

BANK OF NINGBO CO., LTD.

(Stock Code: 002142)

2017 Annual Report



Chapter One Important Notes, Content and Interpretation

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

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

The 2nd meeting of the 6th Board of Directors of the Company approved the text and abstract of 2017 Annual Report on Mar 27, 2018. 16 directors in person and 2 as entrusted out of 18 directors attended the meeting, Director Zhu Nianhui authorized Director Chen Yongming for voting and Director Li Rucheng authorized Director Luo Mengbo for voting. Part of supervisors attended as a nonvoting delegates.

The Company's profit distribution plan was approved by the Board of Directors as follows: distribute RMB 4 Yuan (tax inclusive) as cash bonus per 10 shares to all shareholders registered upon the equity registration day. This plan will be submitted to 2017 general meeting of stockholders for further approval.

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

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

Ernst & Young Hua Ming LLP audited the 2017 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 Six Discussion and Analysis of Business Conditions.

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Interpretation

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

Bank of Ningbo, Company	refer to	Bank of Ningbo Co., Ltd.
Maxwealth Fund	refer to	Maxwealth Fund Management Co., Ltd.
Maxwealth Leasing	refer to	Maxwealth Financial Leasing Co., Ltd.
PBOC, central bank	refer to	People's Bank of China
CSRC	refer to	China Securities Regulatory Commission
CBRC	refer to	China Banking 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
Abbreviation of convertible bond	Convertible bond of bank of Ningbo	Convertible bond code	128024
Stock Exchange Listed	Shenzhen Stock Exchange		
Chinese Name	Bank of Ningbo Co., Ltd.		
Chinese Abbreviation	Bank of Ningbo		
English Name (if any)	Bank of Ningbo Co.,Ltd		
English Abbreviation (if any)	Bank of Ningbo		
Legal Representative	Lu Huayu		
Registered Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang, China		
Post Code of Registered Address	315042		
Office Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang, China		
Post Code of Office Address	315042		
Website	WWW.NBCB.COM.CN		
e-mail	DSH@NBCB.COM.CN		

II. Contact information

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

III. Information Disclosure and Place for Inspection

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

V. Registration Changes

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

V. Other Relevant Information

(I) Accounting firm appointed by the Company

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

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

Name of the sponsor institution	Office address of the sponsor institution	Name of sponsor representatives	Period of continuous supervision
CITIC Securities Co., Ltd.	CITIC Securities Mansion, No.48, Liangmaqiao Road, Chaoyang District, Beijing CITIC Securities Mansion, No.8, Central 3 rd Road, Futian District, Shenzhen City, Guangdong Province	Jiang Ying, Wu Ling	From Jan. 12, 2018 to the end of 2019 accounting year

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

VI. Development Vision, Corporate Culture and Investment Value

(I) Development Vision

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

(II) Corporate Culture

Honesty and Professionalism, Compliance and Efficiency, Integration and Innovation

(III) Investment Value and Core Competitiveness

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

2. Adhere to the entry principle of “knowing the market and understanding the customers”, continuously deepen the construction of profit centers, namely Cooperate Banking, Retail Banking, Personal Banking, Financial Market, Credit Card, Investment Banking, Asset Custody and Asset Management and continuously improve the sustainable development capability of Maxwealth Fund and Maxwealth Financial Leasing, thus to form a more diversified profit growth layout.

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

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

the quality and effect of inclusive finance services.

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

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

VII. Major Awards and Rankings in 2017

(I) In the list of “2017 Top 1000 International Banks” issued by the Banker, the Company was ranked the 175th in the world and 24th in China with its tier one capital.

(II) In the list of “2017 Top 500 International Banking Brands” issued by the Banker, the Company was ranked the 140th in the world and 17th in China.

(III) In the list of “2017 Top 500 Listed Companies in China” issued by the Fortune (Chinese version), the Company was ranked the 260th.

(IV) The Company won the second prize in the election of 2016 Financial Institution Supporting the Economic and Social Development of Zhejiang, as organized by the People's Government of Zhejiang Province.

(V) The Company won the Best Inclusive Financial Services of Small and Medium Bank in the election of 2017 Gold Medal List of Financial Institution in China, as organized by Financial Times.

(VI) The Company ranked 10th in the comprehensive financial capability of urban commercial bank and won the 2016 Best Urban Commercial Bank for Financial Institution of Banking Industry in China, as according to the evaluation result of 2016 Bank Financial Products Issuance Institutions issued by China Banking Association.

(VII) The Company won the awards of the Best Financial Bonds Issuer, the Excellent Underwriters and the Excellent Independent Operating Institution in the election of 2017 excellent member of bond market of China, as organized by China Government Securities Depository Trust & Clearing LLC. .

(VIII) The Company was awarded as the “2016 Best Cash Management Bank” in the evaluation of the 2017 China Asset Management “Jin Bei Award”, organized by 21st Century Business Herald; the Company was awarded as the Excellent Urban Commercial Bank for

Investment in the evaluation of Competitiveness of Asian Financial Institutions in 21st century.

(IX) The Company won the award of 2017 Excellent City Commercial Bank of Financial in the election of the 8th Gold Financing, as organized by Shanghai Securities News.

(X) The Company won the award of the Outstanding Bank of Custody Business in the election of 2016-2016 China Outstanding Financial Award by The Economic Observer.

(XI) The Company won the awards of the Most Welcomed Spot Market Makers, the Best Competitive Price Transaction Institution and the Best Foreign Currency Lending Member in the election of 2016 Interbank Foreign Exchange Market organized by China Foreign Exchange Trade System, and listed in the top 300 of 2017 Inter-bank Local Currency Market Transactions, as issued by CFETS.

(XII) The Company won the Junding Price for Financing Brand in China, as according to the election of 2017 Junding Price for China Forturn Management Institution issued by Securities Times.

(XIII) The Company won the Gold Amber Prize in the election of 2017 Excellent Assets Management Banks, as organized by China Business.

Chapter Three Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

Operating Performance (RMB thousand Yuan)	Year 2017	Year 2016	Increase/Decrease by this year	Year 2015
Operating Income	25,314,320	23,645,244	7.06%	19,516,562
Operating Profit	10,179,905	9,653,559	5.45%	8,018,368
Total Profit	10,163,344	9,652,078	5.30%	8,014,928
Net Profit	9,355,717	7,822,742	19.60%	6,566,991
Net Profit Attributable to Shareholders of the Parent Company	9,333,572	7,810,417	19.50%	6,544,333
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	9,350,181	7,812,396	19.68%	6,506,462
Net Cash Flow from Operating Activities	18,000,979	109,411,852	(83.55%)	19,560,541
Per Share (RMB Yuan/share)				
Basic Earnings Per Share (EPS)	1.80	1.50	19.50%	1.29
Diluted Earnings Per Share (EPS)	1.79	1.50	19.33%	1.29
Basic EPS after Non-recurring Profit and Losses	1.80	1.50	19.68%	1.28
Net Cash Flow from Operating Activities per share	3.55	21.58	(83.55%)	3.86
Equity per share, Attributable to Common Stockholder of the Parent Company	10.31	8.97	14.94%	7.92
Financial Ratios				
Fully-diluted Return on Equity (ROE)	17.43%	16.69%	Increased by 0.74%	16.29%
Weighted Average ROE	19.02%	17.74%	Increased by 1.28%	17.68%
Fully-diluted ROE after Non-recurring Profits and Losses	17.46%	16.70%	Increased by 0.76%	16.19%
Weighted Average ROE after Non-recurring Profits and Losses	19.06%	17.75%	Increased by 1.31%	17.58%

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 second-phase dividend of the preferred stocks on Nov. 16, 2017, the total amount of which was RMB 223 million. The Company has considered the effect of the preference dividends when calculating the basic earnings per share and weighted average ROE disclosed in this report.

4. According to the Notice Concerning the Issuance Format of Financial Statement of General Enterprise (C.K. [2017] No. 30), as issued by the Ministry of Finance on Dec 25, 2017, the Related assets disposal incomes and the Government subsidy related to daily activities of the enterprise, formerly included in columns of Non-operating incomes and Non-operating expenses, was now included in newly added columns of Assets disposal incomes and Other incomes. The above mentioned regulation has no influences on the total profit and net profit of the Company.

Scale indicators (RMB thousand Yuan)	End of 2017	End of 2016	Increase/Decrease by this year	End of 2015
Total assets	1,032,042,442	885,020,411	16.61%	716,464,653
Client loans and advances	346,200,780	302,506,678	14.44%	255,688,580
— Personal loans and advances	105,664,001	95,877,504	10.21%	85,201,948
— Corporate loans and advances	216,404,495	186,304,796	16.16%	141,852,708
— Notes discounted	24,132,284	20,324,378	18.74%	28,633,924
Loan loss reserves	14,001,472	9,718,337	44.07%	7,289,475
Total liabilities	974,836,470	834,634,298	16.80%	671,367,334
Client deposits	565,253,904	511,404,984	10.53%	371,373,450
— Personal deposit	105,858,589	100,284,157	5.56%	82,045,992
— Corporate deposit	459,395,315	411,120,827	11.74%	289,327,458
Interbank borrowing	94,606,096	34,832,834	171.60%	20,200,607
stockholders' equity	57,205,972	50,386,113	13.54%	45,097,319
Including: equity attributable to shareholders of the Parent Company	57,089,245	50,278,002	13.55%	45,001,448
Net capital	82,019,503	64,783,567	26.61%	58,822,834
Including: Tier-I net capital	56,810,411	50,026,660	13.56%	44,794,971
Net risk-weighted assets	603,762,790	528,644,875	14.21%	442,562,618

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, 2017 was 667.189 billion Yuan, increasing 102.706 billion Yuan than the beginning of the year with a growth of 18.19%; the total loan is 349.322 billion Yuan, increasing 40.491 billion Yuan than the beginning of the year with a growth of 13.11%.

II. Key Quarterly Financial Indicators

Unit: (RMB) Thousand Yuan

	1 st Quarter of 2017	2 nd Quarter of 2017	3 rd Quarter of 2017	4 th Quarter of 2017
Operating income	6,433,416	5,882,581	6,258,795	6,739,528
Net Profit Attributable to Shareholders of the Parent Company	2,359,215	2,406,275	2,602,374	1,965,708
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	2,369,867	2,403,698	2,612,939	1,963,677
Net Cash Flow from Operating Activities	11,718,653	(31,939,265)	758,689	37,462,902

Note: there's no significant variance between the above financial indicators or the additive total therein and the relevant financial indicators in the Company's disclosed quarterly report or semi-annual reports.

III. Non-recurring Profit and Loss Items and Amount

Unit: (RMB) Thousand Yuan

ITEM	Year 2017	Year 2016	Year 2015
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	(8,674)	227	338
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	(5,753)	39	(37)

Profit and loss from the the reversion of provision for impairment of receivables under the individual impairment test	-	-	54,755
Other non-operating incomes and expenditures except for the above items	(3,027)	(1,482)	(3,440)
Impacts by income tax	845	(763)	(13,745)
Total	(16,609)	(1,979)	37,871

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 2017	Year 2016	Year 2015
According to the Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trial)	Capital adequacy ratio (%)	≥10.5	13.58	12.25	13.29
	Tier-I Capital adequacy ratio (%)	≥8.5	9.41	9.46	10.12
	Core Tier-I Capital adequacy ratio (%)	≥7.5	8.61	8.55	9.03
Liquidity ratio (RMB and foreign currencies) (%)		≥25	51.54	44.95	42.44
Liquidity coverage ratio (%)		≥90	116.23	83.80	100.34
Ratio of deposits and loans (domestic and foreign currencies) (%)			58.06	55.63	63.73
Ratio of non-performing loans (%)		≤5	0.82	0.91	0.92
Provision coverage (%)		≥150	493.26	351.42	308.67
Loan provisioning rate (%)			4.04	3.21	2.85
Loan proportion for the largest single client (%)		≤10	1.56	1.72	2.07
Loan proportion for the ten largest single clients (%)		≤50	10.89	13.23	12.57
Credit proportion for the largest single group client (%)		≤15	1.75	1.90	4.36
Normal loan migration rate (%)	Migration rate of normal loans		1.15	1.95	3.38
	Migration rate of special-mentioned loans		83.59	45.09	34.77
Migration rate of non-performing loans (%)	Migration rate of subprime loans		48.78	53.20	64.06
	Migration rate of doubtful loans		35.34	25.90	18.81
Return on total assets (%)			0.97	0.98	1.03
Cost-income ratio (%)			34.63	34.26	34.03
Asset-liability ratio (%)			94.46	94.31	93.71
Net interest spread (%)			2.17	1.95	2.40
Net interest margin (%)			1.94	1.95	2.38

Note: according to the requirements of *Measures for the Liquidity Risk Management of Commercial Banks (for Trial)*, the liquidity coverage ratio of commercial banks should reach 100% before the end of 2018; and during the transition period, should reach 60%, 70%, 80% and 90% in the end of 2014, the end of 2015, the end of 2016 and the end of 2017 respectively.

Chapter Four Address of the Chairman

In 2017, China's economic witnessed a stable growth, the structural transformation of the economy was accelerated, and the economic quality and benefit was improved significantly. However, the economic and financial environment remained complex and severe. On one hand, sudden risk still existed in the world economy, which may lead to many uncertainties in the operation of China's economy; on the other hand, the domestic private investment growth remained weak, and the development of substantial economy still faced many difficulties. The banking industry was confronted with competitive situation caused by strict industrial policies, accelerated interest rate liberalization and decelerated profit growth , all which set higher requirement for the business transformation of the bank.

2017 is the 20th anniversary of the Company and the 10th anniversary of listing. Led by the Board of Directors of the Company, and with the hardworking of all staff, the Company, as centered by the three main work principles of “risk controlled, performance enhanced and profit guaranteed”, thus to submit a satisfactory report to the 20th anniversary of the Company. By the end of the reporting period, the total asset of the Company reached 1032.042 billion Yuan, increasing by 16.61% over the beginning of the year; the net profits attributable to shareholders of our parent company reached 9.334 billion Yuan, increasing by 19.50% from the previous year; earnings per share was 1.8 Yuan, increasing by 0.30 Yuan compared with that of last year; earning per share attributable to the ordinary shareholders of our parent company was 10.31 Yuan, increasing by 14.94% compared with that at the beginning of this year; the weighted average ROE was 19.02%, increasing by 1.28% from the previous year. In the list of “2017 Top 1000 International Banking Brands” issued by the Banker, the Company ranked the 175th in the world, with its public recognition and market competitiveness continuous improved.

First of all, deepening of construction for our diversified profit centers. The multi-profit center that the company has been building for many years was preliminary formed, and the banking and financial market business of the Company kept increasing. The profit contributed by businesses of personal bank, assets management, investing bank and custody enhanced constantly. Each profit center had the basic customer groups that suit its business development, and the financial service product systems met the demand of customers were available. The profit from branch increased simultaneously, and the profit structure was optimized as well. In addition, Maxwealth Fund as the holding subsidiary of the Company, and Maxwealth Leasing as the wholly-owned subsidiary of the Company, realized a sound development, which contributed to the continuous development capability of the whole bank.

Secondly, the core competitiveness gradually emerged. The Company has been seeking for a suitable business mode and accumulating its advantages in the market segment for years. In 2017, the Company obtained new qualifications such as the main underwriter of Class A debt financing

tools for non-financial enterprises, which enriched the business qualification of the Company, and brought the Company with a broader market participation; the Company explored a business operation rules composed by two retail businesses, which improve its competitiveness in the segment market and enhanced the profit ratio; the Company has owned good reputation and built up solid market awareness in international business and custody business, and has obvious advantages in business procedure and service efficiency. The Company perfected the construction of IT system, and strengthened its leading position among other competing banks. Moreover, it accelerated the construction of technology system and new data center, thus to support the development of the bank.

Thirdly, the stable operation capability enhanced significantly. Risk management is the eternal theme of the banking industry. With the periodical fluctuation of macro economy and the continuous adjustment of economic structure, the company, as guided by the risk management, constantly improved the pertinence and effectiveness of risk management methods, and promoted the key works including centralized operation, post-loan review and 4+N early warning, thus to improve the risk management system. As of the end of the reporting period, the Company's non-performing loan ratio was 0.82%, decreasing by 0.09% compared with that at the beginning of this year. A low non-performing loan indicated the good risk management ability and sound business ability of the Company.

Forth, the growth potential was appreciable. In 2017, the Company, as to meet the strategic development requirement, completed the issuance of tire-II debentures amounted to RMB 10 billion and the issuance of convertible bonds amounted to RMB 10 billion, which guaranteed the steady development of the Company in the future; in respect to daily operation, the Company strengthened the capital control budget, optimized the asset structure and reduced the capital occupation; target customers were positioned based on the customers' list, and the increasing number of clients lay a good foundation for the sustainable development of the Company; the talents group construction made good achievement, and a mechanism for talent introduction, training and selection was established, thus to provide talent resource for the development of Company.

In 2018, China's economy was entering a new era, and the supply-side structural reformation was entering a new stage of development. The risk prevention of financial industry and the deleveraging effect will make the industry more competitive, and great change is necessary for the operation of business. In 2018, the Company will start its new journey and embrace the new challenge. Led by the Board of Directors, the Company will continue to implement the business strategy of "Do what big bank cannot do and small bank is not able to do", and will focus on the present, lay solid foundation for the future, and accumulate comparative advantages for the sound development of the Company.

Chairman: Lu Huayu

Chapter Five Address of the President

In 2017, in the process of transformation from the old driving force to new driving force, the business of banking industry was continuously reconstructed due to financial deleveraging effect, the strict industrial supervision and the development of financial technology. In the face of such complex internal and external environment, the Company, under the leadership of the Board of Directors, maintained strategic concentration, insisted on focusing sources, served the real economy, and satisfactorily completed the business target formulated by the Board of Director, reviewing the operation management work of the Company in 2016, they have five characteristics:

Firstly, sound development of profit and great breakthrough in scale. As of the end of the reporting period, the Company's total assets reached 1032.042 billion Yuan, with an increase of 16.61% than the figure at the beginning of the year; the various deposits balance reached 565.254 billion Yuan, with an increase of 10.53%; the various loans balance reached 346.201 billion Yuan, with an increase of 14.44%. In 2017, the Company realized operating income of 25.314 billion Yuan, with a year-on-year increase of 7.06% and net profits attributable to shareholders of the parent company of 9.334 billion Yuan, with a year-on-year increase of 19.50%. It is the first time that the assets of the Company reached the trillion level, which indicated that the assets scale meet the standard of midsize bank; all scale indexes realized a smooth growth, which guarantee the stability and sustainability for the development of business.

Secondly, comprehensive development of core business, and more reasonable of profit structure. In 2017, the business mode of all profit centers became more mature, the comparative advantages of business were improved through the foundation and experience in the segment markets. In addition to the existing financial service plan of "List Win", "Banking-securities win" and "Import & Export Win", comprehensive financial services were provided for medium customers, as based on the service innovation and products innovation; in retail company business, we focused on the diversity development, and spared no efforts in the improvement of service level in small enterprise financing, settlement and E-bank; in personal banking business, we continuously adhered to the core businesses including deposit, wealth management and consumer credit service, and actively explored the emerging business such as private bank; in financial market business, advanced business mode and development experience from foreign financial market were introduced for the innovation of products system, thus to realize the steady growth of profit; in assets management business, we attached importance to investment-development combination and products optimization, and promoted the continuous development of business through the Diversified distribution of main assets categories; in assets custody business, we strengthened the systematic advantage as supported by product of "Easy Custody", and enhanced the service advantages, and the custody scale of the bank ranked first

among all the urban commercial banks; in the investing bank business, we continued constructing the “investment bank +” brand system, and endeavored to meet the demand of livelihood enterprises, listed company and developing enterprises, thus to achieve good brand effect .

Thirdly, the further promotion of risk management and the management methods. Under the background of strict supervision, the Company continued to strengthen the concept of “controlling the risk is exactly reducing the cost”, continuously deepened the comprehensive risk management, and effectively improved the precise management level. The list mechanism was introduced as a tool for the optimization of management efficiency and the improvement of comprehensive management in aspects of range and accuracy, thus to strengthen the linkage and penetrability; Compliance control was also adopted to improve the compliance awareness of all staff and guarantee the steady implementation of business; Risk control technology based on big data was introduced, and the management efficiency was continuously improved based on advanced management concept and management technology. By the end of the reporting period, the non-performing loan ratio of the Company was 0.82%, decreasing by 0.09% from the beginning of the year, which continued to keep at a low level

Forth, diversified business qualification and optimized comprehensive service. In 2017, the Company obtained new qualifications such as the main underwriter of Class A debt financing tools for non-financial enterprises, member of the national Class A debt underwriter group, member of Shanghai Clearing House for the CDS net amount liquidation, core dealer of credit risk mitigation tool, Credit risk mitigation vouchers and credit union notes issuance institution, etc. Through fixed income investment, equity investment and quantitative investment, Maxwealth Fund achieved steady growth in profits and ranked the top level in the market. With the linkage advantage with the Company, Maxwealth Leasing preliminarily explored a characteristic development way in three main business, including smart leasing, green leasing and livelihood leasing. The complete business qualification and effective linkage service enable the Company to provide more professional comprehensive financial services for customers.

Fifth, deep integration of finance and technology, and strong support by system. In 2017, the Company continued to improve the R&D capability, and promoted the innovation both in technology and business innovation, thus to enhance the support for business. E-channel construction was implemented to meet the demand of customers, and the user experience in mobile banking and WeChat banking were improved to provide full online service. Through the analysis of big data, the customers were further developed and marketed, thus to provide support for the precise customers positioning, risk control, and customers marketing and service as well. The platform strategy were promoted to support the development of characteristic business of branched. In addition, the independent innovation were carried forward, and applications such as cloud computing and AR were strengthened. On this basis, the Company actively promoted the

implementation of two active data center, continuously perfected the construction of infrastructure library, and optimize the information systems architecture, therefore, the security capacity of system operation and maintenance, as well as the continuity of business was greatly enhanced.

In 2017, the operation and management of the Company were widely recognized by the market and customers. In the list of “2017 Top 1000 International Banks” issued by the Banker, the Company was ranked the 175th in the world and 24th in China with its tier one capital. In the list of “2017 Top 500 International Banking Brands” issued by the Banker, the Company was ranked the 140th in the world. In 2018, as led by the Board of Directors of the Bank, and as abide by the operation concept of Customers Oriented, the Company will further improve the financial service capability in segment market, lay a solid foundation, strengthen the risk control, and accumulate the comparative advantages, and strive to build the Company into a modern commercial bank with good reputation and core competitiveness.

President: Luo Mengbo

Chapter Six Discussion and Analysis of Business Conditions

I. General review

Since 2017, the world economy has been slowly recovering, and the Chinese economy, which has entered a new normal, has been driven by the deepening of supply-side reform. Meanwhile, under the economic transformation from old driving force to new driving force, the banking industry, as influenced by factors such as interest rate liberalization, disintermediation, as well as cross-boundary and cross-industry competition, is still facing serious challenges.

Facing the new situation and challenges, the Company, under the guidance of the Board of Directors, persisted in the operation principle of “prudent operation and steady development”, adhered to the “hardworking” spirit, focused on three main lines of “control risk, improve efficiency and guarantee profit”, continued serving the real the substantial economy and improve the quality of business development, thus to guarantee the continuous and steady growth of performance, and the improvement of core competitiveness.

(I) The business scale stepped into new phase. In recent years, In recent years, the company adheres to follow the rules of commercial bank management, maintains strategic concentration, sticks to the basic business, improves service depth and breadth of entity economy, and vigorously strengthens basic business and customer. As a result, the overall business scale reached the trillion level. By the end of the reporting period, the total assets of the Company were 1032.042 billion Yuan, increasing by 16.61% from the beginning of the year; the total deposit was 565.254 billion Yuan, increasing by 10.53% from the beginning of the year; and the total loan was 346.201 billion Yuan, increased by 14.44% from the beginning of the year. Meanwhile, the subsidiary business maintained a good growth trend. By the end of 2017, the publicly offered funds scale of Maxwealth Fund was 86.7 billion Yuan, ranked 32nd among 122 publicly offered funds management institution; the balance of leased assets of Maxwealth was 18.2 billion Yuan, which has been increasing continuously.

(II) Profit growth supported by new driving force. In recent years, the Company actively responds to the changes from interest rate liberalization, and committees to the construction of a diversified profit center. The profit capability of investing banking business, custody business, assets management business and credit card business was further improved. A new profit growth pattern featuring multiple driving force and support was preliminary formed. In 2017, the Company realized the operating income of 25.314 billion Yuan, increasing by 7.06% from the previous year; the net profit attributable to the shareholders of the Parent company was 9.334 billion Yuan at a year-on-year growth rate of 19.50%; the net fees and commissions income were 5.9 billion Yuan, accounting for 23.31% of operating income, At the same time, the branches of the Company outside Ningbo featured continuously enhanced regional profitability and balanced motive force of development ; two subsidiaries kept good development trend as well, thus to make

contribution to the profit growth of the group.

(III) New advantage in assets quality. Good assets quality is the basis for the sustainable development of the Bank. The Company always adheres to the philosophy of “controlling the risk is exactly reducing the cost” consistently, strengthened risk awareness of all the staff, made risk control management more professional and efficient, the qualified assets became the new advantage in the industrial competition. At the end of the reporting period, the non-performing loan balance of the Company was 2.839 billion Yuan, the overdue loan exceeds 90 days was 2.219 billion Yuan, and no price scissors existed in the NPL and overdue loan exceeds 90 days; the NPL ratio was 0.82%, decreased by 0.09% from the beginning of the year; the loan provisioning ratio of the Company was 4.04% with an increase of 0.83 percentage points than the beginning of the year and the provision coverage was 493.26%, 141.84 percentage points higher than the beginning of the year.

(IV) New improvement in the capital efficiency. Through the years, the Company kept exploring a development path featuring low capital consumption, capital-intensive and connotative, and enlarged its basic businesses and strengthen its core businesses, persisted in pushing forward the construction of diversified profit centers, increased profit-making capability, effectively promoted the profit growth and realized the endogenous capital accumulation; on the premise of strengthening the capital budgeting restriction, the Company constantly optimized the asset structure, further coordinated economic capital allocation, and improve the capital efficiency. At the end of the reporting period, the ROEWA of the Company was 19.02%, increased by 1.28% from the previous year, the capital adequacy ratio of the Company was 13.58%, and the Tier-I capital adequacy and the Core Tier-I capital adequacy was 9.41% and 8.61% respectively.

II. Analysis on Main Business

(I) Analysis on items in the Income Statement

In 2017, facing with New Normal of financial deleveraging and new industrial supervision, the company stuck to serving the substantial economy. It devoted to accumulate comparative advantage in the target market during the new round of development and reform in the banking industry, built differentiated core competitiveness in the horizontal competition, and persisted in compliance operation, steady development and continuously strengthened the sustainable development capability. In 2017, the Company realized a operating income of 25.314 billion Yuan, increasing by 7.06% from the previous year and a net profit attributable to the shareholders of the Parent company of 9.334 billion Yuan, increasing by 1.523 billion Yuan than the last year at a year-on-year growth rate of 19.50%.

In 2017, the Company further optimized the income structure. It achieved the net interest income of 16.389 billion Yuan, and the non-interest income of 8.925 billion Yuan, which accounted for 35.26% of the operating income, increased by 9.54% as compared with that in the previous year.

Changes of Key Items in the Income Statement

Unit: (RMB) Thousand Yuan

Item	Year 2017	Year 2016	Increase/Decrease	Increase rate
Operating income	25,314,320	23,645,244	1,669,076	7.06%
Net interest income	16,388,978	17,563,379	(1,174,401)	(6.69%)
Interest income	36,524,250	34,256,494	2,267,756	6.62%
Interest expense	(20,135,272)	(16,693,115)	(3,442,157)	20.62%
Non-interest income	8,925,342	6,081,865	2,843,477	46.75%
Net fees and commissions income	5,899,937	5,543,655	356,282	6.43%
Other non-interest income	3,025,405	538,210	2,487,195	462.12%
Operating expense	(15,134,415)	(13,991,685)	(1,142,730)	8.17%
Business tax and surcharges	(247,472)	(563,896)	316,424	(56.11%)
Operating and administrative expenses	(8,766,635)	(8,100,523)	(666,112)	8.22%
Assets impairment loss	(6,108,069)	(5,320,940)	(787,129)	14.79%
Other operating expenses	(12,239)	(6,326)	(5,913)	93.47%
Operating profit	10,179,905	9,653,559	526,346	5.45%
Net non-operating income	(16,561)	(1,481)	(15,080)	-
Profit before tax	10,163,344	9,652,078	511,266	5.30%
Income tax expense	(807,627)	(1,829,336)	1,021,709	(55.85%)
Net profit	9,355,717	7,822,742	1,532,975	19.60%
Including: net profit attributable to shareholders of the Parent company	9,333,572	7,810,417	1,523,155	19.50%
Minority interest income	22,145	12,325	9,820	79.68%

1. Net Interest Income

In 2017, facing the industrial trend of interest rate liberalization and continuous rising of capital price in monetary market, , the Company actively adjusted the asset-liability structure, strove to improve the return on assets by reasonably arranging assets and accelerating asset turnover, controlled the cost of debt by actively adjusting the liability structure and optimizing debt sources. The Company's net interest income of the year was 16.389 billion Yuan

Unit: (RMB) Thousand Yuan

Item	Year 2017	Year 2016	Increase/Decrease	Increase rate
Interest income	36,524,250	34,256,494	2,267,756	6.62%
Loans and advances	17,052,256	15,304,814	1,747,442	11.42%
Due from banks	521,789	394,643	127,146	32.22%
Deposit in the central bank	1,212,721	1,031,324	181,397	17.59%
Lending funds	99,905	165,023	(65,118)	(39.46%)
Buying back the sale of financial assets	371,828	314,900	56,928	18.08%
Bond investment	6,782,627	4,585,356	2,197,271	47.92%
Financial product and asset management plan	10,471,770	12,457,468	(1,985,698)	(15.94%)
Others	11,354	2,966	8,388	282.81%
Interest expense	20,135,272	16,693,115	3,442,157	20.62%

Deposits from banks	1,102,406	2,176,968	(1,074,562)	(49.36%)
Borrowings from central bank	501,696	198,397	303,299	152.87%
Borrowing funds	1,471,108	572,742	898,366	156.85%
Deposit from customers	9,439,917	8,133,684	1,306,233	16.06%
Financial assets sold for repurchase	1,140,272	850,768	289,504	34.03%
Bond issued	6,472,201	4,758,346	1,713,855	36.02%
Others	7,672	2,210	5,462	247.15%
Net interest income	16,388,978	17,563,379	(1,174,401)	(6.69%)

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

Unit: (RMB) Thousand Yuan

Item	Year 2017			Year 2016		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
Assets						
General loans	291,661,134	15,845,852	5.43%	221,489,975	12,679,573	5.72%
Securities investment	370,158,730	17,254,397	4.66%	432,771,823	17,042,824	3.94%
Deposit in People's Bank of China	82,295,813	1,212,721	1.47%	72,496,897	1,031,324	1.42%
Due from banks and other financial institutions	37,859,669	1,004,876	2.65%	38,481,195	877,532	2.28%
Total interest-bearing assets	781,975,346	35,317,846	4.52%	765,239,890	31,631,253	4.13%
Liabilities						
Deposits	551,235,242	9,439,917	1.71%	474,281,461	8,133,684	1.71%
Due to banks and other financial institutions	139,524,975	3,721,458	2.67%	146,290,009	3,602,689	2.46%
Bonds payable	150,315,079	6,472,201	4.31%	136,985,390	4,758,346	3.47%
Borrowings from central bank	16,721,945	501,696	3.00%	6,488,251	198,397	3.06%
Total interest-bearing liabilities	857,797,241	20,135,272	2.35%	764,045,111	16,693,116	2.18%
Net interest income		15,182,574			14,938,137	
Net interest spread (NIS)			2.17%			1.95%
Net interest margin (NIM)			1.94%			1.95%

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

2. The general loans exclude discounts and advances.

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

4. Net interest spread = average interest rate of interesting-bearing assets - average interest rate of interesting-bearing liabilities; net interest margin = net interest income ÷ average balance of interesting-bearing assets

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

scale and interest rate

Unit: (RMB) Thousand Yuan

Item	Year 2017 VS Year 2016		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
Assets			
General loans	4,017,069	(850,790)	3,166,279
Securities investment	(2,465,743)	2,677,316	211,573
Deposit in People's Bank of China	139,397	42,000	181,397
Due from banks and other financial institutions	(14,173)	141,517	127,344
Changes on interest income	1,676,550	2,010,043	3,686,593
Liabilities			
Customer deposits	1,319,718	(13,485)	1,306,233
Due to banks and other financial institutions	(166,603)	285,372	118,769
Bonds payable	463,022	1,250,833	1,713,855
Borrowings from central bank	312,923	(9,624)	303,299
Changes on interest expense	1,929,060	1,513,096	3,442,156
Changes on net interest income	(252,510)	496,947	244,437

Net interest margin

In 2017, under the new situation of interest rate liberalization, the Company adjusted strategy and responded actively on the premise of controllable risks to control the liabilities cost expenditure and promote the assets income level based on the measure of accelerating the assets and liabilities layout, through deepening the customer operation, optimizing the product pricing mode and increasing the proportion of current deposit, thus, the net profit margin rebounded from quarter to quarter. In 2017, the Company's net interest margin was 1.95%, increasing by 22 basic points on year-on-year basis.

