31, 2018, the held-to-maturity investments of the Company were RMB 70.118 billion, increased by RMB 9.335 billion from the beginning of the year. For the consideration of interest rate risk management and liquidity management demand, the Company seized the market opportunity and appropriately increased the investment in held-to-maturity bonds during the setback of market.

Investment receivables

Investment receivables refer to the various bond investment held by the Company without open market price in domestic or overseas market. As of Dec. 31, 2018, the balance of investment receivables was RMB 119.428 billion, increased by RMB 24.149 billion from the beginning of the year.

Situation of ten financial bonds held with the highest face value

Unit: (RMB) Thousand Yuan

Category	Balance of face value	Interest rate%	Date of maturity	Depreciation reserve
Financial bond of 2017	1,577,800	4.44	2022/11/9	-
Financial bond of 2018	1,159,948	4.04	2028/7/6	-
Financial bond of 2017	910,000	4.14	2020/9/11	-
Financial bond of 2018	830,000	4.37	2023/5/25	-
Financial bond of 2017	810,000	4.19	2020/9/15	-
Financial bond of 2018	790,000	3.76	2023/8/14	-
Financial bond of 2018	769,948	3.32	2019/7/10	-
Financial bond of 2016	679,000	2.96	2021/7/27	-
Financial bond of 2018	577,343	4.69	2023/3/23	-
Financial bond of 2017	520,000	4.04	2027/4/10	-

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, 2018, the total face value of the ten largest financial bonds was RMB 8.624 billion, mainly of which was policy bank debt with the average holding period of 4.2 years.

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

Unit: (RMB) Thousand Yuan

Derivative financial instruments	Dec. 31, 2018		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	40,914,992	360,303	(169,759)
Foreign exchange 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 swap	7,540,862	313,292	(111,004)
Option contract	178,104,079	2,064,436	(2,318,423)
Credit risk mitigation instruments	2,120,000	413,160	(392,653)
Precious metal forward/swap	34,110,333	645,447	(460,674)
Total	3,727,174,609	30,257,173	(27,564,862)

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.

Credit risk mitigation instruments: Credit risk mitigation instruments refer to credit risk mitigation contracts, credit risk mitigation vouchers and simple basic derivatives used to manage credit 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 2018, the market interest rate 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) Interest receivables and bad debt provision on- and off-balance sheet

As of Dec. 31, 2018, the total interest receivables on- and off-balance sheet was RMB 6.655 billion, including RMB 6.072 billion of on-balance sheet interest receivables and RMB 0.583 as off-balance sheet.

Unit: (RMB) Thousand Yuan

Item	Beginning balance	Current increase and decrease	Ending balance	Balance of bad debt reserve	Withdrawal method
Interest receivables on the balance sheet	4,156,455	1,915,274	6,071,729	67	Individual identification
Interest receivables off the balance sheet	504,944	77,844	582,788	-	-

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

As of Dec. 31, 2018, the total construction in progress of the Company was RMB 1.097 billion, increased by RMB 0.286 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	381,137	258,663	-	-	639,800	self-raised	77%	80%	-	-	-
New Building of Hangzhou Branch	628,518	429,571	27,170	-	-	456,741	self-raised	73%	75%	-	-	-
Total	1,457,608	810,708	285,833	-	-	1,096,541						

(6) Withdrawal of provisions for Impairment of mortgage assets

As of Dec. 31, 2018, the total mortgage assets of the Company was RMB 72 million, the impairment provision was RMB 7 million, and the net mortgage assets was RMB 65 million.

Unit: (RMB) Thousand Yuan

Land, houses and buildings	71,939
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Stock rights	-
Subtotal	71,939
Provisions for impairment of mortgage assets	(6,549)
Net mortgage assets	65,390

2. Liabilities

As of Dec. 31, 2018, the total liabilities of the Company were RMB 1,035.139 billion, increased by RMB 60.357 billion than the end of the previous year at a growth rate of 6.19%. It was mainly due to the increase of liabilities including deposits and bonds payables.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2018		Dec. 31, 2017		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Borrowings from central bank	15,500,000	1.50%	2,500,000	0.26%	13,000,000	1.24
Due to other banks and financial institutions	21,214,973	2.05%	27,292,435	2.80%	(6,077,462)	(0.75)
Loans from other banks	53,943,803	5.21%	94,606,096	9.70%	(40,662,293)	(4.49)
Financial assets at fair value through profit and loss	11,856,092	1.15%	5,430,875	0.56%	6,425,217	0.59
Derivative financial liabilities	27,564,862	2.66%	35,168,918	3.61%	(7,604,056)	(0.95)
Financial assets sold for repurchase	26,930,116	2.60%	45,988,790	4.72%	(19,058,674)	(2.12)
Deposit taking	646,721,375	62.47%	565,253,904	57.98%	81,467,471	4.49
Wages and salaries payable	2,248,180	0.22%	1,996,109	0.20%	252,071	0.02
Tax payable	740,442	0.07%	3,035,863	0.31%	(2,295,421)	(0.24)
Interest payable	10,287,788	0.99%	8,375,889	0.86%	1,911,899	0.13
Bond payable	208,437,348	20.14%	171,499,442	17.59%	36,937,906	2.55
Deferred income	427,324	0.04%	355,374	0.04%	71,950	-
Other liabilities	9,321,184	0.90%	13,332,775	1.37%	(4,011,591)	(0.47)
Total liabilities	1,035,193,487	100.00%	974,836,470	100.00%	60,357,017	-

Customer deposits

Customer deposits are the main source of Company funds. In 2018, the Company recognized the deposit as the basic resource for transformation and upgrading, and continued to consolidate basic position of customer deposits. Face with the liquidity change in the market, the Company adhered to

the principle of Customer Oriented, the Company continuously strengthened the customer cooperation and achieves the rapid growth of customer deposits relying on its flexible product combination and high quality and efficient whole process service. As of Dec. 31, 2017, the total customer deposits of the Company was RMB 646.721 billion, increased by RMB 81.467 billion than the end of the previous year at a growth rate of 14.41% and accounting for 62.47% of the total liabilities of the Company. The corporate deposit reached RMB 523.855 billion, increased by 14.41; the individual deposit reached RMB 122.867 billion, increased by 16.07% from the beginning of the year.

The table below shows the customer deposits categorized upon product types and customer types at the end of Dec. 31, 2018.

Unit: (RMB) Thousand Yuan

Item	Year 2017		Year 2016	
	Amount	Proportion	Amount	Balance
Corporate deposits				
Demand	263,822,684	40.79%	264,539,229	46.81%
Time	260,031,903	40.21%	194,856,086	34.47%
Subtotal	523,854,587	81.00%	459,395,315	81.28%
Individual deposits				
Demand	36,890,802	5.70%	32,640,479	5.77%
Time	85,975,986	13.30%	73,218,110	12.95%
Subtotal	122,866,788	19.00%	105,858,589	18.72%
Total	646,721,375	100.00%	565,253,904	100.00%

3. Shareholders' Equity

As of Dec. 31, 2018, the shareholders' equity of the Company was RMB 81.23 billion, increased by RMB 24.024 billion from the beginning of the year with the growth rate of 42%; the equity attributable to shareholders of the parent company was RMB 80.879 billion, increased by RMB 23.79 billion from the beginning of the year with the growth rate of 41.67%. Due to the influence of new profit and undistributed profit factors in the year, the undistributed profit of the Company was RMB 32.448 billion, increased by 25.39% from the beginning of the year. Due to the issuance of preferred share amounted to RMB 10 billion, the other equity instrument of the Company was RMB 16.233 billion, increased by 141.56% from the beginning of the year; due to the amount of RMB 2.5 billion that can be transferred into debt or equity, capital reserve was RMB 11.219 billion, increased by 27.78% from the beginning of the year.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2018		Dec. 31, 2017		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)

Share capital	5,208,555	6.41%	5,069,732	8.86%	138,823	(2.45)
Other equity instruments	16,232,978	19.98%	6,719,945	11.75%	9,513,033	8.23
Capital reserve	11,219,205	13.81%	8,779,906	15.35%	2,439,299	(1.54)
Other comprehensive income	689,316	0.85%	(2,074,136)	(3.63%)	2,763,452	4.48
Earned surplus	5,942,864	7.32%	4,857,149	8.49%	1,085,715	(1.17)
General risk reserve	9,138,300	11.25%	7,858,597	13.74%	1,279,703	(2.49)
Undistributed profit	32,447,993	39.95%	25,878,052	45.24%	6,569,941	(5.29)
Equity attributable to shareholders of the Parent company	80,879,211	99.57%	57,089,245	99.80%	23,789,966	(0.23)
Minority equity	350,657	0.43%	116,727	0.20%	233,930	0.23
Total shareholders' equity	81,229,868	100.00%	57,205,972	100.00%	24,023,896	-

(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, 2018, the total loans of the Company were RMB 429.087 billion, increased by 23.94% over the end of the previous year; the ratio of non-performing loan was 0.78%, decreased by 0.04% than the beginning of the year, which was relatively low.

Quality of loan assets at the end of the reporting period

Unit: (RMB) Thousand Yuan

Five-tire classification	Dec. 31, 2018		Dec. 31, 2018		Changes	
	Loans & advances	Proportion	Loans & advances	Proportion	Loans & advances	Proportion (percentage point)
Subtotal of Non-NPL	425,734,221	99.22%	343,362,226	99.18%	82,371,995	0.04
Standard	423,376,651	98.67%	341,011,625	98.50%	82,365,026	0.17
Special mention	2,357,570	0.55%	2,350,601	0.68%	6,969	(0.13)
Subtotal of NPL	3,352,706	0.78%	2,838,554	0.82%	514,152	(0.04)
Substandard	1,413,041	0.33%	1,038,663	0.30%	374,378	0.03
Doubtful	1,291,261	0.30%	1,265,567	0.37%	25,694	(0.07)

Loss	648,404	0.15%	534,324	0.15%	114,080	-
Total customer loans	429,086,927	100.00%	346,200,780	100.00%	82,886,147	-

Under the loan supervision system of five-class 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 3.353 billion with the ratio of non-performing loan as 0.78%.

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

Industry	Unit: (RMB) Thousand Yuan			
	Year 2018			
	Loan amount	Proportion	NPL amount	NPL ratio
Agriculture, forestry, animal husbandry, fishing	1,865,038	0.43%	9,150	0.49%
Mining	331,036	0.08%	-	-
Manufacturing	72,601,578	16.92%	1,242,679	1.71%
Production and supply of electricity, gas and water	7,918,485	1.85%	-	-
Construction	21,407,436	4.99%	102,059	0.48%
Transportation, storage, mailing	9,131,324	2.13%	88,074	0.96%
Information transfer, computer service and software	7,576,217	1.77%	73,574	0.97%
Commerce	44,522,744	10.38%	693,939	1.56%
Hotel, restaurant	479,439	0.11%	35,700	7.45%
Finance	2,952,782	0.69%	-	-
Operating property loan	8,875,077	2.07%	-	-
Leasing and commercial service	57,478,570	13.40%	26,235	0.05%
Scientific research, technology service and geological exploitation	2,115,948	0.49%	3,044	0.14%
Water resource, environment and public facilities management and investment	35,420,300	8.25%	15,450	0.04%
Real estate development	11,963,953	2.79%	149,657	1.25%
Loans for urban construction	2,155,824	0.50%	-	-
Resident service and other services	516,924	0.12%	986	0.19%
Education	959,015	0.22%	-	-
Health, social security and welfare	553,682	0.13%	-	-
Culture, sports and entertainment	2,199,668	0.51%	49,997	2.27%
Public management and social organization	995,701	0.23%	-	-
Personal loans	137,066,186	31.94%	862,162	0.63%
Total	429,086,927	100.00%	3,352,706	0.78%

During the reporting period, the Company continued to increase its support for the real economy especially SMEs, and increased the investment in manufacturing, leasing & business services,

commercial trade and other industries. The loan amount of manufacturing, leasing & business services and commercial trade industry accounted for 16.92%, 13.40% and 10.38% of the total loan 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 1.243 billion and RMB 0.694 billion, accounting for 37.07% and 20.70% of the total NPL of the Bank, with the NPL ratio of 1.71% and 1.56% respectively.

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

Unit: (RMB) Thousand Yuan

Region	2018			
	Loan amount	Proportion	NPL amount	NPL ratio
Zhejiang Province	258,851,893	60.32%	2,264,745	0.87%
Including: Ningbo	173,326,451	40.39%	1,791,536	1.03%
Shanghai	29,933,172	6.98%	287,524	0.96%
Jiangsu Province	100,840,464	23.50%	370,346	0.37%
Guangdong Province	19,606,962	4.57%	304,642	1.55%
Beijing	19,854,436	4.63%	125,449	0.63%
Total amount of loans and advances	429,086,927	100.00%	3,352,706	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 highlight 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 60.32% and 23.50% of the total loan respectively. The NPL ratio in regions maintained steady. The NPL amount of Zhejiang, Jiangsu and Guangdong was RMB 2.265 billion, RMB 0.37 billion and RMB 0.35 billion, accounting for 67.55%, 11.03% and 9.10% of the total NPL in the Bank respectively.

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

Unit: (RMB) Thousand Yuan

Guarantee type	2018			
	Loan amount	Proportion	NPL amount	NPL ratio
Credit Loan	135,370,570	31.55%	786,516	0.58%
Guarantee loan	130,001,693	30.30%	913,047	0.70%
Mortgage loan	112,288,721	26.17%	1,648,709	1.47%
Pledge loan	51,425,943	11.98%	4,434	0.01%
Total amount of loans and advances	429,086,927	100.00%	3,352,706	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 38.15%.

Loan for top 10 customers at the end of the reporting period

Unit: (RMB) Thousand Yuan

Industry	Loan balance	Proportion to net capital
Leasing and commercial service	1,050,000	0.97%
Construction	1,000,000	0.94%
Water resource, environment and public facilities management	1,000,000	0.94%
Leasing and commercial service	820,000	0.77%
Water resource, environment and public facilities management	800,000	0.75%
Construction	780,000	0.73%
Leasing and commercial service	776,838	0.73%
Construction	770,732	0.72%
Leasing and commercial service	764,350	0.72%
Real estate	672,080	0.63%
Total	8,434,000	7.90%
Net capital	106,757,160	

As of the end of the reporting period, the loan balance for the largest single client was RMB 1.05 billion, accounting for 0.98% of the net capital. The loan balance of the top 10 customers was RMB 8,434 billion, accounting for 7.90% of the net capital and 1.97% of the total loans of the Company

Loans divided upon overdue limit

Unit: (RMB) Thousand Yuan

Overdue limit	Dec. 31, 2018		Dec. 31, 2017	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	1,043,522	0.24%	488,221	0.14%
Overdue for 3 months to 1 year	1,432,741	0.34%	1,453,335	0.42%
Overdue for more than 1 year and within 3 years	1,231,132	0.29%	733,163	0.21%
Overdue for more than 3 years	99,732	0.02%	32,329	0.01%
Total overdue loans	3,807,127	0.89%	2,707,048	0.78%

As of the end of the reporting period, the overdue loan of the Company was RMB 3.807 billion, accounting for 0.89% 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 1.433 billion and RMB 1.231 billion, accounting for 0.34% and 0.29% of the total loan respectively.

Restructured loans

Unit: (RMB) Thousand Yuan

	Dec. 31, 2018		Dec. 31, 2017	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Restructured loans	72,919	0.02%	34,750	0.01%

By the end of the reporting period, the restructured loan of the Company was RMB 73 million, increased by RMB 38 million from the previous year. It accounted for 0.02% to the total loan, increased by 0.01 percentage point from the previous year.

Provision and written-off of bad debts

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Year 2016
Balance at the beginning of the year	14,001,472	9,718,337	7,289,475
Current provision	3,943,935	5,717,662	5,041,742
Current Write-Off	(1,141,779)	(1,942,881)	(2,848,794)
Current recovery	736,742	564,291	287,704
Including: recoveries of loans and advances written-off previously	736,742	564,291	287,704
Transferred in from decreased loan interests	(45,058)	(55,937)	(51,790)
Balance at the end of the year	17,495,312	14,001,472	9,718,337

During the reporting period, the total provision of loan loss reserves of the Company was RMB 3.944 billion, the recovery of non-performing loan was RMB 0.737 billion, the written-off of non-performing loan was RMB 1.142 billion and the balance of the loan loss reserves at the end of the reporting period was RMB 17.495 billion.

The Company adopted two methods of assessing impairment losses on loans at the balance sheet date: individual assessment and portfolio assessment.

Loans considered individually significant were assessed individually for impairment test. If there was any objective evidence indicating that a loan was impaired, the impairment losses amount would be measured as the difference between the carrying amount of the loan and its discounted value of estimated future cash flows recoverable through profit or loss of the current period.

Loans considered individually insignificant, and those with no objective evidence showing that an impairment had incurred according to individual assessment were grouped in a pool of loans with similar credit risk characteristics for the purpose of impairment testing. Based on the results of the testing, the Company would determine allowances for impairment losses on loans assessed on a portfolio bases.

(IV) Analysis of the cash flow statement

The net cash outflow from operating activities was RMB 50.979 billion, including the cash inflow of RMB 137.74 billion, increased by 18.858 billion Yuan than the previous year. It was mainly due to the increase of customer deposits. The cash outflow was RMB 188.719 billion, increased by RMB 87.838 billion. It was mainly due to the increase of customer loan.

The net cash outflow from investment activities was RMB 6.818 billion, including the cash inflow as RMB 4,860.958 billion, increased by RMB 1,643.683 billion than the previous year. It was mainly due to the increase of cash inflow from returns on investment. The cash outflow was RMB 4,867.776 billion, increased by RMB 1,570.634 billion than the previous year. It was mainly due to the increase of cash outflow for investment payment.

The net cash inflow from financing activities was RMB 38.992 billion, including the cash inflow of RMB 462.456 billion, increasing by RMB 4.061 billion than the previous year. It was mainly due to the cash inflow of bond issuance and negotiable certificate of deposit; the cash outflow was RMB 423.456 billion, increased by RMB 19.138 billion than the previous year. It was mainly due to the cash outflow of debt repayment.

Unit: (RMB) Thousand Yuan

Item	Year 2018	Year 2017	Changes
Subtotal of cash inflows from operating activities	137,739,594	118,881,746	18,857,848
Subtotal of cash outflows from operating activities	188,718,741	100,880,767	87,837,974
Net cash flow from operating activities	(50,979,147)	18,000,979	(68,980,126)
Subtotal of cash inflows from investment activities	4,860,958,365	3,217,274,948	1,643,683,417
Subtotal of cash outflows from investment activities	4,867,776,498	3,297,142,439	1,570,634,059
Net cash flow from investment activities	(6,818,133)	(79,867,491)	73,049,358
Subtotal of cash inflows from financing activities	462,456,457	458,395,254	4,061,203
Subtotal of cash outflows from financing activities	423,464,638	404,326,347	19,138,291
Net cash flow from financing activities	38,991,819	54,068,907	(15,077,088)
Net increase of cash and cash equivalents	(18,571,834)	(7,590,819)	(10,981,015)

(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, 2018, the total profit of personal banking was RMB 8.629 billion, increased by 16.91% than the previous year and accounted for 29.84% of the total operating income with a year-on-year growth of 0.67%.

Unit: (RMB) Thousand Yuan

Item	2018		2017	
	Operating income	Total profit	Operating income	Total profit
Corporate business	10,559,794	4,046,837	9,822,118	3,730,782
Individual business	8,629,383	3,998,575	7,381,347	3,542,057
Capital business	9,564,414	3,336,782	8,075,443	2,883,893
Other businesses	163,621	115,357	23,173	6,612
Total	28,917,212	11,497,551	25,302,081	10,163,344

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

Refer to Appendix X to the Financial Statements: Contingencies, Commitments and Major Extra-Statement Matters in Chapter Fourteen 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) Thousand Yuan

Item	Beginning amount	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Ending amount
Financial assets at fair value through profit and loss	146,481,901	11,793	-	-	134,766,743
Derivative financial assets	31,333,752	(1,499,220)	-	-	30,257,173
Available-for-sale financial assets	218,814,515	-	900,059	(50,296)	221,005,586
Precious metal	843,573	13,852	-	-	7,554,430
Investment properties	46,726	(6,010)	-	-	39,240
Subtotal of financial assets	397,520,467	(1,479,585)	900,059	(50,296)	393,623,172
Financial liabilities at fair value through profit and loss	(5,430,875)	(116,560)	-	-	(11,856,092)
Derivative financial liabilities	(35,168,918)	7,858,969	-	-	(27,564,862)

Subtotal of financial liabilities	(40,599,793)	7,742,409	-	-	(39,420,954)
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Explanation on fair value measurement of the Company:

(1) Financial assets designated at fair value through profit and loss include financial assets held for trading, or those designated at fair value through profit or loss upon initial recognition by the management. Financial assets held for trading include financial assets and derivative financial instruments held for selling in the short term. 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) Available-for-sale financial assets are non-derivative financial assets which are held for sale or are not classified in any of three categories including loans and investment receivables, held-to-maturity investment and financial assets designated at fair value through profit or loss. During the follow-up measurement period, available-for-sale financial assets are subsequently measured at fair value. Unrealized income from fair value change of such financial assets shall be counted into other comprehensive income before termination or impairment. On the termination or impairment of such financial assets, the accumulated fair value, as previously recorded into capital reserves, shall be transferred into the income statement. The interest income of available-for-sale financial assets shall be entered into the income statement as well.

(3) Financial liabilities designated at fair value through profit or loss can be divided into financial liabilities held for trading and those designated at fair value through profit or loss at inception. 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.

(4) 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 profit and

loss.

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

Unit: (RMB) Thousand Yuan

Item	Jan.-Dec. 2018	Jan.-Dec. 2017	Increase/decrease	Main causes
Investment income	5,072,656	3,344,688	51.66%	Increase of fund investment income from monetary market
Changes in fair value recognized in profit or loss	6,262,824	(5,559,759)	-	Changes in the fair value of derivatives
Exchange earning	(7,496,306)	5,205,064	-	Exchange rate fluctuations
Non-operating expense	62,556	46,088	35.73%	Increased expenditure on public welfare donations
Income tax	276,915	807,627	(65.71%)	Increased investment in tax-free assets
Item	Jan.-Dec. 2018	Jan.-Dec. 2017	Increase/decrease	Main causes
Deposits in other banks	9,251,993	29,550,692	(68.69%)	Decrease of general deposit in other banks
Noble metal	7,554,430	843,573	795.53%	Increase of noble metal
Redemptory Monetary Capital for Sale	3,703,483	1,096,968	237.61%	Collateral repo settlement volume increased
Interest receivables	6,071,662	4,156,455	46.08%	Increased interest receivable from investments such as bonds
Other assets	1,346,940	8,105,679	(83.38%)	Decrease of other receivables
Borrowings from central bank	15,500,000	2,500,000	520.00%	Medium-term lending facility increased
Loans from other banks	53,943,803	94,606,096	(42.98%)	Decrease of interbank borrowing funds
Financial assets at fair value through profit and loss	11,856,092	5,430,875	118.31%	Changes in the fair value of currency swaps
Financial Assets Sold for Repurchase	26,930,116	45,988,790	(41.44%)	Collateral repo settlement volume decreased
Tax payable	740,442	3,035,863	(75.61%)	Decrease of enterprise income tax payable
Other equity instruments	16,232,978	6,719,945	141.56%	Issuance of preferred share
Other comprehensive income	689,316	(2,074,136)	-	Profit at valuation of financial bonds available for sale

III. Investment Analysis

(I) Overall Condition

Unit: (RMB) Thousand Yuan

Item	Ending amount	Beginning Amount	Proportion of equity of invested companies held by the Company	Main business
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	146,770	71.49%	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.
Maxwealth Financial Leasing Co., Ltd.	2,000,000	1,500,000	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; business approved by CBRC.
Total	2,660,450	1,660,020		

(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.

(II) 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.)	Before launching new types of derivatives, the Company fully identified, analyzed and assessed different risks by the new product committee which adopted duration, limit control, risk value, stress test, credit line management to conduct risk measurement and control of derivatives.
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.	The market price or the fair value of derivatives invested by the Company fluctuates with the changes of trading parameters during the reporting period. Estimated parameters of derivatives shall be set according to different products and in accordance with industry practice. For fair value measurement, it adopted the estimation model provided by the middle- and back- office estimation system.
Instructions on whether accounting policies and accounting of derivatives during the reporting period changed significantly compared with those in the previous reporting period.	None
Independent directors' opinions on investment and risk control of derivatives of the Company	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) Thousand Yuan

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	15,930,087	40,914,992	(3,184,587)	50.59%
Foreign exchange swap	1,943,728,242	1,634,591,964	(887,544)	2021.03%
Interest rate swap	1,097,759,459	1,829,792,379	(54,355)	2262.38%
Currency swap	1,916,509	7,540,862	(12,211)	9.32%
Option contract	85,409,673	178,104,079	347,271	220.21%

credit risk mitigation tools	-	2,120,000	20,507	2.62%
Precious metal forwards/swap	18,583,605	34,110,333	(168,446)	42.17%
Total	3,163,327,575	3,727,174,609	(3,939,365)	4608.32%

In 2018, under the complex external environment, the exchange rate of RMB to a basket of currencies remained stable, and the Bilateral fluctuation of exchange rate became a normalcy as a result. 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

1. General use of the raised fund

Unit: (RMB) Thousand Yuan

Year of raising	Raising method	Total fund raised	Raised fund used in the period	Accumulated use of raised fund	Amount of raised fund with its purposed changed in the period	Total amount of raised fund with its purpose changed	Proportion of amount of raised fund with its purpose changed to the total	total amount of raised fund being unused	Purpose and whereabouts of raised fund being unused	Raised fund being unused for more than two years
2018	Non-public offering of preferred shares	10,000,000	10,000,000	10,000,000	-	-	-	-	Not applicable	-

Explanation on general use of raised fund

According to the purpose of raising funds disclosed in the Company's Report on the Issuance of Private preferred shares, after deducting the cost of issuance, all the funds raised in this issue have been used to enrich the Company's other Tier-I capital.

As approved by CSRC with its Approval for Issuance of Private Preferred share by Bank of Ningbo Co., Ltd. (Z.K.X.K. [2018] No. 1469), the Company issued 100,000,000 private preferred share in November, 2018, with the par value of RMB 100 per share, and a total fund amounted to RMB 10,000,000,000 was raised as a result. After deducting the issuance fees such as sponsorship and underwriting fees, the actual net fund raised by the Company in this non-public offering of preferred shares is RMB 9,984,650,000, which was verified by Ernst & Young, with the A.Y.H.M. 92018) Y.Z. No. 6046992_B02 Capital verification being issued.

2. Commitment related to the fund raised

Unit: (RMB) Thousand Yuan

Committed investment project and over-funded investment orientation	Whether the project is changed(including partial change)	Committed investment amount of raised fund	Adjusted investment amount(1)	Investment in the period\	Accumulated investment by the end of reporting period(2)	Investment progress by the end of reporting period (3)=(2)/(1)	Date on which the project reaches its intended usable state	Benefits achieved during the reporting period	Whether the expected benefits was achieved	Is there any significant change in project feasibility?
To enrich the other Tier-I capital. Of the Company	No	10,000,000	10,000,000	10,000,000	10,000,000	100%	Nov. 8, 2018	Not applicable	Not applicable	No

3. Project change related to the raised fund

During the reporting period, the Company had no project change related to the raised fund.

(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) Thousand Yuan

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	1,395,183	1,229,943	357,946	153,711	120,237
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.	2,000,000	21,572,525	2,551,203	618,564	320,277	242,561

Note: In 2017, according to the 3rd interim meeting of the 6th of Board of Directors on the capital increase of Maxwealth Fund Management Co., Ltd., the Maxwealth Fund Management Co., Ltd. completed the Industrial and commercial registration of changes on Jan 25, 2018, in which the registered capital was changed as 0.9 billion Yuan. In 2017, according to the 3rd interim meeting of the 6th of Board of Directors on the capital increase of Maxwealth Financial Leasing Co., Ltd., the Maxwealth Financial Leasing Co., Ltd. completed the Industrial and commercial registration of changes on Nov. 27, 2018, in which the registered capital was changed as 2 billion Yuan.

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

During the reporting period the Company had no subsidiary acquisition or disposal.

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. 7, 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 Jan, 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 2018, Maxwealth Fund Management Co., Ltd. realized a sound development, with the management scale of non-monetary public fund reached RMB 71.424 billion, the management scale of monetary fund reached RMB 49.903, the management scale of publicly offered funds reached RMB 121,327 billion, ranked 22nd among 131 publicly offered funds management institutions.

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 in capital and share in Dec, 2017 and Nov. 2018 successively, and its registered capital was increased to RMB 2 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 five major business areas including livelihood projects, intelligent manufacturing, small and micro finance, vendor lease and transportation & logistics, actively expanded government public service and middle and small-sized enterprises customers with leasing demand, and developed new source for stable profit growth. After 4 years' development, Maxwealth Financial Leasing Co., Ltd. has become a financial leasing company with professional influence and distinctive recognition. By the end of 2018, Maxwealth Financial Leasing Co., Ltd. owned assets of RMB 21.573 billion, and realized a net profit of RMB 0.243 billion and a NPL of zero in the reporting period.

(VIII) Information of structured entities controlled by the Company

Please refer to the “Note 6 to Financial Statement: Equity in other Entities” of “Chapter 14 Financial Report” for the information of structured entities controlled by the Company.

IV. Risk Management

In terms of risk management, the Company actively adapts to the new situation of macroeconomic development and the main tone of strong supervision, adhered to the problem-oriented and goal-oriented principle, constantly optimized the overall risk management framework, continuously improved the risk management policy system, tools and methods, information systems, etc., carried out risk management in an orderly manner, and continuously improved the professional level 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 that

features independent function, risk balanced and efficient; it improved the risk governance structure and mechanism, and continuously optimized the policies and rules; it introduced advanced concept and technology, thus to promote the upgrading of big data risk control platform, early warning system and anti-fraud system, and to continuously construct a precise and efficient risk monitoring system and rapid response mechanism. The major mechanisms for credit risk management of the Company are as follows:

1. Strengthen 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. At the same time, the business information establishment, business declaration, credit approval, credit line control, risk classification, early warning management and post-loan management of the credit business were operated through a unified system.

2. Independent and centralized approval mechanism. The Company enforced the centralized approval mechanism of loans, implemented credit approver system with approval authority centralized in the head office. Branches have approval centers with the approvers under the direct leadership of the head office in unified approval criterion. The approver system guarantees the independence of approval and the implementation of credit policy on system. The credit approver can be further classified as the Company approver, the retail approver and the individual approver, thus to ensure the efficiency and professional level of approval in business lines.

3. Strengthened the leading effect of credit granting. The Company developed customers via the basic customer group, strictly controlled the access threshold, and attached great importance to the improvement of the quality and quantity of the basic customers. It continued to capture the market share and further developed the local high-quality listed companies; it seized the market opportunity during the reforming of state-owned enterprises, and enhanced the customer stickiness through its comprehensive service scheme; through the use of product portfolio, the Company has developed a number of value customers in international settlement and derivative business; it thoroughly analyzed the industrial characteristics and the direction of industrial transformation and upgrading, and accumulated a number of corporate customers in the dominant industries in the region.

4. Improved the risk warning system. The Company persisted in the construction of a comprehensive early warning management system composed by "4+N" early warning, personal early warning and product early warning, thus realizing multi-dimensional early warning perspective integrating the view point from micro and medium, case and batch, as well as from customer and product. In 2018, the Company introduced the function of public sentiment warning into the "4+N" early warning, which promote the upgrading of early warning model; it completed the remodeling of personal early warning, thus to achieve unified monitoring of all products under the same customer

name; by focusing on the key point, the product early warning can monitor all development dynamics and risk change. At the same time, by strengthening the investigation and disposal of early warning information, the Company improved the response speed to the warning.

5. Thorough implementation of big data risk control application. First, the Company insisted on the platform construction and laid a solid foundation for the underlying data. It devoted to the construction of big data risk control platform, absorbed external data quickly, enriched the categories of underlying data, and provided risk clues for credit access, early warning management and anti-fraud. At the same time, through the establishment of a unified view of customer risk, enterprise linkage map and guarantee linkage map, the risk can be prompted in a more intuitive and comprehensive way. Second, the Company strengthened the introduction of technology and promoted the construction of anti-fraud system. It continued to promote the construction of anti-fraud system, automatically collected customer information through the system, collected and collated fragmented information through the comprehensive use of financial technologies including face recognition, video authentication, equipment fingerprints, fuzzy matching algorithm, and executed analysis and treatment of abnormal customer information and behavior from multi-dimension perspective, thus to identify and intercept high fraud risk. Third, the Company strengthened the application of outcome from the new capital agreement. The Company strengthened the application of outcome from the new capital agreement on credit access, post-loan management and provision. In term of credit access, according to the customer rating, the Company established differentiated access strategy; in terms of post-loan management, the Company deepened the application of internal evaluation results in post-loan early warning and risk investigation; in terms of provision, the Company established IFRS9 impairment measurement system through the application of internal evaluation results, thus to improve the precision of provision.

6. Implemented precious post-loan management. In addition to the implementation of differentiated post-loan management mechanism, and in accordance with the changes of external environment, the Company carried out several rounds of special risk investigation, covering export-oriented enterprises, US-related trading enterprises, private listed debt issuing enterprises, environmental protection enterprises, pharmaceutical enterprises, etc. At the same time, it adhered to the strategy of full return visits, strengthened the linkage between early warning and return visits, quickly positioned the risk groups, and improved the efficiency of problem detection..

7. The Company continuously carried out comprehensive and in-depth combing of various business processes, covering all aspects of the business, and organized monitoring and inspection of all organizations to ensure that personnel at all levels develop a sense of compliance and correct operating habits.

8. Optimized long-term risk Loan settlement mechanism. First, the Company kept implementing the liquidation list management. It applies the method of "One policy for one customer", thus to ensure the completion of liquidation. Second, it implemented project management for outstanding

loan. The Company set up a disposal team, making full use of the means of litigation clearance, restructuring and transfer of creditor's rights, thus to realize the best disposition of NPL.

The Company strictly executed the sort management method required by the supervision department. According to the documents such as “*Guidelines on Risk-Based Loan Classification*” and “*Classification Method of Small Business Loan Risk*” formulated by the supervision department. I. The Company worked out management method and operating procedures on loan classification, covering corporate banking, retailing banking, personal loan and credit card lines with the businesses including loans, discounts, advances, trade financing and credit card overdraft. Based on the five-class classification, the Company further implemented the ten-class classification system and divided the loans into normal (including normal+, normal and normal-), special mention (including special mention+, special mention and special mention-), substandard (including substandard+ and substandard-), doubtful and loss. The ten-class classification system quantitatively revealed the practical value and risk degree of loans. The Company made proportional provisions upon different classes to ensure effective defense against credit risk. II. During the classification, the Company stuck to the principle of “Real, timely, important and prudent”, and adopted the methods of “pre-classification upon loan, confirmation upon term and adjustment according to reality”, thus to indicate the loan quality truly, comprehensively and dynamically, and reveal the actual value and risk level of loan.

The Company's credit risk concentration index at the end of the reporting period was as follows:

1. Credit concentration level of the largest single customer

As of Dec. 31, 2018, the loan balance of the largest single customer of the Company was RMB 1050 million, accounting for 1.02% of the net capital and met the requirement of no more than 10% as specified by CBRC.

Credit concentration level of the largest group customer

As of Dec. 31, 2018, the loan balance of the largest group customer of the Company was RMB 2064.5 million, accounting for 2.00% of the net capital and met the requirement of no more than 15% as specified by CBRC.

Proportion of top 10 customers of loans

As of Dec. 31, 2018, the loan balance of the top customers of the Company was RMB 8433.99 million, accounting for 8.18% of the net capital.

4. Credit proportion of the single related party

As of Dec. 31, 2018, the credit exposure of the largest single related party of the Company was RMB 1050.71 million, accounting for 1.02% of the net capital.

5. Overall relevancy

As of Dec. 31, 2018, the utilized credit exposure of all related parties of the Company was RMB 5954.2 million, accounting for 5.78% of the net capital and met the requirement of no more than 50% as specified by CBRC.

By the end of the reporting period, The Company's large risk exposure indicator was as follows:

1. Risk exposure of the largest single non-bank customer

By the end of 2018, except for anonymous customers, the risk exposure of the Company's largest non-bank single customer was RMB 4 billion, accounting for 4.96% of the net tier-I capital, which met the requirements of the of no more than 15% as specified by CBRC. The risk exposure of the Company's anonymous customer was RMB 42,171,920,000, accounting for 52.32% of the net tier-I capital. The Company will meet the standards in the transitional period.

2. Risk exposure of the largest non-bank related customer

By the end of 2018, the risk exposure of the Company's largest non-bank related customer was RMB 2056.03 million, accounting for 2.55% of the net tier-I capital, which met the requirements of the of no more than 20% as specified by CBRC.

