
BANK OF NINGBO CO., LTD.

(Stock Code: 002142)

2020 Annual Report



Chapter One Important Notes, Content and Interpretation

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

The 6th meeting of the 7th Board of Directors of the Company deliberated on and approved the text and abstract of 2020 Annual Report. 13 directors in person out of the total of 13 required directors attended the meeting, and part of supervisors attended as a nonvoting delegates.

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

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

Ernst & Young Hua Ming LLP audited the 2020 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.

The Company's profit distribution plan was approved by the Board of Directors as follows: distribute RMB 5 (tax inclusive) as cash bonus per 10 shares to all shareholders registered upon the equity registration day. This plan will be submitted to 2020 general meeting of stockholders for further approval.

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Interpretation

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

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

Chapter Two Company Profile

I. Company Information

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

II. Contact Information

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

III. Information Disclosure and Place for Inspection

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

V. Registration Changes

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

V. Other Relevant Information

(I) Accounting firm appointed by the Company

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

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

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

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

VI. Development Vision, Corporate Culture and Investment Value

(I) Development Vision

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

(II) Enterprise Mission

Create value for customers with specialty.

(III) Corporate Culture

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

(III) Investment Value and Core Competitiveness

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.

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

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.

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.

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.

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

VII. Major Awards and Rankings in 2020

(I) In the list of “2020 Top 1,000 International Banks” issued by the Banker, the Company was ranked the 110th in the world and 20th in China with its tier one capital.

(II) In the list of “2020 Top 500 International Banking Brands” issued by the Banker, the Company was ranked the 112th in the world and 17th in China.

(III) In the Competitiveness Report of Chinese Commercial Banks 2020 issued by the Banker of China, the Company retained the first ranking among "competitive urban commercial banks with over RMB 1,000 billion assets scale" and was rated as "the Best Urban Commercial Bank" for three consecutive years.

(IV) In 2020 (the 8th) comprehensive selection of financial banks by Sina, the Company was rated as "the Best Urban Commercial Bank of the Year".

(V) The Company won "the Best Inclusive Financial Service Small and Medium-sized Bank of the Year" award in the "Golden Award of China's Financial Institutions in 2020" sponsored by Financial Times of China.

(VI) The Company was rated as one of "Top 50 Small and Medium-sized Listed Companies in Value" and "Top 10 Management Teams of Small and Medium-sized Listed Companies" in the

14th Value Evaluation of Listed Companies of China held by Securities Times.

(VII) The Company was granted with the Award "Golden Bull for Financing Banks" in the first Golden Bull selection among financing banks of China held by China Securities Journal.

(VIII) The Company won "2020 Outstanding Competitiveness and Social Responsibility Bank" in "the 5th Outstanding Competitiveness Small and Medium-sized Banks" held by China Business.

(IX) In the election of "2019 - 2020 Annual Outstanding Financial Enterprises" held by Economic Observer, the Company won the award "Annual Outstanding Inclusive Financial Bank".

(X) The Company was awarded as "the Outstanding Asset Custody Bank 2020" by 21st Century Business Herald in 2020 (the 13th) China Asset Management "Jin Bei Award".

(XI) The Company won "the Outstanding Retail Bank of 2020" award in the banking industry selection of 18th China Financial Situation List held by Hexun.

(XII) In the election of "Jinxi Award" held by China Investment Network, the Company won the awards "Excellent Fortune Management Bank" and "Outstanding Social Responsibility Enterprise".

(XIII) The Company won the award "the Most Socially Responsible Listed Company" in 2020 Reputation Award for Listed Companies of China by National Business Daily.

(XIV) The Company won the awards "Outstanding Urban Commercial Bank" and "Outstanding Inclusive Finance" in the 2020 Leading China Election held by jrj.com.

(XV) The Company was elected among "Pandemic Prevention Hero List of Zhejiang Merchants" published by the magazine Zheshang.

Chapter Three Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

Operating Performance (RMB 1 million)	Year 2020	Year 2019	Increase/Decrease by this year	Year 2018
Operating Income	41,111	35,082	17.19%	28,930
Operating Profit	16,500	15,290	7.91%	11,546
Total Profit	16,455	15,219	8.12%	11,498
Net Profit	15,136	13,792	9.74%	11,221
Net Profit Attributable to Shareholders of the Parent Company	15,050	13,715	9.73%	11,186
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	14,992	13,745	9.07%	11,137
Net Cash Flow from Operating Activities	60,771	40,339	50.65%	(50,979)
Per Share (RMB /share)				
Basic Earnings Per Share (EPS)	2.43	2.41	0.83%	2.15
Diluted Earnings Per Share (EPS)	2.43	2.41	0.83%	2.04
Basic EPS after Non-recurring Profit and Losses	2.42	2.41	0.41%	2.14
Net Cash Flow from Operating Activities per share	10.12	7.17	41.14%	(9.79)
Equity per share, Attributable to Common Stockholder of the Parent Company	17.26	15.19	13.63%	12.68
Financial Ratios				
Fully-diluted Return on Equity (ROE)	13.79%	15.16%	Decreased by 1.37%	16.59%
Weighted Average ROE	14.90%	17.10%	Decreased by 2.20%	18.72%
Fully-diluted ROE after Non-recurring Profits and Losses	13.73%	15.19%	Decreased by 1.46%	16.52%
Weighted Average ROE after Non-recurring Profits and Losses	14.84%	17.14%	Decreased by 2.30%	18.64%

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 fifth-phase dividend of the preferred stocks (Preferred 01) on Nov. 16, 2020 and the second-phase dividend of the preferred stocks (Preferred 02) on Nov. 9, 2020, the total amount of which was RMB 753 million. The Company has issued 379,686,758 A shares in Apr. 2020 in a non-public way. The Company has considered the effect of the preference dividends and non-public issuance of A shares when calculating the basic earnings per share and weighted average ROE disclosed in this report.

Scale indicators (RMB 1 million)	End of 2020	End of 2019	Increase / Decrease by this Year	End of 2018
Total assets	1,626,749	1,317,717	23.45%	1,116,423
Client loans and advances	687,715	529,102	29.98%	429,087

Scale indicators (RMB 1 million)	End of 2020	End of 2019	Increase / Decrease by this Year	End of 2018
— Personal loans and advances	261,653	179,698	45.61%	137,066
— Corporate loans and advances	369,881	304,985	21.28%	247,078
— Notes discounted	56,181	44,419	26.48%	44,943
Loan loss reserves	27,583	21,702	27.10%	17,495
Including: loss reserves of loans and advances measured at fair value with changes included in other comprehensive income	647	590	9.66%	Not applicable
Total liabilities	1,507,756	1,216,981	23.89%	1,035,193
Client deposits principal	925,174	771,521	19.92%	646,721
— Personal deposit principal	201,379	159,142	26.54%	122,867
— Corporate deposit principal	723,795	612,379	18.19%	523,854
Interbank borrowing	68,434	35,962	90.30%	53,944
Stockholders' equity	118,993	100,736	18.12%	81,230
Including: equity attributable to shareholders of the Parent Company	118,480	100,309	18.12%	80,879
Net capital	160,958	137,797	16.81%	106,757
Including: Tier-I net capital	118,073	100,009	18.06%	80,616
Net risk-weighted assets	1,084,870	885,202	22.56%	718,274

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, 2020 was RMB 1,043.615 billion, increasing by RMB 175.034 billion than the end of the previous year with a growth of 20.15%; the total client loans and advances was RMB 690.615 billion, increasing by RMB 159.040 billion than the end of the previous year with a growth of 29.92%.

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

II. Key Quarterly Financial Indicators

Unit: RMB 1 million

	1 st Quarter of 2020	2 nd Quarter of 2020	3 rd Quarter of 2020	4 th Quarter of 2020
Operating income	10,859	9,122	10,280	10,850
Net Profit Attributable to Shareholders of the Parent Company	4,002	3,841	3,428	3,779
Net Profit Attributable to Shareholders of the Parent Company	4,004	3,834	3,434	3,720
Net Cash Flow from Operating Activities	59,543	39,335	(61,043)	22,936

Note: there's no significant variance between the above financial indicators or the additive total therein and

the relevant financial indicators in the Company's disclosed quarterly report or semi-annual reports.

III. Non-recurring Profit and Loss Items and Amount

Unit: RMB 1 million

ITEM	Year 2020	Year 2019	Year 2018
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	72	5	105
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	-	-	(6)
Other non-operating incomes and expenditures except for the above items	19	(39)	(26)
Impacts by income tax	(29)	7	(22)
Total	62	(27)	51
Of which: non-recurring profit and loss attributable to shareholders of the parent company	58	(30)	49
non-recurring profit and loss attributable to minority shareholders	4	3	2

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 2020	Year 2019	Year 2018	
According to the Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trail)	Capital adequacy ratio (%)	≥10.5	14.84	15.57	14.86
	Tier-I Capital adequacy ratio (%)	≥8.5	10.88	11.30	11.22
	Core Tier-I Capital adequacy ratio (%)	≥7.5	9.52	9.62	9.16
Liquidity ratio (RMB and foreign currencies) (%)		≥25	56.04	53.39	57.43
Liquidity coverage ratio (%)		≥100	136.67	169.03	206.57
Ratio of deposits and loans (domestic and foreign currencies) (%)			71.85	66.51	65.88
Ratio of non-performing loans (%)		≤5	0.79	0.78	0.78
Provision coverage (%)		≥150	505.59	524.08	521.83
Loan provisioning rate (%)			4.01	4.10	4.08
Normal loan migration rate (%)	Migration rate of normal loans		1.50	1.52	1.11
	Migration rate of special-mentioned loans		71.94	31.54	67.48
Migration rate of non-performing loans (%)	Migration rate of subprime loans		41.26	61.51	61.06
	Migration rate of doubtful loans		33.03	41.67	21.89
Return on total assets (%)			1.02	1.13	1.04
Cost-income ratio (%)			37.96	34.32	34.44
Asset-liability ratio (%)			92.69	92.36	92.72
Net interest spread (%)			2.54	2.57	2.31
Net interest margin (%)			2.30	2.27	2.23

Note: According to the *Notice on Strict Implementation of Accounting Standards for Business Enterprises and Further Strengthening of 2020 Annual Report Work of Enterprises* (C.K. [2021] No. 2), the net interest spreads and net interest margins of the year 2018 and 2019 were traced and adjusted. All the interest spreads and net interest margins involved in the Report have been traced and adjusted.

Chapter Four Address of the Chairman

The year 2020 just passed was an extraordinary one. COVID-19, which is rare even in a hundred years, has not only changed our lives and work, but also has profound and long-term implications for economic and social development. Due to the complex and changeable macroeconomic environment and domestic and international situation, the acceleration of financial technology and the more fierce competition in the industry, how to grasp the "danger" and "opportunity" of the development of commercial banks in the new situation, how to create more value for customers in adhering to the service of the real economy, and how to enhance the core competitiveness of differentiation in the accelerated differentiation of the industry are the new issues and challenges for small and medium-sized commercial banks in the process of promoting their own sustainable development.

In 2020, the Company continued to strengthen the leadership of the Party, promote the deep integration of the Party's leadership and corporate governance, and adhere to its mission of serving the real economy in compliance with the development strategy formulated by the Board of Directors. Furthermore, the Company continued to concentrate on and forge ahead, continued to implement the business strategy of "imperfect for large banks, impossible for small banks", promote the business model by systematization, business model by digitalization, and management model by intellectualization, so as to speed up the construction of the moat for the development of the Bank, with its development sustainability constantly enhancing. By the end of the reporting period, the total asset of the Company reached RMB 1,626.749 billion, increasing by 23.45% over the beginning of the year; the net profits attributable to shareholders of our parent company reached RMB 15.050 billion, increasing by 9.73% from the previous year; earnings per share was RMB 2.43, increasing by RMB 0.02 compared with that of last year; earning per share attributable to the ordinary shareholders of our parent company was RMB 17.26, increasing by 13.63% compared with that at the beginning of this year. In 2020, in the list of "2020 Top 1,000 International Banks" issued by the Banker, the Company ranked the 110th; In the "Competitiveness Report of Chinese Commercial Banks 2020" issued by the Banker of China, the Company was rated as "the Best Urban Commercial Bank" for the third consecutive year; by the end of 2020, the total market value of the Company was RMB 212.3 billion, ranking the 61st among all A-share listed companies and the 14th among all A-share listed banks.

Serve the real economy as the main line, adhere to create more value for customers. In 2020, the Company has actively implemented the decision-making and deployment of governments and financial management departments at all levels, and penetrated the main line of serving the real economy throughout the year. Especially after COVID-19 took place, the Company actively allocated resources, and issued interest free loans of 11 billion to small and micro businesses, helping the entities to tide over the difficulties; accelerated the loan repayment, rediscount, and the extension of

repayment of principal and interest and credit loan of the People's Bank of China, supported the enterprises to resume work and return to production, and effectively implemented the work of "six stability" and "six guarantees". The Company adhered to the principle of "measuring the earth with both feet and creating value with specialty", constantly increased the support for advanced manufacturing industry, private small and micro businesses, import and export enterprises and other key fields, and closely focused on the customer's financial service demand, innovated and used special financial products such as small and micro loans, science and technology innovation loans, export micro loans, small and micro leasing, cross-border e-commerce, etc., to serve the majority of entity enterprises so as to provide comprehensive financial services and create more values for the customers.

Take business model upgrading as the starting point, accelerate the construction of bank development moat. In 2020, the Company proposed to meet the version 2.0 era of banking business development in an all-round way, as in the era of intensified industry differentiation, only by speeding up the construction of the moat of banking development can we stand out in the fierce industry competition. Currently, the Company has 15 profit centers, the Bank has 12 profit centers, and there are three subsidiaries, featuring a good profit structure and development foundation, especially for the development of financial technology, which has provided a rare historical opportunity for commercial banks to promote the change of business model and realize the leap forward development. All profit centers of the Company are concentrating on the business strategy of "imperfect for large banks, impossible for small banks", grasping the development opportunities for the banks, constantly searching for the entry point and focus of business model upgrading, continuously improving the differentiated competitiveness of the Company in the financial business, international financial business, retail business and wealth management business, accelerating the construction of business moat, and promoting the sustainable development of the Bank.

Keep the bottom line of risk as the core, ensure the steady and sustainable development of the Bank. In 2020, the Company continued to uphold the concept of reverence for market and risk, adhered to the risk management culture of prudent operation, accelerated the financial technology empowerment, promoted the intellectualization and digitalization of comprehensive risk management, with all the risk management measures remained effective and valid, ensuring the bottom line of risk in the operation of the Bank. As of the end of 2020, the Company's non-performing loan ratio was 0.79%, maintaining a low level in the industry. In 2020, the Company completed the non-public offering project of RMB 8 billion, with the total share capital of the Company increasing to 6 billion shares; the issuance of RMB 10 billion of secondary capital bonds was completed, which further enhanced the ability of the Bank to resist risks and serve the real economy. By the end of 2020, the number of business outlets of the Company has reached 418, basically realizing the full coverage of regional outlets. With the Yangtze River Delta as the main body and the circum-Bohai-Sea and the Pearl River Delta as the two wings, the Company's "one body and two wings" institutional layout has been further improved, which has laid a solid foundation for the Company to deepen financial

services to the real economy and strive to build a regional mainstream bank.

2021 will be a year of special importance in the process of modernization construction in China. This year is not only the beginning of the "14th Five-year Plan", but also the year to celebrate the centenary birthday of the Communist Party of China, opening a new journey for the overall construction of a socialist modernization country. Bank of Ningbo will continue to uphold the original mission of serving the real economy, implement the business strategy of "imperfect for large banks, impossible for small banks", create more values for the customers with the help of financial technology and specialty, and continue to advance and promote the steady and sustainable development of the Bank regardless of hardship!

Chairman: Lu Huayu

Chapter Five Address of the President

In 2020, the sudden outbreak of COVID-19 in the world and the turbulent international and geopolitical situation led to the aggravation of downward pressure on the global economy, which resulted in the profound changes in the environment of banking operation. The Company showed its courage in this difficult stage and made outstanding achievement as a result. In accordance with the development strategy formulated by the Board of Directors, the Company adhered to the client-oriented strategy, continued to implement the business strategy of "Do what big banks can't do well and small banks can't do", continued to provide good services for the real economy, speeded up the construction of the moat for the development of banks, thus promoted the steady operation of the Bank, and further enhanced the capability of sustainable development. By the end of the reporting period, the total assets was RMB 1,626.749, increased by 23.45% from the beginning of the year; the deposit balance was RMB 925.174 billion, increased by 19.92% from the beginning of the year; the loan balance was RMB 687.715 billion, increased by 29.98% from the beginning of the year; an operating income amounted to RMB 41.111 billion was realized, increased by 17.19% from the beginning of the year, a net profit attributable to shareholders of the parent Company amounted to RMB 15.05 billion was realized as well, with a year-on-year growth of 9.73%. The operating and management work in 2020 have the following four outstanding features:

Adhere to the original intention and make new performance in serving the real economy. Only by adhering to the original intention of serving the entity can we make the best use of the situation to benefit others. In 2020, the Company implemented the decision and deployment of governments and regulatory authorities at all levels, strengthened the support of real economy, assisted enterprises to resume work and recover production, and carried out the tasks of "six stabilizations" and "six guarantees". The Company fully guaranteed the financing needs of key areas, continued to increase credit support. In 2020, the newly issued loan of the Company exceeded RMB 150 billion, and the issuance of loans for small and micro businesses, manufacturing industry, medium and long-term loan, as well as the issuance of loans in key areas exceeded the target. The coverage of financial services continued to expand. By the end of 2020, the Company had 460000 corporate clients, an increase of 77,000 compared with the end of last year. More than 90% of these clients are small and micro enterprises and private enterprises.

Start to construction the moat of business model via transformation and upgrading. In the face of increasingly fierce market competition and accelerating industry differentiation, banks can survive and achieve development only by building a moat for their own development. In the face of increasingly fierce market competition and accelerating industry differentiation, banks can survive and achieve development only by building a moat for their own development. In 2020, the Company continued to accelerate the transformation and upgrading of various business models and strive to build a moat for bank development. In 2020, with the help of financial technology, the Company

provided differentiated financial service solutions to meet the systematic, digital and intelligent needs of clients' financial services; relying on the efficient linkage between the head office and branches and the professional support of the front, middle and back offices, the Company continued to make efforts to serve the real economy, further expanded the business coverage of its retail Company business, and gradually improved the service system for small and micro enterprise clients; wealth management and private banking systems have been established one after another, and the development direction of the industry has become clearer; The transformation and upgrading of business models of remote banking, consumer credit and credit card will inject new momentum into sustainable development.

Further improve the capability for prudent operation by laying solid foundations. the Company adhered to a prudent risk management culture, implemented a matrix management system with separation of front, middle and back offices and combination of sections, accelerated financial technology empowerment, promoted intellectualization and digitalization of risk management, and adhered to the bottom line of no significant NPL, no legal case and no outstanding system failure. The Company implemented the risk management of the whole process, and practiced the unified credit policy, independent credit approval, intelligent early warning system and independent post-loan tracking, thus forming a closed loop of risk management. Through years of accumulation, the Company continues to lay a good foundation for risk management of the Bank, and gradually establishes a long-term mechanism that takes into account both bank business operation and comprehensive risk prevention. The asset quality continued to stay at a good level, and the Company's ability in achieving prudent operation was further improved.

Establish the core competitiveness of financial technology via Energizing of science and technology. In the post-epidemic era, the economic and social development and the changes of clients' financial needs further call for the digital transformation of commercial banks. With the help of financial technology, it is the general trend of the industry to continuously energize the development and management of banking business. In 2020, the Company increased the allocation of resources, accelerated the development of financial technology, focused on the development vision of smart bank, optimized the organizational structure of the head office and branch around the requirements of systematization, digitization and intellectualization, strengthened the linkage between the front, middle and back offices, and strengthened the overall coordination of resources, so as to make the integration of technology and business more closely, enabling the high-quality development of business field with science and technology, and boosting the transformation and upgrading of business model and management model. In 2020, the Company completed the construction and planning of 13 financial technology system clusters; Jiangbei data center was put into use, and the application of simultaneous operation of dual systems was achieved, which provided strong scientific and technological support for forging the core competitiveness of financial technology and ensuring the sustainable development of the Company's business.

In the post-epidemic era, the world economy still faces many challenges. However, the COVID-19 will be gradually under control, and the recovery of the global economy will further accelerate. Under the new development pattern, China's economy will continue to maintain the basic trend of stable and sustainable development. In 2021, under the leadership of the Board of Directors, the Company will continue to implement the business strategy of "Do what big banks can't do well and small banks can't do", actively adapt to the change of business environment, speed up the construction of business moat, continue to accumulate comparative advantages, thus contribute to the new development pattern of services, support the high-quality development of the real economy, and create more value!

President: Luo Mengbo

Chapter Six Company Business Overview

I. Main businesses during the reporting period

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

II. Significant change in prime assets

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

III. Core Competitiveness Analysis

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

Firstly, deeply ploughed high-quality operation area and focused on advantageous fields. High quality area of operation is an important foundation and guarantee for the sustainable development of the Company. In the aspect of organization layout, the Company determined the development strategy of “One Body with Two Wings” as taking the Yangtze River Delta as the main body and both Pearl River Delta and around Bohai gulf area as the two wings. The aforementioned area is the most economically developed area in China with broad potential fundamental client base and business expansion room. After years of hard work and accumulation, the Company has basically realized the full coverage of regional outlets, and various business models can better fit the characteristics of regional markets. Meanwhile, the Company kept the strategic concentration on the development of

large-scale retail and light capital business, and continuously improved the scale and profit proportion.

Secondly, continual optimization of profitability structure and more diversified revenue sources. The Company has been devoted to the construction of diversified profit centers, and has formed 12 profit centers including corporate banking, retail companies, wealth management, private banking, personal credit, remote banking, credit card, investment banking, asset custody, bill business, financial market and asset management. In terms of subsidiaries, three profit centers, namely the Maxwealth Fund Management Co., Ltd., Maxwealth Financial Leasing Co., Ltd. and Ningyin Financial Management Co. LTD. have been formed. The profit sources of the Company has become more diversified, The profit share of large retail and light capital business has continued to increase, and the sustainability of development has been continuously enhanced.

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

Fourthly, integration and innovation of finance and technology, and strong support for transformation of business model. Through over ten years of continuous accumulation and investment, the current financial technology level of the Company has taken the lead in the banking industry. Faced with development of financial technologies, the Company focused on the vision for financial technology development of smart bank, established a "ten center" financial technology organizational structure and a "three in one" R & D center system, implemented a systematic, digital and intelligent financial technology development strategy, promoted the integrated development of finance and technology, assisted the transformation of business model with the support of financial technology, and achieved the goal of energizing businesses and clients.

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

Knowledge Base, mapping knowledge domain, staff teaching and the "Standardization, Modularization and Systematization" System has provided sufficient power for the Company to cope with the fierce competition of banking industry and guaranteed the sustainable development of the Company

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

First, continue to promote the construction of branches. Continue to orderly perfect the institutional layout of "One Body with Two Wings". The Company has achieved the complete coverage of branches in Zhejiang province and availability of business outlets in large communities, villages and towns of strategic importance outside Zhejiang, thus increase brand impact and client reputation, and gradually build into a regional mainstream bank.

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

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

Fourth, promote the development of business model through energizing of financial technology. Actively give full play to the advantages of financial science and technology, and continuously accelerate the construction of IT infrastructure and information system. Through technological, service and product innovation, we can achieve a close integration of technology and business, so as to provide better services to clients, and provide support for upgrading of business model of the Bank.

Fifth, continue to improve human resources management. Establish and improve a multi-level and systematic talent introduction, promotion and cultivation and layered selection mechanism continuously, 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, mapping knowledge domain and staff teaching mechanism, so as to provide human resources guarantee for sustainable development.

Chapter Seven Discussion and Analysis of Business Conditions

I. General review

In the face of the changes in the internal and external business situation, under the leadership of the board of directors, the Company continued to strengthen the leadership of the party, firmly grasped the fundamental purpose of financial services, adhered to the main business, returned to the origin, persisted in accumulating differentiated comparative advantages in the process of serving the real economy, steadily implemented the business strategy of "Do what big banks can't do well and small banks can't do", and made efforts to build a development moat, thus made new achievement in operation and management, and promote the continuous improvement of the core competitiveness of the Bank.

(I) Take the responsibility of serving the real economy, and open up a new prospect of professional operation

In 2020, with the impact of COVID-19 epidemic, the Company adhered to the development belief of "Working together with the real economy", took serving the real economy as its own responsibility, vigorously supported the development of private enterprises, small and micro enterprises and manufacturing enterprises, and strengthened the support for stabilizing enterprises and supporting the development of the real economy by issuing interest-free loans, anti-epidemic re-loans, loan renewal without repayment of principal, etc. In order to further play the role of financial services in serving the real economy, the Company continued to upgrade client project construction, and benefited more clients with professional services. During the reporting period, the clients number of the Company reached to a record high, and the operation scale stepped into a new phase. By the end of 2020, the total number of corporate clients of the Company was 460,000, with an increase of 77,000 compared with the beginning of the year; The total assets reached RMB 1,626.749 billion, an increase of 23.45% over the beginning of the year; the total deposits reached RMB 925.174 billion, an increase of 19.92% over the beginning of the year; and the total loans reached RMB 687.715 billion, an increase of 29.98% over the beginning of the year.

(II) Transformation and upgrading of business model support the construction of business moat

In 2020, , with the help of financial technology, the profit centers of the Company continuously promoted the systematic upgrading of business model in the process of serving the real economy, contributed to the construction of a moat for the sustainable development of the whole bank, and promoted the steady growth of profits. In 2020, the Company achieved an operating revenue of RMB 41.111 billion, a year-on-year increase of 17.19%; The net profit attributable to the shareholders of the parent Company was RMB 15.05 billion, an increase of 9.73% over the same period last year, both of which maintained a good growth rate. Thanks to the start of building a moat for wealth management, international settlement, small and micro

businesses and other businesses, the Company's comprehensive client service capability has been continuously improved, and new progress has been made in its strategic transformation. In 2020, the Company realized non-interest income of RMB 13.252 billion, a year-on-year increase of 3.18%, accounting for 32.23% of the operating income, of which the net income of handling charges and commissions was RMB 6.342 billion, a year-on-year increase of 24.11%, accounting for 15.43% of the operating income.

(III) New progress was made in Strategic support of risk control

In 2020, in the face of external changes such as the impact of epidemic situation and macroeconomic cycle fluctuation, the Company adhered to the concept of prudent management, always took risk management as the bottom line and lifeline for sustainable development, adhered to vertical management of risks, and continuously upgraded the comprehensive risk management system. The quality of the company's assets has withstood the test of the market. By the end of 2020, the balance of non-performing loans of the Company was RMB 5.456 billion, and the balance of overdue loans over 90 days was RMB 4.514 billion. There was no scissors difference between non-performing loans and overdue loans over 90 days. The NPL ratio of the Company was 0.79%, which was a relatively low level. The proportion of concerned loans and loans overdue for more than 90 days were 0.50% and 0.66% respectively, decreased by 0.24% and 0.06% respectively from the beginning of the year. The loan-allocation ratio was 4.01% and the provision coverage was 505.59%. Good asset quality and solid risk resistance provide the foundation for the company to serve the real economy, concentrate on the main business and build a development moat.

(IV) Accelerated development of digital operation ensures the promotion of light empowerment

In 2020, with the help of financial technology, the Company further focused on digital business transformation and continued to upgrade its professional business system. By improving the data asset management system, the Company constantly excavated the value and efficacy of data assets; through the standardization, tagging, granulation of client data and big data analysis, it promoted the systematization of marketing opportunities, so as to continuously improve the efficiency of client management; through the construction of data platform, it enhanced the platform data capabilities, effectively supported the decision-making of business; by optimizing the allocation of capital, expenses and other resources, it accelerated the transformation of various fields of the company, improved the quality and efficiency of construction of light banking. The capital adequacy ratio and the capital return rate continued to maintain a good level in the industry. By the end of 2020, the weighted average return on net assets of the Company was 14.90%; The capital adequacy ratio was 14.84%, the tier I capital adequacy ratio was 10.88%, and the core tier I capital adequacy ratio was 9.52%.

II. Analysis of Main Business

(I) Analysis on items in the Income Statement

In 2020, in the face of the global spread of the COVID-19 epidemic, the increasing economic downturn pressure on the domestic economy and other external changes, the Company adhered to the compliance operation and steady development, and its main business continued to improve. In 2020, the Company realized an operating income of RMB 41.111 billion, increased by RMB 6.029 billion from the previous year with the increasing rate of 17.19%, and a net profit attributable to the shareholders of the Parent company of RMB 15.05 billion, with a year-on-year growth of 9.73%.

Changes of Key Items in the Income Statement

Unit: in RMB 1 million

Item	Year 2020	Year 2019	Increase/ Decrease	Increase rate
Operating income	41,111	35,082	6,029	17.19%
Net interest income	27,859	22,238	5,621	25.28%
Interest income	56,789	47,828	8,961	18.74%
Interest expense	(28,930)	(25,590)	(3,340)	13.05%
Non-interest income	13,252	12,844	408	3.18%
Net fees and commissions income	6,342	5,110	1,232	24.11%
Other non-interest income	6,910	7,734	(824)	(10.65%)
Operating expense	(24,611)	(19,792)	(4,819)	24.35%
Business tax and surcharges	(332)	(257)	(75)	29.18%
Operating and administrative expenses	(15,609)	(12,038)	(3,571)	29.66%
Impairment of credit	(8,667)	(7,461)	(1,206)	16.16%
Other operating expenses	(3)	(36)	33	(91.67%)
Operating profit	16,500	15,290	1,210	7.91%
Net non-operating income	(45)	(71)	26	(36.62%)
Profit before tax	16,455	15,219	1,236	8.12%
Income tax expense	(1,319)	(1,427)	108	(7.57%)
Net profit	15,136	13,792	1,344	9.74%
Including: net profit attributable to shareholders of the Parent company	15,050	13,715	1,335	9.73%
Minority interest income	86	77	9	11.69%

Note: According to the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Practically Strengthening the Word on Annual Report of Enterprises in 2020 (C.K. [2021] No. 2), the Company adjusted the income from Credit card installment charge to interest income, and retroactively adjusted the net income items of interest income, service charge and commission in 2019. The net income of interest income, service charge and commission mentioned in this Report were adjusted retroactively.

1. Net Interest Income

In 2020, the Company realized net interest income of RMB 27.859 billion, with an increase of RMB 5.621 billion and a growth rate of 25.28%. First, due to the implementation of the

fundamental purpose of "serving the real economy", the Company continued to increase the credit supply to the real economy. In 2020, the average daily balance of general loans was RMB 620.222 billion, with a year-on-year growth of 31.18%; Second, while increasing the credit support for the real economy and reducing the financing cost of the real economy, the Company timely and flexibly adjusted the layout of assets and liabilities and promoted the optimization of deposit structure. In 2020, the average cost rate of liabilities was 2.14%, a year-on-year decrease of 17 basis points.

Unit: in RMB 1 million

Item	Year 2020	Year 2019	Increase/Decrease	Increase rate
Interest income	56,789	47,828	8,961	18.74%
Loans and advances	37,233	28,916	8,317	28.76%
Due from banks	361	676	(315)	(46.60%)
Deposit in the central bank	1,330	1,217	113	9.29%
Lending funds	196	364	(168)	(46.15%)
Redemptory monetary capital for sale	622	677	(55)	(8.12%)
Bond investment	10,403	9,550	853	8.93%
Financial product and asset management plan	6,644	6,428	216	3.36%
Interest expense	28,930	25,590	3,340	13.05%
Deposits from banks	1,368	955	413	43.25%
Borrowings from central bank	1,109	737	372	50.47%
Borrowing funds	1,477	1,555	(78)	(5.02%)
Deposit from clients	17,764	14,472	3,292	22.75%
Financial assets sold for repurchase	907	913	(6)	(0.66%)
Bond issued	6,305	6,958	(653)	(9.38%)
Net interest income	27,859	22,238	5,621	25.28%

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: in RMB 1 million

Item	Year 2020			Year 2019		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
Assets						
General loans	620,222	37,233	6.00%	472,794	28,916	6.12%
Securities investment	423,119	17,047	4.03%	359,748	15,978	4.44%
Deposit in People's Bank of China	93,550	1,330	1.42%	85,210	1,217	1.43%
Due from banks and other financial institutions	75,423	1,179	1.56%	63,038	1,717	2.72%
Total	1,212,314	56,789	4.68%	980,790	47,828	4.88%

interest-bearing assets						
Liabilities						
Deposits	952,796	17,764	1.86%	770,396	14,472	1.88%
Due to banks and other financial institutions	176,275	3,752	2.13%	126,171	3,423	2.71%
Bonds payable	185,308	6,305	3.40%	187,301	6,958	3.71%
Borrowings from central bank	38,950	1,109	2.85%	21,709	737	3.40%
Total interest-bearing liabilities	1,353,329	28,930	2.14%	1,105,577	25,590	2.31%
Net interest income	27,859		22,238			
Net interest spread (NIS)			2.54%			2.57%
Net interest margin (NIM)			2.30%			2.27%

Note: 1. The average balance of the interest-bearing assets and the interest-bearing liabilities refers to the daily balance on average.

2. Due from banks and other financial institutions include fund under resale agreements; Due to banks and other financial institutions include fund sold for repurchase.

3. 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: in RMB 1 million

Item	Year 2020 VS Year 2019		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
Assets			
General loans	9,016	(699)	8,317
Securities investment	2,815	(1,746)	1,069
Deposit in People's Bank of China	119	(6)	113
Due from banks and other financial institutions	338	(876)	(538)
Changes on interest income	12,288	(3,327)	8,961
Liabilities			
Client deposits	3,426	(134)	3,292
Due to banks and other financial institutions	1,359	(1,030)	329
Bonds payable	(74)	(579)	(653)
Borrowings from central bank	586	(214)	372
Changes on interest expense	5,297	(1,957)	3,340
Changes on net interest income	6,991	(1,370)	5,621

Net interest margin

In 2020, the Company's net interest margin was 2.30%, increased by 3 base points from the previous year. During the reporting period, thanks to the continuous improvement of the company's ability to allocate assets and liabilities, the net interest margin rose steadily despite the Company's initiative to surrender profits to the real economy. In 2020, the Company's net interest margin was 2.54%, a year-on-year decrease of 3 basis points, mainly due to the fact that the average yield of interest-bearing assets fell faster than the average cost ratio of interest-bearing liabilities.

In 2020, the Company's net interest margin rose while the net profit margin decreased on a yearly basis, mainly due to the fact that the growth rate of interest-bearing assets in 2020 was faster than that of interest-bearing liabilities.

(1) Interest income

In 2020, the Company achieved the interest income of RMB 56.789 billion, increased by 18.74% over the previous year. It was mainly due to the expansion of interest-bearing assets and optimization of structure.

Loan interest income

In 2020, the general loan interest income of the Company was RMB 37.233 billion, increased by RMB 8.317 billion from the beginning of the year with an increase rate of 28.76%, accounting for 65.56% of the total interest income, as mainly due to the increase in loan scale.

In 2020, in the face of COVID-19 epidemic, the Company closely followed the macro strategic guidance and regulatory requirements, and effectively increased support for the real economy, helped enterprises resume work and recover production, thus promote the growth the daily corporate loan at an increase rate of 24.67%. The digital operation of the Company promoted the implementation of the big retail strategy. The client access capacity of app and online banking platforms of Bank of Ningbo has been continuously improved, and the integrated online and offline businesses have been developed, thus promoting the daily average scale of personal loans to increase by 46.16% year-on-year.

Meanwhile, the Company actively fulfilled its social responsibilities, effectively implemented various policies of financial support for the development of real economy, and reduced the financing cost of real economy by issuing interest free loan, anti-epidemic loan, small refinancing and loan renewal without repayment of principal, etc. In 2020, the average interest rate of corporate loans of the Company was 5.09%, decreased by 21 basis points on a yearly basis; the average interest rate of inclusive small and micro enterprises loans was 5.55%, decreased by 50 basis points on a yearly basis. In order to alleviate the impact of the epidemic on clients, the company timely and moderately implemented preferential and profit-giving activities for individual clients. During the reporting period, the average interest rate of personal loans decreased by 21 basis points on a yearly basis.

The table below shows the average balance, interest income and average yield of each part of

the general loans of the Company.

Unit: in RMB 1 million

Item	2020			2019		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	410,876	20,929	5.09%	329,561	17,460	5.30%
Personal loans	209,346	16,304	7.79%	143,233	11,456	8.00%
Total loans	620,222	37,233	6.00%	472,794	28,916	6.12%

Interest income from securities investment

In 2020, the company's interest income from securities investment was RMB 17.047 billion, an increase of RMB 1.069 billion over the same period last year, mainly due to the increase of investment scale. During the reporting period, in order to implement the national macro-control policies and support the development of the real economy, the Company appropriately increased the investment in treasury bonds, local government bonds and credit bonds, taking into account the changes in supply and demand of the bond market, the value of bond investment and the financing needs of high-quality enterprises.

Interest income from due from banks and other financial institutions

In 2020, the interest income from due from banks and other financial institutions of the Company was RMB 1.179 billion, decreased by RMB 0.538 from the previous year, mainly due to the decrease of average rate of return.

(2)Interest expense

In 2020, the interest expense of the Company was RMB 28.93 billion, increased by RMB 3.34 billion from the previous year. It was mainly due to the expansion of interest-paying liabilities.

Interest expense for client deposits

In 2020, the interest expense for client deposits of the Company was RMB 17.764 billion, accounting for 61.40% of the total interest expense, increasing by RMB 3.292 billion from the previous year at a growth rate of 22.75%. It was mainly due to the increase in client deposit scale.

During the reporting period, with the help of financial technology, the Company further deepened its client construction, promoted the growth client base for high-quality deposit, continuously improved client experience and increased client stickiness, so as to promote the high-quality growth of various deposits. In 2020, the average daily deposit scale of the Company increased by 23.68% over the same period last year, among which the average daily current deposit scale increased by 24.82% over the same period last year.

In the face of the steady progress of marketization of domestic interest rate and intensified inter-bank competition, the Company adhered to the principle of reasonable structure and balanced volume and price. By implementing deposit classification management, strengthening pricing

control, improving assessment guidance and other measures, the Company continuously optimized the deposit structure and effectively reduces the deposit cost. In 2020, the average daily current deposits of the Company accounted for 44.64% of the total deposit, with a growth rate of 0.41% over the previous year; The average interest payment rate of client deposits was 1.86%, a year-on-year decrease of 2 basis points.

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

Unit: in RMB 1 million

Item	2020			2019		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	372,900	4,572	1.23%	297,531	3,262	1.10%
Time	396,203	8,853	2.23%	319,492	7,609	2.38%
Subtotal	769,103	13,425	1.75%	617,023	10,871	1.76%
Personal deposits						
Demand	52,428	240	0.46%	43,225	186	0.43%
Time	131,265	4,099	3.12%	110,148	3,415	3.10%
Subtotal	183,693	4,339	2.36%	153,373	3,601	2.35%
Total	952,796	17,764	1.86%	770,396	14,472	1.88%

Interest expense for due to banks and other financial institutions

In 2020, the interest expense for due to banks and other financial institutions of the Company reached RMB 3.752 billion, increased by RMB 329 million over the previous year. It was mainly due to the increase of liabilities scale.

Interest expense for issued liabilities

In 2020, the interest expense for issued liabilities of the Company was RMB 6.305 billion, decreasing by RMB 0.653 billion over the previous year. It is mainly due to two reasons: first, the Company regarded deposits as the basic resources for transformation and development, reduced the issuing scale of inter-bank certificates of deposit and optimized the debt structure while achieving rapid growth in the scale of deposits; second; the decline of the capital price in the money market led to the decline in the average interest payment rate of inter-bank deposits.

2. Non-interest income

In 2020, the non-interest income of the Company reached RMB 13.252 billion, including the net fees and commission income as RMB 6.342 billion with a year-on-year growth of 24.11%.

Main composition of non-interest income

Unit: in RMB 1 million

Item	2020	2019	Increase/decrease	Increase rate
Fees and commissions income	7,315	5,807	1,508	25.97%
Less: fees and commission	973	697	276	39.60%

expense				
Net fees and commissions income	6,342	5,110	1,232	24.11%
Other non-interest income	6,910	7,734	(824)	(10.65%)
Total	13,252	12,844	408	3.18%

Net fees and commissions income

Unit: in RMB 1 million

Item	2020	2019	Increase/decrease	Increase rate
Settlement business	255	244	11	4.51%
Bank cards business	139	158	(19)	(12.03%)
Agency services business	5,890	4,384	1,506	34.35%
Guarantees business	577	564	13	2.30%
Custody business	371	385	(14)	(3.64%)
Consulting business	75	69	6	8.70%
Others	8	3	5	166.67%
Fees and commissions income	7,315	5,807	1,508	25.97%
Less: fees and commissions expense	973	697	276	39.60%
Net fees and commissions income	6,342	5,110	1,232	24.11%

In 2020, based on serving the real economy, the Company promoted the transformation of digital operation with the help of financial technology. In the process of serving the real economy, the profit centers continued to accumulate differentiated comparative advantages, thus promoted the benign development of various intermediary businesses. During the reporting period, the net fees and commissions income of the Company was RMB 6.342 billion, increased by RMB 1.232 billion from the previous year, with a growth rate of 24.11%. Among which, the income from agency services business reached RMB 5.89 billion, increased by RMB 1.506 billion from the previous year, with a growth rate of 34.35%. The main reason is that in recent years, the company has taken wealth management business as an important strategic direction of transformation and development, promoted its professional operation in depth, continuously improved its operating efficiency, and promoted the rapid growth of commission income from businesses such as wealth management agency, fund agency and insurance agency.

3. Business and administrative expenses

In 2020, the business and administrative expense of the Company was RMB 15.609 billion, with a year-on-year growth of 29.66%. The main reason is that, in order to strengthen the implementation of the big retail strategy, the staff team has continued to grow and the staff costs have increased rapidly. In the next stage, with the gradual implementation of the strategic personnel allocation, the effectiveness of systematic personnel training and the continuous upgrading of digital marketing system, the capacity and efficiency of the Company in various fields are expected to improve steadily, and the growth of staff costs is expected to slow down gradually.

Unit: in RMB 1 million

Item	Year 2020	Year 2019	Increase/decrease	Increase rate
Staff costs	10,138	7,769	2,369	30.49%
Business expenses	4,500	3,507	993	28.31%
Depreciation of fixed assets	640	500	140	28.00%
Amortization of long-term deferred expenses	193	160	33	20.63%
Amortization of intangible assets	138	102	36	35.29%
Total	15,609	12,038	3,571	29.66%

4. Assets impairment loss

In 2020, the assets impairment loss of the Company was RMB 8.6671 billion, with a year-on-year growth of RMB 1.206 billion.

Unit: in RMB 1 million

Item	Year 2020	Year 2019	Increase/decrease	Increase rate
Loan impairment loss	7,671	6,530	1,141	17.47%
Financial investment	(164)	660	(824)	Negative in the period
Receivables from banks and other financial institutions	13	(36)	49	Negative in the period
Impairment loss of other assets	73	54	19	35.19%
Impairment loss of off-sheet businesses	1,074	253	821	324.51%
Total	8,667	7,461	1,206	16.16%

Loan impairment loss is the largest component of credit and asset impairment loss of the Company. In 2020, the loan impairment loss of the Company was RMB 7.671 billion, with a year-on-year growth of RMB 1.141 billion. The main reason is that the Company continued to increase its support for the real economy, resulting in a steady increase in the scale of loans; it also improved the supplementary provisions for macro and prudential purposes.

5. Income tax

In 2020, the income tax expense of the Company was RMB 1.319 billion, decreased by RMB 0.108 billion from the previous year. It was mainly due to the adjustment of asset structure and the increase of tax-free income from treasury bonds.

(II) Analysis of the Balance Sheet

1. Assets

By the end of 2020, the total assets of the Company reached RMB 1,626.749 billion, increased by RMB 309.032 billion from the beginning of the year, with a growth rate of 18.03%. The main reason was that the Company took the responsibility of serving the real economy, practiced inclusive finance, assisted enterprises to resume work and recover production, and continuously increased the issuance of loan. By the end of 2020, the proportion of loans and

advances in total assets was increased from 38.71% at the beginning of the year to 40.78%, increased by 2.07 percentage points.