(I) Interest income

In 2017, the Company achieved the interest income of 36.524 billion Yuan, increasing by 6.62% over the previous year. It was mainly due to the expansion of interest-bearing assets and optimization of structure.

Loan interest income

In 2017, facing the trend of acceleration of interest rate liberalization process and continuous narrowing of interest spreads of deposit and loan, the Company kept up the pace of change of macro policy situation, steadily improved the credit availability on the premise of controllable risks and achieved the interest income of general loans (excluding discounts and advances) as 15.846 billion Yuan, increasing by 3.166 billion Yuan than the previous year

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

Unit: (RMB) Thousand Yuan

Item	Year 2017			Year 2016		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	214,005,229	10,838,833	5.06%	163,058,505	8,778,196	5.38%
Personal loans	77,655,905	5,007,019	6.45%	58,431,470	3,901,377	6.68%
Total loans	291,661,134	15,845,852	5.43%	221,489,975	12,679,573	5.72%

Securities investment interest income

In 2017, the Company reached the interest income from securities investment of 17.254 billion Yuan, increasing by 0.212 billion Yuan from the previous year. The Company, by took into consideration the liquidity management and assets & liabilities structure optimization, adapted to the market change, reasonable set the investment variety, and as a result, the average yield of this assets increased.

Interest income from due from banks and other financial institutions

In 2017, the Company achieved the interest income from due from banks and other financial institutions as 1.005 billion Yuan, decreasing by 0.127 billion Yuan from the previous year. It is mainly due to the increasing interest rate of the asset.

(2) Interest expense

In 2017, the interest expense of the Company was 20.135 billion Yuan, increasing by 3.442 billion Yuan from the previous year. It was mainly due to the expanded scale and increased interest rate of liability with interest.

Interest expense for customer deposits

In 2017, the interest expense for customer deposits of the Company was 9.440 billion Yuan, accounting for 46.88% of the total interest expense, increasing by 1.306 billion Yuan from the previous year at a growth rate of 16.06%. It was mainly due to the increase of 16.23% for the average daily balance of customer deposits from the previous year. While the Company promoted the steady growth of deposit scale, it constantly optimized the structure of deposits and reached the proportion of average daily current deposit as 52.12% in the reporting period, increasing by 2.72 percentage points from the previous year. The cost rate of deposit during the reporting period of the Company was 1.71%, same with the previous year.

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

Unit: (RMB) Thousand Yuan

Item	Year 2017			Year 2016		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	256,002,348	2,782,120	1.09%	206,208,574	1,930,424	0.94%

Time	186,921,433	4,159,796	2.23%	169,340,813	3,748,723	2.21%
Subtotal	442,923,781	6,941,916	1.57%	375,549,387	5,679,147	1.51%
Personal deposits						
Demand	31,274,358	104,841	0.34%	28,075,933	107,633	0.38%
Time	77,037,103	2,393,160	3.11%	70,656,141	2,346,904	3.32%
Subtotal	108,311,461	2,498,001	2.31%	98,732,074	2,454,537	2.49%
Total	551,235,242	9,439,917	1.71%	474,281,461	8,133,684	1.71%

Interest expense for due to banks and other financial institutions

In 2017, the interest expense for due to banks and other financial institutions of the Company reached 3.721 billion Yuan, decreasing by 0.119 billion Yuan over the previous year. It was mainly due to the increasing of average cost rate of this kind of liability.

Interest expense for issued liabilities

In 2017, the interest expense for issued liabilities of the Company was 6.472 billion Yuan, increasing by 1.714 billion Yuan over the previous year. It was mainly due to the expanded issuing scale of the interbank deposit.

2.Non-interest Income

During the reporting period, the non-interest income of the Company reached 8.925 billion Yuan, including the net fees and commission income as 5.900 billion Yuan at a growth rate of 6.43% over the previous year.

Main composition of non-interest income

Unit: (RMB) Thousand Yuan

Item	Year 2017	Year 2016	Increase/decrease	Increase rate
Fees and commissions income	6,375,502	6,206,195	169,307	2.73%
Less: fees and commission expense	475,565	662,540	(186,975)	(28.22%)
Net fees and commissions income	5,899,937	5,543,655	356,282	6.43%
Other non-interest income	3,025,405	538,210	2,487,195	462.12%
Total	8,925,342	6,081,865	2,843,477	46.75%

Net fees and commissions income

Unit: (RMB) Thousand Yuan 元

Item	Year 2017	Year 2016	Increase/decrease	Increase rate
Settlement business	185,569	211,612	(26,043)	(12.31%)
Bank cards business	1,578,169	1,811,692	(233,523)	(12.89%)
Agency services business	3,795,111	3,503,288	291,823	8.33%
Guarantees business	281,066	189,056	92,010	48.67%
Commitment business	8,487	45,663	(37,176)	(81.41%)
Custody business	492,035	401,026	91,009	22.69%
Consulting business	29,972	40,238	(10,266)	(25.51%)
Others	5,093	3,620	1,473	40.69%
Fees and commissions income	6,375,502	6,206,195	169,307	2.73%

Less: fees and commissions expense	475,565	662,540	(186,975)	(28.22%)
Net fees and commissions income	5,899,937	5,543,655	356,282	6.43%

During the reporting period, the Company actively adapt to the economic transformation and upgrading, seized the new opportunities in financial technology, met the diversified demand of customers, strengthened the innovation of products, businesses and services, and promoted the transformation and development of intermediate business. In 2017, the fees and commissions income of the Company was 5.900 billion Yuan, of which, the business income from e-banking, international L/G and custody achieved rapid growth. Follows are the detailed commission income:

The income of agency services business reached 3.795 billion Yuan, increasing by 8.33% from the previous year. It was mainly due to the quick development of e-banking business of the Company.

The income of guarantee business reached 0.281 billion Yuan, increasing by 48.67% from the previous year. It was mainly due to the promotion of international business by the Company and the rapid growth income from international L/G business.

The income of custody business reached 0.492 billion Yuan with a year-on-year increase of 22.69%. It was mainly because the Company pushed forward the development of custody business comprehensively.

3.Business and Administrative Expenses

In 2017, the business and administrative expense of the Company was 8.767 billion Yuan with a year-on-year growth of 8.22% and the cost-income ratio was 34.63%. The increase of expenses was mainly due to the influence of strategic resources investment and business scale growth. Firstly, the Company reinforced the investment in large-scale retailing. For the support of community finance, network finance and small & micro finance, there was a year-on-year growth in the investment on large-scale retailing; secondly, the Company reinforced the investment in the information technology and electronic channel; thirdly, the Company attached great importance to the talent introduction and staff training, and strengthened the investment on human resources. During the reporting period, in addition to the strategic resource promotion and business scale development, the Company continuously upgraded the cost budget management tool, strengthened the delicacy management of cost, and optimize the resource allocation, thus to guarantee the business development.

The table below shows the main composition of business and administrative expenses during the reporting period.

Unit: (RMB) Thousand Yuan

Item	Year 2017	Year 2016	Increase/dec	Increase
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			rease	rate
Staff costs	5,454,969	4,725,226	729,743	15.44%
Business expenses	2,678,478	2,797,660	(119,182)	(4.26%)
Depreciation of fixed assets	392,775	343,192	49,583	14.45%
Amortization of long-term deferred expenses	157,097	148,413	8,684	5.85%
Amortization of intangible assets	75,233	57,752	17,481	30.27%
Taxes	8,083	28,280	(20,197)	(71.42%)
Total	8,766,635	8,100,523	666,112	8.22%

4.Assets Impairment Loss

In 2017, the assets impairment loss of the Company was 6.108 billion Yuan, increasing by 0.787 billion Yuan than the previous year at a growth rate of 14.79%. Main reasons were as follows: with the steady growth of the assets scale, the Company, with the principle of prudence, strengthened the withdrawal of impairment loss of assets, such as loans and receivables.

Unit: (RMB) Thousand Yuan

Item	Year 2017	Year 2016	Increase/decrease	Increase rate
Loan impairment loss	5,717,662	5,041,742	675,920	13.41%
Investment impairment loss of receivables	369,163	240,000	129,163	53.82%
Impairment loss of other receivables	8,744	-	8,744	-
Held-to-maturity investment impairment loss	12,500	37,500	(25,000)	(66.67%)
Financial assets available for sale impairment loss	-	1,698	(1,698)	(100%)
Total	6,108,069	5,320,940	787,129	14.79%

(II) Analysis of the Balance Sheet

1. Assets

As of Dec. 31, 2017, the total assets of the Company reached 1032.042 billion Yuan, increasing by 16.61% than the end of 2016. The increase of total assets was due to the growth of security investment, loan issuing and deposit in other banks of the Company.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2017		Dec. 31, 2016		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	90,193,821	8.74%	93,376,715	10.55%	(3,182,894)	(1.81)
Due from other banks	29,550,692	2.86%	17,027,924	1.92%	12,522,768	0.94
Previous metals	843,573	0.08%	269,586	0.03%	573,987	0.05
Lending funds	2,045,994	0.20%	6,702,519	0.76%	(4,656,525)	(0.56)
Financial assets at fair value through profit and loss	146,481,901	14.19%	8,276,310	0.94%	138,205,591	13.25
Derivative financial assets	31,333,752	3.04%	13,939,542	1.58%	17,394,210	1.46

Item	Dec. 31, 2017		Dec. 31, 2016		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Redemptory monetary capital for sale	1,096,968	0.11%	19,731,604	2.23%	(18,634,636)	(2.12)
Interest receivable	4,156,455	0.40%	3,963,301	0.45%	193,154	(0.05)
Loans and advances	332,199,308	32.19%	292,788,341	33.08%	39,410,967	(0.89)
Available-for-sale financial assets	218,842,775	21.20%	280,551,719	31.70%	(61,708,944)	(10.50)
Held-to-maturity investment	60,782,788	5.89%	39,370,701	4.45%	21,412,087	1.44
Investment receivables	95,278,972	9.23%	99,576,315	11.25%	(4,297,343)	(2.02)
Investment real estate	46,726	-	16,598	-	30,128	-
Fixed assets	4,810,959	0.47%	3,517,820	0.40%	1,293,139	0.07
Intangible assets	342,963	0.03%	287,903	0.03%	55,060	-
Construction in progress	1,278,052	0.12%	2,241,204	0.25%	(963,152)	(0.13)
Deferred income tax assets	4,651,064	0.45%	1,166,125	0.13%	3,484,939	0.32
Other assets	8,105,679	0.80%	2,216,184	0.25%	5,889,495	0.55
Total assets	1,032,042,442	100.00%	885,020,411	100.00%	147,022,031	-

(1) Loans and advances

As of Dec. 31, 2017, the total loans and advances of the Company reached 346.201 billion Yuan and the net amount was 332.2 billion Yuan after deducting the loan loss reserves of 14.001 billion Yuan, increasing by 13.46% than the end of the previous year.

Corporate loan

As of Dec 31, 2017, the total corporate loan of the Company was 216.404 billion Yuan with an increase of 30.1 billion Yuan over the end of the previous year and accounting for 62.51% of the total loans and advances. In 2017, under the background of the supply-side reform being pushed forward, the Company actively responded to the changed effective credit demands and kept steady increase of corporate loans based on the principle of prudent credit extension.

Discount for bills

As of Dec. 31, 2017, the discount for bills was 24.132 billion Yuan, accounting for 6.97% of the total loans and advances.

Personal loan

As of Dec. 31, 2017, the discount for bills was 105.664 billion Yuan, accounting for 30.52% of the total loans and advances.

Unit: (RMB) Thousand Yuan

Industry	2017	2016
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	Amount	Proportion	Amount	Proportion
Corporate loans and advances	216,404,495	62.51%	186,304,796	61.59%
Loans	212,156,660	61.28%	182,533,502	60.34%
Trading financing	4,247,835	1.23%	3,771,294	1.25%
Bill discounting	24,132,284	6.97%	20,324,378	6.72%
Personal loans and advances	105,664,001	30.52%	95,877,504	31.69%
Personal consumption loan	87,301,230	25.21%	86,407,106	28.56%
Personal operation loan	17,237,071	4.98%	8,175,108	2.70%
Personal housing loan	1,125,700	0.33%	1,295,290	0.43%
Total amount	346,200,780	100.00%	302,506,678	100.00%

(2) Security investment

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

Investment structure divided upon purpose

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2017		Dec. 31, 2016	
	Amount	Proportion	Amount	Proportion
Financial assets at fair value through profit and loss	146,481,901	28.10%	8,276,310	1.94%
Financial assets available for sale	218,842,775	41.97%	280,551,719	65.58%
Held-to-maturity investments	60,782,788	11.66%	39,370,701	9.20%
Investment receivables	95,278,972	18.27%	99,576,315	23.28%
Total	521,386,436	100.00%	427,775,045	100.00%

Financial assets at fair value through profit and loss

As of Dec. 31, 2017, the financial assets at fair value through profit and loss of the Company was 146.482 billion Yuan, increasing by 138.206 billion Yuan than the end of the previous year. It is mainly due to the strengthening of investment on money market fund by comprehensively taking into consideration the liquidity management and assets & liabilities structure optimization.

Financial assets available for sale

As of Dec. 31, 2017, the financial assets available for sale of the Company was 218.843 billion Yuan, decreasing by 61.709 billion Yuan over the end of 2015. It was mainly due to the decrease of investment in bank financial products.

Held-to-maturity investments

As of Dec. 31, 2017, the total face value of the held-to-maturity bond of the Company was 60.783 billion Yuan, increasing by 21.412 billion Yuan over the end of the previous year. For the consideration of interest rate risk management and liquidity management demand, the Company appropriately increased held-to-maturity bonds during the fluctuation of bond yields, thus the investment balance of such asset increased compared to that at the beginning of the year.

Investment receivables

Investment receivables refer to the various bond investment held by the Company without open market price in domestic or overseas market. As of Dec. 31, 2017, the balance of investment receivables was 95.279 billion Yuan, increasing by 4.297 billion Yuan over the end of 2015, which was mainly due to the decrease of investment in asset management plan.

Situation of ten financial bonds held with the highest face value

Unit: (RMB) Thousand Yuan

Category	Balance of face value	Interest rate%	Date of maturity	Depreciation reserve
Financial bond of 2016	960,000	2.79	2019/7/27	-
Financial bond of 2017	750,000	4.02	2022/4/17	-
Financial bond of 2016	420,000	2.96	2021/7/27	-
Financial bond of 2015	400,000	3.83	2018/3/10	-
Financial bond of 2017	390,000	4.24	2027/8/24	-
Financial bond of 2016	334,000	2.96	2021/2/18	-
Financial bond of 2017	286,005	4.04	2027/4/10	-
Financial bond of 2015	272,000	2.98	2018/11/4	-
Financial bond of 2015	270,000	3.81	2025/2/5	-
Financial bond of 2015	250,000	3.59	2018/7/17	-

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, 2017, the total face value of the ten largest financial bonds was 4.332 billion Yuan, mainly of which was financial bond of policy banks with the average yield of 3.46% and the major holding period as 3-5 years.

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

Unit: (RMB) Thousand Yuan

Derivative financial instruments	Dec. 31, 2017		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	15,930,087	246,869	(216,608)
Foreign exchange swap	1,943,728,242	26,487,224	(30,420,751)
Interest rate swap	1,097,759,459	3,366,548	(3,306,995)
Currency swap	1,916,509	35,723	(308)
Option contract	85,409,673	1,019,109	(1,150,819)
Precious metal forward/swap	18,583,605	178,279	(73,437)
Total	3,163,327,575	31,333,752	(35,168,918)

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

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

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

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

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

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

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

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

Under the overall environment of financial deleveraging, the market interest continued increasing throughout the year of 2017. The Company, through strategies of interest rate swap hedging, securities lending and curve transaction, effectively controlled the market risk and realized a steady style.

(4) Interest receivables and bad debt provision on- and off-balance sheet

As of Dec. 31, 2017, the total interest receivables on- and off-balance sheet was 4.661 billion Yuan, including 4.156 billion Yuan of on-balance sheet interest receivables and 0.505 billion Yuan as off-balance sheet.

Unit: (RMB) Thousand Yuan

Item	Beginning balance	Current increase and decrease	Ending balance	Balance of bad debt reserve	Withdrawal method
Interest receivables on the balance sheet	3,963,301	193,154	4,156,455	-	Individually determined
Interest receivables off the balance sheet	433,615	71,329	504,944	-	-

(5) Debt assets and provision for impairment

As of Dec. 31, 2017, the total amount of debt assets of the Company was 0.071 billion Yuan, the provision for impairment was 0 and the net debt assets was 0.071 billion Yuan.

Unit: (RMB) Thousand Yuan

Land, housing and buildings	70,784
Equity	-
Subtotal	70,784
Provision for debt assets impairment loss	-
Net value of debt assets	70,784

2. Liabilities

As of Dec. 31, 2017, the total liabilities of the Company was 974.836 billion Yuan, increasing by 140.202 billion Yuan than the end of the previous year at a growth rate of 16.80%. It was mainly due to the increase of deposits, bonds payables, loans from other banks and other liabilities.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2017		Dec. 31, 2016		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Borrowings from central bank	2,500,000	0.26%	26,000,000	3.11%	(23,500,000)	(2.85)
Due to other banks and financial institutions	27,292,435	2.80%	44,584,064	5.34%	(17,291,629)	(2.54)
Loans from other banks	94,606,096	9.70%	34,832,834	4.17%	59,773,262	5.53
Financial assets at fair value through profit and loss	5,430,875	0.56%	6,230,918	0.75%	(800,043)	(0.19)
Derivative financial liabilities	35,168,918	3.61%	12,164,267	1.46%	23,004,651	2.15
Financial assets sold for repurchase	45,988,790	4.72%	62,451,215	7.48%	(16,462,425)	(2.76)
Deposit taking	565,253,904	57.98%	511,404,984	61.27%	53,848,920	(3.29)
Wages and salaries payable	1,996,109	0.20%	1,863,053	0.22%	133,056	(0.02)
Tax payable	3,035,863	0.31%	1,260,189	0.15%	1,775,674	0.16
Interest payable	8,375,889	0.86%	7,160,302	0.86%	1,215,587	-
Bond payable	171,499,442	17.59%	112,984,659	13.54%	58,514,783	4.05
Deferred income	355,374	0.04%	300,609	0.04%	54,765	-
Other liabilities	13,332,775	1.37%	13,397,204	1.61%	(64,429)	(0.24)
Total liabilities	974,836,470	100.00%	834,634,298	100.00%	140,202,172	-

Customer deposits

During the reporting period, the Company recognized the deposit as the basic resource for transformation and upgrading. It continued to consolidate basic position of customer deposits, expand fund sources at lower cost and of better stability, actively compete for all kinds of high-quality deposits, upgrade the customer marketing mode and improve the deposit interest rate differentiation pricing mechanism, and achieved the rapid growth of customer deposits. As of Dec. 31, 2017, the total customer deposits of the Company was 565.254 billion Yuan, increasing by 53.849 billion Yuan than the end of the previous year at a growth rate of 10.53% and accounting for 57.98% of the total liabilities of the Company.

The table below shows the customer deposits categorized upon product types and customer types at the end of Dec. 31, 2017.

Unit: (RMB) Thousand Yuan

Item	Year 2017		Year 2016	
	Balance	Proportion	Balance	Proportion
Corporate deposits				
Demand	264,539,229	46.81%	232,395,561	45.44%
Time	194,856,086	34.47%	178,725,266	34.95%
Subtotal	459,395,315	81.28%	411,120,827	80.39%
Personal deposits				
Demand	32,640,479	5.77%	28,815,639	5.64%
Time	73,218,110	12.95%	71,468,518	13.97%
Subtotal	105,858,589	18.72%	100,284,157	19.61%
Total	565,253,904	100.00%	511,404,984	100.00%

During the reporting period, in addition to the promotion of steady growth of deposit scale, the Company actively optimized the deposit structure. As of Dec. 31, 2017, the proportion of the Company's demand deposits in the total customer deposits was 52.58%, increasing by 1.5 percentage points over the end of the previous year.

3. Shareholders' Equity

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2017		Dec. 31, 2016		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	5,069,732	8.86%	3,899,794	7.74%	1,169,938	1.12
Other equity instruments	6,719,945	11.75%	4,824,691	9.58%	1,895,254	2.17
Capital reserve	8,779,906	15.35%	9,948,236	19.74%	(1,168,330)	(4.39)
Other comprehensive income	(2,074,136)	(3.63%)	757,027	1.51%	(2,831,163)	(5.14)
Earned surplus	4,857,149	8.49%	3,946,749	7.83%	910,400	0.66
General risk reserve	7,858,597	13.74%	6,686,969	13.27%	1,171,628	0.47
Undistributed profit	25,878,052	45.24%	20,214,536	40.12%	5,663,516	5.12
Equity attributable to	57,089,245	99.80%	50,278,002	99.79%	6,811,243	0.01

shareholders of the Parent company						
Minority equity	116,727	0.20%	108,111	0.21%	8,616	(0.01)
Total shareholders' equity	57,205,972	100.00%	50,386,113	100.00%	6,819,859	-

(III) Analysis of assets quality

During the reporting period, the credit assets scale of the Company was in a stable growth and the non-performing loans were in general control. As of Dec. 31, 2017, the total loans of the Company was 346.201 billion Yuan, increasing by 14.44% over the end of the previous year; the ratio of non-performing loan was 0.82%, increasing by 0.09% than the beginning of the year, which was relatively low.

Quality of loan assets at the end of the reporting period

Unit: (RMB) Thousand Yuan

Five-tire classification	Dec. 31, 2017		Dec. 31, 2016		Changes	
	Loans & advances	Proportion	Loans & advances	Proportion	Increase/decrease	Proportion (percentage point)
Subtotal of Non-NPL	343,362,226	99.18%	299,741,209	99.09%	43,621,017	0.09
Standard	341,011,625	98.50%	295,710,612	97.76%	45,301,013	0.74
Special mention	2,350,601	0.68%	4,030,597	1.33%	(1,679,996)	(0.65)
Subtotal of NPL	2,838,554	0.82%	2,765,469	0.91%	73,085	(0.09)
Substandard	1,038,663	0.30%	1,551,499	0.51%	(512,836)	(0.21)
Doubtful	1,265,567	0.37%	885,237	0.29%	380,330	0.08
Loss	534,324	0.15%	328,733	0.11%	205,591	0.04
Total customer loans	346,200,780	100.00%	302,506,678	100.00%	43,694,102	-

Under the loan supervision system of five-class classification, the non-performing loans of the Company was classified as substandard, doubtful and loss loans. As of the end of the reporting period, the total non-performing loans of the Company was 2.839 billion Yuan with the ratio of non-performing loan as 0.82%. The substandard loans proportion rose by 0.21 percentage points to 0.30%

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

Unit: (RMB) Thousand Yuan

Industry	Year 2017	
	Amount	Proportion
Agriculture, forestry, animal husbandry, fishing	1,882,566	0.54%
Mining	387,263	0.11%
Manufacturing	53,644,324	15.50%
Production and supply of electricity, gas and water	4,561,219	1.32%
Construction	16,576,617	4.79%
Transportation, storage, mailing	6,620,040	1.91%
Information transfer, computer service and software	5,210,837	1.51%

Commerce	32,601,095	9.42%
Hotel, restaurant	570,614	0.16%
Finance	525,539	0.15%
Operating property loan	8,338,480	2.41%
Leasing and commercial service	55,938,866	16.16%
Scientific research, technology service and geological exploitation	1,114,287	0.32%
Water resource, environment and public facilities management and investment	31,634,929	9.14%
Real estate development	11,538,315	3.33%
Loans for urban construction	3,079,701	0.89%
Resident service and other services	991,194	0.29%
Education	917,775	0.27%
Health, social security and welfare	374,150	0.11%
Culture, sports and entertainment	2,882,128	0.83%
Public management and social organization	1,146,840	0.33%
Personal loans	105,664,001	30.51%
Total	346,200,780	100.00%

During the reporting period, on one hand, the Company constantly enhanced the support on entity economy, especially the middle and small-sized enterprises, strengthened the credit resource guarantee for middle and small-sized enterprises in industries of manufacturing, commercial, leasing and commercial service; on the other hand, actively adjusted the credit structure, strictly controlled the total credit for group customers, abided by supervision department's "Three Red Lines" for government platform loans, restricted the credit investment in industries with excessive capacity and uncertain future and further improved the anti-risk capability of credit assets.

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

Region	Unit: (RMB) Thousand Yuan	
	Year-end balance	
	Amount	Proportion
Zhejiang Province	187,387,657	54.13%
Including: Ningbo	141,563,691	40.89%
Shanghai	29,272,116	8.46%
Jiangsu Province	84,813,958	24.50%
Guangdong Province	32,157,794	9.29%
Beijing	12,569,255	3.62%
Total amount of loans and advances	346,200,780	100.00%

The credit policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, customer access policy, etc and formulated regional credit extension enforcement regulation combining with the local conditions to highlight the differentiation between credit policies for different regions and made the policy

closer to the local market. At the end of the reporting period, the loans of the Company were mainly in Zhejiang, Jiangsu and Guangdong.

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

Unit: (RMB) Thousand Yuan

Guarantee type	Year-end balance	
	Amount	Proportion
Credit Loan	97,112,884	28.04%
Guarantee loan	119,976,172	34.66%
Mortgage loan	98,858,925	28.56%
Pledge loan	30,252,799	8.74%
Total amount of loans and advances	346,200,780	100.00%

During the economic downturn, the Company consolidated the basis of risk prevention by risk mitigation measures such as increasing the mortgage and pledged goods. As of the end of the reporting period, the maximum proportion of mortgage and pledge loans was 37.30%.

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

Unit: (RMB) Thousand Yuan

Industry	Loan balance	Proportion to net capital
Water resource, environment and public facilities management	1,279,956	1.56%
Leasing and commercial service	1,050,000	1.28%
Construction	1,000,000	1.22%
Water resource, environment and public facilities management	1,000,000	1.22%
Leasing and commercial service	820,000	1.00%
Leasing and commercial service	809,011	0.99%
Construction	800,000	0.98%
Water resource, environment and public facilities management	800,000	0.98%
Water resource, environment and public facilities management	726,001	0.89%
Real estate		development
Total	8,929,968	10.89%
Net capital		82,019,503

As of the end of the reporting period, the loan balance for the largest single client was 1,279.96 million Yuan, accounting for 1.56% of the net capital. The loan balance of the top 10 customers was 8,929.97 million Yuan, accounting for 10.89% of the net capital and 2.58% of the total loans of the Company.

Loans divided upon overdue limit

Unit: (RMB) Thousand Yuan

Overdue limit	Dec. 31, 2017		Dec. 31, 2016	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	488,221	0.14%	1,206,504	0.39%
Overdue for 3 months to 1 year	1,453,335	0.42%	1,461,479	0.48%
Overdue for more than 1 year and within 3 years	733,163	0.21%	771,821	0.26%

Overdue for more than 3 years	32,329	0.01%	46,473	0.02%
Total overdue loans	2,707,048	0.78%	3,486,277	1.15%

As of the end of the reporting period, the overdue loans of the Company was 2.707 billion Yuan, decreasing by 0.779 billion Yuan than the end of the previous year and the proportion of overdue loan was 0.78%, decreasing by 0.37 percentage points than the end of the previous year.

Provision and written-off of bad debts

Item	Unit: (RMB) Thousand Yuan		
	Year 2017	Year 2016	Year 2015
Balance at the beginning of the year	9,718,337	7,289,475	5,312,304
Current provision	5,717,662	5,041,742	3,835,612
Current Write-Off	(1,942,881)	(2,848,794)	(1,927,873)
Current recovery	564,291	287,704	137,180
Including: recoveries of loans and advances written-off previously	564,291	287,704	137,180
Transferred in from decreased loan interests	(55,937)	(51,790)	(67,748)
Balance at the end of the year	14,001,472	9,718,337	7,289,475

During the reporting period, the total provision of loan loss reserves of the Company was 5.718 billion Yuan, the recovery of non-performing loan was 0.564 billion Yuan, the written-off of non-performing loan was 1.943 billion Yuan and the balance of the loan loss reserves at the end of the reporting period was 14.001 billion Yuan.

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

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

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

(IV) Analysis of the cash flow statement

The net cash inflow from operating activities was 18.001 billion Yuan, including the cash flow of 118.882 billion Yuan, decreasing by 77.375 billion Yuan than the previous year. It was mainly due to the decrease of customer deposits. The cash outflow was 100.881 billion Yuan, increasing by 14.036 billion Yuan. It was mainly due to the maturing of borrowing from the

central bank,

The net cash inflow from investment activities was 79.867 billion Yuan, including the cash inflow as 3,217.275 billion Yuan, decreasing by 534.935 billion Yuan than the previous year. It was mainly due to the decrease of cash inflow from returns on investment. The cash outflow was 3,297.142 billion Yuan, decreasing by 501.647 billion Yuan than the previous year. It was mainly due to the decrease of cash outflow for investment

The net cash inflow from financing activities was 54.069 billion Yuan, including the cash inflow of 458.395 billion Yuan, increasing by 231.455 billion Yuan than the previous year. It was mainly due to the cash inflow of bond issuance and negotiable certificate of deposit; the cash outflow was 404.326 billion Yuan, increasing by 139.583 billion Yuan than the previous year. It was mainly due to the payment of principal and interest of issued matured inter-bank deposits.