3. Risk exposure of the largest single customer in the industry

By the end of 2018, the risk exposure of the Company's largest single customer in the industry was RMB 6806.57 million, accounting for 8.44% of the net tier-I capital, which met the requirements of the of no more than 25% as specified by CBRC.

4. Risk exposure of the largest single customer in the industry

By the end of 2018, the risk exposure of the Company's largest single customer in the industry was RMB 6806.57 million, accounting for 8.44% of the net tier-I capital, which met the requirements of the of no more than 25% as specified by CBRC.

(II)Liquidity risk

Liquidity risk refers to the risk of failing to obtain adequate funds in a timely way at a reasonable cost to pay matured debts or satisfy other payment obligations for business development. The Company has established head office and branch two level management mode with the risk management department of the head office responsible for the overall management of liquidity risk and the financial marketing department of the head office responsible for the daily liquidity gap management of the Company.

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, daily monitored the cash flow gap, conducted regular liquidity risk stress test, and enhanced the liquidity risk management capability.

In 2018, According to the macroeconomic Situation and Monetary Policy by the Central Bank, the Company made deployment, dynamic liquidity adjustment management strategy ahead of schedule according to the liability business increase and liquidity gap of the Company to ensure the liquidity risk to be in the safety range. During the reporting period, the Company took the following measures to improve the liquidity risk control: First, the Company fully implemented the new liquidity risk management regulations, further optimized the assets and liabilities management system, improved the timeliness and accuracy of indicators measurement, and improved the accuracy and efficiency of liquidity risk management; Second, the Company continuously strengthened the day liquidity risk management, realized the unified system control of foreign currency positions, and improved the position management efficiency; Third, the Company perfected the liquidity emergency management mechanism, carried out the liquidity risk emergency drill at the group level, clarified the responsibilities and emergency handling procedures of various departments under the situation of capital shortage of subsidiaries, and further improved the liquidity risk emergency plan; Fourth, the Company gradually improved the liquidity index system of financial management business, monitored the liquidity index of financial management business daily, effectively guarded against mismatching risks, strengthened the long-term management of products, and ensured that the liquidity risk of financial management business are under control.

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

1. Liquidity ratio

As of Dec. 31, 2018, the balance of the liquidity assets of the Company was RMB 276,242.41 million, and the balance of the liquidity liabilities of the Company was RMB 481,042.91 million, the liquidity ratio was 57.43%, met the requirement of CBRC as no more than 25%.

2. Liquidity coverage ratio

As of Dec. 31, 2018, the balance of high-quality liquid assets of the Company was 127,739.12 million and the net cash outflow within 30 days was 61839.41 million with the liquidity coverage ratio as 206.57% and met the requirement of no less than 100% as specified by CBRC.

During the reporting period, the Company featured good asset liquidity, high liquidity ratio, as well as the liquidity coverage ratio complying with the supervision requirements. The light, medium and heavy stress tests have been 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. The emergency buffer capacity of domestic and foreign currencies was good, and the pressure on liquidity management was relatively small.

(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 strengthened efficiency of tools for market risk cognition, measurement and monitoring. First, the Company deepened the construction of market risk policy system, established periodic re-inspection mechanism of policy system, continuously promoted special investigation of market risk, strengthened internal control system, and effectively prevented compliance risk of policy system; second, the Company optimized the capital measurement management of market risk, upgraded and optimized the structure of risk-weighted asset management system and data structure, and greatly improved the efficiency of measurement, verification and measurement of market venture capital by improving the transaction portfolio function of big data platform and establishing the backup mechanism of historical data cleaning; third, The Company strengthened the management of market risk model, completed the comprehensive validation of market risk management model, carries out the comprehensive validation and optimization of market risk support system, input data and measurement model, effectively guarantees that the internal model support system of market risk is sound, the data is accurate and complete, and the valuation model can fully and accurately reflect the risk information related to position held by the Company.

In 2018, 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 according to the monthly asset-liability management report and stressing testing report.

In 2018, the Company paid close attention to policy tendency and changes of external interest rate environment and implemented the Guidelines for Account Book Interest Rate Risk Management of Commercial Banks (Draft) issued by CBRC. It improved the system, developed the customer behavior model and established the management system. The company formulated preferences and quotas for interest rate risk, and managed the quota of the fluctuation range index of economic value to ensure that the interest rate risk in bank account was under control.

(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.

During the reporting period, the Company focused on centralized risk management, continuously strengthened the model assessment and quota management of country risk, regularly monitored and timely adjusted country risk exposure, and strictly implemented country risk prevention and control. First, the Company timely adjusts the national risk rating, updated the national rating and various economic indicators in accordance with the changes of international macroeconomic development, determined the risk level of each country, and calculated the corresponding national risk limits; Second, it Continuously strengthen the management of national risk quota. The business departments of the head office dynamically identified the country risk of the country or region concerned in the business operation, and reported the country risk signal of the

business operation to the risk management department of the head office in a real time basis. The Company reasonably allocated country risk quotas to each department according to the business development demands, regularly monitored the implementation of quota management of each business department, gradually established and improved the testing methods and procedures of country risk stress, identified the early potential risks, and assessed the consistency of business development strategies and strategic objectives. In addition, it continuously improved the early warning and reporting mechanism, optimized the quota adjustment process, thus ensuring that the risk exposure of each country was kept within control.

(V) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, systems or external events. Operational risks are mainly from four categories of risk factors: personnel risk, procedure risk, system risk and external event risk.

The Company strictly adhered to the requirement of *Guidelines on Operational Risk Management of Commercial Banks* of CBRC, under the leadership of the board of directors and senior management, constructed business operating mechanism and management mode that meeting the requirements of modernization management, making for the preventing and controlling of bank operational risks, and ensuring the intensification, professionalization and flattening of the service efficiency and established the layering operational risk management system. The board of directors shouldered the final responsibility for the operational risk management, responsible for the approval of operational risk strategy, operational risk policy, operational risk preference and operational risk tolerance, obtained the operational risk analysis reports periodically to grasp the operational risk status of the whole bank; the risk management committee under the board of directors briefed the operational risk status of the whole bank on a regular basis and deliberated major events of operational risk; the senior management was responsible for developing, regular reviewing and, supervising for implementing the policies, processes and specific operational procedures for operational risk management and periodically reported the overall condition of the operational risk to the board of directors; the risk management committee under the senior management was directed by the President of the Bank, who periodically researched and analyzed the operational risk status and management of the whole bank, and made final decisions. Operating and management departments at different levels were responsible for the operational risk management of their own unit and line, shouldered the direct responsibility for the operational risk management of the unit, and the management responsibility for the operational risk of the line, and performed as the first defending line for the operational risk management; the compliance management departments at different levels were responsible for the design and promotion of the operational risk management methods, procedures and systems, as well as the monitoring, examining and reporting of the operational risk, and were the second defending line for the operational risk management; the auditing departments at different levels were the third defending line for the operational risk management, responsible for the

regular inspection and assessment of the status of operational risk management and supervising the implementation of the operational risk management policies, and reported to the audit committee of the board of directors; departments of monitoring security, human resource, IT, legal affairs and risk management at different levels provided other departments or branches with relevant resources and support within their responsibility and professional range during the management of their own operational risk.

During the reporting period, the Company continued to strengthen the application of operational risk management instrument, strengthened major field operational risk governance, sustained to improve the business continuity construction, intensified information technology risk management control and ceaselessly enhanced the level of operational risk management. First, the Company kept optimizing the application of operational risk management instrument, organized full-process assessment of major processes, regularly reviewed threshold values of major risk indexes, collected and analyzed operational risk events, and promptly warn and eliminated hidden operational risks; second, it strengthened the management and control of operational risks in key areas, improved the approval and operation for use of stamp, and standardized the management of archives; third, it improved the risk monitoring system of information technology, organized and carried out special risk assessment of information technology, improved the risk point database of information technology, and optimized the risk monitoring indicators of information technology; fourth, it strengthened the information security management, optimized the data acquisition process, improved the management requirements for the full life cycle of data, combed and sorted out the users and password management of important business systems, and optimized control measures; fifth, it continuously promoted the continuity management of business, improved emergency plan and operation manual for important business, carried out special emergency drills for important business, and improved the emergency response 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 established special posts for system management. It tabled the suggestions of system optimization through measures such as multi-dimension review on the internal control system, analysis on external supervision rules and post-system evaluation on key business and risk management areas, combing with the perspectives of Risk-Based Surveillance, Regulatory focus, customer complaint & advice and sci-tech development project, effectively solved the problems during the system implementation, strengthened the system operability and upgraded the quality of internal control system. Second, the compliance management of products was strengthened. The Company took specific products as the dimensionality to carry out whole process

review before and after the launch of products, strictly guarded against product compliance risk, implemented product post-evaluation, sorted out and analyzed product compliance risk, and optimized risk prevention and control measures. At the same time, it took the contract text as the starting point to optimize the review plan, standardized the review requirements, and improved the quality and effectiveness of the review. Third, the monitoring and assessment of compliance risk was implemented and compliance risk reporting mechanism was improved. The Compliance Department of the Company led the monitoring and analysis of compliance risk information, and the management departments of the head office and branches collected, analyzed and submitted compliance risk information as required, which was then included in the related compliance assessment indicators. Fourth, the inspection of business compliance was strengthened. The Company released the “*Business Inspection Guideline*” in the beginning of the year, specified the key area of inspection, enable the inspection to reach more powerful pertinence and improve the actual effects. The Compliance Department of the company regularly promoted the progress of the implementation of various inspections, comprehensively reviewed the rectification of internal and external inspection problems, and ensured the effective implementation of rectification measures. 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; The Company strengthened the evaluation and assessment of compliance, increased the assessment of supervision and punishment, strengthened the compliance management responsibility of headquarters departments and branches, and enhanced the punishment on violation by employees. Meanwhile, compliance evaluation results were linked to the assessment, and treatment including warning talks, bulletin criticism in the Bank, revocation of post qualification certificates, etc. were executed according to the violation point, so as to promote the employees' awareness of compliance. Sixth, the compliance management level was improved. The Company organized compliance managers to actively participate in internal and external compliance risk management training in order to keep pace with the latest regulatory requirements, compliance management concepts, internal control essential and inspection methods, thus improving the compliance management level of staff. It also strengthened the specialization of the compliance officers, further played the leading role of the compliance officer in the compliance management of the organization, and promoted the effective implementation of compliance management.

(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 2018, the Company insisted on the principle of prevention first, being active, reporting timely and whole staff participation based on the regulatory requirements and the development trend of new media, and continuously improved the reputation risk management process and pre-arranged planning to make sure the bottom line of having no significant negative public opinions. First, The Company continued to perform well in the construction of reputation risk management system, regularly assessed potential public opinion risk, ensured effective prevention, rapid response and effective treatment, and further enhanced the level of reputation risk management. Second, The

Company continued to deal with the source of reputation risk events, focused on strengthening and standardizing the complaint handling process, regular organized consultations on difficult issues as participated by several department, urged the office to be responsible for the monitoring and post-evaluation of reputation risk events, thus to avoid the reputation risk caused by improper response to complaints; third, The Company continuously implemented the reputation risk management model, strengthened the public opinion prediction related to hot spots of banking industry, improved the public opinion response model according to the law of new media dissemination and achieved standardization and procedural routine 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, implemented regulation requirements for anti-money laundering. The company carried out the "Customer Information Quality Improvement Year", improved the information sharing mechanism of suspicious transaction subjects, further improved the internal control system of anti-money laundering, and comprehensively implemented anti-money laundering laws, regulations and regulatory requirements; second, perfected the management framework of anti-money laundering. The Company timely reported money laundering risks to the Board of Directors and senior management, and further upgraded the level of anti-money laundering leadership group with the president as the head of the group, effectively promoted coordination and cooperation between front, middle and back departments. third, strengthened the systematic support by staff. In terms of optimizing technical system support, the Company improved the construction of anti-money laundering system, blacklist monitoring system and peripheral business system, and continuously enhanced the capacity of technical support towards anti-money laundering; In terms of personnel capacity enhancement, the anti-money laundering personnel certification induction and continuing education mechanism was continuously implemented to steadily improve the cohesion and professional quality of anti-money laundering teams. Fourth, effectively fulfilled the legal obligation of anti-money laundering. The company fulfilled its legal obligations of anti-money laundering by taking customer identification, customer identity data and transaction records preservation, large and suspicious transaction reports as the core, and strengthened the management and control of high-risk customers and high-risk businesses. It also carried out anti-money laundering propaganda and training activities. Fifth, fight against money laundering-related crimes. The Company deeply excavates, analyses and submits key suspicious transaction clues, and actively cooperates 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 departments in combating money

laundering and other illegal and 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. Among them, systems of business activities account for 46.69% of the total number of the bank's systems and those of management and supporting activities account for 53.31%. 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, to 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 corporate compliance department 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, legal investigation, 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 the risk management departmental systems of the Company are able to contain the risk management responsibilities of all the departments, segment administrative requirements of business lines according to lines and cover the overall life cycle of the business process.

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. If the corporate system can be applicable, forward it directly and form a perfect head-branch banking system.

2. Prompt and reasonable system updating

The Company keeps an eye on external laws, regulations and regulatory policies and formulates

and revises relevant systems in a timely manner in accordance with internal business need. The Company's compliance department collects opinions about system through technological demands analysis, business and management activity combing and daily communication, supervises and evaluates all business and management activities with external regulatory requirements to confirm whether there are systematic gaps or rectification needs related to business and management activities, cooperates with relevant departments to discuss revision, continues to push forward the establishment of internal system, ensures prompt system updating and satisfies actual demands of business development.

The Company improved the whole-bank system correlation mechanism, and on this ground, realized the system linkage upon the system construction. Upon the internal system updating or the releasing of external regulations such as the external laws and rules, supervisory policies and self-discipline pacts, the system would automatically trigger the system modification prompting for relevant business departments, who would update the system according to the medication prompting and enhanced the timeliness and effectiveness of the system.

In conclusion, the Company has formulated a relatively complete, reasonable and efficient internal control system; the execution of corporate internal control system is improving, the internal control measures of all business lines are put in place, and no significant internal control system gap occurs. The Company will continue to improve the completeness, reasonability and efficiency of the internal control system depending on state 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 2018, the Company successfully issued 10 billion preferred shared, and 25% of the 10 billion convertible bonds issued in 2017 were converted into shares, 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 2018, 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) Conditions of 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, 2018, 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) Thousand Yuan

Item	Dec. 31, 2018		Dec. 31, 2017	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	65,804,184	62,393,125	51,985,720	49,892,771
2. Net balance of Tier one capital	80,615,762	77,204,703	56,810,411	54,717,462
3. Net balance of total capital	106,757,160	103,091,107	82,019,503	79,724,018
4. Total risk-weighted assets	718,273,938	695,604,903	603,762,790	586,711,162
Including: credit risk-weighted assets	643,253,250	622,598,725	543,436,415	527,031,045
Market risk-weighted assets	26,040,636	25,324,004	17,079,788	17,319,524

Operational risk-weight assets	48,980,052	47,682,174	43,246,587	42,360,594
5. Core Tier one capital adequacy ratio	9.16%	8.97%	8.61%	8.50%
6. Tier one capital adequacy	11.22%	11.10%	9.41%	9.33%
7. Capital adequacy ratio	14.86%	14.82%	13.58%	13.59%

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) Thousand Yuan

Item	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
Leverage ratio	6.18%	5.33%	5.17%	4.95%
Net balance of Tier one capital	80,615,762	67,326,319	64,052,896	60,154,116
Adjusted on and off-balance assets balance	1,304,972,619	1,263,218,064	1,238,010,178	1,214,104,015

Note: indexes relevant to leverage ratio at the end of this reporting period, the third quarter of 2017, the second quarter of 2017 and the first quarter of 2017 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)	(thousand yuan)
1	Head office	No. 345, Ningdong Road, Yinzhou District, Ningbo	1	3172	482,036,952
2	Shanghai Branch	Floors 20, 21 22 of 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	17	983	71,248,705
3	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou	19	854	50,331,002
4	Nanjing Branch	No. 229, Middle Jiangdong Road, Jianye District, Nanjing	17	825	55,206,876
5	Shenzhen Branch	1F-5F, Podium Building of Huangting Center Building, Jintian Road, Fudian District, Shenzhen	15	723	50,345,063
6	Suzhou Branch	No. 129, Wangdun Road, Industrial	21	844	61,812,639

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(thousand yuan)
		Park, Suzhou			
7	Wenzhou	No. 1258, Wenzhou Avenue, Lucheng District, Wenzhou	9	510	12,341,018
8	Beijing Branch	1-2F, 11-15F, Glorious Oriental Center, No.100, 3 rd West Ring Road North, Haidian District, Beijing	9	735	55,085,863
9	Wuxi Branch	No. 666, Zhongshan Road, Chong'an District, Wuxi	10	555	39,440,453
10	Jinhua Branch	Podium Building of Xinrong Building, No. 1028 South Shuanglong Street, Wucheng District, Jinhua	5	321	8,326,070
11	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing	4	279	10,084,715
12	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	2	208	7,065,769
13	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	2	156	4,657,032
14	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	9	211	10,565,266
15	Midtown Yinzhou Sub-branch	No. 700, South Ningnan Road, Yinzhou District, Ningbo	8	193	14,121,731
16	Jiangbei Sub-branch	No. 270, Renmin Road, Jiangbei District, Ningbo	7	167	18,841,419
17	Hudong Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	7	190	12,330,121
18	Sci-tec Branch	No. 868, East Baizhang Road, Jiangdong District, Ningbo	9	207	8,644,792
19	National Hi-tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	6	169	7,632,173
20	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	7	145	17,155,040
21	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	11	222	10,215,528
22	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Town, Beilun District, Ningbo	9	185	10,247,813
23	Zhenhai Sub-branch	No. 666, North Dongyi Road, Luotuo Sub-district, Zhenhai District, Ningbo	9	202	9,292,576

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(thousand yuan)
24	Yinzhou Sub-branch	No. 666, Middle Siming Road, Zhonggongmiao Sub-district, Yinzhou District, Ningbo	13	284	12,124,448
25	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	10	181	5,203,468
26	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	12	233	11,514,307
27	Midtown Yuyao Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming Sub-district, Yuyao City, Ningbo	11	162	7,129,227
28	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	16	263	10,782,366
29	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	12	190	7,143,869
30	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo	6	148	4,499,119
31	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	8	167	8,068,585
32	Maxwealth Fund Management Co., Ltd.	27F, 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	1	131	1,395,183
33	Maxwealth Financial Leasing Co., Ltd.	12F, No.195, Dingtai Road, Yinzhou District, Ningbo	1	78	21,534,167
Total: 338 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 34 community sub-branches)				13893	1,116,423,355

Note: : 1. statistical data by the end of 2018

2. Lishui Branch of the Company officially opened on February 27, 2019.

3. In March 2019, the Company obtained the Approval of CRIC Zhejiang Bureau on the Establishment of Huzhou Branch of Ningbo Bank Co., Ltd. (Z.Y.B.J.F.[2018] No. 300), and the preparation of Huzhou Branch was approved.

VII. Business Review

(I) Corporate banking business

The Company's corporate banking business, as closely focused on the principle of

“customer-centered”, was dedicated to service and product innovation, and, relying on the upgrading of service and experience, provided all-around comprehensive financial service to medium-sized customers. During the reporting period, the Company kept abreast of changes in market environment and customer demand, continuously innovated product services, strived to enhance professional competence, continuously upgraded marketing system, continuously expanded the basic customer base, and achieved the continuous upgrading of the its banking business.

Corporate banking customers. According to the goal of "211 Project", the Company planned to achieve the target of 100 effective corporate bank customers in each branch within three years. During the reporting period, by adhering to the business philosophy of continuously building key channels, actively expanding basic customers, deeply finding effective customers, the Company comprehensively upgraded customer marketing system, and continuously consolidated basic customers group. By taking into consideration the characteristics of regional market and customers, the Company gave full play to the comparative advantages of key products of the corporate banking business, and provided comprehensive financial services for key customers such as listed companies, planned listed companies, high-quality manufacturing enterprises, import and export enterprises in the region. Up to the end of the reporting period, the Company reached 71,000 basic corporate banking customers, with a year-on-year growth of 11.9%, of which there were 10,920 core customers, accounting for 15.4% of the total.

During the Reporting period, in respect to corporate banking business, the Company actively responded to changes in market liquidity, adhered to customer demand, constantly strengthened customer cooperation by relying on flexible product mix, high-quality and efficient full-process services, and continuously increased the proportion of settlement deposits. At the same time, the Company vigorously strengthened the development of key deposit customers, actively expanded the channel of attracting customers, strengthened the fine management of the process, and constantly consolidated the base of deposit customers, so as to realize the steady growth of deposit scale. Up to the end of the reporting period, the balance of corporate banking line deposit reached RMB 439.9 billion, increasing by RMB 56.6 billion from the beginning of the year. W

Corporate bank cash management. The Company's cash management business continued to focus on e-banking, investment and financing, and group treasury management these three core product modules, and accelerated construction and improvement of fund service ecological system for customers. The Company regarded customers as the center, continuously innovated and optimized product functions, provided customers with exclusive service programs, and developed in-depth cooperation with listed companies, industry leaders, government customers, as well as large import and export enterprises. By the end of reporting period, the Company owned 65,290 E-banking customers, increased by 24% from the end of last year; the number of assets and treasury customers reached 921, increased by 87% from the end of last year; the number of finance customers reached 14,898, increased by 25% from the end of last year.

Corporate banking assets delivery. Up to the end of the reporting period, the general loan balance was RMB 189.12 billion, increased by RMB 20.43 billion from the beginning of the year with a growth of 12.1%. In 2018, by sticking to the fundamental purpose of serving the real economy, the Company gave priority to supporting manufacturing and strategic emerging industries, and took private enterprises as the key object of service. By the end of reporting period, the loan balance in manufacturing industry reached RMB 36.14 billion, increased by RMB 6.54 billion from the beginning of the year with a growth rate of 22%. In 2018, the Company continued to expand the depth and breadth of financial services related to corporate banking business, and provided diversified financing support integrating short term and long term, credit and mortgage & pledge, as well online and offline mode, as in accordance with the characteristics of production activities and capital turnover of enterprises.

(II) Retail enterprise business

Adhering to the concept of "supporting the development of real economy 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 enterprises customers. During the reporting period, the Company continued innovating and optimizing financial products and services for small and micro enterprises, improved the level of a series of financial services for small and micro enterprises such as financing, settlement and e-banking, further consolidated the customer base, and expanded the business scale.

Retail enterprise group. In 2018, In 2018, 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, 235 specialized institutions involving 1400 staff were established by the Company, increased by 400 staff from the beginning of the year.

Retail enterprise clients. In 2018, the Company further deepened operation of small and micro enterprise client, and expanded the customer base. Relying on the application of big data and Internet technology, and with the help tax lists under the "tax plus" model, the Company realized efficiently matchmaking with potential target customers; the Company accurately screened high-quality small and micro enterprises in the industry, adopted grid-based promotion model and comprehensive product portfolio marketing to meet various financial needs of customers. At the end of the reporting period, the Company had 225,091 retail enterprise clients, up by 29% from the previous year. It included 37,455 settlement customers, up by 17%; 48,858 credit-granting customers, up by 78%; 13210 international business clients, up by 17%; and 5,671 finance customers, up by 5%.

Deposits of retail enterprises. In 2018, The Company kept expanding its deposit business, while achieving rapid growth in scale, maintaining the rationality of deposit structure and effectively controlling the cost of interest payment. At the end of the reporting period, the deposit balance of the

retail enterprise line was RMB 73 billion, up by RMB 13.9 billion and 24% from the beginning of the year. Among it, the demand and call deposits of retail enterprise line was RMB 39 billion, which increased by 24% from the beginning of the year and accounted for 53% of all the deposits, indicating a continuous optimization in the deposit structure.

Loans of retail enterprises. In 2018, the Company continued to innovate and optimize financial products and services for small enterprises. First, it optimized the online loan application mode and launched "Quick approval & quick loan-granting online", thus realizing the self-help online application and automatic approval of mortgage loan, reducing the waiting time of customers, and improving the financing efficiency of small and micro enterprises; second, it innovated loan renewal and repayment methods and developed "relending" and "three-year loans", thus mitigating loan repayment and turnaround pressure of small enterprises when the loans mature; third, it carried out bank-enterprise docking, constructed multi-dimensional service channels, actively participated in small and micro-financing docking, designed more accurate financial service schemes for small enterprises according to the characteristics and needs of customers, effectively met the individual financing needs, and truly became the growth partner of small enterprises. By the end of reporting period, the loan balance of retail enterprises amounted to RMB 56.9 billion, up by RMB 11.3 billion and 25% from the previous year.

Special businesses of retail enterprises, First, continuously enriched cash management products and services. During the reporting period, the Company launched "Yishoubao" bar code collecting business and "Huicunling" Foreign currency deposit product. By the end of reporting period, the Company issued 102,000 Jiesuan cards in total, up by 27,000 from the beginning of the year; the accumulative signed customers of Tongcunling reached 2312; second, strengthened the international business of SMEs continuously. In 2018, the Company continued to build all-round, full-line, full-process professional foreign exchange services, promoted Rapid Remittance/Collection, Trade Finance, Jinshitong and other advantageous products, thus improving the market reputation continuously; third, the Company promoted electronic financial services for small and micro enterprises, continuously launches online business model, and perfected electronic channels the mobile banking service of Jiesuan Card. by the end of the reporting period, the number of valid customers of retail corporate e-banking reached 66,957, increasing by 23%; there were 7.62 million online banking transactions, increased by 25% from the year of 2017..

(III) Personal banking business

The Company has been exploring the path of steady and sustainable development of personal banking business over the years. In terms of business development, it deepened construction of personal business system and persisted in the operating principle of "distinctive & localized" businesses. It centered on customer operation, further deepened core businesses such as credit, wealth management and private banking. In terms of application of financial technology, it constantly tries to integrate new technologies such as big data and artificial intelligence into traditional banking business to improve the efficiency of financial services. In terms of term building, The company adhered to the development concept of professional management, constantly strengthened the professional division of staff team, improved the marketing effectiveness, and constantly

consolidated the its competitive advantage in the market segments.

Personal deposit business. In 2018, the Company continued to consolidate the customer foundation and improve the deposit scale with development strategy of “steady growing scale, continuously optimized structure and constantly decreasing cost”. First, it continuously upgraded its savings products, improved the market competitiveness of deposit products, met the diversified demands of customers through flexible product mix, and promoted the growth of deposit scale; second, it focused on customer introduction through channel, stuck to the weekly marketing in communities, insisted on the operation of Jufubao customers, improved the batch operation in customer introduction via internet, thus promoting the accumulation of customers; third, it strengthened the comprehensive operation of existing customers, focused on high-quality customers, and constantly enhanced customer stickiness through the wealth road show activities. By the end of reporting period, the saving deposit balance reached RMB 122.87 billion, increased by RMB 17 billion from the previous year with a growth rate of 16.06%.

Personal loan business. The Company focused on key customer segments, strictly Controlled the access threshold of customers, and promoted the coordinated development of business scale and risk control of personal loan. First, it made full use of new technologies such as Internet and big data in its business process, realized one-stop application and approval of mobile banking, and continuously promoted the online and intellectualized personal loan business; second, in terms of risk control, it actively docked with external authoritative channels, effectively guarded against fraud risks such as intermediaries and gangs, and continuously ensured better quality of credit assets; third, in terms of customer management, it tries to use intelligent robots to maintain the stock of customers, realize the functions of reminder of due repayment, overdue collection, product comprehensive marketing and so on, so as to improve the efficiency of customer management. At the end of the reporting period, the personal banking loans balance was RMB 137.066 billion, increased by RMB 31.4 billion from the beginning of the year. The NPL of personal loans was 0.50%, which was comparatively low.

Wealth management business. During the reporting period, by adhering to the business philosophy of "customer-centered", the Company positively promoted the development of wealth business with asset allocation as the guide. First, by focusing on customers' demands, it formed a diversified product system of deposits, financial management, funds, insurance and noble metals, etc. Meanwhile, under the guidance of the new management regulations, it actively carried out the transformation of financial products; second, it built a professional wealth management team, gradually forms a systematic customer management strategy and marketing promotion system, and truly became the expert of customer wealth management; third, it kept up with the trend of financial science and technology, continuously carried out financial innovation, strengthened the competitive advantage of products and services, and constantly improved customer experience and market reputation. By the end of the reporting period, the total assets of personal AUM reached RMB 354

billion, increased by RMB 50 billion at a growth rate of 16.45%.

Private banking business. In 2018, by adhering to the business philosophy of "centered by asset allocation and led by profession", the Company achieved steady development of private banking business. First, it deepened the the concept of asset allocation. Focusing on the core demand for wealth management by valued customer, and aiming at robust allocation and risk diversification, the Company established a customer service system with asset allocation as the core to provide comprehensive financial solutions for valued customers; second, it continued to enrich its product types and gradually forms and improves five major private banking product systems involving cash management, consolidation, equity, security and overseas allocation; third, it promoted value-added services, adhered to the service objective of customization, individualization and specialization, and provided comprehensive value-added services of investment consultation, asset allocation, steady value adding, wealth inheritance and tax preparation for customers. At the end of the reporting period, the number of the Company's private banking customers was 3,783, increasing by 931 from the previous year; the total assets of private banking customers reached RMB 46.931, increased by RMB 8.874 billion from the previous year with a growth rate of 23.32%.

Bank card business. The Company combined diversified daily needs of customers with financial payment behavior, and actively promoted the construction of convenient demonstration project related to mobile payment. It participated in the renovation project of Quick Pass of public transportation, and realized the application of entity IC card and mobile pay in the transportation sector; it promoted the project of smarket market and Hui-parking, and enhanced customer service capability through the introduction of life scenario; it improved the risk compensation mechanism for debit card theft and fraud, actively promoted the exchange of magnetic cards by core cards, and was awarded the title of advanced issuing bank of Unionpay Card by China Unionpay and NetEase News in this respect. By the end of reporting period, The a total of 8.25 million debit cards were issued, increased by 1.13 million in 2018. The number of POS transactions in 2018 was 5.88 billion, with the transaction amount of RMB 59.4 billion.

(IV) Credit card business

In 2018, the Company has achieved the coordinated development of quality, efficiency, scale and service by continuously promoting the construction of financial science and technology. Firstly, the Company actively expanded the basic customers of credit cards and increased the effective customers of credit cards through the combination of online and offline channels; secondly, it issued digital credit cards and applied hem to ETC business for the first time, launching the process of "running only once" for customers, which was widely praised by the customers and media; thirdly, the Company has upgraded the credit card approval system, realized the independence of workflow and rule flow, which has promoted the approval efficiency as fast as seconds. By the end of the reporting period, a total of 1,751,000 credit cards have been issued accumulatively with an advance balance of 29.623 billion Yuan.

(V) Financial market business

In 2018, the global economic environment was complex. On the domestic market, the economy was facing downward pressure, the marginal monetary policy was loosening, and financial deleveraging has gradually evolved into stable leverage; on the international market, the trend of anti-globalization has increased, trade friction has been fermenting, and the bilateral fluctuations of RMB have increased. 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 2018, the Company has underwritten 27 billion Yuan of bonds. At the same time, the Company closely followed the policy guidance, innovated the credit derivative business model, and launched the first CLN and CRMW business to support private enterprises in financing.

During the reporting period, the Company had fast-growing transactions concerning a variety of financial market business. It ranked the first in the entire market in CDB bonds underwriting; the 5th in bond underwriting; the 15th in Chinese bonds delivery volume; the 9th in bonds marketing; the 10th in comprehensive foreign exchange marketing; and the 9th in gold inquiry marketing.

During the reporting period, the Company obtained the international membership (Type-A) qualification in Shanghai Gold Exchange and core membership qualification of interest rate pricing self-discipline mechanism, laying a solid foundation for sustainable, healthy and stable development of the financial market business. Besides, the Company won "Excellent Marketing Unit" and "Excellent Innovative Underwriter" of 2018 National Development Bank; "Excellent Underwriters Award", "Excellent Self-employed Institutions Award" and "Excellent Issuing Institutions Award" of the Chinese bond market in 2017; and the "Best Technology Award" and "Excellent Money Market Transaction" of the interbank local currency market in 2017, "Core Dealer", "Excellent Derivatives Market Trader" and "Excellent Bond Market Trader", "Excellent Comprehensive Marketing

Institution" of bond market, "Excellent Credit Swap Attempt Quotation Institution", "Excellent Credit Bond Attempt Making Institution", "Top 300 Local Currency Market Transaction Institutions", "the Best Bidding Marketing Institution of Foreign Trade Market", 2017 "Special Contribution Award for Inquiry Market" of Shanghai Gold Exchange, "Special Contribution Award for Bidding Market", "Outstanding Member of Financial Category" and "Outstanding Unit for Financial Member of Level Second Systematic Technology Insurance Work"; "2017 Outstanding CDB Underwriting Institution" by Shenzhen Stock Exchange. All of these honors and reputations received reflect the industry's affirmation on the financial market business of the Company.

(VI) Assets management business

In 2018, new assets management regulations, new financial management regulations and management methods of financial subsidiaries were issued one after another. With the transformation of the banking assets management industry, the Company actively seized the opportunities, deployed ahead of schedule, and speeded up the transformation, laying the foundation for the healthy and sustainable development of asset management business. Firstly, the Company has accelerated the pace of net value transformation of financial products, continuously enriched product types and functions, successively introduced current net value products and closed net value products, gradually increased the proportion of long-term financing issuance, and continuously promoted the certification of qualified investors; secondly, it has implemented regional layout strategy to focus on solving the financing needs of small and medium-sized private enterprises through the investment of various types of assets; thirdly, the Company has strengthened the investment research, improved investment research system and dig in the region's dominant debt issuers, achieving mutual benefit between the Bank and enterprises; fourthly, the Company has improved its risk management ability, improved liquidity management system, actively participated in inter-bank and exchange repurchase markets, and established pre-investment risk control and post-investment tracking and investigation mechanism to effectively prevent risks. During the reporting period, the Company's financial management business has achieved steady growth in the scale and structural indicators of financial issuance and fund-raising amount. By the end of the reporting period, the Company's financial products had reached 259.4 billion Yuan, an increase of 7.1%, and the net value products had reached 53.6 billion Yuan. The product transformation has been steadily advancing.

(VII) Assets custody business

In 2018, the Company's asset custody business continued to develop steadily. By the end of the reporting period, the Company had a total of 496 custodian clients, with a balance of custodian assets of 2,300 billion Yuan, ranking the 17th in the industry and the 1st in urban commercial banks. During the reporting period, the Company actively practiced the management strategy of financial science and technology leading the development of assets custody business, took the lead in introducing easy custody APP, making it a professional, comprehensive and efficient integrated operation platform for assets management business; the Company issued three standards of net value valuation, investment

supervision and data interface, and became the first bank to provide outsourcing services after the issuance of new regulations on assets management, winning wide recognition from the industry and customers. In 2018, the Company became the first institution to be directly connected with China Central Depository & Clearing Co., Ltd..

(VIII) Investment banking business

In 2018, the Company's investment banking business further strengthened the concept of light assets management, and through financial product innovation, it has strengthened the combination of financial instruments so as to continue to serve all kinds of livelihood enterprises, listed companies and growth-oriented enterprises, which has further promoted the brand influence of the Company in the market. In terms of bond underwriting, the Company has issued 56 non-financial enterprise debt financing instruments with a total issuance scale of 27.794 billion Yuan, successfully registered the first single public offering and double-creation of debt in Zhejiang Province; in non-bank financing, it has provided investment and financing consultancy services to customers, constantly broadening the financing channels of customers, with an annual business volume exceeding 40 billion Yuan; in asset securitization, the Company issued three credit asset securitization projects in the whole year, with a total amount of 10.8 billion Yuan. With its outstanding performance in investment business, the Company won the award of "Excellent Urban Commercial Investment Bank in 2018" awarded by 21st Century Business Herald.

(IX) International business

In 2018, the international business of the Company was facing both internal and external opportunities and challenges. It adhered to the three major areas of trade finance, cross-border finance and offshore finance as the core, continuously optimized customer structure, enlarged superior business, promoted standardized marketing and services, and achieved rapid increase of regional market share. Firstly, continue to consolidate the basic customer base, optimize the customer structure, strengthen the advantage business through the overall branch, and continuously consolidate the comparative advantages of the market segments; secondly, set up offshore teams, closely follow "the Belt and Road" national strategy, strengthen domestic and foreign linkage, continuously upgrade the "capital win" and "cross-border profit" platform, expand offshore financial services, and help "go out" business customers; thirdly, rely on scientific and technological innovation, build digital national knot and taking "machine replacement" as the core goal, and committee to the automation, intellectualization and mobility of business processing; fourthly, continue to build the documentation center of the head office, optimize the operation process, improve business processing efficiency and create professional and efficient brands through the six sigma project and intelligent assignment of tasks; fifthly, strengthen the exhibition industry wind control, strictly implement customer adjustments, continuously do a good job in dynamic risk monitoring of all kinds of business, and continuously enhance the awareness of risk compliance. By the end of the reporting period, the Company had achieved USD 83.5 billion in international settlement in 2018, an increase of 45%

compared with the previous year; 16,555 customers in international business transactions, an increase of 20% compared with the previous year, achieved RMB 1.2 billion in international business revenue.