Unit: in RMB 1 million

Item	Dec. 31, 2020		Dec. 31, 2019		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	102,498	6.30%	93,556	7.10%	8,942	(0.80)
Due from other banks	20,040	1.23%	15,409	1.17%	4,631	0.06
Precious metals	23,171	1.42%	12,516	0.95%	10,655	0.47
Lending funds	3,300	0.20%	3,596	0.27%	(296)	(0.07)
Derivative financial assets	32,942	2.03%	20,260	1.54%	12,682	0.49
Redemptory monetary capital for sale	626	0.04%	17,259	1.31%	(16,633)	(1.27)
Loans and advances	663,447	40.78%	510,039	38.71%	153,408	2.07
Trading financial assets	305,630	18.79%	248,892	18.89%	56,738	(0.10)
Investment on creditors' rights	216,399	13.30%	183,392	13.92%	33,007	(0.62)
Other investment on creditors' rights	236,712	14.55%	197,149	14.96%	39,563	(0.41)
Investment on other equity instruments	111	0.01%	98	0.01%	13	-
Investment property	39	-	39	-	-	-
Fixed assets	7,276	0.45%	6,448	0.49%	828	(0.04)
Intangible assets	1,199	0.07%	381	0.03%	818	0.04
Construction in progress	317	0.02%	1,324	0.10%	(1,007)	(0.08)
Deferred income tax assets	7,393	0.45%	4,858	0.37%	2,535	0.08
Other assets	5,649	0.36%	2,501	0.18%	3,148	0.18
Total assets	1,626,749	100.00%	1,317,717	100.00%	309,032	-

(1) Loans and advances

In 2020, in the face of COVID-19 epidemic and downturn of macro economy, the Company closely followed the macro strategic guidance and regulatory requirements, adhered to the original intention of development, actively supported the development of real economy. On the premise of effectively preventing risks, the Company continuously increased the issuance of credit for real economy such as manufacturing industry, and promoted the steady growth of loan scale. By the end of 2020, the total loans and advances of the Company reached RMB 687.715 billion, increased by RMB 158.613 billion from the beginning of the year, with a growth rate of 29.98%.

Corporate loan

In 2020, the Company continued to take small and micro enterprises as the focus of its services, effectively increased enterprise loans, provided financial support for enterprises to resume work and production, and supported the transformation and upgrading of the real economy. As of

Dec 31, 2020, the total corporate loan of the Company was RMB 369.881 billion with an increase rate of 21.28% over the beginning of the year.

Discount for bills

In terms of bill business in 2020, the Company continued to adhere to the tenet of "Serving the real economy and small and medium enterprises", and constantly optimized business processes, thus provide high-quality and fast financing services for more enterprises. By the end of 2020, the balance of discount for bills was RMB 56.181 billion, accounting for 8.17% of the total loans and advances of the Company

Personal loan

In 2020, the Company continued to practice Inclusive Finance, continued to unswervingly implement the big retail strategy, strengthened the professional service ability through digital transformation with the help of financial technology, accelerated the upgrading of Bank of Ningbo app, and continuously improved the channel stickiness of mobile terminals; it continued to improve the consumer credit business system, create a win-win credit card ecosystem, realize the efficient linkage between online and offline business, and promoted the rapid growth of personal loans. As of Dec. 31, 2020, the total personal loan was RMB 261.653 billion, accounting for 38.05% of the total loans and advances, which is 4.09 percentage points higher than that at the beginning of the year.

Unit: in RMB 1 million

Industry	2020		2019	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	369,881	53.78%	304,985	57.64%
Loans	363,069	52.79%	298,810	56.47%
Trading financing	6,812	0.99%	6,175	1.17%
Bill discounting	56,181	8.17%	44,419	8.40%
Personal loans and advances	261,653	38.05%	179,698	33.96%
Personal consumption loan	178,378	25.94%	141,872	26.81%
Personal operation loan	60,013	8.73%	35,036	6.62%
Personal housing loan	23,262	3.38%	2,790	0.53%
Total	687,715	100.00%	529,102	100.00%

(2) Security investment

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

Investment structure divided upon purpose

Unit: in RMB 1 million

Item	Dec. 31, 2020		Dec. 31, 2019	
	Amount	Proportion	Amount	Proportion
Trading financial assets	305,630	40.28%	248,892	39.54%

Investment on creditors' rights	216,399	28.52%	183,392	29.13%
Other investment on creditors' rights	236,712	31.19%	197,149	31.31%
Investment on other equity instruments	111	0.01%	98	0.02%
Total	758,852	100.00%	629,531	100.00%

In 2020, under the guidance of regulatory policy and according to the changes of market situation, the Company continuously optimized the structure of securities investment, actively supported the development of real economy, and further improved the efficiency and benefit of funds.

Trading financial assets

In 2020, the RMB bond yield shows a deep "V" trend. Through strengthening macro research, adjusting portfolio duration and grasping the high band, the Company improved the bond yield of trading account. By the end of 2020, the balance of the trading financial assets of the Company was RMB 305.63 billion. This kind of investment mainly includes investment on bonds and funds.

Investment on creditors' rights

Investment on creditors' rights refers to the debt instrument investment that measured by amortized cost. This kind of investment mainly includes Government Bonds of China and asset management plans. As a strategic allocation of assets and liabilities, Government Bonds of China are held by the Company to gain bond interest income, to meet the liquidity management demands of bank accounts, and to make balance between benefits and risks. By the end of 2020, the balance of investment on creditors' rights of the Company was RMB 216.399 billion.

Other investment on creditors' rights

Other investment on creditors' rights refers to the debt instrument investment that measured by its fair value with its changes enter into the comprehensive income. This kind of investment mainly includes government bonds, asset-backed securities and corporate bonds, as was held by the Company to follow the macro-control policy of the country, to support the real economy, and to make balance between operation and performance. In 2020, the Company closely followed the market changes, strengthened investment research, selected optimal allocation of investment products under the framework of credit strategy, implemented closed-loop management before and after investment, and effectively avoids credit risk events while achieving income growth. By the end of 2020, the balance of other investment on creditors' rights was RMB 236.712 billion.

Investment on other equity instruments

Investment on other equity instruments refers to the equity instrument investment that measured by its fair value with its changes enter into the comprehensive income. This kind of investment was mainly non-trading equity investments held by the Company that has no control, joint control or significant influence on the investee. By the end of 2020, the balance of Company's investment on other equity instruments was RMB 111 million.

Information on top ten financial bonds held by the Company

Unit: in RMB 1 million

Category	Balance of face value	Interest rate%	Date of maturity	Depreciation reserve
Financial bond of 2020	1,305	0.90	2021/11/23	-
Financial bond of 2016	960	3.18	2026/4/5	-
Financial bond of 2015	800	3.81	2025/2/5	-
Financial bond of 2020	480	3.88	2025/12/29	-
Financial bond of 2019	380	3.65	2029/5/21	-
Financial bond of 2020	359	3.09	2030/6/18	-
Financial bond of 2019	313	3.48	2029/1/8	-
Financial bond of 2019	200	3.42	2024/7/2	-
Financial bond of 2018	188	4.62	2021/3/9	-
Financial bond of 2013	170	4.72	2023/9/2	-

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, 2020, the total face value of the top ten financial bonds was RMB 5.155 billion, mainly of which was policy bank debt.

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

Unit: in RMB 1 million

Derivative financial instrument	Dec. 31, 2020		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	76,550	271	(2,024)
Foreign exchange swap	1,054,198	21,928	(23,144)
Interest rate swap	1,959,258	8,434	(8,373)
Currency swap	5,074	111	(88)
Option contract	125,582	1,595	(2,350)
Credit risk mitigation instruments	830	-	(6)
Precious metal forward/swap	22,577	603	(272)
Total	3,244,069	32,942	(36,257)

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 tools: credit risk mitigation tools refer to credit risk mitigation contracts, credit risk mitigation vouchers and simple basic derivatives used to manage credit risk.

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 2020, the market interest rate showed a "V" trend from reducing to rising. 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) Withdrawal of provisions for Impairment of mortgage assets

As of Dec. 31, 2020, the total mortgage assets of the Company was RMB 50 million , the impairment provision was RMB 7 million, and the net mortgage assets was RMB 43 million.

Unit: in RMB 1 million	
Land, houses and buildings	50
Stock rights	-
Subtotal	50
Provisions for impairment of mortgage assets	(7)
Net mortgage assets	43

2. Liabilities

As of Dec. 31, 2020, the total liabilities of the Company were RMB 1,507.756 billion, increased by RMB 290.775 billion than the end of the previous year at a growth rate of 23.89%. It

was mainly due to the increase of liabilities including client deposits and borrowing from the central bank.

Unit: in RMB 1 million

Item	Dec. 31, 2020		Dec. 31, 2019		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Borrowings from central bank	83,623	5.55%	30,491	2.51%	53,132	3.04
Due to other banks and financial institutions	108,073	7.17%	35,697	2.93%	72,376	4.24
Loans from other banks	68,434	4.54%	35,962	2.96%	32,472	1.58
Financial assets at fair value through profit and loss	19,092	1.27%	10,881	0.89%	8,211	0.38
Derivative financial liabilities	36,257	2.40%	20,368	1.67%	15,889	0.73
Financial assets sold for repurchase	29,924	1.98%	62,694	5.15%	(32,770)	(3.17)
Deposit taking	933,164	61.89%	779,224	64.03%	153,940	(2.14)
Wages and salaries payable	2,545	0.17%	2,430	0.20%	115	(0.03)
Tax payable	3,970	0.26%	3,324	0.27%	646	(0.01)
Estimated liabilities	2,822	0.19%	2,123	0.17%	699	0.02
Bond payable	187,443	12.43%	212,886	17.49%	(25,443)	(5.06)
Other liabilities	32,409	2.15%	20,901	1.73%	11,508	0.42
Total liabilities	1,507,756	100.00%	1,216,981	100.00%	290,775	-

Client deposit

The Company has been expanding deposits as a basic resource for transformation and development over the years. Facing the changes in the market situation in 2020, the Company, as based on the concept of "Client Oriented", the Company continued to expand the value chain of client service through business model upgrading, promoted the deeper and broader development of client operation, and achieved development in both corporate and personal deposit business. As of Dec. 31, 2020, the total client deposits of the Company was RMB 925.174 billion, increased by RMB 153.653 billion than the end of the previous year at a growth rate of 19.92% and accounting for 61.36% of the total liabilities of the Company. The corporate deposit reached RMB 723.795 billion, increased by 18.19%; the individual deposit reached RMB 201.379 billion, increased by 26.54% from the beginning of the year.

The table below shows the client deposits categorized upon product types and client types at the end of Dec. 31, 2020.

Unit: in RMB 1 million

Item	2020		2019	
	Amount	Proportion	Amount	Balance

Corporate deposits				
Demand	362,857	39.22%	296,077	38.37%
Time	360,938	39.02%	316,302	41.00%
Subtotal	723,795	78.24%	612,379	79.37%
Individual deposits				
Demand	53,029	5.73%	44,826	5.81%
Time	148,350	16.03%	114,316	14.82%
Subtotal	201,379	21.76%	159,142	20.63%
Total	925,174	100.00%	771,521	100.00%

3、 Shareholders' equity

As of Dec. 31, 2020, the shareholders' equity of the Company was RMB 118.993 billion, increased by RMB 18.257 billion from the beginning of the year with the growth rate of 18.12%; the equity attributable to shareholders of the parent company was RMB 118.48 billion, increased by RMB 18.171 billion from the beginning of the year with the growth rate of 18.12%. Among which: due to profit growth and provision for general risks, the undistributed profit reached RMB 47.919 billion, with an increase of RMB 7.224 billion over the beginning of the year; due to private placement, the share capital and capital reserve reached RMB 6.008 billion and RMB 26.403 billion, with an increase of RMB 380 million and RMB 7.618 billion respectively over the beginning of the year; Other comprehensive income was RMB 1.1 billion.

Unit: in RMB 1 million

Item	Dec. 31, 2020		Dec. 31, 2019		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	6,008	5.05%	5,628	5.59%	380	(0.54)
Other equity instruments	14,810	12.45%	14,810	14.70%	-	(2.25)
Capital reserve	26,403	22.19%	18,785	18.65%	7,618	3.54
Other comprehensive income	1,100	0.92%	2,220	2.20%	(1,120)	(1.28)
Earned surplus	8,632	7.25%	7,250	7.20%	1,382	0.05
General risk reserve	13,608	11.44%	10,921	10.84%	2,687	0.60
Undistributed profit	47,919	40.27%	40,695	40.40%	7,224	(0.13)
Equity attributable to shareholders of the Parent company	118,480	99.57%	100,309	99.58%	18,171	(0.01)
Minority equity	513	0.43%	427	0.42%	86	0.01
Total shareholders' equity	118,993	100.00%	100,736	100.00%	18,257	-

(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 stayed at a low level. As of Dec. 31, 2020, the total loans of the Company were RMB 687.715 billion, increased by 29.98% over the end of the previous year; the ratio of non-performing loan was 0.79%, which was at a relatively low level.

Quality of loan assets at the end of the reporting period

Unit: in RMB 1 million

Five-tier classification	Dec. 31, 2020		Dec. 31, 2019		Changes	
	Loans & advances	Proportion	Loans & advances	Proportion	Increase/decrease	Proportion (percentage point)
Subtotal of Non-NPL	682,259	99.21%	524,960	99.22%	157,299	(0.01)
Standard	678,837	98.71%	521,063	98.48%	157,774	0.23
Special mention	3,422	0.50%	3,897	0.74%	(475)	(0.24)
Subtotal of NPL	5,456	0.79%	4,142	0.78%	1,314	0.01
Substandard	1,777	0.26%	1,098	0.21%	679	0.05
Doubtful	2,504	0.36%	2,053	0.39%	451	(0.03)
Loss	1,175	0.17%	991	0.18%	184	(0.01)
Total client loans	687,715	100.00%	529,102	100.00%	158,613	-

Under the loan supervision system of five-tier classification, the non-performing loans of the Company was classified as substandard, doubtful and loss loans. As of the end of the reporting period, the total non-performing loan of the Company was RMB 5.456 billion with the ratio of non-performing loan as 0.79%.

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

Unit: in RMB 1 million

Industry	2020			
	Loan amount	Proportion	NPL amount	NPL ratio
Agriculture, forestry, animal husbandry, fishing	3,157	0.46%	4	0.13%
Mining	1,236	0.18%	-	-
Manufacturing	104,147	15.14%	1,207	1.16%
Production and supply of electricity, gas and water	11,188	1.63%	-	-
Construction	27,870	4.05%	198	0.71%
Transportation, storage, mailing	11,026	1.60%	37	0.33%
Information transfer, computer service and software	7,615	1.11%	143	1.87%
Commercial trade industry	59,397	8.64%	589	0.99%
Hotel, restaurant	1,263	0.18%	35	2.77%
Finance	4,832	0.70%	-	-
Real estate	36,522	5.31%	502	1.37%
Leasing and commercial service	122,059	17.74%	255	0.21%
Scientific research, technology service and geological exploitation	5,194	0.76%	27	0.52%
Water resource, environment and public facilities management and investment	26,862	3.91%	139	0.52%
Resident service and other services	379	0.06%	-	-

Education	954	0.14%	-	-
Health, social security and welfare	911	0.13%	4	0.42%
Culture, sports and entertainment	1,380	0.20%	-	-
Public management and social organization	70	0.01%	-	-
Personal loans	261,653	38.05%	2,316	0.89%
Total	687,715	100.00%	5,456	0.79%

During the reporting period, the Company's loans were mainly concentrated in leasing and business service industry, manufacturing industry and commercial trade industry, accounting for 17.74%, 15.14% and 8.64% of the total loans respectively.

By the end of the reporting period, there's no significant fluctuation of NPL ratio in industries. The NPLs were mainly concentrated in manufacturing and commercial trade industries, and the amount was RMB 1.207 billion and RMB 0.589 billion, accounting for 22.12% and 10.79% of the total NPL of the Bank, with the NPL ratio of 1.16% and 0.99% respectively.

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

Unit: in RMB 1 million

Region	2020			
	Loan amount	Proportion	NPL amount	NPL ratio
Zhejiang Province	460,564	66.98%	3,606	0.78%
Including: Ningbo	313,035	45.52%	2,948	0.94%
Shanghai	37,971	5.52%	461	1.21%
Jiangsu Province	143,693	20.89%	862	0.60%
Guangdong Province	20,424	2.97%	267	1.31%
Beijing	25,063	3.64%	260	1.04%
Total amount of loans and advances	687,715	100.00%	5,456	0.79%

The credit policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, client access policy, etc and formulated regional credit extension enforcement regulation combining with the local conditions to reflect the differentiation between credit policies for different regions and made the policy closer to the local market. At the end of the reporting period, the loans of the Company were mainly in Zhejiang and Jiangsu, with the loan amount accounting for 66.98% and 20.89% of the total loan respectively. The NPL ratio in regions maintained steady. The NPL amount of Zhejiang, Jiangsu and Shanghai was RMB 3.606 billion, RMB 0.862 billion and RMB 0.461 billion, accounting for 66.09%, 15.80% and 8.45% of the total NPL in the Bank respectively.

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

Unit: in RMB 1 million

Guarantee type	2020			
	Loan amount	Proportion	NPL amount	NPL ratio
Credit Loan	241,041	35.05%	2,156	0.89%
Guarantee loan	184,528	26.83%	1,062	0.58%

Mortgage loan	198,499	28.86%	1,990	1.00%
Pledge loan	63,647	9.26%	248	0.39%
Total amount of loans and advances	687,715	100.00%	5,456	0.79%

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 38.12%.

Loans divided upon overdue limit

Unit: in RMB 1 million

Overdue limit	Dec. 31, 2020		Dec. 31, 2019	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	970	0.14%	751	0.14%
Overdue for 3 months to 1 year	2,665	0.39%	1,863	0.35%
Overdue for more than 1 year and within 3 years	1,654	0.24%	1,726	0.33%
Overdue for more than 3 years	195	0.03%	228	0.04%
Total overdue loans	5,484	0.80%	4,568	0.86%

As of the end of the reporting period, the overdue loan of the Company was RMB 5.484 billion, accounting for 0.80% 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 2.665 billion and RMB 1.654 billion, accounting for 0.39% and 0.24% of the total loan respectively.

Restructured loan

Unit: in RMB 1 million

	Dec. 31, 2020		Dec. 31, 2019	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Restructured loans	219	0.03%	91	0.02%

By the end of the reporting period, the restructured loan of the Company was RMB 219 million, accounting for 0.03% to the total loan, with an growth rate of 0.01% from the end of the previous year.

Provision and written-off of provision for loan loss

Unit: in RMB 1 million

Item	2020	2019	2018
Beginning balance before adjustment	21,702	17,495	14,001
Changes in accounting policies	N/A	(1,166)	N/A
Beginning balance after adjustment	N/A	16,329	N/A
Current provision	7,671	6,530	3,944
Current write-Off	(2,855)	(1,910)	(1,142)

Current recovery	1,114	792	737
Including: recoveries of loans and advances written-off previously	1,114	792	737
Transferred in from decreased loan interests	(49)	(39)	(45)
Ending balance	27,583	21,702	17,495

From January 1st, 2019, the Company began to apply the new standard of financial instruments. The standard takes the expected credit loss model as the basis, and, by taking into consideration the prospective adjustment of macro economy, withdrawals provision for loan credit risk loss in line with parameters such as Client default rate and loss rate given default. During the reporting period, the total provision of loan loss reserves of the Company was RMB 7.671 billion, the recovery of non-performing loan was RMB 1.114 billion, the written-off of non-performing loan was RMB 2.855 billion and the balance of the loan loss reserves at the end of the reporting period was RMB 27.583 billion.

(IV) Analysis of the Cash Flow Statement

The net cash outflow from operating activities was RMB 60.771 billion, including the cash inflow of RMB 367.24 billion, increased by RMB 133.379 billion than the previous year. It was mainly due to the increase of client deposits and borrowings from the central bank. The cash outflow was RMB 306.469 billion, increased by RMB 112.947 billion. It was mainly due to the increase of client deposit and investment in trading financial assets.

The net cash outflow from investment activities was RMB 38.136 billion, including the cash inflow as RMB 2,050.216 billion, increased by RMB 239.595 billion than the previous year. The cash outflow was RMB 2,088.352 billion, increased by RMB 253.424 billion than the previous year.

The net cash outflow from financing activities was RMB 27.866 billion, including the cash inflow of RMB 323.929 billion, decreased by RMB 52.58 billion than the previous year. It was mainly due to the decrease of bond issuance; the cash outflow was RMB 351.795 billion, decreased by RMB 24.357 billion than the previous year. It was mainly due to the decrease of cash outflow from debt repayment in the current period.

Unit: in RMB 1 million

Item	2020	2019	Change
Subtotal of cash inflows from operating activities	367,240	233,861	133,379
Subtotal of cash outflows from operating activities	306,469	193,522	112,947
Net cash flow from operating activities	60,771	40,339	20,432
Subtotal of cash inflows from investment activities	2,050,216	1,810,621	239,595
Subtotal of cash outflows from investment activities	2,088,352	1,834,928	253,424
Net cash flow from investment activities	(38,136)	(24,307)	(13,829)

Subtotal of cash inflows from financing activities	323,929	376,509	(52,580)
Subtotal of cash outflows from financing activities	351,795	376,152	(24,357)
Net cash flow from financing activities	(27,866)	357	(28,223)
Net increase of cash and cash equivalents	(5,605)	16,479	(22,084)

(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, 2020, the total operating income of personal banking was RMB 15.477 billion, increased by 2.09% than the previous year and accounting for 37.65% of the total operating income

Unit: in RMB 1 million

Item	2020		2019	
	Operating income	Total profit	Operating income	Total profit
Corporate business	14,546	5,875	13,415	5,169
Individual business	15,477	5,802	12,475	5,617
Capital business	10,871	4,609	9,111	4,473
Other businesses	217	169	81	(40)
Total	41,111	16,455	35,082	15,219

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

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

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

Unit: in RMB 1 million

Item	Jan. 1, 2020	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Dec. 31, 2020
Derivative financial assets	20,260	12,631	-	-	32,942
Loans and advances measured at fair value, with changes included in other comprehensive	44,419	-	7	(57)	56,181

income					
Trading financial assets	248,892	(213)	-	-	305,630
Investment on other creditors' right	197,149	-	(1,370)	201	236,712
Other investment on equity instrument	98	-	13	-	111
Precious metal	11,769	18	-	-	22,267
Investment properties	39	-	-	-	39
Subtotal of financial assets	522,626	12,436	(1,350)	144	653,882
Financial liabilities at fair value through profit and loss	(10,881)	(125)	-	-	(19,092)
Derivative financial liabilities	(20,368)	(15,813)	-	-	(36,257)
Subtotal of financial liabilities	(31,249)	(15,938)	-	-	(55,349)

Explanation on fair value measurement of the Company:

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

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

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

(4) Financial liabilities held for trading include financial liabilities and derivative financial

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

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

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

Unit: in RMB 1 million

Item	Jan.-Dec. 2020	Jan.-Dec. 2019	Increase/decrease	Main causes
Investment income	9,180	6,541	40.35%	Increase of investment income
Other incomes	121	40	202.50%	increase in government subsidies for inclusive finance business
Changes in fair value recognized in profit or loss	(1,303)	2,016	Negative value in the current year	Changes in the fair value of derivatives
Exchange gain or loss	(1,184)	(904)	Negative value in the previous year	Changes in the fair value of foreign exchange derivatives
Other operating income	24	36	(33.33%)	Decrease of other operating income
Income from disposal of assets	72	5	1340.00%	Increase of disposal of fixed assets
Other operating costs	3	36	(91.67%)	Increase of other business expenses
Item	Jan.-Dec. 2020	Jan.-Dec. 2019	Increase/decrease	Main causes
Deposits in other banks	20,040	15,409	30.05%	Increase of settlement concerning deposits in other banks
Noble metal	23,171	12,516	85.13%	Increase of physical precious metal
Derivative financial assets	32,942	20,260	62.60%	Positive increase in fair value of foreign exchange swap business
Redemptory monetary	626	17,259	(96.37%)	decrease of

capital for sale				redemptory monetary capital for sale
Loans and advances	663,447	510,039	30.08%	Increase of loan issuance
Intangible assets	1,199	381	214.70%	Increase of intangible assets
Construction progress in	317	1,324	(76.06%)	Decrease of construction in progress
Deferred tax assets	7,393	4,858	52.18%	Increase in provision and changes in fair value
Other assets	5,649	2,501	125.87%	Increase in clearing and settlement
Borrowings from central bank	83,623	30,491	174.25%	Increase of medium-term lending facility
Deposits from banks and other financial institutions	108,073	35,697	202.75%	Increase of Deposits from banks and other financial institutions
Loans from other banks and other financial institutions	68,434	35,962	90.30%	Increase of loans from other banks and other financial institutions
Trading financial liabilities	19,092	10,881	75.46%	Increase of swap delivery of precious metal inquiry
Derivative financial liabilities	36,257	20,368	78.01%	Negative increase in fair value of foreign exchange swap business
Financial assets sold for repurchase	29,924	62,694	(52.27%)	Decrease of collateral repo settlement volume
Accrued liabilities	2,822	2,123	32.93%	Increase of provision for off-sheet loss
Other liabilities	32,409	20,901	55.06%	Increase of rent payable for precious metal
Capital reserve	26,403	18,785	40.55%	Mainly influenced by private placement
Other comprehensive incomes	1,100	2,220	(50.45%)	Loss on valuation of bonds at fair value through other comprehensive income

III. Investment Analysis

(I) Overall Condition

Unit: in RMB 1 million

Item	Ending amount	Beginning Amount	Proportion of equity of invested companies held by the Company	Main business
China UnionPay Co., Ltd.	13	13	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	0.25	0.25	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.	647.20	647.20	71.49%	Fund raising, fund sales, assets management for special clients, assets management and other businesses approved by CSRC.
Maxwealth Financial Leasing Co., Ltd.	4,000	3,000	100.00%	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling off and disposal; economic consulting; asset securitization; business approved by CBRC.
Ningyin Financial Management Co., Ltd.	1,500	1,500	100.00%	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.
Total	6,160.45	5,160.45		

(II) Significant equity investment acquired during the reporting period

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

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

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

(IV) Investment on derivatives

1. Investment on derivatives

Instructions on risk analysis and control measures of derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	None
Changes on the market price or the fair value of	Independent directors of the Company understood that trading

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.

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: in RMB 1 million

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	56,084	76,550	83	64.61%
Foreign exchange swap	1,211,100	1,054,198	(141)	889.77%
Interest rate swap	2,046,865	1,959,258	78	1653.66%
Currency swap	7,631	5,074	(7)	4.28%
Option contract	148,947	125,582	(1,917)	105.99%
credit risk mitigation tools	890	830	8	0.70%
Precious metal forwards/swap	17,786	22,577	(573)	19.06%
Total	3,489,303	3,244,069	(2,469)	2738.07%

In 2020, due to the impact of COVID-19 epidemic and volatility in the global financial market, the exchange rate of RMB to a basket of currencies remained stable notwithstanding the increasing bilateral fluctuations of exchange rate, and the bilateral fluctuation of exchange rate dominated by market supply and demand became the main trend in the market. In terms of swap, the Company strengthened the curve transaction. It kept making positive use of derivative product such as interest rate and exchange rate for hedging and directional trades, steadily scaled up the trading, optimized the trading strategy and further improved the trading profits.

(V) Use of the raised fund

1. General use of the raised fund

Unit: in RMB 1 million

Year of raising	Method of raising	Total amount of funds raised	Total amount of raised funds used in this period	Accumulated amount of raised funds used	Total amount of raised funds with changed purposes during the reporting period	Accumulated amount of with changed purposes during the reporting period	Proportion of accumulated amount of with changed purposes during the reporting period	Total amount of raised funds unused	Purpose and destination of unused raised funds	Amount of raised funds idle for more than two years
2020	Non-public offering of shares	7,997	7,997	7,997	-	-	-	-	-	-

General use of raised funds

All the funds raised through the non-public offering of shares were used to supplement the core tier I capital after deducting the issuing expenses.

As approved by CSRC with *Official Reply on Approval of Non-public Offering of Shares by Bank of Ningbo Co., Ltd.* (Z.J.X.K. [2019] No. 2555), the Company issued 379,686,758 shares of RMB common stock (A-share) in a non-public way in 2020, and the total amount of funds raised

was RMB 7,999,999,991.06. After deducting the relevant issuance costs, the net amount of funds actually raised was RMB 7,997,399,367.94. In addition, Ernst & Young Certified Public Accountants (special general partnership) issued the Capital Verification Report on the Paid-in Capital Raised via Non-public Offering of Ordinary Shares by Bank of Ningbo Co., Ltd. (A.Y.H.M. (2020) Y.Z. No. 60466992_B02).

2. Committed projects of raised funds

Unit: in RMB 1 million

Committed investment projects and investment direction of over-raised funds	Whether the project has been changed	Committed investment amount by raised fund	Total investment after adjustment (1)	Investment amount in this reporting period	Accumulated investment amount by the end of the period (2)	Investment progress by the end of the period (3)=(2)/(1)	date on which the project will be ready for use	Benefits achieved during the reporting period	Whether the expected benefits are achieved	Is there any significant change in the feasibility of the project
To supplement the core tier I capital	No	8,000	8,000	8,000	8,000	100%	May 15, 2020	N/A	N/A	No

3. Change of project of raised funds

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

(VI) Major assets and right offering

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

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

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

Unit: in RMB 1 million

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 clients, assets management and other businesses approved by CSRC.	900	2,372	1,799	1,002	403	301
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.	4,000	53,759	5,715	2,017	956	716
Ningyin Financial Management Co., Ltd.	Subsidiary	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.	1,500	1,880	1,797	494	396	297

Note: according to the proposal on capital increase of Maxwealth Financial Leasing Co., Ltd. approved by the 3rd meeting of the 7th Board of Directors of the Company, Maxwealth Financial Leasing Co., Ltd. completed industrial and commercial registration of changes on September 28th, 2020, with registered capital changed to RMB 4 billion.

2. Information of major joint stock companies

Maxwealth Fund Management Co., Ltd., established on November 7, 2013, has a registered capital of RMB 900 million, with 71.49% of its shares held by the Company. In 2020, Maxwealth Fund Management Co., Ltd. realized a sound development, with the total public offering reached RMB 189.8 billion. Several products of the Company achieved good yield in the market, thus created more value for clients. During the reporting period, the Company achieved a new profit of RMB 301 million.

Maxwealth Financial Leasing Co., Ltd., established on May 26, 2015, has a registered capital of RMB 4 billion, with 100% of its shares held by the Company. It persists in the management principle of steady operation, scientific management, characteristic development and high-efficiency service. By giving full play to the advantages of financial leasing in the integration of "Capital and Things", and by focusing on the three major operation directions of "small and micro finance, intelligent manufacturing and public services", it has accelerated the expansion to the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei Region and the central and western regions with manufacturing industry agglomeration and good financial ecology, so as to provide clients with a full range of financial services. By the end of 2020, Maxwealth Financial Leasing Co., Ltd. owned a total assets of RMB 53.759 billion, and achieved a new profit of RMB 716 million during the reporting period.

Ningyin Financial Management Co., Ltd., established on December 24, 2019, has a registered capital of RMB 1.5 billion. It is the first financial subsidiary of city commercial bank in China. Abiding by the tenet of "Provide financial service as entrusted", Ningyin Financial Management Co., Ltd. takes research and investment as the driving force, compliance and risk control as the basis, and scientific and technological innovation as the wing, so as to meet the diversified demands on wealth management by individuals and enterprises. It is committed to becoming a financial subsidiary featuring high professional level, high efficiency, outstanding risk control capability and core competitiveness. During the reporting period, Ningyin Financial Management Co., Ltd. achieved a new profit of RMB 297 million.

(VIII) Information on structured entities controlled by the Company

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

IV. Risk Management

The Company always adheres to the concept of "Reducing cost through risk control and creating values through risk management", as well as the principle of "Compatibility, full coverage, independence and effectiveness". Guided by the strategy of "digitalization, intellectualization and systematization", the company constantly improves its "all-round and three-dimensional" comprehensive risk management system. Under the unified risk preference framework, the

company implements risk strategy and risk limit management, and orderly carries out the identification, measurement, monitoring and control of various risks, so as to provide guarantee for the realization of the company's business and strategic objectives.

During the reporting period, the Company further improved its comprehensive risk management system, maintained its strategic focus, strengthened risk research and judgment, and dynamically adjusted its strategies to effectively cope with the impact of the COVID-19 epidemic and changes in domestic and foreign economic situations, so as to ensure the steady and sustainable development of all businesses of the Company.

(I) Credit risk

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

The Company has been committing to the construction of credit risk management system featuring independent function, risk balanced and efficient. In 2020, in the face of complex external situation, the Company adhered to risk-based and bottom-line thinking, continuously improved the efficiency and level of risk management by improving the risk control measures throughout the whole process, strengthening data-driven and technology empowerment, and maintained a good level in terms of asset quality, which strongly supported the steady development of the business.

First, under the guidance of policies, the Company has made clear the direction of credit business. The Company adhered to the original intention of finance, moderately adjusted the credit policy, kept in step with the new normal of the economy, and did a good job in the layout of high-quality assets and clients; it comprehensively assisted enterprises to resume work and production in the "post-epidemic" era, and strengthened the support for the real economy; it continued to improve the unified credit management system, strengthened client credit risk management and control; it conscientiously implemented the national industrial policy, improved the foresight of credit policy, and further optimized the credit structure; it deepened the research of industrial chain, built the credit client management system throughout the whole industry chain.

Second, The Company has comprehensively upgraded and improved the risk management system. It actively adapted to the new situation, deepened the application of financial technology, comprehensively upgraded the early warning management system for corporate and retail business, and constantly improved the timeliness, accuracy and intelligent level of early warning; it continued to play the role of return visit, and gradually upgraded the return visit mode from "hit or miss" to "focusing on doubtful points", so as to greatly improve the quality and effectiveness of return visit; it established a "three in one" process management mechanism and process efficiency

monitoring system, adhered to process risk control and efficiency improvement, and realized improvement and growth in terms of efficiency of whole process; it adhered to the liquidation list system and project management system, continuously improved the clearing system of large retail business, optimized the standard process of business clearing, and promoted the quality and efficiency of clearing work.

Third, the Company support the intelligent transformation of risk control with the help of science and technology. The Company vigorously promoted the deep integration of science and technology and risk management, and deeply explored the application value of data, platform and model. The Company strengthened data governance, built risk management data mart that covers client risk information in all directions, and laid a solid foundation for risk management; it built a risk monitoring platform, supported the rapid and independent construction of monitoring rules and scenarios, and improved the intelligent level of risk monitoring; it implemented the machine learning model, built an anti-fraud platform and introduced the related mapping technology to realize the full management of modeling, case investigation and back testing; it continued to promote the optimization of internal evaluation model of retail business and the application of results, and improved the efficiency and automation level of decision approval; it started the construction of "new generation of credit risk management system group" and built a credit risk management carrier throughout the Group.

(II) Liquidity risk

Liquidity risk refers to the Company's risk of failing to obtain adequate funds in a timely manner at a reasonable cost to pay matured debts or satisfy other payment obligations for business development. The liquidity risk management of the Company adheres to the principle of decentralization and prudence, which is compatible with its business scale, business nature and complexity. The liquidity risk management policies of the Company meet the regulatory requirements and the its own demand for management.

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, monitored liquidity risk indicators and liquidity gap between local and foreign currency on a daily basis, established a high-quality liquid asset classification management system, conducted regular liquidity risk stress test, and enhanced the liquidity risk management capability. In the reporting period, the maturity of assets and liabilities of the Company matched each other well, and all supervision indexes met the supervision requirement. Meanwhile, the light, medium and heavy stress tests were applied to the domestic and foreign currencies of the Company, and the outcome indicated that the Company achieved the minimum survival period of not less than 30 days. Therefore, the emergency buffer capacity of domestic and foreign currencies was good.

In 2020, according to the macroeconomic situation and monetary policy by the central bank,

the Company made advance deployment and dynamically adjusted the liquidity management strategy according to the macro-economic situation, the monetary policies of the central bank, as well as the growth of assets and liabilities businesses of the Company and the liquidity gap, thus to ensure that the liquidity risk of the Company is under control. During the reporting period, the Company took the following measures to strengthen the liquidity risk management: first, it continuously allocate qualified liquid assets to ensure sufficient reserves for liquidity risk; second, it continued to do a good job in the forward-looking management of indicators, and fully took into consideration various indicators concerning the arrangement of assets and liabilities, thus ensure that the indicators meet the standards; third, it further improved the emergency management system for liquidity risk, continuously perfected the emergency plan of liquidity risk, conducted emergency drill of liquidity risk, and improve the emergency manual for liquidity risk; fourth, it implemented comprehensive verification of liquidity risk management system to ensure the stability and reliability of the liquidity risk management system of the Company.

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

1. Liquidity ratio

As of Dec. 31, 2020, the balance of the liquidity assets of the Company was RMB 411.784 billion, and the balance of the liquidity liabilities of the Company was RMB 734.809 billion, the liquidity ratio was 56.04%, met the requirement of CBRC as no more than 25%.

2. Liquidity coverage ratio

As of Dec. 31, 2020, the balance of high-quality liquid assets of the Company was RMB 214.634 billion and the net cash outflow within 30 days was RMB 157.045 billion with the liquidity coverage ratio as 136.67% and met the requirement of no less than 100% as specified by CBRC.

3. Net stable funding ratio

By the end of 2020, the balance of stable funding available to the Company was RMB 932.502 billion, the balance of stable funding needed by the Company was RMB 859.906 billion, and the net stable funding ratio was 108.44%, met the requirement of CBRC as no less than 100%. Please see the following for details:

Unit: in RMB 1 million		
Index	December 31 st , 2020	September 30 th , 2020
Stable funding available	932,502	866,218
Stable funding in need	859,906	798,138
Net stable funding ratio	108.44%	108.53%

(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. 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.

1. Market risk of transaction account

The Company built the management system for index limit of market risk of transaction account that covers the VaR limit and the maximum loss limit of stress test for the purpose of controlling the company's overall market risk preference, so as to control the sensitivity limit, exposure limit, options GREEKS limit, stop-loss limit, etc. for the purpose of controlling the specific trading strategy or Substantial exposure of investment portfolio. The Company conducted market risk stress test regularly, evaluated and reports the expected losses of market risk exposure under various stress scenarios such as market significant fluctuation and policy change.

During the reporting period, the Company closely followed the regulatory requirements and the trend of the financial market, continuously improved the market risk management system of transaction accounts, and continuously strengthened the effectiveness of market risk identification, measurement and monitoring. First, the Company continuously improved the market risk policy system, solidified the special risk screening mechanism of market risk, and strengthened internal control management; second, it closely followed the market development, continuously explored the pricing management model of financial products, improved the effectiveness of market risk factor management, focused on the re-inspection and optimization of the market risk limit system, ensured the completeness of the market limit index, and realized the effective integration with risk preference of the Bank; third, it continued to strengthen the management of market risk model, focused on promoting the verification of market risk system, completed the verification of credit risk measurement SACCR of counter parties, market risk management support system and semi-annual valuation of derivative business of agency system, and ensured the stability and reliability of market risk management system; fourth, it continued to strengthen market risk monitoring and reporting, continuously improved the functions of market risk system group and market risk reporting system, and effectively ensured the integrity of market risk support system, the fairness and completeness of data, the completeness of risk report, and the accuracy and Validity of valuation model.

During the reporting period, the Company conducted in-depth research and continued to track changes in macroeconomic and monetary policies, monitored the risk quota indicators on a daily basis. The profit from trading account business increased steadily, and all market risk indicators were kept steady.

2. Market risk of bank account

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.

During the reporting period, the Company paid close attention to policy tendency and changes of external interest rate environment. It conducted comprehensive and independent verification for management system of interest rate risk, so as to improve the management of books in terms of interest rate. The Company set internal management objectives for indicators of the range of change in economic value, and continuously monitored the indicator level to ensure that the market risk of books was under control. Meanwhile, The Company continued to actively adjust the business pricing and asset liability structure strategy, a stable growth of net interest income.

(IV) Country risk

Country risk refers to the risk that the borrower or debtor of a country or region is unable or refuses to pay the debts of commercial banks, or the commercial presence of the commercial banks suffer losses in the country or region, or the commercial bank suffer other losses due to the economic, political, social changes and events of that country or region. Country risk may be caused by the deterioration of the economic situation of a country or region, political and social unrest, nationalization or expropriation of assets, refusal of the government to pay foreign debts, foreign exchange control or currency devaluation.

The Company incorporated country risk management into the comprehensive risk management system, formulated the Measures for Country Risk Management of Bank of Ningbo in accordance with regulatory requirements, clearly defined the responsibilities and means of country risk management, and established a standardized country risk management system. According to the results of country risk assessment, the Company divided country risk into five levels: low country risk, comparatively low country risk, medium country risk, comparatively high country risk and high country risk, and set corresponding limits for each level. The Company incorporated various business activities undertaking the country risks of overseas entities into the unified management of country risk limits. According to the results of country risk rating and business development demands, the Company approved the country risk limit on an annual basis, and implemented country risk exposure monitoring quarterly to ensure that the country risk of the Company was under control.

During the reporting period, the COVID-19 epidemic continued to spread worldwide, placing uncertainties to the economic and social development of countries and regions in the world. However, the Company implemented good exposure limit of country risk, and maintained country risk exposure at a comparatively low level in different countries and regions to ensure that it would have no significant impact on the business operation of the Company.

(V) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, systems or external events. In strict accordance with the Requirements of the Guidelines on Operational Risk Management of Commercial Banks, the Company built an intensive, professional and flat business operation mechanism and management mode which is conducive to preventing and controlling operational risks and ensuring service efficiency, and established an operational risk management system in line with the actual situation of the Bank.

During the reporting period, the Company actively implemented the internal and external requirements of operational risk management, continued to do a good job in operational risk assessment, strengthened operational risk monitoring and analysis, strengthened operational risk management and control in key areas, deepened information technology risk management, and ensured that all operational risks were kept under control. First, the Company continued to do a good job in operational risk assessment and monitoring. It regularly conducted the self-assessment of operational risk and control of key processes, improved the sharing and exchange mechanism of operational risk information, strengthened risk event analysis and improved risk control measures. Second, the Company strengthened operational risk control in key areas. It established a new seal management system, promoted the use of electronic seals, untangled and improved the external systems of electronic seal management; standardized the archives storage, and promoted the renovation of archives storage site to meet the standard; conducted operational risk investigation and improvement in key areas such as counter business, bill business, internet loan, seal management, file management, etc; strengthened the operational risk audit of special processes during the epidemic period; third, the Company strengthened the prevention of external fraud risk. It improved the abnormal reporting mechanism of counter business, continuously optimized the anti-fraud system of credit business, and continuously improved the accuracy and real-time of fraud risk prevention and control. Fourth, the Company continuously improved the risk management of outsourcing businesses. It did a good job in auditing the access of outsourcing demand, implemented risk assessment of outsourcing business and quality evaluation of services provided by outsourcer. Fifth, the Company deepened IT risk management. It carried out special risk assessment of data center management and information technology outsourcing management, and optimized the key risk index system of information technology; it organized and conducted the investigation on safety management of data of branches and the system password setting of application system, and constantly improved the level of information technology risk management

and control. Sixth, the Company continued to improve business continuity management. It organized and carried out business continuity drills and special risk remediation in terms of business continuity; it formulated emergency plan for data center and further improved business continuity management system.

(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 compliance risk prevention work based on the goal of ensuring legal compliance management. First, the internal control system was improved. The Company paid close attention to the external regulatory policy and the actual situation of internal operation and management. Through the interpretation of external regulatory provisions, multidimensional review of internal control system, and key assessment of inventory system, it continuously improved the relevant systems, so as to improve the rationality and completeness of the system. Second, the Company deepened its product compliance management. It strengthened pre-launch review and post-launch assessment of new products, implemented special assessment of key stock products, and continued to strengthen the control over legal compliance risk. Third, the Company deepened compliance risk monitoring and assessment. It continued to track all kinds of compliance risk information such as external regulation, punishment, regulatory opinions, internal and external inspection, regularly assessed the distribution and changes of compliance risk of the whole bank, established sub databases of compliance risk points of each line and region, strengthened the identification, monitoring and key control of compliance risk of each line and region, and continuously promoted the steady improvement of compliance management. Fourth, the Company improved the quality and efficiency of compliance inspection. It conducted dynamic monitoring of compliance risk based on the change of compliance risk points; Strengthened the project quality control, implemented quality evaluation of the whole process of inspection. Fifth, the Company strengthened the construction of compliance culture. Through staff training, compliance culture publicizing and implementation, preparation of compliance manual, research on professional topics and compliance knowledge contests, the Company popularized compliance culture knowledge and strengthened the compliance awareness of staff.

(VII) Reputation risk

Reputation risk refers to the risk that the bank's behavior, employees' behavior or external events lead to the negative evaluation of the bank by the stakeholders, the public and the media, which damages its brand value, hinders its normal operation, and even affects the market stability and social stability.

During the reporting period, the company actively adjusted its reputation risk management strategy according to the change of public hotspot, focusing on strengthening the ability in preventing, handling, interconnecting and publicize reputation events. First, the Company focused on strengthening the ability to prevent reputation incidents. It regularly investigated various reputation risks, focused on strengthening the online channel complaint handling, integrated the complaint monitoring and processing follow-up of online complaint platform into the complaint management system of the bank, timely solved client problems, optimized the process and reduced the risk of a complaint becoming a reputational incident. Second, the Company continued to strengthen the construction of emergency capacity for reputation incidents. According to the actual situation of the Company and under the guidance of the regulatory authorities, the Company selected business complaints and disputes and other scenarios for key drills, and made adjustment timely to ensure the effectiveness of the pre-arranged planning. Third, the Company continued to strengthen the linkage between organizations at all levels. It incorporated all business lines, all branches and subsidiaries into the reputation risk management linkage system, fully took into consideration all kinds of risks, and joined hands with employees at all levels to safeguard the reputation of the Company. Fourth, the Company continued to optimize its promotional capabilities in all media types. It actively carried out news publicity around special publicity themes such as supporting SMEs, supporting enterprises to resume work and production, "six stabilities and six guarantees", thus achieved certain progress in publicity level and quality.