Unit: (RMB) Thousand Yuan			
Item	Year 2017	Year 2016	Changes
Subtotal of cash inflows from operating activities	118,881,746	196,256,393	(77,374,647)
Subtotal of cash outflows from operating activities	100,880,767	86,844,541	14,036,226
Net cash flow from operating activities	18,000,979	109,411,852	(91,410,873)
Subtotal of cash inflows from investment activities	3,217,274,948	3,752,209,762	(534,934,814)
Subtotal of cash outflows from investment activities	3,297,142,439	3,798,789,232	(501,646,793)
Net cash flow from investment activities	(79,867,491)	(46,579,470)	(33,288,021)
Subtotal of cash inflows from financing activities	458,395,254	226,940,000	231,455,254
Subtotal of cash outflows from financing activities	404,326,347	264,743,219	139,583,128
Net cash flow from financing activities	54,068,907	(37,803,219)	91,872,126
Net increase of cash and cash equivalents	(7,590,819)	24,802,346	(32,393,165)

(V) Segment analysis

The main business segments of the Company were corporate banking, personal banking, capital business and other banking business segments. The report data of segments were mainly from the management accounting system of the Company. 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 went on the track of sound progress for profit and scale with profit proportion in continuous improvement. Up to Dec. 31, 2017, the total profit of personal banking was 3.542 billion Yuan, increasing by 15.91% than the previous year and accounted for 34.85% of

the total profit before tax with a year-on-year growth of 3.19%.

Unit: (RMB) Thousand Yuan					
Year 2017	Corporate banking	Personal banking	Capital business	Other business	Total
Net external interest income	3,567,320	2,449,260	10,372,398	—	16,388,978
Net internal interest income	3,874,303	966,449	(4,840,752)	—	—
Net fees and commissions income	2,038,397	3,874,842	(13,302)	—	5,899,937
Investment income	—	—	3,344,688	—	3,344,688
Changes in fair value recognized in profit or loss	—	—	(5,559,759)	—	(5,559,759)
Exchange gain or loss	342,098	90,796	4,772,170	—	5,205,064
Other operating income/cost	—	—	—	18,313	18,313
Asset disposal income	—	—	—	(8,674)	(8,674)
Other incomes	—	—	—	13,534	13,534
Taxes and surcharges	(145,496)	(98,588)	(3,388)	—	(247,472)
Operation and administrative expense	(2,683,359)	(1,276,777)	(4,806,499)	—	(8,766,635)
Assets impairment loss	(3,262,481)	(2,463,925)	(381,663)	—	(6,108,069)
Operating profit	3,730,782	3,542,057	2,883,893	23,173	10,179,905
Net non-operating income	—	—	—	(16,561)	(16,561)
Total profits	3,730,782	3,542,057	2,883,893	6,612	10,163,344
Total assets	255,564,859	86,735,153	689,695,234	47,196	1,032,042,442
Total liabilities	475,268,686	107,364,240	392,179,367	24,177	974,836,470
Supplementary information					
Capital expenditure	247,177	83,888	667,059	46	998,170
Depreciation and amortization expense	281,842	202,657	420,546	-	905,045
Year 2016	Corporate banking	Personal banking	Capital business	Other business	Total
Net external interest income	5,081,364	1,855,347	10,626,668	-	17,563,379
Net internal interest income	2,428,283	1,001,329	(3,429,612)	-	-
Net fees and commissions income	2,734,465	2,538,086	271,104	-	5,543,655
Investment income	-	-	942,832	-	942,832
Changes in fair value recognized in profit or loss	-	-	1,583,972	-	1,583,972
Exchange gain or loss	556,997	291,025	(2,860,710)	-	(2,012,688)
Other operating income/cost	(6,326)	-	-	23,867	17,541
Other operating income/cost	—	—	—	227	227
Taxes and surcharges	(366,465)	(186,973)	(10,458)	-	(563,896)
Operation and administrative	(2,593,029)	(1,476,066)	(4,031,428)	-	(8,100,523)

Year 2017	Corporate banking	Personal banking	Capital business	Other business	Total
expense					
Assets impairment loss	(4,074,903)	(966,838)	(279,199)	-	(5,320,940)
Operating profit	3,760,386	3,055,910	2,813,169	24,094	9,653,559
Net non-operating income	-	-	-	(1,481)	(1,481)
Total profits	3,760,386	3,055,910	2,813,169	22,613	9,652,078
Total assets	200,771,507	95,710,163	588,522,070	16,671	885,020,411
Total liabilities	420,792,298	101,179,585	312,638,393	24,022	834,634,298
Supplementary information					
Capital expenditure	332,562	158,535	974,833	28	1,465,958
Depreciation and amortization expense	251,867	146,610	423,831	-	822,308

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

As of Dec. 31, 2017, the main off-balance risk assets of the Company was 305.242 billion Yuan, increasing 60.669 billion Yuan than the previous year with a growth of 24.81%. It was mainly due to the increasing of loan commitment.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
1. Main off-balance risk assets			
L/C issued	11,777,285	10,153,614	11,570,259
Bank acceptance	60,233,731	65,582,884	69,716,782
L/G issued	28,379,173	17,405,318	18,052,693
Loan commitments	204,851,757	151,254,753	123,744,601
Import/export confirmation added	-	176,248	2,079,364
2. Capital expenditure commitment	268,952	250,979	501,318
3. Operating lease commitment	2,072,242	1,954,156	1,768,280
4. Pledge of external assets commitment	48,905,000	64,317,000	45,790,000

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

Unit: (RMB) Thousand Yuan

Item	Beginning amount	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Ending amount
Financial assets at fair value through profit and loss	8,276,310	5,018	-	-	146,481,901
Derivative financial assets	13,939,542	17,021,554	-	-	31,333,752
Available-for-sale financial assets	280,538,469	-	(2,791,991)	-	218,814,515
Precious metal	269,586	(409)	-	-	843,573
Investment properties	16,598	(5,753)	-	-	46,726
Subtotal of financial assets	303,040,505	17,020,410	(2,791,991)	-	397,520,467
Financial liabilities at fair value through profit	(6,230,918)	(59,235)	-	-	(5,430,875)

and loss					
Derivative financial liabilities	(12,164,267)	(22,520,934)	-	-	(35,168,918)
Subtotal of financial liabilities	(18,395,185)	(22,580,169)	-	-	(40,599,793)

Explanation on fair value measurement of the Company:

(1) Financial assets designated at fair value through profit and loss include financial assets held for trading, or those designated at fair value through profit or loss upon initial recognition by the management. Financial assets held for trading include financial assets and derivative financial instruments held for selling in the short term. All profit and loss of these financial assets and all changes designated at fair value at the end shall be recorded as investment income. During the disposal of those assets, the difference between the fair value and the initial amount shall be recorded as investment profit and the profit and loss of fair value changes shall be correspondingly adjusted.

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

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

(4) Investment real estate refers to the real estate held to generate rental income or earn capital gains or both. Since there is an active local trading market of real estate, the Company is able to obtain the market prices of the identical or similar real estate and other relevant information from the market, so as to estimate the fair value of the investment real estate. Therefore, the investment real estate of the Company are measured at fair value. Initial value of purchased or self-constructed investment real estate shall be confirmed as its cost. Investment real estate converted from a fixed asset is initially measured at fair value on the date of conversion. If

the fair value is higher than the book value, the difference should be recorded into the other comprehensive income, and recorded into the current profit and loss on the contrary. Thereafter, the investment real estate is measured at fair value on each balance sheet date and changes on fair value are taken into the current profit and loss.

Foreign currency financial assets and liabilities

As of Dec. 31, 2017, the total equivalent RMB balance of foreign currency financial assets of the Company was 16.613 billion Yuan with an increase of 9.046 billion Yuan than the end of the previous year.

Unit: (RMB) Thousand Yuan

Item	Beginning amount	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Ending amount
Financial assets:					
Cash and deposits in central banks	4,068,216	-	-	-	3,761,126
Due from other banks	3,629,251	-	-	-	3,592,026
Lending funds	584,519	-	-	-	925,994
Derivative financial assets	8,854,684	(8,659,527)	-	-	195,157
Loans and advances	6,222,970	-	-	98,492	5,722,433
Available-for-sale financial assets	2,270,612	-	(9,063)	-	2,383,563
Investment receivables	-	-	-	-	-
Other financial assets	28,913	-	-	-	32,876
Subtotal of financial assets:	25,659,165	(8,659,527)	(9,063)	98,492	16,613,175
Financial liabilities:					
Due to banks and other financial institutions	21,519,627	-	-	-	7,462,043
Borrowings	23,436,834	-	-	-	56,462,869
Derivative financial liabilities	51,018	30,703,282	-	-	30,754,300
Deposit taking	21,523,085	-	-	-	34,223,539
Other financial liabilities	235,316	-	-	-	507,359
Subtotal of financial liabilities	66,765,880	30,703,282	-	-	129,410,110

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

Unit: (RMB) Thousand Yuan

Item	Jan.-Dec. 2017	Jan.-Dec. 2016	Increase/decrease	Main causes
Investment income	3,344,688	942,832	254.75%	Money market fund investment income.
Changes in fair value recognized in profit or	(5,559,759)	1,583,972	(451.00%)	Changes in the fair value of derivatives

loss				
Exchange earning	5,205,064	(2,012,688)	-	Exchange rate fluctuations
Taxes and additional	247,472	563,896	(56.11%)	Change of business tax into VAT
Non-operating income	29,527	52,932	(44.22%)	adjustment according to C.K. (2017) No. 30
Income tax	807,627	1,829,336	(55.85%)	The scale of tax-free assets increased
Item	Jan.-Dec. 2017	Jan.-Dec. 2016	Increase/decrease	Main causes
Deposits in other banks	29,550,692	17,027,924	73.54%	Increase of general deposit in other banks
Noble metal	843,573	269,586	212.91%	Increase of noble metal
Lending funds	2,045,994	6,702,519	(69.47%)	The decrease of amount of non-bank funds in China
Financial assets at fair value through profit and loss	146,481,901	8,276,310	1669.89%	Increase of fund investment in monetary market
Derivative financial assets	31,333,752	13,939,542	124.78%	Changes in the fair value of currency swaps
Redemptory monetary capital for sale	1,096,968	19,731,604	(94.44%)	Decrease of scale of redemptory monetary capital for sale
Held-to-maturity investment	60,782,788	39,370,701	54.39%	increase in the amount of national bonds held to maturity
Investment property	46,726	16,598	181.52%	Increase of scale of investment property
Fixed assets	4,810,959	3,517,820	36.76%	Transfer of construction in progress into fixed assets
Construction in progress	1,278,052	2,241,204	(42.97%)	Transfer of construction in progress into fixed assets
Deferred income tax assets	4,651,064	1,166,125	298.85%	Increase of provision and decrease of other comprehensive incomes
Other assets	8,105,679	2,216,184	265.75%	Increase of liquidation
Borrowings from central bank	2,500,000	26,000,000	(90.38%)	Medium-term lending facility expired
Deposit from other banks	27,292,435	44,584,064	(38.78%)	decrease of deposit from other banks
Borrowing funds	94,606,096	34,832,834	171.60%	Decrease of interbank borrowing
Derivative financial liability	35,168,918	12,164,267	189.12%	Changes in the fair value of currency swaps
Tax payable	3,035,863	1,260,189	140.91%	Increase of corporate income tax payable
Bonds payable	171,499,442	112,984,659	51.79%	Increase in bond issuance and negotiable certificate of deposit
Capital	5,069,732	3,899,794	30.00%	Capital reserves are converted to equity
Other equity instruments	6,719,945	4,824,691	39.28%	Increase in issuance of convertible bond equity
Other comprehensive income	(2,074,136)	757,027	(373.98%)	Losses at valuation of financial bonds available for sale

III. Investment Analysis

(I) Overall condition

Unit: (RMB) Thousand Yuan

Item	Ending amount	Beginning amount	Proportion of equity of invested companies held by the Company	Main business
China UnionPay Co., Ltd.	13,000	13,000	0.34%	Establishing and running a nationwide unified cross-bank network of information exchange for bankcards; providing advanced electronic payment technology and specialized services in regard to cross-bank information exchange for bankcards; conducting technology innovation in bankcard business; managing and operating the logo of "UnionPay"; stipulating business rules and technical standards on cross-bank transactions with bankcards; coordinating and arbitrating disputes occurred in bankcard cross-bank transactions; organizing training program and seminars and carry out international exchange; providing consulting and research services and other related services approved by the PBC.
Clearing Center for City Commercial Banks	250	250	0.83%	The Clearing Center for City Commercial Banks is a nonprofit membership organization which city commercial banks may join in or not of their own accord. It is mainly responsible for non-local clearing for city commercial banks.
Maxwealth Fund Management Co., Ltd.	146,770	135,000	71.49%	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.
Maxwealth Financial Leasing Co., Ltd.	1,500,000	1,000,000	100.00%	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling off and disposal; economic consulting; business approved by CBRC.
Total	1,660,020	1,148,250		

(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.)	Before launching new types of derivatives, the Company fully identified, analyzed and assessed different risks by the new product committee which adopted duration, limit control, risk value, stress test, credit line management to conduct risk measurement and control of derivatives.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses	The market price or the fair value of derivatives invested by the Company fluctuates with the changes of trading parameters during the reporting period. Estimated parameters of derivatives shall be set according to different products and in accordance with industry practice. For fair value measurement, it

and parameters.	adopted the estimation model provided by the middle- and back- office estimation system.
Instructions on whether accounting policies and accounting of derivatives during the reporting period changed significantly compared with those in the previous reporting period.	None
Independent directors' opinions on investment and risk control of derivatives of the Company	Independent directors of the Company understood that trading of derivatives is one of regular banking business approved by CBRC. During the reporting period, the Company attached importance to risk management of this business and carried out efficient risk control over trading of derivatives.

2. Derivatives held at the end of the reporting period

Unit: (RMB) Thousand Yuan

Contract category	Contract sum at the beginning of the period	Contract sum at the end of the period	Profit and loss during the reporting period	Proportion of the contract sum to the net assets attributable to the shareholders' of the Parent company at the end of the reporting period
Foreign exchange forwards	11,350,261	15,930,087	(3,323,934)	27.90%
Foreign exchange swap	540,833,666	1,943,728,242	(872,328)	3404.72%
Interest rate swap	744,569,871	1,097,759,459	117,500	1922.88%
Currency swap	-	1,916,509	50,903	3.36%
Option contract	17,772,391	85,409,673	176,328	149.61%
Precious meta forwards/swap	47,607,656	18,583,605	149,400	32.55%
Total	1,362,133,845	3,163,327,575	(3,702,131)	5541.02%

In 2017, RMB had kept rising against a basket of currencies, and the Company, after research on Central Bank's method in the pricing method of a basket of currencies, adopted the transaction strategy of buying; in terms of swap, the Company strengthened the curve transaction. It kept to make 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

During the reporting period, the Company had no use of the raised fund.

(VI) Major assets and right offering

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

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

1. Information of major subsidiary companies and joint stock companies with over 10%

influences on the net profit of the Company

Unit: (RMB) Thousand Yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Maxwealth Fund Management Co., Ltd.	Subsidiary	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.	200,000	888,658	409,424	215,266	99,882	77,238
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.	1,500,000	18,220,543	1,808,642	392,318	232,622	174,474

Note: In 2017, according to the 3rd interim meeting of the 6th of Board of Directors on the capital increase of Maxwealth Fund Management Co., Ltd., the Maxwealth Fund Management Co., Ltd. completed the Industrial and commercial registration of changes on Jan 25, 2018, in which the registered capital was changed as 0.9 billion Yuan. In 2017, according to the 3rd interim meeting of the 6th of Board of Directors on the capital increase of Maxwealth Financial Leasing Co., Ltd., the Maxwealth Financial Leasing Co., Ltd. completed the Industrial and commercial registration of changes on Dec 13, 2017, in which the registered capital was changed as 1.5 billion Yuan.

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

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

3. Information of major holding companies and joint stock companies

A holding subsidiary of the Company---Maxwealth Fund Management Co., Ltd. was established on Nov. 7, 2013 with a registered capital of 0.15 billion Yuan. Maxwealth Fund Management Co., Ltd. increased in capital and share in August, 2014 and its registered capital was increased to 0.2 billion Yuan. The Company held 67.5% of the shares. Maxwealth Fund Management Co., Ltd. increased in capital and share in Jan, 2018 again, and its registered capital was increased to 0.9 billion Yuan. The Company held 71.49% of the shares. Maxwealth Fund Management Co., Ltd. is mainly engaged in fund raising, fund sales, assets management for special customers, assets management and other business approved by CSRC. In 2017, Maxwealth Fund Management Co., Ltd. realized a sound development, with the publicly offered funds management scale reached 86.7 billion Yuan, ranked 32nd among 122 publicly offered funds management institutions.

A wholly-owned subsidiary of the Company--- Maxwealth Financial Leasing Co., Ltd. was established on May 26, 2015 with a registered capital of 1 billion Yuan. Maxwealth Financial

Leasing Co., Ltd. increased in capital and share in Dec, 2017 again, and its registered capital was increased to 1.5 billion Yuan. The Company held 100% of the shares. Maxwealth Financial Leasing Co., Ltd. is mainly engaged in financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off shore borrowing; leasehold selling off the disposal; economic consulting and other business approved by CBRC. Maxwealth Financial Leasing Co., Ltd. persists in the management principle of steady operation, scientific management, characteristic development and high-efficiency service. Relying on the current outlets and customer advantages of the Parent company, Maxwealth Financial Leasing Co., Ltd. focused on the three major business areas of “intelligent leasing”, “green leasing” and “civil leasing”, actively expanded government public service and middle and small-sized enterprises customers with leasing demand, and developed new source for stable profit growth.

(VIII) Information of 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.

V. Risk Management

Adhere to the risk control concept of “controlling the risk is exactly reducing the cost”, the Company strengthened the construction of comprehensive risk management system, guaranteed that all business goal and strategy are set within the risk preference frame, recognized, measures, assessed, monitored, reported, controlled or mitigate the various confronting risks, and recognized, measured, assessed, monitored, reported, controlled or mitigate the various confronting risks, thus to improve the foresight and precision of risk management.

Main risks confronted by the Company during the operation are as follows:

(I) Credit risk

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

The Company has been committing to the construction of credit risk management system that features independent function, risk balanced and efficient; it established identification. Measurement and supervision procured covering the credit risk of the Bank; in introduced advanced quantitative management tool of credit risk, positively upgraded the risk monitoring mode, and improve the lean management level through big data and 4+N early warning system; it sorted out the business procedures, thus to guarantee the effectively implementation of risk management system in branches. The major mechanisms for credit risk management of the Company are as follows:

1. Normative and unitive credit management. (1) The Company, by taking systematic rules and regulations as basis and the general credit limit as the carrier, integrated all businesses with credit risk into the unitive credit management, including loan, trade financing, bill acceptance and discount, overdraft, bond investment, L/C issuance, factoring, guarantee, loan guarantee, etc. (2) in addition to the full coverage of credit business, the Company set the assets allocation strategy annually, and set the credit limit for single customer, corporate, region and industry.

2. Centralized approval mechanism was established. The Company enforced the centralized approval mechanism of loans, implemented credit approver system with approval authority centralized in the head office. Branches have approval centers with the approvers under the direct leadership of the head office in unified approval criterion. The approver system guarantees the independence of approval and the implementation of credit policy on system. There are five titles and ten levels for approvers. Each level of approvers is endowed with different approval authority, giving consideration of the approval efficiency and effective risk control.

3. The credit policy led the business development. In 2017, the company, by taking list leading as the method and the construction of basic customer group as the core, established the concept of “Balanced risk and profit”, actively promote the investment of qualified assets; it, by adhere to the general principle of “Consolidate customer base, seize main business, strengthen risk management and optimize profit structure”, promoted the investment of assets in key industries, key customers and key businesses that support the development of the Bank, thus to guarantee the continuous and solid development of all businesses.

4. The Company established the big data risk control platform with broader coverage, more risk information sources and stronger forewarning pertinence via integration of business data in the industry and introduction of internet data and private net data. This platform prompted risks to front desk business personnel and all levels of reviewers through the potential risk signals detected by the risk control model during the pre-loan, in-loan and post loan steps, and all equity relation, controlling relation, guarantee relation judicial litigation and other negative information dominantly or recessively are well mastered, thus to the risk identification capability and forewarning management efficiency. In addition, the Company further improved the “4+N” risk early warning system, as take the data of “tax paying, electricity utilization, customs, credit investigation” as the core. and supplemented with other peripheral information, thus to generalize the key early warning index, quantize any abnormality in the operation of customers, and identify, position and warn the risk precisely. The early waning information, after being generated, will be inspected by special staff, through which we can get information relating to the operation change, interbank cooperation performance and external guarantee. Moreover, in term of personal business, through the data mining, the Company established anti-fraud system to actively intercept and select the risk customers.

5. Improved the post-loan inspection system. 1. The Company attached importance to the

post-loan inspection on existing customers with the management covering post-loan purpose inspection, complete inspection and early-warning customer tracking inspection. After the loans are granted, the Company carried out inspection upon whether the practical use of the loans are complying with the agreed purpose and method specified in the loan contract, and collected relevant vouchers for filing; within the duration of loan, the Company implemented complete inspection on crediting business in multi-channel and multi-measures ways upon the combination of on-site and off-site, made deep analysis on the business condition and financial situation to realize full risk announcement for crediting business; 2. The Company continuously optimize the personal risk early warning system, and realized the automatic blocking upon early warning and automatic push of inspection information; 3. Flexible and efficient risk inspection. The Company has established normalized risk checking and special checking mechanisms and reinforced the risk checking in risk-sensitive areas. In 2017, the Company organized and programmed risk checking in large-amount customers and government business, timely grasped risk situations for relevant areas, developed risk prevention requirements and measures and practically and effectively prevented credit risks.

6. Strengthened the application of outcome from the new capital agreement. The Company strengthened the application of outcome from the new capital agreement on risk measurement, credit access, loan pricing, performance assessment and limit control, and improved the delicacy level of credit risk management. In term of credit access, according to the customer rating, the Company established differentiated access strategy; in terms of loan pricing, depending on the RAROC system, the Company established the management system integrating pre-loan management, outstanding loan approval and post-loan supervision; in terms of performance assessment, RAROC indexes were adopted to promote credit asset operation mode with high profit and low capital.

7. Strengthened the control of key business procedure. In 2017, the Company sorted out the business procedures covering the customers access, guarantee management, expenditure management, business verification and capital transfer, etc. as to guarantee the effective and standard implementation of measures, the Company carried out acceptance inspection covering the whole bank, and summed up experience. Normalized procedure analyzing mechanism was also established to guarantee the effectiveness of risk control measures.

The Company strictly executed the sort management method required by the supervision department. According to the documents such as “*Guidelines on Risk-Based Loan Classification*” and “*Classification Method of Small Business Loan Risk*” formulated by the supervision department. I. The Company worked out management method and operating procedures on loan classification, covering corporate banking, retailing banking, personal loan and credit card lines with the businesses including loans, discounts, advances, trade financing and credit card overdraft. Based on the five-class classification, the Company further implemented the ten-class

classification system and divided the loans into normal (including normal+, normal and normal-), special mention (including special mention+, special mention and special mention-), substandard (including substandard+ and substandard-), doubtful and loss. The ten-class classification system quantitatively revealed the practical value and risk degree of loans. The Company made proportional provisions upon different classes to ensure effective defense against credit risk. II. During the classification, the Company stuck to the principle of “Real, timely, important and prudent”, and adopted the methods of “pre-classification upon loan, confirmation upon term and adjustment according to reality”, thus to indicate the loan quality truly, comprehensively and dynamically, and reveal the actual value and risk level of loan.

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

1. Credit concentration level of the largest single customer

As of Dec. 31, 2017, the loan balance of the largest single customer of the Company was 1,279.96 million Yuan, accounting for 1.56% of the net capital and met the requirement of no more than 10% as specified by CBRC.

2. Credit concentration level of the largest group customer

As of Dec. 31, 2017, the loan balance of the largest group customer of the Company was 1,436.34 million Yuan, accounting for 1.75% of the net capital and met the requirement of no more than 15% as specified by CBRC.

3. Proportion of top 10 customers of loans

As of Dec. 31, 2017, the loan balance of the top customers of the Company was 8,929.97 million Yuan, accounting for 10.89% of the net capital.

4. Credit proportion of the single related party

As of Dec. 31, 2017, the credit exposure of the largest single related party of the Company was 500 million Yuan, accounting for 0.61% of the net capital.

5. Overall relevancy

As of Dec. 31, 2017, the utilized credit exposure of all related parties of the Company was 4,466.58 million Yuan, accounting for 5.44% of the net capital and met the requirement of no more than 50% as specified by CBRC.

(II) Liquidity risk

Liquidity risk refers to the risk of failing to obtain adequate funds in a timely way at a reasonable cost to pay matured debts or satisfy other payment obligations for business

development. The Company has established head office and branch two level management mode with the risk management department of the head office responsible for the overall management of liquidity risk and the financial marketing department of the head office responsible for the daily liquidity gap management of the Company.

According to requirements of regulatory policies and macro-economic changes, the Company strengthened the construction of liquidity risk system, continued to improve liquidity risk management technologies, periodically monitored liquidity risk indicators, daily monitored the cash flow gap, conducted regular liquidity risk stress test, and enhanced the liquidity risk management capability.

In 2017, the People's Bank of China implemented the steady and neutral monetary policy, paid close attention to changes of liquidity forms and market expectations, and strengthened pre-adjustment and micro adjustment and keep the banking system liquidity stable upon comprehensive application of reverse repurchase and medium-term lending facility. For all the above macro-control policies and market fund, the Company kept close tracking and made deployment, dynamic liquidity adjustment management strategy ahead of schedule according to the liability business increase and liquidity gap of the Company to ensure the liquidity risk to be in the safety range. During the reporting period, the Company took the following measures to improve the liquidity risk control: firstly, improved the liquidity risk early-warning and monitoring system, established the liquidity early-warning index system that contains single situation and market situation, and monitored liquidity index, liquidity gap, daytime fund position, high-quality liquidity assets and liquidity risk early-warning index; secondly, implemented liquidity risk stress test on a quarterly basis with the stress scenario design comprehensively taking single bank and systematic risk scenarios into account, and drew up improved measures to be made and contingency plans according to the results of the quarterly liquidity risk stress test; thirdly, continued to increase the investment on treasury bonds and the reserve of high-quality liquid assets so as to provide sufficient mitigation assets for the Bank's liquidity security; fourthly, improved the liquidity emergency system, carried out liquidity emergency exercise regularly and specified responsibilities division and emergency treatment procedures under different liquidity emergency situations.

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

As of Dec. 31, 2017, the balance of liquid assets of the Company was 263,080.82 million Yuan and the balance of liquid liability was 510,428.85 million Yuan with the liquidity ratio as 51.54% and met the requirement of no less than 25% as specified by CBRC.

2. Liquidity coverage ratio

As of Dec. 31, 2017, the balance of high-quality liquid assets of the Company was 126,140.1

million Yuan and the net cash outflow within 30 days was 108,525.06 million Yuan with the liquidity coverage ratio as 116.23% and met the requirement of no less than 90% as specified by CBRC.

During the reporting period, the Company featured good asset liquidity, high liquidity ratio, as well as the liquidity coverage ratio complying with the supervision requirements. The Company had a sound assets and liabilities maturity matching degree with a relative small stress on the liquidity management.

(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 bank account.

1. Market risk of transaction account

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

The Company built transaction account market risk index limit management system and set three layers of market risk index limits, of which, the topmost layer was the quantitative index of the market risk preference of the whole bank, which was the annual layer risk limitation of the whole bank approved and authorized by the board of directors and granted to the senior management, including VAR limit and limit of maximum loss for stressing test; the second layer was approved and authorized by senior management and granted to the risk taking department and set out the sub-item limit as per the specific business or transaction combination, including sensitivity limit, exposure limit and stop-loss limit; the third layer was the functional management limit, allocated and used within the risk taking department.

The risk management department of the Company was responsible for making daily risk and profit & loss report, monitoring the implementation of market risk index limit; periodically conducting stressing test of market risk and performing emergency scene stressing test and posting early warning information upon emergency circumstances such as significant market fluctuations and policy changes.

During the reporting period, the Company continued to improve the market risk management

system and strengthened efficiency of tools for market risk cognition, measurement and monitoring. Firstly, closely followed compliance and regulation requirements to improve market risk management policies, procedures and processes, completed amendment to Market Risk Management Measures of the Bank of Ningbo and other regulations and methods, regulated market risk consolidated management, model development and validation procedures, and elaborated market risk metering means and methods; secondly, strengthened market risk analysis and report and formed a multi-dimensional risk and profit and loss report system that supports all the businesses by enhancing drill-down analysis of profit and loss and limit management report, deepening monitoring coverage of comprehensive market risk exposures, and optimizing stress test scenarios; thirdly, regulated market risk data management, formulated Market Risk Data Management Measures of the Bank of Ningbo, specified accurate, complete and prompt market risk data management principles, and constructed a complete check and reporting mechanism of fund system market data, so as to provide a strong guarantee for the quality of market risk data.

In 2017, the global economy was recovering gradually, developed countries quit quantitative easing in succession or increased their interest rate, and the global low-interest environment changed gradually. Influenced by interest rate rise and tax reform of America, RMB exchange rate performed greater two-way fluctuations. In China, the government upheld the underlying principle of pursuing progress while ensuring stability and the central bank kept steady and neutral monetary policies, but the policy orientation of financial deleveraging also led to greater fluctuations in domestic interest rate market. The Company intensively studied and constantly tracked the changes in macro economy and monetary policy, timely adjusted the trading margin management strategy and created great profits for the transaction account business of the Company upon the market fluctuations and also realized normal performance of all the market risk indicators.

2. Market risk of bank account

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

The Company conducted interest rate risk measurement of bank account based on different currencies and different source of interest rate risk in the bank account through re-pricing exposure analysis, duration analysis, net interest income simulation, economic value simulation and stressing tests, and offered management suggestion and business adjustment strategy according to the monthly asset-liability management report and stressing testing report.

In 2017, the Company paid close attention to policy tendency and changes of external interest

rate environment and promptly interpreted and analyzed Guidelines for Account Book Interest Rate Risk Management of Commercial Banks (Draft for Soliciting Opinions on Amendment) issued by CBRC. The Company also carried out relevant consulting and implementation projects, implemented regulation requirements in accordance with the Guidelines, constantly optimized its internal management methods and improved its delicacy management level. Meanwhile, thought the rise of the terminal money market rate in 2017 had a certain impact on the Company's net interest income, the Company continued to adjust the business pricing and the strategy in structure of assets and liabilities, and achieved the stable growth on net interest income.

(IV) Operational risk

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

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

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

During the reporting period, the Company continued to strengthen the application of operational risk management instrument, strengthened major field operational risk governance, sustained to improve the business continuity construction, intensified information technology risk management control and ceaselessly enhanced the level of operational risk management. Firstly, kept optimizing the application of operational risk management instrument, organized full-process assessment of major processes, regularly reviewed threshold values of major risk indexes, collected and analyzed operational risk events, and promptly warn and eliminated hidden operational risks; secondly, continued to promote the business continuity management, improved contingency plans and operation manuals for major businesses, and implemented special emergency exercises for major businesses to improve emergency response capacity; thirdly, strengthened information safety management and promoted and implemented data leak-proof programs all over the Bank.