(X) Electronic channels

In 2018, the Company continued to implement the development concept of "making offline business online and online business mobile", focused on the mobile areas. Based on the customers' needs and depending on the advanced financial technology, the Company was committed to building a set of open, useful and safe Internet platform and realizing the constant upgrading of the online financial service capability of the Company.

APP platform. For the personal banking business, it continued to maintain a high-speed growth with the number of customers increasing by 46% year-on-year, which has become the most important service channel of the Bank. For the financing sector, it actively implemented inclusive financial strategy, launched online loan products, constantly simplified the application process; investment sector, closely followed the development trend of financial science and technology, comprehensively upgraded the wealth layout, online wealth consultants and other functions, and according to customer personalized needs, it could provide multi-dimensional and intelligent product recommendation and reduce investment difficulty; for the credit card sector, ETC credit card application and signing one-stop service was introduced so that the customers do not need to go to the counter can be processed. In terms of corporate business, the Company continued to promote the strategic layout of mobile public services and achieved two major improvements: first, to achieve a comprehensive revision, customer-centered, continuous improvement of functional layout, and create a intimate palm office platform for enterprises; second, to improve the functional system, adding two-dimensional code collection platform, check collection treasure, inquiry letters and other functions, while focusing on breakthroughs in national accounts, bills and other functions.

Online banking service. In terms of corporate online banking, 223,263 subscribers have signed contracts, an increase of 34.17% compared with the beginning of the year, and as high as 96.39% of the major corporate business has realized a free processing without the counter transaction. Firstly, the Company has built a new version of online banking platform, which can provide comprehensive financial services for corporate customers in full time and all directions; secondly, it provided one-stop service and more convenient and easy-to-use online workbench around the whole business process, and achieved the goal of direct functional operation, clear to-do items, and full mastery of business situation; thirdly, it created the extremely fast services through ICR intelligent recognition, online tool box and online customer service so that the business transaction speed and response to the customers' needs were highly promoted. For the personal online banking service, the Company continued to revoke the offline business and on the basis of supplying of all-category business sectors, it has launched the deposit certification and negotiable order of withdrawal accounts functions so as to overall meet the customers' demands for online transactions.

WeChat banking. First, give full play to the advantages of Wechat platform communication, continue to play an important role in new product promotion, brand promotion, telecommunications anti-fraud customer education and other fields, and play a good social effect; second, develop Wechat online marketing, carry out various forms of marketing activities based on holidays and other time nodes, providing a strong grasp for business development and customer maintenance work; third, accumulate. Explore the micro-program scenario of Wechat, launch small program applications such as fund fixed investment, large deposit receipts so that the customers can enjoy more intimate wealth management services without downloading APP, which further expanded the coverage of basic customers.

(XI) Financial technology

During the reporting period, the Company has continuously improved its independent R&D capability, constantly promoted the integration and innovation of science and technology and business, and comprehensively enhanced the support ability of financial science and technology to business. Firstly, it promoted business innovation in an all-round way, such as direct connection of online ticket exchanges, digital national key, personal CRM2.0, combat maps, enterprise-level indicators, foreign currency position management and other key projects to promote marketing standardization, business online and management data; secondly, it continued to break through technological innovation and promoted technical verification and business feasibility of ICR technology, RPA technology, intelligent external call, knowledge map and other technologies; thirdly, it continued to improve the science and technology support system, set up test centers in headquarters, set up IT support departments in business departments, set up independent science and technology departments in front-line branches and new front-line branches, further accelerated the integration of science and technology with business, and enhanced the support ability of financial science and technology to business development.

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; important progress was made in the construction of new database center, the active-active systematic construction was completed, performance and reliability of the business system was continuously promoted, being at the leading position among the similar banks.

(XII) Consumer rights and interests protection

Directed by customer-oriented management idea, the Company paid high attention to consumer rights and interests protection. In the whole process of pre-sale, mid-sale and after-sale of products and business, the Company continuously improved the working mechanism of the responsibility of first inquiry of customer complaints, promoted the branches to accept, respond quickly and effectively solve all kinds of customers' demands, and ensured that the legitimate rights and interests of consumers were effectively protected. The Company has also actively implemented the whole

process of complaint verification, analyzed the causes of complaints, timely optimized the process and strengthened management, and done a good job in checking the results of complaint handling, to ensure effective handling of complaints, and to continuously improve customer experience. In 2018, the Company actively organized special events such as March 15 Financial Consumer Rights Day, Financial Knowledge Popularity Event, Consumer Rights and Interests Protection Theme Month, 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 "Ningbo Financial Consumption Rights and Interests Protection Association", Advanced Membership Unit and many other honors.

VIII. Outlook of future development

(I) Industry competition pattern and development trend

In 2018, the Central Economic Working Conference pointed out that China's current economic operation is stable, changing and worrying, the external environment is complex and severe, and the economy is facing downward pressure. However, China's development is still in and will be in an important strategic opportunity period for a long time. Despite ups and downs, it can still be stable and far-reaching. 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 always adheres to the spirit of openness, optimism and awe, always focusing on the changes in the economic and financial environment, grasping the changing trend of banking industry, adhering to the fundamental purpose of serving the development of the real economy, not forgetting its original intention, adhering to its orientation, focusing on market segmentation and customer segmentation, and taking science and technology, innovative development and professional management as the driving force. The Company also persists 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 that: through “three three years” effort, develop into a respected modern commercial bank with good reputation and core competitiveness.

In 2019, the Company will enter the closing year of the development plan for 2017-2019. The Company is confident to successfully accomplish the set goals of the three-year plan and lay a solid foundation for the next stage of development. In the next stage, the Company will continue to implement the development strategy of "one body and two wings" with the Yangtze River Delta as the main body and the Pearl River Delta and Bohai Bay as the two wings. It will persevere in accumulating the comparative advantages of differentiating in the market segments, forming

differentiated core competitiveness in the industry competition, and 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 2019

In 2019, facing the new normal situation of fluctuating economic cycle, intensified industry competition 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 wind 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 hours	Reception mode	Reception object type	Index of research basic situation	
Jan. 18, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Apr. 3, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
May 11, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company

May 11, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
May 17, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Jun. 6, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Jul. 12, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Aug. 16, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Sep. 4, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Oct. 10, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Oct. 18, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Nov. 21, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Dec. 10, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company

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

Reception hours	Reception mode	Reception object type	Index of research basic situation	
Jan. 10, 2019	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Jan. 15, 2019	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company

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 (2017-2019)* in the general meeting of 2016 on May 18, 2017 and mentioned explicitly that, the company will preferentially make profit distribution using cash dividend during 2017 and 2019, 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 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.

2. 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.

3. Profit distribution scheme of 2016 is as below: Legal accumulation fund valued RMB 765,625,000 was withdrawn as per 10% of the net profit in 2016; 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 1,157,411,000 was withdrawn as per 1.5% of the ending balance of risk assets in 2016; based on 3,899,794,081 shares in 2016, cash dividend valued RMB 3.5 (tax-inclusive) per 10 shares was issued and cash dividends valued RMB 1,364,928,000 were distributed; capital reserve equivalent to 10 shares was converted into three shares of capital.

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

Unit: (RMB) Thousand Yuan

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
2018	2,083,422	10,963,256	19.00%	-	-
2017	2,027,893	9,110,472	22.26%	-	-
2016	1,364,928	7,587,317	17.99%	-	-

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)	4
Increased number (shares) every 10 shares	-
Equity base (share) of distribution plan	5,208,555,438
Amount of cash dividend (Thousand Yuan) (tax-inclusive)	2,083,422
Distributive profit (Thousand Yuan)	33,087,750
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 (2017-2019)* disclosed on <http://www.cninfo.com.cn> on May 13, 2017 for details.

Details of profit distribution scheme

According to the annual financial statement of 2018 audited by Ernst & Young Hua Ming Accounting Firm (special general partnership), the company realized net profit value RMB 10,857,151,000 in 2018, and the profit available for distribution in the end of 2017 was valued RMB 25,553,370,000 after plus the profit available for distribution in the end of 2017 valued RMB 223,100,000, minus dividends of preferred shares in 2017 valued RMB 2,027,897,000, common stock dividends payable in 2017 valued RMB 1,071,774,000 and general risk provisions deducted valued RMB 33,087,750,000. The company issued preferred shares (preferred 01) valued RMB 4.85 billion in November, 2015 and preferred shares (preferred 02) valued RMB 10 billion in November, 2018 and distributed the dividends of preferred shares 01 in 2016, 2017 and 2018. 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 preferred shares of the fourth year of preferred 01 and the first year of preferred 02 shares.

Based on the above situation, the profit distribution scheme in 2017 is as below:

I. Legal accumulation fund valued RMB 1,085,715,000 was withdrawn as per 10% of the net profit in 2018;

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 1,633,406,000 was withdrawn as per 1.5% of the ending balance of risk assets in 2018;

III. 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.

This scheme will be deliberated in the annual general meeting of shareholders in 2018.

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 2018. For "Ninghang Zhuanzhai" is within the conversion period, 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 manager 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	-	-	-	-	-	-
Commitment of non-public development bank	Singapore Overseas-Chinese Banking Co., Ltd., Ningbo Development Investment Group Co., Ltd.	Share limited sale commitment	Since the date of ending issuance, do not transfer the subscribed shares within 60 months	Oct. 8, 2014	60 months	Strictly performed
Other commitments on company's middle and small shareholders	Corporate	Commitment made during refinancing	Various measures shall be adopted to guarantee the effective use of raised funds, to prevent diluted return on demand and improve return capacity in the future	Jul. 16, 2014 Nov. 26, 2015 Nov. 30, 2017 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, 2018	December 31, 2017
Signed but not disbursed	278,733	268,952

(III) Business rent commitment

Depending on rent contract with leaser, the minimum rent payment rate of irrevocable rent is as follows:

Unit: (RMB) 1,000

Item	December 31, 2018	December 31, 2017
Within 1 year (including)	490,578	451,375
1-2 years (including)	457,161	417,927
2-3 years (including)	409,070	382,029
Over 3 years	1,234,523	820,911
Total	2,591,332	2,072,242

(IV) Asset pledge commitment

Unit: (RMB) 1,000

Pledge asset content	Pledge asset face value	Pledge application	Pledge amount	Pledge expiring date
Financial asset-bonds for sale	20,084,885	Sell purchased financial asset amount-bond	18,960,721	Jan. 2, 2019 - Jan. 12, 2019
Expiring investment-bonds	6,908,115	Sell purchased financial asset amount-bond	6,447,579	Jan. 2, 2019 - Jan. 11, 2019

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 2017 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 Change of Accounting Policy, Accounting Estimate and Accounting Method

During the report period, the Company had no changes on accounting policy, accounting estimate and accounting method.

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 Change of Consolidated Statement Scope

During the report period, the Company had no change of consolidated statement scope.

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	3.3 million Yuan, including 2.45 million Yuan of financial report audit and 0.85 million Yuan of internal control audit
Continuous service year of domestic accounting firm	10 years
Name of registered accountant of domestic accounting firm	Yan Shengwei, Liu Dalu

(II) Within report period, the company does 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 850,000 Yuan to it for the 2017 internal auditing.

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 of 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, 2018, the Company, as a plaintiff, had a total object amount of 2.685 billion Yuan for pending lawsuits; and as a defendant, has a total object amount of 4.156 billion Yuan for pending lawsuits.

VIII. 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 2018, credit business exposure balance under mortgage loan is RMB 91,548,800, RMB 21,107,000 under the pledge and RMB 1,300,000 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 2018.

Unit: RMB 10,000

Guarantee way	Current balance of loan business in the bank
Mortgage	9,154.88
Pledge	110.7
Guarantee	130
Credit	-
Total:	9,395.58
Of which: total exposure	9,284.88

(II) Transaction higher than 300,000 Yuan (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 total number of transactions with the related person that over RMB 300,000 in 2018 is 60, the total business balance is RMB 28,300,000, and the exposure at the end of December is RMB 4,850,000.

(III) Credit extension implementation of related legal persons

According to the objective and requirement of the Board of Directors on related credit control in 2018, the Company's requirements on credit exposure and bond underwriting limit control for shareholders' related parties in 2018 were: the total limit of credit exposure and bond underwriting for shareholders' related parties shall not exceed 14 billion Yuan. The maximum credit exposure and bond underwriting limit for single shareholder related party shall not exceed 3.5 billion Yuan and that for single shareholder related group shall not exceed 5 billion Yuan. Details are as follows:

No.	Related legal person	Limit in 2017
1	Ningbo Development & Investment Group Co., Ltd. and related party	Max credit limit for single related party is RMB 2 billion and max bond underwriting limit is RMB 3 billion
		Max credit limit for single related group is RMB 3 billion and max bond underwriting limit is RMB 5 billion
2	Youngor Group Co., Ltd. and related party	Max credit limit for single related party is RMB 2 billion and max bond underwriting limit is RMB 3 billion
		Max credit limit for single related group is RMB 3 billion and max bond underwriting limit is RMB 5 billion
3	Huamao Group Co., Ltd. and related party	Max credit limit for single related party is RMB 2 billion and max bond underwriting limit is RMB 3 billion
		Max credit limit for single related group is RMB 3 billion and max bond underwriting limit is RMB 5 billion
4	Ningbo Shanshan Co., Ltd. and related party	Max credit limit for single related party is RMB 2 billion and max bond underwriting limit is RMB 3 billion
		Max credit limit for single related group is RMB 3 billion and max bond underwriting limit is RMB 5 billion
5	Ningbo Fubon Holding Group Co., Ltd. and related party	Max credit limit for single related party is RMB 2 billion and max bond underwriting limit is RMB 3 billion
		Max credit limit for single related group is RMB 3 billion and max bond underwriting limit is RMB 5 billion
6	CUORI ELECTRICAL APPLIANCES(GROUP) COMPANY LIMITED and related party	Max credit limit for single related party is RMB 2 billion and max bond underwriting limit is RMB 3 billion
		Max credit limit for single related group is RMB 3 billion and max bond underwriting limit is RMB 5 billion

Note: the total credit exposure of the above 6 shareholder related parties shall not exceed RMB 8 billion and the total bond underwriting limit shall not exceed RMB 6 billion.

The credit situation of the Company's related legal person up to the end of 2018 is shown below:

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	63,500	40,000	-
2	Youngor Group Co., Ltd. and related party	62,632	-	-
3	Huamao Group Co., Ltd. and related party	85,325	-	-
4	Ningbo Shanshan Co., Ltd. and related party	99,678	60,000	28,000

5	Ningbo Fubon Holding Group Co., Ltd. and related party	118,889	130,000	117,000
6	CUORI ELECTRICAL APPLIANCES(GROUP) COMPANY LIMITED and related party	1,950	-	-
Total		431,974	230,000	145,000

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

The maximum credit limit of the above 6 shareholder related parties each does not exceed RMB 2 billion, the maximum credit limit of shareholder related groups each does not exceed RMB 3 billion and the total credit limit does not exceed RMB 8 billion, which complies with the objective and requirement of the Company on related credit control in 2018.

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	20,000	Liquidity loans 10,000	10,000	-	-	
		40,000			40,000	-	
2	Ningbo Dahongying Education Group	38,000	Liquidity loans 34,000	34,000	-	-	
3	Ningbo Dahongying University	10,000	Liquidity loans 10,000	10,000	-	-	
4	Ningbo Mingzhou Biomass Power Generation Co., Ltd.	5,000	Liquidity loans 2,500	2,500	-	-	
5	Ningbo Kefeng Thermo-power Co., Ltd.	5,000	Liquidity loans 3,000	3,000	-	-	
6	Ningbo Energy Group Material Distribution Co., Ltd.	3,000	Discount 1,590	0	-	-	
7	Ningbo Ningdian Shipping Co., Ltd.	4,000	Liquidity loans 4,000	4,000	-	-	
Total			65,090	63,500	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.	10,000	Bank acceptance 52,854	0	-	-	
2	Ningbo China-Base International Logistics Co., Ltd.	500	Liquidity loans 370	370	-	-	
3	Ningbo Youngor Co., Ltd.	20,000	Bank acceptance 20,000	20,000	-	-	
4	China-Base Ningbo Group	150,000	Bank acceptance	42,006.79	-	-	

	Stock Co., Ltd.		49,815.60 L/C 222.58 Letter of guarantee 54,363 Capital business 25.41 Domestic L/C 13,050			
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	Pledge 15.05 Bank acceptance 7,527	15.26	-	-
7	Youngor Group Co., Ltd.	0	Discount 15,000	0	-	-
	Total		213,482.64	62,632.05	-	-

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 23,760.25 Pledge 1,464.84 L/C 4,884.41	21,513.30	-	-	
2	Ningbo Huamao Science & Technology Co., Ltd.	20,000	Liquidity loans 9,500 Commercial acceptance bill discount 15,000	20,000	-	-	
3	Ningbo Maoxuan International Trade Co., Ltd.	58,000	Liquidity loans 50,454.78 Pledge 1,013.35 L/C 4,088.24	41,283.73	-	-	
4	Huamao Group Co., Ltd.	0	Letter of guarantee 30,000	0	-	-	
5	Zhejiang Huamao International Trade Co., Ltd.	5,000	Liquidity loans 535	535	-	-	
6	Ningbo Shuxiang New Material Co., Ltd.	2,000	Liquidity loans 1,750 Bank acceptance 303.38	1,992.70	-	-	
	Total		142,754.25	85,324.73	-	-	

4. Ningbo Shanshan 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	Shanshan Group Co., Ltd.	50,000	Liquidity loans 43,800	48,800	-	-	

			Discount 8,749 Bank acceptance 5,000 Domestic L/C forfaiting 3,000			
		170,000			60,000	28,000
2	Ningbo Shanshan Property Co., Ltd.	10,000	Domestic L/C 4,496.98 Capital business 133.18 Commercial acceptance bill 4,000	8,630.15	-	-
3	Ningbo Shanshan New Material Science & Technology Co., Ltd.	2,000	Bank acceptance 2,455	1,718.50	-	-
4	Shanshan Holding Co., Ltd.	2,800	Commercial acceptance bill 2,800	2,800	-	-
5	Ningbo Ulica Solar Science & Technology Co., Ltd.	25,000	Bank acceptance 13,793.19 Letter of guarantee 323.96 Capital business 20 Domestic L/C 3,830.84	6,799.88	-	-
6	Ningbo Shanshan Petrochemical Co., Ltd.	10,000	Discount 3,400 L/C 5,511.65 Commercial acceptance bill 1,500	9,929.83	-	-
7	Ningbo Shanshan Outlets Cross-border Trade Co., Ltd.	1,000	Liquidity loans 1,000	1,000	-	-
8	Ningbo Senqiong Trade Co., Ltd.	10,000	Bank acceptance 10,000	10,000	-	-
9	Ningbo Xinyou Industrial Co., Ltd.	10,000	Liquidity loans 10,000 Bank acceptance 3,000	10,000	-	-
10	Zhejiang Shanyuanneng Supply Chain Management Co., Ltd.	0	Bank acceptance 3000	0	-	-
	Total			129,813.79	99,678.36	60,000 28,000

5. 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 15,090 Discount 14,300 Commercial acceptance bill 600	28,990	0	0	
3	Ningbo Fubon Wood Co., Ltd.	8,780	Liquidity loans 2,000 Discount 4,100 Pledge 686.54	7,703.89	0	0	

			L/C 14.52 Commercial acceptance bill 1,000			
4	Ningbo Yujiang Special Adhesive Tape Co., Ltd.	2,500	Liquidity loans 750 Discount 1,250	2,000	0	0
5	Ningbo Fubang Greens Furniture Co., Ltd.	4,000	Bank acceptance 5,000 Commercial acceptance bill 4,000	4,000	0	0
6	Ningbo Hengrun Furniture Co., Ltd.	9,800	Commercial acceptance bill 9,800	9,800	0	0
7	Ningbo Henrun Polymerization Co., Ltd.	9,900	Liquidity loans 5,625 Discount 4,259.15 Bank acceptance 2,665.50 Domestic L/C negotiation 903.15 Commercial acceptance bill 2,400	9,357.75	0	0
8	Ningbo Henrun Plastic Machine Co., Ltd.	9,400	Commercial acceptance bill 9,400	9,400	0	0
9	Ningbo Fubon Holding Group Co., Ltd.	50,000	Liquidity loans 26,000 Commercial acceptance bill 10,000	36,000	0	0
		130,000			130,000	117,000
10	Ningbo Fubon Furnitures Co., Ltd.	6,100	Discount 6,100	6,100	0	0
11	Ningbo Fubon Plaza Investment Development Co., Ltd.	0	Liquidity loans 2,500	2,500	0	0
12	Ningbo Fubang Systex Trade Co., Ltd.	0	Bank acceptance 829.17	0	0	0
13	Ningbo Fubon E-Commerce Development Co., Ltd.	3,000	L/C 39.56	37.53	0	0
Total			132,312.59	118,889.17	130,000	117,000

6. 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	Bank acceptance 1,140.30 L/C 58.12	0	-	-	
2	Ningbo Cuori Electrical Appliance Co., Ltd.	1,950	Liquidity loans 1,950	1,950	-	-	
Total			3,148.42	1,950	-	-	

(IV) Non-credit extension implementation of related legal persons

In 2018, the Company has engaged in the garments purchasing business with 2 related legal parties, including Ningbo Youngor Co., Ltd. and Ningbo Shanshan Fashions Co., Ltd., with purchasing amounts of RMB 9,227,840 and RMB 9,581,595 respectively.

Ningbo Youngor Co., Ltd. and Ningbo Shanshan Fashions Co., Ltd. are holding subsidiaries of Youngor Group Co., Ltd. and Ningbo Shanshan Group Co., Ltd. respectively.

The Company 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 both Ningbo Youngor Co., Ltd. and Ningbo Shanshan Fashions Co., Ltd. have 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 *Implementary 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 30,000,000 yuan 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 2018, the situation of the above three related transactions of Ningbo Development & Investment Co., Ltd., Youngor Group Co., Ltd., Huamao Group Co., Ltd., Ningbo Shanshan Co., Ltd., Ningbo Fubon Holding Group Co., Ltd. and Cuori Electrical Appliance (Group) Company Limited are as follows:

1. Statics shows that, there were 2 general related transactions that transaction amounts

accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year of 2018;

2. There's no major related transaction occurred in the year of 2018;
3. There's no particularly major related transaction occurred in the year of 2018.

Depending on statistics of general related transaction, major related transaction and particularly major related transaction in 2018, the approval program of the related credit business is accordant with requirement of the board of directors on the related credit control.

(V) 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 issued by the China Banking Regulatory Commission, 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 2018, the Company has provided Overseas-Chinese Bank Corporation with credit limit to RMB 2.9 billion; at present, risk exposure of the Bank is RMB 401 million; the Company has provided Overseas-Chinese Bank (China) Co., Ltd. with credit limit to RMB 1.95 billion, and the actual risk exposure of the bank is RMB 220 million.

By the end of the year 2018, the accumulated amount of non-credit business between the Company and Overseas-Chinese Bank Corporation and its related parties was RMB 6.93 billion, of which the cash transaction amount was RMB 4.13 billion and repurchase transaction amount was RMB 2.8 billion, which complied with the control requirement of the Company for the related transactions of Overseas-Chinese Bank Corporation.

In 2018, 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 There were 4 general related transactions that transaction amounts accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year of 2018;
- ② There's no major related transaction occurred in the year of 2018;
- ③ There's no particularly major related transaction occurred in the year of 2018.

(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 42.424 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.

During the report period, the Company issued 1,042 financing products which caused the sale of RMB 661.081 billion. By the end of the year 2018, the balance of financing products managed by the Company was RMB 259.4 billion.

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, improving the quality and effectiveness for serving the real economy, boosting regional economic development and promoting the major construction tasks of Ningbo, such as "the six fights" and "building of a famous city"; 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, and relieving private enterprises; fifthly, protecting the legitimate rights and interests of financial consumers, popularizing financial knowledge, innovating financial products, optimizing service processes and enhancing financial service experience; sixthly,

Please view *Bank of Ningbo Co., Ltd. Annual Social Responsibility Report* in 2018 disclosed on <http://www.cninfo.com.cn> on March 29, 2019 for details.

(II) Performance of social responsibility for targeted poverty alleviation

1. Targeted poverty alleviation plans

The Company highly recognizes the role of targeted financial poverty alleviation and has made every effort to promote financial poverty alleviation in the new era from the aspects of social poverty alleviation, education poverty alleviation, fixed-point poverty alleviation and financial 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 to build a public welfare platform for poverty alleviation for customers and the public, 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

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, completed its basic service network, innovated the financial products and conducted various targeted poverty alleviation work in compliance with the regional conditions; and on the other hand, the company actively supported the targeted poverty alleviation work organized by the local party committees and governments of their business regions and made its own contributions by means of social, educational, fixed point and financial poverty alleviations.

(1) Social poverty alleviation

In Ningbo, the labor union of the head office, Yinzhou Central District Sub-branch, National

High-tech Zone Sub-branch, Ninghai Sub-branch and Xiangshan Sub-branch have donated RMB 544,500 to support the charity and public welfare undertakings through "One-day Philanthropic Donation" activity; the labor union of the head office has donated RMB 500,000 to the relief fund for the needy workers of the Ningbo Federation of Trade Unions to help the poor and other groups caused by illness; Yinzhou Central District Sub-branch has donated RMB 600,000 to the poverty alleviation foundation of the district and RMB 35,000 for the "rice field sharing" welfare activity for Yanbian Korea Autonomous Prefecture.

For the branches, Hangzhou Branch donated RMB 500,000 to Xiaoshan Charity Association to organize activities to help low-income households and people with income difficulties in school, poverty, medical, old age, disability, orphans and disaster relief; Nanjing Branch donated RMB 100,000 for "Warm Winter Action"; Shenzhen Branch donated RMB 81,000 worth of rice for sanitation workers in Pingshan District to improve their lives.

(2) Educational poverty alleviation:

In Ningbo, Yuyao Sub-branch donated RMB 77,000 to help poor students of Songyang Huiwen Middle School of Lishui for the eighth consecutive year and RMB 29,000 to Mazhu Central Primary School to improve their teaching conditions. Cixi Sub-branch donated RMB 29,000 to Cixi League Municipal Committee's charitable summer camp "Kindness Helps for Children in Guizhou".

For the branches, Hangzhou Branch contributed RMB 6,658,000 to the Education Foundation of Zhejiang University, and RMB 295,000 to the Education Foundation of Hangzhou Medical College, RMB 150,000 to the Education Foundation of Hangzhou University of Electronic Science and Technology to develop education and help poor students finish their studies in 2018; Nanjing Branch launched activities of "being with you" and "helping students with love" respectively. Wenzhou Branch donated RMB 1,320,000 to the Educational Development Fund of Wenzhou Medical University for the purpose of developing educational undertakings and helping economically disadvantaged college students.

(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 30,000 to Chengfengyuan Village, Zhongzhou Town, Chun'an County; Wenzhou Branch paired with Taishun County and Yongjia County to alleviate poverty and donated RMB 69,000; Jinhua Branch has conducted "2+1" paired donation amounted at RMB 30,000 to Chaoyang Village, Yantou Town, Pujiang County.

(4) Financial 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. The Company has 72 town networks and 8 financial service stations to understand farmers' financial service needs in depth, to guide farmers to develop characteristic economy, and to cultivate characteristic industries. For example, Wenzhou Sub-branch of the Company has supported the financial poverty alleviation work of Ou Hai District, Ruian, Longwan District and Cangnan County by donating an amount of RMB 1,612,500.

3. Targeted poverty alleviation achievements

Index	Measurement unit	Quantity / Executive condition
I. General situation	RMB 14,735,600	—
II. Subitem investment	—	—
1. Industrial development poverty alleviation	RMB 1,995,400	12 measures, benefiting over 100 peasant households
2. Transfer employment poverty alleviation	—	—
3. Relocation removal poverty alleviation	—	—
4. Educational poverty alleviation	RMB 9,360,000	23 donation activities, benefiting over 200 students
5. Health poverty alleviation	—	—
6. Ecological protection poverty alleviation	—	—
7. Miscellaneous assurance	—	—
8. Social poverty alleviation	RMB 3,380,200	30 donation activities, benefiting over 4000 persons (person-times)
9. Others	—	—
III. Awards received (contents & grading)	—	—

4. Follow-up targeted poverty alleviation plan

The year 2019 is the key year for building a well-off society in an all-round way, and the fight against poverty has entered a sprint stage. 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 10 billion yuan of A-share convertible bonds publically on December 5, 2017, which were listed on SZSE (Shenzhen Stock Exchange) on January 12, 2018. For more details, please refer to "Chapter Eleven Relevant Information on Convertible Bonds".

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 2018, guarantee business balance of the Company is RMB 42,423,840,000. 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, 2018, the Company carefully obeys to related regulations of [2003] No. 56 document issued by China Securities Regulatory Commission, and is 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:

Fu Jianhua, Fu Jijun, Ben Shenglin, Zhang Jixiang, Geng Hong, Hu Pingxi

Chapter Nine Changes in Share Capital and Shareholding

I. Conditions of Share Change

	Unit: share								
	Before current change		Increment/decrement of current change					After current change	
	Quantity	Proportion	New share issuing	Share donation	Accumulation fund turn	Other	Subtotal	Quantity	Proportion
I. Limited sale condition share	579,187,593	11.42%	0	0	0	(1,254,651)	(1,254,651)	577,932,942	11.10%
1. National holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person holding	247,201,019	4.88%	0	0	0	0	0	247,201,019	4.75%
3. Other domestic capital holding	8,215,313	0.16%	0	0	0	(1,254,651)	(1,254,651)	6,960,662	0.13%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	8,215,313	0.16%	0	0	0	(1,254,651)	(1,254,651)	6,960,662	0.13%
4. Foreign holding	323,771,261	6.38%	0	0	0	0	0	323,771,261	6.22%
wherein: foreign legal person holding	323,771,261	6.38%	0	0	0	0	0	323,771,261	6.22%
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%
II. Limit-free condition share	4,490,544,712	88.58%	0	0	0	140,077,784	140,077,784	4,630,622,496	88.90%
1. RMB ordinary share	4,490,544,712	88.58%	0	0	0	140,077,784	140,077,784	4,630,622,496	88.90%
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	5,069,732,305	100.00%	0	0	0	138,823,133	138,823,133	5,208,555,438	100.00%

During the reporting period, the Company has cumulatively converted 138,823,133 shares of the convertible bonds (bond conversion code: 128024) issued, and thus the total shares of the Company has increased from 5,069,732,305 shares to 5,208,555,438 shares.

II. Sheet on Limited Sale Share Change

							Unit: share
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	
Singapore Overseas-Chinese Banking Co., Ltd.	323,771,261	0	0	323,771,261	Non-public offered subscription share limited sale	October 8, 2019	
Ningbo Development Investment Group Co., Ltd.	247,201,019	0	0	247,201,019	Non-public offered subscription share limited sale	October 8, 2019	
Company's directors,	8,215,313	1,254,651	0	6,960,662	Senior management locked	In-office directors,	

supervisors and managers holding	senior		share	supervisors and senior managers shall transfer 25% of shares to the greatest extent within 1 year
Total	579,187,593	1,254,651	0	577,932,942

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 2018 financial bonds	March 20, 2018	5.15%	100,000,000 (face amount: 100 Yuan)	March 22, 2018	100,000,000
Second issue of 2018 financial bonds	May 21, 2018	4.70%	80,000,000 (face amount: 100 Yuan)	May 23, 2018	80,000,000
Third issue of 2018 financial bonds	July 24, 2018	4.30%	60,000,000 (face amount: 100 Yuan)	July 26, 2018	60,000,000
2018 green financial bonds	October 24, 2018	3.97%	30,000,000 (face amount: 100 Yuan)	October 26, 2018	30,000,000

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* (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 2018 financial bonds of the Bank of Ningbo" amounted to RMB 10 billion to national inter-bank bond market on March 20, 2018, which were 3-year fixed-rate variety with a coupon rate of 5.15%; and "the second issue of 2018 financial bonds of the Bank of Ningbo" amounted to RMB 8 billion to national inter-bank bond market on May 21, 2018, which were 3-year fixed-rate variety with a coupon rate of 4.70%; and "the third issue of 2018 financial bonds of the Bank of Ningbo" amounted to RMB 6 billion to national inter-bank bond market on July 24, 2018, which were 3-year fixed-rate variety with a coupon rate of 4.30%.

2. Approved by *Official Reply of China Banking Regulatory Commission Ningbo Office on Issuing of Green Financial Bonds* (Y.Y.J.F. [2018] No. 171) and *the Administrative Licensing Decision of People's Bank of China* (Y.S.C.X.Z.Y.Z. [2018] No. 165), the Company has publically issued "the green financial bonds of Bank of Ningbo" amounted to RMB 3 billion to national inter-bank bond market on October 24, 2018, which were 3-year fixed-rate variety with a coupon rate of 3.97%.

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

During the reporting period, the convertible bonds of the Company entered the conversion

period since June 11, 2018 and by the end of the reporting period, the total cumulative number of converted bonds of the Company was 138,823,133 and the total shares of the Company has increased from 5,069,732,305 shares to 5,208,555,438 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)	77,577	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report	67,359	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	Quantity	
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	21.60%	1,124,990,768	111,044,307	247,201,019	877,789,749			
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.47%	961,917,714	19,886,427	323,771,261	638,146,453			
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	15.25%	794,269,269	126,564,290	0	794,269,269			
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	4.73%	246,200,000	(14,176,380)	0	246,200,000	pledge freezing	85,000,00 0 4,274,810	
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	2.81%	146,583,073	(10,349,927)	0	146,583,073			
Ningbo Shanshan Co., Ltd.	Domestic non-state-owned legal person	2.27%	118,450,163	(51,311,816)	0	118,450,163			
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	1.53%	79,791,098	7,875,923	0	79,791,098			
Central Huijin Asset Management Co., Ltd.	Central Huijin Asset Management Co., Ltd.	1.34%	69,819,360	0	0	69,819,360			
Ningxing (Ningbo) Property Management Co., Ltd.	Ningxing (Ningbo) Property Management Co., Ltd.	1.34%	69,810,000	0	0	69,810,000			
National Social Security Funds 101 Group	Funds, financial products, etc.	1.24%	64,599,106	(45,605,737)	0	64,599,106			
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.		
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.	877,789,749	RMB ordinary share	877,789,749
Singapore Overseas-Chinese Banking Co., Ltd.	638,146,453	RMB ordinary share	638,146,453
Youngor Group Co., Ltd.	794,269,269	RMB ordinary share	794,269,269
Huamao Group Co., Ltd.	246,200,000	RMB ordinary share	246,200,000
Ningbo Fubang (Holdings) Limited	146,583,073	RMB ordinary share	146,583,073
Ningbo Shanshan Co., Ltd.	118,450,163	RMB ordinary share	118,450,163
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	79,791,098	RMB ordinary share	79,791,098
Central Huijin Asset Management Co., Ltd.	69,819,360	RMB ordinary share	69,819,360
Ningxing (Ningbo) Property Management Co., Ltd	69,810,000	RMB ordinary share	69,810,000
National Social Security Funds 101 Group	64,599,106	RMB ordinary share	64,599,106
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 oversea institution investor of Singapore Overseas-Chinese Banking Co., Ltd.		
Description on shareholders attending securities margin trading	None		

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

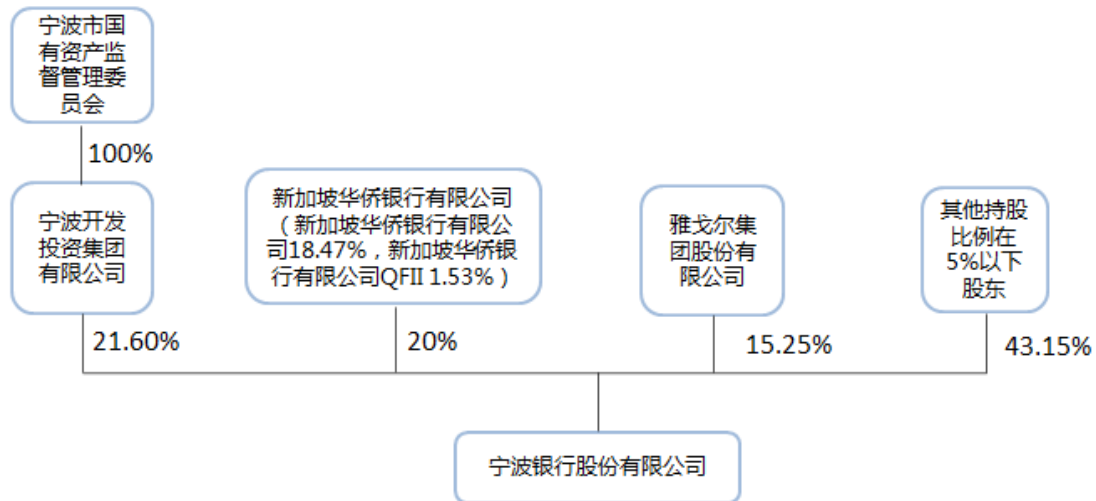
The Company is free from holding shareholder to the end of the report period.