(VIII) Anti-money laundering management

According to the relevant laws, regulations and regulatory requirements on anti-money laundering, the Company conscientiously fulfilled the anti-money laundering social responsibility and legal duty, and strived to promote the anti-money laundering and anti-terrorist financing risk management level.

First, the Company improved the internal control mechanism of anti money laundering. It fully implemented the supervision opinions on anti-money laundering, improved the internal control system of anti-money laundering by taking key projects such as the "Fight against Client Information Governance Issues for 100 days" as the starting point, optimized the working mechanism and strengthened technical guarantee. Second, the Company fulfilled its legal obligation of anti-money laundering. It effectively fulfilled the legal obligations of anti-money laundering by taking client identification, retention of client identification data and transaction records, as well as report on large and suspicious transactions as the core, and strengthened the identification and control of high-risk clients and high-risk businesses. Third, the Company actively cooperated with relevant authorities to fight against crimes involving money laundering. It deeply explored, analyzed and submitted key suspicious transaction clues, and actively cooperated with the People's Bank of China in conducting anti-money laundering investigation and research, and provided strong support for fighting against money laundering and other 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 adopted by the Company has covered business activities, management activities and supporting activities. In accordance with external laws and regulations, regulatory policies and internal management requirements, the Company promptly formulated and revised related internal control system, continued to optimize business and management processes and implemented risk management and control measures, thus make the internal control system more complete and content of the system more reasonable and efficient.

1. Improve the internal control 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 Compliance Department of the Company is the leading administrative department for system administration. Before the release of the company's system, it shall be submitted to the Legal Compliance Department for review. The Legal Compliance Department shall put forward comprehensive review opinions integrating anti-money laundering, operational risk and compliance management. The competent department of system shall implement the compliance review opinions to the corresponding system, and shall submit the draft to the departments involved in the system for signature, so as to ensure that all management and business activities have rules to follow.

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

2. Update the system timely and reasonably

The Company kept an eye on changes of external laws, regulations and regulatory policies, and formulated and revises relevant systems in a timely manner according to the needs of internal operation and management. It continued to promote the construction of internal control system in combination with system evaluation to ensure that the system was updated in a timely manner.

First, the Company implemented the regulatory requirements, analyzed and interpreted the important regulatory policies and work requirements, formulated the plan and implemented it in an

orderly manner. Special officers were appointed to supervise and review the implementation of the system, and to ensure that regulatory requirements such as system internalization were well implemented, so as to improve the timeliness and effectiveness of the system. Second, the Company carried out system evaluation. It selected the key product system for evaluation, focusing on the consistency of product system with external regulations and regulatory policies, as well as consistency of product system with text, system process and actual operation, etc., thus to find out whether there are incomplete and imperfect system management events such as system deficiency, system conflict and system lag, and to improve the system problems in a timely manner. Third, the Company established the policy correlation mechanism throughout the Bank, and realized policy linkage on this ground. Upon the updating of internal policy or the releasing of external regulation, the competent department would be reminded by the system automatically for modification of policies, thus improve the timeliness and effectiveness of policies.

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

V. Capital management

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

Capital adequacy ratio management is the core of the Company's capital management. The Company monitored capital adequacy ratio on a regular basis and submits required information to the commission every quarter. It predicted 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 2020, the Company issued 380 million ordinary shares in a non-public form, redeemed the tier I capital bonds issued in 2015 with an amount of RMB 7 billion, and issued tier II capital bonds amounted to RMB 10 billion, thus effectively supplement capital, optimize the capital structure, and further improve the ability to resist risks and support the development of the real economy.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2020, the Company steadily pushed forward economic capital limit management, formulated economic capital allocation plans, realized optimized configuration of capital in all business lines, regions, products and risk areas, made overall arrangements of risk-weighted asset scale of all business departments and business lines, promoted optimized and reasonable configuration of capital and endeavored to realize maximization of risk-weighted asset yields; further displayed group comprehensive business advantages, gradually strengthened corporate capital management by perfecting group consolidated administration and other systems, and satisfied group and comprehensive business' demand for capital management.

(I) Information on capital adequacy ratio

In compliance with the relevant regulations of “*Capital Management Measures for Commercial Banks (Trail)*” of CBRC, the scope of consolidated data covers the parent company, the affiliated fund company, financial leasing company and financial management subsidiary. Up to Dec. 31, 2020, 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: in RMB 1 million

Item	Dec. 31, 2020		Dec. 31, 2019	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	103,263	94,480	85,199	78,641
2. Net balance of Tier one capital	118,073	109,290	100,009	93,452
3. Net balance of total capital	160,958	151,589	137,797	130,850
4. Total risk-weighted assets	1,084,870	1,033,381	885,202	851,450
Including: credit risk-weighted assets	995,033	947,611	800,891	769,376
Market risk-weighted assets	24,380	23,000	28,212	26,899

Operational risk-weight assets	65,457	62,770	56,099	55,175
5. Core Tier one capital adequacy ratio	9.52%	9.14%	9.62%	9.24%
6. Tier one capital adequacy	10.88%	10.58%	11.30%	10.98%
7. Capital adequacy ratio	14.84%	14.67%	15.57%	15.37%

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.

(II) Information on leverage ratio

Unit: in RMB 1 million

Item	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
Leverage ratio	6.26%	6.23%	6.47%	6.22%
Net balance of Tier one capital	118,073	114,987	116,600	105,683
Balance of assets on and off the balance sheet after adjustment	1,885,993	1,845,675	1,800,807	1,698,223

Note: indexes relevant to leverage ratio at the end of this reporting period, the third quarter of 2020, the second quarter of 2020 and the first quarter of 2020 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.

VI. Information on organization construction

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
1	Head office	No. 345, Ningdong Road, Yinzhou District, Ningbo	1	4,259	322,096
2	Capital Operation Center	19F, No. 210, Century Avenue, China (Shanghai) Pilot Free Trade Zone	1	129	271,558
3	Shanghai Branch	20-22F, 21 st Century Center building, 210 Century Avenue, Pudong New Area, Shanghai	24	1,797	130,219
4	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou	23	1,636	79,171
5	Nanjin Branch	No. 233, Middle Jiangdong Road, Jianye District, Nanjing	21	1,659	76,079
6	Shenzhen Branch	1F-5F, Podium Building of Huangting Center Building, Jintian Road, Fudian District, Shenzhen	19	1,146	107,740
7	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou	25	1,372	88,063
8	Wenzhou Branch	No. 1258, Wenzhou Avenue, Lucheng District, Wenzhou	17	1,059	22,132
9	Beijin Branch	1-2F, 11-15F, Glorious Oriental Center, No.100, 3 rd West Ring Road North, Haidian District, Beijing	13	1,494	102,011
10	Wuxi Branch	No. 6 Third Finance Street, Taihu New	13	1,123	56,718

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
		City, Wuxi, Jiangsu Province			
11	Jinhua Branch	Podium Building of Xinrong Building, No. 1028 South Shuanglong Street, Wucheng District, Jinhua	8	668	13,512
12	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing	7	615	17,304
13	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	7	580	13,815
14	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	8	534	16,103
15	Lishui Branch	No. 599 and No. 601 Renmin Street; 1F and 3F, S301, No.9, North Shouerfu Road; 22F and 23F (27F and 28F according to the label in the elevator), No. 615 Renmin Street, Liandu District, Lishui	1	283	5,116
16	Huzhou Branch	No. 30, 36, 40 and 44, Taihu Road; No. 527, 531, 535, 539, 543, 547, 551 and 555, Wutong Road; Room 201-203, 301-301 and 401-403, 10 th Building, Changdaofu, Wuxing District, Huzhou	3	293	4,547
17	Quzhou Branch	No.10, Hehua Middle Road, Kecheng District, Quzhou, Rooms 202, 302, 303, 304 and 504, No. 2Building, Hehua Middle Road	1	189	2,558
18	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	10	282	12,923
19	Midtown Yinzhou Sub-branch	No. 700, South Ningnan Road, Yinzhou District, Ningbo	9	251	16,913
20	Jiangbei Sub-branch	No. 155, Lane 280, Tongji Road, Jiangbei District, Ningbo	9	240	19,563
21	Hudong Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	9	240	15,716
22	Sci-Tec Sub-branch	No. 868, East Baizhang Road, Jiangdong District, Ningbo	10	261	11,769
23	National Hi-Tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	8	236	10,680
24	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	8	190	20,463
25	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	12	302	12,591
26	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Subdistrict, Beilun District, Ningbo	9	231	13,842
27	Zhenhai Sub-branch	No. 666, North Dongyi Road, Luotuo Sub-district, Zhenhai District, Ningbo	9	241	12,413
28	Yinzhou Sub-branch	No. 364 Middle Rili Street; No. 542 and No. 546 Xueshi Street, Yinzhou District, Ningbo	15	314	16,875
29	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	10	230	7,233
30	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	14	281	15,141
31	Midtown Yuyao Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming	13	241	9,729

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
		Sub-district, Yuyao City, Ningbo			
32	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	16	329	15,681
33	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	13	251	10,377
34	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo	7	203	6,223
35	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	10	227	11,864
36	Maxwealth Fund Management Co., Ltd.	27F, 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	1	252	2,372
37	Maxwealth Financial Leasing Co., Ltd.	12F, 15F, 16F, 17F, No. 195, Dingtai Road, Yinzhou District, Ningbo City	1	532	53,759
38	Ningyin Financial Management Co., Ltd.	30F, No. 318 Heyuan Road, Yinzhou District, Ningbo	1	121	1,880
	Total: 422 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 35 community sub-branches)			24,291	1,626,749

Note:1. Statistical data by the end of 2020.

2. Zhoushan Branch of the Company was officially opened on February 20, 2021

VII. Business Review

In terms of corporate banking, the Company adhered to the service concept of "client-centered", relied on financial technology empowerment, and created comparative business advantages through continuous product innovation, function optimization, experience improvement and service upgrading, so as to provide comprehensive financial services for large and medium-sized enterprises, institutional clients and government clients. During the reporting period, the company insisted on taking root in the regional market, continuously optimized the product functions, made great efforts to improve the service quality, continuously expanded the client base, and realized the steady growth of various businesses.

Corporate banking clients. During the reporting period, the company continued to promote the "211" project and the "123" client coverage plan, strengthened the linkage among the head office, branches and sub branches, and continuously accelerated the introduction of new clients and improved the comprehensive operation of clients with large inventory through various ways such as list marketing, grid marketing, channel client acquisition, promotion meeting, etc.. At the end of the reporting period, the total number of corporate banking clients of the Company exceeded 100,000, with an increase of 13,000 compared with the end of the previous year; The coverage rate of key clients was comprehensively improved, and the number of effective clients reached 18,927.

Corporate banking deposit. The company continuously upgraded the functions of online

banking and mobile banking system, optimized the service process, made great efforts to provide efficient and convenient settlement services for clients, introduced more enterprises to open accounts and retained more settlement funds; it actively participated in the public bidding for public deposits within its business area, and provided personalized fund settlement services for institutional clients and government clients. By the end of the reporting period, the balance of corporate banking deposit reached RMB 606.2 billion, increasing by RMB 89.2 billion from the beginning of the year, of which the current deposit reached RMB 360.5 billion, increased by RMB 69 billion from the beginning of the year, accounting for 59% of the total corporate banking deposit.

Assets investment concerning corporate banking business. During the reporting period, by focusing on the fundamental purpose of serving the real economy, the Company, in respect of corporate banking business, actively served the real enterprises in the operation area and gave priority to supporting manufacturing industry, technology-based enterprises and emerging strategic industries. Since the outbreak of COVID-19 epidemic, the Company took initiative to serve epidemic prevention, medical products and scientific research enterprises. It assisted enterprises to resume work and production, and made financial support for epidemic prevention and control through refinancing, rediscount, interest free loans, loan repayment, delayed repayment of principal and interest of loans, etc.. It actively complied with the changes of market and client demand and continuously enriched financing products and service means. It further enriched its product system, providing clients with a variety of financing products, including RMB loans, commercial bills, bank notes, domestic letters of credit and foreign currency loans, and providing clients with comprehensive financing solutions through flexible combination of products to reduce the financing cost of enterprises; it promoted the online operation of offline business, and the mobile operation of online business, and continuously promoted the online operation of loan, bill, letter of guarantee and supply chain business, so as to improve service efficiency and client experience. By the end of the reporting period, the balance of corporate banking loan reached RMB 247.8 billion, increased by RMB 33.4 from the previous year, with a growth rate of 16%.

(II) Retail corporate business

By adhering to the concept of "Taking root in regional economy, supporting the development of real economy, implementing the inclusive finance and promoting the growth of small and micro enterprises", the Company continuously developed the financial services of small and micro enterprises, and committed to providing "convenient, professional and efficient" financial products and services for small and micro corporate clients. During the reporting period, the Company continued innovating and optimizing process of financial products, actively created new service mode integrating online and offline operation, improved the level of comprehensive financial services for small and micro enterprises such as financing, settlement, international finance and bills, etc., so as to expand the breadth of client coverage and the depth of business

cooperation.

Team of retail corporate business. During the reporting period, the Company continued to increase resource inclination, optimized assessment policies, continued to upgrade the allocation of financial services team for small and micro enterprises, and improved the professional ability of service personnel for small and micro enterprises. By the end of reporting period, 309 specialized institutions involving 2,947 staff were established by the Company, increased by 764 staffs from the beginning of the year, thus to strengthen the support from teams.

Clients of retail corporate business. The Company always focuses on the accumulation of basic clients and the cultivation of potential clients. During the reporting period, the Company continued to promote the "211" project and the "123" client coverage plan, promoted the full-coverage visit and effective access of small and micro enterprise clients within the business area, and implemented comprehensive operation and service in an all-round way. By actively giving full play to big data and mobile internet technology, the Company upgraded the marketing system featuring mobile, real-time and convenient, and improved the efficiency of team management and client service; through client data mining and behavior analysis, it realized accurate screening and efficient matchmaking of demands of small and micro enterprises, thus meet diversified and personalized financial service needs of clients. By the end of the reporting period, there're 358,152 clients of corporate business of the Company, increased by 64,000 from the end of previous year.

Deposit from retail corporate business. During the reporting period, thanks to the continuous growth of the number of SMEs clients and the continuous deepening of comprehensive services for clients, the deposit balance of retail corporate business exceeded RMB 100 billion. By the end of the reporting period, the balance of deposit from retail corporate business reached RMB 116.8 billion, increased by RMB 24.4 billion from the end of the previous year, with a growth rate of 25%. By improving the deposit product system and upgrading the client settlement service, the Company continuously optimized the deposit structure. The current deposit reached RMB 61.6 billion, with an increase of 32% over the end of last year, accounting for 53% of the total deposit. The company realized the coordinated development of scale and quality, which laid a good foundation for the sustainable development of retail corporate business.

Loan from retail corporate business. During the reporting period, by adhering to the resource preference, the Company continued to increase the investment for SMEs, continuously optimized the financing product system, process and service, and met the fund demand of small and micro enterprises. The company implemented the decisions and arrangements of governments and financial regulatory authorities at all levels. During the epidemic period, interest-free loans were granted to SMEs to help them tide over difficulties; measures such as delayed repayment of principal and interest of loans, as well as inclusive credit loan issuance were taken to support them resuming work and production. By the end of the reporting period, there're 117,388 credit client

from retail corporate business, with the balance of loan reached RMB 108.5 billion, increased by RMB 29 from the beginning of the year with a growth rate of 36%.

Characteristic business of retail corporate. The Company continued to enrich its cash management products and services, and constantly upgraded and optimized its product functions. By the end of the reporting period, there were 99,320 cash management clients and 19,228 Yishoubao clients. The company did a good job in international financial services for small and micro enterprises. With the help of all-round, full online and full process foreign exchange business services, the Company promoted the development of superior products such as fast remittance/collection, micro loan for export and Jinshitong, and its comparative business advantages were continuously improved. By the end of the reporting period, the number of international business clients under retail corporate reached 18,398. The Company expanded the online services channels of small and micro finance, and offered multi-channel online services such as online banking, APP of mobile banking service, WeChat official account, etc., to facilitate clients to understand product policies and conduct self-help online operation in real time, thus enhance service experience of clients.

(III) Investment banking business

In 2020, the Company continued to accelerate the transformation towards light capital in terms of investment banking business, providing clients with comprehensive financial services integrating investment, financing and consulting through product innovation and financial instrument portfolio. In terms of principal bond underwriting, the Company has issued 418 non-financial enterprise debt financing instruments with a total issuance scale of RMB 351.4 billion, ranking the 11th among the all principal underwriters and the 1st among the regional banks, and the 12th in the market in terms of issuance number; in terms of non-bank financing, by exploring the diversified needs of clients, the Company continuously improved its diversified product system, committed to providing comprehensive financing solutions, built nearly 300 financing channels, served 360 clients, and achieved a total business volume of RMB 121.3 billion. With its outstanding performance in investment bank business, the Company continued to win the award of "Excellent Urban Commercial Investment Bank in 2020", as granted by 21st Century Business Herald.

(IV) Bill business

In 2020, relying on the advantages of financial technology, the Company continued to promote product innovation and process optimization in terms of bill business, and supported the development of real economy with professional service team, efficient business process and perfect product system. It promoted the continuous iteration and upgrading of "Quick Discount" products, providing fast and high-quality online discount services for corporate clients. In response to the national policies, the Company actively expanded the amount of rediscount, transferred the rediscounted low interest funds to enterprises in time, and supported SMES to reduce the financing

cost. The annual rediscount amount reached RMB 19.9 billion. Following the innovation and development of the Commercial Paper Exchange, the Company has become one of the first seven banks to issue standardized bills in China. On July 30, 2020, the innovative bill product "N.H.P.Q.Y 2020 Standardized Bill (Phase I)" issued by the Company was successfully established, becoming the first undiscounted standardized bill in China.

(V) Asset custody business

In 2020, under the market background of structural adjustment and intensified competition in the asset custody industry, the Company promoted the steady development of asset custody business through continuous optimization of business structure. By the end of the reporting period, the Company had a total of 590 custodian clients, with a balance of custodian assets of RMB 2.4 trillion, ranking the 17th in the industry. During the reporting period, the company seized the opportunity of the implementation of new asset management regulations and the net-worth transformation to promote the rapid development of operation outsourcing services. The scale of outsourcing business exceeded RMB 180 billion, becoming a new growth point of the business; with rich experience in custody business, the Company provided professional and comprehensive service support for clients in terms of system service, direct connection of data and valuation & accounting, helping clients to realize new-worth transformation; it made breakthroughs in ETF, consumer financial trust, QDII and other frontier and hot business, and formed a set of innovative service programs; it continued to accelerate the development system functions of "Easy Custody", thus further enhanced its brand and client influence. In 2020, the Company continued to win the award of "Excellent Asset Custody Bank in 2020", as granted by 21st Century Business Herald.

(VI) Financial market business

In the face of the complex and changeable financial environment, the company seized the market opportunity, actively grasped the trend opportunity, accurately studied and judged the trend of interest rate and exchange rate, flexibly adjusted the phased business strategy, continuously improved the operation ability, and realized the steady development of financial market business. During the reporting period, the Company took the improvement of profit structure, profit model and market position as the starting point, adhered to the development strategy of "sincere service, extensive cooperation, compliance management and mutual benefit", continuously expanded the space of inter-bank cooperation, innovated and enriched the product system, deepened the market maker business, continuously increased the proportion of intermediate business such as trading and agency business, and committed to becoming one of the best partners of small and medium-sized banks and financial institutions in terms of financial market business. By the end of the reporting period, the Company had stable-growing transactions concerning a variety of financial market business. It ranked the 1st in the entire market in CDB bonds underwriting; the 6th in bond underwriting; the 10th in comprehensive foreign exchange marketing; and the 10th in gold inquiry marketing.

During the reporting period, the company won the awards of "Excellent Market Maker of Financial Bond in Interbank Market", "Excellent Underwriter of Financial Bond in Interbank Market" and "Excellent Institution with the Best Performance of Financial Bond Bidding" of China Development Bank in 2020; Won the "Excellent Institution of Interbank Foreign Currency Market - Best Member of External Borrowing" of China Foreign Exchange Trading Center in 2019; It was awarded the title of "Excellent Undertaking Institution of Counter Business (counter circulating bond business)" in China bond market in 2020, "Excellent Underwriting Institution by Comprehensive Evaluation of Members of Chinabond.com", "Excellent Institution of Counter Business by Comprehensive Evaluation of Members of Chinabond.com" and "Excellent Issuing Institution by Comprehensive Evaluation of Members of Chinabond.com" in 2019; it won the "Market Core Dealer", "Excellent Money Market Dealer", "Excellent Bond Market Dealer", "Excellent Derivatives Market Dealer", "Market Innovation Award", "Market Best Technology Award" and "Award for Contribution to Market Opening" in 2019; Won the "progress Award for Member of Shanghai Futures Exchange" by Shanghai Futures Exchange in 2019; "Best Inquiry trading - gold medal institution", "Best Member of Bidding Trading", "Best Operating Member of Bidding Trading", "Best Market Maker of Inquiry Trading", "Best Member of Technical Support" and "Best Member of Risk Control" of Shanghai Gold Exchange in 2019; The Company was awarded "Excellent Institution for Underwriting of Interest Rate Bond in 2019" by Shenzhen Stock Exchange and "Excellent Asset-based Securities Investment Institution in 2019" by Shanghai Stock Exchange. The achievement of various honors reflects the industry's affirmation of the company's financial market business.

(VII) Personal banking business

During the reporting period, the Company set up a personal banking headquarters at the head office level to further improve the framework system, personnel system and operation system of personal business development. Focusing on the two main lines of client introduction and client operation, the personal banking headquarters played an overall coordination role in basic client acquisition, APP operation, big data empowerment and comprehensive management, promoted each business sector to perform its own duties and be interconnected, so as to provide strong support and guarantee for the comprehensive development of personal business.

In terms of client acquisition, the Company continuously introduced new clients through Xinfubao, Yishoubao and Strategic Alliance on the basis of acquiring clients through wealth, private banking, personal credit, credit card and remote banking center. The Company ploughed deep into the agency business of "Xinfubao" to meet the extensive financial needs of clients in salary management. At the end of the reporting period, there were 3.21 million clients of Xinfubao, with an increase of 514,000 compared with the end of the previous year. It also optimized the personal collection business of Yishoubao. At the end of the reporting period, there were 63,000 million clients of Yishoubao. It explored an open client acquisition mode of the bank, formed three

capability modes of "electronic account + payment, wealth and loan", further energized cooperation platform, compliance account and financial services, and built a new business form of B2B2C (bank to business to client) for co-construction of scenario and co-operation of clients. At the end of the reporting period, the number of personal clients of the Company was 12.11 million, an increase of 1.45 million with a growth rate of 14% over the end of the previous year.

In terms of operation, during the reporting period, the Company integrated the online and offline operation to continuously enhance the stickiness of personal clients. Based on the client management system, the Company implemented the maintenance work to each individual client to ensure that clients can enjoy exclusive financial services in time; it continued to explore the digital business model, met the differentiated needs of clients through intelligent activities, granting of rights and interests, and product recommendation, thus optimized client experience and established a master account in personal finance. It took "monthly active users" as an effective index to deepen the operation of APP. It further improved financial experience based on client journey. The replacement rate of APP financial transactions increased to 88%, the utilization rate of financial scenarios reached 92.45%, and the number of users of APP investment and wealth management products accounted for 93.79% of the total number of users of the Bank's finance products.

(VIII) Wealth management business

Since 2018, the Company has recognized the promotion of development of wealth management business as an important strategic direction for the transformation and development of the Company's personal business. By continuously increasing resource investment and adhering to professional business philosophy, the Company has initially established a wealth management business management system, which has laid a solid foundation for the sustainable development of the personal business of the Company. In 2020, in the face of new challenges and opportunities in the wealth management industry, the company continued to adhere to the concept of creating value for clients, with personal asset allocation and comprehensive client service as the core, promoted the comprehensive operation and implementation of the new wealth management business system, and promoted the upgrading of the development mode by continuously exploring the client acquisition mode, strengthening the professional business philosophy, thus build a competitive wealth management brand in the industry.

The Company insisted on channel management and upgraded the client acquisition model. During the reporting period, the company improved the channel management template system by focusing on core channel management, public-private linkage, MGM, webweek community and other key client acquisition channels. By the end of the reporting period, the number of platinum and above clients in the Company's wealth business reached 388,000, an increase of 43,000 with a growth rate of 12.4% over the end of the previous year. It selected top-end products to enrich the product range. Focusing on the changes of market and client demand, the company continuously deepened the cooperation with excellent market managers around the six product systems, namely

cash management, fixed income, rights and interests, protection and inheritance, alternative assets and overseas investment, promoted the development of sub-products such as equity fund, fixed income + and bank financial management, selected the most competitive products in the whole market, so as to provide asset allocation services for clients. The Company built a professional team and strengthened professional management. The Company adhered to the concept of "creating value by profession", stuck to the implementation of the new wealth management business system, constantly improves the quality of the financial manager team, and realizes client hierarchical and classified operation and professional maintenance services. At the end of the reporting period, the number of financial managers reached 2,800, which laid a solid foundation for expanding client coverage, expanding the total business volume and improving business income in the next stage. The Company continued to promote technology empowerment and improve business efficiency. With the help of systematic management, it continued to optimize the working process of financial managers; with the help of asset allocation system, it promoted the personalization and refinement of client group management, and continuously improved the digital, standardized and professional wealth management system.

As of the end of the reporting period, the total financial assets of the individual clients (AUM) were RMB 534 billion, increased by RMB 94.8 billion from the beginning of the year with a growth rate of 22%. Among which the saving deposits reached RMB 201.4 billion, with an increase of RMB 42.2 billion over the beginning of the year. The contribution proportion of fund and insurance and other consignment products has been increasing. The Company realized the total fund sales of RMB 100.7 billion in the whole year. In 2020, with its outstanding performance in the field of wealth management, the Company won the "Best Fund Sales Bank" and other awards of the Second Yinghua Award for Publicly Offered Funds in China.

(IX) Private banking business

During the reporting period, the Company adhered to the service tenet of "professional, private and exclusive", continued to promote the steady development of private banking business, and provided high-end comprehensive financial services with asset allocation as the core for high-net-worth clients, thus create more value for clients. It continued to increase the allocation of personnel and team, and accelerated the regional coverage private banking sub-center of branches. It continued to enrich the types of asset allocation, continuously improved the six major private banking product systems of cash management, fixed income, equity, alternative, security and overseas allocation, and provided global asset allocation services for customers by integrating market advantage resources and overseas allocation resources. Through the integration of resources of the whole bank, and by closely focusing on three aspects including personal, family and business, the Company met the comprehensive needs of private banking customers with its professional service teams, and provided customers with more efficient, professional and intimate comprehensive financial solutions. As of the end of the reporting period, the Company had 7,617

private banking customers, an increase of 2,223 compared with the end of the previous year, with an growth rate of 41%; the total financial assets of private banking customers reached RMB 95.6 billion, increased by RMB 28.5 billion from the beginning of the year with a growth rate of 42% and a total assets per account of RMB 12.55 million.

(X) Individual credit business

During the reporting period, the Company adhered to the concept of comprehensive operation, and continuously promoted the digital operation with the help of financial technology, thus to realize steady growth of individual credit business. It continued to promote product innovation and service upgrading, launched more than 200 credit customer tags, and made business operation more accurate and efficient with the help of big data analysis; it focused on key target customers, continuously optimized customer structure, strengthened asset portfolio management, and promoted the coordinated development of scale, efficiency and risk control of individual credit business; improved its operation and management structure and continued to promote the orderly implementation of vertical management system of the Bank. As of the end of the report period, the balance of individual credit business of the Company was RMB 13.4 billion, an increase of 19% compared with the end of the previous year. The number of customers of individual credit business was 1.44 million, with an increase of 130,000 compared with the end of the previous year.

(XI) Credit card business

During the reporting period, the Company continuously promoted the transformation of business model, explored the Internet extension mode, and constantly improved the collaborative ability of digital risk control. In terms of new customer expansion, the Company actively built new business models such as joint venture and joint name, and continued to accumulate high-quality customers. In terms of stock customer management, by promoting the construction of ecological circle, building a diversified new ecology of card use, the Company has constantly activated the marketing effectiveness of various scenarios; built a credit card management system to reach the advanced level in the industry, realize the intelligent management of stock customers, and fully tap the potential value of customers. In terms of risk control, the Company continued to improve the whole process quantitative risk control ability. By means of independent research of big data intelligent audit, upgrading of the second-generation credit scoring, cash out scoring, overdue warning and other models, the Company has further improved the business anti fraud ability, credit risk identification and control ability. As of the end of the reporting period, the Company has issued a total of 2,916,800 credit cards, an increase of 31.84% compared with the end of the previous year; the balance of advances was RMB 50.4 billion, an increase of 19.75% compared with the end of the previous year; the non-performing rate was 0.97%, and the overall asset quality was stable.

(XII) Remote banking business

In 2020, the Company has adhered to the concept of "practicing inclusive finance and boosting consumption upgrading" and constantly improved the quality and effectiveness of personal financial services in line with the trend of digitization and networking with big data as the driving force; adhered to the steady business promotion strategy, strictly controlled the customer access standards; adhered to the three principles of "independent risk control, independent approval and independent quota pricing", constructed and deployed a pre-customer screening model, an anti-fraud model, a customer stratification and credit rating model, a quota pricing model, a post-loan monitoring and early warning model, and well managed the risk in the whole life cycle of Internet loans; continued to strengthen the construction of financial technology, promoted the deep integration of financial technology and Internet loan business, and initially established a database supporting internet financial business.

(XIII) Maxwealth Fund

In 2020, Maxwealth Fund has accelerated its business layout and continued to provide quality services for investors. By continuously improving the ability of investment and research system, product layout, market development, financial technology and operation and management, Maxwealth Fund has further consolidated its customer base, with 510,000 individual effective customers and many issuances of its products ranking in the forefront of the market, and the sustainability of development has been continuously enhanced. By the end of the reporting period, the total public offering scale of Maxwealth Fund has reached RMB 189.9 billion.

(XIV) Maxwealth Leasing

In 2020, Maxwealth Leasing seized the market development opportunities, took intelligent manufacturing and small and micro finance as the transformation direction based on the livelihood project, and took transportation and logistics, manufacturer leasing and small and micro leasing as the development path in the cultivation field. The business model of small and micro leasing has gradually become clear, intelligent manufacturing has been deeply rooted in the regional market, and the exhibition system of customers, products and processes has gradually matured. The proportion of the two sectors has increased to 36.53%, and the business transformation has achieved remarkable results. By the end of the reporting period, the balance of assets of Maxwealth Leasing was more than RMB 50 billion, the asset quality was at the best level in the leasing industry, and the brand image continued to improve.

(XV) Ningyin Finance

In 2020, under the guidance of the new asset management regulations, Ningyin Finance has orderly promoted the transformation of financial management business on the premise of controllable risk. The first is to continuously promote the transformation of business development, accelerate the construction of net worth product system, covering closed, regular open and cash

management, form a diversified brand system, effectively meeting the diversified needs of customers; the second is to promote the continuous improvement of the risk system, and further strengthen and enhance the professional level in financial product design, investment management, sales promotion and risk management. By the end of the reporting period, the balance of financial products managed by Ningyin Finance was RMB 288.2 billion. Among them, the scale of net worth products was RMB 198.4 billion, an increase of RMB 38.8 billion; accounting for 68.8%, an increase of 14.4% over the end of the previous year.

(XVI) Electronic channels

In 2020, in order to improve the non-contact service ability in the post epidemic era, the Company comprehensively upgraded the e-banking service with the APP, online banking and Wechat banking as the contact points, continuously enriched the functions of electronic channels, optimized the user experience, and further improved the quality and efficiency of one-stop comprehensive financial services.

APP platform. During the reporting period, the Company adhered to the "mobile priority" development strategy, increased resource investment, promoted the integration of new technology and business, launched the 2020 version of App of Bank of Ningbo, provided financial services such as wealth, financing, credit card and non-financial services, and built an intelligent, mobile and personalized one-stop service platform for customers. By means of the linkage application of customer asset allocation system and Financial Manager CRM + system, the Company has achieved a refined customer group operation; continuously optimized the loan risk control model, effectively prevented fraud risk, and ensured the quality of credit assets; further enriched the online processing channels of credit card, applied big data to approval, early warning, collection and other links, and continuously improved the operation efficiency; focusing on the comprehensive needs of customers' clothing, food, housing and transportation, the Company took APP as the carrier and outlets as the center, radiated around and fully excavated various scene services. By the end of the reporting period, APP users of Bank of Ningbo has reached 4.53 million, an increase of 40% over the end of the previous year; the monthly number of active users of the APP was 2.29 million, an increase of 75% over the end of the previous year.

Online banking service. During the reporting period, there were 22.04 million transactions in the Company's public electronic channels, with a year-on-year increase of 13%, and the transaction amount was RMB 14,917.3 billion, with a year-on-year increase of 30%; there were 354,100 customers in the Company's public electronic channels, with a year-on-year increase of 22%. In 2020, the Company has adhered to the strategy of product construction and customer management, continued to promote the construction of online banking products, further practiced the concept of inclusive finance, and improved the level of online service; continued to improve the experience of financial products, realized the online processing of key products such as bill signing and large deposit certificate transfer, added two business modules of cross-border e-commerce and

cross-border capital pool, launched services such as automatic receipt of bank notes, automatic issuance of domestic certificates and option click transaction, improved the efficiency of business processing, built a unified marketing center for enterprise customers, and realized the online marketing support of key products, meeting the individualized demands of different corporate customers; launched epidemic preventive green services. During the epidemic period, the Company has set up a green channel for foreign exchange collection and payment business for entity enterprises to deal with urgent and special affairs. Meanwhile, the Company has continuously improved the level of online services to further meet the financial needs of customers.

WeChat banking. The Company has improved the mobile finance, comprehensively upgraded WeChat business hall, provided customers with financial management, fund, gold and loan services, optimized user experience in an all-round way, so as to provide users with comprehensive, convenient and efficient mobile financial services; contributed to inclusive finance, provided small and micro enterprises with online loan application and referral functions, and provided accurate online financing for small and micro enterprises with the convenience of WeChat channel.

(XVII) Financial technology

During the reporting period, the Company continued to increase investment in financial technology resources, comprehensively deepened the integration of technology and business, and continued to create comparative advantages of financial technology; formulated the strategy of intelligent banking, strengthened the two guarantees of operation safety and personnel organization, implemented the three-dimensional development strategy of systematization, digitization and intelligence, realized digital transformation in four fields of financial products, service channels, marketing operation and operation risk control, and built "one body two wings" platforms including business platform, data platform, technology platform, R & D platform and operation and maintenance platform, and promoted the business model transformation with technology as the driving force, and achieved the goal of enabling business and customers. According to the business operation characteristics of the Company, the Company has fully absorbed the mainstream experience in the industry, completed the upgrading of the overall application architecture and key system group planning, ensured the sustainable development of the Company in the future business; optimized the organizational structure of financial technology, established the financial technology management committee, promoted the implementation of the strategy as a whole, and created the organizational structure of "ten centers" and the "trinity" new R&D central system, set up IT support departments in each business sectors and financial technology departments in each branch, forming a "horizontal to edge, vertical to bottom" financial technology plate system, strengthening resource coordination; continued to improve information security management and operation guarantee ability, constantly strengthened the technical prevention and control means, improved information security guarantee mechanism and ensured an efficient and stable operation of the system.

(XVIII) Consumer rights and interests protection

The Company practices the concept of "finance for the people", attaches great importance to the protection of consumer rights and interests, and always integrates the protection of financial consumer rights and interests into the corporate governance, business operation and corporate culture construction of the Bank. During the reporting period, the Company continued to improve the construction of consumer rights protection system, implemented its main responsibilities, revised and improved various consumer rights protection systems, strengthened the evaluation, inspection and supervision of consumer rights protection, strengthened the protection of consumer financial information, optimized the complaint handling system and process, improved the efficiency of dispute handling, and actively carried out consumer satisfaction investigation and constantly carried out its consumer rights and interests protection work, with its complaint response rate and feedback rate rising to 100%.

The Company has actively undertaken the responsibility and obligation of financial consumer rights protection publicity and education, innovated publicity and education methods, combined online and offline measures, carried out on-site lectures and interactive Q & A in communities, rural areas and schools through official website, WeChat, video and live broadcast, and comprehensively promoted financial knowledge publicity and education. During the reporting period, the Company carried out a total of 517 activities, 30 times of media publicity, more than 70,000 copies of publicity materials and 170,000 times of information hits. In the joint publicity and education activities in 2020, the Company was rated as an excellent organization unit by the Consumer Protection Bureau of the CIRC; the video of the Company "Silent Identification of Counterfeit Currency" won the first prize of the excellent publicity video collection activity of the Financial Consumer Protection Bureau of the People's Bank of China.

VIII. Outlook of future development

(I) Industry competition pattern and development trend

The Central Economic Working Conference 2020 has pointed out as the only major economy to achieve positive economic growth in the year, the economic and social development of China have both received historical achievements although in the face of severe and complicated international situation, and arduous domestic reform and development and stability tasks, especially under the serious impact of the COVID-19 pandemic. Due to the changes in the pandemic situation and many uncertainties in the external environment, the world economic situation is still complex and severe, the recovery is unbalanced and unstable, and various derivative risks caused by the impact of the pandemic situation cannot be ignored. For commercial banks, the competition, differentiation, integration, transformation and transformation of the banking industry will continue to deepen under the continuous influence of many factors, such as the ups and downs of the economic cycle, the marketization of interest rates, the acceleration of the opening up of the financial industry, the wave of financial technology, and industry regulatory

policies.

The Company will always adhere to the spirit of openness and awe, always focusing on the changes in the economic and financial environment, grasping the development trend of banking industry, adhering to the requirements of "be original and professional, and serving the real economy", keeping in mind its development mission and dedicating to the real economy, focusing on market segmentation and customer segmentation, and taking customers as the center, persisting on the differentiated comparative advantages to accelerate the construction of "the moat" for the development of the Bank and promote the steady and sustainable development of the Bank.

(II) Development strategy

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

In 2020, the Company entered the implementation year of the 2020-2022 new three-year development plan. In the next stage, the Company will continue to implement its institutional layout with the Yangtze River Delta as the main body and the Pearl River Delta and Bohai Bay as the two wings, and constantly accumulate its differentiated comparative advantages and accelerate the moat construction for the banking development, 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 2021

2021 is the first year of the fourteenth five-year plan, facing the new normal of ups and downs in the economic cycle, intensified industry differentiation and pressure on risk management, under the leadership of the Board of Directors, the Company will take the initiative to adapt to environmental changes and seize market opportunities in business development; in risk management, it will take good measures to implement risk control measures and keep the bottom line of risk; continue to strengthen professional management concepts, improve the operational efficiency of employees and institutions, and continue to accumulate the comparative advantages of differentiation and promote the sustainable development of the Bank.

Construct the business moat and promote the sustainable development. The Bank will continue to adhere to the management strategy of "imperfect for large banks, impossible for small banks", focus on private enterprises, manufacturing, small and micro enterprises and other customers, serve the real economy, continue to accumulate comparative advantages in market segmentation, construct a moat for the banking development and promote the sustainable development.

Focus on risk control core and ensure a stable operation. In the face of complex economic situation, 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.

Cultivate the core competitiveness and strengthen professional operation. The Company will adhere to its concept of professional and creative values, enhance the training mechanism and hierarchical selection mechanism, constantly enhance the professional advantages of employees in various business areas, promote its banking business expansion and operation management level so as to constantly strengthen the internal driving force for the development of the Bank.

(IV) Key issues in operation

1. About net interest rate of return

Looking forward to 2021, the Company's net interest rate is expected to run smoothly. On the asset side, the Company will continue to increase its support for the real economy and promote the steady increase of loan proportion in the asset structure in the face of the domestic and international economic situation and the re-pricing of existing loans, and on the other hand, the Company will continue to promote the implementation of the big retail strategy; on the liability side, in the face of normalization of monetary policy and intensified deposit competition, on the one hand, the Company will continue to implement customer engineering construction, iterative "five management and two treasures" and other advantageous service ecology to promote the growth of deposit customers and the collection of high-quality deposits; on the other hand, the Company will continue to strengthen the situation research and judgment, prospectively and flexibly adjust inter-bank debt allocation, and strengthen the cost control on the liability side .

2. About net non-interest rate of return

Looking forward to 2021, the Company's net non-interest income is expected to maintain a steady growth. The first is that the wealth management business of the Company has received a good foundation after the development in recent years. With the continuous improvement of the professional management system, the income contribution will be further revealed; the second is that with the help of financial technology, the comparative advantage of the differentiation of the Company national finance business in the market segments will continue to be consolidated, and the income of international settlement and financial market agency business will maintain a healthy growth; the third is that due to the continuous deepening of business collaboration among profit centers, the Company's comprehensive operation ability to provide a package of services for customers will move to a higher level, and the business development space of bond underwriting, non-banking financing and asset custody will be further opened up; the fourth is that the development pace of Maxwealth Fund, Ningyin Finance and other subsidiaries is steady and the market reputation market reputation is constantly accumulated, which will become important sources for the increase of non-interest income of the Company.

3. About asset quality

Currently, the impact of global pandemic is still continuing, and the foundation of domestic economic recovery is still "not firm". Under the influence of the pandemic situation and the economic cycle change, various derivative risks gradually appear, and the bank asset quality control is facing certain challenges. In 2021, the Company continue to stick to the bottom line thinking and run the risk gene through the whole life cycle of various businesses. On the one hand, the Company will strengthen the research on the industrial chain, adhere to the vertical credit approval system, make the credit policy accurate guidance, and constantly optimize the business structure; on the other hand, the Company will strictly control the stock, take data as the driving force, deepen the deep integration of financial technology and risk management, and continue to realize the return visit efficiency, strengthen process efficiency and process risk management, and deepen risk monitoring platform by upgrading the early warning management system, and transform to the risk management pattern of "digital, intelligent and system". And meanwhile, the Company will consolidate the asset classification, improve the collection management system, and constantly strengthen the ability to resolve risks. By means of above efforts, the asset quality of the Company is expected to continue to maintain a good level in the industry.

4. About asset management business

The release of the new asset management regulations and its supporting rules provides a direction for the healthy and sustainable development of asset management business, and promotes the development of asset management institutions to return to the origin of "entrusted by others, financing on behalf of others". 2021 is the last year of the transition period of the new asset management rules. The Company supports Ningyin Finance to implement the requirements of the new asset management rules, do a good job in investor education, increase the promotion of net worth products and other measures by strengthening its internal management and enhancing its marketing team construction, constantly promote the transformation and upgrading of Ningyin Finance, meet the diversified fortune management demands of the customers, striving to become a financing subsidiary of specialty and efficiency, risk control and core competitiveness with customers as the center.

5. About capital management

Looking forward to 2021, the Company will promote capital management in an orderly manner in accordance with the regulatory requirements and the overall arrangement of capital planning. It is expected that the capital adequacy ratio can reach the planning goal, that is, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio will reach more than 9%, 10% and 12% respectively in 2021. On the one hand, in recent years, with the issuance of regulatory documents such as the *Measures for the Assessment of Systemically Important Banks*, the *Notice on the Establishment of Countercyclical Capital Buffer Mechanism* and the implementation of the final reform plan of Basel III, the Company will closely follow the progress of international capital regulatory reform and strengthen research, prediction and

monitoring in response to the new normal of "strong supervision", so as to ensure a stable development of the business. In the next stage, the Company plans to raise no more than RMB 12 billion through rights issue and issue no more than RMB 15 billion of secondary capital bonds to supplement capital of the Company. On the other hand, the Company will continue to practice the strategic transformation of light banking, integrate the concept of capital saving into all aspects of operation and management, continuously optimize the capital allocation, and constantly improve the level of return on capital.

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

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

Reception time	Reception mode	Reception object type	Index of research basic situation
Jan. 16, 2020	Field research	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Apr. 29, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
May. 14, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun. 2, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun. 5, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun. 19, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jul. 9, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jul. 14, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jul. 23, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jul. 28, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Sep. 8, 2020	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> 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 time	Reception mode	Reception object type	Index of research basic situation
Feb. 3, 2021	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> 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 (2019-2021)* in the general meeting of 2018 on May 16, 2019 and mentioned explicitly that, the company will preferentially make profit distribution using cash dividend during the period from 2019 to 2021, and the annual profit distributed using cash dividend was no less than 10% of the distributive profit made throughout the year. The company will carry out active profit distribution scheme on the condition that profitability and capital adequacy ratio satisfy the requirements on continuous operation and long-term development.

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

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

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

1. Profit distribution scheme of 2020 is as below: Legal accumulation fund valued RMB 1,382 million was withdrawn as per 10% of the net profit in 2020; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 2,729 million was withdrawn as per 1.5% of the ending balance of risk assets in 2020; cash dividend valued RMB 5 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record; no shares were donated or converted into share capital in 2020.