(V) Compliance risk

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

During the reporting period, the Company actively carried out the compliance risk prevention work on the strength of support the target of legal compliance operating management. Firstly, continued to improve the internal control management. Tabled the suggestions of system optimization through measures such as multi-dimension review on the internal control system, improvement of system linkage reminding mechanism, analysis on external supervision rules and post-system evaluation on key business areas, combing with the perspectives of customer complaint and advice, sci-tech development project and audit opinions, effectively solved the problems during the system implementation, strengthened the system operability and upgraded the quality of internal control system. Secondly, continued to arrange inspection on business compliance. The Company released the *"Business Inspection Guideline"* in the beginning of the year, intensified the inspection in high-risk areas, regulation hotspots and key business, raised quantitative requirements to the responsible investigation to reach more powerful pertinence and improve the actual effects; tracked the progress of the implementation for each inspections on a quarterly basis, summarized, analyzed and implemented to rectify the problems existed in each

inspection to put the inspection results into practice. Thirdly, continued to strengthen authorization management. Constrained approval delegation authority of branches and sub-branches, implemented delegation range listing management, reviewed letters of authorization of staff, screened letters of delegation all over the Bank, and actively prevented and controlled improper authorization and unauthorized agency risks. Fourthly, continued to enhance the employees' consciousness of compliance risk. Organized to conduct case prevention knowledge learning and tests for the employees of the whole Bank, enhanced the training on financial crime knowledge to improve their compliance concept; monitored employees' illegal behaviors, analyzed the illegal behaviors discovered during internal and external investigation, collected typical breaching cases for analysis and interpretation, notified those in the whole bank, continued to optimize the compliance evaluation and assessment indexes in the meantime to practically improved the evaluation effectiveness, and treated offending employees according to the compliance evaluation results. Fifthly, continued to strengthen the construction of compliance culture. Carried out hierarchical staff conversation and training on compliance to make sure they are familiar with the latest supervisory policy, basic legal knowledge and compliance risk management requirement of the Company; connected the compliance documents learning of employees with credit business, and appraised excellent institutions, teams and individuals for the compliance culture construction to create the compliance atmosphere. Sixthly, continued to strengthen legal support. Strengthened track review and legal argumentation of key business processes to prevent business legal risks; meanwhile, ensured to improve approval efficiency of seals specially for key business contracts and serve the front desk efficiently through personnel training, system optimization, weekly meeting negotiation, subsequent supervision and other measures.

(VI) Reputation risk

Reputation risk refers to the risk that the Company might be negatively evaluated by relevant interested parties due to the Company's operations, management and other behaviors or external events. In 2017, the Company insisted on the principle of prevention first, being active, reporting timely and whole staff participation based on the regulatory requirements and the development trend of new media, and continuously improved the reputation risk management process and pre-arranged planning to make sure the bottom line of having no significant negative public opinions. Firstly, improved the establishment of reputation risk management system, improved various reputation risk response pre-plans, ensured effective prevention, rapid response and efficient treatment, and upgraded the reputation risk management level. Secondly, emphasized integrated and standardized complaint processing procedure. All complains against the Bank should be dealt with by the department of procedure innovation and customer experience. Knotty problems were discussed among departments periodically. The monitoring and post-evaluation issues of the reputation risk events were supervised by the Office, so as to reduce the possibility of similar complaints at the beginning and to avoid reputation risks brought by improper response to complaints. Thirdly, strengthened anticipation of public opinions about bank hotspots, studied

public opinion propagation laws under the new media environment, and timely adjust reputation risk management strategies. Fourthly, reinforced reputation risk management in social media, constantly improved public praise on the Bank and promoted brand image of the Bank.

(VII) Anti-money laundering management

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

In 2017, the Company established and improved the internal control system of anti-money laundering and implemented various regulatory requirements through corporation anti-money laundering classification rating, new block and suspicious transaction reporting standards and other major projects; included money laundering risk into the comprehensive risk management system and ensured the board of directors and senior management to know about the work on anti-money laundering promptly; continued to optimize and improve construction of anti-money laundering and peripheral business system and improved technical support capability; established anti-money laundering position qualification and continuous education mechanism and improved cohesion and professional quality of the anti-money laundering team; earnestly fulfilled the legal duties for anti-money laundering, such as customer identity recognition, retention of customer identity information and transaction records and submission of block and suspicious transaction reports, and strengthened management control of high-risk customers and high-risk businesses; carried out anti-money laundering campaigns and trainings to improve anti-money laundering awareness, risk prevention and self-protection ability of the public and staff; implemented supervision, audit and examination against anti-money laundering work of branches and sub-branches to ensure the link with the duty activities and performance of branches and sub-branches; dug into, analyzed and reported clues of major suspicious transactions and actively cooperated with anti-money laundering investigations, so as to provide strong support to People's Bank and China and public security departments in fighting money laundering and other illegal criminal activities.

During the reporting period, no organizations in all levels or employees of the Company was found to involve or suspected of being involved in money laundering or terrorist financing activities.

(VIII) Explanations on Completeness, Reasonability and Effectiveness of the Internal Control System

The Company attaches great importance to the completeness of the internal control system. As of now, the internal control system published by the Company has covered business activities, management activities and supporting activities. Among them, systems of business activities

account for 46.69% of the total number of the bank's systems and those of management and supporting activities account for 53.31%. In accordance with external laws and regulations, regulatory policies and internal management requirements, the Company promptly formulated and revised related internal control system, continued to optimize business and management processes and implemented risk management and control measures, to make the internal control system more complete and content of the system more reasonable and efficient.

1. Relatively perfect system

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

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

In case there are special local regulatory requirements or operating management needs of branches or sub-branches after the corporate system is released, the branches or sub-branches can formulate the administrative systems and implementation regulations with regional characteristics and improve the system for areas with key business products. If the corporate system can be applicable, forward it directly and form a perfect head-branch banking system.

2. Prompt and reasonable system updating

The Company keeps an eye on external laws, regulations and regulatory policies and formulates and revises relevant systems in a timely manner in accordance with internal business need. The Company's compliance department collects opinions about system through technological demands analysis, business and management activity combing and daily communication, supervises and evaluates all business and management activities with external regulatory requirements to confirm whether there are systematic gaps or rectification needs related

to business and management activities, cooperates with relevant departments to discuss revision, continues to push forward the establishment of internal system, ensures prompt system updating and satisfies actual demands of business development.

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

In conclusion, the Company has formulated a relatively complete, reasonable and efficient internal control system; the execution of corporate internal control system is improving, the internal control measures of all business lines are put in place, and no significant internal control system gap occurs. The Company will continue to improve the completeness, reasonability and efficiency of the internal control system depending on state laws and regulations, as well as its operating management demands.

V. Capital Management

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

Capital adequacy ratio management is the core of the Company's capital management. According to regulations of China Banking Regulatory Commission, the Company shall monitor capital adequacy ratio on a regular basis and submit required information to the commission every quarter. It shall predict capital adequacy ratio every month through stress test and other approaches to ensure the index complies with regulatory requirements. With the establishment of comprehensive risk management, the Company further strengthened risk identification and appraisal abilities to make it measure risk-weighted assets more accurately according to business essence.

The capital financing management is dedicated to further increasing capital strength, improving capital structure and upgrading capital quality. The Company attached importance to

the endogenous growth of the capital, endeavored to realize harmony and coordination of scale expansion, profitability and capital constraints and supplemented capital through profit growth, retained surplus reserve and accrued loan loss reserve. Meanwhile, the Company actively studied new capital instruments, utilized external financing reasonably, and further reinforced the capital strength. In 2017, the Company successfully issued 10 billion secondary capital bonds and 10 billion convertible bonds, effectively replenished capital, optimized the capital structure, upgraded the level of capital adequacy ratio and greatly enhanced the anti-risk capability and the ability of substantial economy development supporting.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2017, the Company steadily pushed forward economic capital limit management, formulated economic capital allocation plans, realized optimized configuration of capital in all business lines, regions, products and risk areas, made overall arrangements of risk-weighted asset scale of all business departments and business lines, promoted optimized and reasonable configuration of capital and endeavored to realize maximization of risk-weighted asset yields; further displayed group comprehensive business advantages, gradually strengthened corporate capital management by perfecting group consolidated administration and other systems, and satisfied group and comprehensive business' demand for capital management.

(I) Conditions of capital adequacy ratio

In compliance with the relevant regulations of “*Capital Management Measures for Commercial Banks (Trail)*” of CBRC, the scope of consolidated data covers the parent company, the affiliated fund company and financial leasing company. Up to Dec. 31, 2017, 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:

Item	Unit: (RMB) Thousand Yuan			
	Dec. 31, 2017		Dec. 31, 2016	
	Consolidated	Non-consolidated	Consolidated	
1. Net balance of core Tier one capital	51,985,720	49,892,771	45,201,969	43,849,778
2. Net balance of Tier one capital	56,810,411	54,717,462	50,026,660	48,674,469
3. Net balance of total capital	82,019,503	79,724,018	64,783,567	63,269,098
4. Total risk-weighted assets	603,762,790	586,711,162	528,644,875	514,863,021
Including: credit risk-weighted assets	543,436,415	527,031,045	482,509,417	469,364,977
Market risk-weighted assets	17,079,788	17,319,524	9,561,714	9,469,903
Operational risk-weight assets	43,246,587	42,360,594	36,573,744	36,028,141
5. Core Tier one capital adequacy ratio	8.61%	8.50%	8.55%	8.52%
6. Tier one capital adequacy	9.41%	9.33%	9.46%	9.45%

7. Capital adequacy ratio	13.58%	13.59%	12.25%	12.29%
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Note: In accordance with relevant regulations specified within *Capital Management Measures for Commercial Banks (Trial)* (China Banking Regulatory Commission No.1, 2012) issued by China Banking Regulatory Commission on June 7, 2012, the credit risk is measured by weighting method, market risk is measured by standard method and operational risk is measured by basic index method. Please refer to the column of “Capital and Leverage Ratio” in IR of the Company’s official website for details.

(II) Situation on leverage ratio

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
Leverage ratio	4.84%	4.87%	4.97%	5.01%
Net balance of Tier one capital	56,810,411	53,723,070	53,059,086	51,375,281
Adjusted on and off-balance assets balance	1,174,912,735	1,102,304,614	1,068,401,578	1,025,824,626

Note: indexes relevant to leverage ratio at the end of this reporting period, the third quarter of 2017, the second quarter of 2017 and the first quarter of 2017 are calculated in accordance with *Management Measures for Leverage Ratio of Commercial Banks (Revised)* (China Banking Regulatory Commission, No. 1, 2015) carried out since April 1, 2015. Please refer to the column of “Capital and Leverage Ratio” in IR of the Company’s official website for details.

VI. Conditions of Organization Construction

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(thousand yuan)
1	Head office	No. 345, Ningdong Road, Yinzhou District, Ningbo	1	2429	479,875,765
2	Shanghai Branch	Floors 20, 21 22 of 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	16	846	64,950,488
3	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou	19	748	40,698,641
4	Nanjing Branch	No. 229, Middle Jiangdong Road, Jianye District, Nanjing	16	734	48,526,459
5	Shenzhen Branch	D of 1F, whole floor of 2F and B of 3F, Times Fortune Tower, Southeast of Downtown District, No. 3 Fuhua Road, Futian District, Shenzhen	14	624	45,630,008
6	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou	20	803	53,913,323
7	Wenzhou Branch	No. 260, Nanpu Road, Lucheng District, Wenzhou	9	501	12,232,108
8	Beijing Branch	1-2F, 11-15F, Glorious Oriental Center, No.100, 3 rd West Ring Road North, Haidian District, Beijing	7	629	42,229,354
9	Wuxi Branch	No. 666, Zhongshan Road,	8	499	34,672,622

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(thousand yuan)
Chong'an District, Wuxi					
10	Jinhua Branch	No. 1133, Danxi Road, Jinhua	4	278	6,715,997
11	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing	3	237	9,940,055
12	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	1	151	5,877,805
13	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	1	101	3,312,395
14	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	9	218	9,182,551
15	Midtown Yinzhou Sub-branch	No. 700, South Ningnan Road, Yinzhou District, Ningbo	7	200	14,656,946
16	Jiangbei Sub-branch	No. 270, Renmin Road, Jiangbei District, Ningbo	7	170	16,691,733
17	Hudong Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	7	212	10,764,140
18	East Gate Sub-branch	No. 868, East Beizhang Road, Jiangdong District, Ningbo	9	215	7,881,074
19	National Hi-tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	6	169	6,280,419
20	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	6	143	15,319,248
21	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	11	219	9,407,281
22	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Town, Beilun District, Ningbo	8	195	8,929,590
23	Zhenhai Sub-branch	No. 666, North Dongyi Road, Luotuo Sub-district, Zhenhai District, Ningbo	7	202	7,802,514
24	Yinzhou Sub-branch	No. 666, Middle Siming Road, Zhonggongmiao Sub-district, Yinzhou District, Ningbo	12	297	10,714,955
25	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	9	187	5,049,085
26	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	11	229	9,605,647
27	Midtown Yuyao Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming Sub-district, Yuyao City, Ningbo	11	165	6,294,350
28	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	15	269	8,542,366
29	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	12	199	5,907,816
30	Xiangshan	No. 503, Xiangshangang Road,	6	146	3,774,925

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(thousand yuan)
	Sub-branch	Dandong Sub-district, Xiangshan County, Ningbo			
31	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	8	170	7,553,581
32	Maxwealth Fund Management Co., Ltd.	27F, 21 st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai	1	78	888,658
33	Maxwealth Financial Leasing Co., Ltd.	12F, No.195, Dingtai Road, Yinzhou District, Ningbo	1	54	18,220,543
Total: 317 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 34 community sub-branches)				12,317	1,032,042,442

VII. Core Competitiveness Analysis

In recent years, the banking industry has confronting interest rate liberalization, financial disintermediation, pressure-bearing of risk, tighter policies, slow profit growth and other complicated and volatile operation situations. The Company thinks that for the banking industry and financial institutions, challenges and opportunities exist side by side and only banks with core competitiveness can stand out in the industrial division. Currently, under the leadership of the board of directors, the Company has worked together and steadfastly implemented the differential development strategy that “big banks cannot do well and small banks cannot do” and which has achieved evident results to the benefit of sustainable development. The core competitiveness of the Company mainly reflects in the following five aspects:

Firstly, deeply ploughed high-quality operation area and focused on advantageous fields. In the aspect of operation area, the Company determined the development strategy of “One Body with Two Wings” as taking the Yangtze River Delta as the main body and both Pearl River Delta and around Bohai gulf area as the two wings. The aforementioned area is the most economically developed area in China with broad potential fundamental customer base and business expansion room. Meanwhile, with more prominent resource agglomeration effect of the first and second-tier cities, the deeply ploughed and high-quality operation area will be the powerful guarantee for the Company’s sustainable development. In the aspect of business development, the Company kept the strategic concentration on the development of large-scale retail and various intermediate business, and continuously improved the scale and profit proportion.

Secondly, continual optimization of profitability structure and more diversified revenue sources. After years of efforts and accumulation and having been devoted to construction of diversified profit centers, the Company has formed a diversified profitability structure in corporate banking, personal banking, retail company, credit card, financial market, investment bank, asset custody and asset management. The profit proportion of non-traditional businesses such as

investment bank, asset custody and asset management has increased year by year, the structure has tended to be more reasonable and the momentum for sustainable development has further increased. Meanwhile, two non-bank subsidiaries Maxwealth Fund Management Co., Ltd. and Maxwealth Financial Leasing Co., Ltd., have formed great complementary relationship with the parent company in customer integrated business, product portfolio marketing and business interactive development and achieved more diversified profit source for the Company.

Thirdly, highly effective risk management and steady and long-lasting business development. The Company adheres to the risk concept of “controlling the risk is exactly reducing the cost”, takes sticking to the risk bottom line as its most fundamental business goal, and continuously improves the comprehensive, full-crew and full-process risk management system. In recent years, the Company has continuously strengthened its risk management approaches, effectiveness of vertical and concentrated credit granting, 4+N risk early-warning and other risk management measures has emerged continuously, which has better responded periodic fluctuation and structure adjustment of economy and made the Company’s non-performing ratio at a relatively low level of the industry. Good asset quality enables the Company to be devoted to business expansion wholeheartedly without any burden and performing guaranteed long-term steady development.

Fourthly, integration and innovation of finance and technology, and strong support for business development. After several years of continuous accumulation and effort, the current technological level of the Company has taken the lead in the banking industry. Faced with development of financial technologies, the Company has actively explored practical application of big data, cloud computing, artificial intelligence, biometric identification and other new technologies, promoted integration and innovation of finance and technology, continuously excavated new business modes and special product services, and further helped businesses develop steadily and sustainably. At present, the Company is actively promoting active-active data center practice, continuously improves construction of infrastructure library and accelerates construction of infrastructure of new data center, so as to push forward the Company’s technological capabilities to reach a new high and support all the businesses to develop comprehensively.

Fifthly, solid talents reserve and continuous enhancement of employees’ quality. Essentially, the core competitiveness of the Bank depends on talents for the competition in the industry is competition among talents after all. In recent years, the Company has enhanced corporate culture construction, optimized incentive and examination systems, achieved evident results in talent team construction, gradually established systematic talent introduction mechanism, promotion and cultivation mechanism and layered selection mechanism, and ensured a stable and energetic talent team. Meanwhile, the Company has accelerated improvement of employees’ professional quality and trained reserved business backbone through continuous employee capability improvement and

system construction, so as to better respond to industrial competition and provide power for sustainable development of the Company.

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

First, continue to deepen the construction of diversified profit centers. Strive to create more profit centers and explore more profit growth points based on stronger differentiation competitive advantages of existing profit centers. Meanwhile, keep exploring the integrated business model, establish diversified profit-making channel and improve comprehensive financial service capability.

Second, continuously improve the total risk management ability. Continue to improve the full flow risk management system, prevent the risk beforehand and minimize the risk cost; keep the implementation of crediting business list guidance, precisely localize the target customers and continuously improve the risk management and control competitiveness, and ensure steady development of the Company.

Third, proactively embrace the era of financial technology. Positively face the wave of financial technology, strive to establish the core competitiveness in financial technology through technical innovation, service innovation and product innovation, thus to perform better in customer obtaining, customer serving and customer operating and provide support to the differential comparative advantage for the Company.

Fourth, consolidate and perfect the IT system construction. Accelerate the establishment of technological system and new data center while keeping the IT technology system ahead of the banking industry, improve technological support capability and ensure that all kinds of information technology systems are stable and reliable enough to better support the development of all businesses.

Fifth, continue to improve human resources management. Establish and improve a multi-level and systematic talent introduction, promotion and cultivation and layered selection mechanism, and build a professional employee team that adapts to the new norm of development of the banking industry through standardized, templated and systematic construction, so as to strengthen human resources guarantee for the development.

Sixth, continue to promote the construction of branches. Continue to perfect the institutional layout of “One Body with Two Wings”, strive to reach the complete coverage in all level 1 institutions within Zhejiang province and spreading business outlets to large communities and villages and towns of strategic importance outside Zhejiang, increase brand impact and customer reputation, and gradually build into a regional mainstream bank.

VIII. Business Review

(I) Corporate banking business

The Company's corporate banking business closely focused on the "customer-centered" operation principle, was dedicated to service and product innovation, and, relying on the upgrading of service and experience, provided all-around comprehensive financial service to medium-sized customers. During the reporting period, the Company actively adapted to the change of business environment, effectively facilitated the development of basic business, and also focused on the transfer of the customer demands, continued to upgrade the marketing mode, constantly optimized the product portfolio and realized steady growth of the corporate banking business.

Corporate banking customers. During the reporting period, the Company persisted in the operation principles of continuing expanding the basic settlement accounts, deeply finding core customers and actively developing key customer groups, formulated potential listed enterprises marketing schemes and accelerated introduction of potential listed enterprise customers on the basis of the original "list win", "bank-government win" and "import & export win" special financial service schemes and combined with characteristics of regional markets and customers, so as to lay the customer base for future business development. By the end of the reporting period, the whole bank has had 3143 potential listed enterprise customers. The Company has implemented customer manager standardized marketing, built a professional marketing team and upgraded list system marketing to improve actual effect of marketing. Up to the end of the reporting period, the Company reached 63,000 basic corporate banking customers, with a year-on-year growth of 14.8%, of which there were 15837 core customers, accounting for 25.1% and 6421 key customers, accounting for 10.2%.

Corporate banking deposit. During the reporting period, the corporate banking deposit kept growing steadily and key customer group of deposit further increased. The Company has insisted in regarding customers as the center and increased the proportion of settlement deposit through multi-product application supporting and whole-process service optimization. In terms of internal management, the Company has strengthened construction of key deposit customer group and carried out targeted improvement in a delicate and list system way. Up to the end of the reporting period, the balance of corporate banking line deposit reached 383.3 billion yuan, increasing by 36.1 billion yuan from the beginning of the year, among which current deposit accounted for 64.4%, an increase of 3.3% from the previous year.

Corporate bank cash management. The Company's cash management business continued to focus on e-banking, investment and financing, and group treasury management these three core product modules, and accelerated construction and improvement of fund service ecological system for customers. The Company regarded customers as the center, continuously innovated and optimized product functions, launched new corporate online banking, new domestic capital pool

and term-optional intelligent fixed financial products, and greatly pushed forward cash management customer marketing. Up to the end of the reporting period, the Company reached 57,000 customers in corporate banking cash management, increasing by 21% from the end of the last year; the settlement amount of e-bank reached 7300 billion yuan, increasing by 49% from the end of the last year; and the balance of financial products reached 63.3 billion Yuan, increasing by 16% from the end of the last year.

Corporate banking assets delivery. Up to the end of the reporting period, the general loan balance was 168.69 billion yuan, increasing by 20.85 billion yuan from the beginning of the year with a growth of 14.10%, which indicated that the Company's assets delivery increased steadily. In 2017, the Company further optimized the industrial structure corporate loans and carried forward priority support on the development of strategic emerging industries, modern service industry and traditional superior manufacturing industry. By the end of the reporting period, loan balance in the industries in lease and commercial service industry, water conservancy, environment and communal facilities management industry and manufacturing industry had reached 98.22 billion yuan with an increase of 19.85 billion yuan than the beginning of the year, and the proportion of new bank loans reached 95.2%. In the aspect of trade finance, the Company focused on building an international and domestic integrated trade financing product portfolio system, continued to develop cross-border financing business, and satisfied customers' diversified financing demands. During the reporting period, the cross-border financing business volume reached 3 billion dollars, increasing by over 70% from the previous year; the Company also actively promoted domestic L/C business and effectively saved capital. During the reporting period, the accumulated domestic L/C business volume reached about 20 billion yuan, increasing by over 10% from the last year.

(II) Retail enterprise business

Under the background of "new normal" economy, small and micro enterprises are key objects to stimulate the vitality of the society and economy, and also important service objects for differentiated development of the Company. The Company has been always dedicated to providing small enterprise clients with "simple, convenient and highly efficient" financial products and services. During the reporting period, the Company continued innovating and optimizing financial products and services for small enterprises, improved the level of a series of financial services for small enterprises such as financing, settlement and e-banking, further consolidated the customer base, and expanded the business scale.

Retail enterprise clients. In 2017, the Company further deepened operation of small enterprise clients, and expanded the customer base of small enterprises. By deepening "tax-banking interaction" and based on the taxpayer list and corporate tax payment situation, the Company utilized big data and Internet technology to effectively select high-quality small and micro enterprises in the industries, and rapidly attract new customers by precise marketing

promotion with the list and overall product portfolio marketing. At the end of the reporting period, the Company had 173928 retail enterprise clients, up by 13% from the previous year. It included 31938 settlement customers, up by 16%; 27402 credit-giving customers, up by 29%; 11322 international business clients, up by 14%; and 5414 finance customers, up by 24%.

Deposits of retail enterprises. In 2017, the Company strengthened its deposit expansion, continued to optimize deposit structure and effectively controlled business costs. At the end of the reporting period, the deposit balance of the retail enterprise line was RMB 59.1 billion, up by RMB 9.6 billion and 19% from the beginning of the year. In 2017, its demand deposits increased continuously. At the end of the reporting period, the demand and call deposits of retail enterprise line was RMB 31.4 billion, which increased by 16% from the beginning of the year and accounted for 53% of all the deposits.

Loans of retail enterprises. In 2017, the Company continued to innovate and optimize financial products and services for small enterprises and actively explored and practiced online modes. First, it optimized business processes, launched “quick approval & quick loan-granting 2.0” and improved financing efficiency for small enterprises. At the end of the reporting period, the balance of “quick approval & quick loan-granting” reached RMB 10.1 billion, increasing by RMB 5.4 billion from the previous year at a growth rate of 115%; second, it innovated loan renewal and repayment methods and launched “relending” and “three-year loans”, to mitigate loan repayment and turnaround pressure of small enterprises when the loans mature; third, greatly advanced tax-banking cooperation, applied the concept of “Internet+” to upgrade the credit loan product “Shuiwudai” to online product, assisted honest corporate taxpayers in quick financing and achieved win-win between tax-enterprise-bank. At the end of the reporting period, the loan balance of retail enterprises amounted to RMB 45.2 billion, up by RMB 11.6 billion and 39% from the previous year.

Special businesses of retail enterprises. First, continuously enriched cash management products and services. During the reporting period, the Company launched “Juailing” cash management comprehensive service solution. At the end of the reporting period, the accumulative signed customers of Juailing reached 1712; the finance balance was RMB 14.2 billion, increasing by RMB 4.4 billion at a growth rate of 45% from the previous year; the Company issued 75,000 Jiesuan cards in total, up by 19,000 from the year of 2016. Second, innovated international business services for small enterprises. The Company built “e su” series brands, realized acceleration of remittance business and trade financing, and promoted financial market products such as Jihuitong, forward FX sales and purchase, and options. During the reporting period, the total income from international business for retail enterprises was RMB 120.83 million, up by 7.1% year-on-year. Fourth, accelerated development of e-finance services for small enterprises. In 2017, the Company launched new corporate online banking, improved a range of Internet service channels for small enterprises including mobile version of Jiesuan card and micro-finance WeChat

official account. At the end of the reporting period, the number of valid customers of retail corporate e-banking reached 54,458, increasing by 23%; there were 6.11 million online banking transactions, increasing by 21% from the year of 2016.

(III) Personal banking business

The Company always took personal banking as one of key development areas, continuously deepened construction of personal business system and persisted in the operating principle of “distinctive & localized” businesses. It centered on customer operation, further deepened core businesses such as saving deposits, wealth management and consumer credit, and actively explored emerging fields such as direct banking. Meanwhile, it also continuously tried and utilized new business mode of traditional businesses combined with the Internet, big data, artificial intelligence and other new techniques; in the aspect of team building, it adhered to the “people-oriented” development principle, continuously strengthened professional work division of the team and improved marketing efficiency of the team, thus further consolidated the Company’s competitiveness in the personal banking segment.

Personal deposit business. In 2017, the Company continued to promote the development of deposit business with development strategy of “steady growing scale, continuously optimized structure and constantly decreasing cost”. First, deeply ploughed community marketing, took root in the neighborhood, stabilized sources of deposits, and strived to be the mainstream bank in operating areas by means of the Bank’s advantageous products and services; second, strengthened channels for customer introduction, constantly expanded Xinfubao payroll service channels, enhanced business settlement channels, enlarged third-party custody channels and introduced high-quality customer base in bulk; third, optimized deposit structure and continued to strengthen introduction of demand deposits and reduce interest payment costs of deposits through corporate payroll payment retaining and business settlement fund withdrawal. Fourth, focused on stock customer operation improvement and high-quality customer group, and constantly improve customer stickiness via fortune presentation events. At the end of the reporting period, the deposit balance of personal banking reached RMB 105.859 billion, up by RMB 5.574 billion from the previous year, and the demand deposit increased by RMB 3.8 billion.

Personal loan business. The Company focused on key customer segments as well as credit and mortgage products, followed the development of financial technology, and constantly innovated and optimized business modes. First, utilized the Internet and other new technologies to optimize business processes and improve business efficiency, such as launching online Bailingtong and realizing one-stop application and approval on online banking, thus to provide high-quality experience for customers. Second, utilized big data to improve customer attraction traffic and capability, such as actively contacting with provident fund center, local tax bureau and other external channels, to realize attraction of a number of customers, to develop towards “retail business as wholesale” and improve marketing efficiency. Third, Focused on key customer

segments, controlled entry of customers, strictly standardized operation processes, improved standardized management level, and kept the low level of NPL in personal loan business. At the end of the reporting period, the personal banking loans balance was 83.3 billion yuan, there were 170,000 new personal loan customers and the NPL of personal loans was 0.50%.

Wealth management business. The Company accelerated the development of wealth business by means of professional wealth management team. First, continued improving the wealth management product system to meet diversified demands on assets allocation from customers. The Company continuously expanded its basic customer group of wealth management by issuing new customer wealth management and special wealth management products. At the end of the reporting period, the balance of individual wealth management products reached 144.835 billion yuan, increasing by 66.4% from the last year, and the number of such customers reached 335,000, increasing by 58.9% from the last year. Meanwhile, it launched store-up gold, fixed deposit gold and other account gold businesses and constantly enriched varieties of noble metal products. Second, it pushed forward delicacy management, built professional teams, set up wealth management business department in service outlets, established wealth management managers, and further provided differential products and services for Huicai and private banking customers, so as to improve customer experience and corporate reputation.

Private banking business. The private banking business of the Company has been dedicated to providing high-net-worth customers with full range of high-end wealth management solutions including wealth planning, asset allocation, investment consulting, product portfolio and other comprehensive services for the purposes of “creating values for customers” and maintaining and increasing wealth values. During the reporting period, the Company set up private banking centers in Ningbo, Beijing, Shanghai, Shenzhen, Nanjing, Suzhou, Wuxi and Hangzhou, which indicates that a high-end customer service network is taking shape. Private banking investment study and product system have been formed initially and value-added services have been established gradually. At the end of the reporting period, the number of the Company’s private banking customers was 2856, increasing by 35.3% from the previous year; the total assets of private banking customers reached 38.9 billion yuan, increasing by 23.4% from the previous year.

Bank card business. The Company constantly improved the “Huitong” system by launching private bank cards, happy old people co-branded cards and other products to provide customers with comprehensive and differential services. In the aspect of card application, the Bank constantly expanded application of financial IC cards in public service fields, followed the service concepts of “being convenient and benefiting people”, assisted in the project of subway online pre-authorized PayPal pass, participated in Hui-parking promotion event, pushed forward construction of smart markets, and comprehensively improved customers’ payment experience. During the reporting period, the Company issued domestic encryption key chip cards and actively promoted the magnetic card for chip card work, so as to escort for security use of cards.

(VI) Credit card business

In 2017, the Company held the guideline of increasing the assets scale, improving service experience, and enhancing risk control in the credit card business, and continued to provide customers with distinctive financial services by three measures of strengthening product innovation, intensifying technology construction and building big data risk control system. First, in the aspect of product innovation, tried new customers, new channels and new modes of the credit card business, which made income sources more diversified and stable; second, in the aspect of technology construction, enriched card application channels on the Internet, launched several online card application modes with better experience and high efficiency, and actively expanded various applications of people's livelihood, all of which improves customer experience; third, in the aspect of building of big data risk control system, introduced external data sources to be applied to customer obtaining, approval, early warning and collection links, so as to make risk control management more scientific and delicate.