(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

Ningbo Development & Investment Co., Ltd.

新加坡华侨银行有限公司（新加坡华侨银行有限公司 18.47%，新加坡华侨银行有限公司 QFII 1.53%）

Singapore Overseas-Chinese Banking Co., Ltd. (Singapore Overseas-Chinese Banking Co., Ltd. 18.47%, Singapore Overseas-Chinese Banking Co., Ltd. QFII 1.53%)

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 15.107 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 (Yuan/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	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	Share quantity without sale 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	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	Share quantity without sale 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

Time of distribution	Dividend yield	Amount of distribution (Yuan) (tax inclusive)	In compliance with distribution condition and relative procedure	Payment of dividend	Dividend accumulated	Join in residual profit distribution
Nov. 16, 2018	4.6%	223,100,000	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
2018	223,100,000	11,186,356	1.99%	None
2017	223,100,000	9,333,572	2.39%	None
2016	223,100,000	7,810,417	2.86%	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 Relevant Information on Convertible Bonds

I. Related information of convertible bonds

Name of bond	Abbreviation	Code	Contact persons	Contact information	Address
Convertible bonds of A shares of Bank of Ningbo Co., Ltd.	Ning Hang convertible bonds	128024	Yu Gang, Tong Zhuochao	0574-87050028	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province, China

II. Issuing and listing of convertible bonds to the end of report period

Issuing way	Issuing date	Issuing price (RMB / share)	Nominal rate	Issuing amount (share)	Listing date	Approved transfer amount (share)	Expiry date of listing
Public offering	December 5, 2017	100	Nominal rate of convertible bonds issued this time: first year 0.20%; second year 0.40%; third year 0.80%; fourth year 1.20%; fifth year	100,000,000	January 12, 2018	100,000,000	None

1.60%; sixth year 2.00%.

III. Holdings of the top 10 holders of convertible bonds of the company

Unit: share

Holder's name	Holder's nature	Holding ratio	Holding amount to the end of report period	Holding amount of restricted conditions	Holding amount of non-restricted conditions	Pledge or frozen state	
						Share state	Amount
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	20.00%	14,999,078	-	14,999,078		
ICBC—Yifangda Anxin Huibao Bond Investment Fund	Funds, financial products, etc.	2.82%	2,113,078	-	2,113,078		
China Merchants Wealth—Postal Savings—Postal Savings Bank of China	Funds, financial products, etc.	2.54%	1,901,906	-	1,901,906		
ICBC Ruixin—Bank of Communications—ICBC Ruixin Investment Management Co., Ltd.	Funds, financial products, etc.	2.29%	1,714,098	-	1,714,098		
CBC Ruixin—Bank of Communications—China Merchants Wealth Co., Ltd.	Funds, financial products, etc.	2.09%	1,568,686	-	1,568,686		
National Social Security Funds 101 Group	Funds, financial products, etc.	1.99%	1,491,687	-	1,491,687		
Ningxing (Ningbo) Property Management Co., Ltd.	State-owned legal person	1.84%	1,376,932	-	1,376,932		
Everbright Securities Asset Management—China Minsheng Bank—China Minsheng Bank Plough No. 2 Collective Asset Management Plan	Funds, financial products, etc.	1.79%	1,343,291	-	1,343,291		
Shenwan Hongyuan Securities	State-owned legal person	1.73%	1,298,009	-	1,298,009		
AVIC TRUST—AVIC TRUST Tianji Huicai No.3 bond investment collective asset trust plan	Funds, financial products, etc.	1.28%	957,378	-	957,378		
Description on related relations or consistent activities of previous holders	None						

IV. All previous adjustments to the conversion price

The Company implemented the profit distribution of A-share common stocks of 2017 on July 11, 2018 (date of equity registration). According to the relevant provisions of the Company's "Instructions for the Public Issuance of A-share Convertible Bonds of the Company", after the issuance of the bonds, if the Bank implements profit distribution, the convertible price will be adjusted accordingly. For this reason, after the implementation of this profit distribution, the initial conversion price of Ning Hang Convertible Bonds of the Company has been adjusted from RMB 18.45 per share to RMB 18.01 per share since July 12, 2018 (ex dividend date).

IV. Cumulative conversion of convertible bonds of the Company after issuing

The convertible bonds issued by the Company shall be converted from the first business day upon six months after issuing of the bonds to the maturity date of the bonds, that is, from June 11,

2018 to December 5, 2023. During the reporting period, Ning Hang Convertible bonds amounted to RMB 2,500,210,200 of the Company have been converted to A-share common stocks, with a total of 138,823,133 shares.

VI. Interest and cash payment for convertible bonds of the Company

Interest of the convertible bonds issued by the Company is paid once a year on the first day upon one year of issuance of the convertible bonds. If that day is a statutory holiday or a day off, it will be postponed to the next working day. No additional interest will be paid during the postponement period. There is an interest-bearing year between two adjacent interest-paying days.

The Company paid interest of "Ning Hang Convertible Bonds" from December 5, 2017 to December 4, 2018 on December 5, 2018. There is no default of interest payment. For details of interest payment, please refer to the announcement issued by the Company on the websites of Shenzhen Stock Exchange and the Company.

VII. Major changes to profitability, status of assets and credit of the guarantor

There has been no guarantee provided to these convertible bonds of the company.

VIII. Status of liabilities and changes to the credit standing of the company

The subject credit rating of the company is AAA and the credit rating outlook is stable. The credit rating of the convertible bonds this time is AAA and the rating has not been changed. The business operation of the company is good and the financial index is steady, having sufficient ability to pay off the debt.

Chapter Twelve Directors, Supervisors, Senior Manager and Basic Information on Employees

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

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	54	Jan. 15, 2005	Feb. 9, 2020	1,249,409	0	0	1,249,409
Luo Mengbo	Director, vice chairman, president	Incumbent	Male	48	Feb. 10, 2014	Feb. 9, 2020	1,919,678	0	0	1,919,678
Yu Weiye	Director	Incumbent	Male	55	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	43	May. 18, 2015	Feb. 9, 2020	0	0	0	0
Zhu Nianhui	Director	Incumbent	Male	56	Feb. 7, 2017	Feb. 9, 2020	0	0	0	0
Chen Yongming	Director	Incumbent	Male	59	Jan. 14, 2011	Feb. 9, 2020	0	0	0	0
Li Rucheng	Director	Incumbent	Male	67	Apr. 7, 2017	Feb. 9, 2020	0	0	0	0
Xu Lixun	Director	Incumbent	Male	44	Jan. 10, 2013	Feb. 9, 2020	0	0	0	0
Fu Jianhua	Independent director	Incumbent	Male	67	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Fu Jijun	Independent director	Incumbent	Male	61	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Ben Shenglin	Independent director	Incumbent	Male	52	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Zhang Jixiang	Independent director	Incumbent	Male	65	April 7, 2017	Feb. 9, 2020	0	0	0	0
Geng Hong	Independent director	Incumbent	Female	62	April 7, 2017	Feb. 9, 2020	0	0	0	0
Hu Pingxi	Independent director	Incumbent	Male	65	March 8, 2018	Feb. 9, 2020	0	0	0	0
Hong Lifeng	Employees' representative, Supervisory	Incumbent	Male	54	Oct. 9, 2015	Feb. 9, 2020	1,904,987	0	260,874	1,644,113
Wang Zhenhai	Supervisor	Incumbent	Male	49	Dec. 26, 2018	Feb. 9, 2020	0	0	0	0
Pu Yiwei	External supervisor	Incumbent	Female	48	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Shu Guoping	External supervisor	Incumbent	Male	53	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Hu Songsong	External supervisor	Incumbent	Male	37	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Liu Rufen	Employees' representative, supervisor	Incumbent	Female	53	Feb. 10, 2017	Feb. 9, 2020	179,144	0	0	179,144
Zhuang Ye	Employees' representative, supervisor	Incumbent	Female	41	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Luo Weikai	Director, vice president, financial principal	Incumbent	Male	53	Apr. 7, 2017	Feb. 9, 2020	2,423,200	0	0	2,423,200
Fu Wensheng	Vice president	Incumbent	Male	46	Aug. 27, 2012	Feb. 9, 2020	0	0	0	0

Wang Yongjie	Vice president	Incumbent	Male	46	Aug. 27, 2012	Feb. 9, 2020	241,800	0	0	241,800
Feng Peijiong	Director, vice president	Incumbent	Male	44	Feb. 3, 2016	Feb. 9, 2020	0	0	0	0
Ma Yuhui	Vice president	Incumbent	Male	37	Apr. 24, 2015	Feb. 9, 2020	0	0	0	0
Yu Gang	Board secretary	Incumbent	Male	41	Jan. 25, 2018	Feb. 9, 2020	0	0	0	0
Yang Xiaoping	Independent director	Resigned	Female	67	Jan. 31, 2012	Mar. 8, 2018	0	0	0	0
Chen Guanghua	Director	Resigned	Male	58	Apr. 12, 2010	Apr. 19, 2018	0	0	0	0
Song Hanping	Director	Resigned	Male	55	Jan. 15, 2005	Dec. 26, 2018	0	0	0	0
Xu Liming	Supervisor	Resigned	Male	56	Jan. 12, 2008	Dec. 26, 2018	0	0	0	0

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

Name	Position	Type	Date	Reason
Yu Gang	Board secretary	Hired	January 25, 2018	Job demand
Yang Xiaoping	Independent director	Resigned	March 8, 2018	Expiration of term of office
Hu Pingxi	Independent director	Elected	March 8, 2018	Job demand
Chen Guanghua	Director	Resigned	Apr. 19, 2018	Job reason
Song Hanping	Director	Resigned	Dec. 26, 2018	Job reason
Xu Liming	Director	Resigned	Dec. 26, 2018	Job reason
Wang Zhenhai	Director	Elected	Dec. 26, 2018	Job demand

Notice: The Company has received the written resignation of Yang Xiaoping on November 27, 2017, an independent director of the Company, who would like to resign as an independent director of the Company as for the expiration of the term of office. On December 12, 2017, Hu Pingxi was nominated as a candidate of independent director at the fourth meeting of the 6th board of directors; on December 28, 2017, Hu Pingxi was elected as an independent director of the Company at the fourth interim shareholders' meeting in 2017. As while the qualification of Hu Pingxi was not approved by China Banking Regulatory Commission Ningbo Office, Ms. Yang Xiaoping continued to perform her duty as an independent directors of the Company. And on March 8, 2018, the qualification of Hu Pingxi as an independent director was approved by China Banking Regulatory Commission Ningbo Office.

2. On December 12, 2017, Yu Gang was hired as the secretary of the 6th board of directors at the fourth meeting of the 6th board of directors. The qualification of Mr. Yu Gang was approved by China Banking Regulatory Commission Ningbo Office on January 25, 2018.

3. On April 19, 2018, Mr. Chen Guanghua, a director of the Company, resigned as the director of the Company for the reason of the job.

4. On December 26, 2018, Mr. Song Hanping, a director of the Company, resigned as the director of the Company for the reason of the job.

5. The Company has received the written resignation of Xu Liming on December 26, 2018, a supervisor of the Company, who would like to resign as a supervisor of the Company as for the job reason. And on October 12, 2018, Wang Zhenhai was nominated as a candidate of supervisor at the tenth meeting of the 6th board of supervisors; and on December 26, 2016, Wang Zhenhai was elected as a supervisor of the Company on the 2nd extraordinary general meeting of 2018 of the Company.

III. Employment Situation

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

1. Directors

Mr. Lu Huayu, currently the Director and 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 Director and 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 director, vice chairman and the president of the company from Feb, 2014 till now.

Mr. Yu Weiye, born in May, 1963, obtained the bachelor degree the title of certified accountant. Mr. Yu currently serves as chief accountant of Ningbo Development Investment Group Co., Ltd. and a director of Ningbo Maritime Industrial Fund Management Co., Ltd.. Mr. Yu was the chief accountant of the finance department of Ningbo Electric Power Bureau, vice manager, general manager and vice chief accountant of finance department of Ningbo Power Development Co., Ltd., vice chief accountant of Ningbo Development Investment Group Co., Ltd.; from February, 2014, he was appointed as director of the Company.

Ms. Wei Xuemei, born in August 1975, obtained a master's degree and the titles of Senior Accountant and Economist. She is currently the Vice General Manager of Ningbo Development & Investment Group Co., Ltd., Board Chairman of Ningbo Cultural Plaza Investment & Development Co., Ltd. and a director of Ningbo Maritime Industrial Fund Management Co., Ltd.. Ms. Wei successively served as Vice General Manager of Ningbo Kaijian Investment Management Co., Ltd., Vice Manager, Manager and Vice Chief Economist of the Investment Management Department of Ningbo Development & Investment Group Co., Ltd.; she has been the Director of the Company since May 2015.

Mr. Zhu Nianhui, born in December 1962, Singaporean, obtained a master's degree, is currently the executive vice president and risk director of Overseas-Chinese Banking Corp. and a non-executive director of Bank of Singapore. Mr. Zhu used to be a treasury / foreign exchange trader of Standard Chartered Bank (Singapore) Corp; the second deputy president and chief auditor of ChaseBank (Singapore); vice president and derivative product control manager of Bankers Trust New York Corporation (Hong Kong); a director of Bankers Trust New York Corporation (Hong Kong) and the deputy director of the Asian regional company portfolio management; managing director and market risk managing (Asia Pacific) director of Deutsche

Bank AG (Singapore); chief risk officer of Deutsche Bank AG Asia Pacific and also a member of the Asian Pacific Executive Committee, chairman of the Asian Pacific Risk Committee, non-independent non-executive director of Deutsche Bank AG (Malaysia) and non-executive director of Huaxia Bank; he has been a director of the Company since February 2017.

Mr. Chen Yongming, currently the President of OCBC Hong Kong Branch and General Manager of Northeast Asia Region of OCBC, Supervisor of OCBC Wing Hang (China) Co., Ltd. and Director of Shanghai Pica Colour Separation & Printing Co., Ltd., born in April 1959, obtained the MBA degree in University of Chicago and a bachelor's degree in Georgetown University. Mr. Chen worked in the financial corporation and banking service industry in Singapore for nearly 10 years, and came to China in 1995. He was the General Manager and Director of Shanghai Pica Colour Separation & Printing Co., Ltd. from 1995 to 2004. Mr. Chen served as the General Representative of OCBC Office in China in January 2005, in charge of the management of OCBC business in China. From August 2007 to September 2009, he was the Executive Director and President of OCBC Bank (China) Limited, and has been the Director of the Company since January 2011.

Mr. Li Rucheng, born in 1951, received the title of senior economist, is currently the vice chairman of China Association for Public Companies, chairman of the Listed Company Association of Ningbo, board chairman of Youngor Group Holdings Co., Ltd., executive director and general manager of Ningbo Shengda Development Co., Ltd. and board chairman of Youngor Holdings Co., Ltd.. Mr. Li used to be a member of the 9th, 10th and 11th National People's Congress, the general manager of Ningbo Youth Development Company, the board chairman and general manager of Youngor Garments Co., Ltd., board chairman and general manager of Youngor Group Holdings Co., Ltd.; he was a director of the Company from January 2005 to January 2008 and from January 2011 to February 2014; he has been a director of the Company since April 2017.

Mr. Xu Lixun, born in August 1974 and holds a Master's degree. He is currently the Executive Director of the Board of Directors and President of Huamao Group Co., Ltd., and acts as Chairman of Ningbo Huamao Cultural and Education Ltd, Chairman of Ningbo Huamao International Trade Co., Ltd., Chairman of Zhejiang Quzhou Huamao Foreign Language School, Chairman of Zhejiang Longyou Huamao Foreign Language School and Chairman of Beijing Rainbow Flower Educational Technology Development Center. Mr. Xu Lixun served as Vice General Manager of American Huayuan Holding Company, General Manager of American Taier Star Computer Co., Ltd. and Vice General Manager of Beijing Rainbow Flower Educational Technology Development Center from August 1995 to June 1999; served as director of Huamao Group Co., Ltd. since June 1999; served as Assistant President and Vice President of Huamao Group Co., Ltd. from June 1999 to December 2001; and served as director of the Company since January 2012.

Mr. Luo Weikai, born in April 1965, obtained a master's degree and the title of Economist. He is currently the Vice President of Bank of Ningbo Co., Ltd.. Mr. Luo Weikai used to work as the section chief and the assistant to the director of ICBC Ningbo Branch. After serving in the Company, he acted as the Vice President of Tianyuan Sub-branch, then held the position of the General Manager of Finance & Accounting Department and concurrently served as the Director of the Banking Department of the Headquarters and the General Manager of E-banking Department of the Bank. Mr. Luo was the Assistant President of the Bank from March 2005 to August 2007, has been the Vice President of the Company since August 2007, and the Director of the Bank from August 2006 to October 2011 and since April, 2017.

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, Director, Senior Associate Director at assistant general manager level, Assistant General Manager, Vice General Manager and General Manager 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. Fu Jianhua: born in July 1951, is a master of economics, EMBA and senior economist. Mr. Fu once took the posts of vice president of Jiangxi Branch of China Construction Bank, office director and vice president of Shanghai Branch of China Construction Bank, general manager of head office credit & loan management department of China Construction Bank, vice president of Shanghai Branch and president of Pudong Branch of China Construction Bank, president and chairman of Shanghai Bank, vice chairman and president of Shanghai Pudong Development Bank, and chairman of SPD Silicon Valley Bank. Mr. Fu has been the independent director of the Company since September 2014.

Mr. Fu Jijun: born in January 1957, is a doctor of economics, senior economist and international certified management consultant, currently serving as chairman of Chinese Financial Consulting Co., Ltd., first and second management accounting consulting expert of the Ministry of Finance, standing director of the board of governors of China Merger Union, vice chairman of Management Consulting Committee of China Association of Enterprises, part-time professor of Harbin Institute of Technology, Shenzhen, guest professor of Tianjin University of Finance and Economics; independent director of ABC-CA Fund Management Co., Ltd., Lingyun Industrial Corporation Limited and Guangdong Booxin Investment Holdings Co., Ltd.. Mr. Fu once worked as vice general manager, general manager and other posts of Chinese Financial Consulting Co., Ltd.; since September 2014, he has been an independent director of the Company.

Mr. Ben Shenglin: born in January 1966, is a doctor of economics and currently is a professor and doctoral supervisor of Zhejiang University, dean of Zhejiang University Academy of Internet

Finance, dean of International Campus Zhejiang University, and executive president of Institute for International Monetary Affairs of Renmin University of China, member of ALL-China Federation of Industry and Commerce, member of the Standing Committee of CPPCC Zhejiang Province, Deputy Director of Zhejiang Province Economic and Information Commission, counselor of People's Government of Zhejiang Province, Co-Chairman of Zhejiang Association of Internet Finance, advisory council of Guangdong Financial Experts and Advisory Committee, executive chief editor of China Finance, and the independent director of Tsingtao Brewery Co., Ltd., China International Capital Corporation Limited and Wuchan Zhongda Group and an external supervisor of Industrial Bank Co.,Ltd.. Mr. Ben once served as senior vice president of ABN AMRO and China general manager of circulating fund business, China general manager and director general manager of HSBC industry and commerce financial business, president of JPMorgan Chase (China) Co., Ltd. and member of global leading group of global enterprise; since September 2014, he is an independent director of the Company.

Mr. Zhang Jixiang, born in June 1953, Ph.D. economics, is a Chinese certified public accountant and Chinese certified public valuator. Mr. Zhang used to be an assistant researcher of Institute of Industrial Economics of CASS, director of the research institute, vice director and director of the property department and director of the evaluation center of State-owned Assets Supervision and Administration Commission of the State Council, secretary-general of China Appraisal Society, vice director of the construction department, vice director of the comprehensive department and an inspector of the Ministry of Finance of the People's Republic of China, executive director, secretary to the board of chairman and non-executive director of Bank of Communications. Mr. Zhang Jixiang retired in July 2013 and has been an independent director of the Company since April 2017.

Ms. Geng Hong, born in March 1956, received the bachelor's degree and the titles of Chinese non-practicing certified accountant and economist, is currently the chairman of Assets Valuation Standards Committee. From 1977 to 2016, Ms. Geng Hong worked in the Ministry of Finance and has taken positions in the department of industry, transportation and commerce, department of trade finance and the tax, finance and price inspection office of the state council, the supervision department, construction department, department of treaty and law and administrative department of politics and law of the ministry of finance. Ms. Geng Hong retired in May 2016 and has been an independent director of the Company since April 2017.

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.

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 successively served as Vice President of Bank of China Ningbo Branch Beilun Subbranch, Vice Director of Credit Card Department & Loans Department of Bank of China Ningbo Branch, Manager, Senior Manager, Head of China Department and Commercial Banking Department of Hua Chiao Commercial Bank Ltd., Senior Manager 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.

Wang Zhenhai, born in September, 1969, obtained an associate's degree, is currently the General Manager of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd.. Mr. Wang started to work in July, 1989, served in the Equipment Office of Government Offices Administration of the Head Office of People's Bank of China from July, 1989 to April, 1997 and the Financial Office from May, 1997 to November, 2006; Beijing Renyin Tech-Trading Co., Ltd. from November, 2006 to April, 2008; CFO, Financial Manager, Assistant to the General Manager and Vice-general Manager of Beijing Renyin Tech-Trading Co., Ltd. from April, 2008 to September, and during which period, as served as General Manager of Haikou Xinxin Gold Store Co., Ltd. and Vice-general Manager of Huarong Building; General Manager of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. since September, 2017; and has been the shareholders' supervisor of the Company since December 26, 2018.

Ms. Pu Yiwei, born in April 1970, a doctor of laws, is currently a professor and master supervisor of the Law School of Ningbo University. Ms. Pu Yiwei received the PhD degree in civil law and commercial law from Tsinghua University School of Law in 2005 and became a visiting scholar from 2007 to 2008 in Law School of University of Toronto and East China University of Political Science and Law in 2012. She is currently a professor and master supervisor of the Law School of Ningbo University, primarily engaged in the teaching and research of civil law and civil procedure law. Besides, she is also a member of the party committee

of Law School of Ningbo University, dean of the procedural law institute of Law School of Ningbo University, a part-time doctoral supervisor of Institute of Law of Chinese Academy of Social Sciences, a member of Civil Procedure Law Institute of China Law Society and a managing director of Procedural Law Research Institute of Zhejiang Province. Ms. Pu Yiwei has been an external supervisor of the Company since February 2014.

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 deputy secretary general of Ningbo Lawyers Association, an arbitrator of Ningbo Arbitration Commission, a senior associate of Harnest & Garner Law Firm, a director of the Finance and Insurance Commission and a member of the management council. Mr. Hu Songsong used to be the general manager's secretary of Zhejiang Huaye Electric Engineering Co., Ltd.; general manager's secretary of Aux Electrical Co., Ltd.; a clerk of People's Court of Ninghai No. 2 Civil Court (commercial affairs court); the manager of the human resources department of Ningbo Jiangdong Xinbang Consulting Co., Ltd.; a 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 has been an external supervisor of the Company since February 2017.

Ms. Liu Rufen, born in August 1965, obtained the bachelor's degree and the title of economist, is currently the employees' supervisor and director of the labor union office of the Company. Ms. Liu once served as chief accountant and president assistant of Mingzhou Branch of the Company; vice general manager of financial accounting department of the Company; vice general manager of the Operation Department of the Company; since December, 2016, he has been the director of the labor union office of the Company; and she has been the employees' supervisor of the Company since February 2014.

Ms. Zhuang Ye, born in June 1977, received the bachelor's degree and lawyer's qualification certificate, is currently the vice 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; the staff supervisor of the Company since February 2017.

3. Senior Management

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

Mr. Luo Weikai: 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. 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
Yu Weiye	Ningbo Development & Investment Co., Ltd.	Chief accountant	From July 2013 to the present	Yes
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Vice General Manager	From May 2015 to the present	Yes
Zhu Nianhui	Singapore Overseas-Chinese Banking Co., Ltd.	Executive director and risk director	From August 2014 to the present	Yes
Chen Yongming	Singapore Overseas-Chinese Banking Co., Ltd.	General Manager in Northeast Asian Region and President of the Hong Kong Branch	From September 2009 to the present	No
Li Rucheng	Youngor Group Co., Ltd.	Chairman of the Board	From June 1993 to the present	Yes
Xu Lixun	Huamao Group Co., Ltd.	Executive director and President	From January, 2002 to the present	Yes
Wang Zhenhai	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd.	General Manager	From September, 2017 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
Yu Weiye	Ningbo Maritime Industrial Fund Management Co., Ltd.	Director	From September 2018 to the present	No
Wei Xuemei	Ningbo Cultural Plaza Investment & Development Co., Ltd.	Director	From September 2018 to the present	No
Wei Xuemei	Ningbo Yongxing Chemical Co., Ltd.	Vice Chairman of the board	From October 2015 to August 2018	No
Wei Xuemei	Donghai Marine Insurance Company Limited	Director	From October 2015 to September 2018	No
Wei Xuemei	Ningbo Maritime Industrial Fund Management Co., Ltd.	Director	From September 2018 to the present	No
Zhu Nianhui	Bank of Singapore Ltd.	Non-executive director	From November 2014 to the present	No
Chen Yongming	Shanghai Lijia Plate Making and Printing Co., Ltd.	Director	From March 1995 to the present	No
Chen Yongming	OCBC Management Services Private Limited	Manager	From January 2005 to the present	Yes
Chen Yongming	Eastern Holdings Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Capital Investment (Asia) Limited	Director	From September 2009 to the present	No

Chen Yongming	Bathurst Enterprises Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Nominees (Hong Kong) Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Advisors Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Securities (HK) Limited	Director	From September 2009 to the present	No
Chen Yongming	Oversea-Chinese Banking (China) Corporation Ltd.	Supervisor	From July 2016 to the present	No
Li Rucheng	Ningbo Shengda Development Co., Ltd.	Executive director and general manager	From May 2013 to the present	No
Li Rucheng	Youngor Group Co., Ltd.	Chairman of the board	From May 2012 to the present	No
Xu Lixun	Ningbo Huamao Cultural and Educational Holdings Co., Ltd.	Chairman of the board	From January 2011 to the present	No
Xu Lixun	Zhejiang Huamao Real Estate Development Co., Ltd.	Director	From February 2002 to the present	No
Xu Lixun	Ningbo Huamao Educational and Cultural Investment Co., Ltd.	Supervisor	From June 2010 to the present	No
Xu Lixun	Beijing Qisehua Educational and Scientific Development Co., Ltd.	Chairman of the board	From November 2001 to the present	No
Xu Lixun	Zhejiang Huamao International Trade Co., Ltd.	Chairman of the board	From September 2005 to the present	No
Xu Lixun	Ningbo Maoxuan International Trade Co., Ltd.	Chairman of the board	From July 2008 to the present	No
Xu Lixun	Ningbo Huamao Education Group	Director	From October 2004 to the present	No
Xu Lixun	Ningbo Huamao Foreign Languages School	Director	From July 1998 to the present	No
Xu Lixun	Zhejiang Quzhou Huamao Foreign languages School	Chairman of the board	From November 1999 to the present	No
Xu Lixun	Zhejiang Longyou Huamao Foreign languages School	Chairman of the board	From August 2001 to the present	No
Xu Lixun	Ningbo Huamao Multi-culture Educational Center	Chairman of the board	From February 2006 to the present	No
Fu Jijun	Chinese Financial Consulting Co., Ltd.	Chairman of the board	From September 2000 to the present	Yes
Fu Jijun	Fulue Modern Consulting (Beijing) Co., Ltd.	Chairman of the board	From October 2004 to the present	No
Fu Jijun	Yuanhua Film Investment (Beijing) Co., Ltd.	Chairman of the board	From September 2014 to the present	No
Fu Jijun	Shanghai Liangjie Corporate Management Consulting Co., Ltd.	Executive director	From January 2018 to the present	No
Ben Shenglin	Zhejiang University	Professor, doctoral supervisor	From May 2014 to the present	Yes
Ben Shenglin	Tsingtao Beer Co., Ltd.	Independent director	From June 2014 to the present	Yes
Ben Shenglin	China International Capital Corporation Limited	Independent director	From May 2015 to the present	Yes
Ben Shenglin	Material Zhongda Group Co., Ltd.	Independent director	From February 2016 to the present	Yes
Ben Shenglin	Sesame Credit Management Co., Ltd.	Independent director	From June 2016 to the present	Yes
Ben Shenglin	Industrial Bank Co., Ltd.	Supervisor	From December 2016 to the present	Yes
Pu Yiwei	Ningbo University	Professor, master supervisor	From July 1995 to the present	Yes
Pu Yiwei	Assets Management Company of Ningbo University	Supervisor	From April 2013 to the present	No
Pu Yiwei	Ningbo Gaofa Automotive Control System Co., Ltd.	Independent director	From May 2017 to the present	Yes
Pu Yiwei	Ningbo Peacebird Fashion Co., Ltd.	Independent director	From November 2018 to the present	Yes
Shu	Lixin Zhonglian Realignment Firm	Associate	From August 2016 to the present	Yes

Guoping			present	
Shu Guoping	Lixin Zhonglian Realignment Firm Ningbo Office	Manager	From January 2017 to the present	Yes
Shu Guoping	Ningbo Lilong Mechanical and Electrical Co., Ltd.	Independent director	From September 2016 to the present	No
Shu Guoping	Zhejiang Guoxin Engineering Management Consulting Co., Ltd.	Supervisor	From October 2016 to the present	No
Shu Guopin	Ningbo Yinzhou Duchang Jiuxin Enterprise Management Consulting Co., Ltd.	Executive director and manager	From November 2016 to the present	No
Shu Guopin	Ningbo Guoxin Asset Appraisal Co., Ltd.	Supervisor	From December 2016 to the present	No
Hu Songsong	Harnest & Garner Law Firm	Senior associate, chairman of finance and insurance committee, member of management committee	From January 2014 to the present	Yes
Wang Zhenhai	Huarong Building	Vice-general manager	From May 2017 to the present	No

(IV) Situation of company's current and resigned directors, supervisors and senior managers 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 Managers

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	<p>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:</p> <p>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.</p>

(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	54	Incubent	280	No
Luo Mengbo	Director, vice chairman, president	Male	48	Incubent	280	No
Yu Weiye	Director	Male	55	Incubent	10	Yes
Wei Xuemei	Director	Female	43	Incubent	10	Yes
Zhu Nianhui	Director	Male	56	Incubent	10	Yes
Chen Yongming	Director	Male	58	Incubent	10	Yes
Li Rucheng	Director	Male	67	Incubent	10	Yes
Xu Lixun	Director	Male	44	Incubent	10	Yes
Fu Jianhua	Independent director	Male	67	Incubent	0	No
Fu Jijun	Independent director	Male	61	Incubent	35	No
Ben Shenglin	Independent director	Male	53	Incubent	35	No
Zhang Jixiang	Independent director	Male	65	Incubent	11.67	No
Geng Hong	Independent director	Female	63	Incubent	0	No
Hu Pingxi	Independent director	Male	65	Incubent	0	No
Hong Lifeng	Staff representative supervisor, supervising chairman	Male	53	Incubent	266	No
Wang Zhenhai	Supervisor	Male	56	Incubent	0	Yes
Pu Yiwei	External supervisor	Female	48	Incubent	30	No
Shu Guoping	External supervisor	Male	53	Incubent	30	No
Hu Songsong	External supervisor	Male	37	Incubent	30	No
Zhuang Ye	Staff representative supervisor	Female	41	Incubent	106.55	No
Liu Rufen	Staff representative supervisor	Female	52	Incubent	85.60	No
Fu Wensheng	Vice president	Male	46	Incubent	252	No
Wang Yongjie	Vice president	Male	46	Incubent	252	No
Luo Weikai	Director, vice president, chief financial officer	Male	53	Incubent	252	No

Feng Peijiong	Director, vice president	Male	44	Incubent	252	No
Ma Yuhui	Vice president	Male	37	Incubent	252	No
Yu Gang	Secretary to the board of directors	Male	41	Incubent	238	No

Notes: Performance annual salary of the chairman of the board of directors, chairman of board of supervisors and senior manager undergo deferred payment; as specified within the sheet, deferred remuneration of senior management in 2018 is 7.6736 million Yuan, which will be paid and deferred in three years. In 2018, the former director of the Company, Mr. Chen Guanghua received a remuneration of 41,700 Yuan during her tenure, the former director Mr. Song Hanping received 100,000 Yuan, the former independent director Ms. Yang Xiaoping did not receive any remuneration from the Company during her tenure, and the former shareholder supervisor Mr. Xu Liming received 80,000 Yuan. The Company has paid the deferred payable remuneration of 2015, including 667,100 Yuan for Mr. Lu Huayu, the board chairman, 600,600 Yuan for Mr. Luo Mengbo, the vice chairman of the board of directors and president of the Company, 508,700 Yuan for Hong Lifeng, a supervisor, 478,100 Yuan for Luo Weikai, the vice president, 478,100 Yuan for Fu Wensheng, the vice president and 478,100 Yuan for Wang Yongjie, the vice president, 268,800 Yuan for Mr. Feng Peijiong, the vice president and 318,800 Yuan for Mr. Ma Yuhui, the vice president of the Company.

(III) Equity Incentive Awarded of the Company's Directors, Supervisors and Senior Manager 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, 2018, there are 13,684 employees (subsidiaries not included) in the Company, amongst which, 4,113 are corporate banking staffs, 3,503 are personal banking staffs, 3,170 are operation management staffs, 941 are risk and compliance management staffs, 511 are information technology staffs, 178 are other financial business staffs and 1,268 are comprehensive management staffs. Among the employees, employees with bachelor degree or above account for 96.29%, employees with college degree and below account for 3.71%.

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 Thirteen Corporate Governance

I. Basic Conditions of the Company Governance

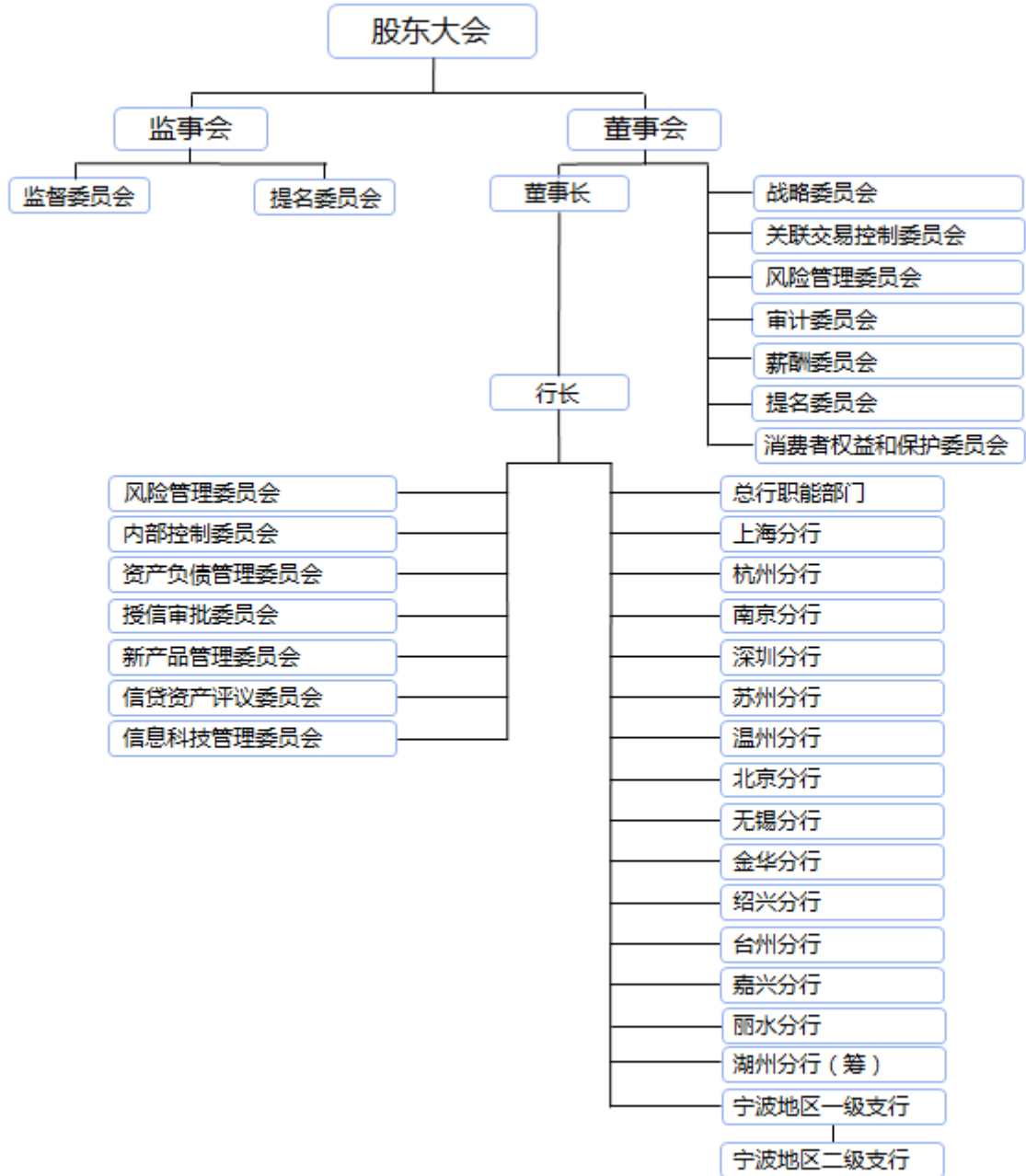
The company has continuously improved its corporate governance, built a clear governance structure of "three meetings and one management", and established and improved its internal management and control system in strict accordance with the requirements of the Company Law, the Securities Law, Governance Criteria of Listed Companies, Listing Rules of Shenzhen Stock Exchange and Guidelines for Standardized Operation of Listed Companies on Small and Medium-sized Enterprise Board of Shenzhen Stock Exchange, etc, which has laid a good foundation for the healthy and sustainable development of the Company. In the evaluation of the "GYROSCOPE" evaluation system issued by the Banking Association in 2018, the corporate governance ability of the Company ranked first among the national urban commercial banks.