2. Profit distribution scheme of 2019 is as below: Legal accumulation fund valued RMB 1,307 million was withdrawn as per 10% of the net profit in 2019; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 2,338 million was withdrawn as per 1.5% of the

ending balance of risk assets in 2019; cash dividend valued RMB 5 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record; no shares were donated or converted into share capital in 2019.

3. Profit distribution scheme of 2018 is as below: Legal accumulation fund valued RMB 1,086 million 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 million 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.

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

Unit: (RMB) 1 million

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
2020	3,004	14,297	21.01%	-	-
2019	3,004	12,962	23.18%	-	-
2018	2,159	10,963	19.70%	-	-

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

Bonus shares (shares) every 10 shares	-
Dividends per 10 shares (RMB) (including tax)	5
Increased number (shares) every 10 shares	-
Equity base (share) of distribution plan	6,008,016,286
Amount of cash dividend (RMB 1 million) (tax-inclusive)	3,004
Distributive profit (RMB 1 million)	47,480
Percentage of cash dividends in total profit distribution	100%
Cash dividend policy	

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

Details of profit distribution scheme

According to the annual financial statement of 2020 audited by Ernst & Young Hua Ming Accounting Firm (special general partnership), the Company realized net profit value RMB 13,824 million in 2020, and the profit available for distribution in the end of 2020 was valued RMB 47,480 million after plus the profit available for distribution in the end of 2019 valued RMB 39,751 million, minus dividends of preferred shares in 2019 valued RMB 753 million, common stock dividends payable in 2019 valued RMB 3,004 million and general risk provisions deducted valued RMB 2,338 million. With normal and orderly business operation as well as standard and steady financial operation, the Company believes it is able to pay off the dividends of shares of the year 2020 in the future.

Based on the above situation, the profit distribution scheme in 2020 is as below:

I. Legal accumulation fund valued RMB 1,382 million was withdrawn as per 10% of the net profit in 2020;

II. As stipulated by *Administrative Measures for Withdrawing of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 2,729 million was withdrawn as per 1.5% of the ending balance of risk assets in 2020;

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

This scheme will be deliberated in the annual general meeting of shareholders in 2020.

III. Commitment item implementation

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

Commitment issues	Commitment party	Commitment type	Commitment content	Commitment time	Commitment deadline	Performance situation
Commitment made during refinancing	Singapore Overseas - Chinese Banking Co., Ltd.	Commitment on limited share sales	The shares subscribed by this non-public offering will not be transferred within 5 years from the date of listing	May. 15, 2020	5 years	Under normal performance
Other commitments on company's medium and minority shareholders	The Company	Other commitments	Various measures shall be adopted to guarantee the effective use of raised funds, to effectively prevent diluted risk of return on demand and improve return capacity in the future	Jul. 16, 2014 Nov. 26, 2015 Nov. 20, 2018 Apr. 26, 2019	Long term	Under normal performance
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 million

Item	December 31, 2020	December 31, 2019
Signed but not disbursed	1,396	816

(III) Business rent commitment

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

Unit: (RMB) 1 million

Item	December 31, 2020	December 31, 2019
Within 1 year (including)	720	593
1-2 years (including)	642	528
2-3 years (including)	583	473
Over 3 years	1,784	1,320
Total	3,729	2,914

(IV) Asset pledge commitment

Unit: (RMB) 1 million

Pledge asset content	Pledge application	Pledge amount
Debt investment	Sales with recourse	3,539
Debt investment	Borrowing from the central bank	4,773
Other debt investment	Sales with recourse	18,011
Other debt investment	Borrowing from the central bank	16,008
Loans and advances	Interbank loan	200

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

There is no statement of Board of Directors, Board of Supervisors and independent directors (if any) on the nonstandard audit reports by the accounting firm.

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

For the changes of accounting policy and accounting estimate, please refer to Item 34 Change of Accounting Policy, Note III to the Financial Statements in "Chapter Thirteen Financial Statements".

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

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

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

During the reporting period, there is no change to the 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	RMB 3.5 million, including RMB 2.58 million for audit of financial statements and RMB 0.95 for audit of internal control.
Continuous service year of domestic accounting firm	12 years
Name of registered accountant of domestic accounting firm	Yan Shengwei, Chen Lijing

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

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

During the report period, Ernst & Young is employed as an internal auditing firm of the Company, and the company shall pay RMB 950, 000 to it for the 2020 internal audit.

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

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

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

After the issuance of annual report, the Company had no information related to suspended listing 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, 2020, the Company, as a defendant or respondent, had a total object amount of RMB 2.797 billion for pending lawsuits and arbitration issues.

XIII. Punishment and rectification

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

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

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

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

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

XVI. Major related transaction

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

Internal natural person statistics involves directors, supervisors, senior management, and other staff having right to decide or participate in commercial credit and asset transfer and their close relatives. By the end of the year 2020, among the related natural person credit business of the Company, total exposure is RMB 45,398,200, credit business exposure balance under mortgage loan is RMB 33,553,900, RMB 0 under the pledge, RMB 0 under warranty, and RMB 0 under credit, without issuing credit loans to related natural persons of the Company, which compiles to related credit control objectives and requirements of the Company in 2020.

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

In accordance with *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.26 – Specific Provisions on Information Disclosure by Commercial Banks* (revised in 2014) formulated by CSRC, the Company had 14 transactions amounted to over RMB 300,000 with its related persons in the year 2020, with a daily total business balance of RMB 5,400,000 and an exposure of RMB 1,492,800 at the end of the reporting period.

(III) Credit extension implementation of related legal persons of corporate shareholders

According to the control requirements of the Board of Directors on the credit exposure, bond investment exposure and bond underwriting line of the related parties of corporate shareholders (including the persons acting in concert) in 2020, the total credit exposure and bond investment exposure shall not exceed RMB 14 billion, of which, the total limit of the credit exposure and the total limit of the credit exposure shall not exceed RMB 3.5 billion and bond underwriting for single shareholder related party shall not exceed RMB 3 billion; and the total limit of the credit exposure and bond investment exposure for single shareholder related group (including persons acting in concert) shall not exceed RMB 5 billion, and bond underwriting shall not exceed RMB 5 billion.

No.	Related legal person	Limit in 2020
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1	Ningbo Development & Investment Group Co., Ltd. and related party (including the persons acting in concert)	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
2	Youngor Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
3	Huamao Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion. For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
4	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	For single related party, max general credit exposure is RMB 300 million, max bond underwriting limit is RMB 300 million and max bond investment exposure is RMB 100 million. For single related group, max general credit exposure is RMB 500 million, max bond underwriting limit is RMB 500 million and max bond investment exposure is RMB 300 million.

By the end of December 2020, the credit extension of related legal persons of corporate shareholders of the Company complies with the related credit control target and objective of the Company in 2020 as follows:

Unit: (RMB) 1 million

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	177,030.27	70,000	2,000
2	Youngor Group Co., Ltd. and related party	66,684.07	-	-
3	Huamao Group Co., Ltd. and related party	86,788.05	-	-
4	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	-	-	-
	Total	330,502.39	70,000	2,000

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

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.	300,000	/	/	70,000	/	/
		60,000	/	/	/	2,000	/
2	Ningbo Re Li Co., Ltd.	5,000	Liquidity loans 5,000	5,000	0	0	/

			Discount 50				
3	Ningbo Ningdian New Energy Development Co., Ltd.	3,000	Liquidity loans 1,000 Bank acceptance 257.48	1,180.23	0	0	/
4	Ningbo Kingtong Financial Leasing Co., Ltd.	0	Liquidity loans 15,848.44	15,848.44	0	0	/
5	Ningbo Ningdian Shipping Co., Ltd.	4,000	Liquidity loans 500	500	0	0	/
6	Ningbo Energy Group Material Distribution Co., Ltd.	6,000	Liquidity loans 6,000	6,000	0	0	/
7	Ningbo Kaitong International Trade Co., Ltd.	43,000	Bank acceptance 10,000 Capital business 500	9,500	0	0	/
8	Ningbo University of Finance & Economics	33,000	Liquidity loans 24,000 L/G 1.6	24,001.60	0	0	/
9	Ningbo Guangyao Thermal Power Co., Ltd.	5,000	Liquidity loans 3,000	3,000	0	0	/
10	Ningbo Kefeng Gas Turbine Pyroelectricity Co., Ltd.	5,000	Liquidity loans 5,000	5,000	0	0	/
11	Ningbo Energy Industrial Co., Ltd.	7,000	Liquidity loans 7,000	7,000	0	0	/
12	Yuyao Kaitou Lancheng Investment and Development Co., Ltd.	100,000	Project loans 60,000 Non-banking asset management 40,000	100,000	0	0	/
Total				177,030.27	70,000	2,000	/

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

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment	Remarks
1	China-Base Ningbo Resources Co., Ltd.	30,000	Bank acceptance 19,983.92	9,464.02	0	0	/
2	Ningbo Youngor Co., Ltd.	30,000	Bank acceptance 30,000	30,000	0	0	/
3	China-Base Ningbo Group Stock Co., Ltd.	130,000	Loans 42,143.58 Negotiation 163.4 Bank acceptance 100,896.32 Discount 197.12 L/C 5,032.49 Domestic L/C 355.63	26,360.63	0	0	/
4	Ningbo China-Base Import & Export Co., Ltd.	15,000	L/C 698.25 Capital business 70	776.16	0	0	/
5	Ningbo Youngor International Trade Transport Co., Ltd.	5,000	Bank acceptance 4,750 L/C 82.33	83.26	0	0	/
6	Ningbo China-Base Huitong Group Co., Ltd.	0	Bank acceptance 950	0	0	0	/
Total				66,684.07	0	0	/

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 2,590.82 L/C 8,489.97	11,206.22	0	0	/
2	Ningbo Huamao Science & Technology Co., Ltd.	20,000	Discount 24,500	20,000	0	0	/
3	Ningbo Maoxuan International Trade Co., Ltd.	58,000	Liquidity loans 32,481.99 Pledge 6,697.02 Discount 2,740 L/C 11,429.26 Capital business 3	53,583.58	0	0	/
4	Ningbo Shuxiang New Material Co., Ltd.	2,000	Liquidity loans 1,900 Bank acceptance 122.81	1,998.24	0	0	/
5	Ningbo Huamao International School	0	Bank acceptance 266	0	0	0	/
Total			91,220.87	86,788.05	0	0	/

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

In 2020, the Bank has engaged in the garments purchasing business with 1 related party, that is, Ningbo Youngor Co., Ltd., with a total amount of RMB 8,570,700.

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. [2020] No. 619). After verification, it is confirmed that Ningbo Youngor Co., Ltd. is a controlled subsidiary of Youngor Group Co., Ltd., which has entered our centralized purchasing system directory through the bidding procedures. The related transactions and purchasing prices mentioned above are both reasonable without any unallowed situations concerning unfair pricing of the related party transactions.

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

In accordance with *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 and *Implementation Method of Related Transactions of Bank of Ningbo Co., Ltd.*:

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

the bank and the related party after the transaction is lower than 5% of the bank capital net amount;

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

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

According to the above definitions, in 2020, the situation of the above three related transactions between the Company and Ningbo Development & Investment Co., Ltd., Youngor Group Co., Ltd., Huamao Group Co., Ltd. and Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and their related parties are as follows:

1. Statics shows that, there was no general related transaction that transaction amounts accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year of 2020;

2. There's no major related transaction occurred in the year of 2020;

3. There's no particularly major related transaction occurred in the year of 2020.

The approval program of the above three categories of related transactions is in accordant with requirement of the Company on the related credit control.

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

According to related regulations of *Commercial Bank and Insider and Shareholder Related Transaction Management Method* (Order of CBRC 2004 No. 3), 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 Company reports related transactions of Overseas-Chinese Bank Corporation and Related Party thereof as follows:

By the end of the year 2020, the Company has provided Overseas-Chinese Bank Corporation with credit limit amount to RMB 3.7 billion a risk exposure amounted to RMB 0 billion; bond investment amounted to RMB 0.3 billion and bond investment balance amounted RMB 0 billion; bond undertaking amounted to RMB 4 billion and bond undertaking balance amounted to RMB 0 billion. The Company has provided Overseas-Chinese Bank (China) Co., Ltd. with credit limit amounted to RMB 2.8 billion, and the actual risk exposure of the bank is RMB 195 million, including an estimated settlement of RMB 25 million and bills of RMB 170 million; bond

investment credit limit RMB 1.2 billion, bond investment balance of RMB 0 billion. By the end of the year 2020, the accumulated amount of non-credit business between the Company and Overseas-Chinese Bank Corporation and its related parties was RMB 2.833 billion, of which the cash transaction amount was RMB 1.13 billion, and repurchase transaction amount was RMB 1.503 billion and distribution business of RMB 200 million, which all complied with the control requirement of the Company for the related transactions of Overseas-Chinese Bank Corporation.

In 2020, the implementations of general related transactions, major related transactions and particularly major related transactions of the Company with Overseas-Chinese Bank Corporation and its related parties are as follows:

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

2. Statistics show that there was no major related transaction occurred in the whole year;

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

(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 40.313 billion, and Company's outward guarantee business is one of conventional bank businesses approved by People's Bank of China and China Banking Regulatory Commission.

(III) Situation of entrusted cash asset management

1. Entrusted wealth management

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

2. Entrusted loan

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

(IV) Other significant contracts

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

XVIII. Social responsibility

(I) Performance of social responsibility

In 2020, 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, giving full play of the financial power and supporting pandemic prevention and resumption of work and production; secondly, based on the financial origin, promoting quality and efficiency in serving the real economy; thirdly, operating stably and sustainably, strictly guarding against all kinds of risks, and continuously creating economic values for the country; fourthly, embracing financial science and technology, promoting financial efficiency; fifthly, deepening inclusive finance, providing convenience for people and enterprises; sixthly, protecting the legitimate rights and interests of financial consumers, and enhancing financial service experience; seventhly, caring for personnel development, improving the training system, promoting the professional competence and playing the leading role of model employees; eighthly, promoting the green credit loans and supporting energy-saving and environment protection enterprises; ninthly, bearing public welfare responsibilities, donating to the education and fixed-point poverty alleviation and lifting people out of poverty.

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

(II) Performance of social responsibility for targeted poverty alleviation

1. Targeted poverty alleviation plans

As one of the forces in the "trinity" pattern of professional poverty alleviation, industry poverty alleviation and social poverty alleviation, financial institutions need to take the initiative to take social responsibility and give full play to financial professional ability. The Company highly recognizes the role of targeted financial poverty alleviation and has taken poverty alleviation as an important content in its performance of social responsibilities and enhanced its financial supporting and lifting force, so as to comprehensively promote the financial poverty alleviation work from aspects such as social poverty alleviation, educational poverty alleviation, targeted poverty alleviation, industrial poverty alleviation and consumption poverty alleviation. Firstly, the mechanism of poverty alleviation has been implemented to strengthen the support to the poverty

alleviation areas and objects; secondly, the forms of poverty alleviation have been expanded, focusing on product innovation and service upgrading; thirdly, the forces of poverty alleviation have been gathered by fully using the channel network advantages, organizing the employees and leading the customers to engage in the work together, so as to form a strong force for the poverty alleviation; fourthly, we should focus on the future development, establish a long-term mechanism, consolidate the quality and efficiency of poverty alleviation, and continuously inject strength into education poverty alleviation and industrial poverty alleviation.

2. Overview on targeted poverty alleviation

2020 is the decisive year for the fight against poverty, which is the bottom line task of the Company. The Company has actively implemented the basic strategies for targeted poverty alleviation work. On one hand, the Company gave full play to its advantages as a bank, integrated the poverty alleviation work with inclusive finance and financial technology, and conducted various targeted poverty alleviation work in compliance with the regional conditions; and on the other hand, the Company depended on the local party committees and governments and supported the institutions of various business regions to conduct the targeted poverty alleviation work, making its own contributions by means of social poverty alleviation, educational poverty alleviation, targeted poverty alleviation and industrial poverty alleviation.

(1) Social poverty alleviation

In Ningbo region, the head offices and branches and sub-branches in Ningbo region have donated RMB 996,200 through "One-day Charitable Donation" activity, Yinzhou Central District Sub-branch donated RMB 1,100,000 to non-profit foundation of Yinzhou Charity Federation, Cixi Central District Sub-branch donated RMB 150,000 for medical aid and poverty funds to Cixi Charity Federation, Cixi Sub-branch donated RMB 50,000 to Cixi Charity Federation. As for the branches, Hangzhou Branch donated RMB 500,000 to Xiaoshan District Charity Association and RMB 30,000 in the 3 times of participation in the "Spring Action"; Suzhou Branch donated RMB 200,000, RMB 103,700, RMB 84,300 and RMB 20,000 to Suzhou Middle School Teaching Scholarship, Suzhou Charity Association, China Youth Development Foundation and Suzhou Children's Foundation; Wenzhou Branch donated RMB 183,800 and RMB 100,000 to Rui'an Charity Association and Longwan District Charity Association respectively; Wuxi Branch donated RMB 67,000 when participating in the activities of "Send Warmth and Love" organized by Wuxi Charity Association; Nanjing Branch donated RMB 37,000 in the activity of "Gather Love and Help those in Need".

(2) Educational poverty alleviation

In Ningbo region, Hudong Sub-branch donated RMB 1 million to Zhejiang Wanli University as student fund, Cixi Sub-branch donated money and materials amounted to RMB 60,000 to Changshan County of Quzhou as student fund, Jiangbei Sub-branch donated RMB 50,000 to Hanikatumu Town, Kuqa City, Aksu Prefecture, Xinjiang for purchasing books, and Haishu

Sub-branch donated RMB 39,000 to poverty students of Xiaoshi High School as for support. As for the branches, Hangzhou Branch donated RMB 18.04 million, RMB 1.8 million, RMB 300,000, RMB 150,000 and RMB 110,000 to Zhejiang University Education Foundation, Tonglu County Educational Development Foundation, Fuyang District People's Education Foundation, Zhejiang Gongshang University Hangzhou College of Commerce and Hangzhou Medical College Education Foundation respectively; Nanjing Branch donated RMB 41,500 for five aid activities, and donated RMB 20,000 worth of books at the same time; Suzhou Branch subsidized RMB 32,000 for poor students four times; Wuxi Branch provided RMB 27,900 for aid children of Lueyang County and Hope Project; Beijing Branch donated RMB 10,000 TO Beishennan Village, Shennan Town, Shunping County, Baoding of Hebei Province as for educational aid; Shaoxing Branch donated RMB 5,000 to Shenzhou Guimen Central School.

(3) Fixed point poverty alleviation

In Ningbo region, the head office of the Company donated RMB 200,000 to Huchen Aoliwang Village, Ninghai County and Jiangbei Sub-branch donated RMB 100,000 to its sister village, that is Cexiang County in Qianxinan Buyi and Miao Autonomous Prefecture of Guizhou Province. As for the branches, Lishui Branch participated in the financial pairing and poverty alleviation cooperation between the East and the West, and donated RMB 220,000 to the poor areas of Sichuan Province; Hangzhou Branch participated in the activity of "linking villages with villages" and provided RMB 100,000 to Chun'an County; Nanjing Branch donated RMB 80,000 to participate in "caring for agriculture" activities twice and RMB 44,300 to participate in "urban and rural pairing"; Suzhou Branch participated in counterpart poverty alleviation projects and donated RMB 64,100 and RMB 21,600 respectively to Dejiang County and Tongren of Guizhou Province; Taizhou Branch donated RMB 50,000 to participate in the poverty alleviation project.

(4) Industrial poverty alleviation

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

The company and its sub-branches have donated RMB 340,000 in the "Sharing Rice Field" donation, and Jiangbei Sub-branch has purchased agricultural products amounted to RMB 109,800 from its sister village of Cexiang County in Qianxinan Buyi and Miao Autonomous Prefecture of Guizhou Province, indirectly supporting the development of agricultural industry in poor areas.

3. Targeted poverty alleviation achievements

Index	Measurement unit	Quantity / Executive condition
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I. General situation	RMB 26,637,200	—
II. Sub-item investment	—	—
1. Industrial development poverty alleviation	RMB 1,329,800	11 projects, benefiting over 1,000 peasant households
2. Transfer employment poverty alleviation	—	—
3. Relocation removal poverty alleviation	—	—
4. Educational poverty alleviation	RMB 21,685,400	15 projects, benefiting over 10,000 students
5. Health poverty alleviation	—	—
6. Ecological protection poverty alleviation	—	—
7. Miscellaneous assurance	—	—
8. Social poverty alleviation	RMB 3622,000	14 projects, benefiting over 1,000 persons (times)
9. Others	—	—
III. Awards received (contents & grading)	—	—

4. Follow-up targeted poverty alleviation plan

In 2020, China completed the task of poverty alleviation in the new era on schedule. It is a long way to go to establish and improve the effective linkage mechanism between consolidating the achievements of poverty alleviation and rural revitalization after winning this war. The Company will conscientiously implement the deployment of the CPC Central Committee and the State Council, actively connect with local Party committees and governments at all levels, remain the effective working methods, continue to provide solid financial service infrastructure, in-depth inclusive financial services, reasonable financial products, establish a long-term mechanism, and continue to play the role of financial institutions in poverty alleviation.

(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

Within the report period, the Company did not have any corporate bonds which were publicly issued and listed on the stock exchange, and which were not due on the approval date of the annual report or were not fully cashed at maturity.

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

In accordance with the relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange, the independent directors of the Company, with the altitude of being fair, just and object, have verified the outward guarantee and situation that company controlling shareholders and other related parties occupying the capital of the Company and have issued the special verification opinions as follows:

(I) Company's outward guarantee business is one of conventional banking businesses approved by the People's Bank of China and China Banking and Insurance Regulatory Commission. By the end of 2020, guarantee business balance of the Company was RMB 40.313 billion. 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. Within the report period, the business of the Company operated normally and there was no illegal guarantee.

(II) By the end of 2020, the Company is free from situation when the controlling shareholders or other related parties occupy the company's capital.

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	6,756,739	0.12%	75,819,056	0	0	(2,816,953)	73,002,103	79,758,842	1.33%
1. National holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic capital holding	6,756,739	0.12%	0	0	0	(2,816,953)	(2,816,953)	3,939,786	0.07%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	6,756,739	0.12%	0	0	0	(2,816,953)	(2,816,953)	3,939,786	0.07%
4. Foreign holding	0	0.00%	75,819,056	0	0	0	75,819,056	75,819,056	1.26%
wherein: foreign legal person holding	0	0.00%	75,819,056	0	0	0	75,819,056	75,819,056	1.26%
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%
II. Limit-free condition share	5,621,572,789	99.88%	303,867,702	0	0	2,816,953	306,684,655	5,928,257,444	98.67%
1. RMB ordinary share	5,621,572,789	99.88%	303,867,702	0	0	2,816,953	306,684,655	5,928,257,444	98.67%
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	5,628,329,528	100.00%	379,686,758	0	0	0	379,686,758	6,008,016,286	100.00%

During the reporting period, the Company issued 379,686,75 new shares in non-public offering, of which 303,867,702 shares had been removed from the sales restriction on November 16, 2020, and 75,819,056 shares were still in the sales restriction status; the change of shares of sales restriction of directors, supervisors and senior management led to the reduction of 2,816,953 shares held by natural persons within the territory of the country of the Company.

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.	0	0	75,819,056	75,819,056	Non-public offered subscription share limited sale	May 18, 2025
Company's directors, supervisors and senior management holding	6,720,703	2,929,453	112,500	3,903,750	Locked shares and restricted shares before IPO by directors, supervisors and senior management	In-office directors, supervisors and senior management shall transfer 25% of shares to the greatest extent within 1 year
Total	6,720,703	2,929,453	75,931,556	79,722,806		

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
Non-public offering	April 2, 2020	RMB 21.07/share	379,686,758 shares	May 15, 2020	379,686,758 shares

For details of the Company's non-public offering, please refer to the announcement of the Company issued on the website <http://www.cninfo.com.cn> in the name of *Report on the Issuance of A-shares of Bank of Ningbo Co., Ltd. and the Announcement of Listing*.

During the reporting period, the Company did not publicly issue corporate bonds listed on the stock exchange.

For the issuance of other bonds of the Company and its subsidiaries, please refer to "Notes to the Financial Statements V. 24 Bonds Payable" in Chapter Thirteen Financial Report.

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

During the report period, due to the additional issuance of 379,686,758 shares non-public offering, the total shares of Company has increased from 5,628,329,528 shares to 6,008,016,286 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)	127,840	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report	116,255	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
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Situation on shareholders holding more than 50% of shares or top ten shareholders								
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing	
							Share state	Share state
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	18.72%	1,124,990,768	0	0	1,124,990,768		
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.67%	1,121,812,159	75,819,056	75,819,056	1,045,993,103		
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	8.32%	499,911,386	(296,497,482)	0	499,911,386		
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	3.46%	207,979,919	57,322,467	0	207,979,919		
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	3.04%	182,653,021	(37,346,999)	0	182,653,021		
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	1.99%	119,322,389	(19,470,604)	0	119,322,389		
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.33%	79,791,098	0	0	79,791,098		
Ningxing (Ningbo) Property Management Co., Ltd.	State-owned legal person	1.29%	77,589,276	0	0	77,589,276		
Ningbo Rail Transit Group Co., Ltd.	State-owned legal person	1.18%	71,191,267	71,191,267	0	71,191,267		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.16%	69,819,360	0	0	69,819,360		
Description on related relations, persons acting in concert, controlling shareholders, actual controller and final beneficiaries above mentioned	Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Property Management Co., Ltd. are persons acting in concert and the controlling shareholder 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; And according to <i>the Interim Measures for the Equity Management of Commercial Banks of China</i> 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.	1,124,990,768	RMB ordinary share	1,124,990,768					
Singapore Overseas-Chinese Banking Co., Ltd.	1,045,993,103	RMB ordinary share	1,045,993,103					
Youngor Group Co., Ltd.	499,911,386	RMB ordinary share	499,911,386					
Hong Kong Securities Clearing Company Ltd.	207,979,919	RMB ordinary share	207,979,919					
Huamao Group Co., Ltd.	182,653,021	RMB ordinary share	182,653,021					
Ningbo Fubang (Holdings) Limited	119,322,389	RMB ordinary share	119,322,389					
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	79,791,098	RMB ordinary share	79,791,098					
Ningxing (Ningbo) Property Management Co., Ltd	77,589,276	RMB ordinary share	77,589,276					
Ningbo Rail Transit Group Co., Ltd.	71,191,267	RMB ordinary share	71,191,267					
Central Huijin Asset Management Co., Ltd.	69,819,360	RMB ordinary share	69,819,360					
Description on relationship or consistent activities among top ten circulating shareholders without limited sale as well as top	Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.							

ten circulating shareholders without limited sale and among top ten shareholders

Description on shareholders attending securities margin trading	Huamao Group Co., Ltd. as a shareholder of the Company, holds 70,000,000 shares of the Company through the customer credit transaction guarantee securities account of GF Securities Co., Ltd.
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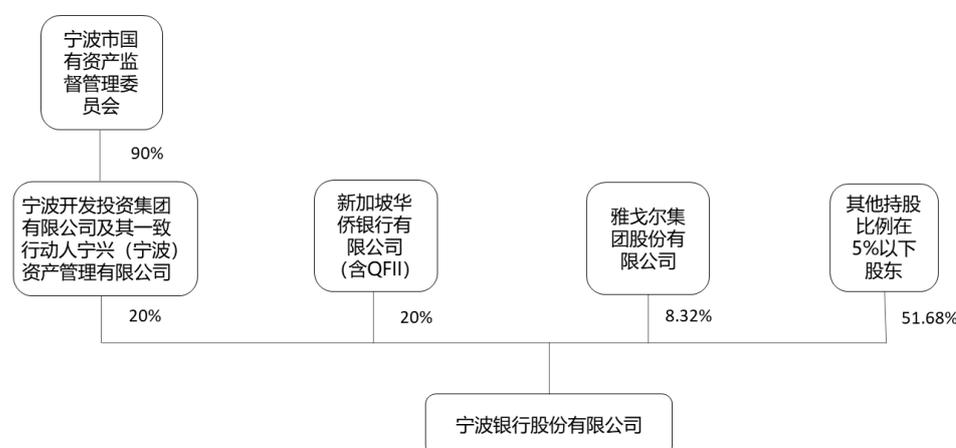
Within the report period, the Company is free from agreed repurchase transaction among top ten shareholders without limited sale and top ten shareholders.

(II) Situation on Company's holding shareholder

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

(III) Situation on Company's actual controller

The Company has no actual controller within the report period.

(IV) Company's shareholding structure chart


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及其一致行动人宁兴(宁波)资产管理有限公司

Ningbo Development & Investment Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. 1. as consistent acting persons

新加坡华侨银行有限公司(含QFII)

Singapore Overseas-Chinese Banking Co., Ltd. (including QFII)

雅戈尔集团股份有限公司

Youngor Group Co., Ltd.

其他持股比例在5%以下股东

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 5.04 billion	Project investment, assets management, real estate development, property management and so on
Singapore Overseas-Chinese Banking Co., Ltd.	Huang Sanguang	Oct. 31, 1932	Singapore Dollar 17.833 billion	Financial service industry

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

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

Chapter Ten Relevant Situation of Preferred Shares

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

Abbreviation	Code	Issue method	Issue date	Issue price (RMB / share)	Face dividend rate	Issue quantity (share)	Listing date	Quantity of acquired listed transfer (share)	Expiry date of listing
Ning Hang Preferred 01	140001	Non-public	Nov. 16, 201	100	4.68%	48,500,000	Dec. 9, 2015	48,500,000	None
Ning Hang Preferred 02	140007	Non-public	Nov. 7, 201	100	5.30%	100,000,000	Nov. 28, 2018	100,000,000	None

Note: since November 16, 2020, the coupon dividend yield of the second interest bearing cycle of "Ning Hang Preferred 01" was adjusted from 4.60% to 4.68%.

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

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

Unit: share

Total quantity of preferred shares shareholders to the end of report period (account)		7		Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual report (account)		7			
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders									
Name of shareholder	Share holder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement/change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Pledge or freezing condition		
							Share status	Quantity	
Cofco Trust Co., Ltd.	Others	23.53%	11,410,000	0	0	11,410,000			
Bank of Communications International Trust Co., Ltd.	Others	19.79%	9,600,000	0	0	9,600,000			
Bosera Fund Management Co., Ltd.	Others	16.06%	7,790,000	0	0	7,790,000			
China Merchants Wealth Asset Management Co., Ltd.	Others	11.75%	5,700,000	0	0	5,700,000			
AXA SPDB Investment Managers Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000			
HuaAn Future Asset Management (Shanghai) 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)		11		Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual report (account)		11		
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders								
Name of shareholder	Share holder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/dec rement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Pledge or freezing condition	
							Share status	Quantity
China International Capital Corporation Limited	Others	24.78%	24,780,000	24,780,000	0	24,780,000		
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		
Bosera Fund Management Co., Ltd.	Others	5.22%	5,220,000	(24,780,000)	0	5,220,000		
GYB Co., Ltd.	Others	5.00%	5,000,000	0	0	5,000,000		
Foresea Life Insurance Co., Ltd.	Others	3.00%	3,000,000	0	0	3,000,000		
Ping An Endowment Insurance Co., Ltd.	Others	2.02%	2,020,000	0	0	2,020,000		
PICC Asset Management Company Limited	Others	0.80%	800,000	0	0	800,000		
Preferred shares have different explanations in terms other than dividend distribution and residual property distribution.			None					
Instructions on the related relations or persons acting in concert among the top 10 preferred shareholders and between the top 10 preferred shareholders and top 10 general shareholders			None					

III. Profit Distribution of Company's Preferred Shares

Profit distribution of preferred shares within reporting period

Preferred share abbreviation	Preferred share code	Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	In compliance with distribution condition and relative procedure	Payment of dividend	Dividend accumulated	Join in residual profit distribution
Ning Hang Preferred 01	140001	Nov. 16, 2020	4.60%	223,100,000	Yes	Cash payment once a year	No	No
Ning Hang Preferred 02	140007	Nov. 9, 2020	5.30%	530,000,000	Yes	Cash payment once a year	No	No

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

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

Unit: RMB 1 million

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
2020	753	15,050	5.00%	None
2019	753	13,715	5.49%	None
2018	223	11,186	1.99%	None

IV. Repurchase or Conversion of Preferred Shares

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

V. Voting Power Recovery of Preferred Shares within Report Period

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

VI. Accounting Policies Adopted by Preferred Shares and Reasons

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

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

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

Name	Position	Status	Gender	Age	Term start date	Term ending date	Shares held at the beginning of the year (share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
Lu Huayu	Chairman	Incumbent	Male	56	Jan. 15, 2005	Feb. 9, 2023	1,249,409	0	0	1,249,409
Luo Mengbo	Vice chairman, president	Incumbent	Male	50	Feb. 10, 2014	Feb. 9, 2023	1,919,678	0	0	1,919,678
Shi Tingjun	Director	Incumbent	Male	50	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	45	May 18, 2015	Feb. 9, 2023	0	0	0	0
Chen Shouping	Director	Incumbent	Male	50	Jun. 5, 2020	Feb. 9, 2023	0	0	0	0
Liu Xinyu	Director	Incumbent	Female	46	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Hu Pingxi	Independent director	Incumbent	Male	67	Mar. 8, 2018	Feb. 9, 2023	0	0	0	0
Bei Duoguang	Independent director	Incumbent	Male	63	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Li Hao	Independent director	Incumbent	Male	62	Apr. 9, 2020	Feb. 9, 2023	0	150,000	0	150,000
Hong Peili	Independent director	Incumbent	Female	57	Apr. 9, 2020	Feb. 9, 2023	0	0	0	0
Wang Wei'an	Independent director	Incumbent	Male	55	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Hong Lifeng	Supervisory, employees' supervisor	Incumbent	Male	56	Oct. 9, 2015	Feb. 9, 2023	1,644,113	0	0	1,644,113
Liu Jianguang	Supervisor	Incumbent	Male	49	Sep. 16, 2019	Feb. 9, 2023	0	0	0	0
Shu Guoping	External supervisor	Incumbent	Male	56	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Hu Songsong	External supervisor	Incumbent	Male	40	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Ding Yuanyao	External supervisor	Incumbent	Male	55	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0
Zhuang Ye	Employees' supervisor	Incumbent	Female	43	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Lu Xiaosu	Employees' supervisor	Incumbent	Female	51	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0
Fu Wensheng	Vice president	Incumbent	Male	48	Aug. 27, 2012	Feb. 9, 2023	0	0	0	0
Wang Yongjie	Vice president	Incumbent	Male	48	Aug. 27, 2012	Feb. 9, 2023	241,800	0	0	241,800
Feng Peijiong	Director, vice president	Incumbent	Male	46	Feb. 3, 2016	Feb. 9, 2023	0	0	0	0
Zhuang	Director,	Incumbent	Male	41	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0

Lingjun	vice president, financial principal										
Zhang Ningning	Vice president	Incumbent	Female	37	Mar. 24, 2021	Feb. 9, 2023	0	0	0	0	
Yu Gang	Board secretary	Incumbent	Male	44	Jan. 25, 2018	Feb. 9, 2023	0	0	0	0	
Luo Weikai	Former director, vice president, financial principal	Resigned	Male	55	Apr. 7, 2017	Feb. 9, 2020	2,423,200	-	-	-	
Yu Weiye	Former director	Resigned	Male	57	Feb. 10, 2014	Feb. 9, 2020	0	-	-	-	
Zhu Nianhui	Former director	Resigned	Male	58	Feb. 7, 2017	Feb. 9, 2020	0	-	-	-	
Chen Yongming	Former director	Resigned	Male	62	Jan. 14, 2011	Feb. 9, 2020	0	-	-	-	
Li Rucheng	Former director	Resigned	Male	69	Apr. 7, 2017	Feb. 9, 2020	0	-	-	-	
Xu Lixun	Former director	Resigned	Male	46	Jan. 10, 2013	Feb. 9, 2020	0	-	-	-	
Fu Jianhua	Former independent director	Resigned	Male	69	Sep. 11, 2014	Apr. 9, 2020	0	-	-	-	
Fu Jijun	Former independent director	Resigned	Male	64	Sep. 11, 2014	Apr. 9, 2020	0	-	-	-	
Ben Shenglin	Former independent director	Resigned	Male	55	Sep. 11, 2014	Apr. 9, 2020	0	-	-	-	
Zhang Jixiang	Former independent director	Resigned	Male	67	Apr. 7, 2017	Apr. 9, 2020	0	-	-	-	
Geng Hong	Former independent director	Resigned	Female	65	Apr. 7, 2017	Apr. 9, 2020	0	-	-	-	
Pu Yiwei	Former external supervisor	Resigned	Female	51	Feb. 10, 2014	Feb. 9, 2020	0	-	-	-	
Liu Rufen	Former employees' supervisor	Resigned	Female	55	Feb. 10, 2014	Feb. 9, 2020	179,144	-	-	-	
Lian Wenhui	Former director	Resigned	Male	55	Jun. 5, 2020	Jul. 6, 2020	0	-	-	-	
Zhang Kaidong	Former director	Resigned	Male	38	Apr. 3, 2020	Jan. 22, 2021	0	0	0	0	
Ma Yuhui	Former vice president	Resigned	Male	39	Apr. 24, 2015	Jan. 22, 2021	0	0	0	0	

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

Name	Position	Type	Date	Reason
Zhuang Lingjun	Director	Elected	Apr. 3, 2020	General election

Shi Tingjun	Director	Elected	Apr. 3, 2020	General election
Chen Shouping	Director	Elected	Jun. 5, 2020	General election
Liu Xinyu	Director	Elected	Apr. 3, 2020	General election
Zhang Kaidong	Director	Elected	Apr. 3, 2020	General election
Bei Duoguang	Independent director	Elected	Apr. 3, 2020	General election
Li Hao	Independent director	Elected	Apr. 9, 2020	General election
Hong Peili	Independent director	Elected	Apr. 9, 2020	General election
Wang Wei'an	Independent director	Elected	Apr. 3, 2020	General election
Ding Yuanyao	External supervisor	Elected	Feb. 10, 2020	General election
Lu Xiaosu	Employees' supervisor	Elected	Feb. 10, 2020	General election
Luo Weikai	Former director, vice president, financial principal	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Yu Weiye	Former director	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Zhu Nianhui	Former director	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Chen Yongming	Former director	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Li Rucheng	Former director	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Xu Lixun	Former director	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Fu Jianhua	Former independent director	Resigned upon expiration of term of office	Apr. 9, 2020	Resignation upon expiration of term of office
Fu Jijun	Former independent director	Resigned upon expiration of term of office	Apr. 9, 2020	Resignation upon expiration of term of office
Ben Shenglin	Former independent director	Resigned upon expiration of term of office	Apr. 9, 2020	Resignation upon expiration of term of office
Zhang Jixiang	Former independent director	Resigned upon expiration of term of office	Apr. 9, 2020	Resignation upon expiration of term of office
Geng Hong	Former independent director	Resigned upon expiration of term of office	Apr. 9, 2020	Resignation upon expiration of term of office
Pu Yiwei	Former external supervisor	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Liu Rufen	Former employees' supervisor	Resigned upon expiration of term of office	Feb. 9, 2020	Resignation upon expiration of term of office
Lian Wenhui	Former director	Resigned	Jul. 6, 2020	Personal reason

Notice: 1. The Company has received the written resignation of Mr. Zhang Kaidong on January 22, 2021, the former director of the Company, who would like to resign as a director and a member of the Nomination Committee of the Board of Directors of the Company.

2. The Company has received the written resignation of Mr. Ma Yuhui on January 22, 2021, the former vice president of the Company, who would like to resign as a vice president of the Company.

3. The qualification of Ms. Zhang Ningning as a vice president of the Company was verified and approved by China Banking and Insurance Regulatory Commission Ningbo Office on March 24, 2021.

III. Employment Situation

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

1. Directors

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

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

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

Ms. Wei Xuemei, born in August 1975, obtained a master's degree and the titles of Senior Accountant and Economist. She is currently a member of the Party Committee and the Deputy General Manger of Ningbo Development & Investment Group Co., Ltd. and a director of Ningbo Maritime Industrial Fund Management Co., Ltd.. Ms. Wei successively served as Deputy General

Manager of Ningbo Kaijian Investment Management Co., Ltd., Deputy Manager, Manager and Vice Chief Economist of the Investment Management Department of Ningbo Development & Investment Group Co., Ltd.; and the Board Chairman and a director of Ningbo Culture Plaza Investment Development Co., Ltd.; she has been a director of the Company since May 2015.

Mr. Chen Shouping, born in November 1970, is a Singaporean with a first class honors degree in accounting of Nanyang Technological University, chartered financial analyst, chartered accountant and a part-time professor of Nanyang technological university. He is currently the Executive Vice President and CFO of Overseas Chinese Banking Corporation, a director of Lion Global Investors Limited, a director of Maxwealth (China) Fund Management Co., Ltd. and a director of the National Taxation Bureau of Singapore. Mr. Chen Shouping has successively served as head of the capital market of the Singapore State Investment Company, General Manager of the Asset and Liability Management Department of Global Capital Business Section of Overseas Chinese Banking Corporation and Deputy Chief Financial Officer of Overseas Chinese Banking Group; he has been a director of the Company since June 2020.

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

Mr. 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 Mager of the Corporate HR Department, General Manager of the Corporate Personal Banking Department and Credit Card Center, and President of Ningbo Bank Suzhou Branch; he has been the Vice President of the Company since April 2015 and the Director of the Company since February 2016.

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

Vice President of the Company since October 2019 and a Director of the Company since April 2020.

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

Mr. Bei Duoguang, born in May 1957, doctorate degree, is currently the President of Chinese Academy of Financial Inclusion, a Part-time Professor and Doctoral Supervisor of the School of Finance, Renmin University of China, a Consultant of the Strategy and Innovation Committee of Securities Association of China and Chairman of Renda Pratt & Whitney (Beijing) Consulting Co., Ltd.. Mr. Bei Duoguang has successively served as Deputy Director of Treasury Bond Department of the Ministry of Finance, Deputy Director of International Department of China Securities Regulatory Commission, Chief Representative of J.P. Morgan Beijing Office, Managing Director of China International Capital Corporation Limited, and CEO and Vice Chairman of J.P. Morgan First Capital Securities Co., Ltd.; he has been a Director of the Company since April 2020.

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

Ms. Hong Peili, born in March 1964, master's degree and Senior Economist, is currently Vice Chairman and Executive Director of the Board of Directors of Caixin Asset Group. She has

successively served as the Director of the Supervision Department of Foreign Banks of Shanghai Branch of the People's Bank of China, the former Deputy Director of the former China Banking Regulatory Commission Shanghai Office, the former Secretary and Director of the Party Committee of the former China Banking Regulatory Commission Chongqing Office and Chairman of Fubon Bank and Associate Chairman of Caixin Investment Co., Ltd.. Ms. Hong Peili has been a Director of the Company since April 2020.

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

2. Supervisors

Mr. Hong Lifeng, born in December 1964, obtained a master's degree and the title of Senior Economist. He is currently the Chief Supervisor of the Company. Mr. Hong started to work in July 1986 and has successively served as Vice President of Bank of China Ningbo Branch Beilun Sub-branch, Vice Director of Credit Card Department & Loans Department of Bank of China Ningbo Branch, Manager, Senior Management, Head of China Department and Commercial Banking Department of Hua Chiao Commercial Bank Ltd., Senior Management of Mainland Branches Banking Department of Bank of China (Hong Kong) Limited., Director of Settlement Department of Bank of China Ningbo Branch. Mr. Hong was the Vice President of the Company from January 2003 to September 2015; the director of the Company from January 2005 to September 2015; and has been the Chief Supervisor of the Company since October 2015.

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

Mr. Shu Guoping, born in January 1965, received a bachelor's degree, is a certified public accountant and is currently an associate of Lixin Zhonglian Realignment Firm and the vice senior accountant of Lixin Zhonglian Realignment Firm Zhejiang Club. Mr. Shu used to be the manager, department manager and vice director of the Ningbo accounting firm project of Ningbo Finance &

Local Taxation Bureau; chief associate of Ningbo Guoxin Realignment Accounting Firm; principal of Jiangsu Tianheng Accounting Firm Ningbo Company; chief associate of Ningbo Guoxin Realignment Accounting Firm (general partnership); Vice-chairman of Ningbo Institute of Certified Public Accountants since October, 2016; Vice-chairman of Ningbo New Social Class Fraternity since November, 2018; since August 2016, Mr. Shu Guoping has become an associate of Lixin Zhonglian Realignment Firm (special general partnership); and an external supervisor of the Company since February 2017.

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

Mr. Ding Yuanyao, born in November 1965, doctor of economics, professor, is currently a professor and master tutor of the Department of Business, Business School of Ningbo University. Mr. Ding Yuanyao took part in the work in 1990, and has successively served as lecturer and associate professor of Anhui University, lecturer and associate professor of Ningbo University; since 2003, he has been a professor in the Department of Finance, master's supervisor of quantitative economics and finance of Business School of Ningbo University, mainly engaged in the teaching and research of economics and finance, during the period from 1999 to 2000, he has been a visiting scholar in Simon Fraser University of Canada, receiving a doctor's degree in economics from Renmin University of China. He was a visiting scholar at Adelaide University in Australia in 2013 and Southampton University from 2019 to 2020; Mr. Ding Yuanyao has been an external supervisor of the Company since February 2020.