(V) Financial market business

The global economic environment was complex in 2017. In terms of domestic market, the monetary policy was prudent and neutral, macro prudential assessment tended to be tighter and financial deleveraging went ahead. In terms of international market, the market uncertainty increased because of the pace of Fed rate rise, progress of Trump's tax reform and political risks in euro zone. Faced with complex financial environment, the Company seized market opportunities, improved the capability of operation, and realized stable growth of profitability of the financial market business. By actively making reference to advanced business modes and development experience of domestic and foreign financial markets, the Company continued expanding the business chain, enhanced product development, extended construction of channels, and tapped into domestic and foreign interest rate markets and FX markets, covering bonds business, FX business, precious metal, financing and debts business, financial derivatives, etc.

Starting from "improving the profitability structure, improving the profitability mode, and improving the market position", the Company held the development strategy of sincere services, extensive cooperation, compliant operation and mutual benefits. It further expanded inter-bank cooperation, innovated and enriched the product system, deepened the market maker business, and continued increasing the proportion of intermediary business such as transaction and consignment. The Company was dedicated to being one of the best partners of medium- and small-sized inter-bank financial market business. By the end of the reporting period, the Company had established close relationships with all major national banks, policy banks and national shareholding banks. It partnered with more than 500 medium and small banks as well as more than 100 foreign banks. For non-bank financial institutions, the Company had set up the partner network of emerging non-bank institutions which mainly consisted of fund companies and securities companies, supported by insurance companies and trust companies, and including

financial lease companies and fund branches.

In 2017, the Company had fast-growing transactions concerning a variety of financial market business. At the end of the reporting period, it underwrote CDB bonds of RMB 129.4 billion, ranking the first in the entire market; it achieved the amount of RMB bond transactions of RMB 2320.8 billion, up by 32.45% year-on-year; the amount of interest rate swap transactions of RMB 1035.7 billion, up by 26.68% year-on-year; the amount of currency forward and swap transactions of RMB 842.6 billion, up by 62.4% year-on-year.

During the reporting period, the Company obtained a number of qualifications including personal business agency in Shanghai Gold Exchange, A-type lead underwriter of non-financial corporate liabilities financing instrument, membership of Class-A underwriters of national bonds, membership of CDS net settlement in Shanghai Clearing House, core dealer of credit risk mitigation instrument, and credit risk mitigation certificate and credit-linked note creation institution, laying a solid foundation for sustainable, healthy and stable development of the financial market business. The Company won “Award of Excellent Underwriting Institution”, “Award of Excellent Self-sustaining Institution”, “Award of Excellent Issuing Institution” in the selection of excellent bond market players of China in 2016 by China Government Securities Depository Trust & Clearing Co. Ltd., which shows the industry’s affirmation of the Company’s financial market business.

(VI) Assets management business

In 2017, faced with slowdown of the financing market scale and rapid upside of liabilities cost, the Company took several measures to improve its assets management capability. First, it grasped the market trend, adjusted allocation categories and tempo of assets, realized optimal allocation under risk-return trade-off, and improved overall income of asset portfolios; second, it improved portfolio management capability, actively pushed forward bond position adjustment, revitalize stock funds, increased utilization ratio of asset pool interest rate bonds, and implemented the first bond lending business; third, it improved its risk management capability, established an internal risk index system, offered prospective and guiding opinions for further business development through analysis of the current profit situation of the asset pool, the asset-liability structure and future static cash gap, refined asset-liability management, improved resources utilization efficiency and promoted asset-liability linkage scope.

During the reporting period, the Company had slightly grown financial business, and achieved stable growth in scale and structure indicators such as launch of financial products and amount of fund-raising. At the end of the reporting period, the financial products reached RMB 242.3 billion, up by 14.5% year-on-year. The financial structure continued being optimized. The Company had the open-end and net-value products of RMB 146.1 billion, up by 32.3% from the beginning of the year.

(VII) Assets custody business

In 2017, the Company made unremitting efforts in optimization of business structure, promotion of Yituoguan service, iteration of business system and support of product marketing. As a result, the business index statistics including custody business income and customer group scale all increased compared with that of the last year. On the one hand, the Company strengthened system advantages by upgrading new functional platforms like Yituoguan 2.0 system. On the other hand, it improved service advantages through operating optimization measures like straight through processes and standardized contract signing. Besides, it also accelerated product line extension layout and continued to promote development of fund operation outsourcing business and three-party depository business. With the above development, the Company was awarded “2016-2017 Excellent Assets Custody Bank” issued by *The Economic Observer* and “Excellent Assets Custody Institution” by China Government Securities Depository Trust & Clearing Co. Ltd.

Up to the end of the reporting period, the Company had the assets under custody of RMB 2.67 trillion which remained the same as the last year, ranking No. 16 in the industry and No. 1 among all city commercial banks; the income from custody reached RMB 518 million, up by 23% from the previous year. The Company had 464 assets custody customers, among which core customers with the custody balance of more than RMB 2 billion each reached 202.

(VIII) Investment bank business

In 2017, the investment bank business of the Company continued to build “IB+” brand, focused on demands of enterprises concerning people’s livelihood, listed companies and developing enterprises, improved product system, and optimized business processes, consolidated team building, so as to expand market shares gradually and make brand effect more apparent. In the aspect of bond financing, in 2017, the Company obtained B-type lead underwriter qualification of non-financial corporate debt financing instrument. It registered the non-financial corporate debt financing instrument of RMB 23.7 billion the whole year, which shows its market influence has further expanded. In the aspect of asset securitization, during the reporting period, the Company issued two phases of credit assets securitization projects with the total amount of RMB 4 billion, respectively Yongdong 2017 1st phase consumption credit assets supporting securities and Yongdong 2017 2nd phase consumption credit assets supporting securities; It was awarded “2017 ABS Avantgarde Bank” by *International Financial News*.

(IX) International business

In 2017, faced with external challenges and opportunities, the international business of the Company continued to focus on supporting the regional real economy and incubating high-quality private enterprises, and constantly upgraded its product and service strength in trade finance, cross-border finance and offshore finance. First, formed a comprehensive product system that

covers international settlement and trade financing to create the all-around trade finance service for high-quality export and import companies. Second, deepened overseas and domestic resources linkage, focused on key projects, and customized efficient and convenient cross-border financing integrated solutions for international development of enterprises. Third, helped promote RMB internationalization and the “Belt and Road” national strategy, constantly innovated offshore finance services, and provided offshore one-stop comprehensive services for enterprises that go global. Fourth, launched e fast transfer, Wechat tracking and Wechat reminder functions by means of eguojie and weiguojie online services, so as to form a special service brand. Fifth, improved international business risk control system, strengthened foreign exchange business compliance management, launched “Lean Six Sigma” program and enhanced document center process management with customer due diligence, data analysis, system risk control and other measures.

Up to the end of the reporting period, the Company completed the accumulative amount of international settlement of 57.6 billion dollars, increasing by 4% from the previous year; it had 13754 international business customers, increasing by 19% from the previous year and the annual income from international business of RMB 700 million, increasing by 18% from the previous year.

(X) Electronic channels

In 2017, the Company upheld the development concept of “making offline business online and online business mobile”, kept up with the Internet trend, considered changes of customers’ habits of using financial services from the perspective of customers, and further expanded strategic support and resource investment in electronic channels, By enriching financial services and products, and improving customer experience, the Company created electronic channels to be a powerful weapon for accumulating basic customers and deeply exploring core customers.

Online banking. In the aspect of personal online banking, in 2017, the Company focused on building a comprehensive financial service platform with full functions, introduced insurance, gold and other financial products, and further enriched customers’ choices for asset allocation. Meanwhile, it constantly migrate offline businesses, such as launching online credit card application, card replacement for the same account and other online and offline linked services, so as to reduce counter operation costs. In the aspect of corporate online banking, it launched new corporate online banking and redesigned online banking interface according to customers’ usage, so as to build a straight through work transaction platform. It also provided video assistance mode for complicated businesses like L/C issuance.

Mobile banking. In the aspect of personal mobile banking, in 2017, the Company continued to improve mobile banking, focused on customers’ financial demands, and constantly innovated product and business modes. It innovatively introduced AR technology and OCR recognition technology to increase convenience of business handling; it added store-up gold and certificate of deposit to enrich customers’ investment choices; it launched APPLE PAY, UnionPay OR

code payment and other mobile payment products in succession for catching up with technological renovation, so as to construct a comprehensive mobile payment product system; it also expanded application scenarios for financial businesses and offered cloud bill services for schools and property management institutions to enable parents and property owners to pay various expenses online. In 2017, mobile banking was more often used than online banking and become the first choice for customers. In the aspect of corporate mobile banking, to adapt to the mobile development trend, the Company achieved breakthrough in the following three areas: first, made basic businesses perfect by launching mobile banking fortune overview, helping customers grasp dynamic state of corporate finance, and connecting to intelligent payment platform for treating emergent financial payment. Second, made international businesses faster by realizing mobile shortcut operation like recording regular remittance information to the template and starting foreign exchange transactions. Third, made value-added services superior by launching business application including VAT invoicing and receipt reserved printing on mobile banking, innovating service methods and improving customer experience.

WeChat banking. In the aspect of personal Wechat banking, first, improved product experience, simplified operations and improved operation experience by upgrading platform structure, integrating service menus and changing business lobby interface; second, strengthened propaganda and promotion, and carried out social popularization in new products, inclusive finance and consumer rights protection, producing a strong social effect. In the aspect of corporate Wechat banking, the Company was dedicated to providing whole-process online services for customers and assisted in mobile development of businesses: first was Wechat tracking of processes which enables customers to track and query processing status of international businesses real-timely on Wechat and can improve customer satisfaction; second was Wechat inquiry of businesses which enables customers to query regular businesses on Wechat or consult online staff to handle all kinds of corporate businesses quickly.

(XI) Science and technology support

Information technology (IT) is not only the foundation for stable operation of banks, but also the most important support for banks to realize accurate and innovative marketing. In 2017, the Company continuously improved its independent scientific and technological R&D capabilities, continued to promote integrated innovation of science & technology and business and comprehensively enhanced the technological support for businesses. First, deepened customer mining and marketing. Deeply mining for basic customers through big data; put the customer information factor ECIF, video authentication platform and big data risk control phase-3 system into production, so as to provide effective support for key business areas such as accurate customer winning, risk control and customer marketing and service, etc.; its independently researched and developed personal CRM2.0, data warehouse 3.0 based on big data technology and

external data unified access platform all reached advanced level in the industry. Second, promoted business innovation comprehensively. Vigorously promoted platform strategy and spared no effort to support special business development of branches; constantly promoted construction of outlet self-service platform phase-2, corporate banking 2.0, smart payment, fund consignment 3.0, direct connection with Commercial Paper Exchange and Summit upgrading, and supported the development of all businesses professionally. Third, constantly promoted independent innovation and implemented deeper application of cloud computing, AR and other advanced techniques which were at a leading level in the industry. Its Exploration and Study of the Application of the Internet Plus of City Commercial Banks under the Financial Cloud Architecture Mode was awarded Class II Achievement Award of 2017 banking industry information technology risk management topic study by CBRC.

During the reporting period, the Company's information system ran efficiently and stably, the information system architecture was further optimized, the security capability of system operation and maintenance was continuously enhanced and business continuity was improved. Actively promoted active-active data center practice and improved performance and reliability of the business system to keep it at a leading position in the industry; completed core upgrading and reconstruction and strengthened high availability of core systems; deepened construction of monitoring system and comprehensively improved monitoring coverage and detection rate; continued to improve the construction of infrastructure library and strengthened the analysis and disposal capability of operation and maintenance; spared no efforts to promote the infrastructure construction of new data center and enhanced reliability of the information system.

(XII) Consumer rights and interests protection

Directed by customer-oriented management idea, the Company paid high attention to consumer rights and interests protection. In 2017, the Company added level-1 consumer rights and interests protection departments, which made overall planning, organized and practices consumer rights and interests protection. Implanted contents and requirements of consumer rights and interests protection before, during and after sales of products and businesses, specified consumer rights and interests protection measures and ensured effective protection of consumer's rights and interests. The Company actively implemented the first-asking responsibility mechanism for customer complaints, proactively accepted, quickly responded to and effectively solved customers' demands, promptly optimized processes and strengthened management, so as to improve customer experience constantly.

The Company actively organized 3.15 financial consumer rights and interests day, popularized thematic activities such as spreading financial knowledge, consumer rights and interests protection thematic month, financial knowledge walking into thousands of families and financial knowledge popularization month, etc., and obtained many honors from the government and supervision departments such as "Disciplined Enterprise in Ningbo", "Class-A Bank of

Financial Consumer Rights and Interests Protection in Ningbo”, “Advanced Member Unit of Financial Consumer Rights and Interests Protection Association of Ningbo City”, “Advanced Member Unit of Ningbo Financial Knowledge Popularization Month Activities”, and “Winning Unit of Ningbo “Inclusive Finance in Schools” National Financial Quality Education Promotion Project”.

IX. Outlook of future development

(I) Industry competition pattern and development trend

In 2018, China’s economy will enter a new age, the supply-side structural reform will be pushed forward deeply, old and new economic energies and modes will be further switched, economic operation will remain stable, domestic and overseas development environment and conditions will become complex and changeable, and the economy will still be at the L-shaped bottoming process and adjustment period. The industry differentiation and industry transformation and upgrading will be accelerated and financial risk prevention and deleveraging are still keynotes of policies, which will have significant impact on the development of banking industry. Other than the increasingly complex external operating environment, traditional banking industries will still be challenged by policy tightening, interest rate liberalization, financial disintermediation, and Internet finance, and industry competition and division will be further intensified.

As a small and medium-sized bank, the company must adapt to new changes of the financial environment under economic new normal, make preparations to cope with bigger difficulties and challenges by a positive and open attitude, focus on segmented markets and customers, drill diligently with leading science and technology, innovative development and specialized operation as the driving force, and create differentiation competitive advantages in order to push forward steady and sustainable development of the bank.

(II) Development strategy

Medium and long-term development strategy of the company is that: through “three three years” effort, develop into a respected modern commercial bank with good reputation and core competitiveness.

Having successfully achieved the first two three years’ goals, the Company will enter the year of 2017-2019 development planning that confronts some protracted problems. The Company will continue to implement “One center and two wings” development strategy with Yangtze River Delta as the center and with Pearl River Delta and Around Bohai Gulf Area as the wings, deeply plough operating areas, persistently accumulate its comparative advantages in the segmented market, form differentiated core competitiveness among horizontal competition, and constantly improve its profit gaining and scale, so as to develop into a respected modern commercial bank with good reputation and core competitiveness.

(III) Business development planning in 2018

Confronted with the new normal of slow profit increase of the banking industry and the pressure on risk management, and under the leadership of the board, the company will actively adapt to environmental changes and seize market opportunities in 2018 for the purpose of business expansion. For the purpose of risk management, it will take risk control measures, master the initiative of risk management in the new period, further strengthen specialized management idea, enhance operating effectiveness of employees and organizations, continuously accumulate differentiation comparative advantages and promote sustainable development of banks.

Firstly, optimize the profitability structure. The company will focus on synchronous operation of assets and liabilities, improve delicacy management of asset business, grasp the pace of investment, optimize asset structure, and enhance public assets; strengthen promotion of liability business, expand basic customer group of liability business, increase basic deposit, and enlarge liability scale steadily; give full play to the Company's comparative advantages, concentrate on the development of featured businesses, build featured sub-branches and teams, deepen the construction of diversified profit center and ensure sustainability of profit source.

Secondly, hold the base line of risk. Supply-side structural reform will be "deepened", differentiation among areas, industries and enterprises will extend and the pressure on risk management is still high. Thus, the company will take strict risk control as the basis for sustainable development, resolutely implement all links of whole-process risk management with total risk management as the guidance, and strictly hold the base line of no cases, no big bad loans and continuous operation.

Thirdly, strengthen specialized management. Directed by scientific assessment method, the company will give top priority to resource allocation, actively arouse the enthusiasm of employees, enhance their specialized advantages in all business areas, form comparative advantages in all segmented markets, continuously improve the operating efficiency and ensure steady and sustainable development under new circumstances.

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

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

Reception hours	Reception mode	Reception object type	Index of research basic situation	
Jan. 20, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart</i> of the company
Jan. 25, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart</i> of the company
Feb. 22, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart</i> of the company

Mar. 9, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Mar. 17, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
May 10, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
May 16, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
May 24, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
June 1, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
June 8, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
June 22, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
July 11, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Sept. 13, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Nov. 2, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company
Dec. 28, 2017	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company

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

Reception hours	Reception mode	Reception object type	Index of research basic situation	
Jan. 18, 2018	Field research	Institutions	www.cninfo.com.cn	Investor Relation Activities Record Chart of the company

Chapter Seven Important Matters

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

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

The company deliberated and passed *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2017-2019)* in the general meeting of 2016 on May 18, 2017 and mentioned explicitly that, the company will preferentially make profit distribution using cash dividend during 2017 and 2019, and the annual profit distributed using cash dividend was no less than 10% of the distributive profit made throughout the year. The company will carry out active profit distribution scheme on the condition that profitability and capital adequacy ratio satisfy the requirements on continuous operation and long-term development.

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

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

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

2. Profit distribution scheme of 2016 is as below: Legal accumulation fund valued RMB 765,625,000 Yuan was withdrawn as per 10% of the net profit in 2016; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No.

20) of the Ministry of Finance, general reserve valued RMB 1,157,411,000 Yuan was withdrawn as per 1.5% of the ending balance of risk assets in 2016; based on 3,899,794,081 shares in 2016, cash dividend valued RMB 3.5 Yuan (tax-inclusive) per 10 shares was issued and cash dividends valued RMB 1,364,928,000 Yuan were distributed; capital reserve equivalent to 10 shares was converted into three shares of capital.

3. Profit distribution scheme of 2015 is as below: legal accumulation fund valued RMB 649,167,000 Yuan was withdrawn as per 10% of the net profit in 2015; 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 1,518,173,000 Yuan was withdrawn as per 1.5% of the ending balance of risk assets in 2016; based on 3,899,794,081 shares in the end of 2015, cash dividend valued RMB 4.5 Yuan (tax-inclusive) per 10 shares was issued and cash dividends valued RMB 1,754,907,000 Yuan were distributed; no shares were donated or converted into share capital in 2015.

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

Unit: (RMB) Thousand Yuan

Dividend distribution year	Amount of cash dividend (Tax-inclusive)	Net profit contained in annual profit distribution consolidated statement and vested in common stockholders of the parent company	Ratio of net profit contained in the consolidated statement and vested in common stockholders of the parent company	Cash dividends in other ways	Proportion of cash dividends in other ways
2017	2,027,893	9,110,472	22.26%	-	-
2016	1,364,928	7,587,317	17.99%	-	-
2015	1,754,907	6,544,333	26.82%	-	-

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

Bonus shares (shares) every 10 shares	-
Dividends per 10 shares (RMB) (including tax)	4
Increased number (shares) every 10 shares	-
Equity base (share) of distribution plan	5,069,732,305
Amount of cash dividend (Thousand Yuan) (tax-inclusive)	2,027,893
Distributive profit (Thousand Yuan)	26,463,770
Percentage of cash dividends in total profit distribution	100%

Cash dividend policy

Please view *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2017-2019)* disclosed on <http://www.cninfo.com.cn> on May 13, 2017 for details.

Details of profit distribution scheme

According to the annual financial statement of 2017 audited by Ernst & Young Hua Ming Accounting Firm (special general partnership), the company realized net profit value RMB 9,104,002,000 Yuan in 2017, and the profit available for distribution in the end of 2017 was valued RMB 26,463,770 Yuan after plus the profit available for distribution in the end of 2016 valued RMB 20,105,207,000 Yuan, minus dividends of preferred shares in 2016 valued RMB 223,100,000 Yuan, common stock dividends payable in 2016 valued RMB 1,364,928,000 Yuan and general risk provisions deducted valued RMB 1,157,411,000 Yuan. The company issued preferred shares valued RMB 4.85 billion Yuan in November, 2015 and distributed the dividends of preferred shares twice in November 16, 2016 and November 16, 2017. With normal and orderly business operation as well as standard and steady financial operation, the company believes the ability to pay off the dividends of preferred shares of the third year. The company will hold the board meeting on matters concerning dividend payout no later than ten workdays before the third interest payment date (November 16, 2018) and will make an announcement to shareholders of preferred shares.

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

I. Legal accumulation fund valued RMB910,400,000 Yuan was withdrawn as per 10% of the net profit in 2017;

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 RMB1,071,774,000 Yuan was withdrawn as per 1.5% of the ending balance of risk assets in 2017;

III. Cash dividend valued RMB 4 Yuan (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record; no shares were donated or converted into share capital in 2017

This scheme will be deliberated in the annual general meeting of shareholders in 2017.

Note: The equity base and amount of cash dividend of distribution plan of the above table was calculated according to the total equity of the Company at the end of 2017. For “Ninghang Zhuanzhai” will enter conversion period on June 11, 2018, the Company will issue cash dividend to common shareholders registered after the market closes on the basis of the total equity on the day of equity distribution record.

III. Commitment Item Implementation

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

Commitment Issues	Commitment party	Commitment type	Commitment content	Commitment time	Commitment deadline	Performance situation
Commitment of share reform	-	-	-	-	-	-
Commitment in purchase report or equity change report	-	-	-	-	-	-
Commitment made in asset reformation	-	-	-	-	-	-
Commitment of non-public development bank	Singapore Overseas-Chinese Banking Co., Ltd., Ningbo Development Investment Group Co., Ltd.	Share limited sale commitment	Since the date of ending issuance, do not transfer the subscribed shares within 60 months	Oct. 8, 2014	60 months	Strictly performed
Other commitments on company's middle and small shareholders	Corporate	Commitment made during refinancing	Various measures shall be adopted to guarantee the effective use of raised funds, to effectively prevent diluted risk of return on demand and improve return capacity in the future	July 16, 2014	Long term	Strictly performed
Other commitments on company's middle and small shareholders	Corporate	Commitment made during refinancing	In order to protect interests of common stock shareholders and make up decrease of return on demand that may be caused by the issuance of preferred shares, 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	Nov. 26, 2015	Long term	Strictly performed

	future.
Whether commitment performed in real time	Yes
If commitment is overdue and unperformed, specific reasons and next plan should be provided	Not applicable

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

(II) Capital expenditure commitment

Unit: (RMB) 1,000

Item	December 31, 2017	December 31, 2016
Signed but not disbursed	268,952	250,979

(III) Business rent commitment

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

Unit: (RMB) 1,000

Items	December 31, 2017	December 31, 2016
Within 1 year (including)	451,375	374,525
1-2 years (including)	417,927	337,452
2-3 years (including)	382,029	291,137
Longer than 3 years	820,911	951,042
Total	2,072,242	1,954,156

(IV) Asset pledge commitment

Unit: (RMB) 1,000

Pledge asset content	Pledge asset face value	Pledge application	Pledge amount	Pledge expiring date
Financial asset-bonds for sale	33,605,778	Sell purchased financial asset amount-bond	30,711,379	Jan 2, 2018 - Jan 23, 2018
Expiring investment-government bond	14,299,222	Sell purchased financial asset amount-bond	12,924,930	Jan 2, 2018 - Jan 23, 2018
Buying back the sale of financial assets-bond	1,000,000	Sell purchased financial asset amount-bond	976,918	Jan 2, 2018

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 unstandard audit reports by the accounting firm

Ernst & Young (special general partnership) issued standard audit report for the 2017 Financial Statement of the Company with our reservation, so there's no statement of Board of Directors, Board of Supervisors and independent directors (if any) on the unstandard audit reports by the accounting firm.

VI. Compared with Financial Report of the Last Year, Description on Change of Accounting Policy, Accounting Estimate and Accounting Method

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

VII. Situation of Major Accounting Error Correction Requiring Retrospection and Restatement within Report Period

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

VIII. Compared with Financial Report of the Last Year, Description on Change of Consolidated Statement Scope

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

IX. Situation of Appointing and Dismissing Accounting Firm

(I) Current appointed accounting firm

Name of domestic accounting firm	Ernst & Young (special general partnership)
Reward of domestic accounting firm	3,250,000 yuan, including 2,400,000 yuan of financial report audit and 850,000 yuan of internal control audit
Continuous service year of domestic accounting firm	9 years
Name of registered accountant of domestic accounting firm	Chen Sheng, Liu Dalu

(II) Within report period, the company does not change employment of accounting firm

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

During the report period, Ernst & Young is employed as an internal auditing firm of the Company, and the company shall pay 850,000 yuan to it for the 2017 internal auditing.

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

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

X. Suspended listing or delisting information after the issuance of annual report

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

XI. Related Issues of Bankruptcy Reorganization

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

XII. Significant Arbitration or Lawsuit Issues

The Company was involved in several lawsuits and arbitration due to recovery of loans in daily business process. The Company forecasted that such lawsuits and arbitration would have no significant adverse effect on the financial and operation results. Up to December 31, 2017, the

Company, as a plaintiff, had a total object amount of 2,510,000,000 yuan for pending lawsuits; and, as a defendant, has a total object amount of 2,030,000,000 yuan for pending lawsuits.

VIII. Punishment and Rectification

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

XIV. Credit Status of the Company and Its Majority Shareholders and Actual Controllers

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

XV. Implementation of Company's Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentive Measures

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

XVI. Major Related Transaction

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

Internal natural person statistics involves directors, supervisors, senior management, and other staff having right to decide or participate in commercial credit and asset transfer. Depending on statistical data of Bank related natural person credit business at the end of December 2017, credit business exposure balance under mortgage loan is RMB 147,090,900, RMB 20,270,800 under the pledge and RMB 3,350,000 under warranty; for businesses under no credit, the principle of not issuing credit loan for directors, supervisors, senior management, and other staff having right to decide or participate in credit and asset transfer of the commercial bank as well as near relatives thereof is insisted, which complies to related credit control objectives and requirements of the Company in 2017.

Unit: RMB 10,000

Guarantee way	Current balance of loan business in the bank
Mortgage	14,709.09
Pledge	2,027.08
Guarantee	335.00

Credit	-
Total exposure	15,044.09

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

In accordance with Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.26 - Specific Provisions on Information Disclosure by Commercial Banks (revised in 2014) formulated by CSRC, the total number of transactions with the related person that over RMB 300,000 in 2017 is 398, the total business balance is RMB 198,330,000, and the exposure at the end of December is 70,505,000 yuan.

(III) Credit extension implementation of related legal persons

According to the objective and requirement of the Board of Directors on related credit control in 2017, the Company's requirements on credit exposure and bond underwriting limit control for shareholders' related parties in 2017 were: the total limit of credit exposure and bond underwriting for shareholders' related parties shall not exceed 14 billion yuan. The maximum credit exposure and bond underwriting limit for single shareholder related party shall not exceed 3.5 billion yuan and that for single shareholder related group shall not exceed 5 billion yuan. Details are as follows:

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

Note: the total credit exposure of the above 5 shareholder related parties shall not exceed RMB 8 billion and the total bond underwriting limit shall not exceed RMB 6 billion.

The credit situation of the Company's related legal person up to the end of 2017 is shown below:

Unit: RMB 10,000

No.	Related legal person	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment
1	Ningbo Development & Investment	48,700.00	40,000	-

	Group Co., Ltd. and related party			
2	Youngor Group Co., Ltd. and related party	51,685.58	-	-
3	Youngor Group Co., Ltd. and related party	81,246.79	-	-
4	Ningbo Shanshan Co., Ltd. and related party	116,098.97	90,000	27,000
5	Ningbo Fubon Holding Group Co., Ltd. and related party	141,301.24	76,000	100,000
	Total	439,032.59	206,000	127,000

From the above statistical data, the maximum credit limit of the above 5 shareholder related parties each does not exceed RMB 2 billion, the maximum credit limit of shareholder related groups each does not exceed RMB 3 billion and the total credit limit does not exceed RMB 8 billion, which complies with the objective and requirement of the Company on related credit control in 2017.

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 businesses	Balance of bond investment	Remarks
1	Ningbo Development & Investment Group Co., Ltd	20,000	Liquidity loans 10,000	10,000	-	-	
		40,000			40,000	-	
2	Ningbo Dahongying Education Group	28,000	Liquidity loans 28,000	28,000	-	-	
3	Ningbo Dahongying University	10,000	Liquidity loans 5,100	5,100	-	-	
4	Ningbo Mingzhou Biomass Power Generation Co., Ltd.	5,000	Liquidity loans 5,000	5,000	-	-	
5	Ningbo Kefeng Thermo-power Co., Ltd.	5,000	Liquidity loans 600	600	-	-	
	Total		48,700	48,700	40,000	-	

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

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting businesses	Balance of bond investment	Remarks
1	Ningbo China-Base International Logistics Co., Ltd.	500	Liquidity loans 370	370	0	0	/
2	China Base Ningbo Group Stock Co., Ltd.	150,000	Bank acceptance 770 L/C 767.17 Letter of guarantee 3,438.91 Capital business 2,910.44 Domestic L/C	50,544.47	0	0	/

			43,603.88				
3	Ningbo China-Base Import & Export Co., Ltd.	15,000	L/C 485.82 Letter of guarantee 120	557.54	0	0	/
4	Ningbo Youngor International Trade Transport Co., Ltd.	5,000	Pledge 199.66 L/C 9.89	213.57	0	0	/
	Total		52,679.78	51,685.58	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 businesses	Balance of bond investment	Remarks
1	Ningbo Huamao International Trade Co., Ltd.	30,000	Liquidity loans 14,953.22 Pledge 2,739.47 L/C 8,707.95	26,659.38	0	0	
2	Ningbo Huamao Science & Technology Co., Ltd.	20,000	Liquidity loans 9,500 Discount 4,000	13,500	0	0	
3	Ningbo Maoxuan International Trade Co., Ltd.	53,000	Liquidity loans 33,041.56 Pledge 2,908.87 L/C 1,712.56	34,686.81	0	0	
4	Huamao Group Co., Ltd.		Letter of guarantee 30,000	0	0	0	
5	Zhejiang Huamao International Trade Co., Ltd.	5,000	Liquidity loans 4,465	4,465	0	0	
6	Ningbo Shuxiang New Material Co., Ltd.	2,000	Liquidity loans 1,750 Bank acceptance 232	1,935.60	0	0	
	Total		114,269.37	81,246.79	0	0	

4. Ningbo Shanshan Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting businesses	Balance of bond investment	Remarks
1	Shanshan Group Co., Ltd.	50,000	Liquidity loans 45,000 Bank acceptance 5,000	50,000	0	0	
		90,000			90,000	27,000	
2	Ningbo Shanshan Property Co., Ltd.	10,000	Bank acceptance 7,000 Discount 2,850.43 Capital business 133.18	9,983.60	0	0	

3	Ningbo Shanshan New Material Science & Technology Co., Ltd.	2,000	Bank acceptance 2,000	1,400	0	0
4	Shanshan Holding Co., Ltd.	2,800	Commercial acceptance bill discount 2,800	2,800	0	0
5	Ningbo Ulica Solar Science & Technology Co., Ltd	25,000	Liquidity loans 6,100 Bank acceptance 20,194.20 Letter of guarantee 771.96 Capital business 10 Domestic L/C 3,569.81	21,622.74	0	0
6	Ningbo Shanshan Hanxiang Trade Co., Ltd.	10,000	L/C 2,937.80 Domestic L/C 3,500 Commercial acceptance bill discount 3,100	9,292.62	0	0
7	Ningbo Shanshan Outlets Cross-border Trade Co., Ltd.	1000	Liquidity loans 1,000	1,000	0	0
8	Ningbo Senqiong Trade Co., Ltd.	10,000	Liquidity loans 1,000 Bank acceptance 12,900	10,000	0	0
9	Ningbo Xinyou Industrial Co., Ltd.	10,000	Liquidity loans 10,000	10,000	0	0
Total			129,867.38	116,098.97	90,000	27,000

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

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting businesses	Balance of bond investment	Remarks
1	Ningbo Furnitures Co., Ltd.	3,000	Liquidity loans 3,000	3,000	0	0	
2	Ningbo Home Appliance Import and Export co., LTD	59,000	Liquidity loans 14,890 Discount 10,400 L/C 14,647.42 Domestic L/C 3,500	42,970.08	0	0	
3	Ningbo Fubon Wood Co., Ltd.	8,780	Liquidity loans 2,000 Discount 3,100 Pledge 1,731.71 Bank acceptance 2,000 L/C 10.06 Commercial acceptance bill discount 1,000	8,607.28	0	0	
4	Ningbo Yujiang Special Adhesive Tape Co., Ltd.	2,500	Liquidity loans 750 Discount 1,750	2,500	0	0	
5	Ningbo Fubang Greens Furniture Co., Ltd.	4,000	Commercial acceptance bill	4,000	0	0	

			discount 4,000			
6	Ningbo Hengrun Furniture Co., Ltd.	9,800	Discount 9,800 Bank acceptance 5,000	9,800	0	0
7	Ningbo Henrun Polymerization Co., Ltd.	9,900	Liquidity loans 5,625 Bank acceptance 2,430 Domestic L/C negotiation 911.56 Commercial acceptance bill discount 2,600	9,440	0	0
8	Ningbo Henrun Plastic Machine Co., Ltd.	9,400	Commercial acceptance bill discount 9,400	9,400	0	0
9	Ningbo Fubon Holding Group Co., Ltd.	40,000	Liquidity loans 20,000 Letter of guarantee 10,000 Commercial acceptance bill discount 10,000	40,000	0	0
		100,000			76,000	100,000
10	Ningbo Fubon Furnitures Co., Ltd.	6,100	Discount 6,100 Bank acceptance 3,000	6,100	0	0
11	Ningbo Fubon Plaza Investment Development Co., Ltd.		Liquidity loans 3,750	3,750	0	0
12	Ningbo Fubang Systex Trade Co., Ltd.	1,000	Bank acceptance 600	360	0	0
13	Ningbo Fubon E-Commerce Development Co., Ltd.	3,000	Liquidity loans 339 L/C 1,056.58 Capital business 79.76	1,373.88	0	0
	Total		153,471.10	141,301.24	76,000	100,000

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

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

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

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

party after the transaction is higher than 5% of the bank capital net amount;

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

According to the above definitions, in 2017, the situation of the above three related transactions of Ningbo Development & Investment Co., Ltd., Youngor Group Co., Ltd., Huamao Group Co., Ltd., Ningbo Shanshan Co., Ltd., and Ningbo Fubon Holding Group Co., Ltd. are as follows:

1. Statics shows that, there's 2 general related transactions that transaction amounts accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year of 2017;

2. There's no major related transaction occurred in the year of 2017;

3. There's no particularly major related transaction occurred in the year of 2017.

Depending on statistics of general related transaction, major related transaction and particularly major related transaction in 2017, the approval program of the related credit business is accordant with requirement of the board of directors on the related credit control.