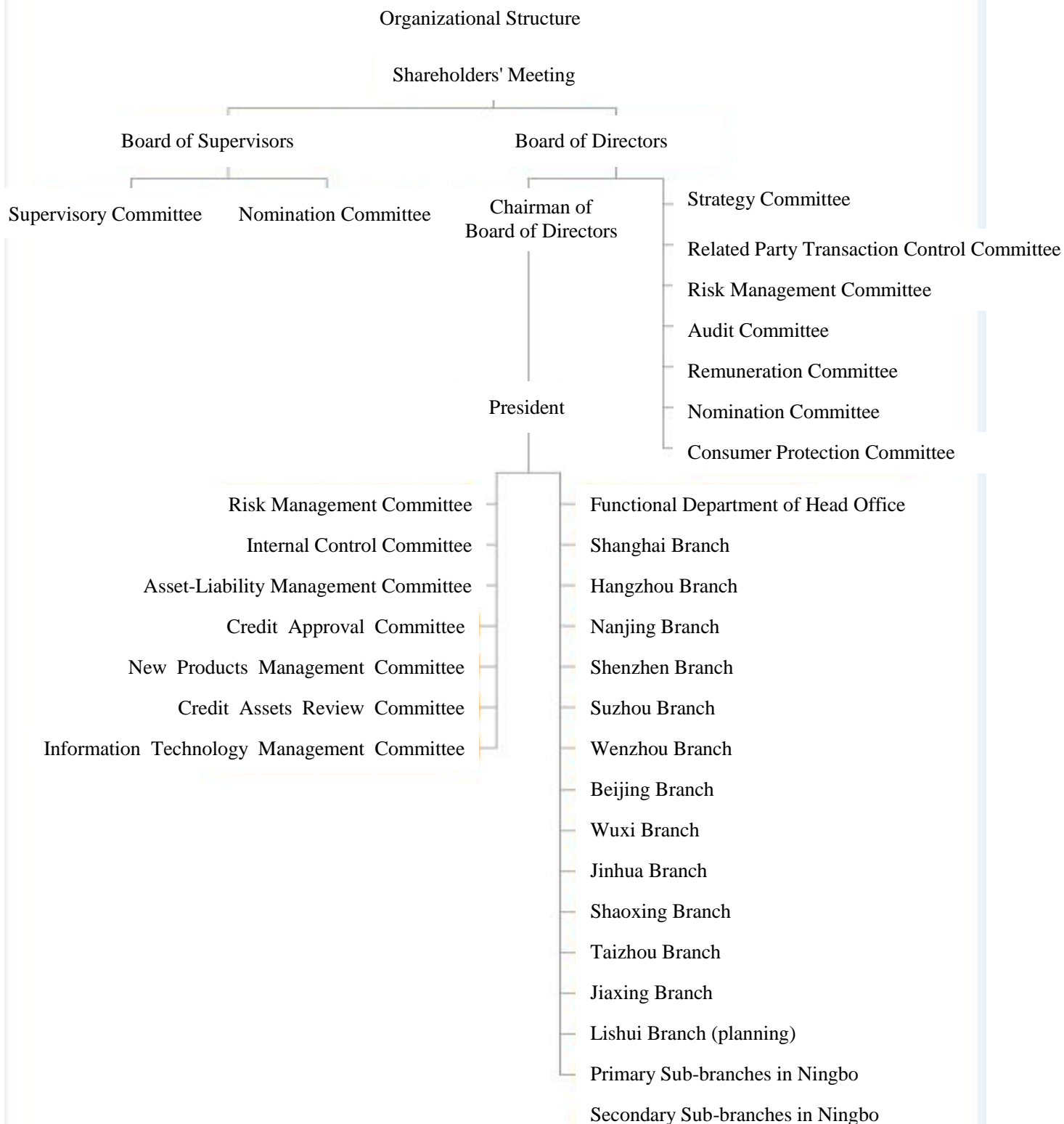
During the reporting period, the Company formulated and improved its internal management system in accordance with the changes of relevant laws, regulations and regulatory requirements and the actual situation of the Company. The Company has formulated the Equity Management Measures of Bank of Ningbo Co., Ltd., further clarifying the responsibility boundary of the Company and shareholders in the equity management, and has developed the Equity Information Management System, which promotes the shift of equity management from passive, manual, fragmentary to active, intelligent and standardized. The Company has revised and improved the Articles of Association and the Procedures of the Board of Directors, important corporate management systems, such as Rules of the Board of Supervisors, Rules of Procedure of the General Meeting of Shareholders, Measures for the Management of Related Transactions and Rules for the Work of Professional Committees of the Board of Directors, and incorporated the Party's leadership into the articles of association and further consolidated the foundation of the corporate governance system.

The Company attaches great importance to capital management, rationally co-ordinates business development and capital replenishment, and ensures that the level of capital adequacy continues to meet regulatory requirements. During the reporting period, 2.5 billion Yuan out of 10 billion Yuan convertible A-share bonds issued by the Company have been converted, while the Company has also successfully issued 10 billion Yuan of preferred shares, effectively supplementing the Company's core first-class capital and other first-class capitals.

During the reporting period, the Company strictly complied with the relevant regulations and did a good job of information disclosure truthfully, accurately, timely and completely. During the year, the Company issued 77 announcements on Shenzhen Stock Exchange and 151 disclosure documents, including periodic reports, interim announcements, corporate governance documents,

and record sheets of investor relations activities, to ensure that investors can keep abreast of the Company's major issues in a timely manner. 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 10 consecutive years; in 2018, it was awarded "the most respected listed company by investors in 2017" in the selection organized by the Association of Listed Companies of China; and in the first selection of "the most trustworthy listed company by investors" by CCTV, it was selected as the top 30 and won the Excellence Award.





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 term, 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 term

Session and type of meeting	Ratio of participating investors	Date of meeting	Date of disclosure	Disclosure index
2017 Annual General Meeting of Shareholders	48.97%	May 16, 2018	May 17, 2018	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
The 1 st Session of 2018 Extraordinary General Meeting of Shareholders	48.44%	September 6, 2018	September 7, 2018	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
The 2 nd Session of 2018 Extraordinary General Meeting of Shareholders	46.38%	December 26, 2018	December 27, 2018	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)

During the report term, 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 term

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

Information on independent directors' attending of the board meeting						
Name of	Times of	Times of	Times of	Times of attending	Absent	Did you attend

independent director	attending the board meeting during this report term	attending the board meeting in person	attending the board meeting by communication	the board meeting by entrusted representative		the meeting by other means other than in person for 2 times in a row?
Fu Jianhua	8	4	4	0	0	No
Fu Jijun	8	4	4	0	0	No
Ben Shenglin	8	4	4	0	0	No
Zhang Jixiang	8	4	4	0	0	No
Geng Hong	8	2	4	2	0	No
Hu Pingxi	8	4	4	0	0	No
Number of times of independent directors' attending of the shareholders' meeting				1		

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 Small and Medium-sized Enterprise Board of Shenzhen Stock Exchange, Articles of Association and Working System of Independent Directors. During the report term, 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 27, 2018	Independent opinions on 2017 annual profit distribution plan.	Agree
March 27, 2018	Independent opinions on 2018 annual estimated limit of daily connected transaction between the Company and Cuori Electrical Appliances (Group) Company Limited.	Agree
March 27, 2018	Special opinions on the deposit and actual use of the raised funds of the Company.	Agree
March 27, 2018	Independent opinions on self-assessment reports of internal control.	Agree
March 27, 2018	Independent opinions on derivatives trading and risk control.	Agree
March 27, 2018	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
March 27, 2018	Independent opinions on remuneration of directors, supervisors and senior executives.	Agree

April 28, 2018	Independent opinions on derivatives investment and risk control.	Agree
August 20, 2018	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
October 29, 2018	Independent opinions on derivatives investment and risk control.	Agree
December 6, 2018	Independent opinions on 2019 annual estimated limit of daily connected transactions.	Agree
December 6, 2018	Independent opinions on hiring external audit institution.	Agree
December 6, 2018	Independent opinions on changing accounting policies of the Company.	Agree
December 6, 2018	Independent opinions on revising remunerations of senior management of the Company.	Agree
December 6, 2018	Independent opinions on revising remunerations of Chairman and Vice-chairman of the Board of Directors of the Company.	Agree
December 6, 2018	Independent opinions on non-public issuing of A-shares of the Company.	Agree
December 6, 2018	Independent opinions on the related trading items of the non-public issuing of stocks of the Company in 2017.	Agree
December 6, 2018	Opinions of independent directors of Bank of Ningbo Co., Ltd. on previous approval of the related trading items of the non-public issuing of stocks of the Company.	Agree

VI. Fulfillment of responsibilities by special committees under the board of directors during the report term

The Board of Directors comprised 16 directors at the end of the reporting period, including 6 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 2018, special committees organized 20 meetings in total, including 3 by Strategy Committee, 4 by Audit Committee, 4 by Related Transactions Control Committee, 4 Risk Management Committee, 1 by Nominating Committee, 2 by Compensation 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 executives

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 2018, bringing more benefits to shareholders.

IX. Evaluation reports of internal control

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

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

(II) Self-assessment reports of internal control

Date of disclosure of evaluation reports of internal control	March 30, 2019		
Index for disclosure of evaluation reports of internal control	cninfo (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 1. Material defects:	Democratic

	<p>have received or are more likely to receive decision-making procedures are incomplete; an adverse opinion or a disclaimer of national laws and regulations are severely opinion issued by certified public breached and corresponding punishment is accountants; senior executives have been received; senior executives and senior involved or are suspected of being involved technicians are of higher mobility; its in fraud; disclosed financial statements have negative 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 material or important defects of internal control have not been modified.</p> <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 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 regulations are breached, causing great losses; key personnel are of higher mobility; its negative news is broadcast by media, 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, 2018 in accordance with Basic Standard for Enterprise Internal Control and relevant regulations.	
Date of disclosure of audit reports of internal control	March 30, 2019

Index for disclosure of audit reports of internal control	cninfo (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 Fourteen Financial Statements

- I. Audit Report (see appendixes).
- II. Unqualified Audit Report based on 2018 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 Fifteen Catalogue

- I. 2018 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. Luo Weikai, 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 2018

Bank of Ningbo Co., Ltd.

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Auditor's Report

A.Y.H.M. (2019) 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 2018, as well as Balance Sheet at 31 December 2018, Income Statement for the year of 2018, 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 2018, 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. (2019) 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
-------------------------	---

Impairment provision for investments in loans and receivables.

The evaluation of the Impairment provision for investments in loans and receivables. Depends on significant judgment. For investment in loans and receivables of significant amount, individual assessment methods is adopted for the impairment evaluation; for investment in loans and receivables of non-significant amount or with no impairment according to individual assessment, it shall be included in the loan portfolio with similar credit risk feature for impairment assessment. The evaluation on the future cash flow of the investments in loans and receivables shall be based on the historical loss experience while taking into consideration the influence of macroeconomic environment change and the uncertainty. Investments in loans and receivables without pledge or guarantee, or with insufficient guarantee value will have high uncertainty level in its future cash flow.

The impairment provision for investments in loans and receivables involves judgment and assumptions, and in view of the significance of the amount (as at 31 December 2018, gross investments in loans and receivables amounted to 551.707 billion Yuan, representing 49.42% of total assets, and impairment allowance for investments in loans and receivables amounted to 20.688 billion Yuan), investments in loans and receivables is considered a key audit matter.

We understand, evaluate and test the approval, post-loan management, credit grading and pledge management of investments in loans and receivables, as well as the design and operating effectiveness of the key controls related thereto, including the relevant data quality and information system.

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.

We assessed the collective impairment model and considered management's assumptions on the classification of customers loans and advances and investment receivable, the migration rate, the loss ratio and impact of macro-economic changes for various types of loan portfolios. We evaluated the Group's modification of parameters and assumptions used in the collective impairment model, and compared them with historical loss data for loan portfolios, observable economic data, market information and industry trends.

We tested the discounted cash flow models and the related assumptions used in

Relevant disclosures are included in Note III. 31, Note V. 9 and 12 and Note XI. 1 to the consolidated financial statements.

individual impairment assessment by assessing the amount, timing and likelihood of estimated future cash flows, and especially the recoverable amount of the pledge. We compared the assumptions with available external information.

Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value and provision for impairment.

Auditor's Report (Continued)

A.Y.H.M. (2019) 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
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<i>Evaluation on consolidation of structured entities</i>	
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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 involve significant judgment and evaluation of management.

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.

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.

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.

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.

Relevant disclosures are included in Note III, 31, Note VI, 2 and 3.

Auditor's Report (Continued)

A.Y.H.M. (2019) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

Other Information included in the Annual Report

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.

Responsibilities of the Management 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. (2019) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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:

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.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Conclude on the appropriateness of the management's 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. (2019) 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:

(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. (2019) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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Ernst & Young Certified Public Accountants (Special partner) CPA: Yan Shengwei (Engagement partner)

CPA: Liu Dalu

Beijing, China

March 28, 2019

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet

For the Year Ended 31 December 2018

Unit: CNY Thousand

Assets	Note V	31 Dec. 2018	31 Dec. 2017
Cash and balances at central banks	1	88,457,374	90,193,821
Due from banks	2	9,251,993	29,550,692
Precious metal	3	7,554,430	843,573
Loans to banks	4	2,417,760	2,045,994
Financial assets designated at fair value with its change enter into income statement	5	134,766,743	146,481,901
Derivative financial assets	6	30,257,173	31,333,752
Recoursable financial assets acquired	7	3,703,483	1,096,968
Interest receivable	8	6,071,662	4,156,455
Loans and advances	9	411,591,615	332,199,308
Available-for-sale financial assets	10	221,033,846	218,842,775
Held-to-maturity investment	11	70,118,200	60,782,788
Accounts receivable held for investment	12	119,427,658	95,278,972
Investment real estate	13	39,240	46,726
Fixed assets	14	5,185,166	4,810,959
Intangible assets	15	346,996	342,963
Construction in progress	16	1,184,628	1,278,052
Deferred income tax assets	17	3,668,448	4,651,064
Other assets	18	1,346,940	8,105,679
Total assets		1,116,423,355	1,032,042,442

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 2018

Unit: CNY Thousand

Liabilities	Note V	31 Dec. 2018	31 Dec. 2017
Due to Central Bank	20	15,500,000	2,500,000
Due to banks and other financial institutions	21	21,214,973	27,292,435
Loans from other banks	22	53,943,803	94,606,096
Financial liabilities designated at fair value with its change enter into income statement	23	11,856,092	5,430,875
Derivative financial liabilities	6	27,564,862	35,168,918
Financial assets sold for repurchase	24	26,930,116	45,988,790
Deposit taking	25	646,721,375	565,253,904
Wages and salaries payable	26	2,248,180	1,996,109
Taxes payable	27	740,442	3,035,863
Interests payable	28	10,287,788	8,375,889
Bonds payable	29	208,437,348	171,499,442
Deferred income	30	427,324	355,374
Other liabilities	31	<u>9,321,184</u>	<u>13,332,775</u>
Total liabilities		<u>1,035,193,487</u>	<u>974,836,470</u>
Shareholders' equity			
Equity	32	5,208,555	5,069,732
Other equity tools	33	16,232,978	6,719,945
Including: preferred shares		14,811,578	4,824,691
Convertible bonds		1,421,400	1,895,254
Capital reserve	34	11,219,205	8,779,906
Other comprehensive income	35	689,316	(2,074,136)
Surplus reserve	36	5,942,864	4,857,149
General risk reserve	37	9,138,300	7,858,597
Undistributed profit	38	<u>32,447,993</u>	<u>25,878,052</u>
Equity attributable to shareholders of the parent company		80,879,211	57,089,245
Minority shareholders' equity		<u>350,657</u>	<u>116,727</u>
Total shareholders' equity		<u>81,229,868</u>	<u>57,205,972</u>
Total liabilities and shareholders' equity		<u>1,116,423,355</u>	<u>1,032,042,442</u>

Attached notes to financial statements are components of the Financial Statements

The Financial Statements are signed by:

Legal Representative:	President:	Financial work principal:	Accounting institution principal:	Seal:
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Bank of Ningbo Co., Ltd.
Consolidated Income Statement
For the Year Ended 31 December 2018

Unit: CNY Thousand

	Note V	2018	2017
I. Operating income		28,930,304	25,314,320
Net interest income	39	19,120,253	16,388,978
Interest income	39	42,871,208	36,524,250
Interest expense	39	(23,750,955)	(20,135,272)
Net fee and commission income	40	5,794,164	5,895,810
Fee and commission income	40	6,329,921	6,371,375
Fee and commission expense	40	(535,757)	(475,565)
Other income	41	40,661	17,661
Investment gains	42	5,072,656	3,344,688
Changes in fair value recognized in profit or loss	43	6,262,824	(5,559,759)
Exchange gain or loss		(7,496,306)	5,205,064
Other operating income	44	30,941	30,552
Assets disposal income	45	105,111	(8,674)
II. Operating expenditure		(17,384,489)	(15,134,415)
Tax and surcharges	46	(200,084)	(247,472)
Business and administration expenses	47	(9,963,906)	(8,766,635)
Assets impairment losses	48	(7,207,407)	(6,108,069)
Other operating expenses	44	(13,092)	(12,239)
III. Operating profits		11,545,815	10,179,905
Non-operating income	49	14,292	29,527
Non-operating expenditure	50	(62,556)	(46,088)
IV. Total profits		11,497,551	10,163,344
Income tax	51	(276,915)	(807,627)
V. Net profits		11,220,636	9,355,717
Including: net profit attributable to the parent company		11,186,356	9,333,572
Minority shareholders' gain and loss		34,280	22,145
VI. Net after-tax value for other comprehensive income		2,763,532	(2,831,317)
Net of tax for other comprehensive income attributable to shareholders of the parent company	35	2,763,452	(2,831,163)
Other comprehensive income will subsequently be reclassified into profit and loss		2,763,452	(2,831,163)
Fair value change on financial assets available for sale		2,768,958	(2,831,163)
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	(154)

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 2018

Unit: CNY Thousand

	Note V	2018	2017
VII. Total comprehensive income		<u>13,984,168</u>	<u>6,524,400</u>
Including: attributable to shareholders of the parent company		13,949,808	6,502,409
Attributable to minority shareholders		34,360	21,991
VIII. Earnings per share (Yuan/share)			
Basic earnings per share	52	2.15	1.80
Diluted earnings per share	52	2.04	1.79

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 2018

Unit: CNY Thousand

2018

Item	Equity attributable to shareholders of the parent company							Subtotal	Minority Shareholders' Equity	Total Shareholders' Equity
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit			
I. Beginning balance	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	-	9,513,033	-	-	-	-	-	9,513,033	-	9,513,033
Capital	-	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	<u>5,208,555</u>	<u>16,232,978</u>	<u>11,219,205</u>	<u>689,316</u>	<u>5,942,864</u>	<u>9,138,300</u>	<u>32,447,993</u>	<u>80,879,211</u>	<u>350,657</u>	<u>81,229,868</u>

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

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 2018

Unit: CNY Thousand

2017

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	3,899,794	4,824,691	9,948,236	757,027	3,946,749	6,686,969	20,214,536	50,278,002	108,111	50,386,113
II. Increase/decrease in the year	1,169,938	1,895,254	(1,168,330)	(2,831,163)	910,400	1,171,628	5,663,516	6,811,243	8,616	6,819,859
(I) Total comprehensive income	-	-	-	(2,831,163)	-	-	9,333,572	6,502,409	21,991	6,524,400
(II) Capital invested and reduced	-	1,895,254	-	-	-	-	-	1,895,254	-	1,895,254
1. Other equity owners' investment										
Capital	-	1,895,254	-	-	-	-	-	1,895,254	-	1,895,254
Convertible bonds equity	-	1,895,254	-	-	-	-	-	1,895,254	-	1,895,254
(III) Profit distribution	-	-	-	-	910,400	1,171,628	(3,670,056)	(1,588,028)	-	(1,588,028)
1. Withdrawal surplus reserves	-	-	-	-	910,400	-	(910,400)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,171,628	(1,171,628)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(1,588,028)	(1,588,028)	-	(1,588,028)
(IV) Internal transfer of owner's equity	1,169,938	-	(1,168,330)	-	-	-	-	1,608	(13,375)	(11,767)
1. Capital reserves converted to equity	1,169,938	-	(1,169,938)	-	-	-	-	-	-	-
2. Others	-	-	1,608	-	-	-	-	1,608	(13,375)	(11,767)
III. End balance	<u>5,069,732</u>	<u>6,719,945</u>	<u>8,779,906</u>	<u>(2,074,136)</u>	<u>4,857,149</u>	<u>7,858,597</u>	<u>25,878,052</u>	<u>57,089,245</u>	<u>116,727</u>	<u>57,205,972</u>

Notes: including the general risk reserve by the subsidiary amounted to 1,4217,000 Yuan.

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 2018

Unit: CNY Thousand

	Note V	2018	2017
I. Cash flow from operating activities			
Net increase in deposits from customers		84,137,174	53,376,188
Net increase in loan from the central bank		13,000,000	-
Cash received from interest, fees and commission		30,886,030	27,080,750
Net increase in placements from other financial institutions		-	29,961,600
Net decrease in loan to the central bank and other financial institutions		833,479	844,960
Other cash received relating to operating activities	54	<u>8,882,911</u>	<u>7,618,248</u>
Sub-total of cash inflow from operating activities		<u>137,739,594</u>	<u>118,881,746</u>
Net increase in loans and advance payments to customers		82,277,291	45,193,558
Net decrease in loan from central bank		-	23,500,000
Net increase in balances with central bank and due from other banks		73,470,582	-
Cash paid to interest, fees and commission		14,958,021	14,759,594
Cash paid to and on behalf of employees		6,178,583	5,321,913
Taxes paid		4,271,716	3,338,616
Cash paid relating to other operating activities	55	<u>7,562,548</u>	<u>8,767,086</u>
Sub-total of cash outflow from operating activities		<u>188,718,741</u>	<u>100,880,767</u>
Net cash flows generated from operating activities	56	<u>(50,979,147)</u>	<u>18,000,979</u>
II. Cash flow from investing activities			
Cash received from investment		4,843,439,077	3,195,637,198
Cash received from returns on investment		17,131,723	21,433,806
Other cash received relating to investing activities		<u>387,565</u>	<u>203,944</u>
Sub-total of cash inflow from investing activities		<u>4,860,958,365</u>	<u>3,217,274,948</u>
Cash paid as investment		4,866,486,011	3,296,144,269
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>1,290,487</u>	<u>998,170</u>
Sub-total of cash outflow from investing activities		<u>4,867,776,498</u>	<u>3,297,142,439</u>
Net cash flow from investing activities		<u>(6,818,133)</u>	<u>(79,867,491)</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 2018****Unit: CNY Thousand**

	Note V	2018	2017
III. Cash flow from financing activities			
Cash received by absorbing investment		10,186,457	1,895,254
Cash received by bonds issuing		<u>452,270,000</u>	<u>456,500,000</u>
Sub-total of cash inflow from financing activities		<u>462,456,457</u>	<u>458,395,254</u>
Cash for payment of borrowing		413,245,942	395,930,000
Cash paid for distribution of dividends or profits, or cash paid for interests		<u>10,218,696</u>	<u>8,396,347</u>
Sub-total of cash outflow from financing activities		<u>423,464,638</u>	<u>404,326,347</u>
Net cash flow from financing activities		<u>38,991,819</u>	<u>54,068,907</u>
IV. Effect of foreign exchange rate change on cash		<u>233,627</u>	<u>206,786</u>
V. Net increase in cash and cash equivalents		<u>(18,571,834)</u>	<u>(7,590,819)</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>44,145,049</u>	<u>51,735,868</u>
VI. Balance of cash and cash equivalents at the end of the year	53	<u>25,573,215</u>	<u>44,145,049</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 2018****Unit: CNY Thousand**

Assets	Note XIII	31 Dec. 2018	31 Dec. 2017
Cash and deposits at central banks		88,457,305	90,193,752
Due from other banks		9,157,897	28,360,156
Precious metal		7,554,430	843,573
Loans to other banks		2,517,760	3,445,994
Financial assets designated at fair value			
with its change enter into income statement		133,672,485	145,775,737
Derivative financial assets		30,257,173	31,347,221
Recoursable financial assets acquired		3,703,483	1,093,968
Interest receivable		5,824,807	3,992,744
Loans and advances	2	391,671,249	315,906,644
Available-for-sale financial assets		221,029,042	218,812,977
Held-to-maturity investments		70,108,013	60,782,788
Accounts receivable held for investment		119,194,658	95,198,972
Long-term equity investment	1	2,647,200	1,646,770
Investment real estate		39,240	46,726
Fixed assets		5,173,659	4,803,659
Intangible assets		337,537	334,700
Construction in progress		1,175,974	1,271,618
Deferred income tax assets		3,568,897	4,595,526
Other assets		1,094,271	7,687,284
Total assets		<u>1,097,185,080</u>	<u>1,016,140,809</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 2018

Unit: CNY Thousand

Liabilities	Note XIII	31 Dec. 2018	31 Dec. 2017
Due to Central Banks		15,500,000	2,500,000
Deposits by banks and other financial institutions		21,229,586	27,363,840
Loan from other banks		37,963,441	80,882,868
Loan from other banks with its change enter into income statement		11,830,546	5,374,442
Derivative financial liabilities		27,564,862	35,161,480
Financial assets sold for repurchase		26,930,116	45,988,790
Deposits taking		647,687,269	565,328,526
Wages and salaries payable		2,139,486	1,930,448
Taxes payable		613,823	2,965,134
Interests payable		10,115,018	8,194,894
Bonds payable		208,437,348	171,499,442
Deferred income		33,094	3,488
Other liabilities		<u>7,045,132</u>	<u>12,312,658</u>
Total liabilities		<u>1,017,089,721</u>	<u>959,506,010</u>
Shareholders' equity			
Equity		5,208,555	5,069,732
Other equity tool		16,232,978	6,719,945
Including: preferred shares		14,811,578	4,824,691
Convertible bonds		1,421,400	1,895,254
Capital reserve		11,219,025	8,779,726
Other comprehensive income		689,235	(2,074,016)
Surplus reserve		5,942,864	4,857,149
General risk reserve		8,800,667	7,728,893
Undistributed profits		<u>32,002,035</u>	<u>25,553,370</u>
Total shareholders' equity		<u>80,095,359</u>	<u>56,634,799</u>
Total shareholders' equity		<u>1,097,185,080</u>	<u>1,016,140,809</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Company Income Statement
For the Year Ended 31 December 2018

Unit: CNY Thousand

	Note XIII	2018	2017
I. Operating income		27,956,655	24,707,073
Net interest income	3	18,905,987	16,275,783
Interest income	3	41,908,100	35,912,285
Interest expense	3	(23,002,113)	(19,636,502)
Net fee and commission income		5,080,820	5,412,890
Fee and commission income		5,610,544	5,880,311
Fee and commission expense		(529,724)	(467,421)
Other income		31,699	17,090
Investment gains		5,035,433	3,343,544
Changes in fair value recognized in profit or loss		6,241,827	(5,549,038)
Exchange gain or loss		(7,475,589)	5,184,852
Other operating income		31,367	30,542
Assets disposal income		<u>105,111</u>	<u>(8,590)</u>
II. Operating expenditure		(16,885,514)	(14,860,161)
Tax and surcharges		(192,029)	(239,564)
Business and administration expenses		(9,718,371)	(8,606,497)
Assets impairment losses		(6,962,022)	(6,001,860)
Other operating expenses		<u>(13,092)</u>	<u>(12,240)</u>
III. Operating profits		11,071,141	9,846,912
Non-operating income		14,187	29,409
Non-operating expenditure		<u>(62,527)</u>	<u>(46,076)</u>
IV. Total profits		11,022,801	9,830,245
Income tax		<u>(165,650)</u>	<u>(726,243)</u>
V. Net profits		<u>10,857,151</u>	<u>9,104,002</u>
VI. Net after-tax value of other comprehensive income		2,763,251	(2,830,852)
Other comprehensive income will subsequently be reclassified to the income statement		2,763,251	(2,830,852)
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		2,768,757	(2,830,852)
		<u>(5,506)</u>	<u>-</u>
VII. Total comprehensive income		<u>13,620,402</u>	<u>6,273,150</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 2018

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. Balance at the beginning of 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) Comprehensive income	-	-	-	2,763,251	-	-	10,857,151	13,620,402
(II) Capital invested and reduced by shareholders	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 reserves	-	-	-	-	-	1,071,774	(1,071,774)	-
3. Dividend distribution	-	-	-	-	-	-	(2,250,997)	(2,250,997)
III. Balance at the end 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.
Statement of Changes in Shareholders' Equity (Continued)
For the Year Ended 31 December 2018

Unit: CNY Thousand

2017

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk reserve	Undistributed Profits	Total shareholder's equity
I. Balance at the beginning of year	3,899,794	4,824,691	9,949,664	756,836	3,946,749	6,571,482	20,105,207	50,054,423
II. Increase/decrease in the year	1,169,938	1,895,254	(1,169,938)	(2,830,852)	910,400	1,157,411	5,448,163	6,580,376
(I) Comprehensive income	-	-	-	(2,830,852)	-	-	9,104,002	6,273,150
(II) Capital invested and reduced by shareholders	-	1,895,254	-	-	-	-	-	1,895,254
1. Other equity owners' investment	-	-	-	-	-	-	-	-
Capital	-	1,895,254	-	-	-	-	-	1,895,254
Convertible bonds equity	-	1,895,254	-	-	-	-	-	1,895,254
(III) Profit distribution	-	-	-	-	910,400	1,157,411	(3,655,839)	(1,588,028)
1. Withdrawal surplus reserves	-	-	-	-	910,400	-	(910,400)	-
2. Withdrawal general risk reserves	-	-	-	-	-	1,157,411	(1,157,411)	-
3. Dividend distribution	-	-	-	-	-	-	(1,588,028)	(1,588,028)
(IV) Transfers within the owners' equity	1,169,938	-	(1,169,938)	-	-	-	-	-
1. Capital transferred from capital surplus	1,169,938	-	(1,169,938)	-	-	-	-	-
III. Balance at the end of the year	<u>5,069,732</u>	<u>6,719,945</u>	<u>8,779,726</u>	<u>(2,074,016)</u>	<u>4,857,149</u>	<u>7,728,893</u>	<u>25,553,370</u>	<u>56,634,799</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 2018

Unit: CNY Thousand

	Note XIII	2018	2017
I. Cash flow from operating activities			
Net increase in deposits from customers		85,028,447	51,880,102
Net increase in loan from the central bank		13,000,000	-
Cash received from interest, fees and commission		29,237,125	25,751,441
Net increase in placements from other financial institutions		-	26,850,329
Net decrease in loan to the central bank and other financial institutions		803,240	799,102
Other cash received relating to operating activities		<u>8,087,885</u>	<u>7,393,077</u>
Sub-total of cash inflow from operating activities		<u>136,156,697</u>	<u>112,674,051</u>
Net increase in loans and advance payments to customers		79,507,806	41,234,078
Net decrease in loans from other financial institutions		-	23,500,000
Net increase in balances with central bank and due from other banks		74,427,718	-
Cash paid to interest, fees and commission		14,139,159	14,273,512
Cash paid to and on behalf of employees		6,048,636	5,245,407
Taxes paid		3,939,533	3,189,472
Cash paid relating to other operating activities		<u>7,009,914</u>	<u>8,347,317</u>
Sub-total of cash outflow from operating activities		<u>185,072,766</u>	<u>95,789,786</u>
Net cash flows generated from operating activities	4	<u>(48,916,069)</u>	<u>16,884,265</u>
II. Cash flow from investing activities			
Cash received from investment		4,842,826,402	3,195,628,816
Cash received from returns on investment		17,106,757	21,433,220
Other cash received relating to investing activities		<u>379,858</u>	<u>190,596</u>
Sub-total of cash inflow from investing activities		<u>4,860,313,017</u>	<u>3,217,252,632</u>
Cash paid as investment		4,866,562,820	3,296,214,269
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>1,271,173</u>	<u>981,328</u>
Sub-total of cash outflow from investing activities		<u>4,867,833,993</u>	<u>3,297,195,597</u>
Net cash flow from investing activities		<u>(7,520,976)</u>	<u>(79,942,965)</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 2018

Unit: CNY Thousand

	Note XIII	2018	2017
III. Cash flow from financing activities			
Cash received by absorbing investment		9,986,887	1,895,254
Cash received by bonds issuing		<u>452,270,000</u>	<u>456,500,000</u>
Sub-total of cash inflow from financing activities		<u>462,256,887</u>	<u>458,395,254</u>
Cash for payment of borrowing		413,245,942	395,930,000
Cash paid for distribution of dividends or profits, or cash paid for interests		<u>10,218,696</u>	<u>8,396,347</u>
Sub-total of cash outflow from financing activities		<u>423,464,638</u>	<u>404,326,347</u>
Net cash flow from financing activities		<u>38,792,249</u>	<u>54,068,907</u>
IV. Effect of foreign exchange rate change on cash		<u>233,091</u>	<u>207,371</u>
V. Net increase in cash and cash equivalents		<u>(17,411,705)</u>	<u>(8,782,422)</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>42,966,408</u>	<u>51,748,830</u>
VI. Balance of cash and cash equivalents at the end of the year		<u><u>25,554,703</u></u>	<u><u>42,966,408</u></u>

Attached notes to financial statements are components of the Financial Statements

Group Profile

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").

Structure

As of December 31, 2018, the Bank has established 12 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, Zhejiang Province, and branches located in Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou and Jiaxing. The consolidation scope of consolidated financial statements is determined on the basis of control.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements

For the Year Ended 31 December 2018

Unit: CNY Thousand

This Financial Statement was submitted and approved by the board of director of the Company on Mar, 28, 2019. According to the Articles of Association of the Company, the Financial Statement will be submitted to the shareholders' meeting for approval.

Basis for Preparation of the Financial Statement

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.

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 2018 and the operating results and cash flow for 2018.

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 acquire 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 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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

For the Year Ended 31 December, 2018

Unit: CNY Thousand

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.

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. Cash equivalents include the

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

For the Year Ended 31 December, 2018

Unit: CNY Thousand

non-limiting balances in the Central Bank those with less than three months' original maturity date, due from other banks, loans to other banks, redemptory monetary capital for sale as well as bond investment that are readily convertible to known amounts of cash in short notice and which are subject to and insignificant risk of change in value, with less than three months' maturity from the date of acquisition.

III. Critical Accounting Policies and Estimates (continued)

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.

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

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:

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

For the Year Ended 31 December, 2018

Unit: CNY Thousand

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

The financial assets of the Group are classified into four categories at initial recognition: financial assets designated at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets. The Group classifies financial assets at initial recognition and measures financial assets at fair value. 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 classification.

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are classified as held for trading if they satisfy any of following requirements: they are acquired for the purpose of selling in the near term; they are part of a portfolio of identified financial instruments that are managed together and there is evidence of recent actual pattern of short-term profit-making; they are derivatives unless they are designated and effective as hedging instruments, or financial guarantee contracts, or connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument. Financial assets held for trading are subsequently measured at fair value. All realized and unrealized profit and loss shall be recorded in the income statement. Interest and dividend revenues from financial assets designated at fair value through profit or loss shall be recorded into the current profit and loss.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial assets (continued)

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

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

- (1) The assignment can eliminate or significantly reduce recognition or measurement inconsistencies of relevant gains or losses that would arise from different measurement bases of financial instruments.
- (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 financial instruments containing one or more embedded derivative instruments, except the derivative instruments have no significant effect on the cash flow of the mixed instruments, or such 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.