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

employees' supervisor of the Company since February 2017.

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

3. Senior Management

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

Mr. Fu Wensheng, born in August 1972, obtained a master's degree and the title of Senior Economist. He is currently the Vice President of the Comany and the Chairman of the Board of Directors of Maxwealth Leasing. 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 2011to 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. Zhuang Lingjun: please refer to the Directors part.

Ms. Zhang Ningning, born in March 1984, obtained a master's degree and the title of Intermediate Economist. Ms. Zhang has successively served as the Deputy General Manager of the Comprehensive Management Division of Financial Marketing Department, and Senior Manager, General Manager Assistant, Deputy General Manger and General Manager of Capital

Management Department of the Company; and General Manager of the Capital operation Center.

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

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

Name of Member	Name of Shareholders	Positions in Shareholder Units	Term of Office	Whether be remunerated in Shareholder units or not
Shi Tingjun	Ningbo Development & Investment Co., Ltd.	Vice Chairman and General Manager	From January 2019 to the present	Yes
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Deputy General Manager	From May 2015 to the present	Yes
Chen Shouping	Singapore Overseas-Chinese Banking Co., Ltd.	Executive Vice-President and Chief Financial Officer	From December 2011 to the present	Yes
Liu Xinyu	Youngor Group Co., Ltd.	Deputy General Manager and Board Secretary	From May 2017 to the present	Yes
Liu Jianguang	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd.	Deputy General Manager and Director	From April 2019 to the present	Yes

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

Name of Member	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Shi Tingjun	Ningbo Kaitou Lancheng Investment and Development Co., Ltd.	Chairman of Board of Directors	From May 2019 to the present	No
	Yongxing Securities Co., Ltd.	Chairman of Board of Supervisors	From April 2020 to the present	No
Shi Tingjun	Ningbo Maritime Industrial Fund Management Co., Ltd.	Director	From September 2018 to the present	No
	Ningbo Cultural Plaza Investment & Development Co., Ltd.	Director	From September 2018 to September 2020	No
Chen Shouping	Lion Global Investors Limited	Director	From February 2012 to the present	No
	Maxwealth Fund Management Co., Ltd.	Director	From February 2018 to the present	No
	National Taxation Bureau of Singapore	Director	From September 2019 to the present	Yes
Liu Xinyu	Ningbo Youngor Health and Pension	Director	From February 2021 to the present	No

	Management Co. Ltd.		present	
Hu Pingxi	Xiamen Rural Commercial Bank	Independent Director	From April 2018 to the present	No
	Xingyin Fund Co., Ltd.	Independent Director	From June 2019 to the present	No
Bei Duoguang	Renmin University of China	Professor and Doctoral Supervisor	From September 2002 to the present	Yes
	Chinese Academy of Financial Inclusion	President	From April 2016 to the present	Yes
	Strategy and Innovation Committee of Securities Association of China	Consultant	From January 2015 to the present	No
	HuaXi Securities Co., Ltd.	Independent Director	From February 2015 to February 2021	Yes
	China Trust Protection Fund Co., Ltd.	Independent Director	From February 2016 to the present	Yes
	Beijing Tust Holding Co., Ltd.	Independent Director	From July 2016 to the present	Yes
	Hua Chuang Securities	Independent Director	From March 2017 to June 2020	Yes
	Renda Inclusive (Beijing) Consulting Co., Ltd.	Chairman of Board of Directors	From July 2015 to the present	Yes
Li Hao	China Reform Holdings Corporation Ltd.	Independent Director	From October 2020 to the present	Yes
	China Eastern Airlines Holding Co. Ltd.	External director	From December 2020 to the present	No
Hong Peili	Caixin Investment Co., Ltd.	Associated Chairman	From July 2019 to February 2021	Yes
	Caixin Asset Group	Vice Chairman of the Board and Executive Director	From July 2019 to the present	Yes
Wang Wei'an	Zhejiang University	Professor and Doctoral Supervisor	From September 1999 to the present	Yes
	Zhejiang Financial Forum	Council Member	From July 1997 to the present	No
	China Financial Forum	Council Member	From July 2003 to the present	No
	China Urban Financial Society	Council Member	From July 2005 to the present	No
	Zhejiang Huiju Investment Management Co., Ltd.	Director	From February 2011 to the present	No
	Zhejiang Financial Education Foundation	Council Member	From July 2012 to the present	No
	Hangzhou Central Branch of the People's Bank of China	Currency Policy Consultant	From July 2014 to the present	No
	Zhejiang Shengda Bio-pharm Co., Ltd.	Independent Director	From December 2013 to the present	Yes
	Shangyu Rural Commercial Bank	Independent Director	From July 2014 to the present	Yes
	Zhejiang Huangma Technology Co., Ltd.	Independent Director	From October 2015 to the present	Yes
	Zhejin Trust Co., Ltd.	Independent Director	From May 2017 to the present	Yes
	Zhejiang Chunhui Environmental Energy Limited	Independent Director	From May 2017 to the present	Yes
	Zhejiang Yasha Decoration Co., Ltd.	Independent Director	From August 2019 to the present	Yes

			present	
Shu Guoping	Lixin Zhonglian Realignment Firm	Associate	From August 2016 to the present	Yes
	Lixin Zhonglian Realignment Firm Zhejiang Club	President	From January 2017 to the present	Yes
	Zhejiang Guoxin Engineering Management Consulting Co., Ltd.	Supervisor	From October 2016 to the present	No
	Ningbo Yinzhou Duchang Jiuxin Corporate Management Consulting Co., Ltd.	Executive Director and Manger	From November 2016 to the present	No
	Xuelong Group Co., Ltd.	Independent Director	From September 2016 to the present	Yes
Hu Songsong	Harnest & Garner Law Firm Zhejiang	Director of Management Council, Senior Founding Associate and Director of Finance and Insurance Commission	From January 2014 to the present	Yes
Ding Yuanyao	Ningbo University	Professor and Master Tutor	From December 2003 to the present	Yes
Liu Jianguang	Ningbo Financial Office Co., Ltd.	Director	From May 2020 to the present	No

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

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

IV. Remuneration of Directors, Supervisors and Senior Management Personnel

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

Decision-making process for the remuneration of directors, supervisors and senior management personnel	Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd are drawn up by Remuneration Committee of the Board of Directors. Among of which, Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd and Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd will be submitted to the general meeting of shareholders for approval after being consented by Board of Directors; and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd will be examined and approved by Board of Directors.
Determination basis for the remuneration of directors, supervisors and senior management personnel	The annual remuneration of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be determined in accordance with Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd and their results of appraisal; remuneration of other directors and supervisors will be determined in accordance with Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd.
Determination basis for 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 (excluding partial independent directors) will be paid monthly.
Actual payment of the remuneration of directors, supervisors and senior	Remuneration Committee of the Board of Directors are composed of 3 directors, and most of them are the independent directors. Mr. Bei Duoguang as an independent director is now the Director of the Committee. The primary responsibilities of the Remuneration Committee: 1. Study the standard for the assessment of the annual remuneration of the directors and senior

management personnel	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.
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(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	Chairman	Male	56	Incubent	290	No
Luo Mengbo	Vice chairman, president	Male	50	Incubent	290	No
Shi Tingjun	Director	Male	50	Incubent	7.5	Yes
Wei Xuemei	Director	Female	45	Incubent	10	Yes
Chen Shouping	Director	Male	50	Incubent	5	Yes
Liu Xinyu	Director	Female	46	Incubent	7.5	Yes
Hu Pingxi	Independent director	Male	67	Incubent	0	No
Bei Duoguang	Independent director	Male	63	Incubent	26.25	No
Li Hao	Independent director	Male	62	Incubent	26.25	No
Hong Peili	Independent director	Female	57	Incubent	26.25	No
Wang Wei'an	Independent director	Male	55	Incubent	26.25	No
Hong Lifeng	Chief supervisor, employees' supervisor	Male	56	Incubent	275.5	No
Liu Jianguang	Supervisor	Male	49	Incubent	8	Yes
Shu Guoping	External supervisor	Male	56	Incubent	30	No
Hu Songsong	External supervisor	Male	40	Incubent	30	No
Ding Yuanyao	External supervisor	Male	55	Incubent	27.5	No
Zhuang Ye	Employees' supervisor	Female	43	Incubent	110	No
Lu Xiaosu	Employees' supervisor	Female	51	Incubent	120	No
Fu Wensheng	Vice president	Male	48	Incubent	261	No
Wang Yongjie	Vice president	Male	48	Incubent	261	No
Feng Peijiong	Director, vice president	Male	46	Incubent	261	No
Zhuang Lingjun	Director, vice president, financial officer	Male	41	Incubent	261	No
Yu Gang	Secretary to the board of directors	Male	44	Incubent	246.5	No

Notes: Performance annual salary of the chairman of the board of directors, chairman of board of supervisors and senior management undergo deferred payment; as specified within the sheet, deferred remuneration of senior management in 2020 is RMB 8,263,700, which will be paid and deferred in three years. In 2020, Mr. Luo Weikai, the former director, Vice President and financial officer of the Company, received a remuneration of RMB 2,610,000 during his tenure, Mr. Yu Weiye, the former director of the Company, received a remuneration of RMB 25,000 during his tenure, Mr. Zhu Nianhui, the former director of the Company, received a remuneration of RMB 8,300 during his tenure, Mr. Chen Yongming, the former director of the Company, received a remuneration of RMB 8,300 during his tenure, Mr. Li Rucheng, the former director of the Company, received a remuneration of RMB 8,300 during his tenure, Mr. Xu Lixun, the former director of the Company, received a remuneration of RMB

8,300 during his tenure, Mr. Fu Jianhua, Mr. Zhang Jixiang and Ms. Geng Hong, the former independent directors of the Company, didn't receive any remuneration from the Company during their tenures, Mr. Fu Jijun, the former independent director of the Company, received a remuneration of RMB 87,500 during his tenure, Mr. Ben Shenglin, the former independent director of the Company, received a remuneration of RMB 87,500 during his tenure, Ms. Pu Yiwei, the former external supervisor of the Company, received a remuneration of RMB 25,000 during her tenure, Ms. Liu Rufen, the former employees' supervisor of the Company, received a remuneration of RMB 174,400 during her tenure, Mr. Lian Wenhui, the former director of the Company, didn't receive any remuneration from the Company during his tenure, Mr. Zhang Kaidong, a director of the Company, received a remuneration of RMB 75,000 during his tenure, and Mr. Ma Yuhui, the former Vice President of the Company, received a remuneration of RMB 2,610,000 during her tenure. The Company has paid the deferred payable remuneration of 2017, including RMB 446,000 for Luo Mengbo, Vice Chairman and President of the Company, RMB 396,700 for Hong Lifeng, Chief Supervisor of the Company, RMB 570,900 for Luo Weikai, the former director, Vice President and financial officer of the Company, RMB 538,600 for Fu Wensheng, the Vice President of the Company, RMB 506,400 for Wang Yongjie, Vice President of the Company, RMB 506,400 for Feng Peijiong, director and Vice President of the Company and RMB 635,400 for Ma Yuhui, the former Vice President of the Company.

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

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

V. Employees in the Company

Up to Dec. 31, 2020, there are 24,291 employees in the Company, amongst which, 23,386 employees are of the parent company and 905 are of the subsidiaries. For the parent company, 6,947 employees are engaged in the corporate banking, 7,909 in personal banking, 4,136 are operation management staffs, 1,592 are risk and compliance management staffs, 1,120 are information technology staffs, 230 are other financial business staffs and 1,452 are comprehensive management staffs; among the employees of the parent company, employees with bachelor degree or above account for 97.91%.

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

The employees' remunerations are mainly composed of the basic remuneration and performance remuneration and the income gap is rationally reflected by the differences of the employees' posts, work responsibilities and obligations. The basic remuneration is determined by the class of positions of the employees and the performance remuneration is decided by the performances of the entire Company, the institution or department where the employee is belonged and the personal performance of the employee. During the report period, the Company

has not applied the medium and long-term motivations in the way of shareholding and other forms of shareholding and the remunerations of the employees are paid in cash.

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

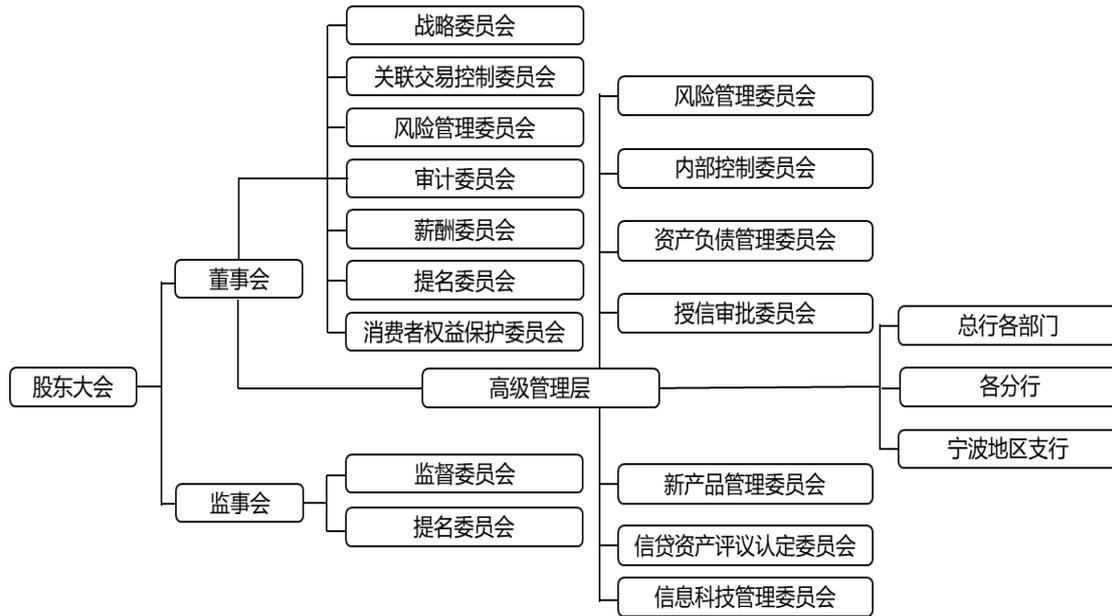
The remuneration policies of the Company are consistent with the risk management system and matched with the size of the organization, nature and complexity of the business so as to restrain the short-term behaviors of the employees. According to the various risk management requirements, the Company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

Chapter Twelve Corporate Governance

I. Basic conditions of the Company governance

The Company has basically formed a modern corporate governance system of "three meetings and one management" in strict accordance with the requirements of *the Company Law*, *Governance Criteria of Listed Companies* and other laws and regulations and the regulatory requirements of China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission. During the reporting period, the Company held 1 annual general meeting of the shareholders and 3 general meetings of the shareholders; 4 regular meetings and 4 extraordinary meetings of the Board of Directors; and 17 meetings of the special committees of the Board of Directors. The Board of Directors has carefully considered and deliberated various proposals, listened to the work report of the senior management, understood the business status of the Company, and made scientific decisions around the Company's strategic development, risk management, internal control, related party transaction management and other matters, effectively safeguarding the Company's overall interests and the legitimate rights and interests of shareholders. The Board of Supervisors has actively performed the supervision function and independently supervised the performance of the Board of Directors and Senior Management. The Senior Management has consciously accepted the supervision of the Board of Directors and Board of Supervisors, regularly reported to the Board of Directors on the operation status of the Bank, implemented the opinions and suggestions of the Board of Directors and Board of Supervisors, and solidly promoted various work requirements.

During the reporting period, the Company continued to follow up and implement various regulatory requirements, and comprehensively sorted out and timely improved various systems of corporate governance. Firstly, the Articles of Association have been revised to further improve contents related to the share repurchasing and convention of the shareholders' meeting; secondly, the Rules of Procedure of the Audit Committee have been revised to further refine the requirements of the chairman; thirdly, the Implementation Measures for the Management of Connected Transactions have been revised to further clarify the two lines of defense for internal control and compliance of connected transactions; fourthly, the Information Disclosure Affairs Management System has been revised to further strengthen the information disclosure requirements of majority shareholders' equity changes; fifthly, the Management System of Inside Information and Insiders has been revised to further specify the division of responsibilities of insider information management, the scope of insider information and insiders, and the relevant provisions on the registration and filing of insiders.



股东大会：Shareholders' Meeting

董事会：Board of Directors

监事会：Board of Supervisors

战略委员会：Strategy Committee 关联交易控制委员会：Related Party Transaction Control Committee 风险管理委员会：Risk Management Committee 审计委员会：Audit Committee

薪酬委员会：Remuneration Committee 提名委员会：Nomination Committee 消费者权益保护委员会：Consumer Protection Committee 高级管理层：Senior Management 监督委员会：Supervisory Committee 提名委员会：Nomination Committee

风险管理委员会：Risk Management Committee 内部控制委员会：Internal Control Committee 资产负债管理委员会：Asset-Liability Management Committee 授信审批委员会：Credit Approval Committee 新产品管理委员会：New Products Management Committee 信贷资产评议认定委员会：Credit Assets Review Committee 金融科技管理委员会：Information Technology Management Committee

总行各部门：Departments of Head Office 各分行：Branches 宁波地区支行：Sub-branches within Ningbo Region

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

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

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

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

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

(IV) Organization: the Company has set up a sound organizational structure system, in which the board of directors, the board of supervisors and the functional department are operated independently and have well-defined responsibilities, without any subordination to the functional

department of shareholders' unit holding more than 5% of the Company shares.

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

III. Horizontal competition

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

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

Session and type of meeting	Ratio of participating investors	Date of meeting	Date of disclosure	Disclosure index
The 1 st Session of 2020 Extraordinary General Meeting of Shareholders	61.43%	February 10, 2020	February 11, 2020	http://www.cninfo.com.cn
The 2 nd Session of 2020 Extraordinary General Meeting of Shareholders	48.15%	March 6, 2020	March 7, 2020	http://www.cninfo.com.cn
2019 Annual General Meeting of Shareholders	62.48%	May 18, 2020	May 19, 2020	http://www.cninfo.com.cn
The 3 rd Session of 2020 Extraordinary General Meeting of Shareholders	57.49%	November 23, 2020	November 24, 2020	http://www.cninfo.com.cn

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

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

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

Information on independent directors' attending of the board meeting						
Name of independent director	Times of attending the board meeting during this report term	Times of attending the board meeting in person	Times of attending the board meeting by communication	Times of attending the board meeting by entrusted representative	Absent	Did you attend the meeting by other means other than in person for 2 times in a row?
Fu Jianhua	8	4	4	0	0	No
Bei Duoguang	6	3	3	0	0	No
Li Hao	6	3	3	0	0	No
Hong Peili	6	3	3	0	0	No
Wang Wei'an	6	3	3	0	0	No
Number of times of independent directors' attending of the				1		

shareholders' meeting

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

(II) Objections raised by independent directors to related items

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

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

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

Date of disclosure	Items	Opinions
February 11, 2020	Independent opinions on appointment of senior management personnel	Agree
February 19, 2020	Independent opinions on non-public offering of A shares	Agree
February 19, 2020	Independent opinions on related party transactions involved in the non-public offering of A shares	Agree
April 25, 2020	Independent opinions on 2019 annual profit distribution plan	Agree
April 25, 2020	Independent opinions on hiring external audit institution	Agree
April 25, 2020	Independent opinions on the implementation of 2019 related party transactions	Agree
April 25, 2020	Independent opinions on self-assessment reports of internal control	Agree
April 25, 2020	Independent opinions on derivatives trading and risk control	Agree
April 25, 2020	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties	Agree
April 25, 2020	Independent opinions on remuneration of directors, supervisors and senior executives	Agree
April 25, 2020	Independent opinions on derivatives investment and risk control	Agree
August 29, 2020	Independent opinions on the implementation of related party transactions of the first half year of 2020	Agree
August 29, 2020	Pre-recognition and independent opinions on the adjustment of the proposal for the estimated amount of daily related transactions with Maxwealth Financial Leasing Co., Ltd. in 2020	Agree
August 29, 2020	Independent opinions on derivatives trading and risk control	Agree
August 29, 2020	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related	Agree

	parties	
October 29, 2020	Independent opinions on derivatives investment and risk control	Agree
November 7, 2020	Independent opinions on 2021 annual estimated limit of daily connected transactions	Agree

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

The Board of Directors of the Company consists of seven special committees, that are 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 2020, special committees organized 17 meetings in total, including 3 by Strategic Committee, 4 by Audit Committee, 3 by Related Party Transaction Control Committee, 3 by Risk Management Committee, 1 by Nomination Committee, 1 by Remuneration Committee and 2 by Consumer Protection Committee. Pursuant to the Articles of Association, Rules and Procedures for the Meeting of Board of Directors and Detailed Working Rules of the Company, special committees shall fulfill respective responsibilities by law and convene a meeting regularly, at which respective representatives shall propose opinions and suggestions for major development strategies, financial statements, internal audit and control, compliance management, related transaction management, risk management and control, director nomination, remuneration and assessment and consumer protection.

VII. Performance of the Board of Supervisors

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

VIII. Evaluation and incentive of senior management

During the reporting period, the senior management of the Company is composed of one president of the Bank, five vice presidents of the Bank and one secretary of the Board of Directors. The president is appointed by the Board of Directors, to be fully responsible for the daily operation and management of the Company. Senior executives are directly responsible to the board of directors and are evaluated, rewarded or punished by the board of directors. The Company's incentive and restraint mechanism is mainly reflected by the income distribution of senior executives, and policies and systems for distribution of company income are determined by

the board of directors. The remuneration of senior executives is approved and granted according to Measures for Remuneration of Senior Executives of Bank of Ningbo and disclosed publicly in accordance with relevant regulations. During the report term, the Company evaluated the annual performance of senior management according to methods for evaluation of performance of senior management and senior executives and requirements of related regulatory department. Upon assessment, the senior management achieved all targets that the board of directors set in 2020, bringing more benefits to shareholders.

IX. Evaluation reports of internal control

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

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

(II) Self-assessment reports of internal control

Date of disclosure of evaluation reports of internal control	April 10, 2021	
Index for disclosure of evaluation reports of internal control	http://www.cninfo.com.cn	
Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100.00%	
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100.00%	
Standards for recognition of defects		
Category	Financial statements	Non-financial statements
Qualitative criteria	1. Material defects: Financial statements have received or are more likely to receive an adverse opinion or a disclaimer of opinion issued by certified public accountants; senior executives have been involved or are suspected of being involved in fraud; disclosed financial statements have material errors; the Company is lack of financial control system or the system has been invalid; material or important defects in financial statements of internal control have not been modified. 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. 3. General defects: Other defects in financial statements of internal control except those material and important defects mentioned above.	1. Material defects: Democratic decision-making procedures are incomplete; national laws and regulations are severely breached and corresponding punishment is received; senior executives and senior technicians are of higher mobility; its negative news is frequently broadcast by media, generating a wide range of impacts; important businesses are under no system control or the system has been invalid; material or important defects of internal control have not been corrected. 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. 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.
Quantitative criterion	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 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 3. General defects: the amount of misstatement caused by defects of internal control: profits of misstatement $< 30\%$ of auditing importance level of financial statements	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 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 3. General defects: direct property losses caused by defects of internal control: direct property losses $< 30\%$ of auditing importance level of non-financial statements
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, 2020 in accordance with Basic Standard for Enterprise Internal Control and relevant regulations.	
Date of disclosure of audit reports of internal control	April 10, 2021
Index for disclosure of audit reports of internal control	http://www.cninfo.com.cn
Opinions on audit reports of internal control	Standard & unqualified opinion
Whether non-financial reports have material defects or not	No

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

Chapter Thirteen Financial Statements

I. Audit Report

II. Financial statements

III. Notes to the financial statements

IV. Supplementary to financial statements

(see appendixes for above information)

Chapter Fourteen Catalogue

I. 2020 Annual Report with signature of Mr. Lu Huayu, Chairman of the Board of Directors.

II. Financial Statements signed and stamped by Mr. Lu Huayu, Legal Representative of the Company, Mr. Luo Mengbo, President of the Bank, Mr. Zhuang Lingjun, CFO of the Bank, and Ms. Sun Hongbo, Principal of the Accounting Department.

III. Original Audit Report signed and stamped by the accounting firm and CPAs.

Bank of Ningbo Co., Ltd.

Audited Financial Statements

Year 2020

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Auditor's Report

A.Y.H.M. (2021) 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 2020, as well as Balance Sheet at 31 December 2020, Income Statement for the year of 2020, 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 2020, 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. (2021) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment provision for investments in loans and receivables</i>	
<p>The Group has used multiple models and assumptions in the measurement of expected credit loss, such as:</p> <p>Judgment criteria for significant increase of credit risk;</p> <p>Definition of assets with credit impairment;</p> <p>Model and parameters of expected credit loss measurement;</p> <p>Forward-looking information.</p> <p>As the impairment assessment of loans, advances and debt investment involves many significant judgments and assumptions, and due to the importance of its amount (as of December 31, 2020, the total amount of loans, advances and debt investment was RMB 909.118 billion, accounting for 55.89% of total assets; the total amount of provision for impairment of loans, advances and debt investment was RMB 29.919 billion), we regard it as a key audit item.</p>	<p>We have evaluated and tested the effectiveness of the design and implementation of key controls related to loan approval, post-loan management, credit rating, collateral management, and loan impairment testing, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling approach in our review procedures. We assessed the debtors' repayment capacity and evaluate the judgment result of customers loans and advances and Investment receivable according to the post-loan investigation report, financial information of debtor, report on pledge value and other information available.</p> <p>With the assistance of the internal credit risk model experts, we have evaluated and tested the important parameters of the expected credit loss model, the significant judgments of the management and the application of relevant assumptions, mainly focusing on the following aspects:</p> <p>1. Expected credit loss model:</p> <ul style="list-style-type: none"> • Evaluate the rationality of expected credit loss model methodology and related parameters, including default probability, default loss rate, risk exposure, significant increase of credit risk, etc; • Evaluate the forward-looking information used by management in determining the expected credit loss, including the prediction of macroeconomic variables and the assumption of multiple macroeconomic scenarios. <p>2. Effectiveness of the design and implementation of key controls:</p>

	<ul style="list-style-type: none">• Evaluate and test the data and process used to confirm the expected credit loss provision, including loan business data, internal credit rating data, macroeconomic data, etc., as well as the calculation logic, data input, system interface, etc. of the impairment system;
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Auditor's Report (Continued)

A.Y.H.M. (2021) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
<i>Impairment provision for investments in loans and receivables (continued)</i>	
<p>Relevant disclosures are included in Note III. 33, Note V. 6 and 7.2 and Note XII. 1 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • Evaluate and test the key controls of the expected credit loss model, including model change approval, continuous monitoring of model performance, model validation and parameter calibration, etc; <p>We have evaluated and tested the effectiveness of the control design and implementation on the disclosures related to the credit risk exposure and expected credit loss of the Group.</p>
<i>Evaluation on consolidation of structured entities</i>	
<p>The manages and invests several structured entities (mainly included financial products, funds, trust products and assets management plan, etc), and we evaluated whether the Group has control over these structured entities and whether these structured entities need to be consolidated. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns. The assessment of the Group's control over structured entities involves significant judgment on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis of these factors and the conclusion on whether it is controlled involve significant judgment and evaluation of management.</p>	<p>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.</p> <p>We 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 have checked relevant contracts to analyze whether the Group has the legal or constructive obligation to bear the ultimate risk loss of the structured entities, and have also checked whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities.</p> <p>Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures structured entity that not included in the consolidated financial statements.</p>

<p>Due to the significance of the consolidated structured entities and the complexity of judgment exercised by management, consolidation structured entities is considered a key audit matter.</p> <p>Relevant disclosures are included in Note III., 33, Note VI, 2 and 3.</p>	
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Auditor's Report (Continued)

A.Y.H.M. (2021) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

IV. Other Information

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

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

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

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

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

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

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

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

Auditor's Report (Continued)

A.Y.H.M. (2021) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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

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

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

- (1) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosure), structure and content of the consolidated financial statements, and evaluate 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. (2021) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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

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

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

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

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

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

Auditor's Report (Continued)

A.Y.H.M. (2021) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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Ernst & Young Certified Public Accountants
(Special general partnership)

CPA: Yan Shengwei
(Project partner)

CPA: Chen Lijing

Beijing, China

April 8, 2021

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet
For the Year Ended 31 December 2020

Unit: CNY One Million

Assets	Note V	31 Dec. 2020	31 Dec. 2019
Cash and balances at central banks	1	102,498	93,556
Due from banks	2	20,040	15,409
Precious metal		23,171	12,516
Loans to banks	3	3,300	3,596
Derivative financial assets	4	32,942	20,260
Hold for trading financial asset	5	626	17,259
Loans and advances	6	663,447	510,039
Financial investment:	7		
Trading financial assets		305,630	248,892
Investment on bonds		216,399	183,392
Other investment on bonds		236,712	197,149
Other equity investment		111	98
Investment real estate	8	39	39
Fixed assets	9	7,276	6,448
Intangible assets	10	1,199	381
Construction in progress	11	317	1,324
Deferred income tax assets	12	7,393	4,858
Other assets	13	<u>5,649</u>	<u>2,501</u>
Total assets		<u><u>1,626,749</u></u>	<u><u>1,317,717</u></u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet (Continued)
For the Year Ended 31 December 2020

Unit: CNY One Million

Liabilities	Note V	31 Dec. 2020	31 Dec. 2019
Due to Central Bank	15	83,623	30,491
Due to banks and other financial institutions	16	108,073	35,697
Loans from other banks	17	68,434	35,962
Trading financial liabilities	18	19,092	10,881
Derivative financial liabilities	4	36,257	20,368
Financial assets sold for repurchase	19	29,924	62,694
Deposit taking	20	933,164	779,224
Wages and salaries payable	21	2,545	2,430
Taxes payable	22	3,970	3,324
Interests payable	23	2,822	2,123
Anticipation liabilities	24	187,443	212,886
Other liabilities	25	<u>32,409</u>	<u>20,901</u>
Total liabilities		<u>1,507,756</u>	<u>1,216,981</u>
Shareholders' equity			
Equity	26	6,008	5,628
Other equity tools	27	14,810	14,810
Including: preferred shares		14,810	14,810
Capital reserve	28	26,403	18,785
Other comprehensive income	29	1,100	2,220
Surplus reserve	30	8,632	7,250
General risk reserve	31	13,608	10,921
Undistributed profit	32	<u>47,919</u>	<u>40,695</u>
Equity attributable to shareholders of the parent company		118,480	100,309
Minority shareholders' equity		<u>513</u>	<u>427</u>
Total shareholders' equity		<u>118,993</u>	<u>100,736</u>
Total liabilities and shareholders' equity		<u>1,626,749</u>	<u>1,317,717</u>

The Financial Statements are signed by:

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

Bank of Ningbo Co., Ltd.
Consolidated Income Statement
For the Year Ended 31 December 2020

Unit: CNY One Million

	Note V	2020	2019
I. Operating income		41,111	35,082
Net interest income	33	27,859	22,238
Interest income	33	56,789	47,828
Interest expense	33	(28,930)	(25,590)
Net fee and commission income	34	6,342	5,110
Fee and commission income	34	7,315	5,807
Fee and commission expense	34	(973)	(697)
Investment gains	35	9,180	6,541
Other income	36	121	40
Changes in fair value recognized in profit or loss	37	(1,303)	2,016
Exchange gain or loss	38	(1,184)	(904)
Other operating income		24	36
Assets disposal income		<u>72</u>	<u>5</u>
II. Operating expenditure		(24,611)	(19,792)
Tax and surcharges	39	(332)	(257)
Business and administration expenses	40	(15,609)	(12,038)
Credit impairment losses	41	(8,667)	(7,461)
Other operating expenses		<u>(3)</u>	<u>(36)</u>
III. Operating profits		16,500	15,290
Non-operating income		33	22
Non-operating expenditure		<u>(78)</u>	<u>(93)</u>
IV. Total profits		16,455	15,219
Income tax	42	<u>(1,319)</u>	<u>(1,427)</u>
V. Net profits		<u>15,136</u>	<u>13,792</u>
Including: net profit attributable to the parent company		15,050	13,715
Minority shareholders' gain and loss		86	77

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 2020

Unit: CNY One Million

	Note V	2020	2019
VI. Net after-tax value for other comprehensive income		(1,120)	1,107
Net of tax for other comprehensive income attributable to shareholders of the parent company 29		(1,120)	1,107
Other comprehensive income that cannot be reclassified into profit and loss		10	6
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		10	6
Other comprehensive income will subsequently be reclassified into profit and loss		(1,130)	1,101
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		(1,022)	931
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		(108)	170
Net of other comprehensive income attributable to minority shareholders after tax		-	-
VII. Total comprehensive income		<u>14,016</u>	<u>14,899</u>
Including: attributable to shareholders of the parent company		13,930	14,822
attributable to minority shareholders		86	77
VIII. Earnings per share (RMB/share)			
Basic earnings per share	43	2.43	2.41
Diluted earnings per share	43	2.43	2.41

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 2020

Unit: CNY One Million

2020

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 of the year	5,628	14,810	18,785	2,220	7,250	10,921	40,695	100,309	427	100,736
II. Increase/decrease in the year	380	-	7,618	(1,120)	1,382	2,687	7,224	18,171	86	18,257
(I) Total comprehensive income	-	-	-	(1,120)	-	-	15,050	13,930	86	14,016
(II) Capital invested and reduced	380	-	7,618	-	-	-	-	7,998	-	7,998
1. Shareholder invested capital	380	-	7,618	-	-	-	-	7,998	-	7,998
(III) Profit distribution	-	-	-	-	1,382	2,687	(7,826)	(3,757)	-	(3,757)
1. Withdrawal surplus reserves	-	-	-	-	1,382	-	(1,382)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	2,687	(2,687)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(3,757)	(3,757)	-	(3,757)
III. End balance of the year	6,008	14,810	26,403	1,100	8,632	13,608	47,919	118,480	513	118,993

Notes: including the general risk reserve by the subsidiary amounted to RMB 349,000,000.

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Year Ended 31 December 2020

Unit: CNY One Million

2019

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. End balance of previous year	5,208	16,233	11,219	689	5,943	9,138	32,448	80,878	350	81,228
Add: changing in accounting policy	-	-	-	424	-	-	534	958	-	958
II. Beginning balance of the year	5,208	16,233	11,219	1,113	5,943	9,138	32,982	81,836	350	82,186
III. Increase/decrease in the year	420	(1,423)	7,566	1,107	1,307	1,783	7,713	18,473	77	18,550
(I) Total comprehensive income	-	-	-	1,107	-	-	13,715	14,822	77	14,899
(II) Capital invested and reduced	420	(1,423)	7,566	-	-	-	-	6,563	-	6,563
1. Shareholder invested capital	420	-	7,566	-	-	-	-	7,986	-	7,986
2. Other equity owners'										
investment capital	-	(1,423)	-	-	-	-	-	(1,423)	-	(1,423)
Preferred shares	-	(1)	-	-	-	-	-	(1)	-	(1)
Convertible bonds equity	-	(1,422)	-	-	-	-	-	(1,422)	-	(1,422)
(III) Profit distribution	-	-	-	-	1,307	1,783	(6,002)	(2,912)	-	(2,912)
1. Withdrawal surplus reserves	-	-	-	-	1,307	-	(1,307)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,783	(1,783)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(2,912)	(2,912)	-	(2,912)
IV. End balance of the year	5,628	14,810	18,785	2,220	7,250	10,921	40,695	100,309	427	100,736

Notes: including the general risk reserve by the subsidiary amounted to RMB 150,000,000.

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Cash Flow Statement
For the Year Ended 31 December 2020

Unit: CNY One Million

	Vote V	2020	2019
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		222,695	139,230
Net increase in loan from the central bank		53,203	14,565
Net increase in placements from other financial institutions		32,399	-
Net decrease in lending funds		900	-
Cash received from interest, fees and commission		54,545	42,477
Net increase of financial assets sold for repurchase		-	35,733
Other cash received relating to operating activities	45	<u>3,498</u>	<u>1,856</u>
Sub-total of cash inflow from operating activities		<u>367,240</u>	<u>233,861</u>
Net increase in loans and advance payments to customers		156,552	98,787
Net increase in deposits with the central bank and other banks		3,248	8,336
Net decrease in placements from other financial institutions		-	18,278
Net decrease of financial assets sold for repurchase		32,770	-
Net increase in financial assets held for trading purposes		66,629	29,959
Net increase in lending funds		-	990
Cash paid to interest, fees and commission		23,518	19,100
Cash paid to and on behalf of employees		10,023	7,587
Taxes paid		5,658	2,879
Cash paid relating to other operating activities ⁴⁶		<u>8,071</u>	<u>7,606</u>
Sub-total of cash outflow from operating activities		<u>306,469</u>	<u>193,522</u>
Net cash flows generated from operating activities	47	<u>60,771</u>	<u>40,339</u>
II. Cash flow from investing activities			
Cash received from investment		2,030,308	1,795,257
Cash received from returns on investment		19,827	15,346
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		<u>81</u>	<u>18</u>
Sub-total of cash outflow from investing activities		<u>2,050,216</u>	<u>1,810,621</u>
Cash paid as investment		2,086,532	1,832,319
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>1,820</u>	<u>2,609</u>
Sub-total of cash outflow from investing activities		<u>2,088,352</u>	<u>1,834,928</u>
Net cash flow from investing activities		<u>(38,136)</u>	<u>(24,307)</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 2020

Unit: CNY One Million

	Vote V	2020	2019
III. Cash flow from financing activities			
Cash received by absorbing investment		7,998	-
Cash received by bonds issuing		<u>315,931</u>	<u>376,509</u>
Sub-total of cash inflow from financing activities		<u>323,929</u>	<u>376,509</u>
Cash for payment of borrowing		344,060	368,885
Cash paid for distribution of dividends or profits, or cash paid for interests		7,735	7,266
Cash paid for other financing activities		<u>-</u>	<u>1</u>
Sub-total of cash outflow from financing activities		<u>351,795</u>	<u>376,152</u>
Net cash flow from financing activities		<u>(27,866)</u>	<u>357</u>
IV. Effect of foreign exchange rate change on cash		<u>(374)</u>	<u>90</u>
V. Net increase (decrease) in cash and cash equivalents		<u>(5,605)</u>	<u>16,479</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>42,052</u>	<u>25,573</u>
VI. Balance of cash and cash equivalents at the end of the year	44	<u><u>36,447</u></u>	<u><u>42,052</u></u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Balance Sheet
For the Year Ended 31 December 2020

Unit: CNY One Million

Assets	Note XIV	31 Dec. 2020	31 Dec. 2019
Cash and deposits at central banks		102,498	93,556
Due from other banks		16,530	14,111
Precious metal		23,171	12,516
Loans to other banks		4,195	4,376
Derivative financial assets		32,942	20,260
Hold for trading financial asset		587	17,259
Loans and advances	2	614,421	476,888
Financial investment:			
Trading financial assets		303,720	247,385
Investment on bonds		216,399	183,392
Other investment on bonds		236,712	197,149
Other equity investment		111	98
Long-term equity investment	1	6,147	5,147
Investment real estate		39	39
Fixed assets		7,240	6,421
Intangible assets		1,161	360
Construction in progress		297	1,315
Deferred income tax assets		7,044	4,639
Other assets		<u>5,230</u>	<u>2,295</u>
Total assets		<u><u>1,578,444</u></u>	<u><u>1,287,206</u></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 2020

Unit: CNY One Million

Liabilities	Note XIV	31 Dec. 2020	31 Dec. 2019
Due to Central Banks		83,623	30,491
Deposits by banks and other financial institutions		108,789	36,568
Loan from other banks		33,126	12,091
Trading financial liabilities		18,995	10,881
Derivative financial liabilities		36,257	20,368
Financial assets sold for repurchase		29,924	62,689
Deposits taking		935,062	781,112
Wages and salaries payable		2,016	2,187
Taxes payable		3,623	3,169
Anticipation liabilities		2,822	2,123
Bonds payable		184,356	210,826
Other liabilities		<u>24,028</u>	<u>15,823</u>
Total liabilities		<u>1,462,621</u>	<u>1,188,328</u>
Shareholders' equity			
Equity		6,008	5,628
Other equity tools		14,810	14,810
Including: preferred shares		14,810	14,810
Capital reserve		26,403	18,785
Other comprehensive income		1,100	2,220
Surplus reserve		8,632	7,250
General risk reserve		12,772	10,434
Undistributed profits		<u>46,098</u>	<u>39,751</u>
Total shareholders' equity		<u>115,823</u>	<u>98,878</u>
Total liabilities and shareholders' equity		<u>1,578,444</u>	<u>1,287,206</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Income Statement****For the Year Ended 31 December 2020****Unit: CNY One Million**

	Note XIV	2020	2019
I. Operating income		37,662	33,287
I. Operating income	3	26,391	21,527
Interest income	3	54,220	46,362
Interest expense	3	(27,829)	(24,835)
Net fee and commission income		4,660	4,255
Fee and commission income		6,016	4,947
Fee and commission expense		(1,356)	(692)
Investment gains		8,993	6,473
Other income		99	24
Changes in fair value recognized in profit or loss		(1,398)	1,871
Exchange gain or loss		(1,183)	(905)
Other operating income		28	37
Assets disposal income		72	5
II. Operating expenditure		(22,915)	(18,950)
Tax and surcharges		(313)	(248)
Business and administration expenses		(14,747)	(11,623)
Credit impairment losses		(7,852)	(7,043)
Other operating expenses		(3)	(36)
III. Operating profit		14,747	14,337
Non-operating income		32	22
Non-operating expenditure		(74)	(92)
IV. Total profits		14,705	14,267
Income tax		(881)	(1,201)
V. Net profits		13,824	13,066
VI. Net after-tax value of other comprehensive income		(1,120)	1,107
Other comprehensive income that cannot be reclassified into profit and loss		10	6
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		10	6
Other comprehensive income will subsequently be reclassified to the income statement		(1,130)	1,101
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		(1,022)	931
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		(108)	170
VII. Total comprehensive income		12,704	14,173

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 2020**

Unit: CNY One Million

2020

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk reserve	Undistributed Profits	Total shareholder's equity
I. Beginning balance of the year	5,628	14,810	18,785	2,220	7,250	10,434	39,751	98,878
II. Increase/decrease in the year	380	-	7,618	(1,120)	1,382	2,338	6,347	16,945
(I) Total comprehensive income	-	-	-	(1,120)	-	-	13,824	12,704
(II) Capital invested and reduced	380	-	7,618	-	-	-	-	7,998
1. Shareholder invested capital	380	-	7,618	-	-	-	-	7,998
(III) Profit distribution	-	-	-	-	1,382	2,338	(7,477)	(3,757)
1. Withdrawal surplus reserves	-	-	-	-	1,382	-	(1,382)	-
2. Withdrawal general risk reserve	-	-	-	-	-	2,338	(2,338)	-
3. Dividend distribution	-	-	-	-	-	-	(3,757)	(3,757)
III. End balance of the year	<u>6,008</u>	<u>14,810</u>	<u>26,403</u>	<u>1,100</u>	<u>8,632</u>	<u>12,772</u>	<u>46,098</u>	<u>115,823</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 2020**

Unit: CNY One Million

2019

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk reserve	Undistributed Profits	Total shareholder's equity
I. End balance of previous year	5,208	16,233	11,219	689	5,943	8,801	32,002	80,095
Add: changing in accounting policy	-	-	-	424	-	-	535	959
II. Beginning balance of the year	5,208	16,233	11,219	1,113	5,943	8,801	32,537	81,054
Beginning balance of the year	420	(1,423)	7,566	1,107	1,307	1,633	7,214	17,824
(I) Total comprehensive income	-	-	-	1,107	-	-	13,066	14,173
(II) Capital invested and reduced	420	(1,423)	7,566	-	-	-	-	6,563
1. Shareholder invested capital	420	-	7,566	-	-	-	-	7,986
2. Other equity owners' investment capital	-	(1,423)	-	-	-	-	-	(1,423)
<i>Preferred share</i>	-	(1)	-	-	-	-	-	(1)
<i>Convertible bonds equity</i>	-	(1,422)	-	-	-	-	-	(1,422)
(III) Profit distribution	-	-	-	-	1,307	1,633	(5,852)	(2,912)
1. Withdrawal surplus reserves	-	-	-	-	1,307	-	(1,307)	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,633	(1,633)	-
3. Dividend distribution	-	-	-	-	-	-	(2,912)	(2,912)
IV. End balance of the year	<u>5,628</u>	<u>14,810</u>	<u>18,785</u>	<u>2,220</u>	<u>7,250</u>	<u>10,434</u>	<u>39,751</u>	<u>98,878</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 2020

Unit: CNY One Million

	Note XIV	2020	2019
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		222,550	141,006
Net increase in loan from the central bank		53,203	14,565
Net increase in placements from other financial institutions		21,067	-
Net decrease in lending funds		900	-
Cash received from interest, fees and commission		51,029	40,333
Net increase of financial assets sold for repurchase		-	35,729
Other cash received relating to operating activities		<u>3,272</u>	<u>1,363</u>
Sub-total of cash inflow from operating activities		<u>352,021</u>	<u>232,996</u>
Net increase in loans and advance payments to customers		143,868	87,952
Net increase in deposits with the central bank and other banks		3,192	7,976
Net decrease in placements from other financial institutions		-	25,928
Net decrease of financial assets sold for repurchase		32,766	-
Net increase in financial assets held for trading purposes		66,599	30,359
Net increase in lending funds		-	890
Cash paid to interest, fees and commission		22,907	18,429
Cash paid to and on behalf of employees		9,637	7,403
Taxes paid		4,934	2,264
Cash paid relating to other operating activities		<u>7,457</u>	<u>6,890</u>
Sub-total of cash outflow from operating activities		<u>291,360</u>	<u>188,091</u>
Net cash flows generated from operating activities	4	<u>60,661</u>	<u>44,905</u>
II. Cash flow from investing activities			
Cash received from investment		2,030,203	1,795,044
Cash received from returns on investment		19,827	15,339
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		<u>81</u>	<u>17</u>
Sub-total of cash outflow from investing activities		<u>2,050,111</u>	<u>1,810,400</u>
Cash paid as investment		2,087,532	1,834,769
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>1,758</u>	<u>2,570</u>
Sub-total of cash outflow from investing activities		<u>2,089,290</u>	<u>1,837,339</u>
Net cash flow from investing activities		<u>(39,179)</u>	<u>(26,939)</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 2020

Unit: CNY One Million

	Note XIV	2020	2019
III. Cash flow from financing activities			
Cash received by absorbing investment		7,998	-
Cash received by bonds issuing		<u>314,931</u>	<u>374,510</u>
Sub-total of cash inflow from financing activities		<u>322,929</u>	<u>374,510</u>
Cash for payment of borrowing		344,060	368,885
Cash paid for distribution of dividends or profits, or cash paid for interests		7,659	7,266
Cash paid for other financing activities		<u>-</u>	<u>1</u>
Sub-total of cash outflow from financing activities		<u>351,719</u>	<u>376,152</u>
Net cash flow from financing activities		<u>(28,790)</u>	<u>(1,642)</u>
IV. Effect of foreign exchange rate change on cash		<u>(373)</u>	<u>90</u>
V. Net increase (decrease) in cash and cash equivalents		<u>(7,681)</u>	<u>16,414</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>41,969</u>	<u>25,555</u>
VI. Balance of cash and cash equivalents at the end of the year		<u><u>34,288</u></u>	<u><u>41,969</u></u>

Attached notes to financial statements are components of the Financial Statements

I. Group Profile

1. Company History

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

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

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

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

2. Structure

As of December 31, 2020, the Bank has established 15 branches, 19 primary sub-branches and 1 capital operation center with its sales department of head office and sub-branches located in downtown, suburb and county (county-level city) of Ningbo, Zhejiang Province, and branches located in Shanghai,

Bank of Ningbo Co., Ltd.