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

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

Up to December 31, 2017, we provide Overseas-Chinese Bank Corporation with credit limit to RMB 2.5 billion yuan; at present, risk exposure of the Bank is RMB 120 million yuan, and pre-settlement is RMB 120 million yuan; we provide Overseas-Chinese Bank (China) Co., Ltd. with credit limit to RMB 1.55 billion yuan; the actual risk exposure of the bank is RMB 332 million yuan, pre-settlement is 325 million yuan and interest exchange is 7 million yuan.

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 28,379,000,000, and company's outward guarantee business is one of conventional bank businesses approved by People's Bank of China and China Banking Regulatory Commission.

(III) Situation of entrusted cash asset management

1. Entrusted wealth management

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

During the report period, the Company issued 2,258 financing products which caused the sale of RMB 294.92 billion. At the end of the report period, the balance of financing products managed by the Company was RMB 242.308 billion.

2. Entrusted loan

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

(IV) Other significant contracts

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

XVIII. Social responsibility

(I) Performance of social responsibility

In 2017, the company earnestly performed social responsibilities of commercial banks, adhered to the social responsibility outlook of "justice and integrity, be kind to customers, care for employees, be warmhearted in promoting public good, devoted to environmental protection and repay the society", closely combined bank management and performance of social responsibilities, and strived to repay the society.

Firstly, promoted quality and efficiency in serving the real economy, supported the implementation of major national strategies, drove the regional economic development and contributed to the "Famous City" construction and "Made in China 2025" pilot demonstration city construction work of Ningbo; secondly, protected the legitimate rights and interests of the shareholders and investors and continuously promoted the company's capability in value creation; thirdly, practiced inclusive finance and provided services for small and micro enterprises and also the urban and rural residents, contributing to the inclusive finance comprehensive demonstration area construction work of Ningbo; fourthly, protected the legal rights and interests of the financial consumers, innovated financial products, optimized the service procedures and promoted the

customers' financial service experiences; fifthly, energetically developed mobile finance, perfected mobile banking, WeChat banking and e-bank and provide customers with safe and convenient financial series; sixthly, concerned development of the employees, perfected the training system, promoted employees' professional capabilities, fulfilled leadership of the model employees and continuously promoted the belongingness and happiness of the employees; seventhly, promoted green credit, supported energy-saving and environment-protection enterprises and advocate a green office operation environment; and eighthly, took corresponding public good responsibilities, contributed to the poverty alleviation, promoted the traditional culture and spread positive energy of the society.

Please view *Bank of Ningbo Co., Ltd. Annual Social Responsibility Report* in 2017 disclosed on <http://www.cninfo.com.cn> on March 29, 2018 for details.

(II) Performance of social responsibility for targeted poverty alleviation

1. Targeted poverty alleviation plans

The company has further implemented the requirements related to the targeted poverty alleviation work, strengthened construction of the organization leadership and system of the poverty alleviation work, perfected the financial poverty alleviation system and mechanism, innovated the poverty alleviation method and promoted the sustainable development of the economy and society of the poverty-stricken areas. Firstly, it has built a financial poverty alleviation management organization system, set up the financial poverty alleviation work leading group and the project implementation group jointly participated by the head office, branches, and all the front, middle and back stage departments. And the specific poverty alleviation policies are stipulated by integrating with the department responsibilities, business features and supervision principles. Secondly, the company has perfected the financial poverty alleviation management system. It has according to the relative financial poverty alleviation requirements issued guiding opinions on the poverty alleviation work, formulated management methods for the relative financial poverty alleviation business products, specified the service areas, targets, purposes and application conditions, the loan terms, interest rate and limit and management after issuing of the funds. Thirdly, it has defined the financial poverty alleviation work implementation system. The company has investigated and researched on the poverty alleviation areas and targets in advance to ensure a precise recognition and accurate poverty alleviation; studied and formulated financial service plans by integrating with the business features and product advantages, defined targets to alleviate poor households, industrial poverty alleviation point of support, work measures, assurance system and responsibility objectives to ensure the effect of the poverty alleviation work. Fourthly, it has established precise poverty alleviation data report procedures, strengthened poverty alleviation funds and ledger management, supplemented historical data record and improved the financial poverty alleviation work statistics quality and electronic level.

2. Overview on targeted poverty alleviation

The company has actively implemented the basic strategies for targeted poverty alleviation

work according to the specific targeted poverty alleviation ideas and requirements of the party and country in the new times. On one hand, the company gave full play to its advantages as a bank, completed its basic service network, innovated the financial products and conducted various targeted poverty alleviation work in compliance with the regional conditions; and on the other hand, the company actively supported the targeted poverty alleviation work organized by the local party committees and governments of their business regions and contributed to the special, industrial and social poverty alleviation work.

Social poverty alleviation: the labor union of the head office has donated RMB 500,000 through "Charity Day Donation" to support the public good; donated RMB 500,000 to the needy worker rescue fund of Ningbo Federation of Labor Unions to help the groups of poor for illness. Hangzhou Branch Xiaoshan Sub-branch donated RMB 800,000 to Hangzhou Xiaoshan Charity Federation to help with "six-helps and one relief" activity organized to help with the education, difficulty, medical, age, disabled, orphans and relieve from disaster of households enjoying the minimum living guarantee and groups with difficulties in incomes. Wenzhou Branch Ruian Sub-branch donated RMB 970,000 and RMB 360,000 separately to Ruian Charity Federation and Ruian Red Cross Society to help with the local poor households. Wuxi Branch has actively responded to the call for "present warmth and love" charity donation activity of Wuxi Charity Federation by donating RMB 50,000 to the groups of living difficulties for illness or family accidents. Jinhua Branch has organized its staffs to participate in "Charity Day Donation" activity by donating RMB 41,000 to Jinhua Charity Federation. Jiaxing Branch donated RMB 20,000 to help with the medical, difficulty, disabled and age assistance program. Ninghai branch donated RMB 200,000 to Love-Police Charity Fund of Ninghai Charity Federation for aids and medical treatment of the households of police officers injured or disabled for illness; donated RMB 23,000 through "Charity Day Donation" for medical, difficulty, disabled and age assistance of the groups. Yuyao Sub-branch donated RMB 5,000 to Yuyao Charity Federation Ma Zhe Branch to help with one difficulty household in Macaotou Village of Mazhu Town. Yuyao Central Sub-branch donated RMB 100,000 to Yuyao Charity Federation to contribute to the public good for the difficulty groups.

Educational poverty alleviation: within Ningbo area, the business department of the head office has donated over 5,000,000 copies of books amounted at RMB 10,000 to the students of Ningbo Zhihe School, who are the children of migrant workers. Haishu Sub-branch donated RMB 100,000 to Ningbo Haishu Charity Federation for funding the poverty-stricken students within the area. Hudong Sub-branch donated RMB 200,000 to Qingtongxia Bureau of Finance of the Ningxia Hui Autonomous Region for the cultural and educational assistance program. Yuyao Sub-branch by taking "Shunjiang Cultural Association" organized by the young volunteers as the carrier has donated RMB 63,000 to Lishui Songyang School and RMB 20,000 to Mazhu Primary School for the lunch assistance. Cixi Sub-branch donated RMB 50,000 to Cixi Charity Federation to help with the poor families, especially with the students. And within the branch areas, Nanjing Branch

has donated RMB 250,000 to help with the poor students; Suzhou Branch donated RMB 135,200 to the poor students in Yunnan, Sichuan and Suzhou by means of staff charity donation, charity sales and capital donation. Wuxi Branch counterpart supported 44 poor students to finish their school in Luoyang County, Hanzhong, Shaanxi, of which donation in 2017 was RMB 27,800.

Fixed point poverty alleviation: the company has donated RMB 200,000 to Huchen Aoliwang Village, Ninghai County, Ningbo every year in order to help the local government to improve traffic and drinking water conditions, support the development of local economic forest bases and improve its capability in economic development. Hangzhou Branch has participated in fixed-point poverty alleviation of Jiukeng Village, Chun'an County and donated RMB 100,000 every year in order to help with the economic development. Wenzhou Branch has according to the targeted poverty alleviation work of Wenzhou Municipal People's Government donated RMB 50,000 for pairing support work in Taishun County and the economic development of Dongxi of Taishun Village. Wuxi Jiangyin Sub-branch has paired up with Jiannan Village, an economically weak village, helping with 49 poor households and donating goods and materials at amount of RMB 150,000. Shenzhou small and micro enterprise business sub-branch of Shaoxing Branch had participated in the fourth round economically weak village and low income peasant household pairing activity and donated RMB 50,000 for the economic development of Guimen Village and implemented supportive programs to increase the operation income. Jiaxing Branch has conducted the poverty alleviation and pairing activity in compliance with the targeted poverty alleviation work requirements of Jiaxing and presented its loving care and assistance to two special families.

Financial poverty alleviation: the company has by integrating with the regional features promoted the featured financial products, intensified the support for rural youth entrepreneurship and emerging small and micro business enterprises, and provided financial support for the poor in the initial stage. For example, the company launched "Clipper card" micro-credit product in order to facilitate farmers to obtain credit aid and support economic development of villages. The company established 8 financial service stations in Ningbo including Yunlong Sub-branch and Sanqi Sub-branch to have a thorough understanding of farmer's requirements on financial service and help peasant households to develop characteristic economy and cultivated characteristic industries.

3. Targed poverty alleviation achievements

Index	Measurement unit	Quantity / Executive condition
I. General situation	RMB 4,848,200	—
II. Subitem investment	—	—
1. Industrial development poverty alleviation	RMB 415,000	6 measures, benefiting over 50 peasant households
2. Transfer employment poverty alleviation	—	—
3. Relocation removal poverty alleviation	—	—
4. Educational poverty alleviation	RMB 863,400	10 donation activities, benefiting over 100 students
5. Health poverty alleviation	—	—
6. Ecological protection poverty alleviation	—	—
7. Miscellaneous assurance	—	—

8. Social poverty alleviation	RMB 3569,800	12 donation activities, benefiting many needy families
9. Others	—	—
III. Awards received (contents & grading)	—	—

4. Follow-up targeted poverty alleviation plan

The company will continue to earnestly implement strategic deployment of the Party Central Committee and the State Council on poverty alleviation based on high sense of political responsibility and mission, strengthen poverty alleviation work leadership and mechanism construction and intensify the leadership and executive force of targeted poverty alleviation; positively support poverty alleviation of local Party committees and governments of all levels, while continue to complete the existing point, educational and social poverty alleviation works, further perfect the financial service system by enhancing the “hemopoiesis” mechanism of poverty alleviation; integrate with its own business and product features, strengthen the innovation to financial poverty products and modes, actively explore financial products supportive to poverty alleviation of agriculture and forestry, tourism, e-commerce, technology and transfer employment, and give play to the active role of banking industry in targeted poverty alleviation and targeted poverty relief and promote the sustainable health development of the economy and society of the poverty-stricken areas.

(III) Information related to environment protection

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

XIX. Description on Other Major Issues

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

XX. Major Events of the Company's Subsidiaries

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

XXI. Relevant Situation of Corporate Bond

The Company has issued 10 billion yuan of A-share convertible bonds publically on December 5, 2017, which were listed on SZSE (Shenzhen Stock Exchange) on January 12, 2018. For more details, please refer to "Chapter Ten Relevant Information on Convertible Bonds".

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

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

the capital are verified. We think that:

(I) Company's outward guarantee business is one of conventional banking businesses approved by China Securities Regulatory Commission and China People's Bank. Up to December 31, 2017, guarantee business balance of the company is 28,379,170,000 yuan. The company pays attention to risk management of the business, and strictly implements related operation procedure and approval program, so that the risk of outward guarantee business has been effectively controlled. To December 31, 2017, the company carefully obeys to related regulations of [2003] No. 56 document issued by China Securities Regulatory Commission, and is free from situation of guarantee against regulation.

(II) To December 31, 2017, the company is free from situation when the controlling shareholders or other related parties occupy the company's capital.

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

Chapter Eight 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	447,332,297	11.47%	0	0	134,199,689	-2,344,393	131,855,296	579,187,593	11.42%
1. National holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person holding	190,154,630	4.88%	0	0	57,046,389	0	57,046,389	247,201,019	4.87%
3. Other domestic capital holding	8,122,851	0.20%	0	0	2,436,855	-2,344,393	92,462	8,215,313	0.16%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	8,122,851	0.20%	0	0	2,436,855	-2,344,393	92,462	8,215,313	0.16%
4. Foreign holding	249,054,816	6.39%	0	0	74,716,445	0	74,716,445	323,771,261	6.39%
wherein: foreign legal person holding	249,054,816	6.39%	0	0	74,716,445	0	74,716,445	323,771,261	6.39%
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%
II. Limit-free condition share	3,452,461,784	88.53%	0	0	1,035,738,535	2,344,393	1,038,082,928	4,490,544,712	88.58%
1. RMB ordinary share	3,452,461,784	88.53%	0	0	1,035,738,535	2,344,393	1,038,082,928	4,490,544,712	88.58%
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	3,899,794,081	100.00%	0	0	1,169,938,224	0	1,169,938,224	5,069,732,305	100.00%

During the reporting period, under the plan of 2016 profit distribution and turn add equity capital accumulation fund approved by the shareholders' meeting on May 18, 2017, the Company took the total share capital of 3,899,794,081 shares as the base number and transferred capital reserve to 3 shares for each 10 shares for all shareholders listed on the equity rights registration date (July 10, 2017) and the total share capital of the Company became 5,069,732,305 shares thereafter. Totally 2,344,393 limited shares of the senior management were released. The above mentioned condition will not influence the financial indexes of the last year and the latest period, including the basic EPS, the diluted EPS, and the net asset value per share that belongs to the common shareholders 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.	249,054,816	0	0	323,771,261	Non-public offered subscription share limited sale	October 8, 2019
Ningbo Development Investment Group Co., Ltd.	190,154,630	0	0	247,201,019	Non-public offered subscription share limited sale	October 8, 2019
Company's supervisors and senior managers holding directors, and senior	8,122,851	2,344,393	0	8,215,313	Senior management locked share	In-office directors, supervisors and senior managers shall transfer 25% of shares to the greatest extent within 1 year
Total	447,332,297	2,344,393	0	579,187,593		

III. Situation on Security Issuing and Listing

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

Name of stock and derivative security	Issue date	Issue price (or interest rate)	Issue quantity	Listing date	Quantity of the acquired listing transaction
Financial bond (including tier II capital bond)					
A-share convertible bonds of Bank of Ningbo Co., Ltd.	December 5, 2017	Nominal rate of this convertible bonds: 1 st year: 0.20%; 2 nd year: 0.40%; 3 rd year: 0.80%; 4 th year: 1.20%; 5 th year: 1.60%; 6 th year: 2.00%	100,000,000 (face amount: 100 yuan)	January 12, 2018	100,000,000
2017 Bank of Ningbo tier II capital bonds	December 6, 2017	4.80%	100,000,000 (face amount: 100 yuan)	December 7, 2017	100,000,000

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

1. Approved by *Official Reply of China Banking Regulatory Commission Ningbo Office on Public Issuing of A-share Convertible Bonds by Bank of Ningbo* (Y.Y.J.F. [2016] No. 53) and the *Reply on Approving Public Issuing of Convertible Bonds by Bank of Ningbo Co., Ltd.* of China Securities Regulatory Commission (Z.J.X.K. [2017] No. 2099, the company has publically issued A-shares amounted at 10 billion yuan on December 5, 2017. These convertible bonds were distributed in prefer to the original shareholders registered after-hours at the equity rights registration date of the issuer at full amount and the rest (including the parts waived by the original shareholders in the preferential distribution) will be distributed to the social and public investors online through the trading system of Shenzhen Stock Exchange. Validity of these convertible

bonds is six years, starting from December 5, 2017 to December 5, 2023. The face amount is as follows: 1st year: 0.2%; 2nd year: 0.4%; 3rd year: 0.8%; 4th year: 1.2%; 5th year: 1.6%; 6th year: 2.0%. The original conversion price of these convertible bonds: 18.45 yuan/share.

2. Approved by *Official Reply of China Banking Regulatory Commission Ningbo Office on Issuing Tier II Capital Bonds by Bank of Ningbo* (Y.Y.J.F. [2017] No. 195) and the Administrative Licensing Decision of People's Bank of China (Y.S.C.X.Z.Y.Z. [2017] No. 191), the Company publically issued the 2017 Bank of Ningbo Tier II capital bonds to national inter-bank bond market from December 6 to December 7 in 2017. The bonds belong to 10-year fixed-rate variety with a coupon rate of 4.80% and the actual amount of issuing reached 10 billion yuan, which are granted with issuer's right of redemption of precondition at the end of the 5th year. The bonds are publically issued in the national inter-bank bond market in the form of book building or centralized sale way, where the underwriting syndicate are organized by the major underwriter.

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

In accordance with the 2016 profit distribution and capital reserve extension plans approved by the general meeting of shareholders held on May 18, 2017, the Company took the total share capital of 3,899,794,081 on December 31, 2016 as the base number, and 3 shares for every 10 shares were given to all shareholders listed on the date of record (July 10, 2017) by converting capital reserve into share capital, after which the total capital shares of the bank were 5,069,732,305.

(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)	68,670	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report	66,023	Total quantity of preferred stockholders recovering voting power at the end of reporting period (Account)	0	Total quantity of preferred stockholders recovering voting power at the end of the previous month before disclosure date of the annual report	0
Situation on shareholders holding more than 50% of shares or top ten shareholders							
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing Share state Quantity
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	20.00	1,013,946,461	233,987,645	247,201,019	766,745,442	
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.58	942,031,287	217,391,836	323,771,261	618,260,026	
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	13.17	667,704,979	213,939,818	0	667,704,979	

Huamao Group Co., Ltd.	Domestic non-state-owned legal person	5.14	260,376,380	42,807,600	0	260,376,380 pledge	124,570,000
Ningbo Shanshan Co., Ltd.	Domestic non-state-owned legal person	3.35	169,761,979	17,106,400	0	169,761,979	
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	3.10	156,933,000	25,167,731	0	156,933,000 pledge	64,800,000
National Social Security Funds 101 Group	Funds, financial products, etc.	2.17	110,204,843	46,530,473	0	110,204,843	
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.42	71,915,175	16,595,810	0	71,915,175	
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.38	69,819,360	16,112,160	0	69,819,360	
Ningxing (Ningbo) Property Management Co., Ltd.	Domestic non-state-owned legal person	1.38	69,810,000	16,110,000	0	69,810,000	
Description on related relations or consistent activities of previous shareholders	Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.						
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		Quantity	
				Share class	Quantity		
Ningbo Development Investment Group Co., Ltd.	766,745,442			RMB ordinary share	766,745,442		
Singapore Overseas-Chinese Banking Co., Ltd.	618,260,026			RMB ordinary share	618,260,026		
Youngor Group Co., Ltd.	667,704,979			RMB ordinary share	667,704,979		
Huamao Group Co., Ltd.	260,376,380			RMB ordinary share	260,376,380		
Ningbo Shanshan Co., Ltd.	169,761,979			RMB ordinary share	169,761,979		
Ningbo Fubang (Holdings) Limited	156,933,000			RMB ordinary share	156,933,000		
National Social Security Funds 101 Group	110,204,843			RMB ordinary share	110,204,843		
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	71,915,175			RMB ordinary share	71,915,175		
Central Huijin Asset Management Co., Ltd.	69,819,360			RMB ordinary share	69,819,360		
Ningxing (Ningbo) Property Management Co., Ltd.	69,810,000			RMB ordinary share	69,810,000		
Description on relationship or consistent activities among top ten circulating shareholders without limited sale as well as top ten circulating shareholders without limited sale and among top ten shareholders	Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.						
Description on shareholders attending securities margin trading	None						

Within the report period, the Company is free from agreed repurchase transaction among top ten shareholders without limited sale and top ten shareholders.

(II) Situation on Company's holding shareholder

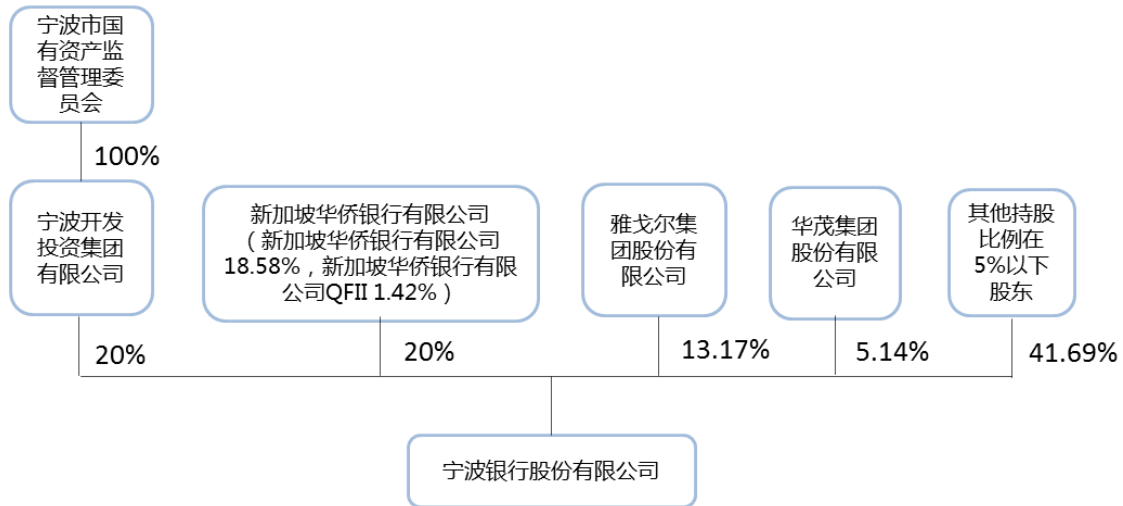
The Company is free from holding shareholder to the end of the report period.

(III) Situation on Company's actual controller

The Company has no actual controller within the report period.

(IV) Company's shareholding structure chart

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



宁波国有资产监督管理委员会

Ningbo State-owned Asset Supervision & Management Committee

宁波开发投资集团有限公司

Ningbo Development & Investment Co., Ltd.

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

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

雅戈尔集团股份有限公司

Youngor Group Co., Ltd.

华茂集团股份有限公司

Huamao Group Co., Ltd.

其他持股占比 5% 以下的股东

Other shareholders holding lower than 5% of shares

宁波银行股份有限公司

Ningbo Banking Co., Ltd.

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

Name of corporate shareholder	Legal representative/unit leader	Date of establishment	Registered capital	Major businesses or management activities
Ningbo Development & Investment Co., Ltd.	Li Bao	Nov. 12, 1992	RMB 5 billion	Project investment, assets management, real estate development, property management and so on
Singapore Overseas-Chinese Banking Co., Ltd.	Huang Sanguang	Oct. 31, 1932	Singapore Dollar 15.107 billion	Financial service industry
Youngor Group Co., Ltd.	Li Rucheng	June 25, 1993	RMB 2.558 billion	Garment production, real estate development, project investment and so on

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

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

Chapter Nine Relevant Situation of Preferred Shares

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

Issue method	Issue date	Issue price (yuan/share)	Face dividend rate	Issue quantity (share)	Listing date	Quantity of acquired listed transfer (share)	Expiry date of listing
Non-public	Nov. 16, 2015	100	4.6%	48,500,000	Dec. 9, 2015	48,500,000	None

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

Unit: share

Total quantity of preferred shares shareholders to the end of report period		7		Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual report		7		
Situation on share holding of preferred shares 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 status	Quantity
Cofco Trust Co., Ltd.	Others	23.53%	11,410,000	0	0	11,410,000		
Bank of Communications International Trust Co., Ltd.	Others	19.79%	9,600,000	0	0	9,600,000		
Bosera Fund Management Co., Ltd.	Others	16.06%	7,790,000	0	0	7,790,000		
China Merchants Wealth Asset Management Co., Ltd.	Others	11.75%	5,700,000	0	0	5,700,000		
HuaAn Future Asset Management (Shanghai) Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000		
AXA SPDB Investment Managers Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000		
Postal Savings Bank of China Co., Ltd.	Others	8.25%	4,000,000	0	0	4,000,000		

III. Profit Distribution of Company's Preferred Shares

The preferred share dividends of the Company are paid in cash once a year. When the Company has resolved to cancel part or all of the preferred share dividend distribution, the undistributed dividends of the report period will not be accumulated to the following interest period. The preferred shareholders will not take part in the residual profit distribution with the ordinary shareholders after receiving the profit distribution in accordance with the agreed dividend rate.

Within the report period, according to the resolution of the fourth interim meeting 2017 of the six Board of Directors, the Company distributed cash dividends to all the shareholders enrolled before the close on November 15, 2017 with Bank of Ningbo Preferred 01 (stock code 140001). At the nominal capital dividend rate of 4.6%, each preferred share will be distributed with a cash

dividend of RMB 4.6 (tax inclusive) and the total amount will be accumulated to RMB 223.1 million (tax inclusive).

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

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 Ten Relevant Information on Convertible Bonds

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

Issuing way	Issuing date	Issuing price (RMB / share)	Nominal rate	Issuing amount (share)	Listing date	Approved transfer amount (share)	Expiry date of listing
Public offering	December 5, 2017	100	Nominal rate of convertible bonds issued this time: first year 0.20%; second year 0.40%; third year 0.80%; fourth year 1.20%; fifth year 1.60%; sixth year 2.00%.	100,000,000	January 12, 2018	100,000,000	None

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

Unit: share

Holder's name	Holder's nature	Holding ratio	Holding amount to the end of report period	Increase / decrease within report period	Holding amount of restricted conditions	Holding amount of non-restricted conditions	Pledge or frozen state	
							Share state	Amount
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	20.00	19,999,080	0	0	19,999,080		
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.58	18,580,624	0	0	18,580,624		
Youngor Group Co., Ltd.	Domestic general legal person\	13.17	13,169,813	0	0	13,169,813		
Huamao Group Co., Ltd.	Domestic general legal person\	5.14	5,135,664	0	0	5,135,664		
Ningbo Fubang (Holdings) Limited	Domestic general legal person	3.10	3,095,346	0	0	3,095,346		
National Social Security Funds 101 Group	Funds, financial products, etc.	2.19	2,194,866	0	0	2,194,866		
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Domestic legal person	1.42	1,418,454	0	0	1,418,454		
Ningxing (Ningbo) Property Management Co., Ltd.	Domestic general legal person	1.38	1,376,932	0	0	1,376,932		
CITIC Securities Co., Ltd.	Domestic general legal person	1.19	1,192,859	0	0	1,192,859		
Taikang Life Insurance Co., Ltd. — unit linked – creative power	Funds, financial products, etc.	0.77	769,196	0	0	769,196		
Description on related relations or consistent activities of previous holders	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.							

Notice: registration of the claims and trusteeship of the convertible bonds of the company have been completed on December 27, 2017 and will go public on January 12, 2018.

III. All previous adjustments to the conversion price

Within the report period, there has been no adjustment to the conversion price of these convertible bonds of the company.

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

Within the report period, the convertible bonds have not got to the conversion period, thus there has been no conversions.