Equity instrument investment that has no quoted price in an active market and whose fair value cannot be measured reliably shall not be assigned as financial asset entered into income statement on its fair value.

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 shall other financial assets be reclassified as financial assets entered into income statement on its fair value.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold until maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the held-to-maturity investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when such assets are

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

For the Year Ended 31 December, 2018

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derecognized or impaired, as well as through the amortization process. Loans and receivable mainly include the issuing of loans and advance payment, receivables, as well as discount on notes.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial assets (continued)

Loans and receivables (continued)

Discount on notes refer to such funds used for the discount of premature notes. Discount on notes is calculated by the par value lesses the unrealized discount interest. The interest of discount of notes is confirmed by means of actual interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated at initial recognition or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently remeasured at fair value. Premiums and discounts on available-for-sale financial assets are amortized using the effective interest method and are taken as interest income or expense. Except for impairment loss and exchange rate differences rising from monetary financial assets in foreign currency, changes in fair value of available-for-sale financial assets are recognized as other comprehensive income in the item of capital reserve until the financial asset is derecognized or determined to be impaired at which time the cumulative gains or losses previously recorded in equity are transferred to the income statement. Interest and dividend revenues from available-for-sale financial assets are recorded in the income statement.

Equity instrument investment that has no quoted price in an active market and whose fair value cannot be measured reliably shall be measured according to the cost.

Where the intention of holding or the ability to hold changes, or the fair value cannot be reliably measured any more, or the term of holding has exceeded the restricted term for held-to-maturity investments (latest three accounting years including this year), which makes it no longer suitable to measure the financial asset at fair value, the Bank shall measure the said financial asset on the basis of amortized cost. Such amortized cost at the re-classification day shall be the fair value or carrying amount of the financial asset. Where such financial asset has a fixed date of maturity, the gains or losses that are related to the said financial asset and that are directly included in the owner's equity, together with the differences between the amortized cost and the amount at the maturity date, shall be amortized within the remaining period of the said financial asset using the effective interest method and recorded into the income statement. Where such financial asset does not have a fixed date of maturity, the gains or losses mentioned above shall remain in the owner's equity and recorded into the income statement when the said financial asset is transferred out at its disposal.

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

For the Year Ended 31 December, 2018

Unit: CNY Thousand

Group classifies financial liabilities at initial recognition. 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.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial liabilities (continued)

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 and those designated at fair value through profit or loss at inception. Financial liabilities are classified as held for trading if they satisfy any of following requirements: they are acquired for the purpose of repurchase in the near term; they are part of a portfolio of identified financial instruments that are managed together and there is evidence of recent actual pattern of short-term profit-making; they are derivatives unless they are designated and effective as hedging instruments, or financial guarantee contracts, or connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument. Financial liabilities held for trading are subsequently measured at fair value. All realized and unrealized profit and loss shall be recorded in the income statement.

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) The assignment can eliminate or significantly reduce recognition or measurement inconsistencies of relevant gains or losses that would arise from different measurement bases of financial instruments.
- (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 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.

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 shall other financial assets be reclassified as financial assets entered into income statement on its fair value.

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 shall other financial assets be reclassified as financial assets entered into income statement on its fair value.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial liabilities (continued)

Other financial liabilities

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

Offset of financial instrument

After the following conditions are satisfied, financial assets and financial liabilities are listed in balance sheet as the net amount after offsetting each other: the financial assets and liabilities have the legal right to offset recognized amount and the legal right is currently executable; they are listed on their net amount, or the financial assets is realized with the financial liability being liquidated at the meanwhile.

Financial guarantee contracts

Financial guarantee contracts refer to contracts between the guarantor and the creditor under which the guarantor shall pay the debts or assume the responsibilities as agreed in case that the debtor fails to pay the debts. Financial guarantee contracts are initially recognized and measured at fair value. After initial recognition, financial guarantee liabilities are measured at the higher of the best estimate of the expenditure required to settle the obligations, and initial fair value, less cumulative amortization.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks with foreign currency and interest rate fluctuations. Such 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. However, derivative financial instruments which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument shall be measured at cost.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the income statement.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Convertible bond

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.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Impairment of financial assets

An assessment is made on the book value of the financial assets at each balance sheet date to determine whether there is objective evidence of impairment of financial assets as a result of one or more events that occur after the initial recognition of those assets and whether the loss events have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Impairment provision shall be recorded if there is such evidence. Objective evidence to impairment of financial assets includes serious financial difficulties of distributor or debtor, debtor's breach of contract, such as default or late payment of interest or capital and so on, bankruptcy or financial restructure of debtor, and reduction and measurability of future cash flow predicted by public data.

Financial assets measured at amortized cost

In case of any objective evidence showing the impairment of financial assets, impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (determined at initial recognition) and making reference to the value of any relevant collaterals. The impairment loss is recorded in the income statement. With respect to floating interest rate, the discount rate shall be the current effective interest rate determined under the contract for calculating the present value of estimated future cash flows.

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If it exists, impairment loss is determined and recorded in the income statement. Financial assets which are not individually significant or for which there is no evidence of impairment after individual assessment (whether individually significant or not) are included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Impairment of financial assets (continued)

Financial assets measured at amortized cost (continued)

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the assets does not exceed its amortized cost at the reversal date.

Financial assets measured at cost

In case of any objective evidence shows that an impairment loss has been incurred on a financial asset, the amount of the impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

In case of any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss rising from the decrease of fair value is removed from other comprehensive income and recognized in the income statement, and is measured as the difference between the acquisition cost (net of any principle repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss statement.

Objective evidence to impairment of available-for-sale investment of equity instrument includes serious or non-transient decline of fair value. “Serious” shall be judged according to the degree that fair value is lower than cost while “non-transient” is determined according to the length of period that fair value is lower than cost. Should there be objective evidence to impairment, accumulated losses rolled out shall be the balance of acquisition cost less current fair value and impairment losses in profits and losses. Impairment loss of available-for-sale investment of equity instrument shall not be reversed through profits and losses. The increase of fair value incurred after impairment shall be directly recognized in other comprehensive income.

When defining “serious” or “non-transient”, the Group shall make judgment according to the degree or length of period that fair value is lower than cost, combined with other factors.

For available-for-sale investment of debt instrument, the impairment shall be evaluated in the same way as financial asset measured by amortized cost. However, the accumulated losses rolled out shall be the balance of amortized costs less current fair value and impairment losses recorded in profits and losses. Interest income after

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

For the Year Ended 31 December, 2018

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impairment shall be calculated and recognized as with the interest rate as according to the discount rate adopted in discounting future cash flow to determine impairment losses.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

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.

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.

III. Critical Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

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 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.

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.

III. Critical Accounting Policies and Estimates (continued)

13. Fixed assets (continued)

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:

<u>Category</u>	<u>Expected Useful Life</u>	<u>Expected Net Salvage Value</u>	<u>Annual Depreciation Rate</u>
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.

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. Intangible assets

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:

<u>Category</u>	<u>Useful Life</u>
Software	5 years
Land-use rights	40 years
Membership right	10 years

III. Critical Accounting Policies and Estimates (continued)

15. Intangible assets (continued)

Land-use rights acquired by purchase or payment of land-transferring fees by the Group are calculated as intangible assets. Payments for purchased land or buildings are allocated between the land-use rights and buildings. If it is difficult to allocate, the entire payments are included in the cost of fixed assets.

Intangible assets with limited useful life are amortized using the straight-line basis over the period of using. The useful life and amortization of above intangible assets shall be reviewed and adjusted if necessary by the Group at least once at the year end.

16. 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).

The fixed assets rented for operation will be amortized over the rent period.

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.

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.

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.

17. 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.

III. Critical Accounting Policies and Estimates (continued)

18. 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.

19. Contingent liabilities

A contingent liability is a potential obligation that arises from past transactions or events and whose existence would only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events that is not recognized because it is unlikely to give rise to an outflow of economic resources or the amount under such obligation cannot be measured reliably.

III. Critical Accounting Policies and Estimates (continued)

20. 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.

21. 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.

22. Principle and methods for income confirmation

Interest income and expense

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.

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Fee and commission income

Fee and commission income are recognized on accrual basis after services are provided and received payments are reasonably estimated.

III. Critical Accounting Policies and Estimates (continued)

23. Principle and methods for income confirmation (continued)

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.

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.

III. Critical Accounting Policies and Estimates (continued)

25. 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 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.

26. 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 income tax is the expected tax payable on the taxable income for the year, calculated using tax rates enacted and any adjustment to pre-tax accounting profit.

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.

III. Critical Accounting Policies and Estimates (continued)

26. Income taxes (continued)

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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (continued)

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When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

III. Critical Accounting Policies and Estimates (continued)

26. 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.

27. 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)

28. Profit distribution

Cash dividends of the Group are recognized as liabilities after the approval of the shareholders' meeting.

29. Fair Value Measurement

On each balance sheet date, the Group measures investment real estate and derivative financial instrument by fair value. 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)

30. 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) joint ventures and their subsidiaries;
- 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.

III. Critical Accounting Policies and Estimates (continued)

31. 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.

Judgments

The management makes following adjustments which have significant effects on recognized amounts in the financial statements when applying accounting policies of the Group:

Classification of financial assets

The management have to make significant adjustments on the classification of financial assets which would affect accounting methods and financial position of the Bank.

Merge 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 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)

31. 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 losses of loans and receivables investment

The Group periodically determines whether there is any objective evidence of impairment losses on loans and receivables investment. If any such evidence exists, the Group assesses the amount of impairment losses which is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgment on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows

Impairment of available-for-sale financial assets

The Group classifies some assets as available-for-sale assets and records their changes on fair value into the shareholders' equity. Where the fair value declines, the management makes assumptions to determine whether impairment losses shall be recognized in the income statement.

Impairment of held-to-maturity investment

The determination of such asset impairment relies heavily on the management's judgment. During the process of judgment, the Group needs to estimate the extent to which the fair value of such investment is lower than the cost, the extent to which the fair value concerning credit events changes during the period, and financial status and short-term business expectations of the investee, including industrial conditions, technological change, credit rating, default rate, loss coverage and counterparty risks.

Impairment of non-current assets except the financial assets

The Group assesses whether there is any evidence of impairment in non-current assets except the financial assets. If there is any evidence showing the carrying amount of a non-current asset except for financial assets is unrecoverable, an impairment assessment would be carried out. The management has to estimate the expected future cash flow of the asset or the asset group to determine the present value of the expected future cash flow using the appropriate discount rate.

Fair value of non-listed equity investment

The estimate of non-listed equity investment is the expected future cash flow discounted according to the current discount rate of other financial instrument with similar contract provisions and risk features. It requests the Group to estimate expected future cash flow, credit risk, fluctuation and discount rate, which is of great uncertainty.

III. Critical Accounting Policies and Estimates (continued)

31. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates (continued)

Fair value of financial instruments

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.

Deferred income tax assets

For all deductible losses which have not been utilized, deferred income tax assets are recognized to the extent that it is probable that the sufficient taxable income is available to cover the deductible losses. This requires significant amount of estimation on the acquisition time and amount of future taxable income with the tax payment strategy, to determine the amount of deferred income tax assets to be recognized.

IV. Taxation

The group principal taxes and their tax rates are listed as below:

<u>Category</u>	<u>Tax basis</u>	<u>Rate</u>
VAT	Taxable interests income(note1)	6%
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, 2018	Dec 31, 2017
Cash on hand	1,313,405	1,331,317
Statutory deposit reserve in the central bank	72,133,771	77,475,652
Provision in the central bank	11,831,576	10,639,892
Public Finance-cash In Bank in the central banks	<u>3,178,622</u>	<u>746,960</u>
	<u>88,457,374</u>	<u>90,193,821</u>

By 31 December 2018, 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 11% of the RMB deposit at the end of the early month (31 Dec. 2017: 13.5%). While those denominated in foreign currencies was 5% (31 Dec. 2017: 5%) of the previous month regulated by the People's Bank of China.

2. Due from other banks

	Dec 31, 2018	Dec 31, 2017
Due from domestic banks	1,891,762	22,893,212
Due from other domestic financial institutions	3,403,847	4,401,277
Due from foreign banks	<u>3,977,996</u>	<u>2,256,203</u>
	<u>9,273,605</u>	<u>29,550,692</u>
Provision for depreciation (Note V. 19)	<u>(21,612)</u>	<u>-</u>
	<u>9,251,993</u>	<u>29,550,692</u>

3. Noble metal

	Dec 31, 2018	Dec 31, 2017
Noble metal - gold	7,415,214	760,429
Noble metal - silver	<u>139,216</u>	<u>83,144</u>
	<u>7,554,430</u>	<u>843,573</u>

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V. Notes to Items in the Consolidated Financial Statements (continued)

4. Loans to other banks

	Dec 31, 2018	Dec 31, 2017
Banks	19,566	324,277
Other financial institutions	<u>2,398,194</u>	<u>1,721,717</u>
	<u><u>2,417,760</u></u>	<u><u>2,045,994</u></u>

5. Financial assets measured by fair value and enter the current income statement

	Dec 31, 2018	Dec 31, 2017
<i>Trading financial assets</i>		
Debt instrument		
Government bonds	537,159	12,560,323
Policy financial bonds	9,923,312	2,397,804
Deposit from other banks	2,761,379	12,100,921
Corporate bonds	4,716,459	132,456
Corporate bonds		
Capital investment	116,826,007	119,227,722
Stock investment	1,427	59,675
<i>For Financial assets measured by fair value and enter the current profit and loss statement</i>		
Equity instruments	<u>1,000</u>	<u>3,000</u>
	<u><u>134,766,743</u></u>	<u><u>146,481,901</u></u>

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V. Notes to Items in the Consolidated Financial Statements (continued)

6. Derivative financial instruments

Nominal amount and fair value of derivative financial instruments held by the Bank as follows:

	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>

	Nominal amount	Dec 31, 2017	
		Fair value	
		Assets	Liabilities
Currency forward	15,930,087	246,869	(216,608)
Currency swap	1,943,728,242	26,487,224	(30,420,751)
Interest rate swap	1,097,759,459	3,366,548	(3,306,995)
Currency exchange	1,916,509	35,723	(308)
Option	85,409,673	1,019,109	(1,150,819)
Nobel metal forward/swap	18,583,605	178,279	(73,437)
	<u>1,362,133,845</u>	<u>13,939,542</u>	<u>(12,164,267)</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.

V. Notes to Items in the Consolidated Financial Statements (continued)

7. Buying back the sale of financial assets

	Dec 31, 2018	Dec 31, 2017
Classified by pledges:		
Bonds	<u>3,703,483</u>	<u>1,096,968</u>
	<u>3,703,483</u>	<u>1,096,968</u>
Classified by counter party:		
Banks	100,007	1,096,968
Other financial institutions	<u>3,603,476</u>	<u>-</u>
	<u><u>3,703,483</u></u>	<u><u>1,096,968</u></u>

Pledge situation of buying back the sale of financial assets is as follows:

The group has no buying back of the sale of financial assets in 2018.

Dec. 31, 2017

Pledged asset	Par value	Purpose	Amount	Expiry date
buying back the sale of financial assets -bond	Financial assets sold 1,000,000	for repurchase-bond	976,918	Jan. 2, 2018

V. Notes to Items in the Consolidated Financial Statements (continued)

8. Interest receivable

	<u>Dec 31, 2018</u>		<u>Dec 31, 2017</u>	
	Amount	Proportion	Amount	Proportion
Financial assets investment interest receivable	3,644,016	60.02%	2,969,074	71.43%
Interest receivable from				
financial institutions	67,700	1.12%	91,699	2.21%
Interest receivable on loans	1,593,972	26.25%	832,844	20.04%
Interest receivable on swap	713,694	11.75%	226,505	5.45%
Interest receivable from redemptory				
monetary capital for sale	6,308	0.10%	587	0.01%
Other interest receivables	<u>46,039</u>	<u>0.76%</u>	<u>35,746</u>	<u>0.86%</u>
Total interest receivable	6,071,729	100.00%	4,156,455	100.00%
Less: bad-debt provision for interest receivable	<u>(67)</u>		<u>-</u>	
	<u>6,071,662</u>	<u>100.00%</u>	<u>4,156,455</u>	<u>100.00%</u>

9. Loans and advance payments

9.1. Classified by corporation and individual

	Dec 31, 2018	Dec 31, 2017
Individual loans and advance		
Individual consumption loan	114,974,875	87,301,230
Individual operating loan	20,842,982	17,237,071
Individual housing loan	<u>1,248,329</u>	<u>1,125,700</u>
Total individual loans and advance	137,066,186	105,664,001
Less: allowance for impairment losses for individual	<u>(1,913,569)</u>	<u>(1,277,508)</u>
	135,152,617	104,386,493
Corporate loans and advances		
Loan	242,302,416	212,156,660
Discount	44,943,328	24,132,284
Trade finance	<u>4,774,997</u>	<u>4,247,835</u>
Total corporate loan and advance	292,020,741	240,536,779
Less: impairment provision for corporate	<u>(15,581,743)</u>	<u>(12,723,964)</u>
	276,438,998	227,812,815

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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Net value of corporate loan and advance	<u>411,591,615</u>	<u>332,199,308</u>
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See Note XI/2.1 for loans of shareholders with 5% or more than 5% shareholding.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

9. Loans and advance payments (continued)

9.2. Classification of guarantees for loans and advance payments

	Dec 31, 2018	Dec 31, 2017
Credit	135,370,570	97,112,884
Guarantee	130,001,693	119,976,172
Mortgage	112,288,721	98,858,925
Pledge	<u>51,425,943</u>	<u>30,252,799</u>
Total	429,086,927	346,200,780
Less: impairment provision	<u>(17,495,312)</u>	<u>(14,001,472)</u>
Net value of loans and advances	<u><u>411,591,615</u></u>	<u><u>332,199,308</u></u>

9.3. Overdue loans

	Dec 31, 2018				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit	228,019	454,168	218,796	25,786	926,769
Guarantee	175,403	182,808	514,539	7,460	880,210
Mortgage/pledge	<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>
	Dec 31, 2017				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit	181,280	249,097	108,095	15,785	554,257
Guarantee	55,628	582,434	111,061	115	749,238
Mortgage/pledge	<u>251,313</u>	<u>621,804</u>	<u>514,007</u>	<u>16,429</u>	<u>1,403,553</u>
	<u><u>488,221</u></u>	<u><u>1,453,335</u></u>	<u><u>733,163</u></u>	<u><u>32,329</u></u>	<u><u>2,707,048</u></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)

9. Loans and advance payments (continued)

9.4. Allowance for impairment losses

	Dec 31, 2018		
	Individual item	Portfolio	Total
Balance at the beginning of the year	1,382,944	12,618,528	14,001,472
Drawing in the year	399,701	3,544,234	3,943,935
Write-off	(840,346)	(301,433)	(1,141,779)
Transfer in	600,131	136,611	736,742
Including: <i>received from loans for sale and reconciliation from advance payment</i>	600,131	136,611	736,742
Transfer in of back of depreciated loan interest	(39,777)	(5,281)	(45,058)
Balance at the end of the year	<u>1,502,653</u>	<u>15,992,659</u>	<u>17,495,312</u>

	Dec 31, 2017		
	Individual item	Portfolio	Total
Balance at the beginning of the year	1,072,880	8,645,457	9,718,337
Drawing in the year	1,580,842	4,136,820	5,717,662
Write-off	(1,626,681)	(316,200)	(1,942,881)
Transfer in	401,053	163,238	564,291
Including: <i>received from loans for sale and reconciliation from advance payment</i>	401,053	163,238	564,291
Transfer in of back of depreciated loan interest	(45,150)	(10,787)	(55,937)
Balance at the end of the year	<u>1,382,944</u>	<u>12,618,528</u>	<u>14,001,472</u>

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V. Notes to Items in the Consolidated Financial Statements (continued)

10. Available-for-sale financial assets

	Dec 31, 2018	Dec 31, 2017
Debt instrument available for sale		
Measured by fair value		
Government bond	82,273,588	84,150,200
Policy based financial bond	4,386,598	4,243,865
Corporate bond	7,795,603	2,996,683
Due from other banks	18,359,805	34,204,143
Other financial bonds	621,249	689,293
Wealth management products and trust plan	<u>74,500,744</u>	<u>60,400,599</u>
Equity instrument available for sale		
Measured by fair value		
Capital investment	<u>33,118,295</u>	<u>32,131,430</u>
Depreciation reserves (Note V: 19)	<u>(50,296)</u>	<u>(1,698)</u>
Subtotal	<u>221,005,586</u>	<u>218,814,515</u>
Measured by cost		
Stock right investment	<u>28,260</u>	<u>28,260</u>
	<u>221,033,846</u>	<u>218,842,775</u>

Available-for-sale financial assets measured by fair value

	2018		
	Available for sale Equity instrument	Available for sale Debt instrument	Total
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
Total fair value changes enter into other			
comprehensive income	379,849	520,210	900,059
Provision for impairment	<u>-</u>	<u>(50,296)</u>	<u>(50,296)</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

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

Available-for-sale financial assets measured by fair value (continued):

	2017		Total
	Available for sale Equity instrument	Available for sale Debt instrument	
Equity instrument cost/debt instrument			
amortized cost	32,098,378	189,508,128	221,606,506
Fair value	32,129,732	186,684,783	218,814,515
Total fair value changes enter into other			
comprehensive income	31,354	(2,823,345)	(2,791,991)
Provision for impairment	(1,698)	-	(1,698)

Available for sale financial assets measured by cost:

2018

	Account balance		Impairment		shareholding ratio (%) cash dividend	2018
	Year begin	year end	year begin	year 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>

2017

	Account balance		Impairment		shareholding ratio (%) cash dividend	2017
	Year begin	year end	year begin	year end		
China Union Co., Ltd.	13,000	13,000	-	-	0.34	800
Clearing Center for City Commercial Bank	250	250	-	-	0.83	-
Lushan Tourism Development Stock Co., Ltd.	-	15,010	-	-	1.50	-
	<u>13,250</u>	<u>28,260</u>	<u>-</u>	<u>-</u>		<u>800</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

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

Details of pledges in available-for-sale investments as follows:

Dec 31, 2018

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2019
Available-for-sale investment -bond	20,084,885-bond		18,960,721	-Jan 12, 2019

Dec 31, 2017

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2018
Available-for-sale investment -bond	33,605,778-bond		30,711,379	- Jan 23 2018

11. Held-to-maturity investments

	Dec 31, 2018	Dec 31, 2017
Government bond	69,669,255	60,498,541
Corporate bond	-	50,000
Bond of other financial institution	<u>448,945</u>	<u>284,247</u>
Depreciation reserves (Note V: 19)	<u>-</u>	<u>(50,000)</u>
Total	<u><u>70,118,200</u></u>	<u><u>60,782,788</u></u>

V. Notes to Items in the Consolidated Financial Statements (continued)

11. Held-to-maturity investments (continued)

Details of pledges in held-to-maturity investments as follows:

Dec 31, 2018

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2019
Available-for-sale investment -government bond6,908,115	- bond		6,447,579	-Jan 11, 2019

Dec 31, 2017

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2018
Available-for-sale investment -government bond14,299,222	- bond		12,924,930	- Jan 23, 2018

12. Account receivable held for investments

	Dec 31, 2018	Dec 31, 2017
Government bond	103,807	68,100
Corporate bond	-	120,000
Assets management plan and trusted plan	<u>122,516,527</u>	<u>95,895,280</u>
Depreciation reserves (Note V.19)	<u>(3,192,676)</u>	<u>(804,408)</u>
	<u>119,427,658</u>	<u>95,278,972</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

13. Investing real estate

Continuing measurement on fair value:

Houses and buildings	2018	2017
Balance at the beginning of the year	46,726	16,598
Increase in this year	-	35,881
Disposal or scrapping	(1,476)	-
Increase in this year	<u>(6,010)</u>	<u>(5,753)</u>
Balance at the end of year	<u>39,240</u>	<u>46,726</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.

14. Fixed assets

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	23,342	16,204	142,151	24,087	205,784
Ttransfer from construction in progress	891,375	-	783	1,572	893,730
Disposal / scrapping	<u>(394,804)</u>	<u>(10,139)</u>	<u>(10,023)</u>	<u>(26,869)</u>	<u>(441,835)</u>
Dec. 31, 2018	6,272,783	170,810	1,100,182	140,677	7,684,452
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	<u>(116,938)</u>	<u>(9,496)</u>	<u>(9,644)</u>	<u>(26,164)</u>	<u>(162,242)</u>
Dec. 31, 2018	1,562,858	121,827	741,554	68,242	2,494,481
Depreciation Provision:					
Dec. 31, 2017	1,662	709	1,709	725	4,805
Dec. 31, 2018	1,662	709	1,709	725	4,805
Book value:					
Dec. 31, 2018	4,708,263	48,274	356,919	71,710	5,185,166
Dec. 31, 2017	4,361,851	50,707	333,200	65,201	4,810,959

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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V. Notes to Items in the Consolidated Financial Statements (continued)

14. Fixed assets (continued)

2017	house and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Dec. 31, 2016	4,262,329	159,527	847,868	106,543	5,376,267
Purchase	61,286	14,335	125,388	37,818	238,827
Transfer from construction in progress	1,496,010	-	-	-	1,496,010
Disposal / scrapping	(66,755)	(9,117)	(5,985)	(2,474)	(84,331)
Dec. 31, 2017	<u>5,752,870</u>	<u>164,745</u>	<u>967,271</u>	<u>141,887</u>	<u>7,026,773</u>
Accumulated depreciation:					
Dec. 31, 2016	1,161,979	103,459	523,718	64,486	1,853,642
Drawing	246,101	18,411	114,433	13,830	392,775
Disposal / scrapping	(18,723)	(8,541)	(5,789)	(2,355)	(35,408)
Dec. 31, 2017	<u>1,389,357</u>	<u>113,329</u>	<u>632,362</u>	<u>75,961</u>	<u>2,211,009</u>
Depreciation Provision:					
Dec. 31, 2016	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Dec. 31, 2017	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Book value:					
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>
Dec. 31, 2016	<u>3,098,688</u>	<u>55,359</u>	<u>322,441</u>	<u>41,332</u>	<u>3,517,820</u>

As of 31 Dec. 2018 and as of 31 Dec. 2017, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB 155,334,000 and RMB 998,644,000. 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. 2018 and as of 31 Dec. 2017, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 794,712,000 and RMB 646,741,000. The net book value was RMB 23,065,000 and RMB 18,417,000 respectively.

As of 31 Dec. 2018 and as of 31 Dec. 2017, there were no temporarily idle fixed assets.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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V. Notes to Items in the Consolidated Financial Statements (continued)

15. Intangible assets

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>
2017				
Original price:				
Dec. 31, 2016	375,873	48,271	22,000	446,144
Increase	<u>101,336</u>	<u>28,957</u>	<u>-</u>	<u>130,293</u>
Dec. 31, 2017	477,209	77,228	22,000	576,437
Accumulated amortization:				
Dec. 31, 2016	140,481	11,710	6,050	158,241
Increase	<u>71,644</u>	<u>1,389</u>	<u>2,200</u>	<u>75,233</u>
Dec. 31, 2017	<u>212,125</u>	<u>13,099</u>	<u>8,250</u>	<u>233,474</u>
Book value:				
Dec. 31, 2017	<u>265,084</u>	<u>64,129</u>	<u>13,750</u>	<u>342,963</u>
Dec. 31, 2016	<u>235,392</u>	<u>36,561</u>	<u>15,950</u>	<u>287,903</u>

No depreciation of the intangible assets happened to the Group, so there is no provision for impairment of intangible assets.

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Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

16. Construction in progress

2018	Dec 31, 2017	Increase	Transfer into fixed assets	Other decreases	Dec 31, 2017	Source of fund
Business occupancy financing	1,262,534	791,891	(891,375)	-	1,163,050	Self
Others financing	<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>	
2017	Dec 31, 2016	Increase	Transfer into fixed assets	Other decreases	Dec 31, 2017	Source of fund
Business occupancy financing	2,217,408	541,136	(1,496,010)	-	1,262,534	Self
Others financing	<u>23,796</u>	<u>83,159</u>	<u>-</u>	<u>(91,437)</u>	<u>15,518</u>	Self
	<u>2,241,204</u>	<u>624,295</u>	<u>(1,496,010)</u>	<u>(91,437)</u>	<u>1,278,052</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.

V. Notes to Items in the Consolidated Financial Statements (continued)

17. Deferred income tax assets/liabilities

17.1 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:

	<u>2018</u>		<u>2017</u>	
	deductible/ (taxable)	deferred income tax	deductible/ (taxable)	deferred income tax
	Temporary differences	Assets (liabilities)	Temporary differences	Assets(liabilities)
Deferred income tax assets	<u>44,986,188</u>	<u>11,246,547</u>	<u>49,493,600</u>	<u>12,373,400</u>
Deferred income tax assets	<u>(30,312,396)</u>	<u>(7,578,099)</u>	<u>(30,889,344)</u>	<u>(7,722,336)</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

17. Deferred income tax assets/liabilities

17.1 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:

	2018		2017	
	deductible temporary difference	deferred tax assets	deductible temporary difference	deferred tax assets
Deferred income tax assets				
Provisions for asset depreciation	16,461,560	4,115,390	11,370,844	2,842,711
Changes in fair value of derivative financial liabilities				
	26,752,224	6,688,056	34,611,196	8,652,799
Changes in fair value of available-for-sale financial assets				
	-	-	2,791,988	697,997
Changes in fair value of trading financial liabilities				
	136,244	34,061	19,684	4,921
Changes in fair value of investment real estate	1,952	488	-	-
Others	<u>1,634,208</u>	<u>408,552</u>	<u>699,888</u>	<u>174,972</u>
	<u>44,986,188</u>	<u>11,246,547</u>	<u>49,493,600</u>	<u>12,373,400</u>
	2018		2017	
	deductible temporary difference	deferred tax assets	deductible temporary difference	deferred tax assets
Deferred income tax liabilities				
Fair value changes in investing real estate	-	-	4,060	1,015
Changes in fair value from transaction financial assets				
into investing real estate	18,724	4,681	26,064	6,516
Changes in fair value of available-for-sale financial assets				
	900,064	225,016	-	-
Changes in fair value of derivative financial assets				
	29,348,584	7,337,146	30,847,804	7,711,951
Changes in fair value of trading financial assets				
	33,420	8,355	7,220	1,805

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Notes to Financial Statements (continued)
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Others	<u>11,604</u>	<u>2,901</u>	<u>4,196</u>	<u>1,049</u>
	<u>30,312,396</u>	<u>7,578,099</u>	<u>30,889,344</u>	<u>7,722,336</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

17. Deferred income tax assets/liabilities (continued)

17.2 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, 2018		Dec 31, 2017	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>11,246,547</u>	<u>3,668,448</u>	<u>12,373,400</u>	<u>4,651,064</u>
Deferred income tax liabilities	<u>(7,578,099)</u>	<u>-</u>	<u>(7,722,336)</u>	<u>-</u>

17.3 Change of deferred income tax assets and liabilities

Change of deferred income tax assets and liabilities is as follows:

2018	Dec 31, 2017	Enter into income statement	Enter into equity	Dec 31, 2018
Deferred income tax assets				
Assets depreciation reserves	2,842,711	1,272,679	-	4,115,390
Fair value change of derivative financial liabilities	8,652,799	(1,964,743)	-	6,688,056
Changes in fair value of available-for-sale financial assets	697,997	-	(697,997)	-
Changes in fair value of financial liabilities measured by fair value and calculated into current profits and losses	4,921	29,140	-	34,061
Changes in fair value of investing real estate	-	488	-	488
Others	<u>174,972</u>	<u>233,580</u>	<u>-</u>	<u>408,552</u>
Subtotal	<u>12,373,400</u>	<u>(428,856)</u>	<u>(697,997)</u>	<u>11,246,547</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

17. Deferred income tax assets/liabilities (continued)

17.3 Change of deferred income tax assets and liabilities (continued)

2018	Dec 31, 2017	Enter into	Enter into	Dec 31, 2018
		income statement	income statement	equity
Deferred income tax liabilities				
Fair value changes in investing real estate	1,015	(1,015)	-	-
Changes in fair value from transaction financial assets into investing real estate	6,516	-	(1,835)	4,681
Changes in fair value of available-for-sale financial assets	-	-	225,016	225,016
Changes in fair value of derivative financial assets	7,711,951	(374,805)	-	7,337,146
Change in fair value of financial liabilities measured by fair value in the income statement	1,805	6,550	-	8,355
Others	<u>1,049</u>	<u>1,852</u>	<u>-</u>	<u>2,901</u>
Subtotal	<u>7,722,336</u>	<u>(367,418)</u>	<u>223,181</u>	<u>7,578,099</u>
Net amount	<u>4,651,064</u>	<u>(61,438)</u>	<u>(921,178)</u>	<u>3,668,448</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

17. Deferred income tax assets/liabilities (continued)

17.3 Change of deferred income tax assets and liabilities (continued):

2017	Dec 31, 2016	Enter into	Enter into	Dec 31, 2017
Deferred income tax assets				
Assets depreciation reserves	1,778,965	1,063,746	-	2,842,711
Changes in fair value of derivative financial liabilities	3,022,565	5,630,234	-	8,652,799
Changes in fair value of available-for-sale financial assets	-	-	697,997	697,997
Change in fair value of Financial assets measured by fair value in the income statement	-	4,921	-	4,921
Others	<u>94,482</u>	<u>80,490</u>	<u>-</u>	<u>174,972</u>
Subtotal	<u>4,896,012</u>	<u>6,779,391</u>	<u>697,997</u>	<u>12,373,400</u>
2017	Dec 31, 2016	Enter into	Enter into	Dec 31, 2017
Deferred income tax liabilities				
Fair value changes in investing real estate	2,453	(1,438)	-	1,015
Changes in fair value from transaction financial assets				
Into investing real estate	6,516	-	-	6,516
Changes in fair value of available-for-sale financial assets	245,775	-	(245,775)	-
Changes in fair value of derivative financial assets	3,456,562	4,255,389	-	7,711,951
Change in fair value of financial assets measured by fair value in the income statement	2,737	(932)	-	1,805
Change in fair value of financial liabilities measured by fair value in the income statement	9,887	(9,887)	-	-
Others	<u>4,896,012</u>	<u>6,779,391</u>	<u>697,997</u>	<u>12,373,400</u>
Subtotal	<u>3,729,887</u>	<u>4,238,224</u>	<u>(245,775)</u>	<u>7,722,336</u>
Net amount	<u>1,166,125</u>	<u>2,541,167</u>	<u>943,772</u>	<u>4,651,064</u>

18. Other assets

		Dec 31, 2018	Dec 31, 2017
Deferred expenses	18.1	168,723	156,297
Other receivables	18.2	502,697	7,295,232
Debt assets	18.3	65,390	70,784
Long-term deferred expenses	18.4	587,938	558,851
Pending deduct VAT on purchase		21,489	24,515
Unpaid VAT		<u>703</u>	<u>-</u>
		<u>1,346,940</u>	<u>8,105,679</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)

18. Other assets (continued)

18.1 Deferred expenses

	Dec 31, 2018	Dec 31, 2017
Renting	154,815	149,399
Others	<u>13,908</u>	<u>6,898</u>
	<u>168,723</u>	<u>156,297</u>

18.2 Other receivables

		Dec 31, 2018							
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total	Proportion	Provision For bad debts	Net value	
Settlement receivable and other liquidates	406,079	22,403	24,337	55,115	507,934	97.72%	(17,074)	490,860	
Deposit	<u>4,183</u>	<u>339</u>	<u>1,182</u>	<u>6,133</u>	<u>11,837</u>	<u>2.28%</u>	<u>-</u>	<u>11,837</u>	
	<u>410,262</u>	<u>22,742</u>	<u>25,519</u>	<u>61,248</u>	<u>519,771</u>	<u>100.00%</u>	<u>(17,074)</u>	<u>502,697</u>	

		Dec 31, 2017							
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total	Proportion	Provision For bad debts	Net value	
Settlement receivable and other liquidates	7,178,177	49,511	21,971	47,206	7,296,865	99.87%	(11,150)	7,285,715	
Deposit	<u>470</u>	<u>1,355</u>	<u>1,481</u>	<u>6,211</u>	<u>9,517</u>	<u>0.13%</u>	<u>-</u>	<u>9,517</u>	
	<u>7,178,647</u>	<u>50,866</u>	<u>23,452</u>	<u>53,417</u>	<u>7,306,382</u>	<u>100.00%</u>	<u>(11,150)</u>	<u>7,295,232</u>	

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 2018 (31 Dec. 2017: none).