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Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou, Jiaxing, Lishui, Huzhou and Quzhou, and with its capital operation center in Shanghai.

This Financial Statement was submitted and approved by the board of director of the Company on April 8, 2021. According to the Articles of Association of the Company, the Financial Statement will be submitted to the shareholders' meeting for approval.

The consolidation scope of consolidated financial statements is determined on the basis of control.

II. Basis for preparation of the Financial Statements

These financial statements have been prepared in accordance with "*Accounting Standards for Business Enterprises-Basic Standards*" issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as the "Ministry of Finance"), 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*"), and regulations on disclosure of relevant financial statements and notes of the listed companies issued by China Securities Regulatory Commission (hereinafter referred to as "CSRC").

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

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

III. Critical Accounting Policies and Estimates

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 2020 and the operating results and cash flow for 2020.

2. Accounting period

Calendar year from 1 January to 31 December.

3. Recording currency

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

4. Business combination

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

III. Critical Accounting Policies and Estimates (continued)

4. Business combination (continued)

Business Combination under the Common Control

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

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

Business Combination under the Non-common Control

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

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

If the sum of the fair value of the paid balances (or the fair value of the issued equities securities) and the fair value of equity held by the acquiree before the acquisition date is larger than the fair value of the identifiable net assets obtained from the acquiree in the combination, the balance between them is defined as the business reputation. And the subsequent measurement shall be measured on the

Bank of Ningbo Co., Ltd.

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

III. Critical Accounting Policies and Estimates (continued)

5. Consolidated Financial Statements

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

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

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

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

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

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

6. Cash and cash equivalents

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

7. Precious metals

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

III. Critical Accounting Policies and Estimates (continued)

8. 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. 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 de-recognition of financial instruments

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

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

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

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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 de-recognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

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

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

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

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

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Debt instrument investment measured at amortized cost

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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

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

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

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

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

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

Only when accounting mismatches can be eliminated or significantly reduced

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can financial assets be designated as financial assets measured at fair value and the changes of which are included in the current profit and loss at the initial measurement.

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities

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

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

Financial liabilities designated at fair value through profit or loss

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

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

- (1) Able to eliminate or significantly reduce accounting mismatches;
- (2) It is specified in official written file of risk management or investment strategy that the financial instrument set is managed, evaluated and reported to key managers on the basis of fair value;
- (3) Mixed instruments containing one or more embedded derivative instruments, unless the embedded derivative instruments have no significant effect on the cash flow of the mixed instruments, or such derivative instruments shall not be separated from the mixed

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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 other financial liabilities shall be reclassified as financial liabilities measured at fair value through profit or loss after initial recognition.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

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

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

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

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

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

For financial assets, loan commitments and financial guarantee contracts other than the above-mentioned simplified measurement methods, the Group assesses whether its credit risk has increased significantly since initial recognition on each balance sheet date. If the credit risk has not increased significantly since initial recognition, it is in the first stage, and the Group measures according to the amount equivalent to the expected credit loss in the next 12 months; and calculate interest income according to book balance and effective interest rate; If the credit risk has increased significantly since the initial recognition, but no credit impairment has occurred, it is in the second stage, the Group will measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the actual interest rate; If the credit impairment occurs after the initial recognition, it is in the third stage, the Group will calculate the interest income according to the amount equivalent to the whole duration. The amount of the expected credit loss within the duration shall be measured as the loss reserve, and the interest income shall be calculated according to the amortized cost and the actual interest rate. For financial instruments with low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial instruments (continued)

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

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

Financial guarantee contracts

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

Derivative financial instruments

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

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

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.

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

III. Critical Accounting Policies and Estimates (continued)

10. Repurchase and reverse repurchase transactions

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

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

11. Long-term equity investments

Long-term equity investments include the equity investments on subsidiaries, joint ventures and associated enterprises.

Long-term equity investments are initially measured at initial investment cost at the time of acquisition.

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

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

12. Investment real estate

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

Investment real estate is initially measured at cost. Where the economic benefits

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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.

III. Critical Accounting Policies and Estimates (continued)

12. Investment real estate (continued)

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. Thereafter, investment real estate is measured at fair value on each balance sheet date and changes on fair value are taken into the income statement.

13. Fixed assets

Fixed assets are recognized when the related economic benefits are likely to flow into the Group and the cost can be measured reliably. If the above requirement is satisfied, the follow-up expenses involved are carried as cost of fixed assets and the carrying value of the replaced part is derecognized. Otherwise, the follow-up expenses are recorded in the income statement.

Fixed assets are initially measured at cost. The cost of a fixed asset comprises its purchase price, related taxes and any directly attributable costs for bringing the fixed asset to its present usable condition can be recorded as other expenses of the fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis. The expected useful life, expected net salvage value and annual depreciation rate are as follows:

Category	Expected Useful Life	Expected Net Salvage Value	Annual Depreciation Rate
Housing & buildings	20 years	3%	4.85%
Transportation vehicles	5 years	3%	19.40%
Electronic equipments	5 years	3%	19.40%
Machinery	5-10 years	3%	9.70%-19.40%

The expected useful life, expected net salvage value and annual depreciation rate of fixed assets are reviewed by the Group at least once at the end of each year.

III. Critical Accounting Policies and Estimates (continued)

14. Construction in progress

Cost of construction in progress is calculated at the actual expenditure, covering all necessary expenses for construction and related expenses during the period of construction.

Construction in progress is reclassified as fixed assets when completed and ready for use.

15. 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:

Category	Useful Life
Software	5-10 years
Land-use rights	40 years
Membership right	10 years

The land use right obtained by the Group is usually accounted as intangible assets. The land use right and buildings related to the self-developed and constructed buildings are accounted as intangible assets and fixed assets respectively. The price paid for the purchased land and buildings shall be distributed between the land use right and the buildings. If it is difficult to distribute reasonably, it shall be treated as fixed assets.

Intangible assets with limited service life shall be amortised with the straight-line method within their service life. The Group reviews the service life and amortization method of intangible assets with limited service life and makes adjustments when necessary once at least at the end of each year.

III. Critical Accounting Policies and Estimates (continued)

16. Impairment of assets

Except for investment real estate, deferred income tax and financial assets, impairment for other assets shall be determined as follows:

The Group assesses at each date of balance sheet whether there is any evidence that an asset may be impaired. If any such evidence exists, the Group would make an estimate of the asset's recoverable amount and performs impairment assessment. An impairment assessment is carried out at least once at end of the year, on goodwill arising from corporate combination and intangible assets with uncertain useful life, regardless of the evidence of impairment. The annual impairment assessment is also required for intangible assets which have not been ready for use.

An asset's recoverable amount is the higher of its fair value less net amount after disposal and the present value of expected future cash flow. The recoverable amount is estimated on the basis of an individual asset or on the basis of a group of financial assets which such asset belongs to if its recoverable amount is unable to be estimated on individual asset basis. A group of financial assets is recognized by determining whether the Critical cash flows arising from such group are independent from those on other asset or group of assets.

Where the carrying amount of an asset or a group of assets exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement and an impairment provision is recorded.

The above impairment losses, once recognized, will not be reversed in the following accounting years.

17. Long-term deferred expenses

Long-term deferred expenses refer to all expenses which have been paid with an amortization period over 1 year (excluding 1 year).

Lease expenses are incurred as the Group rented a fixed asset by operating lease and equally amortized it over contract term.

The Group has purchased lump-sum complementary endowment for employees which are amortized in the income statement accordingly during employment.

The Group has purchased lump-sum complementary endowment for employees which are amortized in the income statement accordingly during employment.

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Amortization period for other long-term deferred expenses are equally amortized and determined by the contract or at the shorter of the contract period and the benefit period.

III. Critical Accounting Policies and Estimates (continued)

17. Long-term deferred expenses (continued)

In the case that the long-term deferred expenses are not beneficial for following accounting years, the amortized value of projects not amortized yet shall all be charged into current profits and losses.

18. Debt assets

Debt assets are initially recognized at fair value. Differences arising from the fair value and the sum of related loan principal, confirmed interest and impairment provision are charged into the income statements. Debt assets are subsequently measured at the lower of the carrying value and the recoverable amount.

19. Employee remuneration

Employee remuneration refers to all forms of remuneration or compensatory payment paid by the Group to employees for their service or termination of labor relationship. Employee compensation mainly includes short-term remuneration and welfare after departure.

(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.

III. Critical Accounting Policies and Estimates (continued)

19. Employee remuneration (continued)

(3) Termination Benefits

If the Group provides termination benefits to the employees, the employee compensation liabilities arising from the dismissal benefits shall be recognized and included in the current profits and losses at the earliest of the following two times: when the enterprise cannot unilaterally withdraw the termination benefits provided by the plan to terminate the labor relationship or the layoff proposal; When the enterprise recognizes the costs or expenses related to the restructuring involving the payment of termination benefits.

20. Estimated liabilities

Except for the contingent consideration and the contingent liabilities assumed in the business combination not under the same control, when the obligations related to the contingencies meet the following conditions at the same time, the Group will recognize them as estimated liabilities:

- (1) The obligation is the current obligation of the Group;
- (2) The performance of the obligation is likely to cause the economic benefits to flow out of the Group;
- (3) The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured according to the best estimate of the expenditure required to perform the relevant current obligations, and the risk, uncertainty, time value of currency and other factors related to the contingencies are comprehensively considered. The book value of the estimated liabilities shall be rechecked on each balance sheet date. If there is conclusive evidence that the book value cannot reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

21. Fiduciary activities

The Group acts as the manager, trustee or agent of the client in the fiduciary activities. The balance sheet of the Group does not include the assets held by the Group as a result of the fiduciary business and the commitment to return such assets to the clients, as the risk and benefits of such assets are borne by the clients.

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

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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.

III. Critical Accounting Policies and Estimates (continued)

22. Other equity instruments --- 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.

23. Income

Interest income

Interest income or expense is recorded at the time of occurrence using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument, including any fees or incremental costs that are an integral part of the effective interest rate except for future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as an interest income or expense.

For the purchased or original financial assets with credit impairment, the Group shall, from the initial recognition, calculate and determine the interest income according to the amortized cost of the financial assets and the actual interest rate adjusted by credit. The actual interest rate adjusted by credit refers to the interest rate that discounts the estimated future cash flow of the purchased or original financial assets with credit impairment into the amortized cost of the financial assets during the expected duration.

For the purchased or original financial assets with credit impairment, the Group shall, from the initial recognition, calculate and determine the interest income according to the amortized cost of the financial assets and the actual interest rate adjusted by credit. The actual interest rate adjusted by credit refers to the interest rate that discounts the estimated future cash flow of the purchased or original

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financial assets with credit impairment into the amortized cost of the financial assets during the expected duration.

Fee and commission income

The Group charges fees and commissions by providing various services to clients. Among them, the service charges and commissions collected by providing services within a certain period shall be confirmed in accordance with the progress of performance within the corresponding period, and other service charges and commissions shall be confirmed when the relevant transaction is completed.

Dividend income

Dividend income is recognized when the Group's right to receive payment has been established.

III. Critical Accounting Policies and Estimates (continued)

23. Income (continued)

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. Expense

Interest expense

The interest expense of financial liabilities is calculated by the effective interest rate method according to the amortization cost of financial liabilities and the time of occupying funds, and is recognized in the corresponding period.

Other expenses

Other expenses are recognized on the accrual basis.

25. 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

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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)

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 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.

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

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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.

III. Critical Accounting Policies and Estimates (continued)

26. Income tax (continued)

On the balance sheet date, the Group reviews the book value of deferred income tax assets. If it is likely that sufficient taxable income will not be obtained in the future to offset the interests of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. On the balance sheet date, when the Group reassesses the unrecognized deferred income tax assets and is likely to obtain sufficient taxable income, the amount written down shall be reversed.

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

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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

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.

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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.

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. Segmental report

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting segments based on the operating segments, so that the management of the Group can regularly evaluate the operating results of such segments, decide to allocate resources to them and evaluate their performance. Segments that do not meet any quantitative criteria used to determine the reporting segments are consolidated.

32. Comparative data

Several comparative data has been re-categorized and rearranged so as to comply with the presentation and accounting treatment requirements of the financial statements. Among them, in 2020, the Group reclassified the installment income of credit cards, reclassified the income from handling charges and commission to interest income, and restated the data of the year 2019.

33. 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:

Business model

The classification of financial assets upon initial recognition depends on the business model of the Group's management of financial assets. When judging the business model, the Group considers the methods of enterprise evaluation and reporting the performance of financial assets to key management, the risks affecting the performance of financial assets and their management methods, as well as the ways of relevant business management getting remuneration, etc.. When assessing whether the target is to collect contract cash flow, the Group needs to analyze and judge the reason, time, frequency and value of the sale of financial assets before the maturity date.

Characteristics of contractual cash flows

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the evaluation of the correction of the time value of capital, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for financial assets with the prepayment characteristics, it is necessary to judge whether the fair value of prepayment characteristics is very small.

III. Critical Accounting Policies and Estimates (continued)

33. Significant accounting judgments and estimates (continued)

Judgments (continued)

Combination of structured bodies

For the structure bodies involved in the daily operation, the group shall judge whether it is in control of such structure bodies, and whether to include it into the consolidated financial statements. In judging whether in control of such structured bodies, the group shall take into consideration the right, realizable return and their connection directly or indirectly obtained through the subsidiaries (including the controlled structured bodies).

The realizable return obtained by the group through the structured bodies includes the management fees and performance compensation, other kinds of interests, such as direct investment income, income and potential losses by providing credit upgrading of liquidity support, as well as realizable return from transaction with structured bodies. In judging whether in control of the 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.

Uncertainty of accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date hereunder may cause a material adjustment to the carrying amount of assets and liabilities within the next financial period.

Impairment of financial instruments

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and basis information, including forward-looking information, should be considered. While such judgments and estimates, the Group infers the expected change of the debtor's credit risk according to the historical repayment data in combination with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment loss in the future.

III. Critical Accounting Policies and Estimates (continued)

33. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates (continued)

Impairment of non-financial assets

On the balance sheet date, the Group judges whether there is any sign of possible impairment for noncurrent assets other than financial assets. Other noncurrent assets other than financial assets shall be tested for impairment when there is evidence that their carrying amount is not recoverable. When the book value of an asset or asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value minus the disposal expenses and the present value of the estimated future cash flow, it indicates that an impairment has occurred. The net amount of the fair value after deducting the disposal expenses shall be determined by referring to the sales agreement price or observable market price of similar assets in fair transactions, and deducting the incremental cost directly attributable to the disposal of such assets. When estimating the present value of future cash flow, the management must estimate the expected future cash flow of the asset or asset group, and select an appropriate discount rate to determine the present value of future cash flow.

Estimated liabilities

On each balance sheet date, the Group will judge whether current legal obligations or constructive obligations are formed due to past events, and judge the possibility of outflow of economic benefits due to performance of relevant obligations, so as to determine the reliable estimate of the amount of the obligation and the relevant disclosure in the accounting statements.

Fair value of financial instruments

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

Deferred income assets are recognized in compliance with deductible tax losses

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and deductible temporary differences. The deferred income tax assets will only be recognized when the future taxable income is likely to be used to offset the relevant deferred income tax assets, so the management needs to judge the possibility of obtaining the future taxable income. The Group continues to review the judgment on deferred income tax, and if it is expected that the future taxable income that can be utilized is likely to be obtained in the future, the corresponding deferred income tax assets will be recognized.

III. Critical Accounting Policies and Estimates (continued)

34. Changes in accounting policies and estimates

Changes in accounting policies

New revenue standard

In 2017, the Ministry of Finance issued the revised *Accounting Standards for Enterprises No. 14 - Revenues* (hereinafter referred to as "New Revenue Standard"). The New Revenue Standard establishes a new revenue recognition model for regulating the revenues generated by contracts with customers. According to the New Revenue Standard, the way to recognize revenues should reflect the mode of the entity transferring goods or providing services to customers, and the amount of revenues should reflect the amount of consideration that the entity is expected to be entitled to due to the transfer of these goods or services to customers. Furthermore, the New Revenue Standard also regulates the judgment and estimation of every link of revenue recognition. The Group has implemented the New Revenue Standard since January 1, 2020, which is not applicable to the revenues related to financial instruments, so it will not affect most of the revenues of the Group, including net interest income, investment income, income from changes in fair value and exchange income covered by the New Financial Instruments Standard. The implementation of the Standard by the Group has no significant impact on the financial statements of the Group.

IV. Taxation

The primary taxes and tax rates of the Group are listed as below:

<u>Category</u>	<u>Tax basis</u>	<u>Rate</u>
VAT	Taxable interests income (Note 1)	6%, 13%
Urban construction tax	VAT	5%, 7%
Educational surcharges	VAT	5%
Business income tax	Taxable income	25%

Note 1: Maxwealth Leasing Co., Ltd., Maxwealth Fund Management Co., Ltd. and Ningyin Finance Co., Ltd. under the Group are the general taxpayers of VAT, which adopt 6% or as 13% the tax rate for their output tax, and pay the VAT after deducted the input tax of the same period.

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V. Notes to Items in the Consolidated Financial Statements

1. Cash and balances with central banks

	Dec. 31, 2020	Dec. 31, 2019
Cash on hand	1,506	1,387
Statutory deposit reserve in the central bank	86,841	76,965
Provision in the central bank	13,880	11,669
Public Finance-cash In Bank in the central banks	<u>232</u>	<u>3,535</u>
Subtotal	102,459	93,556
Interest accrued	<u>39</u>	-
	<u><u>102,498</u></u>	<u><u>93,556</u></u>

The Group has paid the legal deposit reserve with the People's Bank of China on December 31, 2020 in accordance with the regulations at a RMB deposit ratio of 9% (December 31, 2019: 9.5%); the deposit ratio of foreign currency deposit reserve is 5% (December 31, 2019: 5%).

2. Due from other banks

	Dec. 31, 2020	Dec. 31, 2019
Due from domestic banks	10,814	9,607
Due from other domestic financial institutions	2,569	2,498
Due from foreign banks	<u>6,627</u>	<u>3,151</u>
Subtotal	20,010	15,256
Interest accrued	84	191
Less: provision for depreciation (Note V, 14)	<u>(54)</u>	<u>(38)</u>
	<u><u>20,040</u></u>	<u><u>15,409</u></u>

Please refer to Note IX, 2.4 for details of the interbank deposits of related parties of the Group as of the end of the year.

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

3. Loans to other banks

	Dec. 31, 2020	Dec. 31, 2019
Banks	1,305	1,900
Other financial institutions	<u>2,000</u>	<u>1,693</u>
Subtotal	3,305	3,593
Interest accrued	1	12
Less: provision for depreciation (Note V, 14)	<u>(6)</u>	<u>(9)</u>
	<u><u>3,300</u></u>	<u><u>3,596</u></u>

4. Derivative financial instruments

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

	Nominal amount	Dec. 31, 2020	
		Fair value	
		Assets	Liabilities
Currency forward	76,550	271	(2,024)
Currency swap	1,054,198	21,928	(23,144)
Interest rate swap	1,959,258	8,434	(8,373)
Currency exchange	5,074	111	(88)
Option	125,582	1,595	(2,350)
Credit risk mitigation instrument	830	-	(6)
Nobel metal forward/swap	<u>22,577</u>	<u>603</u>	<u>(272)</u>
	<u><u>3,244,069</u></u>	<u><u>32,942</u></u>	<u><u>(36,257)</u></u>

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

4. Derivative financial instruments (continued)

	Nominal amount	Dec. 31, 2019	
		Fair value	
		Assets	Liabilities
Currency forward	56,084	391	(315)
Currency swap	1,211,100	8,722	(9,646)
Interest rate swap	2,046,865	8,249	(8,214)
Currency exchange	7,631	71	(64)
Option	148,947	1,158	(1,777)
Credit risk mitigation instrument	890	-	(13)
Nobel metal forward/swap	17,786	1,669	(339)
	<u>3,489,303</u>	<u>20,260</u>	<u>(20,368)</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.

5. Hold for trading financial assets

	Dec. 31, 2020	Dec. 31, 2019
Classified by pledges:		
Bonds	<u>626</u>	<u>17,252</u>
Interest accrued	<u>-</u>	<u>7</u>
	<u>626</u>	<u>17,259</u>
Classified by counter parties:		
Banks	593	7,550
Other financial institutions	<u>33</u>	<u>9,702</u>
Subtotal	626	17,252
Interest accrued	<u>-</u>	<u>7</u>
	<u>626</u>	<u>17,259</u>

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

6. Loans and advances

6.1 Classification of guarantees for loans and advance payments

	Dec. 31, 2020	Dec. 31, 2019
Measured at amortized cost		
Corporate loans and advances	369,881	304,985
Loan	363,069	298,810
Trade financing	6,812	6,175
Individual loans	261,653	179,698
Individual consumption loan	178,378	141,872
Individual operating loan	60,013	35,036
Individual housing loan	23,262	2,790
Measured at fair value with changes through other comprehensive income		
Discount	<u>56,181</u>	<u>44,419</u>
Subtotal	687,715	529,102
Interest accrued	2,668	2,049
Less: loan impairment provision measured at amortized cost	<u>(26,936)</u>	<u>(21,112)</u>
Book value of loans and advances	<u><u>663,447</u></u>	<u><u>510,039</u></u>

As of December 31, 2020, the loans of the Group measured at fair value with changes through other comprehensive income are the discount business, with an impairment provision of RMB 647,000,000 (December 31, 2019: RMB 590,000,000), which is included in other comprehensive income.

Please refer to Note IX, 2.1 for the loans of the related parties of the Group as of the end of the year.

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

6. Loans and advances (continued)

6.2 Classification of guarantees for loans and advance payments

	Dec. 31, 2020	Dec. 31, 2019
Credit loan	241,041	175,302
Guarantee loan	184,528	155,262
Mortgage loan	198,499	146,144
Pledge loan	<u>63,647</u>	<u>52,394</u>
Total loans and advances	687,715	529,102
Interest accrued	2,668	2,049
Less: loan loss provision	<u>(26,936)</u>	<u>(21,112)</u>
Net value of loans and advances	<u><u>663,447</u></u>	<u><u>510,039</u></u>

6.3 Overdue loans

	Dec. 31, 2020				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit loan	599	1,224	348	40	2,211
Guarantee loan	79	421	366	37	903
Mortgage and pledge loan	<u>292</u>	<u>1,020</u>	<u>940</u>	<u>118</u>	<u>2,370</u>
	<u><u>970</u></u>	<u><u>2,665</u></u>	<u><u>1,654</u></u>	<u><u>195</u></u>	<u><u>5,484</u></u>
	Dec. 31, 2019				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit loan	385	944	372	42	1,743
Guarantee loan	25	368	273	12	678
Mortgage and pledge loan	<u>341</u>	<u>551</u>	<u>1,081</u>	<u>174</u>	<u>2,147</u>
	<u><u>751</u></u>	<u><u>1,863</u></u>	<u><u>1,726</u></u>	<u><u>228</u></u>	<u><u>4,568</u></u>

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

6. Loans and advances (continued)

6.4 Provision for loan losses

Changes to the provisions for loans and advances of the year 2020 are as follows:

Provision for loans measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	7,945	9,938	3,229	21,112
Drawing in the year	5,332	(1,156)	3,438	7,614
Transferred to stage I	4,988	(4,981)	(7)	-
Transferred to stage II	(115)	157	(42)	-
Transferred to stage III	(20)	(112)	132	-
Write-off and transfer	-	-	(2,855)	(2,855)
Received from loans for sale and reconciliation from advance payment	-	-	1,114	1,114
Transfer by write-down of impaired loan and advance interest	-	-	(49)	(49)
End balance	<u>18,130</u>	<u>3,846</u>	<u>4,960</u>	<u>26,936</u>

Provision for loan impairment measured at fair value with changes included in other comprehensive income:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	514	76	-	590
Drawing / (return) in the year	<u>130</u>	<u>(73)</u>	-	<u>57</u>
End balance	<u>644</u>	<u>3</u>	-	<u>647</u>

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

6. Loans and advances (continued)

6.4 Provision for loan losses (continued)

Changes to the provisions for loans and advances of the year 2019 are as follows:

Provision for loans measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	6,154	7,103	2,499	15,756
Adjusted beginning balance	6,154	7,103	2,499	15,756
Drawing in the year	1,003	3,823	1,687	6,513
Transferred to stage I	1,096	(1,096)	-	-
Transferred to stage II	(282)	283	(1)	-
Transferred to stage III	(26)	(175)	201	-
Write-off and transfer	-	-	(1,910)	(1,910)
Received from loans for sale and reconciliation from advance payment	-	-	792	792
Transfer by write-down of impaired loan and advance interest	-	-	(39)	(39)
End balance	<u>7,945</u>	<u>9,938</u>	<u>3,229</u>	<u>21,112</u>

Provision for loan impairment measured at fair value with changes included in other comprehensive income:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	551	22	-	573
Adjusted beginning balance	551	22	-	573
Drawing / (return) in the year	(37)	54	-	17
End balance	<u>514</u>	<u>76</u>	<u>-</u>	<u>590</u>

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

7. Financial investment

7.1 Trading financial assets

	Dec. 31, 2020	Dec. 31, 2019
<i>Financial assets measured at fair value with changes through current profit and loss</i>		
Debt instruments		
Government bond	13,680	2,193
Policy based financial bond	2,974	6,190
Due from other banks	2,653	992
Corporate bond	6,097	3,278
Financial bond	4,747	1,521
Asset management plan	55,515	31,358
Trust plan	31,254	33,926
Fund investment	187,911	168,832
Equity instruments		
Equity investment	<u>52</u>	<u>1</u>
Subtotal	304,883	248,291
Interest accrued	<u>747</u>	<u>601</u>
	<u><u>305,630</u></u>	<u><u>248,892</u></u>

7.2 Lending investment

	Dec. 31, 2020	Dec. 31, 2019
Government bond	101,297	82,057
Asset management plan	86,719	68,626
Trust plan	<u>28,554</u>	<u>33,327</u>
Subtotal	216,570	184,010
Interest accrued	2,165	1,664
Less: impairment provision (Note V, 14)	<u>(2,336)</u>	<u>(2,282)</u>
	<u><u>216,399</u></u>	<u><u>183,392</u></u>

Please refer to Note IX, 2.2 for the lending investment of the related parties of the Group as of the end of the year.

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

7. Financial investment (continued)

7.2 Lending investment (continued)

Changes to the impairment provisions of the lending investment in separate compliance with estimated credit loss within 12 months and whole duration are as follows:

2020:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	1,590	672	20	2,282
Withdrawing / provision of the year	630	(672)	74	32
Write-off the year	-	-	(6)	(6)
Transferred from recovery of original investment	-	-	28	28
End balance	<u>2,220</u>	<u>-</u>	<u>116</u>	<u>2,336</u>

2019:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	1,106	845	-	1,951
Adjusted beginning balance	1,106	845	-	1,951
Withdrawing / provision of the year	484	(173)	136	447
Write-off the year	-	-	(233)	(233)
Transferred from recovery of original investment	-	-	117	117
End balance	<u>1,590</u>	<u>672</u>	<u>20</u>	<u>2,282</u>

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

7. Financial investment (continued)

7.3 Other lending investments

	Dec. 31, 2020	Dec. 31, 2019
Government bond	183,615	118,208
Policy based financial bond	2,380	925
Corporate bond	12,611	11,749
Due from other banks	10,456	13,987
Other financial bonds	220	233
Trust plan	<u>25,115</u>	<u>50,102</u>
Subtotal	234,397	195,204
Interest accrued	<u>2,315</u>	<u>1,945</u>
	<u><u>236,712</u></u>	<u><u>197,149</u></u>

Changes to the impairment provisions of the other lending investments in separate compliance with estimated credit loss within 12 months and whole duration are as follows:

2020:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	513	14	63	590
Withdrawing / provision of the year	<u>(222)</u>	<u>20</u>	<u>1</u>	<u>(201)</u>
End balance	<u><u>291</u></u>	<u><u>34</u></u>	<u><u>64</u></u>	<u><u>389</u></u>

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

7. Financial investment (continued)

7.3 Other lending investments (continued)

2019:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	337	16	27	380
Adjusted beginning balance	337	16	27	380
Withdrawing / provision of the year	<u>176</u>	<u>(2)</u>	<u>36</u>	<u>210</u>
End balance	<u>513</u>	<u>14</u>	<u>63</u>	<u>590</u>

7.4 Other equity instrument investment

2020:

	Accumulative changes of fair value Cost through other comprehensive income	Fair value	Shareholding ratio (%)	2019 cash dividend
China Union Co., Ltd.	13	85	0.34	2
Clearing Center for City Commercial Bank	-	5	0.83	-
Lushan Tourism Development Stock Co., Ltd.	<u>15</u>	<u>(7)</u>	<u>1.50</u>	<u>-</u>
	<u>28</u>	<u>83</u>		<u>2</u>

2019:

	Accumulative changes of fair value Cost through other comprehensive income	Fair value	Shareholding ratio (%)	2019 cash dividend
China Union Co., Ltd.	13	75	0.34	2
Clearing Center for City Commercial Bank	-	4	0.83	-
Lushan Tourism Development Stock Co., Ltd.	<u>15</u>	<u>(9)</u>	<u>1.50</u>	<u>-</u>
	<u>28</u>	<u>70</u>		<u>2</u>

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

8. Investing real estate

Continuing measurement on fair value:

Houses and buildings

	Dec. 31, 2020	Dec. 31, 2019
Beginning balance	39	39
Disposal or scrapping	-	-
Changes of fair value	<u>-</u>	<u>-</u>
End balance	<u><u>39</u></u>	<u><u>39</u></u>

City where the Group is located has flourishing real estate market, which can provide market price or other related information to the external real estate evaluators so that the fair value of investment real estate can be appropriately evaluated.

9. Fixed assets

2020	House and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2019	7,618	183	1,392	211	9,404
Purchase in the year	231	25	338	81	675
Transfer from construction in progress	835	-	1	-	836
Disposal/scrapping	<u>(54)</u>	<u>(8)</u>	<u>(7)</u>	<u>(3)</u>	<u>(72)</u>
Dec. 31, 2020	<u>8,630</u>	<u>200</u>	<u>1,724</u>	<u>289</u>	<u>10,843</u>
Accumulated depreciation:					
Dec. 31, 2019	1,877	126	840	108	2,951
Drawing	410	19	179	32	640
Disposal / scrapping	<u>(12)</u>	<u>(8)</u>	<u>(7)</u>	<u>(2)</u>	<u>(29)</u>
Dec. 31, 2020	<u>2,275</u>	<u>137</u>	<u>1,012</u>	<u>138</u>	<u>3,562</u>
Depreciation Provision:					
Dec. 31, 2019	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>5</u>
Dec. 31, 2020	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>5</u>
Book value:					
Dec. 31, 2020	<u>6,353</u>	<u>63</u>	<u>710</u>	<u>150</u>	<u>7,276</u>
Dec. 31, 2019	<u>5,739</u>	<u>57</u>	<u>550</u>	<u>102</u>	<u>6,448</u>

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

9. Fixed assets (continued)

2019	House and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2018	6,272	171	1,100	141	7,684
Purchase in the year	1,297	27	306	73	1,703
Transfer from construction in progress	70	-	2	-	72
Disposal / scrapping	(21)	(15)	(16)	(3)	(55)
Dec. 31, 2019	<u>7,618</u>	<u>183</u>	<u>1,392</u>	<u>211</u>	<u>9,404</u>
Accumulated depreciation: :					
Dec. 31, 2018	1,562	122	742	68	2,494
Drawing	325	19	113	43	500
Disposal / scrapping	(10)	(15)	(15)	(3)	(43)
Dec. 31, 2019	<u>1,877</u>	<u>126</u>	<u>840</u>	<u>108</u>	<u>2,951</u>
Depreciation Provision:					
Dec. 31, 2018	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>5</u>
Dec. 31, 2019	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>5</u>
Book value:					
Dec. 31, 2019	<u>5,739</u>	<u>57</u>	<u>550</u>	<u>102</u>	<u>6,448</u>
Dec. 31, 2018	<u>4,708</u>	<u>49</u>	<u>356</u>	<u>72</u>	<u>5,185</u>

As of December 31, 2019 and December 31, 2020, all the houses and buildings of the Group have obtained the property certificate.

As of 31 Dec. 2020 and as of 31 Dec. 2019, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 1,075,000,000 and RMB 880,000,000. The net book value was RMB 31,000,000 and RMB 25,000,000 respectively.

As of December 31, 2020, the group has idle houses and buildings with a net value of RMB 26 million. As of December 31, 2019, there were no temporarily idle fixed assets

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

10. Intangible assets

2020	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2019	697	100	22	819
Increase	<u>226</u>	<u>730</u>	<u>-</u>	<u>956</u>
Dec. 31, 2020	<u>923</u>	<u>830</u>	<u>22</u>	<u>1,775</u>
Accumulated amortization:				
Dec. 31, 2019	397	19	22	438
Increase	<u>119</u>	<u>19</u>	<u>-</u>	<u>138</u>
Dec. 31, 2020	<u>516</u>	<u>38</u>	<u>22</u>	<u>576</u>
Book value:				
Dec. 31, 2020	<u>407</u>	<u>792</u>	<u>-</u>	<u>1,199</u>
Dec. 31, 2019	<u>300</u>	<u>81</u>	<u>-</u>	<u>381</u>
2019	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2018	562	100	22	684
Increase	137	-	-	137
Decrease	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Dec. 31, 2019	<u>697</u>	<u>100</u>	<u>22</u>	<u>819</u>
Accumulated amortization:				
Dec. 31, 2018	301	17	19	337
Increase	97	2	3	102
Decrease	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Dec. 31, 2019	<u>397</u>	<u>19</u>	<u>22</u>	<u>438</u>
Book value:				
Dec. 31, 2019	<u>300</u>	<u>81</u>	<u>-</u>	<u>381</u>
Dec. 31, 2018	<u>261</u>	<u>83</u>	<u>3</u>	<u>347</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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V. Notes to Items in the Consolidated Financial Statements (continued)

11. Construction in progress

2020

	Dec. 31, 2019	Increase	Transfer into fixed assets	Other decreases	Dec. 31, 2020	Source of fund
Business occupancy	1,243	491	(835)	(704)	195	Self
Others	<u>81</u>	<u>224</u>	<u>(1)</u>	<u>(182)</u>	<u>122</u>	Self
	<u>1,324</u>	<u>715</u>	<u>(836)</u>	<u>(886)</u>	<u>317</u>	

2019

	Dec. 31, 2018	Increase	Transfer into fixed assets	Other decreases	Dec. 31, 2019	Source of fund
Business occupancy	1,163	150	(70)	-	1,243	Self
Others	<u>22</u>	<u>167</u>	<u>(2)</u>	<u>(106)</u>	<u>81</u>	Self
	<u>1,185</u>	<u>317</u>	<u>(72)</u>	<u>(106)</u>	<u>1,324</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.

12. Deferred income tax assets/liabilities

12.1. Deferred income tax assets and liabilities before offsetting each other

Unoffset Deferred Income Tax Assets and Deferred Income Tax Liabilities:

	Dec. 31, 2020		Dec. 31, 2019	
	Deductible/ (taxable)	Deferred income tax	Deductible/ (taxable)	Deferred income tax
	Temporary difference assets / (liabilities) temporary difference assets / (liabilities)			
Deferred income tax assets	<u>63,148</u>	<u>15,787</u>	<u>41,918</u>	<u>10,480</u>
Deferred income tax liabilities	<u>(33,574)</u>	<u>(8,394)</u>	<u>(22,486)</u>	<u>(5,622)</u>

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

12. Deferred income tax assets/liabilities (continued)

12.1. 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:

	<u>Dec. 31, 2020</u>		<u>Dec. 31, 2019</u>	
	Deductible	Deferred	Deductible	Deferred
	Temporary difference Income tax assets		Temporary difference Income tax assets	
Deferred income tax assets				
Provisions for asset depreciation	22,630	5,658	18,222	4,556
Changes in fair value of derivative financial liabilities				
	34,975	8,744	19,165	4,791
Changes in fair value of available-for-sale financial assets				
	445	111	320	80
Estimated liabilities	2,797	699	2,123	531
Deferred income	2,041	510	1,993	498
Others	<u>260</u>	<u>65</u>	<u>95</u>	<u>24</u>
	<u><u>63,148</u></u>	<u><u>15,787</u></u>	<u><u>41,918</u></u>	<u><u>10,480</u></u>
	<u>Dec. 31, 2020</u>		<u>Dec. 31, 2019</u>	
	Taxable	Deferred	Taxable	Deferred
	Temporary difference Income tax liabilities		Temporary difference Income tax liabilities	
Deferred income tax liabilities				
Conversion of self use real estate to investment real estate measured at fair value	19	5	19	5
Changes in fair value of available-for-sale financial assets				
	313	78	1,685	421
Changes in fair value of other equity instrument investments				
	83	21	70	18
Changes in fair value of derivative financial assets				
	31,701	7,925	19,073	4,768
Changes in fair value of trading financial assets				
	1,427	357	1,617	404
Others	<u>31</u>	<u>8</u>	<u>22</u>	<u>6</u>
	<u><u>33,574</u></u>	<u><u>8,394</u></u>	<u><u>22,486</u></u>	<u><u>5,622</u></u>

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

12. Deferred income tax assets/liabilities (continued)

12.2. 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, 2020		Dec. 31, 2019	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>15,787</u>	<u>7,393</u>	<u>10,480</u>	<u>4,858</u>
Deferred income tax liabilities	<u>(8,394)</u>	<u>-</u>	<u>(5,622)</u>	<u>-</u>

13. Other assets

	Dec. 31, 2020	Dec. 31, 2019
Amount to be settled/liquidated	2,771	390
Other receivables 13.1	1,536	1,063
Long-term deferred expenses 13.2	761	648
Deferred expenses 13.3	331	198
Interest receivable	112	147
Pending deduct VAT on purchase	70	2
Debt assets 13.4	43	49
Others	<u>25</u>	<u>4</u>
	<u>5,649</u>	<u>2,501</u>

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

13. Other assets (continued)

13.1. Other receivables

	Dec. 31, 2020				Total	Proportion	Provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years				
Deposit	39	5	3	4	51	3.08%	-	51
Others	832	643	88	40	1,603	96.92%	(118)	1,485
	<u>871</u>	<u>648</u>	<u>91</u>	<u>44</u>	<u>1,654</u>	<u>100.00%</u>	<u>(118)</u>	<u>1,536</u>
	Dec. 31, 2019				Total	Proportion	Provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years				
Deposit	15	4	-	6	25	2.26%	-	25
Others	922	112	7	42	1,083	97.74%	(45)	1,038
	<u>937</u>	<u>116</u>	<u>7</u>	<u>48</u>	<u>1,108</u>	<u>100.00%</u>	<u>(45)</u>	<u>1,063</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 2020 (31 Dec. 2019: none).

13.2. Long-term deferred expenses

2020	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Others	Total
Dec. 31, 2019	68	28	548	4	648
Increase	-	4	359	1	364
Decrease	(58)	-	-	-	(58)
Amortize	<u>(10)</u>	<u>(11)</u>	<u>(168)</u>	<u>(4)</u>	<u>(193)</u>
Dec. 31, 2020	<u>-</u>	<u>21</u>	<u>739</u>	<u>1</u>	<u>761</u>
2019	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Others	Total
Dec. 31, 2018	147	34	407	-	588
Increase	-	7	267	7	281
Decrease	(61)	-	-	-	(61)
Amortize	<u>(18)</u>	<u>(13)</u>	<u>(126)</u>	<u>(3)</u>	<u>(160)</u>
Dec. 31, 2019	<u>68</u>	<u>28</u>	<u>548</u>	<u>4</u>	<u>648</u>

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

13. Other assets (continued)

13.3. Deferred expenses

	Dec. 31, 2020	Dec. 31, 2019
Renting	272	191
Others	<u>59</u>	<u>7</u>
	<u>331</u>	<u>198</u>

13.4. Debt assets

	31 Dec. 2020			31 Dec. 2019		
	Original value	impairment provision	Net value	Original value	impairment provision	Net value
Real estate	<u>50</u>	<u>(7)</u>	<u>43</u>	<u>56</u>	<u>(7)</u>	<u>49</u>
	<u>50</u>	<u>(7)</u>	<u>43</u>	<u>56</u>	<u>(7)</u>	<u>49</u>

The original value of debt assets disposed by the Group in 2020 is RMB 6 million (2019: RMB 16 million)

14. Allowances for assets impairment

2020	Dec. 31, 2019	Withdraw / Write-off/ (Back appropriation)Withdrawal after verification	Dec. 31, 2020
Provision for impairment of deposits with banks	38	16	- 54
Provision for impairment of lending funds	9	(3)	- 6
Provision for impairment of investment on creditor's rights	2,282	32	22 2,336
Provision for impairment of other investment on creditor's rights	590	(201)	- 389
Provision for impairment of other assets	110	73	- 183
Provision for impairment of fixed assets	5	-	- 5
Provision for impairment of precious metal	<u>8</u>	<u>5</u>	<u>- 13</u>
	<u>3,042</u>	<u>(78)</u>	<u>22 2,986</u>

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

14. Allowances for assets impairment (continued)

2019	Dec. 31, 2018	Withdraw / Write-off/ (Back appropriation)	Dec. 31, 2019	Withdrawal after verification
Provision for impairment of deposits with banks	82	(44)	-	38
Provision for impairment of interbank funds	1	8	-	9
Provision for impairment of investment on creditor's rights	1,951	447	(116)	2,282
Other provision for impairment of investment on creditor's rights	380	210	-	590
Provision for impairment of other assets	56	54	-	110
Provision for impairment of fixed assets	5	-	-	5
Provision for impairment of precious metals	5	3	-	8
	<u>2,480</u>	<u>678</u>	<u>(116)</u>	<u>3,042</u>

The above sheets do not include provision for loan loss; please see Note V/6.4 for detailed changes.

15. Borrowing from the central bank

	Dec. 31, 2020	Dec. 31, 2019
Medium term loan	75,218	30,065
Epidemic special loan	6,000	-
Others	<u>2,050</u>	<u>-</u>
Subtotal	83,268	30,065
Accrued interest	<u>355</u>	<u>426</u>
	<u>83,623</u>	<u>30,491</u>

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

16. Deposit in other banks/financial institutions

	Dec. 31, 2020	Dec. 31, 2019
Deposit with domestic banks	5,386	24,619
Deposit with foreign banks	1	114
Other financial institutions	<u>102,465</u>	<u>10,807</u>
Subtotal	107,852	35,540
Accrued interest	<u>221</u>	<u>157</u>
	<u><u>108,073</u></u>	<u><u>35,697</u></u>

The interbank deposits of related parties of the Group at the end of the year are detailed in Note X/ 2.5.