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

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

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

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

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

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

Name	Position	Status	Gender	Age	Term start date	Term ending date	Shares held at the beginning of the year (share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
Lu Huayu	Director, chairman	Incumbent	Male	53	Jan. 15, 2005	Feb. 9, 2020	1,281,445	288,325	320,361	1,249,409
Luo Mengbo	Director, vice chairman, president	Incumbent	Male	47	Feb. 10, 2014	Feb. 9, 2020	1,476,675	443,003	0	1,919,678
Yu Weiye	Director	Incumbent	Male	54	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	42	May. 18, 2015	Feb. 9, 2020	0	0	0	0
Zhu Nianhui	Director	Incumbent	Male	55	Feb. 7, 2017	Feb. 9, 2020	0	0	0	0
Chen Yongming	Director	Incumbent	Male	58	Jan. 14, 2011	Feb. 9, 2020	0	0	0	0
Li Rucheng	Director	Incumbent	Male	66	Apr. 7, 2017	Feb. 9, 2020	0	0	0	0
Song Hanping	Director	Incumbent	Male	54	Jan. 15, 2005	Feb. 9, 2020	0	0	0	0
Chen Guanghua	Director	Incumbent	Male	57	Apr. 12, 2010	Feb. 9, 2020	0	0	0	0
Xu Lixun	Director	Incumbent	Male	43	Jan. 10, 2013	Feb. 9, 2020	0	0	0	0
Fu Jianhua	Independent director	Incumbent	Male	66	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Fu Jijun	Independent director	Incumbent	Male	60	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Ben Shenglin	Independent director	Incumbent	Male	51	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Zhang Jixiang	Independent director	Incumbent	Male	64	April 7, 2017	Feb. 9, 2020	0	0	0	0
Geng Hong	Independent director	Incumbent	Female	61	April 7, 2017	Feb. 9, 2020	0	0	0	0
Hu Pingxi	Independent director	Incumbent	Male	64	March 8, 2018	Feb. 9, 2020	0	0	0	0
Hong Lifeng	Employees' representative, Supervisory	Incumbent	Male	53	Oct. 9, 2015	Feb. 9, 2020	1,675,951	502,786	273,750	1,904,987
Xu Liming	Supervisory	Incumbent	Male	55	Jan. 12, 2008	Feb. 9, 2020	0	0	0	0
Pu Yiwei	External supervisor	Incumbent	Female	47	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Shu Guoping	External supervisor	Incumbent	Male	52	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Hu Songsong	External supervisor	Incumbent	Male	36	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Liu Rufen	Employees' representative,	Incumbent	Female	52	Feb. 10, 2014	Feb. 9, 2020	137,803	41,341	0	179,144

	supervisor										
Zhuang Ye	Employees' representative, supervisor	Incumbent	Female	40	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0	
Luo Weikai	Director, vice president, financial principal	Incumbent	Male	52	Apr. 7, 2017	Feb. 9, 2020	1,864,000	559,200	0	2,423,200	
Fu Wensheng	Vice president	Incumbent	Male	45	Aug. 27, 2012	Feb. 9, 2020	0	0	0	0	
Wang Yongjie	Vice president	Incumbent	Male	45	Aug. 27, 2012	Feb. 9, 2020	186,000	55,800	0	241,800	
Feng Peijiong	Director, vice president	Incumbent	Male	43	Feb. 3, 2016	Feb. 9, 2020	0	0	0	0	
Ma Yuhui	Vice president	Incumbent	Male	36	Apr. 24, 2015	Feb. 9, 2020	0	0	0	0	
Yu Gang	Board secretary	Incumbent	Male	40	January 25, 2018	Feb. 9, 2020	0	0	0	0	
Yu Fengying	Director, vice chairman	Resigned	Female	59	Sep. 4, 2006	Feb. 9, 2020	816,921	183,807	602,470	398,258	
Li Hanqiong	Director	Resigned	Female	40	Feb. 10, 2014	Feb. 9, 2017	0	0	0	0	
Yang Xiaoping	Independent director	Resigned	Female	66	January 31, 2012	March 8, 2018	0	0	0	0	
Tang Sining	Independent director	Resigned	Male	69	Jan. 14, 2011	Apr. 6, 2017	0	0	0	0	
Zhu Jiandi	Independent director	Resigned	Male	52	Jan. 14, 2011	Apr. 6, 2017	0	0	0	0	
Liu Suying	External supervisor	Resigned	Female	72	Jan. 14, 2011	February 9, 2017	0	0	0	0	
Zhang Yingfang	External supervisor	Resigned	Female	66	Jan. 14, 2011	February 9, 2017	0	0	0	0	
Yu Ningning	Employees' representative, supervisor	Resigned	Male	41	Jan. 14, 2011	February 9, 2017	0	0	0	0	
Yang Chen	Board secretary	Resigned	Male	56	October 9, 2011	November 27, 2017	1,337,019	300,829	334,255	1,303,593	

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

Name	Position	Type	Date	Reason
Zhu Nianhui	Director	Elected	Feb. 7, 2017	
Yu Fengying	Director, vice chairman	Resigned	Feb. 9, 2017	Expiration of term of office
Li Hanqiong	Director	Resigned	Feb. 9, 2017	Expiration of term of office
Tang Sining	Independent director	Resigned	Feb. 6, 2017	Expiration of term of office
Zhu Jiandi	Independent director	Resigned	Feb. 6, 2017	Expiration of term of office
Liu Suying	External supervisor	Resigned	Feb. 9, 2017	Expiration of term of office
Zhang Yingfang	External supervisor	Resigned	Feb. 9, 2017	Expiration of term of office
Yu Ningning	Employees' representative supervisor	Resigned	Feb. 9, 2017	Expiration of term of office
Li Rucheng	Director	Elected	Feb. 7, 2017	
Zhang Jixiang	Independent director	Elected	Feb. 7, 2017	
Geng Hong	Independent director	Elected	Feb. 7, 2017	

Luo Weikai	Director	Elected	Feb. 7, 2017	
Shu Guoping	External supervisor	Elected	Feb. 10, 2017	
Hu Songsong	External supervisor	Elected	Feb. 10, 2017	
Zhuang Ye	Employees' representative supervisor	Elected	Feb. 10, 2017	
Yang Chen	Board secretary	Resigned	November 27, 2017	Job transfer
Yu Gang	Board secretary	Hired	January 25, 2018	
Yang Xiaoping	Independent director	Resigned	March 8, 2018	Expiration of term of office
Hu Pingxi	Independent director	Elected	March 8, 2018	

Notice: 1. The Company convened 2017 second extraordinary general meeting of the shareholders on February 10, 2017. As the expiration of the term of office, Yu Fengying and Li Hanqiong are no longer the directors of the Company, Tang Sining and Zhu Jiandi are no longer the independent directors and Liu Suying and Zhang Yingfang are no longer the external supervisors of the Company. And Lu Huayu, Luo Mengbo, Yu Weiye, Wei Xuemei, Zhu Nianhui, Chen Yongming, Li Rucheng, Song Hanping, Chen Guanghua, Xu Lixun, Luo Weikai and Feng Peijiong were elected as directors of the 6th board of directors of the Company; Yang Xiaoping, Fu Jianhua, Fu Jijun, Ben Shenglin, Zhang Jixiang and Geng Hong as the independent directors of the 6th board of directors of the Company; Xu Liming as the shareholder supervisor of the 6th board of supervisors of the Company; Pu Yiwei, Shu Guoping and Hu Songsong as the external supervisors of the 6th board of supervisors of the Company. Of which, qualifications of the four new directors and independent directors including Li Rucheng, Luo Weikai, Zhang Jixiang and Geng Hong were approved by China Banking Regulatory Commission Ningbo Office on April 7, 2017.

2. The Company convened the first meeting of the 6th board of directors on February 10, 2017 and elected Lu Huayu as the chairman of the 6th board of directors of the Company; elected Luo Mengbo as the vice chairman of the 6th board of directors of the Company; hired Luo Mengbo as the president of the Company; hired Luo Weikai, Fu Wensheng, Wang Yongjie, Feng Peijiong and Ma Yuhui as the vice president of the Company; hired Luo Weikai as the financial principal of the Company; hired Yang Chen as the secretary of the 6th board of directors of the Company.

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

4. The Company has received the written resignation of Yang Chen on November 27, 2017, the board secretary of the Company, who would like to resign as the board secretary of the Company as for the job transfer. And on December 12, 2017, Yu Gang was hired as the secretary of the 6th board of directors at the fourth meeting of the 6th board of directors. The qualification of Mr. Yu Gang was approved by China Banking Regulatory Commission Ningbo Office on January 25, 2018.

III. Employment Situation

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

1. Directors

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

November 2000 to January 2005 and has been the Director and Chairman of Bank of Ningbo since January 2005.

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

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

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

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

director of Huaxia Bank; he has been a director of the Company since February 2017.

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

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

Mr. Song Hanping, currently the Chairman and CEO of Ningbo Fubang (Holdings) Ltd., and the director of 81 Fubang (Ningbo) Basketball Club Co., Ltd., was born in July 1963 and obtained a master's degree and the title of Senior Economist. Mr. Song successively served as the Vice General Manager of Ningbo Bomei Zipper Co., Ltd., General Manager of Ningbo Yujiang Plastic Company and Ningbo Yujiang Industrial Company, General Manager of Ningbo Hengrun Group, Vice General Manager of Ningbo Second Light Machinery Group and General Manager & Chairman of Ningbo Light Machinery Holding Group. Mr. Song has been the Director of the Company since January 2005.

Mr. Chen Guanghua, born in August 1960, obtained an associate's degree and the title of Senior Economist. He is currently the Executive director of Shanshan Holding Co., Ltd., Executive Vice President of Shanshan Group Co., Ltd. And the director of Ningbo Shanshan Co., Ltd. Mr. Chen served as the financial director of Ningbo Yonggang Garment Factory, CFO of Ningbo Shanshan Co., Ltd., CFO of Shanshan Group Co., Ltd. and Shanshan Investment Holdings Co., Ltd. Mr. Chen has been the Director of the Company since April 2010.

Mr. Xu Lixun: born in August 1974 and holds a Master's degree. He is currently the

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

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

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

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

Mr. Fu Jijun: born in January 1957, is a doctor of economics, senior economist and

international certified management consultant, currently serving as chairman of Chinese Financial Consulting Co., Ltd., first management accounting consulting expert of the Ministry of Finance, standing director of the board of governors of China Merger Union, vice chairman of Management Consulting Committee of China Association of Enterprises, guest professor of Tianjin University of Finance and Economics; independent director of ABC-CA Fund Management Co., Ltd., Xiamen Tsinghua Unigroup Co., Ltd., Lingyun Industrial Corporation Limited and Guangdong Booxin Investment Holdings Co., Ltd.. Mr. Fu once worked as vice general manager, general manager and other posts of Chinese Financial Consulting Co., Ltd.; since September 2014, he has been an independent director of the Company.

Mr. Ben Shenglin: born in January 1966, is a doctor of economics and currently is the professor of Management School of Zhejiang University, doctoral supervisor, dean of Zhejiang University Academy of Internet Finance, director of EMBA Education Center and executive president of Institute for International Monetary Affairs of Renmin University of China; the independent director of Tsingtao Brewery Co., Ltd., China International Capital Corporation Limited and Wuchan Zhongda Group and an external supervisor of Industrial Bank Co.,Ltd.. Mr. Ben once served as senior vice president of ABN AMRO and China general manager of circulating fund business, China general manager and director general manager of HSBC industry and commerce financial business, president of JPMorgan Chase (China) Co., Ltd. and member of global leading group of global enterprise; since September 2014, he is an independent director of the Company.

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

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

independent director of the Company since April 2017.

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

2. Supervisors

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

Mr. Xu Liming, born in December 1962, obtained an associate's degree and the qualifications of Accountant and Senior Economist. Mr. Xu currently is the Manager of Finance Department & CFO of Zhejiang Cuori Electrical Appliances (Group) Co., Ltd.. Mr. Xu Liming used to be the Financial Director and Vice General Manager of Cixi Wooden Company, Vice General Manager of Cixi Engineering Consultation Construction Corporation, Manager of Finance Department of Ningbo Swell Auto Decoration Co., Ltd.; the Manager of Finance Department & CFO of Zhejiang Cuori Electrical Appliances (Group) Co., Ltd. since April 2001 and he has been the Supervisor of Bank of Ningbo Co., Ltd. since January 2008.

Ms. Pu Yiwei, born in April 1970, a doctor of laws, is currently a professor and master supervisor of the Law School of Ningbo University. Ms. Pu Yiwei received the PhD degree in civil law and commercial law from Tsinghua University School of Law in 2005 and became a

visiting scholar from 2007 to 2008 in Law School of University of Toronto and East China University of Political Science and Law in 2012. She is currently a professor and master supervisor of the Law School of Ningbo University, primarily engaged in the teaching and research of civil law and civil procedure law. Besides, she is also a member of the party committee of Law School of Ningbo University, dean of the procedural law institute of Law School of Ningbo University, a part-time doctoral supervisor of Institute of Law of Chinese Academy of Social Sciences, a member of Civil Procedure Law Institute of China Law Society and a managing director of Procedural Law Research Institute of Zhejiang Province. Ms. Pu Yiwei has been an external supervisor of the Company since February 2014.

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

Mr. Hu Songsong, born in January 1981, master of law, a third grade lawyer, is currently the deputy secretary general of Ningbo Lawyers Association, an arbitrator of Ningbo Arbitration Commission, a senior associate of Harnest & Garner Law Firm, a director of the Finance and Insurance Commission and a member of the management council. Mr. Hu Songsong used to be the general manager's secretary of Zhejiang Huaye Electric Engineering Co., Ltd.; general manager's secretary of Aux Electrical Co., Ltd.; a clerk of People's Court of Ninghai No. 2 Civil Court (commercial affairs court); the manager of the human resources department of Ningbo Jiangdong Xinbang Consulting Co., Ltd.; a lawyer of Ningbo Lawyers Association and a member of the management council; he has been a senior founding associate of Harnest & Garner Law Firm and the director of the Finance and Insurance Commission since January 2014; he has been an external supervisor of the Company since February 2017.

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

Ms. Zhuang Ye, born in June 1977, received the bachelor's degree and lawyer's qualification

certificate, is currently the vice general manager of the compliance department of Bank of Ningbo Co., Ltd.. Ms. Zhuang Ye used to be a senior assistant manager of the compliance department of the Company and the general manager of the compliance department and general manager of the audit department of Suzhou branch of the Company; the vice general manager of the compliance department of the Company since February 2011; the staff supervisor of the Company since February 2017.

3. Senior Management

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

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

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

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

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

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

Mr. Yu Gang, born in February 1977, is a master of economics and senior economist. He is

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

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

Name of Member	Name of Shareholders	Positions in Shareholder Units	Term of Office	Whether be remunerated in Shareholder units or not
Yu Weiye	Ningbo Development & Investment Co., Ltd.	Chief accountant	From July 2013 to the present	Yes
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Vice General Manager	From May 2015 to the present	Yes
Zhu Nianhui	Singapore Overseas-Chinese Banking Co., Ltd.	Executive director and risk director	From August 2014 to the present	Yes
Chen Yongming	Singapore Overseas-Chinese Banking Co., Ltd.	General Manager in Northeast Asian Region and President of the Hong Kong Branch	From September 2009 to the present	No
Li Rucheng	Youngor Group Co., Ltd	Chairman of the Board	From June 1993 to the present	Yes
Song Hanping	Ningbo Fubang (Holdings) Limited	Chairman of the Board and President	From April 2002 to the present	Yes
Chen Guanghua	Ningbo Shanshan Co., Ltd	Director	From May 2014 to the present	Yes
Xu Lixun	Huamao Group Co., Ltd.	Executive director, president	From January 2002 to the present	Yes
Xu Liming	Zhuo Li Electric Appliances Group Co., Ltd.	Chief Financial Officer	From April 2001 to the present	Yes

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

Name Member	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Yu Weiye	Ningbo Thermal Power Co., Ltd.	Director	From December 2014 to the present	No
Wei Xuemei	Ningbo Cultural Plaza Investment & Development Co., Ltd.	Chairman of the board	From September 2013 to the present	No
Wei Xuemei	Ningbo Yongxing Chemical Co., Ltd.	Vice Chairman of the board	From October 2015 to the present	No
Wei Xuemei	Donghai Marine Insurance Company Limited	Director	From October 2015 to the present	No
Zhu Nianhui	Bank of Singapore Ltd.	Non-executive director	From November 2014 to the present	No
Chen Yongming	Shanghai Lijia Plate Making and Printing Co., Ltd.	Director	From March 1995 to the present	No
Chen Yongming	OCBC Management Services Private Limited	Manager	From January 2005 to the present	Yes
Chen	Eastern Holdings Limited	Director	From September 2009 to the present	No

Yongming					
Chen Yongming	OCBC Capital Investment (Asia) Limited	Director	From September 2009 to the present	No	
Chen Yongming	Bathurst Enterprises Limited	Director	From September 2009 to the present	No	
Chen Yongming	OCBC Nominees (Hong Kong) Limited	Director	From September 2009 to the present	No	
Chen Yongming	OCBC Advisors Limited	Director	From September 2009 to the present	No	
Chen Yongming	OCBC Securities (HK) Limited	Director	From September 2009 to the present	No	
Chen Yongming	Oversea-Chinese Banking (China) Corporation Ltd.	Supervisor	From October 2010 to July 2016	No	
Chen Yongming	OCBC Wing Hang (China) Co., Ltd.	Supervisor	From July 2016 to the present	No	
Li Rucheng	Ningbo Shengda Development Co., Ltd.	Executive director and general manager	From May 2013 to the present	No	
Li Rucheng	Youngor Group Co., Ltd.	Chairman of the board	From May 2012 to the present	No	
Song Hanping	Bayi Fubon (Ningbo) Basketball Club Co., Ltd	Chairman of the board	From December 2006 to the present	No	
Chen Guanghua	Shanshan Holdings Limited	Executive vice chairman	From January 2015 to the present	Yes	
Chen Guanghua	Shanshan Group Co., Ltd	Executive vice president	From January 2013 to the present	Yes	
Xu Lixun	Ningbo Huamao Cultural and Educational Holdings Co., Ltd.	Chairman of the board	From January 2011 to the present	No	
Xu Lixun	Zhejiang Huamao Real Estate Development Co., Ltd.	Director	From February 2002 to the present	No	
Xu Lixun	Ningbo Huamao Educational and Cultural Investment Co., Ltd.	Supervisor	From June 2010 to the present	No	
Xu Lixun	Beijing Qishehua Educational and Scientific Development Co., Ltd.	Chairman of the board	From November 2001 to the present	No	
Xu Lixun	Zhejiang Huamao International Trade Co., Ltd.	Chairman of the board	From September 2005 to the present	No	
Xu Lixun	Ningbo Maoxuan International Trade Co., Ltd.	Chairman of the board	From July 2008 to the present	No	
Xu Lixun	Ningbo Huamao Education Group	Director	From October 2004 to the present	No	
Xu Lixun	Ningbo Huamao Foreign Languages School	Director	From July 1998 to the present	No	
Xu Lixun	Zhejiang Quzhou Huamao Foreign languages School	Chairman of the board	From November 1999 to the present	No	
Xu Lixun	Zhejiang Longyou Huamao Foreign languages School	Chairman of the board	From August 2001 to the present	No	
Xu Lixun	Ningbo Huamao Multi-culture Educational Center	Chairman of the board	From February 2006 to the present	No	
Fu Jijun	Chinese Financial Consulting Co., Ltd.	Chairman of the board	From September 2000 to the present	Yes	
Fu Jijun	Fulue Modern Consulting (Beijing) Co., Ltd.	Chairman of the board	From October 2004 to the present	No	
Fu Jijun	Yuanhua Film Investment (Beijing) Co., Ltd.	Chairman of the board	From September 2014 to the present	No	
Ben Shenglin	School of Management of Zhejiang University	Professor, doctoral supervisor, director of EMBA center	From May 2014 to the present	Yes	
Ben Shenglin	Tsingtao Beer Co., Ltd.	Independent director	From June 2014 to the present	Yes	
Ben Shenglin	China International Capital Corporation Limited	Independent director	From May 2015 to the present	Yes	
Ben Shenglin	Material Zhongda Group Co., Ltd.	Independent director	From February 2016 to the present	Yes	
Ben Shenglin	Sesame Credit Management Co., Ltd.	Independent director	From June 2016 to the present	Yes	
Ben Shenglin	Industrial Bank Co., Ltd.	Supervisor	From December 2016 to the present	Yes	
Pu Yiwei	Ningbo University	Professor, master	From July 1995 to the present	Yes	

		supervisor		
Pu Yiwei	Assets Management Company of Ningbo University	Supervisor	From April 2013 to the present	No
Pu Yiwei	Ningbo Gaofa Automotive Control System Co., Ltd.	Independent director	From May 2017 to the present	Yes
Shu Guoping	Lixin Zhonglian Realignment Firm	Associate	From August 2016 to the present	Yes
Shu Guoping	Lixin Zhonglian Realignment Firm Ningbo Office	Manager	From January 2017 to the present	Yes
Shu Guoping	Ningbo Lilong Mechanical and Electrical Co., Ltd.	Independent director	From September 2016 to the present	No
Shu Guoping	Zhejiang Guoxin Engineering Management Consulting Co., Ltd.	Supervisor	From October 2016 to the present	No
Shu Guoping	Ningbo Jiangdong Duchang Jiuxin Enterprise Management Consulting Co., Ltd.	Executive director and manager	From November 2016 to the present	No
Shu Guoping	Ningbo Guoxin Asset Appraisal Co., Ltd.	Supervisor	From December 2016 to the present	No
Shu Guoping	Ningbo Institute of Certified Public Accountants	Vice president	From October 2016 to the present	No
Hu Songsong	Harnest & Garner Law Firm	Senior associate, chairman of finance and insurance committee, member of management committee	From January 2014 to the present	Yes

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

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

IV. Remuneration of Directors, Supervisors and Senior Management Personnel

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

Decision-making process for the remuneration of directors, supervisors and senior management personnel	Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd are drawn up by Remuneration Committee of the Board of Directors. Among of which, Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd and Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd will be submitted to the general meeting of shareholders for approval after being consented by Board of Directors; and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd will be examined and approved by Board of Directors.
Determination basis for the remuneration of directors, supervisors and senior management personnel	The annual remuneration of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be determined in accordance with Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd and their results of appraisal; remuneration of other directors and supervisors will be determined in accordance with Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd.
Actual payment of the remuneration of directors, supervisors and senior management personnel	The basic wages of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be paid in accordance with the salary management system, and their performance pay will be determined in accordance with the annual performance evaluation; remuneration of other directors and supervisors will be paid monthly in accordance with their allowance standard.
Composition of the Remuneration Committee of the Board of Directors	Remuneration Committee of the Board of Directors are composed of 3 directors, 2 of which are independent directors. Mr. Fu Jijun is currently the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee: 1. Study the standard for the

and Their Duties	assessment of the annual remuneration of the directors and senior management and conduct the assessment and offer suggestions in compliance with the actual situation of the Company; 2. Deliberate the remuneration management system and policies of the Company, propose on the remuneration plans of the directors and senior management and submit such plans to the Board of Directors, and supervise on the implementation of the plans; 3. Other matters authorized by the Board of Directors.
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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	Director, chairman	Male	53	Incumbent	270	No
Luo Mengbo	Director, vice chairman, president	Male	47	Incumbent	270	No
Yu Weiye	Director	Male	54	Incumbent	6	Yes
Wei Xuemei	Director	Female	42	Incumbent	6	Yes
Zhu Nianhui	Director	Male	55	Incumbent	8.33	Yes
Chen Yongming	Director	Male	57	Incumbent	9.33	Yes
Li Rucheng	Director	Male	66	Incumbent	7.5	Yes
Song Hanping	Director	Male	54	Incumbent	9.33	Yes
Chen Guanghua	Director	Male	57	Incumbent	9.33	Yes
Xu Lixun	Director	Male	43	Incumbent	9.33	Yes
Fu Jianhua	Independent director	Male	66	Incumbent	0	No
Fu Jijun	Independent director	Male	60	Incumbent	33.33	No
Ben Shenglin	Independent director	Male	52	Incumbent	33.33	No
Zhang Jixiang	Independent director	Male	64	Incumbent	26.25	No
Geng Hong	Independent director	Female	62	Incumbent	0	No
Hong Lifeng	Staff representative supervisor, supervising chairman	Male	52	Incumbent	266	No
Xu Liming	Supervisor	Male	55	Incumbent	7.57	Yes
Pu Yiwei	External supervisor	Female	47	Incumbent	28.75	No
Shu Guoping	External supervisor	Male	52	Incumbent	25	No
Hu Songsong	External supervisor	Male	36	Incumbent	25	No
Zhuang Ye	Staff representative supervisor	Female	40	Incumbent	130.55	No
Liu Rufen	Staff representative supervisor	Female	51	Incumbent	85.60	No
Fu Wensheng	Vice president	Male	45	Incumbent	243	No
Wang Yongjie	Vice president	Male	45	Incumbent	243	No
Luo Weikai	Director, vice president, chief financial officer	Male	52	Incumbent	243	No
Feng Peijiong	Director, vice president	Male	43	Incumbent	243	No
Ma Yuhui	Vice president	Male	36	Incumbent	243	No

Notes: Performance annual salary of senior manager undergoes deferred payment; as specified within the sheet, deferred remuneration of senior management in 2017 is 7.3888 million yuan, not transferred to person temporarily; in 2017, the former director of the Company Ms. Li Hanqiong received a remuneration of 10,000 yuan during her tenure, the former independent director Mr. Zhu Jiandi received 41,700 yuan, former independent

director Mr. Tang Sining, former independent director Ms. Yang Xiaoping and former external supervisor Ms. Liu Suying did not receive any remuneration from the Company during their tenures, former external supervisor Ms. Zhang Yingfang received 37,500 yuan and former secretary of the Board of Directors Mr. Yang Chen received 2,295,000 yuan. the Company has paid the deferred payable remuneration of 2014, including 514,600 yuan for Mr. Lu Huayu, the board chairman, 359,000 yuan for Hong Lifeng, a supervisor, 359,000 yuan for Luo Weikai, the vice president, 359,000 yuan for Fu Wensheng, the vice president and 359,000 yuan for Wang Yongjie, the vice president of the Company.

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

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

V. Employees in the Company

Up to Dec. 31, 2017, there are 12,185 employees in the Company, amongst which, 3,550 are corporate banking staffs, 2,784 are personal banking staffs, 3,210 are operation management staffs, 811 are risk and compliance management staffs, 398 are information technology staffs, 159 are other financial business staffs and 1,273 are comprehensive management staffs. Among the employees, employees with bachelor degree or above account for 95.52%, employees with college degree account for 4.14%, and employees with technical secondary education and below account for 0.34%.

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

During the reporting period, the Company enhanced its governance mechanism, established and improved its internal control system and further improved the level of corporate governance in strict compliance with the requirements of *Company Law*, *Securities Act*, *Governance Guidelines for Listed Companies*, *Listing Rules of Shenzhen Stock Exchange* and *Standardized Operation Guidelines for Small and Medium-sized Enterprise Board Listing Companies of Shenzhen Stock Exchange*. Up to Dec.31, 2017, the actual situation of the corporate governance are consistent with the requirements of related documents, and did not receive any documents about administrative supervision measures that required for rectification within a specified time from regulatory authorities. Main systems performed upon the examination and approval of the general meeting of shareholders or Board of Directors after the listing of the Company are as follows:

Systems that have been established by the Company	Latest disclosure time
Independent Directors Annual Report Working System	April 23, 2008
Management Measures for the Prevention of Application of Funds of Large Shareholders and Related Parties	July 22, 2008
Fund-raising Management System	December 30, 2009
Annual Report Working Procedures of Audit Committee of the Board of Directors (revised)	February 26, 2010
Annual Report Information Disclosure System of Accountability for Serious Mistakes	February 26, 2010
External Information Users Management System	February 26, 2010
Insider Information and Insiders Registration and Management System (revised)	November 25, 2011
Independent director working system	December 14, 2012
Stock right pledge management method	August 21, 2014
Information Disclosure Management System (revised)	February 2, 2015
Information Disclosure Management System for New Capital Agreement	August 26, 2015
Consolidated management method	April 27, 2016
Articles of Association (revised)	May 19, 2017

(I) Shareholders and general meeting of shareholders. The Company held general meetings of shareholders in strict compliance with the requirements of Articles of Association and Rules of Procedures of the General Meeting of Shareholders to ensure fair treatment towards all shareholders and enable them to fully exercise shareholders' rights.

(II) Shareholders and the Company. The company has no actual controlling shareholder, and the Company is completely independent from shareholders holding more than 5% shares in terms of personnel, assets, finance, institution and business. The Board of Directors, Board of Supervisors and other internal offices of the Company operate in an independent manner.

(III) Directors and Board of Directors. the board of directors comprised 18 directors at the end of the reporting period, including 6 independent directors. Independent directors are assumed

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

(IV) Supervisors and 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.

(V) Operation and decision-making system. The outmost authority of the Company is general meeting of shareholders, which carries out decision-making, management and supervision by the Board of Directors and Board of Supervisors. During the reporting period, the senior management of the Company is composed of one president of the Bank, four 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. The Company implements the first-grade legal entity management system, and the branch does not have a legal personality. The branches shall conduct business in accordance with the law , and the civil liability of which is borne by the head office.

(VI) Information disclosure and transparency. The company establishes a perfect information disclosure system and relevant systems have been revised according to the actual situation; the Company can disclose relevant information in a faithful, accurate, complete and timely manner and ensure that all shareholders have equal access to information in strict accordance with the laws, regulations, Articles of Association and provisions of Company's Information Disclosure System. The Company set up Annual Report Information Disclosure System of Accountability for Serious Mistakes and Annual Report Working Procedures of Audit Committee of the Board of Directors, which made a clear definition of confirmation of responsibility, responsibility investigation and form of responsibility investigation of disclosure mistakes in annual report information, and the rights and responsibilities of the Audit Committee during the preparation and disclosure of the annual report. The above systems play a

standardization role in strengthening the authenticity, accuracy, completeness and timeliness of information disclosure in the Company, reinforcing the accountability efforts of the persons responsible for the information disclosure of the annual report and improving the quality and transparency of information disclosure of the annual report.

(VII) Formulation and Implementation of Information Insiders Registration and Management System. The Company strictly implements the revised Inside Information and Insiders Registration and Management System of Bank of Ningbo Co., Ltd, pays great attention to the management of insider information, strictly controls the scope of information insiders, and registers the list of persons who know the Bank's insider information in a timely manner. Based on these measures, the Company conducts special training and case study for relevant departments and employees for the prevention and control of to prevent insider trading, organizes relevant personnel to attend various trainings such as insider trading warning education exhibition held by securities regulatory authorities, and organizes a self-examination timely on trading of company stock by internal information insiders. During the reporting period, the Company has not found any information insider to illegally use insider information for the trading of company stocks, or any director, supervisor and senior management personnel who are involved in the illegal trading of company stocks. Furthermore, no regulatory measures and administrative penalty are taken against it by the regulatory authorities because of violation of insider information and insider management system or suspicion of insider trading.

During the reporting period, there's no significant difference between the actual corporate management and the Normative documents for the listed company issued by CSRC.

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

During this report term, the company has no controlling shareholders.