18.3 Debt assets

	31 Dec. 2018			31 Dec. 2017		
	Original value	impairment provision	Net value	Original value	impairment provision	Net value
Real estate	<u>71,939</u>	<u>(6,549)</u>	<u>65,390</u>	<u>70,784</u>	<u>-</u>	<u>70,784</u>
	<u>71,939</u>	<u>(6,549)</u>	<u>65,390</u>	<u>70,784</u>	<u>-</u>	<u>70,784</u>

The original value of debt assets disposed by the Group in 2018 is RMB 0 (2017: RMB 346,490,000).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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V. Notes to Items in the Consolidated Financial Statements (continued)

18. Other assets (continued)

18.4 Long-term deferred expenses

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	(21,801)	(19,968)	(129,269)	(5,311)	(176,349)
Dec 31, 2018	146,535	33,529	407,383	491	587,938
2017	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Others	Total
Dec 31, 2016	190,181	39,052	382,571	11,596	623,400
Increase	-	25,489	67,059	-	92,548
Amortize	(21,845)	(27,142)	(102,316)	(5,794)	(157,097)
Dec 31, 2017	168,336	37,399	347,314	5,802	558,851

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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V. Notes to Items in the Consolidated Financial Statements (continued)

19. Allowances for Assets Impairment

2018	Dec 31, 2017	Increase	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>
2017	Dec 31, 2016	Increase	Write-off	Dec 31, 2017
Provision for bad loans of other receivables	13,337	8,744	(10,931)	11,150
Provision for bad loans of due from other banks	194	-	(194)	-
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for depreciation of held-to-maturity investment	37,500	12,500	-	50,000
Provision for depreciation of available-for-sale financial assets	1,698	-	-	1,698
Provision for depreciation of receivables	<u>435,245</u>	<u>369,163</u>	<u>-</u>	<u>804,408</u>
	<u>492,779</u>	<u>390,407</u>	<u>(11,125)</u>	<u>872,061</u>

The above sheets do not include provision for loan loss; please see Note V/9.4 for detailed changes.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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V. Notes to Items in the Consolidated Financial Statements (continued)

20. Borrowing from the central bank

	Dec 31, 2018	Dec 31, 2017
Medium term loan	<u>15,500,000</u>	<u>2,500,000</u>
	<u>15,500,000</u>	<u>2,500,000</u>

21. Deposit in other banks/financial institutions

	Dec 31, 2018	Dec 31, 2017
Banks	18,799,958	13,038,011
Other financial institutions	<u>2,415,015</u>	<u>14,254,424</u>
	<u>21,214,973</u>	<u>27,292,435</u>

22. Deposit funds

	Dec 31, 2018	Dec 31, 2017
Banks	<u>53,943,803</u>	<u>94,606,096</u>
	<u>53,943,803</u>	<u>94,606,096</u>

23. Financial liabilities measured by fair value with its changes enter into current income statement

	Dec 31, 2018	Dec 31, 2017
Noble metal	11,820,231	5,374,442
Short selling of bonds	10,315	-
Financial liabilities that measured by its fair value with its change enter into the income statement	<u>25,546</u>	<u>56,433</u>
	<u>11,856,092</u>	<u>5,430,875</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

24. Proceeds generated from repurchase agreements

Classified by pledges	Dec 31, 2018	Dec 31, 2017
Bonds	25,408,300	44,613,227
Bills	1,521,816	1,375,563
	26,930,116	45,988,790
Classified by counter party	Dec 31, 2018	Dec 31, 2017
Banks	26,930,116	44,845,880
Other financial institutions	-	1,142,910
	<u>26,930,116</u>	<u>45,988,790</u>

25. Deposit

	Dec 31, 2018	Dec 31, 2017
Demand deposit		
Company	260,442,932	261,403,538
Personal	36,890,802	32,640,479
Fixed time deposit		
Company	232,361,038	171,565,001
Personal	85,975,986	73,218,110
Guarantee deposit	27,670,865	23,291,085
Guarantee deposit	3,379,752	3,135,691
	<u>646,721,375</u>	<u>565,253,904</u>

See Note IX/2.2 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, 2018

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

26. Accrued payroll

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>
2017	Dec 31, 2016	Addition	Payment	Dec 31, 2017
Short-term salary:				
Salary, bonus and allowance	1,863,041	4,462,616	4,329,638	1,996,019
Welfare	-	307,890	307,890	-
Social insurances				
Medical insurance	6	116,627	116,622	11
Work injury insurance	-	4,377	4,377	-
Maternity insurance	-	5,624	5,624	-
Disability insurance	1	191	190	2
House funds	-	236,858	236,857	1
Labor union's funds and employee education funds	-	35,799	35,749	50
Contribution plan:				
Basic pension insurance	4	213,417	213,411	10
Unemployment insurance	1	9,087	9,072	16
Annuity plan	-	62,483	62,483	-
	<u>1,863,053</u>	<u>5,454,969</u>	<u>5,321,913</u>	<u>1,996,109</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)

27. Tax payable

	Dec 31, 2018	Dec 31, 2017
Value-added tax	394,222	385,415
City maintenance and construction tax	48,798	48,648
Educational surcharges	33,021	34,258
Corporate income tax	230,240	2,517,997
Individual income tax	23,324	33,279
Taxes payable on behalf of entrusted loans	3,263	1,691
Others	<u>7,574</u>	<u>14,575</u>
	<u><u>740,442</u></u>	<u><u>3,035,863</u></u>

28. Interest payable

	Dec 31, 2018	Dec 31, 2017
Interest on deposit	7,752,562	6,780,796
Interest on repurchase financial assets	11,760	15,395
Interest on inter-bank deposit and borrowings	602,395	659,472
Interest on bond	1,144,810	671,292
Interest on rate exchange	716,123	223,997
Other interests payable	<u>60,138</u>	<u>24,937</u>
	<u><u>10,287,788</u></u>	<u><u>8,375,889</u></u>

29. Bond payable

	Dec 31, 2018	Dec 31, 2017
Financial bond payable	29,972,622	17,986,760
Subordinated bond payable	2,995,082	2,994,704
Subordinated capital bond payable	16,981,500	16,989,916
Convertible corporate bond payable	6,389,952	8,119,066
Deposit of other banks payable	<u>152,098,192</u>	<u>125,408,996</u>
	<u><u>208,437,348</u></u>	<u><u>171,499,442</u></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)

29. Bond payable (continued)

Balance of bond payables to the date 31 December 2018 is as follows:

	Bond			Dec 31, 2017	Issued in 2018	2018 Premium discount		Repayment	Dec 31, 2018
	Date of issue	period	Book value			Accrued interest	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

Balance of bond payables to the date 31 December 2017 is as follows:

	Bond			Dec 31, 2016	Issued in 2016	2017 Premium discount		Repayment	Dec 31, 2017
	Date of issue	period	Book value			Accrued interest	Amortize		
12 Subordinated (1)	11/22/2012	15 years	3,000,000	2,994,346	-	172,858	358	-	2,994,704
13 Financial bond (2)	4/16/2013	5 years	5,000,000	4,996,496	-	235,668	668	-	4,997,164
13 Financial bond (2)	4/16/2013	10 years	3,000,000	2,995,722	-	154,381	481	-	2,996,203
15 Tier II capital									
Bonds (3)	5/27/2015	10 years	7,000,000	6,989,062	-	364,154	854	-	6,989,916
15 Financial bond (4)	7/3/2015	3 years	500,000	499,547	-	20,723	123	-	499,670
15 Financial bond (4)	9/9/2015	3 years	9,500,000	9,490,999	-	380,823	2,724	-	9,493,723
17 Tier II capital									
Bonds (5)	12/6/2017	10 years	10,000,000	-	10,000,000	31,562	-	-	10,000,000
Convertible corporate									
bonds(6)	12/5/2017	6 years	10,000,000	-	10,000,000	30,422	(1,880,934)	-	8,119,066
		Term of bond			Actual interest rate	Book value		Balance at the end of year	
Deposit of other banks		3 months – 1 year			4.30%-5.85%	126,110,000			125,408,996

- (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.

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Notes to Financial Statements (continued)
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- (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.

V. Notes to Items in the Consolidated Financial Statements (continued)

29. Bond payable (continued)

- (3) On 27 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 3 July 2015 and 9 Sep 2015, the Company issued the financial bonds at the par value of RMB 0.5 billion and RMB 9.5 billion in the national inter-bank bond market respectively, including: type 1 is the three-year bonds of fixed interest rate, RMB 0.5 billion, coupon rate 4.12%; type 2 is the three-year bonds of fixed interest rate, RMB 9.5 billion, coupon rate 3.98%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.
- (5) 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.
- (6) 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.

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Notes to Financial Statements (continued)
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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.

V. Notes to Items in the Consolidated Financial Statements (continued)

29. Bond payable (continued)

Up to 31 Dec. 2018, the Group has paid a total of RMB 15,000,000 for the interest of convertible bonds (2017: none).

(7) On 30 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.

(8) 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.

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 previous year	28,942	-	28,942
Conversion amount of shares of previous year			
	-	-	-
Balance at 31 Dec. 2017	<u>8,119,066</u>	<u>1,895,254</u>	<u>10,014,320</u>
Amortization of the year	371,260	-	371,260
Conversion amount of shares of the year			
	<u>(2,100,374)</u>	<u>(473,854)</u>	<u>(2,574,228)</u>
Balance at 31 Dec. 2018	<u>6,389,952</u>	<u>1,421,400</u>	<u>7,811,352</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)

30. Deferred income

2018	Dec 31, 2017	increase	decrease	Dec 31, 2016
Financial leasing project				
Commission charge	351,886	453,985	(411,641)	394,230
Custodian fee income	3,488	1,090	(3,488)	1,090
Guarantee fee income	-	29,810	-	29,810
Others	-	2,194	-	2,194
	<u>355,374</u>	<u>487,079</u>	<u>(415,129)</u>	<u>427,324</u>
2017	Dec 31, 2016	increase	decrease	Dec 31, 2017
Financial leasing project				
Commission charge	297,456	356,785	(302,355)	351,886
Custodian fee income	<u>3,153</u>	<u>3,488</u>	<u>(3,153)</u>	<u>3,488</u>
	<u>300,609</u>	<u>360,273</u>	<u>(305,508)</u>	<u>355,374</u>

31. Other liabilities

		Dec 31, 2018	Dec 31, 2017
Dividend payable	31.1	23,811	23,811
Other payables	31.2	5,577,202	2,864,431
Settlement amount payable	31.3	3,561,735	1,023,247
Financial capital pool balance		-	9,169,658
Output tax to be carried over		64,909	21,248
Others		<u>93,527</u>	<u>230,380</u>
		<u>9,321,184</u>	<u>13,332,775</u>

Bank of Ningbo Co., Ltd.
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V. Notes to Items in the Consolidated Financial Statements (continued)

31.1 Dividend payable

	Dec 31, 2018	Dec 31, 2017
Dividend of shareholders (note)	<u>23,811</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.

31.2 Other payables

	Dec 31, 2018	Dec 31, 2017
Derivative product mark-to-market settlement deposit	1,458,336	-
Security assets to be transferred	1,493,541	1,422,853
Bills payable	1,257,701	167,343
Lease deposit	737,070	700,701
Unclaimed deposit account	78,604	30,075
Unpaid of construction	360,299	245,067
Others	<u>191,651</u>	<u>298,392</u>
	<u>5,577,202</u>	<u>2,864,431</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 2018 (31 Dec. 2017: none).

31.3 Settlement amount payable

	Dec 31, 2018	Dec 31, 2017
Settlement amount payable to Unionpay	114,432	165,527
Financial payment to be settled	3,301,755	471,998
Payment to be transferred	144,462	180,868
Online payment settlement	<u>1,086</u>	<u>204,854</u>
	<u>3,561,735</u>	<u>1,023,247</u>

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V. Notes to Items in the Consolidated Financial Statements (continued)

32. Share capital

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>
2017	Dec 31, 2016		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	190,155	4.88%	-	57,046	247,201	4.88%
3. Shares held by other domestic investors	-	0.00%	34	10	44	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
<i> Shares held by domestic natural person</i>	-	0.00%	34	10	44	0.00%
4. Shares held by foreign investors	249,055	6.39%	-	74,716	323,771	6.38%
<i>Amongst: shares held by foreign legal person</i>	249,055	6.39%	-	74,716	323,771	6.38%
5. Shares held by senior management	8,123	0.20%	(1,930)	1,978	8,171	0.16%
Total of shares subject to restriction on sales	<u>447,333</u>	<u>11.47%</u>	<u>(1,896)</u>	<u>133,750</u>	<u>579,187</u>	<u>11.42%</u>
II. Shares not subject to restriction on sales RMB-denominated ordinary share	<u>3,452,461</u>	<u>88.53%</u>	<u>1,896</u>	<u>1,036,188</u>	<u>4,490,545</u>	<u>88.58%</u>
Total of shares not subject to restriction on sales	<u>3,452,461</u>	<u>88.53%</u>	<u>1,896</u>	<u>1,036,188</u>	<u>4,490,545</u>	<u>88.58%</u>
III. Total shares	<u>3,899,794</u>	<u>100.00%</u>	<u>-</u>	<u>1,169,938</u>	<u>5,069,732</u>	<u>100.00%</u>

Bank of Ningbo Co., Ltd.
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The increase in equity in 2018 was attributed to "Ning Hang Convertible Bonds" issued by the Bank on December 5, 2017, with a total of 138,823,133 shares amounted to RMB 2,500,210,200 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)

33. Other equity tools

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. 29	100.00	0.1 billion shares	RMB 10 billion	2023/12/5	See Note V.29	See Note V.29

As of Dec. 31, 2017, 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	Mandatory conversion under certain trigger events	NA
N.H.Z.Z.								
2017/12/5	Convertible bond	V. 29	100.00	0.1 billion shares	RMB 10 billion	2023/12/5	See Note V.29	See Note V.29

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 the relevant regulatory bodies in China, the Company completed the issuance of convertible bonds on December 5, 2017. For detailed information, see Notes 5. 29 for detailed information

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

33. Other equity tools

The changes of preferred shares and convertible bonds issued are as follows:

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>

2017

	Jan 1, 2017		Increase		Decrease		Dec 31, 2017	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
Preferred share	48,500,000	4.825 billion	-	-	-	-	48,500,000	4.825 billion
Convertible bond	-	-	-	<u>1.895 billion</u>	-	-	-	<u>1.895 billion</u>
		<u>4.825 billion</u>		<u>1.895 billion</u>		=		<u>6.72 billion</u>

Specific information on the attribution of preferred shares and convertible bonds to other equity holders is as follows:

	2018	2017
Equity attributable to parent company	80,879,211	57,089,245
Equity attributable to ordinary shareholders of parent company	64,646,233	50,369,300
Equity attributable to other shareholders of parent company	16,232,978	6,719,945
Equity attributable to minority shareholder	350,657	116,727
Equity attributable to minority shareholder of ordinary shares	350,657	116,727
Equity attributable to holders of equity instruments	-	-

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

34. Capital reserve

2018	Dec 31, 2017	Change	Dec 31, 2018
Capital premium (note 1)	8,779,726	2,439,299	11,219,025
Others (note 2)	<u>180</u>	<u>-</u>	<u>180</u>
	<u>8,779,906</u>	<u>2,439,299</u>	<u>11,219,205</u>
2017	Dec 31, 2016	Change	Dec 31, 2017
Capital premium (note 3)	9,949,664	(1,169,938)	8,779,726
Others (note 2)	<u>(1,428)</u>	<u>1,608</u>	<u>180</u>
	<u>9,948,236</u>	<u>(1,168,330)</u>	<u>8,779,906</u>

Note 1: due to capital reserves converted into share capital of parent company, capital reserves changed.

Note 2: due to capital increase of subsidiary, capital reserves changed.

Note 3: change of capital reserve caused by the transfer of capital reserve to equity of parent company.

35. Other comprehensive income

Balance of other comprehensive income in the balance sheet belonged to the parent company:

	2016 Jan 1	Change	2016 Dec 31	Change	2017 Dec 31
Change of fair value of financial assets available for sale	737,478	(2,831,163)	(2,093,685)	2,768,958	675,273
Investment real estate transferred from self-owned real estate on fair value basis	<u>19,549</u>	<u>-</u>	<u>19,549</u>	<u>(5,506)</u>	<u>14,043</u>
	<u>757,027</u>	<u>(2,831,163)</u>	<u>(2,074,136)</u>	<u>2,763,452</u>	<u>689,316</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)

35. Other comprehensive income (continued)

Other comprehensive income in the consolidated comprehensive income statement:

2018

	Amount Before tax	Transfer of other comprehensive Income that formerly enter into other comprehensive income	Income tax	Belong to parent company	Belong to minority equity
Other comprehensive income to be enter into income statement after reclassified	<u>3,329,960</u>	<u>(354,750)</u>	<u>921,178</u>	<u>2,763,452</u>	<u>80</u>
	<u>3,329,960</u>	<u>(354,750)</u>	<u>921,178</u>	<u>2,763,452</u>	<u>80</u>

2017

	Amount Before tax	Transfer of other comprehensive Income that formerly enter into other comprehensive income	Income tax	Belong to parent company	Belong to minority equity
Other comprehensive income to be enter into income statement after reclassified	<u>(2,862,354)</u>	<u>912,735</u>	<u>(943,772)</u>	<u>(2,831,163)</u>	<u>(154)</u>
	<u>(2,862,354)</u>	<u>912,735</u>	<u>(943,772)</u>	<u>(2,831,163)</u>	<u>(154)</u>

36. Surplus reserve

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>
2017	Dec 31, 2016	Provision for this year	Dec 31, 2017
Statutory surplus reserve	<u>3,946,749</u>	<u>910,400</u>	<u>4,857,149</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 can not be relieved from provisions.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

37. Provision for general risks

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>
2017	Dec 31, 2016	Provision for this year	Dec 31, 2017
Provision for general risks	<u>6,686,969</u>	<u>1,171,628</u>	<u>7,858,597</u>

According to the C.J. [2012] No. 20 on Management Methods of Provisions of Financial Enterprise and on the basis of assets impairment provision, the Group set up provision for general risk in order to avoid the possible risks have not yet been identified. The provision for general risk will be treated as the profit distribution and is a part of the owner's equity. It shall be at least 1.5% of the risk assets balance and can be separated into a maximum of 5 years.

According to Resolution of 2017 Shareholders' General Meeting on May 16, 2017, the Group accrued general provision of RMB1,071,774,000 from undistributed profit of the year 2016. The subsidiaries accrued RMB 207,929,000 as the 2018 provision for general risk (2017: RMB 14,217,000).

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Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)

38. Undistributed profit

	Dec 31, 2018	Dec 31, 2017
Undistributed profit at the end of 2017	25,878,052	20,214,536
Net profit belongs to the parent company	11,186,356	9,333,572
Less: provision for accumulated statutory surplus reserve		
	1,085,715	910,400
Provision for general risks	1,279,703	1,171,628
Cash dividend payable for preferred shares	223,100	223,100
Cash dividend payable for ordinary shares	<u>2,027,897</u>	<u>1,364,928</u>
	<u>32,447,993</u>	<u>25,878,052</u>

See Note XII for the predetermined 2018 distribution plan. The financial statement of the year 2018 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On March 28, 2018, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2018 net profit as the statutory surplus reserve and withdraw the amount of RMB 1,071,774,000 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. This distribution decision has passed on the general meeting of shareholders on May 16, 2017.

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, 2018, which approved the start value date for the distribution of the dividend would be November 16, 2017. 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.

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V. Notes to Items in the Consolidated Financial Statements (continued)

39. Net interest income

	2018	2017
Interest income		
Loans and advances	20,987,886	17,052,256
<i>Including: corporate loans and advances</i>	<i>11,607,070</i>	<i>10,247,341</i>
<i>Personal loans and advances</i>	<i>7,368,298</i>	<i>5,520,252</i>
<i>Notes discounted</i>	<i>1,554,706</i>	<i>1,021,524</i>
<i>Trade financing</i>	<i>457,812</i>	<i>263,139</i>
Due from other banks	396,175	521,789
Deposit in central bank	1,252,925	1,212,721
Loans to other banks	258,664	99,905
Buying back the sale of financial assets	680,529	371,828
Bond investment	11,791,364	6,782,627
<i>Including: financial assets held for trading</i>	<i>700,679</i>	<i>392,058</i>
Financing product and credit plan	7,482,014	10,471,770
Others	<u>21,651</u>	<u>11,354</u>
	<u>42,871,208</u>	<u>36,524,250</u>
Interest expenses		
Due to other banks	(602,243)	(1,102,406)
Borrowing from central bank	(229,133)	(501,696)
Placements from other institutions	(2,045,923)	(1,471,108)
Deposit	(11,408,176)	(9,439,917)
Repurchase agreements financial assets	(1,020,990)	(1,140,272)
Bond issuance	(8,424,262)	(6,472,201)
Others	<u>(20,228)</u>	<u>(7,672)</u>
	<u>(23,750,955)</u>	<u>(20,135,272)</u>
Net interest income	<u>19,120,253</u>	<u>16,388,978</u>

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Notes to Financial Statements (continued)
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V. Notes to Items in the Consolidated Financial Statements (continued)
40. Net fee and commission income

	2018	2017
Fee and commission incomes		
Settlement and clearing expenses	221,302	185,569
Bank cards	1,826,310	1,578,169
Intermediary commissions	3,344,533	3,795,111
Guarantees	502,114	281,066
Trusting business	407,416	492,035
Intermediary consultations	26,494	29,972
Others	<u>1,752</u>	<u>9,453</u>
	<u>6,329,921</u>	<u>6,371,375</u>
Fee and commission expenses		
Settlement and clearing expenses	(63,958)	(63,706)
Bank cards	(78,562)	(79,967)
Intermediary commissions	(312,232)	(259,931)
Entrust	(50,894)	(49,421)
Others	<u>(30,111)</u>	<u>(22,540)</u>
	<u>(535,757)</u>	<u>(475,565)</u>
Net fee and commission income	<u><u>5,794,164</u></u>	<u><u>5,895,810</u></u>

41. Other incomes

Government subsidies related to daily activities are as follows:

	2018	2017
Financial aid	19,171	6,493
Loan risk compensation	5,348	102
Government incentive	3,534	3,184
Refund of withholding personal income tax	12,579	4,127
Special fund for inclusive finance	<u>29</u>	<u>3,755</u>
	<u>40,661</u>	<u>17,661</u>

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V. Notes to Items in the Consolidated Financial Statements (continued)

42. Investment gains

	2018	2017
Monetary fund investment income	4,582,918	3,756,141
Differences of financial assets investment	521,977	(254,960)
Gains from equity investment	1,100	799
Realized gains and losses from interests exchange	56,139	26,960
Gains and losses on noble metal	(89,548)	(184,243)
Others	<u>70</u>	<u>(9)</u>
	<u><u>5,072,656</u></u>	<u><u>3,344,688</u></u>

43. Gains and losses from fair value changes

	2018	2017
Fair value change of financial instrument measured by fair value and entered into the current income statement	(90,917)	(54,626)
Fair value changes on investment real estate	(6,010)	(5,753)
Fair value changes on derivative instrument	<u>6,359,751</u>	<u>(5,499,380)</u>
	<u><u>6,262,824</u></u>	<u><u>(5,559,759)</u></u>

44. Other operating incomes/expenses

	2018	2017
Other business incomes		
Rent income	27,041	29,958
Others	<u>3,900</u>	<u>594</u>
	<u><u>30,941</u></u>	<u><u>30,552</u></u>
Other business costs		
Losses on asset based securitization	(7,207)	(12,058)
Others	<u>(5,885)</u>	<u>(181)</u>
	<u><u>(13,092)</u></u>	<u><u>(12,239)</u></u>

In the year 2018, the bank deals with no investment property (In the year 2017 the bank dealt with no investment property).

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V. Notes to Items in the Consolidated Financial Statements (continued)

45. Assets disposal income

	2018	2017
Assets disposal income		
Fixed assets	105,111	34,300
Mortgaged assets	-	(43,000)
Others	-	26
	<u>105,111</u>	<u>(8,674)</u>

46. Business tax and surcharges

	2018	2017
City Maintenance and Construction Tax	87,580	110,419
Educational surcharges	59,735	78,935
Stamp Duty	14,281	14,009
Housing Property Tax	35,974	35,524
Other taxes	2,514	8,585
	<u>200,084</u>	<u>247,472</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

47. Business and administrative expenses

	2018	2017
Staff costs	6,430,654	5,454,969
Business expenses	2,799,637	2,678,478
Depreciation of fixed assets	445,714	392,775
Amortization of long-term deferred expenses	176,349	157,097
Amortization of intangible assets	103,915	75,233
Taxes	<u>7,637</u>	<u>8,083</u>
	<u><u>9,963,906</u></u>	<u><u>8,766,635</u></u>

48. Asset impairment losses

	2018	2017
Loan impairment losses	3,943,935	5,717,662
Losses on deposit in other banks	21,612	-
Losses on investment of receivables	3,178,268	369,163
Losses on other receivable	6,680	8,744
Losses on held-to-maturity investment	-	12,500
Losses on interest receivable	67	-
Losses on mortgage asset	6,549	-
Losses on investment of available-for-sale financial assets	<u>50,296</u>	<u>-</u>
	<u><u>7,207,407</u></u>	<u><u>6,108,069</u></u>

49. Non-operating incomes

	2018	2017	Enter into 2017 Non-recurrent gains and losses
Unclaimed deposit account	1,027	1,341	1,027
Government subsidies unrelated to daily operation	2,138	-	2,138
Others	<u>11,127</u>	<u>28,186</u>	<u>11,127</u>
	<u><u>14,292</u></u>	<u><u>29,527</u></u>	<u><u>14,292</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

50. Non-operating expenses

	2018	2017	Enter into 2017 non-recurrent gains and losses
Donation and sponsorship	29,758	14,821	29,758
<i>Including: charitable donation</i>			
<i>Expenses</i>	22,083	13,445	22,083
Penalty and overdue fine	7,054	12,682	7,054
Water conservancy fund	-	19	-
Other	<u>25,744</u>	<u>18,566</u>	<u>25,744</u>
	<u><u>62,556</u></u>	<u><u>46,088</u></u>	<u><u>62,556</u></u>

51. Income tax

	2018	2017
Income tax	215,477	3,348,794
Deferred income tax	<u>61,438</u>	<u>(2,541,167)</u>
	<u><u>276,915</u></u>	<u><u>807,627</u></u>

Relationship between income tax and accounting profits as follows:

	2018	2017
Total profits	11,497,551	10,163,344
Tax rate	25%	25%
Tax amount at statutory tax rate	2,874,388	2,540,836
Adjustment of current tax items	(189,455)	(42,781)
Tax-free income	(2,721,243)	(2,182,345)
Non-deductible costs	313,225	491,915
Effect on deferred income tax by unconfirmed redeemable losses		
	<u>-</u>	<u>2</u>
	<u><u>276,915</u></u>	<u><u>807,627</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

52. 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

Basic earnings per share as follows:

	2018	2017
Current net profit of the shareholders of the parent company	11,186,356	9,333,572
Less: current net profit of the other equity holders of the parent company	223,100	223,100
Current net profit of the ordinary shareholders of the parent company	10,963,256	9,110,472
Weighted average of issuing ordinary shares of the Company	5,104,440	5,069,732
Earnings per share (RMB Yuan/share)	2.15	1.80

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.

	2018	2017
Net profit attributable to ordinary shareholders of the parent company	10,963,256	9,110,472
Add: interest expenses of convertible bonds (post-tax)	293,171	30,422
Net profit used to calculate diluted earnings per share	11,256,427	9,140,894
Weighted average of ordinary shares in issue	5,104,440	5,069,732
Add: weighted average of ordinary shares converted from all bonds	416,424	45,167
Weighted average of shares in issue used to calculate diluted earnings per share	5,520,864	5,114,899
Diluted earnings per share (in RMB/share)	2.04	1.79

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

Unit: CNY Thousand

V. Notes to Items in the Consolidated Financial Statements (continued)

53. Cash and cash equivalents

	2018	2017
Cash	19,361,756	20,241,811
<i>Including: Cash</i>	<i>1,313,405</i>	<i>1,331,317</i>
<i>Current deposit in other banks</i>	<i>6,216,775</i>	<i>8,270,602</i>
<i>Payable balances with central banks</i>	<i>11,831,576</i>	<i>10,639,892</i>
Cash equivalent	6,211,459	23,903,238
<i>Including: Placements with other institutions</i>		
<i>due within 3 months</i>	<i>2,507,976</i>	<i>2,509,270</i>
<i>Including: Due from other banks</i>		
<i>matured within 3 months</i>	-	<i>20,300,000</i>
<i>Reserve repurchase financial assets</i>		
<i>due within 3 months</i>	<u><i>3,703,483</i></u>	<u><i>1,093,968</i></u>
Balance of cash and cash equivalents at the end of the year	<u><u>25,573,215</u></u>	<u><u>44,145,049</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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V. Notes to Items in the Consolidated Financial Statements (continued)

54. Other cash receivable relating to operating activities

	2018	2017
Pending settlement paid	8,598,087	7,315,112
Premium for lease	36,369	50,205
Rent income	27,041	25,966
Other income	<u>221,414</u>	<u>226,965</u>
	<u>8,882,911</u>	<u>7,618,248</u>

55. Cash paid to other operating related activities

	2018	2017
Pending settlement paid	4,966,987	6,248,315
Business promotion and advertising	117,368	78,898
Entertainment expense	588,715	457,865
Office and administration expenses	<u>1,889,478</u>	<u>1,982,008</u>
	<u>7,562,548</u>	<u>8,767,086</u>

56. Operating activities cash flow

	2018	2017
Net profit adjusted to operating activities cash flow		
Net profit	11,220,636	9,355,717
Add: loss for fixed assets impairment	7,207,407	6,108,069
Depreciation of fixed assets	445,714	392,775
Amortization of intangible assets	103,915	75,233
Amortization of deferred expenses	488,825	437,037
Income from disposal of fixed assets, intangible assets and other long-term assets	(105,111)	8,674
Income of fair value adjustment	(6,262,824)	5,559,759
Investment income	(18,645,642)	(19,709,040)
Increase (/decrease) of deferred income tax assets	61,438	(2,541,167)
Increase of operating receivable	(68,537,062)	(40,511,976)
Increase of operating payable	<u>23,043,557</u>	<u>58,825,898</u>
	<u>(50,979,147)</u>	<u>18,000,979</u>

V. Notes to Items in the Consolidated Financial Statements (continued)

57. 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.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Company, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Company in certain circumstances require or be required to pay additional cash collateral. The Company has determined that the Company retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, the Company recognizes a financial liability for cash received as collateral.

The following table analyzed the book value of the financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	<u>Dec. 31, 2017</u>		<u>Dec. 31, 2016</u>	
	Book value of	Book value of	Book value of	Book value of
	transferred assets	associated liabilities	transferred asset	associated liabilities
Repurchase agreements	<u> -</u>	<u> -</u>	<u>1,330,000</u>	<u>1,284,277</u>

Credit asset securitization

In the credit asset securitization business trade, the Company sells credit assets to the special purpose trust, who will issue assets backed securities to the investors. The Company may also acquire some asset backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Company would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

By December 31, 2018, the Company has already derecognized all the credit assets transferred in the credit asset securitization transaction. The corresponding total book value of credit assets transferred by the Company to the special purpose trust set in the credit asset securitization transaction in 2018 was RMB 57.312 billion (2017: RMB 33.628 billion). And in 2018, the Company has not provided financial support for non-consolidated financial products and assets management plans (2017: none).

V. Notes to Items in the Consolidated Financial Statements (continued)

57. Transfer of financial assets (continued)

• **Credit asset factoring with no right of recourse**

On December 31, 2018, all the assets transferred by the Group in the non-recourse credit asset factoring business were terminated. In 2018, the book value of the underlying assets transferred from the Group's non-recourse credit asset factoring business at the date of transfer was RMB 1,093,526,000 (2017: RMB 469,794,000).

VI. Interests in Other Entities

1. Interests in the subsidiary

The subsidiaries of the Company as of Dec. 31, 2018 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)	Ningbo	Ningbo	Finance leasing	2 billion	100%		-
Maxwealth Fund Management Co., Ltd. (Note)	Shanghai	Zhejiang	Fund management	0.9 billion	71.49%		-
Maxwealth Assets Management Co., Ltd. (Note)	Shanghai	Shanghai	Assets management	0.8 billion		-	71.49%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	20 billion		-	71.49%

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:

Maxwealth Finance Leasing Co. Ltd. increased the registered capital by RMB 500 million in 2018.

Maxwealth Fund Management Co., Ltd. increased the registered capital by RMB 700 million in 2018.

Maxwealth Assets Management Co., Ltd. increased the registered capital by RMB 700 million in 2018.

2. Interests in the structured entities included into the consolidation scope

The structural entities included into the consolidation scope are primary the assets management plans issued, managed and invested by the Company.

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 deems the variable return on those structured entities non-significant. To the end of December 31, 2018, the balance of unconsolidated financial product of the group amounted to RMB 234,704,947,000 (December 31, 2017: RMB 199,309,781,000). Incomes of the group from commission, trustee fee and management fee related to the financial business in 2018 amounted to RMB 549,952,000 (December 31, 2017: 1,078,388,000).

(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, 2018 amounted to RMB 800,345,000 (December 31, 2017: RMB 477,868,000), and the maximum loss exposure was close to the book value.

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

(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, 2018, the scale balance of this category was RMB 203.2 billion (RMB 172.6 billion as of December 31, 2017).

On December 31, 2018, 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 687,284,000 (RMB 306,178,000 as on December 31, 2017). The largest loss of investment and management fees receivable 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 2018, 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 301,752,000 (2017: RMB 169,965,000) and RMB 20,046,000 (2017: RMB 25,045,000) respectively.

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 2018 (year 2017: none).

By Dec 31, 2018 and Dec. 31, 2017, 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:

2017	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
2017	Financial assets at fair value through profit and loss	Receivable investment	Available for sale financial assets	Total	Max loss exposure
Financial products	-	-	29,630,496	29,630,496	29,630,496
Trust plan	-	5,531,900	30,770,103	36,302,003	36,302,003
Assets management plan	-	90,283,380	-	90,283,380	90,283,380
Fund	119,227,722	-	32,131,430	151,359,152	151,359,152

The Group gains interest income and commission income by holding the investment or providing service for the structured entities. No market information is available on the overall scale of the above mentioned structured entities of the group.

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, 2018	Dec 31, 2017
Core tier-I capital		
Including: paid-in capital entered	5,208,555	5,069,732
Capital reserve, other equity instruments and other comprehensive incomes entered	13,329,921	8,601,024
Surplus reserve	5,942,864	4,857,149
General risk reserve	9,138,300	7,858,597
Undistributed profit	32,447,993	25,878,052
Less: other intangible assets (excluding right to use land)	(263,449)	(278,834)
Net value of core tier-I capital	65,804,184	51,985,720
Other tier-I capital		
Including: preferred share and premium	14,811,578	4,824,691
Net value of core tier-I capital	80,615,762	56,810,411
Tier-II capital		
Including: tier-II capital tools and premium	18,200,000	18,500,000
Provision for jumbo loan loss	7,941,398	6,709,092
Net capital value	106,757,160	82,019,503
Risk weighted capital	718,273,938	603,762,790

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Core tier-I capital adequacy ratio	9.16%	8.61%
Tier-I capital adequacy ratio	11.22%	9.41%
Capital adequacy ratio	14.86%	13.58%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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Unit: CNY Thousand

VIII. Segmental Report

or 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.