17. Deposit funds

	Dec. 31, 2020	Dec. 31, 2019
Banks	68,065	35,166
Other financial institutions	<u>-</u>	<u>500</u>
Subtotal	68,065	35,666
Accrued interest	<u>369</u>	<u>296</u>
	<u><u>68,434</u></u>	<u><u>35,962</u></u>

18. Trading financial liabilities

	Dec. 31, 2020	Dec. 31, 2019
Precious metal	18,996	10,881
Financial liabilities measured at fair value through profit or loss	<u>96</u>	<u>-</u>
	<u><u>19,092</u></u>	<u><u>10,881</u></u>

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

19. Financial assets sold for repurchase

Classified by pledges	Dec. 31, 2020	Dec. 31, 2019
Bonds	21,549	60,926
Bills	<u>8,344</u>	<u>1,737</u>
Subtotal	29,893	62,663
Accrued interest	<u>31</u>	<u>31</u>
	<u>29,924</u>	<u>62,694</u>
Classified by counter party	Dec. 31, 2020	Dec. 31, 2019
Banks	29,893	62,658
Other financial institutions	<u>-</u>	<u>5</u>
Subtotal	29,893	62,663
Accrued interest	<u>31</u>	<u>31</u>
	<u>29,924</u>	<u>62,694</u>

20. Deposit

	Dec. 31, 2020	Dec. 31, 2019
Demand deposit		
Corporate	361,254	293,189
Personal	53,029	44,826
Fixed time deposit		
Corporate	323,626	284,753
Personal	148,350	114,316
Guarantee deposit	37,312	31,549
Others	<u>1,603</u>	<u>2,888</u>
Subtotal	925,174	771,521
Accrued interest	<u>7,990</u>	<u>7,703</u>
	<u>933,164</u>	<u>779,224</u>

See Note IX/2.3 for deposits of the related parties of the Company at the end of the year.

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

21. Payroll payable

2020	Dec. 31, 2019	Addition	Payment	Dec. 31, 2020
Short-term salary:				
Salary, bonus and allowance	2,429	8,609	8,494	2,544
Welfare	-	681	681	-
Social insurances				
Medical insurance	-	165	165	-
Work injury insurance	-	1	1	-
Maternity insurance	-	5	5	-
House funds	-	439	439	-
Labor union's funds and employee education funds	-	56	56	-
Contribution plan:				
Basic pension insurance	-	42	42	-
Annuity plan	1	140	140	1
	<u>2,430</u>	<u>10,138</u>	<u>10,023</u>	<u>2,545</u>
2019	Dec. 31, 2018	Addition	Payment	Dec. 31, 2019
Short-term salary:				
Salary, bonus and allowance	2,247	6,289	6,107	2,429
Welfare	-	569	569	-
Social insurances				
Medical insurance	-	153	153	-
Work injury insurance	-	4	4	-
Maternity insurance	-	11	11	-
House funds	-	330	330	-
Labor union's funds and employee education funds	-	39	39	-
Contribution plan:				
Basic pension insurance	-	284	284	-
Unemployment insurance	-	9	9	-
Annuity plan	1	81	81	1
	<u>2,248</u>	<u>7,769</u>	<u>7,587</u>	<u>2,430</u>

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

22. Tax payable

	Dec. 31, 2020	Dec. 31, 2019
Corporate income tax	2,902	2,491
Value-added tax	828	662
Individual income tax	66	42
City maintenance and construction tax	65	44
Educational surcharges	46	31
Taxes payable on behalf of entrusted loans	26	13
Others	<u>37</u>	<u>41</u>
	<u><u>3,970</u></u>	<u><u>3,324</u></u>

23. Estimated liabilities

	Dec. 31, 2020	Dec. 31, 2019
Provision for estimated off-sheet credit loss	<u><u>2,822</u></u>	<u><u>2,123</u></u>

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

24. Bond payable (continued)

Balance of bond payables to the date 31 December 2019 is as follows:

	Date of issue	period	Bond		Issued in 2019	Accrued interest	2019 Premium discount		Dec. 31, 2019
			Book value	Dec. 31, 2018			Amortize	Repayment	
12 Subordinate	11/22/2012	15 years	3,000	2,995	-	173	-	-	2,995
13 Financial bond (2)	4/16/2013	10 years	3,000	2,997	-	154	-	-	2,997
15 Tier II capital Bonds (3)	5/26/2015	10 years	7,000	6,991	-	364	1	-	6,992
17 Tier II capital Bonds (4)	12/6/2017	10 years	10,000	9,991	-	481	-	-	9,991
Convertible corporate bonds(5)	12/5/2017	6 years	10,000	6,390	-	183	166	(6,556)	-
18 Financial bond (6)	3/20/2018	3 years	10,000	9,990	-	517	4	-	9,994
18 Financial bond (6)	5/21/2018	3 years	8,000	7,992	-	378	3	-	7,995
18 Financial bond (6)	7/24/2018	3 years	6,000	5,995	-	259	1	-	5,996
18 Green financial Bond (7)	10/24/2018	3 years	3,000	2,999	-	119	-	-	2,999
19 Financial bond (8)	1/14/2019	3 years	6,000	-	6,000	201	-	-	6,000
19 Tier II capital Bonds (9)	7/10/2019	10 years	10,000	-	10,000	208	-	-	10,000
19 Small and micro financial bonds (10)	8/8/2019	3 years	6,000	-	6,000	81	-	-	6,000
19 Small and micro financial bonds (10)	10/14/2019	3 years	6,000	-	6,000	42	-	-	6,000
19 Small and micro financial bonds (10)	10/14/2019	5 years	1,000	-	1,000	8	-	-	1,000
19 Maxwealth financial Bond (14)	3/13/2019	3 years	2,000	-	2,000	61	(1)	-	1,999
		Term of bond			Actual interest rate	Book value		Balance at the end of year	
Deposit of other banks	from 1 month to 1 year				2.89%-3.79%		131,090		130,187

- (1) On 22 November 2012, the Company issued 15-year term subordinated bonds at the par value of RMB 3 billion in the national inter-bank bond market. The Company has the right of redemption of these subordinated bonds at the end of the 10th year of interest accrual. The annual interest rate for these subordinated bonds is 5.75%. The interest shall be paid annually and once it is in due, the principal shall be paid off at one time.
- (2) On 16 April 2013, the Company issued the term financial bonds at the par value of RMB 8 billion in the national inter-bank bond market, including: type 1 is the five-year bonds of fixed interest rate, RMB 5 billion, coupon rate 4.70%; type 2 is the ten-year bonds of fixed interest rate, RMB 3 billion coupon rate 5.13%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.
- (3) On 26 May 2015, the Company issued the Tier II Capital bonds at the par value of RMB 7 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interest rate. Right of redemption with certain premise is attached. The nominal interest rate is 5.19%, with the interest paid annually. The principal will be repaid at the time of maturity all at once.
- (4) On 6 December 2017, the Company issued the Tier II Capital bonds at the par value of RMB 10 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interest 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.

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

24. Bond payable (continued)

- (5) Pursuant to the approval by relevant PRC regulatory authorities, on 5 Dec. 2017, the Group issued A-share convertible bonds (hereinafter referred to as “convertible bonds”) with a total principal amount of RMB 10 billion on Shenzhen Stock Exchange. The convertible bonds have a maturity term of six years from 5 Dec. 2017 to 5 Dec. 2023 and bear a fixed interest rate of 0.2% for the first year, 0.4% the second year, 0.8% the third year, 1.2% the fourth year, 1.6% the fifth year and 2.0% the sixth year. The convertible bond holders may exercise their rights to convert the convertible bonds into the Group’s A shares at the stipulated conversion price during the period beginning six months after the date of issuance 11 Dec. 2017 (T+4) until the maturity date (or from 11 June 2018 to 5 Dec. 2023). Within 5 trading days after maturity, the Group shall redeem the outstanding convertible bonds at 105% of par value, including interest for the sixth year.

During the conversion period, if the closing price of the Company’s A shares is not lower than or equal to 130% (inclusive) of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, the Group has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest with the approval of relevant regulatory departments (if required). Under circumstances where the conversion price of the Group is adjusted because of ex-right or ex-dividend on any of the above mentioned trading days, calculate according to conversion price and closing price before adjustment for trading days before adjustment while according to conversion price and closing price after adjustment for trading days after adjustment. Besides, the Group also has the right to redeem all the convertible bonds at par value plus accrued interest should the total outstanding amount be less than RMB 30 million.

Subject to the formulae provided for in the bond prospectus, the initial conversion price of the issued bonds is RMB 18.45 per share, and since 11 Jun. 2018, holders of the convertible bonds can transfer these bonds into general A-shares at price of RMB 18.45 per share and RMB 18.01 since 12 Jul. 2018, not lower than the average trading price of the Company’s A shares during 20 trading days before the announcement date of the prospectus (in the case of the share price adjusted due to de-right or de-dividend during the 20 trading days, the trading price on the trading days before adjustment shall be calculated at the price after adjustment), the average trading price of the Company’s A shares on the previous trading day, or the latest audited net asset per share and par value of shares.

In the 30 consecutive trading days from June 12, 2019 to July 23, 2019, the closing price of the Company's shares has been no less than 130% of the current conversion price (18.45) for 15 trading days, triggering conditional redemption terms. On July 24, 2019, the Company held the second interim meeting of the sixth board of directors in 2019, deliberated and passed the proposal on early redemption of "Ninghang convertible bonds", and decided to exercise the conditional redemption right of "Ninghang convertible bonds". As of August 21, 2019, the holders of convertible bonds have converted the convertible bonds with a par value of RMB 7,489 million into 420 million common shares of A type, increasing the share capital by RMB 420 million. On August 22, 2019, the Company redeemed all

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the "Ninghang convertible bonds" (face value of RMB 11 million) with the amount not yet converted on the registration date of August 21.

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

24. Bond payable (continued)

- (6) On 20 March 2018, 21 May 2018 and 24 July 2018, the Company issued the financial bonds at the par values of RMB 10 billion, RMB 8 billion and RMB 6 billion in the national inter-bank bond market respectively, including: type 1 is the three-year bonds of fixed interest rate, RMB 10 billion, coupon rate 5.15%; type 2 is the three-year bonds of fixed interest rate, RMB 8 billion, coupon rate 4.70%; type 3 is the three-year bonds of fixed interest rate, RMB 6 billion, coupon rate 4.30%. All of these three bonds need to pay interest annually and fully repay the principal at the time of maturity.
- (7) On 24 October 2018, the Company issued the green financial bonds at the par value of RMB 3 billion in the national inter-bank bond market, which are the three-year bonds of fixed interest rate with a coupon rate of 3.97%. The interest is paid annually and the principal is fully repaid at the time of maturity.
- (8) On January 14, 2019, the Group publicly issued financial bonds with a total face value of RMB 6 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years, a scale of RMB 6 million, and a nominal interest rate of 3.50%. The interest will be paid by year, and the principal will be return upon maturity.
- (9) On July 10, 2019, the Group publicly issued RMB secondary capital bonds amounted to RMB 10 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 10 years and a nominal interest rate of 4.40%. The bonds are subject to the issuer's redemption right with preconditions at the end of the 5th year. The interest will be paid by year, and the principal will be return upon maturity.
- (10) On August 8, 2019 and October 14, 2019, the Group issued special financial bonds with total face value of RMB 6 billion, RMB 6 billion and RMB 1 billion for small and micro enterprise loans in the national inter-bank bond market. Among which, the bonds of type I have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type II have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type III have fixed interest rate, with the maturity of 5 years, a scale of RMB 1 billion, and a nominal interest rate of 3.8%. The interest will be paid by year, and the principal will be return upon maturity.
- (11) On March 4, 2020, the Group publicly issued RMB Special financial bond for small and micro enterprise loan amounted to RMB 5.5 billion and RMB 1.5 billion respectively in the national inter-bank bond market. Among which, type 1, with the total amount of RMB 5.5 billion, is the fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 2.92%, the interest will be paid by year and the principal will be return upon maturity; type 2, with the total amount of RMB 1.5 billion, is the fixed-rate financial bonds with a maturity of 5 years and a

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nominal interest rate of 3.10%, the interest will be paid by year and the principal will be return upon maturity

- (12) On April 9, 2020, the Group publicly issued RMB financial bond amounted to RMB 5 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 2.4%. The interest will be paid by year, and the principal will be return upon maturity.

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

24. Bond payable (continued)

(13) On August 6, 2020, the Group publicly issued RMB secondary capital bonds amounted to RMB 10 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 10 years and a nominal interest rate of 4.10%. The bonds are subject to the issuer's redemption right with preconditions at the end of the 5th year. The interest will be paid by year, and the principal will be return upon maturity.

(14) On March 13, 2019, the Group publicly issued RMB financial bond amounted to RMB 2 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 3.80%. The interest will be paid by year, and the principal will be return upon maturity.

(15) On February 25, 2020, the Group publicly issued RMB financial bond amounted to RMB 1 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 3.25%. The interest will be paid by year, and the principal will be return upon maturity.

25. Other liabilities

		Dec. 31, 2020	Dec. 31, 2019
Lease of precious metal		19,285	10,452
Other payables	25.1	9,338	5,769
Settlement amount payable	25.2	3,117	3,696
Deferred income		-	364
Contractual liabilities		327	-
Output tax to be carried forward		88	73
Dividend payable	25.3	24	384
Others		230	163
		<u>32,409</u>	<u>20,901</u>

Note: as shown in Note III/34, the Company began to implement the revised "Accounting Standards for Business Enterprises No. 14 - Revenue" issued by the Ministry of Finance in 2017 on January 1, 2020. The Company's obligation to transfer goods or services to clients after receiving clients' consideration shall be listed as Other Liabilities - Contractual Liabilities, and the obligation shall be listed as deferred income on December 31, 2019.

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

25. Other liabilities (continued)

25.1. Other payables

	Dec. 31, 2020	Dec. 31, 2019
Bills payable	7,316	3,570
Security assets to be transferred	699	954
Unpaid of construction	320	167
Lease deposit	294	693
Unclaimed deposit account	93	61
Others	<u>616</u>	<u>324</u>
	<u><u>9,338</u></u>	<u><u>5,769</u></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 2020 (31 Dec. 2019: none).

25.2. Settlement amount payable

	Dec. 31, 2020	Dec. 31, 2019
Payment to be transferred	2,883	422
Settlement amount payable to Unionpay	230	-
Financial payment to be settled	<u>4</u>	<u>3,274</u>
	<u><u>3,117</u></u>	<u><u>3,696</u></u>

25.3. Dividend payable

	Dec. 31, 2020	Dec. 31, 2019
Dividend of shareholders (note)	<u><u>24</u></u>	<u><u>384</u></u>

Note: Dividend of shareholder is not paid because the shareholder of the non-tradable share has not come to draw it yet.

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

27. Other equity instruments

As of Dec. 31, 2020, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Acc. classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y.01								
2015/11/16	Preferred share	4.60%	100.00	48.5 million shares	RMB 4.85 billion	N/A	Mandatory conversion under certain trigger events	N/A
N.H.Y.02								
2018/11/7	Preferred share	5.30%	100.00	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger events	N/A

As of Dec. 31, 2019, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Acc. classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y.01								
2015/11/16	Preferred share	4.60%	100.00	48.5 million shares	RMB 4.85 billion	N/A	Mandatory conversion under certain trigger events	N/A
N.H.Y.01								
2018/11/7	Preferred share	5.30%	100.00	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger events	N/A

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.

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

2020

Jan 1, 2020	Increase	Decrease	Dec. 31, 2020
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	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2020 domestic								
Preferred share	148.5 million shares	RMB 14.81 billion	-	-	-	-	-148.5 million shares	RMB 14.81 billion
		<u>RMB 14.81 billion</u>		<u>-</u>		<u>-</u>		<u>RMB 14.81 billion</u>

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

27. Other equity instruments (continued)

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

2019

	Jan 1, 2019		Increase		Decrease		Dec. 31, 2019	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
Preferred share 148.5 million	14.812 billion	-	-	-	2 million	148.5 million	14.812 billion	
Convertible bond	<u>1.421 billion</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.421 billion</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>16.233 billion</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.423 billion</u>	<u>-</u>	<u>14.84 billion</u>	<u>-</u>

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

	2020	2019
Equity attributable to parent company	118,480	100,309
Equity attributable to ordinary shareholders of parent company	103,670	85,499
Equity attributable to other shareholders of parent company	14,810	14,810
Equity attributable to minority shareholder	513	427
Equity attributable to minority shareholder of ordinary shares	513	427

28. Capital reserve

2020	Dec. 31, 2019	Change	Dec. 31, 2020
Capital premium (note 1)	<u>18,785</u>	<u>7,618</u>	<u>26,403</u>
	<u>18,785</u>	<u>7,618</u>	<u>26,403</u>
2019	Dec. 31, 2018	Change	Dec. 31, 2019
Capital premium (note 2)	<u>11,219</u>	<u>7,566</u>	<u>18,785</u>
	<u>11,219</u>	<u>7,566</u>	<u>18,785</u>

Note 1: the change of capital reserve caused by the capital increase of the parent company.

Note 2: due to capital reserves converted into share capital of parent company, capital reserves changed.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements****For the Year Ended 31 December 2020****Unit: CNY One Million****V. Notes to Items in the Consolidated Financial Statements (continued)****29. Other comprehensive income**

Other comprehensive income in the consolidated comprehensive income statement:

2020

	Jan. 1, 2020	Increase/decrease	Dec. 31, 2020
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of other equity instrument investments	52	10	62
Other comprehensive income expected to be reclassified into profit and loss			
Conversion of self use real estate to investment real estate measured by fair value	14	-	14
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	1,269	(1,022)	247
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	885	(108)	777
	<u>2,220</u>	<u>(1,120)</u>	<u>1,100</u>

2019

	Jan. 1, 2019	Increase/decrease	Dec. 31, 2019
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of other equity instrument investments	46	6	52
Other comprehensive income expected to be reclassified into profit and loss			
Conversion of self use real estate to investment real estate measured by fair value	14	-	14
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	338	931	1,269
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	715	170	885
	<u>1,113</u>	<u>1,107</u>	<u>2,220</u>

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

29. Other comprehensive income

Current amount of other comprehensive income in the consolidated income statement:

2020

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minor shareholders
Other comprehensive income not expected to be reclassified into profit and loss					
Changes in fair value of other equity instrument investments	13	-	(3)	10	-
Other comprehensive income expected to be reclassified into profit and loss					
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	(1,082)	(281)	341	(1,022)	-
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	(144)	-	36	(108)	-
	<u>(1,213)</u>	<u>(281)</u>	<u>374</u>	<u>(1,120)</u>	<u>-</u>

2019

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minor shareholders
Other comprehensive income not expected to be reclassified into profit and loss					
Changes in fair value of other equity instrument investments	8	-	(2)	6	-
Other comprehensive income expected to be reclassified into profit and loss					
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	1,260	(19)	(310)	931	-

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Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income

227	-	(57)	170	-
<u>1,495</u>	<u>(19)</u>	<u>(369)</u>	<u>1,107</u>	<u>-</u>

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

30. Surplus reserve

2020	Dec. 31, 2019	Provision for this year	Dec. 31, 2020
Statutory surplus reserve	<u>7,250</u>	<u>1,382</u>	<u>8,632</u>
2019	Dec. 31, 2018	Provision for this year	Dec. 31, 2019
Statutory surplus reserve	<u>5,943</u>	<u>1,307</u>	<u>7,250</u>

The Company appropriated 10% of the net profit to the statutory surplus reserve as stipulated by Corporate Law and regulations of the Company. The accumulated statutory surplus reserve that more than 50% of the registered capital of the Group cannot be relieved from provisions.

31. Provision for general risks

2020	Dec. 31, 2019	Provision for this year	Dec. 31, 2020
Provision for general risks	<u>10,921</u>	<u>2,687</u>	<u>13,608</u>
2019	Dec. 31, 2018	Provision for this year	Dec. 31, 2019
Provision for general risks	<u>9,138</u>	<u>1,783</u>	<u>10,921</u>

In accordance with the provisions of the administrative measures for the provision of financial enterprises (CJ [2012] No. 20) issued by the Ministry of finance, the Group has set up general risk reserves to partially make up for the unidentified possible losses on the basis of the provision for asset impairment. The general risk reserve, as a part of the owner's equity, shall be treated as profit distribution, and shall not be less than 1.5% of the balance of risk assets in principle. It can be distributed year by year with a duration not exceeding 5 years in principle.

According to the resolution of the 2019 general meeting of shareholders of the Group on May 19, 2020, the general risk reserve amounted to RMB 2,338,000,000 was withdrawn from the undistributed profits of 2019 (2019: general risk reserve amounted to RMB 1,633,000,000 was withdrawn from the undistributed profits of 2019). The general risk reserves of subsidiaries in 2020 are RMB 349,000,000 (2019: RMB 150,000,000).

Bank of Ningbo Co., Ltd.**Notes to Financial Statements****For the Year Ended 31 December 2020****Unit: CNY One Million****V. Notes to Items in the Consolidated Financial Statements (continued)****32. Undistributed profit**

	2020	2019
Undistributed profit of 2017 before adjustment	40,695	32,448
Changes in accounting policies	-	534
Undistributed profit at the beginning of the year after adjustment	40,695	32,982
Net profit belongs to the parent company	15,050	13,715
Less: provision for accumulated statutory surplus reserve	1,382	1,307
Provision for general risks	2,687	1,783
Cash dividend payable for preferred shares	753	753
Cash dividend payable for ordinary shares	<u>3,004</u>	<u>2,159</u>
	<u>47,919</u>	<u>40,695</u>

See Note XIII for the predetermined 2020 distribution plan. The financial statement of the year 2021 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On April 23, 2020, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2019 net profit as the statutory surplus reserve and withdraw the amount of RMB 2,338,000,000 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 5 (including tax) per 10 shares, with the total cash dividend of RMB 3,004,000,000 being distributed. This distribution decision has passed on the general meeting of shareholders on May 19, 2020.

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, 2020, which approved the start value date for the distribution of the dividend would be November 16, 2019. 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 223,000,000

The Company has discussed and passed the dividend distribution plan of the preferred shares (hereinafter referred to as “Bank of Ningbo Preferred 02”) on the meeting of the Board of Directors held on October 29, 2020, which approved the start value date for the distribution of the dividend would be November 17, 2019. And according to the total amount of the shares of Bank of Ningbo Preferred 02 that is 100,000,000 with a nominal dividend rate of 5.30%, the cash dividend per share will be RMB 5.3 (tax included) and the total dividend value will be RMB 530,000,000.

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

33. Net interest income

	2020	2019
Interest income		
Loans and advances	37,233	28,916
<i>Including: corporate loans and advances</i>	<i>17,491</i>	<i>14,176</i>
<i>Personal loans and advances</i>	<i>16,304</i>	<i>11,456</i>
<i>Notes discounted</i>	<i>3,084</i>	<i>2,846</i>
<i>Trade financing</i>	<i>354</i>	<i>438</i>
Due from other banks	361	676
Deposit in central bank	1,330	1,217
Loans to other banks	196	364
Redemptory monetary capital for sale	622	677
Bond investment	10,403	9,550
Financing product and credit plan	<u>6,644</u>	<u>6,428</u>
	<u>56,789</u>	<u>47,828</u>
Interest expenses		
Due to other banks	(1,368)	(955)
Borrowing from central bank	(1,109)	(737)
Placements from other institutions	(1,477)	(1,555)
Deposit	(17,764)	(14,472)
Repurchase agreements financial assets	(907)	(913)
Bond issuance	<u>(6,305)</u>	<u>(6,958)</u>
	<u>(28,930)</u>	<u>(25,590)</u>
Net interest income	<u><u>27,859</u></u>	<u><u>22,238</u></u>

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

34. Net fee and commission income

	2020	2019
Fee and commission incomes		
Settlement and clearing business	255	244
Bank cards business	139	158
Intermediary commissions	5,890	4,384
Guarantees	577	564
Trusting business	371	385
Intermediary consultations	75	69
Others	8	3
	<u>7,315</u>	<u>5,807</u>
Fee and commission expenses		
Settlement and clearing business	(89)	(68)
Bank cards business	(81)	(79)
Intermediary commissions	(377)	(418)
Trusting business	(104)	(65)
Others	(322)	(67)
	<u>(973)</u>	<u>(697)</u>
Net fee and commission income	<u><u>6,342</u></u>	<u><u>5,110</u></u>

35. Investment income

	2020	2019
Investment income from disposal of trading financial assets	(440)	(519)
Investment income from disposal of other debt investment	(88)	(60)
Gains from trading financial assets during the holding period	8,613	8,144
Profit and loss of derivatives business	54	45
Profit and loss of precious metal business	1,053	(1,072)
Income from equity investment	2	2
Income from de-recognition of financial assets measured at amortized cost	(10)	-
Others	(4)	1
	<u><u>9,180</u></u>	<u><u>6,541</u></u>

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

36. Other incomes

Government subsidies related to daily activities are as follows:

	2020	2019
Financial aid	51	24
Loan risk compensation	5	-
Government incentive	8	9
Refund of withholding personal income tax	31	7
Special fund for inclusive finance	<u>26</u>	<u>-</u>
	<u>121</u>	<u>40</u>

37. Gains and losses from fair value changes

	2020	2019
Fair value change of financial instrument measured by fair value and entered into the current income statement	(321)	797
Fair value changes on derivative instrument	<u>(982)</u>	<u>1,219</u>
	<u>(1,303)</u>	<u>2,016</u>

38. Exchange gain or loss

	2020	2019
Gains and loss of foreign exchange derivatives investment	1,204	(87)
Gains and losses from changes in fair value of foreign exchange derivatives	(2,199)	(3,910)
Others	<u>2,219</u>	<u>3,093</u>
	<u>(1,184)</u>	<u>(904)</u>

Bank of Ningbo Co., Ltd.**Notes to Financial Statements****For the Year Ended 31 December 2020****Unit: CNY One Million****V. Notes to Items in the Consolidated Financial Statements (continued)****39. Business tax and surcharges**

	2020	2019
City maintenance and construction tax	144	105
Educational surcharges	104	74
Stamp duty	29	16
Housing property tax	52	60
Other taxes	<u>3</u>	<u>2</u>
	<u>332</u>	<u>257</u>

40. Business and administrative expenses

	2020	2019
Staff costs	10,138	7,769
Business expenses	4,500	3,507
Depreciation of fixed assets	640	500
Amortization of long-term deferred expenses	193	160
Amortization of intangible assets	<u>138</u>	<u>102</u>
	<u>15,609</u>	<u>12,038</u>

41. Credit impairment losses

	2020	2019
Impairment loss of loans and advances measured at amortized cost		
measured at amortized cost	7,614	6,513
Impairment loss of loans and advances measured at fair value		
with changes included in other comprehensive income	57	17
Impairment loss of deposit in banks	16	(44)
Impairment loss of due from banks	(3)	8
Impairment loss of debt investment	32	447
Impairment loss of other debt investment	(201)	210
Impairment loss of other assets	73	54
Impairment loss of off-sheet businesses	1,074	253
Impairment loss of precious metal	<u>5</u>	<u>3</u>
	<u>8,667</u>	<u>7,461</u>

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

42. Income tax

	2020	2019
Income tax of the current period	3,480	3,305
Deferred income tax	<u>(2,161)</u>	<u>(1,878)</u>
	<u>1,319</u>	<u>1,427</u>

Relationship between income tax and accounting profits as follows:

	2020	2019
Total profits	16,455	15,219
Tax rate	25%	25%
Tax amount at statutory tax rate	4,114	3,805
Adjustment of current tax items	(61)	(30)
Tax-free income	(3,235)	(2,677)
Non-deductible costs	<u>501</u>	<u>329</u>
	<u>1,319</u>	<u>1,427</u>

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

43. Earnings per share

Basic earnings per share

Ordinary shareholders' net profit of the current period divided by the weighted average of the outstanding common stock equal to basic earnings per share.

Calculation of basic earnings per share is as follows:

	2020	2019
Current net profit of the shareholders of the parent company	15,050	13,715
Less: current net profit of the other equity holders of the parent company	753	753
Current net profit of the ordinary shareholders of the parent company	14,297	12,962
Weighted average of issuing ordinary shares of the Company	5,881	5,380
Earnings per share (RMB 1/share)	2.43	2.41

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.

	2020	2019
Net profit attributable to ordinary shareholders of the parent company	14,297	12,962
Add: interest expenses of convertible bonds (post-tax)	N/A	N/A
Net profit used to calculate diluted earnings per share	14,297	12,962
Weighted average of ordinary shares in issue	5,881	5,380
Add: weighted average of ordinary shares converted from all bonds	N/A	N/A
Weighted average of shares in issue used to calculate diluted earnings per share	5,881	5,380
Diluted earnings per share (in RMB/share)	2.43	2.41

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

44. Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash	32,516	22,107
<i>Including: Cash</i>	<i>1,506</i>	<i>1,387</i>
<i>Current deposit in other banks</i>	<i>17,130</i>	<i>9,051</i>
<i>Payable balances with central banks</i>	<i>13,880</i>	<i>11,669</i>
Cash equivalent	3,931	19,945
<i>Including: Placements with other institutions</i>		
<i>due within 3 months</i>	<i>3,305</i>	<i>2,693</i>
<i>Reserve repurchase financial assets</i>		
<i>due within 3 months</i>	<u><i>626</i></u>	<u><i>17,252</i></u>
Balance of cash and cash equivalents at the end of the year	<u>36,447</u>	<u>42,052</u>

45. Other cash receivable relating to operating activities

	2020	2019
Pending settlement paid	3,280	1,650
Rent income	23	29
Other incomes	<u>195</u>	<u>177</u>
	<u>3,498</u>	<u>1,856</u>

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

46. Cash paid for other operating related activities

	2020	2019
Pending settlement paid	3,383	3,593
Business promotion and advertising	433	127
Business entertainment expense	748	618
Office and administration expenses	<u>3,507</u>	<u>3,268</u>
	<u>8,071</u>	<u>7,606</u>

47. Cash flow of operating activities

	2020	2019
Net profit adjusted to operating activities cash flow		
Net profit	15,136	13,792
Add: loss of fixed assets impairment	8,667	7,461
Depreciation of fixed assets	640	500
Amortization of intangible assets	138	102
Amortization of deferred expenses	632	529
Income from disposal of fixed assets, intangible assets and other long-term assets	(72)	(5)
Loss/(income) of fair value adjustment	1,303	(2,016)
Investment income	(19,194)	(16,477)
Interest expense on bond issuance	6,305	6,958
Increase (/decrease) of deferred income tax assets	(2,161)	(1,878)
Increase of operating receivable	(233,610)	(144,753)
Increase of operating payable	<u>282,987</u>	<u>176,126</u>
	<u>60,771</u>	<u>40,339</u>

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

48. 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 de-recognition, the transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Company has retained substantially all the risks and rewards of these assets, the Company continued to recognize the transferred assets.

Securitization of credit assets

In terms of securitization of credit assets, the Group sells credit assets to special trust institutions, and then the special trust institutions issue asset-backed securities to investors. The Group may hold some sub-prime asset-backed securities in such businesses, thus retaining some risks and rewards for the transferred credit assets. The Group analyzes and judges whether to derecognize relevant credit assets according to the retention degree of risk and reward.

On December 31, 2020, all credit assets transferred by the Group in the securitization of credit assets have been derecognized. In 2020, the book value of the credit assets transferred by the Group to the special trust institutions designated in the securitization of credit assets on the transfer date is RMB 35 billion (2019: RMB 37.577 billion). In 2020, the Group did not provide financial support to unconsolidated financial products and asset management plans (2019: none).

Credit asset factoring without right of recourse

The underlying assets transferred by the Group in the credit asset factoring business without recourse have all been derecognized. In 2020, the book value of the underlying assets transferred by the group in the credit asset factoring business without recourse on the transfer date is RMB 100 million (2019: no credit asset factoring business without recourse).

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

49. Collateral information

Assets used as security

The following assets of the group are used as collateral for repurchase agreement transactions, inter-bank loans and loans from the people's Bank of China.

	2020	2019
For repurchase agreements transaction:		
- Financial assets measured at fair value with changes included in current profits and losses	-	5
- Financial assets measured at fair value with changes included in other comprehensive income	18,011	48,221
- Financial assets measured at amortized cost	<u>3,539</u>	<u>12,700</u>
	<u>21,550</u>	<u>60,926</u>
For interbank loan pledge:		
- Loans and advances	<u>200</u>	<u>234</u>
For borrowing from the central bank:		
- Financial assets measured at fair value with changes included in other comprehensive income	16,008	-
- Financial assets measured at amortized cost	<u>4,773</u>	<u>1,377</u>
	<u>20,781</u>	<u>1,377</u>
	<u>42,531</u>	<u>62,537</u>

VI. Interests in Other Entities

1. Interests in the subsidiary

The subsidiaries of the Company as of Dec. 31, 2020 are as follows:

Subsidiary obtained through establishment	Major operation site	place of registry	Business nature	Registered capital (RMB)	Shareholding ratio Direct	Indirect
Maxwealth Finance Leasing Co. Ltd. (Note 1)	Ningbo	Ningbo	Finance leasing	4 billion	100%	-
Maxwealth Assets Management Co., Ltd.	Shanghai	Zhejiang	Fund management	0.9 billion	71.49%	-
Maxwealth Assets Management Co., Ltd.	Shanghai	Shanghai	Assets management	0.8 billion	-	71.49%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	20 million	-	71.49%
Ningyin Financial Management Co., Ltd.	Ningbo	Ningbo	Financial service	1.5 billion	100%	-

Neither of the above-mentioned subsidiaries is listed, so they are both included into the Consolidated Statements of the Company.

In accordance with the enterprise accounting principles, it is required to disclose all the financial information abstracts of the subsidiary with material non-controlling interests. The Company evaluates the non-controlling interests of each subsidiary and comes to the conclusion that neither of them has material non-controlling interests with our Group. Thus we do not think it is necessary to disclose their financial information abstracts.

Note 1: Maxwealth Finance Leasing Co. Ltd. increased the registered capital by RMB 1 billion in 2020.

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

The structured entities included in the consolidation scope of the Group are mainly asset management plans and securities investment funds issued, managed and invested by the Group. Since the group has power over such structured entities, enjoys variable returns through participation in related activities and has the ability to influence its variable returns by using the power on the investee, the group has control over such structured entities.

VI. Interests in Other Entities (continued)

3. Interests in the structured entities not included into the consolidated financial statement scope

3.1. Structured entities initiated by the group that are not included in the scope of consolidation

(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 client group analysis and study, the Group designs and sells capital investment and management plan to target client groups, inputs the collected financial capital into related financial market or financial products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the Group obtains the commission including sales fee, fixed management fee, and floating management fee. The Group obtains the commission income as the asset manager. As of December 31, 2020, the scale balance of such unconsolidated bank financial products of the Group totaled RMB 259,900,000,000 (December 31, 2019: RMB 267,600,000,000). In 2020, the service charge and commission income related to financial management business is RMB 1.3 billion (2018: RMB 0.7 billion).

(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, 2020 amounted to RMB 0.2 billion (December 31, 2019: RMB 0.3 billion), and the maximum loss exposure was close to the book value.

(3) Fund and Asset Management Plan

Another type of structured entity managed by the Group but not included into the consolidation scope is the securities investment fund, asset management plan and partnership private equity fund managed by the Group. The nature and purpose of this kind of structured subject is mainly to manage investors' assets and earn management fee income. The Group has no control over this kind of structured subject, so does not consolidate this kind of structured subject. As of December 31, 2020, the scale balance of this category was RMB 217 billion (RMB 204.4 billion as of December 31, 2019).

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On December 31, 2020, 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 15.5 billion (RMB 1.1 billion as on December 31, 2019). The largest loss of investment in the above-mentioned securities investment funds, asset management plans and partnership private equity funds and their accounts, and the maximum loss exposure was close to the book value.

In 2020, the management fee income 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 0.7 billion (2019: RMB 0.4 billion)

VI. Interests in Other Entities (continued)

3. Interests in the structured entities not included into the consolidated financial statement scope

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 20120 (year 2019: none).

By Dec. 31, 2020, 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:

2020	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Trust plan	31,228	28,430	25,115	84,773	84,773
Assets management plan	53,504	83,605	-	137,109	137,109
Fund	177,498	-	-	177,498	177,498

By Dec. 31, 2019, the book value and max loss risk exposure of the assets formed from the structured entities not included into the consolidations scope but held by the Group are as follows:

2019	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Trust plan	33,926	33,327	50,102	117,355	117,355
Assets management plan	31,358	68,626	-	99,984	99,984
Fund	168,832	-	-	168,832	168,832

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, 2020	Dec. 31, 2019
Core tier-I capital		
Including: paid-in capital entered	6,008	5,628
Capital reserve, other equity instruments and other comprehensive incomes entered	27,503	21,005
Surplus reserve	8,632	7,250
General risk reserve	13,608	10,921
Undistributed profit	47,919	40,695
Less: other intangible assets (excluding right to use land) (407)		(300)
Net value of core tier-I capital	103,263	85,199
Other tier-I capital		
Including: preferred share and premium	14,810	14,810
Net value of core tier-I capital	118,073	100,009
Tier-II capital		
Including: tier-II capital tools and premium	30,600	27,900
Provision for jumbo loan loss	12,285	9,888
Net capital value	160,958	137,797
Risk weighted capital	1,084,870	885,202
Core tier-I capital adequacy ratio	9.52%	9.62%
Tier-I capital adequacy ratio	10.88%	11.30%
Capital adequacy ratio	14.84%	15.57%

VIII. Segmental Report

For management purposes, the Group dividing products and services into business units, the Group has four segmental reports below:

- (1) Corporate banking involves services provided specifically for Company clients, including deposits, loans, settlements, trade related products and other services;
- (2) Personal banking refers to banking services for individual clients, such as deposits, credit card and debit card businesses, consumer credit services, mortgage loans and private property management;
- (3) Capital banking services include interbank deposit/call loan services, back sale and repurchase services, investment business, foreign exchange transactions, such self-operating and agency services;
- (4) Other banking services other than the corporate, personal and capital banking services are those segments without forming an individually reportable business unit or the assets, liabilities, incomes and costs without appropriate allocation.

The internal transfer price is determined on the basis of deposit/loan interest rate declared by PBC and inter-bank offered rate corresponding to different fund sources and applied periods. Expenses are allocated in different segments subject to benefit.

2020	Corporate banking	Personal banking	Capital banking	others	Total
Net external interest income	5,665	8,878	13,316	-	27,859
Net internal interest income	5,055	4,003	(9,058)	-	-
Net fee and commission income	3,684	2,592	66	-	6,342
Investment gains	-	-	9,180	-	9,180
Gains from fair value adjustment	-	-	(1,303)	-	(1,303)
Foreign exchange gains	142	4	(1,330)	-	(1,184)
Other operating income/expense	-	-	-	21	21
Gains from assets disposal	-	-	-	72	72
Other gains	-	-	-	121	121
Tax and surcharge	(108)	(92)	(132)	-	(332)
Business/administrative fee	(4,760)	(4,350)	(6,499)	-	(15,609)
Credit impairment loss	(3,803)	(5,233)	369	-	(8,667)
Operating profit	5,875	5,802	4,609	214	16,500
Net non-Operating Income	-	-	-	(45)	(45)
Total profits	<u>5,875</u>	<u>5,802</u>	<u>4,609</u>	<u>169</u>	<u>16,455</u>
Total assets	<u>425,208</u>	<u>252,141</u>	<u>949,360</u>	<u>40</u>	<u>1,626,749</u>
Total liabilities	<u>737,341</u>	<u>205,384</u>	<u>565,007</u>	<u>24</u>	<u>1,507,756</u>
Supplementary information:					
Capital expenditure	562	543	736	-	1,841
Depreciation and amortization expenses	431	416	563	-	1,410

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VIII. Segmental Report (continued)

2019	Corporate banking	Personal banking	Capital banking	others	Total
Net external interest income	5,728	7,857	8,653	-	22,238
Net internal interest income	4,202	2,823	(7,025)	-	-
Net fee and commission income	3,271	1,789	50	-	5,110
Investment gains	-	-	6,541	-	6,541
Gains from fair value adjustment	-	-	2,016	-	2,016
Foreign exchange gains	214	6	(1,124)	-	(904)
Other operating income/expense	-	-	(2)	2	-
Gains from assets disposal	-	-	-	5	5
Other gains	-	-	-	40	40
Tax and surcharge	(102)	(87)	(68)	-	(257)
Business/administrative fee	(4,548)	(4,137)	(3,337)	(16)	(12,038)
Credit impairment loss	(3,596)	(2,634)	(1,231)	-	(7,461)
Operating profit	5,169	5,617	4,473	31	15,290
Net non-Operating Income	-	-	-	(71)	(71)
Total profits	<u>5,169</u>	<u>5,617</u>	<u>4,473</u>	<u>(40)</u>	<u>15,219</u>
Total assets	<u>344,420</u>	<u>174,739</u>	<u>798,518</u>	<u>40</u>	<u>1,317,717</u>
Total liabilities	<u>624,839</u>	<u>162,327</u>	<u>429,431</u>	<u>384</u>	<u>1,216,981</u>
Supplementary information:					
Capital expenditure	999	928	678	4	2,609
Depreciation and amortization expenses	432	403	294	2	1,131

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, 2020		Dec. 31, 2019	
	Related party or not	Prop	Related party or not	Prop
Ningbo Development & Investment Group Co., Ltd.	Yes	18.72%	Yes	19.99%
Singapore Overseas-Chinese Banking Co., Ltd.	Yes	18.67%	Yes	18.58%
Ningbo Youngor (Group) Co., Ltd.	Yes	8.32%	Yes	14.15%
Ningbo Huamao Group Co., Ltd.	Yes	3.04%	Yes	3.91%

IX. Related Parties Relationships and Transactions (continued)

1. Identification of related parties (continued)

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

2) Subsidiaries

See note VI/1 for basic and related information of the subsidiaries

3) Key management staff and their close family members of the Group.

4) Other entities bearing major influences from the key management staff and their close family members of the Group.

2. Major transactions between the Group and the related parties

2.1. Loans and advances

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Ningbo Development & Investment Group Co., Ltd.	1,274	1,137
Ningbo Youngor (Group) Co., Ltd.	425	4
Ningbo Huamao Group Co., Ltd.	437	1,106
Key management staff of the Group and their close family members	<u>9</u>	<u>10</u>
	<u>2,145</u>	<u>2,257</u>

2.2. Creditor's rights investment

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Ningbo Development & Investment Group Co., Ltd.	<u>400</u>	<u>400</u>

IX. Related Parties Relationships and Transactions (continued)

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

2.3. Deposit

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Ningbo Development & Investment Group Co., Ltd.	626	152
Ningbo Youngor (Group) Co., Ltd.	305	368
Ningbo Huamao Group Co., Ltd.	80	552
Key management staff of the Group and their close family members	<u>42</u>	<u>35</u>
	<u>1,053</u>	<u>1,107</u>

2.4. Deposit due from banks

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Singapore Overseas-Chinese Banking Co., Ltd.	<u>27</u>	<u>57</u>

2.5. Deposit due to the Bank

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Singapore Overseas-Chinese Banking Co., Ltd.	<u>-</u>	<u>114</u>

IX. Related Parties Relationships and Transactions (continued)

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

2.6. Off-sheet events

1) L/C issuance

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Ningbo Youngor (Group) Co., Ltd.	62	28
Ningbo Huamao Group Co., Ltd.	<u>199</u>	<u>92</u>
	<u>261</u>	<u>120</u>

2) Draft issuance

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Ningbo Development & Investment Group Co., Ltd.	103	178
Ningbo Youngor (Group) Co., Ltd.	1,566	2,153
Ningbo Huamao Group Co., Ltd.	<u>4</u>	<u>43</u>
	<u>1,673</u>	<u>2,374</u>

3) L/G issuance

Name of related party	Dec. 31, 2020	Dec. 31, 2019
Ningbo Youngor (Group) Co., Ltd.	<u>-</u>	<u>1</u>

2.7. Derivative transaction

On 31st Dec. 2020, the balance of long-term foreign exchange trading of the Group with Singapore Overseas-Chinese Banking Co., Ltd. was RMB 73,000,000 (On 31st Dec. 2019, 360,00,000); the balance of long-term foreign exchange swap was RMB 867,000,000 and the balance of long-term installment was RMB 864,000,000 (On 31st Dec. 2019, the balance of long-term foreign exchange swap was RMB 5,265,000,000 and the balance of long-term installment was RMB 5,286,000,000). Interest rate swap long-term was RMB 13,885,000,000 (On 31st Dec. 2019, the interest rate swap long-term was RMB 7,180,000,000). Option contract was RMB 644,000,000 (On 31st Dec. 2019, option contract was RMB 322,000,000). Net expense of derivative transactions of 2020 was RMB 2 million (2019: RMB 5 million).

IX. Related Parties Relationships and Transactions (continued)

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

2.8. Loan interest income

Name of related party	2020	2019
Ningbo Development & Investment Group Co., Ltd.	74	32
Ningbo Youngor (Group) Co., Ltd.	1	-
Ningbo Huamao Group Co., Ltd.	<u>14</u>	<u>20</u>
	<u>89</u>	<u>52</u>

2.9. Deposit interest expenses

Name of related party	2020	2019
Ningbo Development & Investment Group Co., Ltd.	1	2
Ningbo Youngor (Group) Co., Ltd.	3	3
Ningbo Huamao Group Co., Ltd.	6	8
Key management staff of the Group and their close family members	<u>1</u>	<u>1</u>
	<u>11</u>	<u>14</u>

2.10. Interbank deposit interest expense

Name of related party	2020	2019
Singapore Overseas-Chinese Banking Co., Ltd.	<u>1</u>	<u>-</u>

2.11. Transactions with other related parties

Name of trade	2020	2019
Remuneration of key management staff	<u>41</u>	<u>28</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.

Bank of Ningbo Co., Ltd.**Notes to Financial Statements****For the Year Ended 31 December 2020****Unit: CNY One Million****X. Contingent Items, Commitment Items and Main Off-balance Sheet Items****1. Capital expenditure commitments**

	Dec. 31, 2020	Dec. 31, 2019
Contracts signed but proceeds not yet be withdrawn	<u>1,396</u>	<u>816</u>

2. Operating lease commitment

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

	Dec. 31, 2020	Dec. 31, 2019
Within 1 year (included)	720	593
1-2 years (included)	642	528
2-3 years (included)	583	473
Over 3 years	<u>1,784</u>	<u>1,320</u>
	<u>3,729</u>	<u>2,914</u>

3. Credit commitment

	Dec. 31, 2020	Dec. 31, 2019
L/C issuance	17,233	11,907
Bank acceptance bill	155,618	126,964
L/G issuance	40,313	44,485
Loan commitment	<u>619,657</u>	<u>444,831</u>
	<u>832,821</u>	<u>628,187</u>

The issuance of Letter of Credit refers to credit operation that the Group acting at the request and on the instruction of applicant, make a documentary credit with a certain amount to the beneficiary and to pay at a certain place under the complying presentation of required documents within a certain period.

Bank Acceptance Bill refers to such credit business that a draft or a bill of exchange drawn upon a payee or a drawee (applicant) is examined and agreed to accept by the Company from applicant's application for acceptance.

Letter of Guarantee is a written undertaking made by the Group at the request of the applicant to the beneficiary, guaranteeing that the applicant will perform obligations under the contract signed between the applicant and the beneficiary, or the Company will take the responsibility.

Loan commitment is a commitment made by the Group guarantees to the clients to offer certain amount loan in a certain period.

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

4. Commitment on acceptance of national debt

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. 2020, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 3,020,000,000 (31 Dec. 2019 RMB 3,232,000,000). 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.

5. 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, 2020, the total subject amount of the Group for the pending lawsuits was RMB 2,797,000,000 (Dec. 31, 2019: RMB 4,163,000,000). 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, 2019: no need to estimate the liabilities).

XI. Entrusted loan business

The entrusted business of the group includes accepting the entrustment of government departments, enterprises or individuals to issue entrusted loans with the funds provided by them. The entrusted loan business of the group does not require the group to bear any credit risk. The group only holds and manages these assets and liabilities as an agent according to the instructions of the client, and charges handling charges for the services provided. As the entrusted assets do not belong to the group's assets, they are not recognized in the balance sheet.

The Group and the Bank	2020	2019
Entrusted loan	<u>11,640</u>	<u>13,789</u>
Entrusted deposit	<u>11,640</u>	<u>13,789</u>

XII. 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 2020 and 2019.

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.

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

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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.

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Measurement of expected credit loss

Expected credit loss is the weighted average value of credit loss of financial instruments weighted by the risk of default. Credit loss is the difference between all contract cash flows receivable by the Group according to the original effective interest rate and all expected cash flows received, that is, the present value of all cash shortages.

The Group calculates the expected credit loss in three stages according to the change of credit risk after the initial recognition of financial instruments:

Stage I: Financial instruments with no significant increase in credit risk since initial recognition will be included in stage I, and their impairment reserves will be measured according to the amount of expected credit loss of the financial instrument in the next 12 months;;

Stage II: Financial instruments with significantly increased credit risk since initial recognition with no objective evidence of impairment will be included in stage II, and their impairment reserves will be measured according to the expected credit loss during the whole duration of the financial instrument;

Stage III: Financial assets with objective evidence of impairment on the balance sheet date will be included in stage III, and the impairment provision will be measured according to the expected credit loss amount of the financial instrument in the whole life span.

For the financial instrument whose impairment provision has been measured in the previous accounting period according to the amount of expected credit loss in the whole duration of the financial instrument, however, on the balance sheet date of the current period, it no longer conforms to the situation of significant increase in credit risk since initial recognition, the Group measures the provision for impairment of such financial instrument in the balance sheet date of the current period according to the amount of expected credit loss in the next 12 months.

The way the Group measures the expected credit loss of financial instruments reflects:

- The unbiased probability-weighted amount determined by evaluating a range of possible results;
- The time value of money;
- Reasonable and reliable information about past events, current situation and forecast of future economic situation that can be obtained without extra cost or effort.

It is not necessary to identify every possible situation when measuring the expected credit loss. However, by taking the risk or probability of credit loss into consideration, the Group reflects the possibility of credit loss and the possibility of no credit loss (even if the possibility of credit loss is very low).

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Measurement of expected credit loss (continued)

The Group evaluates the expected credit loss based on forward-looking information, and uses complex models and assumptions in the measurement of expected credit loss. These models and assumptions involve future macroeconomic conditions and the borrower's credit profile (e.g., the likelihood of a defaulting by clients and the corresponding losses). The Group uses judgments, assumptions and estimates in the measurement of expected credit loss according to the requirements of accounting standards, such as:

- Criteria used to judge a significant increase in credit risk
- Definition of assets with credit impairment
- Parameters for the measurement of expected credit loss
- Forward-looking information

Criteria used to judge a significant increase in credit risk

On each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers that it can obtain reasonable and reliable information, including qualitative and quantitative analysis, external credit risk rating and forward-looking information based on the Group's historical data and without paying extra cost or effort. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group determines the change of default risk during the expected duration of financial instruments by comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

The Group believes that the credit risk of financial instruments has increased significantly when one or more of the following quantitative, qualitative criterion or bottom-line constraint indicator are triggered:

Quantitative criterion:

- The rating / default probability of financial instruments at the reporting date has risen to a certain threshold, as compared with the value at its initial recognition.

Qualitative criterion:

- The debtor has a credit risk event and is likely to cause a significant adverse effect;
- The debtor faces cash flow or liquidity problems, such as the delay of repayment;
- Deterioration of willingness for repayment, such as malicious debt evasion, fraud, etc;

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- Default of debtor outside the Group, for example, non-performing asset of the debtor is found in the Credit Reference Center of the People's Bank of China.
- A significant increase in credit spreads;
- Changes in the value of collateral that may increase the risk of default (for mortgage and pledge loans)

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Criteria used to judge a significant increase in credit risk (continued)

Bottom-line constraint indicator

- The time of payment of the debtor according to the contract (including principal and interest) has been overdue for more than 30 days.

Definition of assets with credit impairment

In order to determine whether there is credit impairment under the new financial instrument standard, the Group adopts the definition standard that is consistent with the internal credit risk management objectives for relevant financial instruments, and considers quantitative and qualitative indicators at the same time. When assessing whether the debtor has credit impairment, the Group mainly considers the following factors:

- Significant financial difficulties of the issuer or debtor;
- The debtor's breach of contract, such as default or overdue payment of interest or principal;
- The creditor gives the debtor concessions that will not be made in any other circumstances due to economic or contractual considerations related to the financial difficulties of the debtor;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The active market of the financial asset disappears due to the financial difficulties of the issuer or debtor;
- Purchase or originate a financial asset at a substantial discount reflecting the fact that a credit loss has occurred

The credit impairment of financial assets may be caused by the joint action of multiple events rather than the events that can be identified separately.

Parameters for the measurement of expected credit loss

The Group measures the provision for impairment of different assets based on the expected credit loss of 12 months or the whole duration by taking into consideration whether the credit risk has increased significantly and whether the credit impairment has occurred. The key parameters of expected credit loss measurement include probability of default, loss rate of default and exposure to default. By taking the Basel New Capital Accord system used in current risk management system as the basis, and by adhering to the requirements of the new financial instrument standards, the Group has established a model integrating factors of default probability, default loss rate and default risk exposure, taking into account the quantitative analysis and forward-looking information of historical statistical data (such as counterparty rating, guarantee method,

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collateral type, repayment method, etc.).

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Parameters for the measurement of expected credit loss (continued)

Related definitions are as follows

- Probability of default is the probability that the debtor will not be able to perform its payment obligations in the next 12 months or the whole duration. The default probability of the Group is adjusted according to the results of the internal evaluation model of the new capital accord, introducing forward-looking information and removing prudent adjustment, thus reflect the default probability of the debtor under the current macroeconomic environment;
- Default loss rate refers to the Group's expectation on the loss degree of default risk exposure. Default loss rate varies with the type of counterparty, the way and priority of recourse, and the type of collateral. Default loss rate is the percentage of exposure loss at the time of default, as calculated on the basis of the next 12 months or the whole duration;
- Default exposure is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the duration.

Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit loss involve forward-looking information. By analyzing the historical data, the Group identifies key economic indicators that affecting credit risk and expected credit loss of various business types, such as industrial added value, CPI and PPI, etc..

Taking the industrial added value and consumer price index as examples, under the benchmark scenario by referring to the forecast values issued by external authorities, and under the optimistic and pessimistic scenarios, the analysis and forecast are made with reference to the actual historical data. The specific values of the macroeconomic indicators used by the group to evaluate the expected credit loss as of December 31, 2020 are as follows:

Item	Forecast value under benchmark scenario
Industrial added value (on year-on-year basis)	5.37%
CPI (on year-on-year basis)	1.14%

The impact of these economic indicators on the probability of default and the loss rate

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of default varies with the type of business. In this process, the Group mainly uses external data, which is supplemented by judgment of internal expert. The Group determines the relationship between these economic indicators and default probability and default loss rate through regression analysis.

The Group regularly updates the forecast value of macroeconomic indicators, and measures the relevant weighted impairment provision of expected credit loss (stage I) or the expected credit loss with the 12-month for the whole duration (stage II and stage III).

The expected credit loss assessment of the Group on December 31, 2020 has fully reflected the impact of the COVID-19 epidemic on the macroeconomic environment through timely updating of external data and other model optimization measures.

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.1. In-balance-sheet assets

Loans and advances by industry are listed as follows:

	Dec. 31, 2020		Dec. 31, 2019	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	3,157	0.46	2,079	0.39
Mining	1,236	0.18	439	0.08
Manufacturing	104,147	15.14	82,995	15.69
Production and supply of electricity, gas and water	11,188	1.63	10,765	2.03
Construction	27,870	4.05	24,111	4.56
Transportation, storage and mailing	11,026	1.60	10,901	2.06
Information transfer, pc service and software	7,615	1.11	6,928	1.31
Commerce and trade	59,397	8.64	47,177	8.92
Hotel and restaurant	1,263	0.18	777	0.15
Finance	4,832	0.70	1,920	0.36
Real estate	36,522	5.31	28,288	5.35
Leasing and commercial service	122,059	17.74	92,554	17.49
Scientific research, technological service and geological reconnaissance	5,194	0.76	4,105	0.78
Management and investment of water resource, environmental and public facilities	26,862	3.91	31,966	6.04
Residential and other services	379	0.06	746	0.14
Education	954	0.14	1,172	0.22
Sanitation, social security and welfare	911	0.13	692	0.13
Culture, sports and entertainment	1,380	0.20	1,488	0.28
Public management and social organization	70	0.01	301	0.06
Subtotal of loans and advances	<u>426,062</u>	<u>61.95</u>	<u>349,404</u>	<u>66.04</u>
Personal loans and advances	<u>261,653</u>	<u>38.05</u>	<u>179,698</u>	<u>33.96</u>
Total	<u>687,715</u>	<u>100.00</u>	<u>529,102</u>	<u>100.00</u>

Loans and advances by region are listed as follows:

	Dec. 31, 2020		Dec. 31, 2019	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	460,564	66.98	333,331	62.99
<i>including: Ningbo</i>	<i>313,035</i>	<i>45.52</i>	<i>215,959</i>	<i>40.82</i>
Jiangsu Province	143,693	20.89	119,358	22.56
Shanghai	37,971	5.52	34,911	6.60
Beijing	25,063	3.64	22,888	4.33
Guangdong Province	<u>20,424</u>	<u>2.97</u>	<u>18,614</u>	<u>3.52</u>
	<u>687,715</u>	<u>100.00</u>	<u>529,102</u>	<u>100.00</u>

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2. Credit risk exposure

The following table shows the maximum credit risk exposure of balance sheet items, contingent liabilities and commitments. The maximum credit risk exposure refers to the total credit risk exposure without considering the available collateral or other credit enhancement.

	Dec. 31, 2020	Dec. 31, 2019
Due from the central bank	100,992	92,169
Due from other banks	20,040	15,409
Loan to other banks	3,300	3,596
Derivative financial assets	32,942	20,260
Redemptory monetary capital for sale	626	17,259
Loans and advance payments	663,447	510,039
Financial investment:		
Trading financial assets	305,630	248,892
Investment on creditors' right	216,399	183,392
Other investment on creditors' right	236,712	197,149
Other financial assets	4,419	1,600
In-balance-sheet credit risk exposure	<u>1,584,507</u>	<u>1,289,765</u>
Financial guarantee commitment	<u>832,821</u>	<u>628,187</u>
Maximum credit risk exposure	<u>2,417,328</u>	<u>1,917,952</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.

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.3. Pledge and other credit enhancement

The kind of pledge and its amount are made upon the evaluation of credit risk of counter-party. The Group takes the kind and value of the pledge as the execution standard.

Classification of pledges accepted by the Group:

- (i) Reverse repurchase agreements: bills and bonds, etc;
- (ii) Corporate loan: real estate, machinery facilities, land use right, deposit receipt, equity, etc;
- (iii) Personal loan: real estate and deposit receipt, etc;
- (iv) Accounts receivable hold for investment: real estate, deposit receipt, equity, land-use right, etc.

The Management shall check pledge value periodically and ask client to increase the amount of pledge when necessary according to the agreement.

1.4. Credit quality analysis of financial assets in compliance with credit rating system of the Group

If objective evidences of depreciation can prove that there is one or more than one circumstance have happened after the original confirmation of loans and advance payments issuance and these circumstances can be reliably assessed with influences on the anticipation of the future cash flows, these loans and advance payments are considered as the depreciated ones.

On December 31, 2020, the amount of impaired corporate loans and advances was RMB 5,453,000,000 (December 31, 2019: RMB 4,141,000,000). The fair value of the impaired corporate loans and advances is RMB 2,928,000,000 (December 31, 2019: RMB 3,605,000,000). The pledge includes machinery and equipment, real estate and land, etc.

1.5 Restructured loans

Restructured loans represent the loans whose original repayment terms have been modified as a result of the deterioration of borrower's financial conditions or inability to repay the loans according to the contractual terms. Expressive forms of restructured loans: loan extension, borrowing for repaying, interest deduction, deduction of partial principal, adjustment of payment method, improvement of collateral and change guarantee conditions. By December 31, 2020, the book balance of restructured loans of the Company was RMB 219,000,000 (December 31, 2019: RMB 91,000,000).

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.6. Investment financial products

The book value of bond investment (excluding accrued interest) is listed as follows according to external credit rating and credit loss impairment stage:

	Dec. 31, 2020			Total
	Stage I (Expected credit loss (in the next 12 months))	Stage II (Expected credit over the duration)	Stage III (Financial assets with credit impairment occurred - expected credit loss for the whole duration)	
Not rated	208,340	154	-	208,494
Above A (included)	99,217	336	-	99,553
Below A	<u>2,501</u>	<u>-</u>	<u>31</u>	<u>2,532</u>
Total	<u>310,058</u>	<u>490</u>	<u>31</u>	<u>310,579</u>

	Dec. 31, 2019			Total
	Stage I (Expected credit loss (in the next 12 months))	Stage II (Expected credit over the duration)	Stage III (Financial assets with credit impairment occurred - expected credit loss for the whole duration)	
Not rated	138,000	408	-	138,408
Above A (included)	84,206	-	-	84,206
Below A	<u>4,511</u>	<u>-</u>	<u>35</u>	<u>4,546</u>
Total	<u>226,717</u>	<u>408</u>	<u>35</u>	<u>227,160</u>

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.

XII. 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, 2020	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	86,841	15,657	-	-	-	-	-	102,498
Due from other banks	-	17,193	1,501	313	711	373	34	20,125
Loans to other banks	-	-	3,308	-	-	-	-	3,308
Redemptory monetary capital for sale	-	-	627	-	-	-	-	627
Loans and advance payments	5,046	438	37,309	77,136	363,514	219,131	119,711	822,285
Financial investment:								
Trading financial assets	218	241,351	4,474	5,016	27,627	26,395	4,386	309,467
Investment on creditor's rights	198	-	3,786	8,247	49,811	142,801	58,499	263,342
Other investment on creditor's rights	-	-	2,895	11,825	35,923	135,372	80,655	266,670
Other equity instrument investment	111	-	-	-	-	-	-	111
Other financial assets	170	2,765	1,061	60	350	99	86	4,591
Total assets	<u>92,584</u>	<u>277,404</u>	<u>54,961</u>	<u>102,597</u>	<u>477,936</u>	<u>524,171</u>	<u>263,371</u>	<u>1,793,024</u>

XII. 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, 2020	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	-	-	1,018	10,114	74,423	-	-	85,555
Due from other banks and financial institutions	-	89,319	3,204	13,629	1,873	1,334	-	109,359
Placements from other institutions	-	-	27,437	36,473	5,367	-	-	69,277
Trading financial liabilities	-	18,996	25	-	71	-	-	19,092
Financial Assets sold for repurchase	-	-	22,847	2,945	4,161	-	-	29,953
Deposits	-	516,581	52,002	82,810	181,762	122,001	20	955,176
Bonds payable	-	-	45,155	54,497	20,132	44,945	38,115	202,844
Other financial liabilities	-	3,820	637	896	6,553	480	43	12,429
Total liabilities	-	628,716	152,325	201,364	294,342	168,760	38,178	1,483,685
Net amount of balance sheet liquidity	92,584	(351,312)	(97,364)	(98,767)	183,594	355,411	225,193	309,339
Off-balance sheet credit liquidity	9,214	622,950	29,385	58,444	105,417	7,376	35	832,821

XII. 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, 2019	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of assets								
Cash and balances with central banks	76,965	16,628	-	-	-	-	-	93,593
Due from other banks	-	9,924	1,557	4,054	129	-	-	15,664
Loans to other banks	-	-	753	2,623	626	-	-	4,002
Redemptory monetary capital for sale	-	-	17,265	-	-	-	-	17,265
Loans and advance payments	4,119	449	33,902	53,826	299,003	157,089	42,836	591,224
Financial investment								
Trading financial assets	169	168,833	423	3,110	27,048	26,162	28,022	253,767
Investment on creditor's rights	30	-	2,152	3,826	33,145	138,523	35,719	213,395
Other investment on creditor's rights	-	-	9,486	6,755	45,465	104,392	51,875	217,973
Other equity instrument investment	98	-	-	-	-	-	-	98
Other financial assets	232	364	121	19	281	630	56	1,703
Total assets	<u>81,613</u>	<u>196,198</u>	<u>65,659</u>	<u>74,213</u>	<u>405,697</u>	<u>426,796</u>	<u>158,508</u>	<u>1,408,684</u>

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1. Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2019	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Cash and balances with central banks	-	-	85	164	30,818	-	-	31,067
Due from other banks and financial institutions	-	22,093	3,232	148	9,649	921	-	36,043
Placements from other institutions	-	-	10,716	7,164	16,221	2,476	-	36,577
Trading financial liabilities	-	10,881	-	-	-	-	-	10,881
Financial Assets sold for repurchase	-	-	61,321	820	564	-	-	62,705
Deposits	-	412,183	56,340	57,032	162,950	113,548	15	802,068
Bonds payable	-	-	30,422	67,364	38,316	60,365	34,521	230,988
Other financial liabilities	-	4,365	676	825	3,665	312	45	9,888
Total liabilities	-	449,522	162,792	133,517	262,183	177,622	34,581	1,220,217
Net amount of balance sheet liquidity	81,613	(253,324)	(97,133)	(59,304)	143,514	249,174	123,927	188,467
Off-balance sheet credit liquidity	4,151	449,562	22,360	39,758	103,831	8,422	103	628,187

XII. Financial Instruments and Risk Analysis (continued)

2. 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, 2020	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>10</u>	<u>(12)</u>	<u>58</u>	<u>5</u>	<u>61</u>
Dec. 31, 2019	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>5</u>	<u>15</u>	<u>13</u>	<u>2</u>	<u>35</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, 2020	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(36,502)	(40,680)	(1,805)	-	(78,987)
Cash inflow	35,400	39,393	1,757	-	76,550
Credit risk mitigation tools					
Cash outflow	(180)	-	(520)	-	(700)
Cash inflow	-	-	-	130	130
Currency swap					
Cash outflow	(511,399)	(531,176)	(13,605)	-	(1,056,180)
Cash inflow	513,117	526,823	14,258	-	1,054,198
Currency exchange					
Cash outflow	(1,781)	(2,737)	(540)	-	(5,058)
Cash inflow	1,780	2,761	533	-	5,074
Option					
Cash outflow	(43,360)	(81,084)	(89)	-	(124,533)
Cash inflow	43,131	81,097	85	-	124,313
Nobel metal agreement					
Cash outflow	(1,918)	(697)	-	-	(2,615)
Cash inflow	6,660	13,810	-	-	20,470

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2. Cash flow analysis of derivative financial instruments (CONTINUED)

Derivative financial instruments settled at full amount (continued)

Dec. 31, 2019	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(24,753)	(30,516)	(874)	-	(56,143)
Cash inflow	24,848	30,376	859	-	56,083
Credit risk mitigation tools					
Cash outflow	-	-	(160)	(520)	(680)
Cash inflow	20	10	50	130	210
Currency swap					
Cash outflow	(546,949)	(626,007)	(39,220)	-	(1,212,176)
Cash inflow	546,295	625,453	39,352	-	1,211,100
Currency exchange					
Cash outflow	(1,264)	(5,199)	(1,173)	-	(7,636)
Cash inflow	1,276	5,175	1,180	-	7,631
Option					
Cash outflow	(58,023)	(88,211)	(841)	-	(147,075)
Cash inflow	58,205	89,059	860	-	148,124
Nobel metal agreement					
Cash outflow	(4,965)	(552)	-	-	(5,517)
Cash inflow	8,780	6,135	-	-	14,915

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.

XII. 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, 2020	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	93,537	-	-	-	-	8,961	102,498
Due from other banks	18,597	303	691	337	28	84	20,040
Loans to other banks	3,299	-	-	-	-	1	3,300
Derivative financial assets	-	-	-	-	-	32,942	32,942
Redemptory monetary capital for sale	626	-	-	-	-	-	626
Loans and advance payments	45,999	66,671	378,798	107,400	56,128	8,451	663,447
Financial investments:							
Trading financial assets	4,394	4,894	26,920	23,249	3,658	242,515	305,630
Investment on creditor's rights	3,374	6,190	42,415	122,851	39,321	2,248	216,399
Other investment on creditor's rights	22,049	11,207	29,588	101,052	70,501	2,315	236,712
Other equity instrument investment	-	-	-	-	-	111	111
Other financial assets	-	-	-	-	-	4,419	4,419
Total assets	<u>191,875</u>	<u>89,265</u>	<u>478,412</u>	<u>354,889</u>	<u>169,636</u>	<u>302,047</u>	<u>1,586,124</u>

XII. 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, 2020	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	800	9,600	72,868	-	-	355	83,623
Due to banks and other financial institutions	89,157	9,908	559	1,100	7,128	221	108,073
Placements from other institutions	22,192	16,513	27,609	1,751	-	369	68,434
Derivative financial liabilities	-	-	-	-	-	19,092	19,092
Trading financial liabilities	-	-	-	-	-	36,257	36,257
Financial assets sold for repurchase	22,832	2,929	4,132	-	-	31	29,924
Deposits	558,325	80,972	176,687	108,218	20	8,942	933,164
Bond payable	44,774	53,574	17,140	36,997	32,985	1,973	187,443
Other financial liabilities	554	533	6,204	-	-	5,042	12,333
Total liabilities	738,634	174,029	305,199	148,066	40,133	72,282	1,478,343
Interest sensitive gap	(546,759)	(84,764)	173,213	206,823	129,503	229,765	107,781

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date: (continued)

Dec. 31, 2019	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	82,586	-	-	-	-	10,970	93,556
Due from other banks	11,266	3,825	127	-	-	191	15,409
Loans to other banks	360	2,606	618	-	-	12	3,596
Derivative financial assets	-	-	-	-	-	20,260	20,260
Reverse repurchase agreements	17,252	-	-	-	-	7	17,259
Loans and advance payments	65,410	43,880	314,484	58,390	17,923	9,952	510,039
Financial investment							
Trading financial assets	400	2,727	25,116	23,149	27,984	169,516	248,892
Investment on creditor's rights	1,863	1,988	25,949	120,691	31,227	1,674	183,392
Other investment on creditor's rights	32,705	6,199	39,488	77,933	38,879	1,945	197,149
Other equity instrument investment	-	-	-	-	-	98	98
Other financial assets	-	-	-	-	-	1,600	1,600
Total assets	<u>211,842</u>	<u>61,225</u>	<u>405,782</u>	<u>280,163</u>	<u>116,013</u>	<u>216,225</u>	<u>1,291,250</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date: (continued)

Dec. 31, 2019	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of liabilities							
Cash and balances with central banks	-	-	30,065	-	-	426	30,491
Due from other banks and financial institutions	25,293	94	9,403	750	-	157	35,697
Placements from other institutions	10,595	7,108	15,654	2,309	-	296	35,962
Trading financial liabilities	-	-	-	-	-	10,881	10,881
Derivative financial liabilities	-	-	-	-	-	20,368	20,368
Proceeds generated from repurchase agreements	61,287	816	560	-	-	31	62,694
Deposits	456,560	56,669	157,349	100,456	14	8,176	779,224
Bond payable	30,120	66,962	33,105	50,979	29,979	1,741	212,886
Other financial liabilities	415	398	3,181	269	-	5,621	9,884
Total liabilities	584,270	132,047	249,317	154,763	29,993	47,697	1,198,087
Interest sensitive gap	(372,428)	(70,822)	156,465	125,400	86,020	168,528	93,163

XII. 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, 2020	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	214	(214)
	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	724	(724)

XII. 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 other bond investment at that time to the Balance Sheet date as follows

	Dec. 31, 2020	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	8,570	(8,570)
	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	8,528	(8,528)

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, 2020	
Alteration (base point) of interest rate	(100)	100
Interest rate risk leads to changes in pre-tax profit	5,480	(5,480)
	Dec. 31, 2019	
Alteration (base point) of interest rate	(100)	100
Interest rate risk leads to changes in pre-tax profit	3,693	(3,693)

XII. 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, 2020
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	53	(53)
		Dec. 31, 2019
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	96	(96)

3.2. Foreign exchange risk

Bank of Ningbo Co., Ltd.
Notes to Financial Statements
For the Year Ended 31 December 2020

Unit: CNY One Million

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.

XII. 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, 2020	RMB	USA	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of assets				
Cash and balances with central bank	95,017	7,396	85	102,498
Due from other banks	10,506	8,772	762	20,040
Loans to other banks	1,998	1,302	-	3,300
Derivative financial assets	32,625	99	218	32,942
Redemptory monetary capital for sale	626	-	-	626
Loans and advance payments	649,714	10,076	3,657	663,447
Financial investment:				
Trading financial asset	295,097	10,533	-	305,630
Investment on creditor's rights	216,399	-	-	216,399
Other investment on creditor's rights	227,982	8,578	152	236,712
Other equity instrument investment	111	-	-	111
Other financial assets	<u>4,419</u>	<u>-</u>	<u>-</u>	<u>4,419</u>
Total assets	<u>1,534,494</u>	<u>46,756</u>	<u>4,874</u>	<u>1,586,124</u>
Dec. 31, 2020	RMB	USA	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of liabilities				
Due to central bank	83,623	-	-	83,623
Due to banks and other financial				
Institutions	107,779	294	-	108,073
Loans from other banks	45,332	23,102	-	68,434
Trading financial liabilities	19,092	-	-	19,092
Derivative financial liabilities	11,003	25,101	153	36,257
Financial assets sold for repurchase	29,924	-	-	29,924
Deposits	828,672	101,882	2,610	933,164
Bonds payable	187,443	-	-	187,443
Other financial liabilities	<u>12,267</u>	<u>39</u>	<u>27</u>	<u>12,333</u>
Total liabilities	<u>1,325,135</u>	<u>150,418</u>	<u>2,790</u>	<u>1,478,343</u>
In-balance-sheet net position	<u>209,359</u>	<u>(103,662)</u>	<u>2,084</u>	<u>107,781</u>
Off-balance-sheet position	<u>803,565</u>	<u>9,827</u>	<u>19,429</u>	<u>832,821</u>

XII. 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, 2019	RMB	USA	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of assets				
Cash and balances with central bank	87,358	6,097	101	93,556
Due from other banks	4,798	9,587	1,024	15,409
Loans to other banks	1,303	2,293	-	3,596
Derivative financial assets	15,102	5,097	61	20,260
Redemptory monetary capital for sale	17,259	-	-	17,259
Loans and advance payments	501,126	6,538	2,375	510,039
Financial investment:				
Trading financial asset	247,527	1,365	-	248,892
Investment on creditor's rights	183,392	-	-	183,392
Other investment on creditor's rights	189,046	7,954	149	197,149
Other equity instrument investment	98	-	-	98
Other financial assets	<u>1,599</u>	<u>1</u>	<u>-</u>	<u>1,600</u>
Total assets	<u>1,248,608</u>	<u>38,932</u>	<u>3,710</u>	<u>1,291,250</u>
Dec. 31, 2019	RMB	USA	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of liabilities				
Due to central bank	30,491	-	-	30,491
Due to banks and other financial				
Institutions	32,468	3,229	-	35,697
Loans from other banks	31,477	4,144	341	35,962
Trading financial liabilities	10,881	-	-	10,881
Derivative financial liabilities	15,138	5,178	52	20,368
Financial assets sold for repurchase	62,694	-	-	62,694
Deposits	691,641	84,819	2,764	779,224
Bonds payable	212,886	-	-	212,886
Other financial liabilities	<u>9,873</u>	<u>11</u>	<u>-</u>	<u>9,884</u>
Total liabilities	<u>1,097,549</u>	<u>97,381</u>	<u>3,157</u>	<u>1,198,087</u>
In-balance-sheet net position	<u>151,059</u>	<u>(58,449)</u>	<u>553</u>	<u>93,163</u>
Off-balance-sheet position	<u>595,260</u>	<u>12,794</u>	<u>20,133</u>	<u>628,187</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2. Foreign exchange risk (continued)

The Company adopts sensitivity analysis to measure the possible influences of exchange rate changes to the net exchange loss and gain of the Group. Sensitivity analysis results in compliance with the exchange rates of assets and liabilities on December 31, 2020 and December 31, 2019 as follows:

		Dec. 31, 2020
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	1,016	(1,016)
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	579	(579)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and also calculates the influences of the rational changes of foreign currencies exchange rate against Renminbi on the net profits and equities when all the other factors remain stable. The analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 1% (absolute) against closing price on the balance sheet date (middle price); (2) currency rates fluctuate against Renminbi simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure. Based on the above analysis, the real changes of the net exchange gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3.3 Disclosure of fair value

Financial assets and liabilities measured by fair value

Fair value is the price the market participant receives when selling an asset or pays when transferring a liability in the orderly transaction on the date of measurement. The fair value measured and disclosed in the financial statement is determined on this basis price that is either observable or estimated using a valuation technique.

The financial assets and financial liabilities measured by fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.com.

Level 3: the unobservable inputs of the related assets or liabilities.

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value

Financial assets and liabilities measured by fair value (continued)

As of Dec. 31, 2020, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv.1)	Valuation technique- Observable market variable (Lv.2)	Valuation technique-- Unobservable market variable (Lv.3)	Total
Dec. 31, 2020				
Continues fair value measurement				
Nobel metal	22,267	-	-	22,267
Derivative financial assets	-	32,942	-	32,942
Loans and advances	-	56,181	-	56,181
Trading financial assets	187,961	117,667	2	305,630
Other investment on creditor's rights	-	236,712	-	236,712
Other equity instrument investment	-	-	111	111
Total financial assets	<u>210,228</u>	<u>443,502</u>	<u>113</u>	<u>653,843</u>
Trading financial liabilities	19,092	-	-	19,092
Derivative financial liabilities	-	36,257	-	36,257
Total financial liabilities	<u>19,092</u>	<u>36,257</u>	<u>-</u>	<u>55,349</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

As of Dec. 31, 2019, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv.1)	Valuation technique-- Observable market variable (Lv.2)	Valuation technique-- Unobservable market variable (Lv.3)	Total
Dec. 31, 2019				
Continues fair value measurement				
Nobel metal	11,769	-	-	11,769
Derivative financial assets	-	20,260	-	20,260
Loans and advances	-	44,419	-	44,419
Trading financial assets	168,832	80,059	1	248,892
Other investment on creditor's rights	-	197,149	-	197,149
Other equity instrument investment	-	-	98	98
Total financial assets	<u>180,601</u>	<u>341,887</u>	<u>99</u>	<u>522,587</u>
Trading financial liabilities	10,881	-	-	10,881
Derivative financial liabilities	-	<u>20,368</u>	-	<u>20,368</u>
Total financial liabilities	<u>10,881</u>	<u>20,368</u>	-	<u>31,249</u>

In 2020 and 2019, 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.

XII. 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., Interbank Clearing House Co., Ltd and China Securities Index 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, 2020, 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

Continuous adjustment of L3 fair value measurements is as follows:

2020

	Trading financial assets	Investment in other equity instruments
Beginning balance	1	98
Include in other comprehensive income	-	13
Purchase	<u>1</u>	<u>-</u>
Ending balance	<u><u>2</u></u>	<u><u>111</u></u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Adjustment of fair value measurement (continued)

2019

	Trading financial assets	Investment in other equity instruments
Beginning balance	1	91
Include in other comprehensive income	-	7
Ending balance	<u>1</u>	<u>98</u>

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, creditor's rights investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, borrowing funds, selling repurchase financial liabilities, deposits and bonds payable.

For the investment in debt and bonds payable that are not reflected or disclosed by fair value, their book values and fair values are as follows:

	Dec. 31, 2020		Dec. 31, 2019	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Investment on creditors' right	<u>216,399</u>	<u>219,262</u>	<u>183,392</u>	<u>188,824</u>
Financial liabilities:				
Bond payable	<u>187,443</u>	<u>187,895</u>	<u>212,886</u>	<u>214,145</u>

XII. 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 (continued)

Besides the above financial assets and liabilities, the fair values of the other financial assets and liabilities of the balance sheet not measured by fair value are determined in compliance with future discount cash flow method and their book values are similar to their fair values:

Assets	Liabilities
Cash and deposit of central bank	Borrowings from central bank
Deposits in other banks	Deposits from banks and other financial institutions
Loans to other banks	Loans from other banks
Reverse repurchase agreement	Proceeds generated from repurchase agreements
Loans and advances	Deposit
Other financial assets	Other financial liabilities

XIII. Other items after balance sheet day

According to the resolution of the Board of Directors held on April 8, 2021, the profit distribution plan (predetermined) of the year 2020 is listed as follow:

- 1) Distribute 10% of 2020 net profit amounted to RMB 1,382,000,000 as statutory welfare reserve;
- 2) According to *Administrative Measures for the Withdrawal of Reserves of Financial Enterprises* (C.J. [2012] No. 20), The Company will withdraw the amount of 1.5% of risk assets value RMB 2,729,000,000 as general provision;
- 3) Distribute cash dividends amounted to RMB 3,004,000,000 to the shareholders of 6.008 billion shares by RMB 5 per 10 shares (including tax) (i.e. RMB 0.5 per share), and this distribution decision is to be approved by the general meeting of shareholders

Save as disclosed above, there's no other significant event of the Company that need to be disclosed after this balance sheet day.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements
For the Year Ended 31 December 2020

Unit: CNY One Million

XIV. Notes to Main Items of the Financial Statement (continued)

1. Long-term equity investment

Year 2020		Changes during the year					End	End
Subsidiary	Beginning Balance Investment	Increased investment	Gains & losses under equity method	Other comprehensive income	Other declared cash dividend	book value	impairment provision	
Maxwealth Fund Management Co., Ltd.	647	-	-	-	-	647	-	
Maxwealth Financial Leasing Co., Ltd.	3,000	1,000	-	-	-	4,000	-	
Ningyin Financial Management Co., Ltd.	1,500	-	-	-	-	1,500	-	
	<u>5,147</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,147</u>	<u>-</u>	
Year 2019		Changes during the year					End	End
Subsidiary	Beginning Balance Investment	Increased investment	Gains & losses under equity method	Other comprehensive income	Other declared cash dividend	book value	impairment provision	
Maxwealth Fund Management Co., Ltd.	647	-	-	-	-	647	-	
Maxwealth Financial Leasing Co., Ltd.	2,000	1,000	-	-	-	3,000	-	
Ningyin Financial Management Co., Ltd.	-	1,500	-	-	-	1,500	-	
	<u>2,647</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,147</u>	<u>-</u>	

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments

2.1. Classified by corporation and individual

	Dec. 31, 2020	Dec. 31, 2019
Measured at amortized cost		
Corporate loans and advances	319,662	271,300
Loans	312,850	265,125
Trade financing	6,812	6,175
Individual loans	261,652	179,693
Individual consumption loan	178,377	141,867
Individual operating loan	60,013	35,036
Individual housing loan	23,262	2,790
Measured at fair value with changes included in other comprehensive income		
Discount	<u>56,181</u>	<u>44,419</u>
Subtotal	637,495	495,412
Accrued interest	2,095	1,613
Less: Provision for loan impairment measured at amortized cost	<u>(25,169)</u>	<u>(20,137)</u>
Book value of loans and advances	<u><u>614,421</u></u>	<u><u>476,888</u></u>

On December 31, 2020, the loans measured at fair value with changes included in other comprehensive income are generated from discount business, and their impairment provision is RMB 647,000,000 (December 31, 2019: RMB 590,000,000), which is included in other comprehensive income.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements
For the Year Ended 31 December 2020

Unit: CNY One Million

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.2. Classification of guarantees for loans and advance payments

	Dec. 31, 2020	Dec. 31, 2019
Credit loan	238,020	174,759
Guarantee loan	138,508	122,844
Mortgage loan	197,923	145,672
Pledge loan	<u>63,044</u>	<u>52,137</u>
Total loans and advances	637,495	495,412
Accrued interest	2,095	1,613
Less: provision of loan impairment	<u>(25,169)</u>	<u>(20,137)</u>
Net value of loans and advances	<u>614,421</u>	<u>476,888</u>

2.3. Overdue loans

	Dec 31, 2020				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	599	1,224	348	40	2,211
Guarantee loan	77	418	366	37	898
Mortgage/pledge loan	<u>292</u>	<u>1,020</u>	<u>940</u>	<u>118</u>	<u>2,370</u>
	<u>968</u>	<u>2,662</u>	<u>1,654</u>	<u>195</u>	<u>5,479</u>
	Dec 31, 2019				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	385	944	372	42	1,743
Guarantee loan	25	368	273	12	678
Mortgage/pledge loan	<u>341</u>	<u>551</u>	<u>1,081</u>	<u>174</u>	<u>2,147</u>
	<u>751</u>	<u>1,863</u>	<u>1,726</u>	<u>228</u>	<u>4,568</u>

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.4. Provision for loan losses

Changes to the provisions for loans and advances of the year 2020 are as follows:

Provision for loans measured at amortized cost

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	6,970	9,938	3,229	20,137
Accrual in the year	4,544	(1,157)	3,435	6,822
Transferred to stage I	4,988	(4,981)	(7)	-
Transferred to stage II	(113)	155	(42)	-
Transferred to stage III	(20)	(112)	132	-
Write-off and transfer	-	-	(2,855)	(2,855)
Received from loans for sale and reconciliation from advance payment	-	-	1,114	1,114
Transfer by write-down of impaired loan and advance interest	-	-	(49)	(49)
End balance	<u>16,369</u>	<u>3,843</u>	<u>4,957</u>	<u>25,169</u>

Provision for loan impairment measured at fair value with changes included in other comprehensive income

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	514	76	-	590
Provision of the year(transfer back)	<u>130</u>	<u>(73)</u>	<u>-</u>	<u>57</u>
End balance	<u>644</u>	<u>3</u>	<u>-</u>	<u>647</u>

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.4. Provision for loan losses (continued)

Changes to the provisions for loans and advances of the year 2019 are as follows:

Provision for loans measured at amortized cost

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	5,591	7,103	2,499	15,193
Adjusted beginning balance	5,591	7,103	2,499	15,193
Drawing in the year	591	3,823	1,687	6,101
Transferred to stage I	1,096	(1,096)	-	-
Transferred to stage II	(282)	283	(1)	-
Transferred to stage III	(26)	(175)	201	-
Write-off and transfer	-	-	(1,910)	(1,910)
Received from loans for sale and reconciliation from advance payment	-	-	792	792
Transfer by write-down of impaired loan and advance interest	-	-	(39)	(39)
End balance	<u>6,970</u>	<u>9,938</u>	<u>3,229</u>	<u>20,137</u>

Provision for loan impairment measured at fair value with changes included in other comprehensive income 备

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	-	-	-	-
Changes of accounting policy	551	22	-	573
Adjusted beginning balance	551	22	-	573
Provision of the year (transfer back)	(37)	54	-	17
End balance	<u>514</u>	<u>76</u>	<u>-</u>	<u>590</u>

XIV. Notes to Main Items of the Financial Statement (continued)

3. Net interest income

	2020	2019
Interest income		
Loans and advances	34,683	27,465
<i>Including: corporate loans and advances</i>	<i>14,940</i>	<i>12,723</i>
<i>Personal loans and advances</i>	<i>16,303</i>	<i>11,457</i>
<i>Notes discounted</i>	<i>3,086</i>	<i>2,847</i>
<i>Trade financing</i>	<i>354</i>	<i>438</i>
Due from other banks	337	662
Balance with central banks	1,330	1,217
Placements to other financial institutions	201	367
Reserve purchase agreement	622	677
Bond investment	10,403	9,550
Financing product and credit plan	<u>6,644</u>	<u>6,424</u>
	<u>54,220</u>	<u>46,362</u>
Interest expense		
Due to other banks	(1,384)	(964)
Borrowing from central bank	(1,109)	(737)
Placements from other institutions	(442)	(844)
Deposit	(17,786)	(14,480)
Financial Assets Sold for Repurchase	(907)	(913)
Bond issuance	<u>(6,201)</u>	<u>(6,897)</u>
	<u>(27,829)</u>	<u>(24,835)</u>
Net interest income	<u><u>26,391</u></u>	<u><u>21,527</u></u>

XIV. Notes to Main Items of the Financial Statement (continued)

4. Cash flow of operating activities

	2020	2019
Adjusting net profit to cash flow from operating activities		
Net profit	13,824	13,066
Add: loss for fixed assets impairment	7,852	7,043
Depreciation of fixed assets	634	497
Amortization of intangible assets	131	97
Amortization of deferred expenses	625	520
Income from disposal of fixed assets, intangible assets and other long-term assets	(72)	(5)
Loss/(income) of fair value adjustment	1,398	(1,871)
Investment income	(18,986)	(16,472)
Interest payments on bond issuance	6,201	6,897
Increase of deferred income tax assets	(2,032)	(1,758)
Increase of operating receivable	(216,093)	(129,071)
Increase of operating payable	<u>267,179</u>	<u>165,962</u>
	<u><u>60,661</u></u>	<u><u>44,905</u></u>

Bank of Ningbo Co., Ltd.
Supplementary to Financial Statements
For the Year Ended 31 December 2020

Unit: CNY One Million

Supplementary to Financial Statements:

1. List of non-recurring incomes and losses

	2020	2019
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	72	5
Other non-operating income and expense besides the above items	<u>19</u>	<u>(39)</u>
Affected amount of income tax	<u>(29)</u>	<u>7</u>
Affected amount of minority equity(after tax)	<u>(4)</u>	<u>(3)</u>
Non recurring profit and loss attributable to common shareholders of the parent company	<u><u>58</u></u>	<u><u>(30)</u></u>

The confirmation on the items of non-operating gains and loss of the Group is reported in compliance with CSRC Notice [2008] No. 43 *the Explanatory Announcement Concerning the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit & Loss*.

2. ROE (return on equity) and earnings per share

2020	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	14.90	2.43	2.43
Net profit attributable to common shareholders after deducting non recurring profit and loss	14.84	2.42	2.42
2019	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	17.10	2.41	2.41
Net profit attributable to common shareholders after deducting non recurring profit and loss	17.14	2.41	2.41