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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VIII. Segmental Report (continued)

	2017 Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	3,567,320	2,449,260	10,372,398	-	16,388,978
Net internal interest income	3,874,303	966,449	(4,840,752)	-	-
Net fee and commission income	2,038,397	3,874,842	(13,302)	-	5,899,937
Investment gains	-	-	3,344,688	-	3,344,688
Gains from fair value adjustment	-	-	(5,559,759)	-	(5,559,759)
Foreign exchange gains	342,098	90,796	4,772,170	-	5,205,064
Other operating income/expense	-	-	-	18,313	18,313
Gains from assets disposal	-	-	-	(8,674)	(8,674)
Other gains	-	-	-	13,534	13,534
Tax and surcharge	(145,496)	(98,588)	(3,388)	-	(247,472)
Business and administrative fee	(2,683,359)	(1,276,777)	(4,806,499)	-	(8,766,635)
Assets impairment loss	(3,262,481)	(2,463,925)	(381,663)	-	(6,108,069)
Operating profit	3,730,782	3,542,057	2,883,893	23,173	10,179,905
Non-operating net balance	-	-	-	(16,561)	(16,561)
Total profits	<u>3,730,782</u>	<u>3,542,057</u>	<u>2,883,893</u>	<u>6,612</u>	<u>10,163,344</u>
Total assets	<u>255,564,859</u>	<u>86,735,153</u>	<u>689,695,234</u>	<u>47,196</u>	<u>1,032,042,442</u>
Total liabilities	<u>475,268,686</u>	<u>107,364,240</u>	<u>392,179,367</u>	<u>24,177</u>	<u>974,836,470</u>
Supplementary information:					
Capital expenditure	247,177	83,888	667,059	46	998,170
Depreciation and amortization expenses	281,842	202,657	420,546	-	905,045

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, 2017		Dec 31, 2016	
	Related party or not	Prop	Related party or not	Prop
Ningbo Development & Investment Group Co., Ltd.	Yes	21.60%	Yes	20.00%
Singapore Overseas-Chinese Banking Co., Ltd.	Yes	18.47%	Yes	18.58%
Ningbo Youngor (Group) Co., Ltd.	Yes	15.25%	Yes	13.17%
Ningbo Huamao Group Co., Ltd.	Yes	4.73%	Yes	5.14%
Ningbo Shanshan Co., Ltd. (note 1)	Yes	2.27%	Yes	3.35%
Ningbo Fubang (Holding) Group Co., Ltd. (note 2)	No	2.81%	Yes	3.10%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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IX. Related Parties Relationships and Transactions (continued)

1. Identification of related parties (continued)

Related parties of the Group consist of parties listed below (continued):

1) Primary shareholders (continued)

Note 1: In April 2018, Mr. Chen Guanghua, the director appointed by Ningbo Shanshan Co., Ltd., resigned from his position as a director. Therefore, Ningbo Shanshan Co., Ltd. no longer meets the requirements of the major shareholders. The following major transactions are disclosed only for the amount of transactions during the period of the related parties, and the balance of transactions at the end of December 31, 2018 is not shown.

Note 2: In December 2018, Mr. Song Hanping, the director appointed by Ningbo Fubang (Holding) Group Co., Ltd., resigned as a director. Therefore, Ningbo Fubang (Holding) Group Co., Ltd. no longer meets the requirements of major shareholders. The following major transactions are disclosed only for the amount of transactions during the period of the related parties, and the balance of transactions at the end of December 31, 2018 is not shown.

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 Loan and advance

Name of related party	Dec 31, 2018	Dec 31, 2017
Ningbo Development & Investment Group Co., Ltd.	650,900	587,000
Ningbo Shanshan Co., Ltd.	not applicable	631,000
Ningbo Youngor (Group) Co., Ltd.	153,851	3,700
Ningbo Fubang (Holding) Group	not applicable	703,540
Ningbo Huamao Group Co., Ltd.	884,782	637,098
Key management staff and their close family members of the Group	800	1,100
Other entities bearing major influences from the key management staff and their close family members of the Group	-	500,000
	<u>1,690,333</u>	<u>3,063,438</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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IX. Related Parties Relationships and Transactions (continued)

2. Major transactions between the Group and the related parties (continued)

2.2 Deposit

Name of related party	Dec 31, 2018	Dec 31, 2017
Ningbo Development & Investment Group Co., Ltd.	90,885	102,534
Ningbo Shanshan Co., Ltd.	NA	195,103
Ningbo Youngor (Group) Co., Ltd.	167,151	109,856
Ningbo Fubang (Holding) Group	NA	107,596
Ningbo Huamao Group Co., Ltd.	693,415	780,282
Key management staff and their close family members of the Group	21,851	36,488
Other entities bearing major influences from the key management staff and their close family members of the Group	-	733
	973,302	1,332,592

2.3 Deposit due from banks

Name of related party	Dec 31, 2018	Dec 31, 2017
Singapore Overseas-Chinese Banking Co., Ltd.	50,321	32,064

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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IX. Related Parties Relationships and Transactions (continued)

2. Major transactions between the Group and the related parties (continued)

2.4. Off balance sheet

Name of related party	Dec 31, 2018	Dec 31, 2017
Ningbo Shanshan Co., Ltd.	NA	608,738
Ningbo Youngor (Group) Co., Ltd.	1,979,522	486,010
Ningbo Fubang (Holding) Group	NA	522,440
Ningbo Huamao Group Co., Ltd.	392,760	696,569
Other entities bearing major influences from the key management staff and their close family members of the Group	-	50,000
	2,372,282	2,363,757

2.5 Derivative transaction

On 31st Dec. 2018, the balance of long-term foreign exchange trading of the group was RMB 186,507,000 (On 31st Dec. 2017, none). 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 (On 31st Dec. 2017, the balance of long-term foreign exchange swap was RMB 12,791,776,000 and the balance of long-term installment was RMB 12,709,995,000). Interest rate swap long-term was RMB 7,260,000,000 (On 31st Dec. 2017, the interest rate swap long-term was RMB 12,043,000,000). Option contract RMB 3,744,635,000 (On 31st Dec. 2017, option contract RMB 3,678,200,000). Net expense of derivative transactions of 2018 was RMB 22,269,000 (2017: RMB 55,474,000).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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Unit: CNY Thousand

IX. Related Parties Relationships and Transactions (continued)

2. Major transactions between the Group and the related parties (continued)

2.6 Loan interest income

Name of related party	2018	2017
Ningbo Development & Investment Group Co., Ltd.	23,429	18,447
Ningbo Shanshan Co., Ltd.	8,322	29,493
Ningbo Youngor (Group) Co., Ltd.	180	339
Ningbo Fubang (Holding) Group Co., Ltd.	29,510	37,474
Ningbo Huamao Group Co., Ltd.	17,852	12,990
Key management staff and their close family members of the Group	32	20
Other entities bearing major influences from the key management staff and their close family members of the Group	-	19,430
	<u>79,325</u>	<u>118,193</u>

2.7. Deposit interest expenses

Name of related party	2018	2017
Ningbo Development & Investment Group Co., Ltd.	331	585
Ningbo Shanshan Co., Ltd.	136	1,284
Ningbo Youngor (Group) Co., Ltd.	157	530
Ningbo Fubang (Holding) Group Co., Ltd.	40	378
Ningbo Huamao Group Co., Ltd.	2,073	2,225
Key management staff and their close family members of the Group	371	318
Other entities bearing major influences from the key management staff and their close family members of the Group	-	292
	<u>3,108</u>	<u>5,612</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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IX. Related Parties Relationships and Transactions (continued)

2. Major transactions between the Group and the related parties (continued)

2.8. Interests expenses of capital business

Name of related party	2018	2017
Singapore Overseas-Chinese Banking Co., Ltd.	<u>261</u>	<u>8</u>

2.9. Transactions with other related parties

Name of trade	2018	2017
Remuneration of key management	<u>27,478</u>	<u>27,110</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. Capitalized commitment

	Dec. 31, 2018	Dec. 31, 2017
Contracts signed but proceeds not yet be withdrawn	<u>278,733</u>	<u>268,952</u>

2. Operating lease commitment

According to the lease contract, the minimum lease rent of irrevocable operating sites are as follows:

	Dec. 31, 2018	Dec. 31, 2017
Within 1 year (included)	490,578	451,375
1-2 years (included)	457,161	417,927
2-3 years (included)	409,070	382,029
Over 3 years	<u>1,234,523</u>	<u>820,911</u>
	<u>2,591,332</u>	<u>2,072,242</u>

**X. Contingent Items, Commitment Items and Main Off-balance Sheet Items
(continued)**

3. Off-balance sheet commitments

	Dec. 31, 2018	Dec. 31, 2017
L/C issuance	13,290,801	11,777,285
Bank acceptance bill	85,150,073	60,233,731
Issuance of guarantee	42,423,837	28,379,173
Loan commitment	322,884,302	204,851,757

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. 2018, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 2,625,646,000 (31 Dec. 2017 RMB 2,160,147,000). 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 Guarantee is a commitment made by the Group guarantees to the clients to offer certain amount loan in a certain period.

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, 2018, the total subject amount of the Group for the pending lawsuits was RMB 4,156,000,000 (Dec. 31, 2017: RMB 2,030,000,000). 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, 2017: 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 2018 and 2017.

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 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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.1 Within-balance sheet assets

Proportion of loans and advances by industries:

	Dec. 31, 2017		Dec. 31, 2016	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	1,865,038	0.43	1,882,566	0.54
Mining	331,036	0.08	387,263	0.11
Manufacturing	72,601,578	16.92	53,644,324	15.50
Production and supply of electricity, gas and water	7,918,485	1.85	4,561,219	1.32
Construction	21,407,436	4.99	16,576,617	4.79
Transportation, storage and mailing	9,131,324	2.13	6,620,040	1.91
Information transfer, pc service and software	7,576,217	1.77	5,210,837	1.51
Commerce and trade	44,522,744	10.38	32,601,095	9.42
Hotel and restaurant	479,439	0.11	570,614	0.16
Finance	2,952,782	0.69	525,539	0.15
Real estate	22,994,854	5.36	22,956,496	6.63
Leasing and commercial service	57,478,570	13.40	55,938,866	16.16
Scientific research, technological service and geological reconnaissance	2,115,948	0.49	1,114,287	0.32
Management and investment of water resource, environmental and public facilities	35,420,300	8.25	31,634,929	9.14
Residential and other services	516,924	0.12	991,194	0.29
Education	959,015	0.22	917,775	0.27
Sanitation, social security and welfare	553,682	0.13	374,150	0.11
Culture, sports and entertainment	2,199,668	0.51	2,882,128	0.83
Public management and social organization	995,701	0.23	1,146,840	0.33
Personal loan	137,066,186	31.94	105,664,001	30.51
	<u>429,086,927</u>	<u>100.00</u>	<u>346,200,780</u>	<u>100.00</u>

Concentration by regional loans and advances:

	Dec. 31, 2017		Dec. 31, 2016	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	258,851,893	60.32	187,387,657	54.13
<i>including: Ningbo</i>	<i>173,326,451</i>	<i>40.39</i>	<i>141,563,691</i>	<i>40.89</i>
Shanghai	29,933,172	6.98	29,272,116	8.46
Jiangsu Province	100,840,464	23.50	84,813,958	24.50
Guangdong Province	19,606,962	4.57	32,157,794	9.29
Beijing	19,854,436	4.63	12,569,255	3.62
	<u>429,086,927</u>	<u>100.00</u>	<u>346,200,780</u>	<u>100.00</u>

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2 Derivative financial instruments

The derivative financial instruments are used by the Group in the management of the assets and liabilities. When the rates of assets and liabilities mismatch, for example, the Group purchases assets at a fixed interest with the capital coming from a floating rate, in which the fair value fluctuates with the market interest rate, the Group would transfer the fixed interest rate into a floating one to lessen the impact caused by the fluctuation.

Derivative financial instruments adopted by the Group in transactions:

Swap contract: it refers to the commitment to swap cash flow within an agreed period.

In an interest rate swap, interest will be paid by both parties participated in the transaction to each other in an agreed 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.

Forward contract: it refers to the agreement to purchase or sell financial product at a given amount in the future.

Share option contract: it mean according to the agreed conditions, the options for purchasing or selling a certain amount of foreign exchanges, bonds and the interest rates at agreed exchange rate or interest rate within a regulated period once the buyer has paid the seller specific fees for the share options, which also means that the buyer of the share options has the right to fulfill or not to fulfill the options, however the seller has no excuse to refuse performing in compliance with seller's options.

Contract of options on foreign exchange is the agreement on the rights of the buyer and seller to foreign exchange transactions.

Credit risk mitigation tools: Credit risk mitigation tools refer to credit risk mitigation contracts, credit risk mitigation vouchers and simple basic derivatives used to manage credit risk.

Inquiry trading of precious metals: refers to the gold trading by bilateral inquiry through the foreign exchange trading system of the China Foreign Exchange Exchange Trading Center approved by the Shanghai Gold Exchange. The trading variety is the gold trading variety designated by the exchange to be listed in the foreign exchange trading system of the trading center. Gold inquiry transactions include spot, forward, swap and other varieties according to the different trading periods.

The assessment and controlling standard for the credit risk of the derivative financial instruments of the Group is also applied to other transactions.

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.3 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, 2018	Dec. 31, 2017
Due from central banks	87,143,969	88,862,504
Due from other banks	9,251,993	29,550,692
Loan to other banks	2,417,760	2,045,994
Financial assets at fair value		
through profit and loss	134,764,316	146,419,226
Derivative financial assets	30,257,173	31,333,752
Reverse repurchase agreements	3,703,483	1,096,968
Interest receivable	6,071,662	4,156,455
Loans and advance payments	411,591,615	332,199,308
Available-for-sale financial assets	221,005,586	218,814,515
Held-to-maturity investment	70,118,200	60,782,788
Accounts receivable hold for investment	119,427,658	95,278,972
Other assets	<u>502,697</u>	<u>7,295,232</u>
Balance sheet risk exposure	<u>1,096,256,112</u>	<u>1,017,836,406</u>
Financial guarantee	140,864,711	100,390,189
Commitment	<u>322,884,302</u>	<u>228,497,171</u>
Maximum credit risk exposure	<u>1,560,005,125</u>	<u>1,346,723,766</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 (continued)

1.4 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.

1.5 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.

Credit quality analysis of financial assets in compliance with credit rating system of the Company dated as the Balance Sheet as follows:

Dec. 31, 2018	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central bank	87,143,969	-	-	-	-	87,143,969
Due from other banks	9,273,605	-	-	-	-	9,273,605
Loans to other bank	2,417,760	-	-	-	-	2,417,760
Financial assets at fair value						
through profit and loss	134,662,737	-	-	-	101,579	134,764,316
Derivative financial assets	30,257,173	-	-	-	-	30,257,173
Reverse repurchase financial assets	3,703,483	-	-	-	-	3,703,483
Interest receivable	6,059,743	6,144	1,497	-	4,345	6,071,729
Loans and advances	425,034,615	507,514	151,996	40,096	3,352,706	429,086,927
Available-for-sale financial assets	221,014,353	-	-	-	41,529	221,055,882
Held-to-maturity investment	70,118,200	-	-	-	-	70,118,200
Investment receivable	122,620,334	-	-	-	-	122,620,334
Other assets	474,947	32,841	-	-	11,983	519,771
	<u>1,112,780,919</u>	<u>546,499</u>	<u>153,493</u>	<u>40,096</u>	<u>3,512,142</u>	<u>1,117,033,149</u>

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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.5 Credit quality analysis of financial assets in compliance with credit rating system of the Group (continued)

Dec. 31, 2017	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central bank	88,862,504	-	-	-	-	88,862,504
Due from other banks	29,550,692	-	-	-	-	29,550,692
Loans to other bank	2,045,994	-	-	-	-	2,045,994
Financial assets at fair value through profit and loss	146,419,226	-	-	-	-	146,419,226
Derivative financial assets	31,333,752	-	-	-	-	31,333,752
Reverse repurchase financial assets	1,096,968	-	-	-	-	1,096,968
Interest receivable	4,150,264	929	1,129	-	4,133	4,156,455
Loans and advances	343,009,430	202,067	136,778	13,951	2,838,554	346,200,780
Available-for-sale financial assets	218,806,653	-	-	-	9,560	218,816,213
Held-to-maturity investment	60,782,788	-	-	-	50,000	60,832,788
Investment receivable	95,663,380	-	-	-	420,000	96,083,380
Other assets	7,254,462	45,353	-	-	6,567	7,306,382
	<u>1,028,976,113</u>	<u>248,349</u>	<u>137,907</u>	<u>13,951</u>	<u>3,328,814</u>	<u>1,032,705,134</u>

On Dec 31, 2018, the fair value of pledge for impaired loan reached to RMB 2,065,576,000 (Dec 31, 2017: RMB 3,254,320,000). The pledge included equipment, real estate and land, etc..

1.6 Credit quality analysis of financial assets neither past due nor impairment

Rating standard of credit quality of financial assets neither past due nor impair:

High quality: the counterpart has excellent financial conditions and business achievements, sufficient cash flows without bad credit records and is able to fulfill the contract.

Standard quality: there are negative factors which may affect the counterparts' fulfilling the contract, including the key financial indexes, cash flow of management and fair value of pledge.

	Dec. 31, 2018			Dec. 31, 2017		
	High quality	Standard quality	Total	High quality	Standard quality	Total
Balances with central banks	87,143,969	-	87,143,969	88,862,504	-	88,862,504
Due from other banks	9,273,605	-	9,273,605	29,550,692	-	29,550,692
Loans to other banks	2,417,760	-	2,417,760	2,045,994	-	2,045,994
Financial assets at fair value through profit and loss	134,662,737	-	134,662,737	146,419,226	-	146,419,226
Derivative financial assets	30,257,173	-	30,257,173	31,333,752	-	31,333,752
Reverse repurchase agreements	3,703,483	-	3,703,483	1,096,968	-	1,096,968
Interest receivable	6,059,743	-	6,059,743	4,150,264	-	4,150,264
Loans and advances	423,309,830	1,724,785	425,034,615	340,980,739	2,028,691	343,009,430
Available-for-sale financial assets	220,462,379	551,974	221,014,353	218,806,653	-	218,806,653
Held-to-maturity investment	70,118,200	-	70,118,200	60,782,788	-	60,782,788
Investment receivable	122,620,334	-	122,620,334	95,663,380	-	95,663,380
Other assets	474,947	-	474,947	7,254,462	-	7,254,462
Total	<u>1,110,504,160</u>	<u>2,276,759</u>	<u>1,112,780,919</u>	<u>1,026,947,422</u>	<u>2,028,691</u>	<u>1,028,976,113</u>

XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.7 Fair value of pledges past due but not impaired

Item	Dec. 31, 2018	Dec. 31, 2017
Loans and advance payments		
Housing, land and building	<u>1,955,014</u>	<u>122,373</u>

1.8 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, 2018, the book balance of restructured loans of the Company was RMB 72,920,000 (December 31, 2017: RMB 34,750,000).

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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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, 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>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

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 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	-	393,139,804	122,311,533	149,095,676	208,074,412	127,796,078	25,065,406	1,025,482,909
Net amount of balance sheet liquidity	75,533,769	(251,918,781)	(77,351,924)	(86,843,856)	139,899,999	237,360,887	115,843,866	152,523,960
Off-balance sheet credit liquidity	14,345,924	324,154,629	12,999,321	27,840,002	77,709,696	5,673,960	1,025,481	463,749,013

Bank of Ningbo Co., Ltd.
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 (continued):

Dec. 31, 2017	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	77,475,653	12,718,168	-	-	-	-	-	90,193,821
Due from other banks	-	8,650,192	19,370,858	1,036,768	624,340	-	-	29,682,158
Loans to other banks	-	-	1,453,061	595,945	9,427	-	-	2,058,433
Financial assets at fair value								
through profit and loss	-	119,227,722	11,224,388	2,288,009	10,043,409	4,162,837	396,151	147,342,516
Reverse repurchase agreements	-	-	1,098,293	-	-	-	-	1,098,293
Loans and advance payments	2,394,613	312,432	21,149,702	39,040,542	189,879,490	103,492,027	20,334,675	376,603,481
Available-for-sale financial assets	-	-	4,928,786	17,953,308	82,509,978	62,918,509	64,693,219	233,003,800
Held-to-maturity investments	50,000	-	1,007,154	1,243,033	7,871,779	43,292,921	17,136,228	70,601,115
Other investment receivable	420,000	-	3,046,153	2,907,966	13,092,553	78,482,809	15,764,604	113,714,085
Other financial assets	51,920	5,465,892	272,192	21,503	837,540	657,335	-	7,306,382
Total assets	<u>80,392,186</u>	<u>146,374,406</u>	<u>63,550,587</u>	<u>65,087,074</u>	<u>304,868,516</u>	<u>293,006,438</u>	<u>118,324,877</u>	<u>1,071,604,084</u>

Bank of Ningbo Co., Ltd.
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 (continued):

Dec. 31, 2017	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-	-	6,674	2,572,118	-	-	-	2,578,792	
Due from other banks	-	6,661,143	7,642,728	6,446,894	6,856,395	-	-	27,607,160
Placements from other institutions -	-	50,707,233	23,051,059	21,449,419	366,738	-	95,574,449	
Financial assets at fair value through profit and loss	-	5,374,442	29,560	26,873	-	-	-	5,430,875
Proceeds generated from repurchase agreements	-	-	44,795,420	516,423	696,567	-	-	46,008,410
Deposit	-	351,043,676	30,781,475	42,019,048	88,194,668	77,707,320	10,359	589,756,546
Bond payable	-	-	65,202,098	56,539,330	21,191,972	5,078,800	38,006,300	186,018,500
Other financial liabilities	-	2,665,568	525,974	1,073,704	1,637,184	1,803,625	5,562,043	13,268,098
Total liabilities	-	365,744,829	199,691,162	132,245,449	140,026,205	84,956,483	43,578,702	966,242,830
Net amount of balance sheet liquidity	80,392,186	(219,370,423)	(136,140,575)	(67,158,375)	164,842,311	208,049,955	74,746,175	105,361,254
Off-balance sheet credit liquidity	4,829,304	230,623,713	12,446,723	25,829,289	50,047,945	4,096,829	1,013,558	328,887,361

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, 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>
Dec. 31, 2017	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>(885)</u>	<u>(2,356)</u>	<u>62,799</u>	<u>(5)</u>	<u>59,553</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, 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

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2 Cash flow analysis of derivative financial instruments (continued)

Derivative financial instruments at close-out netting (continued)

Dec. 31, 2017	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(9,245,642)	(6,303,062)	(315,845)	-	(15,864,549)
Cash inflow	9,230,011	6,363,362	336,714	-	15,930,087
Currency swap					
Cash outflow	(887,847,480)	(1,011,721,688)	(48,464,747)	-	(1,948,033,915)
Cash inflow	886,386,377	1,007,454,806	49,887,059	-	1,943,728,242
Currency exchange					
Cash outflow	(565,134)	(1,315,158)	-	-	(1,880,292)
Cash inflow	580,652	1,335,857	-	-	1,916,509
Option					
Cash outflow	(28,726,777)	(54,837,673)	-	-	(83,564,450)
Cash inflow	29,062,881	56,346,792	-	-	85,409,673
Nobel metal agreement					
Cash outflow	(5,361,985)	(3,344,051)	-	-	(8,706,036)
Cash inflow	6,024,452	7,623,695	-	-	13,648,147

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)
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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, 2018

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)

2 Dec. 31, 2017	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>

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Notes to Financial Statements (continued)
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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, 2017	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	84,521,596	-	-	-	-	5,672,225	90,193,821
Due from other banks	27,950,192	1,000,000	600,500	-	-	-	29,550,692
Loans to other banks	1,445,252	591,472	9,270	-	-	-	2,045,994
Financial assets at fair value							
through profit and loss	11,216,080	2,244,939	9,559,918	3,870,460	300,107	119,227,722	146,419,226
Derivative financial assets	-	-	-	-	-	31,333,752	31,333,752
Reverse repurchase agreements	1,096,968	-	-	-	-	-	1,096,968
Loans and advance payments	25,278,090	35,753,549	176,103,043	57,480,474	9,155,158	28,428,994	332,199,308
Available-for-sale financial assets	5,672,226	18,348,985	79,217,319	53,749,872	29,696,381	32,129,732	218,814,515
Held-to-maturity investments	936,604	1,060,908	6,350,812	37,275,382	15,159,082	-	60,782,788
Accounts receivable held for investment	3,020,041	1,530,469	9,073,199	69,852,940	11,802,323	-	95,278,972
Other financial assets	-	-	-	-	-	11,451,687	11,451,687
Total assets	<u>161,137,049</u>	<u>60,530,322</u>	<u>280,914,061</u>	<u>222,229,128</u>	<u>66,113,051</u>	<u>228,244,112</u>	<u>1,019,167,723</u>

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Notes to Financial Statements (continued)
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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, 2017	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	-	2,500,000	-	-	-	-	2,500,000
Due to banks and other financial institutions	14,198,072	6,349,111	6,745,252	-	-	-	27,292,435
Placements from other institutions	50,479,902	22,820,478	20,960,270	345,446	-	-	94,606,096
Financial assets at fair value							
through profit and loss	-	-	-	-	-	5,430,875	5,430,875
Derivative financial liabilities	-	-	-	-	-	35,168,918	35,168,918
Proceeds generated from repurchase agreements	44,780,933	514,942	692,915	-	-	-	45,988,790
Deposits	368,349,115	42,362,385	80,810,485	67,708,962	9,202	6,013,755	565,253,904
Bond payable	64,795,283	56,299,960	19,304,311	-	31,099,888	-	171,499,442
Other liabilities	-	-	-	-	-	21,643,987	21,643,987
Total liabilities	<u>542,603,305</u>	<u>130,846,876</u>	<u>128,513,233</u>	<u>68,054,408</u>	<u>31,109,090</u>	<u>68,257,535</u>	<u>969,384,447</u>
Interest sensitive gap	<u>(381,466,256)</u>	<u>(70,316,554)</u>	<u>152,400,828</u>	<u>154,174,720</u>	<u>35,003,961</u>	<u>159,986,577</u>	<u>49,783,276</u>

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, 2018
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	329,756	(329,756)
		Dec. 31, 2017
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	185,463	(185,463)

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, 2018
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	2,957,634	(2,957,634)
		Dec. 31, 2017
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	3,289,066	(3,289,066)

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, 2018
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	3,557,828	(3,557,828)
		Dec. 31, 2017
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	3,670,186	(3,670,186)

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, 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
	Dec. 31, 2017	
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	(113,750)	113,750

3.2 Foreign exchange risk

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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.

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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, 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, 2016	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, 2018

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, 2017	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of assets				
Cash and balances with central bank	86,432,695	3,692,321	68,805	90,193,821
Due from other banks	25,958,666	2,718,036	873,990	29,550,692
Loans to other banks	1,120,000	925,994	-	2,045,994
Financial assets at fair value through profit and loss	146,419,226	-	-	146,419,226
Derivative financial assets	31,138,595	175,956	19,201	31,333,752
Reverse repurchase agreement	1,096,968	-	-	1,096,968
Loans and advance payments	326,476,875	4,990,016	732,417	332,199,308
Available-for-sale financial assets	216,430,952	2,378,998	4,565	218,814,515
Held-to-maturity investments	60,782,788	-	-	60,782,788
Accounts receivable held for investment	95,278,972	-	-	95,278,972
Other financial assets	<u>11,418,811</u>	<u>31,703</u>	<u>1,173</u>	<u>11,451,687</u>
Total assets	<u>1,002,554,548</u>	<u>14,913,024</u>	<u>1,700,151</u>	<u>1,019,167,723</u>
Dec. 31, 2017	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of liabilities				
Due to central bank	2,500,000	-	-	2,500,000
Due to banks and other financial institutions	19,830,392	7,461,788	255	27,292,435
Placements from other institutions	38,143,227	52,600,800	3,862,069	94,606,096
Financial assets at fair value through profit and loss	5,430,875	-	-	5,430,875
Derivative financial liabilities	4,414,618	30,748,076	6,224	35,168,918
Proceeds generated by repurchase agreements	45,988,790	-	-	45,988,790
Deposit	531,030,365	33,137,524	1,086,015	565,253,904
Bonds payable	171,499,442	-	-	171,499,442
Other financial liabilities	<u>21,136,628</u>	<u>504,530</u>	<u>2,829</u>	<u>21,643,987</u>
Total liabilities	<u>839,974,337</u>	<u>124,452,718</u>	<u>4,957,392</u>	<u>969,384,447</u>
Balance sheet net position	<u>162,580,211</u>	<u>(109,539,694)</u>	<u>(3,257,241)</u>	<u>49,783,276</u>
Off-balance sheet position	<u>306,258,319</u>	<u>12,663,006</u>	<u>9,966,035</u>	<u>328,887,360</u>

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 31 December 2018 and 31 December 2017 as follows:

		Dec. 31, 2018
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	468,584	(468,584)
		Dec. 31, 2017
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	1,127,969	(1,127,969)

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.

Level 3: the unobservable inputs of the related assets or liabilities.

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
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>-</u>	<u>27,564,862</u>	<u>-</u>	<u>27,564,862</u>
Total financial liabilities	<u>11,845,777</u>	<u>27,575,177</u>	<u>-</u>	<u>39,420,954</u>

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, 2017, 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
2017				
Continuous fair value measurement				
Nobel metal	843,573	-	-	843,573
Financial assets at fair value through profit and loss	119,286,003	27,192,898	3,000	146,481,901
Derivative financial assets	-	31,333,752	-	31,333,752
Financial assets available for sale	<u>31,898,380</u>	<u>186,916,135</u>	<u>-</u>	<u>218,814,515</u>
Total financial assets	<u>152,027,956</u>	<u>245,442,785</u>	<u>3,000</u>	<u>397,473,741</u>
Financial liabilities at fair value through profit and loss	5,374,442	56,433	-	5,430,875
Derivative financial liabilities	<u>-</u>	<u>35,168,918</u>	<u>-</u>	<u>35,168,918</u>
Total financial liabilities	<u>5,374,442</u>	<u>35,225,351</u>	<u>-</u>	<u>40,599,793</u>

In 2018 and 2017, 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, 2017, 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>2018</u>	<u>2017</u>
Financial assets at fair value through profit and loss		
Beginning balance	3,000	3,000
Transfer to Lv.3	1,000	-
Purchase	-	-
Included in gains and losses	<u>(2,000)</u>	<u>-</u>
End balance	<u><u>2,000</u></u>	<u><u>3,000</u></u>

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, 2018		Dec. 31, 2017	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Held-to-maturity investment	70,118,200	72,082,021	60,782,788	60,630,375
Accounts receivable investment	<u>119,427,658</u>	<u>122,985,760</u>	<u>95,278,972</u>	<u>95,960,715</u>
Financial liabilities:				
Bond payable	<u>208,437,348</u>	<u>213,800,379</u>	<u>171,499,442</u>	<u>170,731,021</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 bank	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, 2018

Unit: CNY Thousand

XII. Other Items After Balance Sheet Day

According to the resolution of the Board of Directors held on 28 March, 2019, the profit distribution plan (predetermined) of the year 2018 is listed as follow:

- 1) Distribute 10% of 2017 net profit RMB 1,085,715,000 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 1,633,406,000 as general provision;
- 3) Distribute cash dividends amounted to RMB 2,083,422,000 to the shareholders of 5.209 billion shares by RMB 4 per 10 shares (including tax) (i.e. RMB 0.4 per share), and this distribution decision is to be approved by the general meeting of shareholders

Save as disclosed above, there's no other significant event of the Company that need to be disclosed after this balance sheet day

XIII. Notes to Main Items of the Financial Statement

1. Long-term equity investment

Year 2018	Beginning Balance Investment	Changes during the year				End cash dividend	End bookimpairment value	End provision
		Increased investment	Gains & losses under equity method	Other comprehensive income	Other comprehensive Changes			
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>1,646,770</u>	<u>1,000,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,647,200</u>	<u>-</u>
2017								
Subsidiary								
Maxwealth Fund								
Management Co., Ltd.	135,000	11,770	-	-	-	-	146,770	-
Maxwealth Financial								
Leasing Co., Ltd.	1,000,000	500,000	-	-	-	-	1,500,000	-
	<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, 2018

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, 2018	Dec. 31, 2017
Individual loans and advances		
Individual consumption loan	114,973,103	87,301,230
Individual operating loan	20,841,007	17,237,070
Individual housing loan	<u>1,248,329</u>	<u>1,125,700</u>
Total individual loans and advance	137,062,439	105,664,000
Less: allowance for impairment losses for individual	<u>(1,913,466)</u>	<u>(1,277,508)</u>
	135,148,973	104,386,492
Corporate loans and advances		
Loan	221,822,497	195,528,945
Discount	44,943,328	24,132,284
Trade finance	<u>4,774,997</u>	<u>4,247,835</u>
Total corporate loan and advance	271,540,822	223,909,064
Less: impairment provision for corporate	<u>(15,018,546)</u>	<u>(12,388,912)</u>
	256,522,276	211,520,152
Net value of corporate loan and advance	<u><u>391,671,249</u></u>	<u><u>315,906,644</u></u>

2.2 Classification of guarantees for loans and advance payments

	Dec. 31, 2018	Dec. 31, 2017
Credit loan	135,096,076	97,112,884
Guarantee loan	110,234,320	104,563,755
Mortgage loan	111,864,630	97,811,836
Pledge loan	<u>51,408,235</u>	<u>30,084,589</u>
Total loans and advances	408,603,261	329,573,064
Less: impairment provision	<u>(16,932,012)</u>	<u>(13,666,420)</u>
Net value of loans and advances	<u><u>391,671,249</u></u>	<u><u>315,906,644</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

Unit: CNY Thousand

XIII. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.3 Overdue loans

	Dec 31, 2018				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit	228,019	454,168	218,796	25,786	926,769
Guarantee	175,403	182,808	514,539	7,460	880,210
Mortgage/pledge	640,100	795,765	497,797	66,486	2,000,148
	<u>1,043,522</u>	<u>1,432,741</u>	<u>1,231,132</u>	<u>99,732</u>	<u>3,807,127</u>
	Dec 31, 2017				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit	181,280	249,097	108,095	15,785	554,257
Guarantee	55,628	582,434	111,061	115	749,238
Mortgage/pledge	251,313	621,804	514,007	16,429	1,403,553
	<u>488,221</u>	<u>1,453,335</u>	<u>733,163</u>	<u>32,329</u>	<u>2,707,048</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2018

Unit: CNY Thousand

XIII. Notes to Main Items of the Financial Statement (continued)

3. Net interest income

	2018	2017
Interest income		
Loans and advances	20,053,029	16,391,458
<i>Including: corporate loans and advances</i>	<i>10,672,044</i>	<i>9,561,062</i>
<i>Personal loans and advances</i>	<i>7,368,298</i>	<i>5,520,252</i>
<i>Notes discounted</i>	<i>1,554,875</i>	<i>1,047,005</i>
<i>Trade financing</i>	<i>457,812</i>	<i>263,139</i>
Due from other banks	358,951	514,648
Balance with central banks	1,252,925	1,212,721
Placements to other financial institutions	267,890	156,190
Reserve purchase agreement	680,424	371,539
Bond investment	11,791,364	6,782,627
<i>Including: financial assets held for trading</i>	<i>700,679</i>	<i>392,058</i>
Financing product and credit plan	7,482,014	10,471,770
Others	<u>21,503</u>	<u>11,332</u>
	<u>41,908,100</u>	<u>35,912,285</u>
Interest expense		
Due to other banks	(548,639)	(1,091,456)
Borrowing from central bank	(229,133)	(501,696)
Placements from other institutions	(1,350,685)	(967,111)
Deposit	(11,408,176)	(9,456,094)
Repurchase agreements financial assets	(1,020,990)	(1,140,272)
Bond issuance	(8,424,262)	(6,472,201)
Others	<u>(20,228)</u>	<u>(7,672)</u>
	<u>(23,002,113)</u>	<u>(19,636,502)</u>
Net interest income	<u><u>18,905,987</u></u>	<u><u>16,275,783</u></u>

XIII. Notes to Main Items of the Financial Statement (continued)

4. Cash flow of operating activities

	2018	2017
Adjusting net Profit to Cash Flow of Operating Activities		
Net profit	10,857,151	9,104,002
Add: loss for fixed assets impairment	6,962,022	6,001,860
Depreciation of fixed assets	442,922	390,526
Amortization of intangible assets	101,159	73,074
Amortization of deferred expenses	481,557	431,951
Income from disposal of fixed assets, intangible assets and other long-term assets	(105,111)	8,590
Income of fair value adjustment	(6,241,827)	5,549,038
Investment income	(18,623,233)	(19,707,897)
Increase of deferred income tax assets	105,545	(2,514,300)
Increase of operating receivable	(63,549,413)	(37,794,331)
Increase of operating payable	<u>20,653,159</u>	<u>55,341,752</u>
	<u>(48,916,069)</u>	<u>16,884,265</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, 2018

Unit: CNY Thousand

Supplementary to financial statements:

1. List of non recurring gains and losses

	2018	2017
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	105,111	(8,674)
Profit and loss from changes in the fair value of investment real estate which is subsequently measured at fair value	(6,010)	(5,753)
Receivables for impairment reversal of impairment testing alone	-	-
Other non-operating income and expense besides the above items	<u>(25,529)</u>	<u>(3,027)</u>
Affected amount of income tax	<u>(22,075)</u>	<u>845</u>
Affected amount minority equity(after tax)	<u>(1,650)</u>	<u>(27)</u>
Non-recurrent gains and losses attributable to common shareholders of parent company	<u>49,847</u>	<u>(16,636)</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*.

Gains and loss generated by fair value change in respect of financial assets held for trading investment income received, by disposing financial assets held for trading and available-for-sale financial assets were recognized as a part of Company's operating gains and loss, thus excluded in non-operating gains and loss.

2. ROE (return on equity) and earnings per share

2018	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
ROE for ordinary shareholders	18.72	2.15	2.04
ROE for ordinary shareholders after deducting non-recurring gains and losses	18.64	2.14	2.03
2017	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
ROE for ordinary shareholders	19.02	1.80	1.79
ROE for ordinary shareholders after deducting non-recurring gains and losses	19.06	1.80	1.79