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

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

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

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

III. Horizontal competition

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

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

Session and type of meeting	Ratio of participating investors	Date of meeting	Date of disclosure	Disclosure index
The 1 st Session of 2017 Extraordinary General Meeting of Shareholders	66.53%	January 25, 2017	January 26, 2017	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
The 2 nd Session of 2017 Extraordinary General Meeting of Shareholders	67.30%	February 10, 2017	February 11, 2017	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
2016 Annual General Meeting of Shareholders	48.72%	May 18, 2017	May 19, 2017	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
The 3 rd Session of 2017 Extraordinary General Meeting of Shareholders	67.63%	October 12, 2017	October 13, 2017	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
	Common stock shareholders:			
The 4 th Session of 2017 Extraordinary General Meeting of Shareholders	66.84%	December 28, 2017	December 29, 2017	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
	Preferred stock shareholders:			
	22.06%			

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

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

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

Information on independent directors' attending of the board meeting						
Name of 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?
Tang Sining	2	0	1	1	0	No

Zhu Jiandi	2	0	1	1	0	No
Yang Xiaoping	9	4	4	1	0	No
Fu Jianhua	9	5	4	0	0	No
Fu Jijun	9	3	4	2	0	No
Ben Shenglin	9	3	4	2	0	No
Zhang Jixiang	7	4	3	0	0	No
Geng Hong	7	3	3	1	0	No
Number of times of independent directors' attending of the shareholders' meeting				1		

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

(II) Objections raised by independent directors to related items

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

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

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

Date of disclosure	Items	Opinions
January 10, 2017	Independent opinions on extension of the validities of the resolution and authorization of the shareholders' meeting on public issuing of A-class convertible bonds and go listing.	Agree
February 11, 2017	Independent opinions on hiring the senior management.	Agree
April 28, 2017	Independent opinions on 2016 annual profit distribution plan.	Agree
April 28, 2017	Independent opinions on 2017 annual estimated limit of daily connected transactions.	Agree
April 28, 2017	Independent opinions on hiring external audit institution.	Agree
April 28, 2017	Independent opinions on self-assessment reports of internal control.	Agree
April 28, 2017	Independent opinions on derivatives trading and risk control.	Agree
April 28, 2017	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
April 28, 2017	Independent opinions on remuneration of directors, supervisors and senior executives.	Agree
April 28, 2017	Independent opinions on shareholder return planning of the Company in the following three years (2017 – 2019).	Agree
April 28, 2017	Opinions on previous approval of the related trading items of the non-public issuing of stocks of the Company in 2017.	Agree

April 28, 2017	Independent opinions on previous approval of the related trading items of the non-public issuing of stocks of the Company in 2017.	Agree
August 18, 2017	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
October 27, 2017	Independent opinions on derivative investment and risk control.	Agree
December 13, 2017	Independent opinions on 2018 annual estimated limit of daily connected transactions.	Agree
December 13, 2017	Independent opinions on nomination of Mr. Hu Pingxi as the director candidate of the Company.	Agree
December 13, 2017	Independent opinions on hiring the secretary to the Board of Directors.	Agree
December 13, 2017	Special opinions on the non-public issuing of the preferred stocks of the Company.	Agree

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

The board of directors has 7 subordinate committees: Strategy Committee, Audit Committee, Related Transactions Control Committee, Risk Management Committee, Nominating Committee, Remuneration Committee and Consumer Protection Committee. All committees have well-defined rights and liabilities and effective operation. In 2017, special committees organized 20 meetings in total, including 3 by Strategy Committee, 4 by Audit Committee, 3 by Related Transactions Control Committee, 5 Risk Management Committee, 1 by Nominating Committee, 1 by Compensation Committee and 2 by Consumer Protection Committee. Pursuant to the Articles of Association, Rules and Procedures for the Meeting of Board of Directors and Detailed Working Rules of the company, special committees shall fulfill respective responsibilities by law and convene a meeting regularly, at which respective representatives shall propose opinions and suggestions for major development strategies, financial statements, internal audit and control, compliance management, related transaction management, risk management and control, director nomination, remuneration and assessment and consumer protection.

VII. Performance of the board of supervisors

During the report term, no risks were found in activities under the supervision of the board of supervisors and the board of supervisors had no objections to these events.

VIII. Evaluation and incentive of senior executives

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 2015, bringing more benefits to shareholders.

IX. Evaluation reports of internal control

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

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

(II) Self-assessment reports of internal control

Date of disclosure of evaluation reports of internal control	March 29, 2018	
Index for disclosure of evaluation reports of internal control	cninfo (http://www.cninfo.com.cn)	
Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100.00%	
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100.00%	
Standards for recognition of defects		
Category	Financial statements	Non-financial statements
Qualitative criteria	<p>1. Material defects: Financial statements senior executives and senior technicians have received or are more likely to receive an adverse opinion or a disclaimer of opinion is frequently broadcast by media, 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.</p> <p>2. Important defects: The company's financial system is deficient; important defects in financial statements of internal control have not been modified; there are other defects of internal control that may lead to material error of financial statements.</p> <p>3. General defects: Other defects in financial statements of internal control except those material and important defects mentioned above.</p>	<p>1. Material defects: Democratic decision-making procedures are incomplete; national laws and regulations are severely breached and corresponding punishment is received; important businesses are under no system control or the system has been invalid; democratic decision-making procedures exist but are not complete; the company's internal regulations are breached, causing great losses; key personnel are of high mobility; its negative news is broadcast by media, radiating local areas; important business system is deficient; important defects of internal control have not been corrected.</p> <p>3. General defects: Democratic decision-making procedures are less efficient; the company's internal regulations are breached, without causing any losses; ordinary staff is of high mobility; its negative news is broadcast by media, generating less damages; general business system is deficient; general defects have not been corrected; other defects.</p>
Quantitative criterion	<p>1. Material defects: the amount of misstatement caused by defects of internal control: profits of misstatement $\geq 100\%$ of auditing importance level of financial statements</p> <p>2. Important defects: the amount of misstatement caused by defects of internal control: 30% of auditing importance level of</p>	<p>1. Material defects: direct property losses caused by defects of internal control: direct property losses $\geq 100\%$ of auditing importance level of non-financial statements</p> <p>2. Important defects: direct property losses caused by defects of internal control: 30% of auditing importance</p>

	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	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, 2017 in accordance with Basic Standard for Enterprise Internal Control and relevant regulations.	
Date of disclosure of audit reports of internal control	March 29, 2018
Index for disclosure of audit reports of internal control	cninfo (http://www.cninfo.com.cn)
Opinions on audit reports of internal control	Standard & unqualified opinion
Whether non-financial reports have material defects or not	No

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

Chapter Thirteen Financial Statements

- I. Audit Report (see appendixes)
- II. Unqualified Audit Report based on 2017 financial statements issued by Ernst & Young Hua Ming Certified Public Accountants.
- III. Financial statements (see appendixes)
- IV. Notes to the financial statements (see appendixes)

Chapter Fourteen Catalogue

- I. 2017 Annual Report with signature of Mr. Lu Huayu, Chairman of the Board of Directors.
- II. Financial Statements signed and stamped by Mr. Lu Huayu, Legal Representative of the Company, Mr. Luo Mengbo, President of the Bank, Mr. Luo Weikai, CFO of the Bank, and Ms. Sun Hongbo, Principal of the Accounting Department.
- III. Original Audit Report signed and stamped by the accounting firm and CPAs.

Bank of Ningbo Co., Ltd.

Audited Financial Statements

31 December 2017

Bank of Ningbo Co., Ltd.

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Auditor's Report

A.Y.H.M. (2018) 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 2017, as well as Balance Sheet at 31 December 2017, Income Statement for the year of 2017, 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 2017, 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. (2018) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
------------------	--

Impairment provision for investments in loans and receivables.

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

The impairment provision for investments in loans and receivables involves judgment and assumptions, and in view of the significance of the amount (as at 31 December 2017, gross investments in loans and receivables amounted to 442.284 billion Yuan, representing 42.86% of total assets, and impairment allowance for investments in loans and receivables amounted to 14.806 billion Yuan), investments in loans and receivables is considered a key audit matter.

Relevant disclosures are included in Note III.30, Note V.9 and Note XI.1 to the consolidated financial statements.

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

We adopted a risk-based sampling approach in our review procedures. We assessed the debtors' repayment capacity and evaluate the judgment result of customers loans and advances and Investment receivable according to the post-loan investigation report, financial information of debtor, report on pledge value and other information available.

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

We tested the discounted cash flow models and the related assumptions used in individual impairment assessment by assessing the amount, timing and likelihood of estimated future cash flows, and especially the recoverable amount of the pledge. We compared the assumptions with available external information.

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

Auditor's Report (Continued)

A.Y.H.M. (2018) 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>Evaluation on consolidation of structured entities</i>	
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The manages and invests several structured entities (mainly included financial products, funds, trust products and assets management plan, etc), and we evaluated whether the Group has control over these structured entities and whether these structured entities need to be consolidated. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns. The assessment of the Group's control over structured entities involves significant judgment on factors such as the purpose and design of structured entities, its ability to direct the relevant activities,

direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis of these factors and the conclusion on whether it is controlled involve significant judgment and evaluation of management.

Due to the significance of the consolidated structured entities and the complexity of judgment exercised by management, consolidation structured entities is considered a key audit matter.

Relevant disclosures are included in Note III.30, Note VI.6 and VI. 7 to the consolidated financial statements.

We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.

We sampled relevant legal document to analysis whether the Group has to take the risk of such structured entities. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities.

Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures structured entity that not included in the consolidated financial statements.

Auditor's Report (Continued)

A.Y.H.M. (2018) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

IV. Other Information included in the Annual Report

The management of the Group (hereafter referred to as the Management) 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 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 management of the Group are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Report (Continued)

A.Y.H.M. (2018) 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's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- (5) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Report (Continued)

A.Y.H.M. (2018) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

VI. Auditor's Responsibilities for the Audit of the 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:

- (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. (2018) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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Ernst & Young Certified Public Accountants
(Special partner)

CPA: Chen Sheng
(Engagement partner)

Beijing, China

CPA: Liu Dalu

Mar 27, 2018

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet
For the Year Ended 31 December 2017
Unit: CNY Thousand

Assets	Note V	31 Dec. 2017	31 Dec. 2016
Cash and balances at central banks	1	90,193,821	93,376,715
Due from banks	2	29,550,692	17,027,924
Precious metal	3	843,573	269,586
Loans to banks	4	2,045,994	6,702,519
Financial assets designated at fair value			
With its change enter into income statement	5	146,481,901	8,276,310
Derivative financial assets	6	31,333,752	13,939,542
Recoursable financial assets acquired	7	1,096,968	19,731,604
Interest receivable	8	4,156,455	3,963,301
Loans and advances	9	332,199,308	292,788,341
Available-for-sale financial assets	10	218,842,775	280,551,719
Held-to-maturity investment	11	60,782,788	39,370,701
Accounts receivable held for investment	12	95,278,972	99,576,315
Investment real estate	13	46,726	16,598
Fixed assets	14	4,810,959	3,517,820
Intangible assets	15	342,963	287,903
Construction in progress	16	1,278,052	2,241,204
Deferred income tax assets	17	4,651,064	1,166,125
Other assets	18	<u>8,105,679</u>	<u>2,216,184</u>
Total assets		<u><u>1,032,042,442</u></u>	<u><u>885,020,411</u></u>

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, 2017
Unit: CNY Thousand

Liabilities	Note V	31 Dec. 2017	31 Dec. 2016
Due to Central Bank	20	2,500,000	26,000,000
Due to banks and other financial institutions	21	27,292,435	44,584,064
Loans from other banks	22	94,606,096	34,832,834
Financial liabilities designated at fair value			
With its change enter into income statement	23	5,430,875	6,230,918
Derivative financial liabilities	6	35,168,918	12,164,267
Financial assets sold for repurchase	24	45,988,790	62,451,215
Deposit taking	25	565,253,904	511,404,984
Wages and salaries payable	26	1,996,109	1,863,053
Taxes payable	27	3,035,863	1,260,189
Interests payable	28	8,375,889	7,160,302
Bonds payable	29	171,499,442	112,984,659
Deferred income	30	355,374	300,609
Other liabilities	31	<u>13,332,775</u>	<u>13,397,204</u>
Total liabilities		<u>974,836,470</u>	<u>834,634,298</u>
Shareholders' equity			
Equity	32	5,069,732	3,899,794
Other equity tools	33	6,719,945	4,824,691
Capital reserve	34	8,779,906	9,948,236
Other comprehensive income	35	(2,074,136)	757,027
Surplus reserve	36	4,857,149	3,946,749
General risk reserve	37	7,858,597	6,686,969
Undistributed profit	38	<u>25,878,052</u>	<u>20,214,536</u>
Equity attributable to shareholders of the parent company		57,089,245	50,278,002
Minority shareholders' equity		<u>116,727</u>	<u>108,111</u>
Total shareholders' equity		<u>57,205,972</u>	<u>50,386,113</u>
Total liabilities and shareholders' equity		<u>1,032,042,442</u>	<u>885,020,411</u>

Attached notes to financial statements are components of the Financial Statements

The Financial Statements are signed by:

Legal Representative:	President:	Accounting supervisor:	Accounting institution:
		Financial Principle:	Principle:
			Seal:
		Note V	2017
			2016

Bank of Ningbo Co., Ltd.
Consolidated Income Statement
For the Year Ended 31 December, 2017
Unit: CNY Thousand

			(restatement)*
I. Operating income		25,314,320	23,645,244
Net interest income	39	16,388,978	17,563,379
Interest income	39	36,524,250	34,256,494
Interest expense	39	(20,135,272)	(16,693,115)
Net fee and commission income	40	5,899,937	5,543,655
Fee and commission income	40	6,375,502	6,206,195
Fee and commission expense	40	(475,565)	(662,540)
Investment gains	41	3,344,688	942,832
Changes in fair value recognized in profit or loss	42	(5,559,759)	1,583,972
Exchange gain or loss		5,205,064	(2,012,688)
Other operating income	43	30,552	23,867
Assets disposal income	44	(8,674)	227
Other income	45	13,534	-
II. Operating expenditure		(15,134,415)	(13,991,685)
Tax and surcharges	46	(247,472)	(563,896)
Business and administration expenses	47	(8,766,635)	(8,100,523)
Assets impairment losses	48	(6,108,069)	(5,320,940)
Other operating expenses	43	(12,239)	(6,326)
III. Operating profits		10,179,905	9,653,559
non-operating income	49	29,527	52,932
non-operating expenditure	50	(46,088)	(54,413)
IV. Total profits		10,163,344	9,652,078
Income tax	51	(807,627)	(1,829,336)
V. Net profits		9,355,717	7,822,742
Including: net profit attributable to the parent company		9,333,572	7,810,417
Minority shareholders' gain and loss		22,145	12,325
VI. Net after-tax value for other comprehensive income		(2,831,317)	(555,941)
Net of tax for other comprehensive income attributable to shareholders of the parent company	35	(2,831,163)	(555,856)
Other comprehensive income will subsequently be reclassified into profit and loss		(2,831,163)	(555,856)
Fair value change on financial assets available for sale		(2,831,163)	(555,856)
Net of other comprehensive income attributable to minority shareholders after tax		(154)	(85)
VII. Total comprehensive income		6,524,400	7,266,801
Including: attributable to shareholders of the parent company		6,502,409	7,254,561
Attributable to minority shareholders		21,991	12,240
VIII. Earnings per share (Yuan/share)			
Basic earnings per share	52	1.80	1.50
Diluted earnings per share	52	1.79	1.50

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, 2017
Unit: CNY Thousand

2017

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

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

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2017
Unit: CNY Thousand

2016

Item	Equity attributable to shareholders of the parent company							Minority Shareholders' Equity	Total Shareholders' Equity	
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit Subtotal			
I. Beginning balance	3,899,794	4,824,691	9,948,236	1,312,883	3,181,124	5,055,801	16,778,919	45,001,448	95,871	45,097,319
II. Increase/decrease in the year	-	-	-	(555,856)	765,625	1,631,168	3,435,617	5,276,554	12,240	5,288,794
(I) Total comprehensive income	-	-	-	(555,856)	-	-	7,810,417	7,254,561	12,240	7,266,801
(II) Capital invested and reduced by shareholders	-	-	-	-	-	-	-	-	-	-
1. Other equity tool	-	-	-	-	-	-	-	-	-	-
Shareholders' investment	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	765,625	1,631,168	(4,374,800)	(1,978,007)	-	(1,978,007)
1. Withdrawal surplus reserves	-	-	-	-	765,625	-	(765,625)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,631,168	(1,631,168)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(1,978,007)	(1,978,007)	-	(1,978,007)
III. Balance at the end of the year	<u>3,899,794</u>	<u>4,824,691</u>	<u>9,948,236</u>	<u>757,027</u>	<u>3,946,749</u>	<u>6,686,969</u>	<u>20,214,536</u>	<u>50,278,002</u>	<u>108,111</u>	<u>50,386,113</u>

Notes: including the general risk reserve by the subsidiary amounted to 112,995,000 Yuan.

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Cash Flow Statement
For the Year Ended 31 December 2017
Unit: CNY Thousand

	Note V	2017	2016
I. Cash flow from operating activities			
Net increase in deposits from customers		53,376,188	141,847,059
Net increase in loan from the central bank		-	24,300,000
Cash received from interest, fees and commission		27,080,750	23,080,931
Net increase in placements from other financial institutions		29,961,600	2,817,143
Net decrease in loan to the central bank and other financial institutions		844,960	-
Other cash received relating to operating activities	54	<u>7,618,248</u>	<u>4,211,260</u>
Sub-total of cash inflow from operating activities		<u>118,881,746</u>	<u>196,256,393</u>
Net increase in loans and advance payments to customers		45,193,558	49,491,661
Net decrease in loan from central bank		23,500,000	-
Net increase in balances with central bank and due from other banks		-	14,723,161
Cash paid to interest, fees and commission		14,759,594	11,645,243
Cash paid to and on behalf of employees		5,321,913	4,358,150
Taxes paid		3,338,616	3,389,148
Cash paid relating to other operating activities	55	<u>8,767,086</u>	<u>3,237,178</u>
Sub-total of cash outflow from operating activities		<u>100,880,767</u>	<u>86,844,541</u>
Net cash flows generated from operating activities	56	<u>18,000,979</u>	<u>109,411,852</u>
II. Cash flow from investing activities			
Cash received from investment		3,195,637,198	3,714,977,795
Cash received from returns on investment		21,433,806	37,231,350
Other cash received relating to investing activities		<u>203,944</u>	<u>617</u>
Sub-total of cash inflow from investing activities		<u>3,217,274,948</u>	<u>3,752,209,762</u>
Cash paid as investment	3,296,144,269	3,797,323,274	
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>998,170</u>	<u>1,465,958</u>
Sub-total of cash outflow from investing activities		<u>3,297,142,439</u>	<u>3,798,789,232</u>
Net cash flow from investing activities		<u>(79,867,491)</u>	<u>(46,579,470)</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 2017
Unit: CNY Thousand

	Note V	2017	2016
III. Cash flow from financing activities			
Cash received by absorbing investment		1,895,254	-
Cash received by bonds issuing		<u>456,500,000</u>	<u>226,940,000</u>
Sub-total of cash inflow from financing activities		<u>458,395,254</u>	<u>226,940,000</u>
Cash for payment of borrowing		395,930,000	259,080,000
Cash paid for distribution of dividends or profits, or cash paid for interests		<u>8,396,347</u>	<u>5,663,219</u>
Sub-total of cash outflow from financing activities		<u>404,326,347</u>	<u>264,743,219</u>
Net cash flow from financing activities		<u>54,068,907</u>	<u>(37,803,219)</u>
IV. Effect of foreign exchange rate change on cash		<u>206,786</u>	<u>(226,817)</u>
V. Net increase in cash and cash equivalents		<u>(7,590,819)</u>	<u>24,802,346</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>51,735,868</u>	<u>26,933,522</u>
VI. Balance of cash and cash equivalents at the end of the year	53	<u><u>44,145,049</u></u>	<u><u>51,735,868</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 2017
Unit: CNY Thousand

Assets	Note XIII	31 Dec. 2017	31 Dec. 2016
Cash and deposits at central banks		90,193,752	93,376,646
Due from other banks		28,360,156	16,983,326
Precious metal		843,573	269,586
Loans to other banks		3,445,994	6,722,519
Financial assets designated at fair value with its change enter into income statement		145,775,737	7,922,044
Derivative financial assets		31,347,221	13,939,542
Recoursable financial assets acquired		1,093,968	19,636,900
Interest receivable		3,992,744	3,857,450
Loans and advances	2	315,906,644	280,281,558
Available-for-sale financial assets		218,812,977	280,529,369
Held-to-maturity investments		60,782,788	39,370,701
Accounts receivable held for investment		95,198,972	99,576,315
Long-term equity investment	1	1,646,770	1,135,000
Investment real estate		46,726	16,598
Fixed assets		4,803,659	3,510,403
Intangible assets		334,700	281,520
Construction in progress		1,271,618	2,239,616
Deferred income tax assets		4,595,526	1,137,609
Other assets		<u>7,687,284</u>	<u>2,129,943</u>
Total assets		<u>1,016,140,809</u>	<u>872,916,645</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 2017
Unit: CNY Thousand

Liabilities	Note XIII	31 Dec. 2017	31 Dec. 2016
Due to Central Banks		2,500,000	26,000,000
Deposits by banks and other financial institutions		27,363,840	44,641,118
Loan from other banks		80,882,868	24,336,834
Financial liabilities designated at fair value with its change enter into income statement		5,374,442	5,969,934
Derivative financial liabilities		35,161,480	12,164,267
Financial assets sold for repurchase		45,988,790	62,451,215
Deposits taking		565,328,526	512,975,692
Wages and salaries payable		1,930,448	1,831,088
Taxes payable		2,965,134	1,226,065
Interests payable		8,194,894	7,109,308
Bonds payable		171,499,442	112,984,659
Deferred income		3,488	3,153
Other liabilities		<u>12,312,658</u>	<u>11,168,889</u>
Total liabilities		<u>959,506,010</u>	<u>822,862,222</u>
Shareholders' equity			
Equity		5,069,732	3,899,794
Other equity tool		6,719,945	4,824,691
Capital reserve		8,779,726	9,949,664
Other comprehensive income		(2,074,016)	756,836
Surplus reserve		4,857,149	3,946,749
General risk reserve		7,728,893	6,571,482
Undistributed profits		<u>25,553,370</u>	<u>20,105,207</u>
Total shareholders' equity		<u>56,634,799</u>	<u>50,054,423</u>
Total liabilities and shareholder's equity		<u>1,016,140,809</u>	<u>872,916,645</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Company Income Statement
For the Year Ended 31 December 2017
Unit: CNY Thousand

	Note XIII	2017	2016 (Restatement) *
I. Operating income		24,707,073	23,140,189
Net interest income	3	16,275,783	17,357,431
Interest income	3	35,912,285	33,821,335
Interest expense	3	(19,636,502)	(16,463,904)
Net fee and commission income		5,417,017	5,240,982
Fee and commission income		5,884,438	5,902,495
Fee and commission expense		(467,421)	(661,513)
Investment gains		3,343,544	911,400
Changes in fair value recognized in profit or loss		(5,549,038)	1,619,522
Exchange gain or loss		5,184,852	(2,013,335)
Other operating income		30,542	23,859
Assets disposal income		(8,590)	330
Other income		<u>12,963</u>	<u>-</u>
II. Operating expenditure		(14,860,161)	(13,699,158)
Tax and surcharges		(239,564)	(547,888)
Business and administration expenses		(8,606,497)	(7,990,538)
Assets impairment losses		(6,001,860)	(5,154,406)
Other operating expenses		<u>(12,240)</u>	<u>(6,326)</u>
III. Operating profits		9,846,912	9,441,031
Non-operating income		29,409	49,181
Non-operating expenditure		<u>(46,076)</u>	<u>(54,063)</u>
IV. Total profits		9,830,245	9,436,149
Income tax		<u>(726,243)</u>	<u>(1,779,901)</u>
V. Net profits		<u>9,104,002</u>	<u>7,656,248</u>
VI. Net after-tax value of other comprehensive income		(2,830,852)	(546,994)
Other comprehensive income will subsequently			
Be reclassified to the income statement		(2,830,852)	(546,994)
Fair value changes on financial assets available for sale		<u>(2,830,852)</u>	<u>(546,994)</u>
VII. Total comprehensive income		<u>6,273,150</u>	<u>7,109,254</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2017
Unit: CNY Thousand

2017

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

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2017
Unit: CNY Thousand

2016

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk Reserve	Undistributed Profits	Total shareholder's equity
I. Balance at the beginning of the year	3,899,794	4,824,691	9,949,664	1,303,830	3,181,124	5,053,309	16,710,764	44,923,176
II. Increase/decrease in the year	-	-	-	(546,994)	765,625	1,518,173	3,394,443	5,131,247
(I) Comprehensive income	-	-	-	(546,994)	-	-	7,656,248	7,109,254
(II) Capital invested and reduced by shareholders	-	-	-	-	-	-	-	-
1. Other equity tool	-	-	-	-	-	-	-	-
Shareholders' investment	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	765,625	1,518,173	(4,261,805)	(1,978,007)
1. Withdrawal surplus reserves	-	-	-	-	765,625	-	(765,625)	-
2. Withdrawal general risk reserves	-	-	-	-	-	1,518,173	(1,518,173)	-
3. Dividend distribution	-	-	-	-	-	-	(1,978,007)	(1,978,007)
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-
1. Capital transferred from capital surplus	-	-	-	-	-	-	-	-
2. Others	-	-	-	-	-	-	-	-
III. Balance at the end of the year	<u>3,899,794</u>	<u>4,824,691</u>	<u>9,949,664</u>	<u>756,836</u>	<u>3,946,749</u>	<u>6,571,482</u>	<u>20,105,207</u>	<u>50,054,423</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 2017
Unit: CNY Thousand

	Note XIII	2017	2016
I. Cash flow from operating activities			
Net increase in deposits from customers		51,880,102	142,550,583
Net increase in loan from the central bank		-	24,300,000
Cash received from interest, fees and commission		25,751,441	22,340,837
Net increase in placements from other financial institutions		26,850,329	-
Net decrease in loan to the central bank and other financial institutions		799,102	-
Other cash received relating to operating activities		<u>7,393,077</u>	<u>3,999,527</u>
Sub-total of cash inflow from operating activities		<u>112,674,051</u>	<u>193,190,947</u>
Net increase in loans and advance payments to customers		41,234,078	42,851,994
Net decrease in loans from other financial institutions		23,500,000	-
Net increase in balances with central bank and due from other banks		-	5,688,910
Net increase in due from central bank		-	14,723,161
Cash paid to interest, fees and commission		14,273,512	11,457,138
Cash paid to and on behalf of employees		5,245,407	4,273,163
Taxes paid		3,189,472	3,264,776
Cash paid relating to other operating activities		<u>8,347,317</u>	<u>3,177,592</u>
Sub-total of cash outflow from operating activities		<u>95,789,786</u>	<u>85,436,734</u>
Net cash flows generated from operating activities		<u>16,884,265</u>	<u>107,754,213</u>
II. Cash flow from investing activities			
Cash received from investment		3,195,628,816	3,714,686,305
Cash received from returns on investment		21,433,220	37,215,345
Other cash received relating to investing activities		<u>190,596</u>	<u>612</u>
Sub-total of cash inflow from investing activities		<u>3,217,252,632</u>	<u>3,751,902,262</u>
Cash paid as investment		3,296,214,269	3,797,147,535
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>981,328</u>	<u>1,458,198</u>
Sub-total of cash outflow from investing activities		<u>3,297,195,597</u>	<u>3,798,605,733</u>
Net cash flow from investing activities		<u>(79,942,965)</u>	<u>(46,703,471)</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 2017
Unit: CNY Thousand

Note XIII	2017	2016
III. Cash flow from financing activities		
Cash received by absorbing investment	1,895,254	-
Cash received by bonds issuing	<u>456,500,000</u>	<u>226,940,000</u>
Sub-total of cash inflow from financing activities	<u>458,395,254</u>	<u>226,940,000</u>
Cash for payment of borrowing	395,930,000	259,080,000
Cash paid for distribution of dividends or profits, or cash paid for interests	<u>8,396,347</u>	<u>5,663,219</u>
Sub-total of cash outflow from financing activities	<u>404,326,347</u>	<u>264,743,219</u>
Net cash flow from financing activities	<u>54,068,907</u>	<u>(37,803,219)</u>
IV. Effect of foreign exchange rate change on cash	<u>207,371</u>	<u>(227,447)</u>
V. Net increase in cash and cash equivalents	<u>(8,782,422)</u>	<u>23,020,076</u>
Add: balance of cash and cash equivalents at the beginning of the year	<u>51,748,830</u>	<u>28,728,754</u>
VI. Balance of cash and cash equivalents at the end of the year	<u><u>42,966,408</u></u>	<u><u>51,748,830</u></u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Notes to Financial Statements
For the Year Ended 31 December, 2017
Unit: CNY Thousand

1. 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 CBRC. 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 CBRC. 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, 2017, the Bank has established 12 branches and 19 primary sub-branches with its sales department of head office and sub-branch located in downtown, suburb and county (county-level city) of Ningbo, Zhejiang Province, and branches located in Shanghai, Hangzhou, Nanjing,

Bank of Ningbo Co., Ltd.
Notes to Financial Statements
For the Year Ended 31 December, 2017
Unit: CNY Thousand

Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou and Jiaxing. The consolidation scope of consolidated financial statements is determined on the basis of control.

This Financial Statement was submitted and approved by the board of director of the Company on Mar, 27, 2018. According to the Articles of Association of the Company, the Financial Statement will be submitted to the shareholders' meeting for approval.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

II. Basis for Preparation of the Financial Statement

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

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

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

III. Critical Accounting Policies and Estimates

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

1. Declaration of Compliance with Accounting Standards for Business Enterprises

These financial statements comply with the requirements of Accounting Standards for Business Enterprises and in all material respects truly and accurately present the financial condition of the Bank and the Group on 31 December 2017 and the operating results and cash flow for 2017.

2. Accounting period

Calendar year from 1 January to 31 December.

3. Recording currency

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

4. Business combination

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combination are classified into the combinations under common control and the combinations not under common control.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

III. Critical Accounting Policies and Estimates (continued)

4. Business combination (continued)

Business Combination under the Common Control

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

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

Business Combination under the Non-common Control

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

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

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

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 up to 31 December, 2016. 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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

Cash refers to the cash holdings and the deposits available for payments at anytime in the Group; cash equivalents refer to the short term and high liquidity investments held by the group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents include the non-limiting balances in the Central Bank those with less than three months' original maturity date, due from other banks, loans to other banks, redemptory monetary capital for sale as well as bond investment that are readily convertible to known amounts of cash in short notice and which are subject to and insignificant risk of change in value, with less than three months' maturity from the date of acquisition.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
Unit: CNY Thousand

III. Critical Accounting Policies and Estimates (continued)

7. Precious Metals

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

8. Accounting Method of Foreign Currency Transactions

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

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

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

9. Financial Instruments

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

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Recognition and derecognition of financial instruments

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

The financial assets shall be derecognized under any of the following circumstances:

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

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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Recognition and derecognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

The financial assets of the Group are classified into four categories at initial recognition: financial assets designated at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets. The Group classifies financial assets at initial recognition and measures financial assets at fair value. The costs of transaction shall be directly recorded in the income statement in the case of financial assets designated at fair value through profit or loss and attributable to the initially recognized amount in the case of other categories.

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

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are classified as held for trading if they satisfy any of following requirements: they are acquired for the purpose of selling in the near term; they are part of a portfolio of identified financial instruments that are managed together and there is evidence of recent actual pattern of short-term profit-making; they are derivatives unless they are designated and effective as hedging instruments, or financial guarantee contracts,

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or connected to the equity instrument for which there is no quotation in the active market and whose fair value can not be reliably measured and which must be settled by delivering the equity instrument. Financial assets held for trading are subsequently measured at fair value. All realized and unrealized profit and loss shall be recorded in the income statement. Interest and dividend revenues from financial assets designated at fair value through profit or loss shall be recorded into the current profit and loss.

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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial assets (continued)

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

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

- (1) The assignment can eliminate or significantly reduce recognition or measurement inconsistencies of relevant gains or losses that would arise from different measurement bases of financial instruments.
- (2) It is specified in official written file of risk management or investment strategy that the financial instrument set is managed, evaluated and reported to key managers on the basis of fair value.
- (3) Mixed financial instruments containing one or more embedded derivative instruments, except the derivative instruments have no significant effect on the cash flow of the mixed instruments, or such derivative instruments shall not be separated from the mixed instruments.
- (4) Mixed instruments containing embedded derivatives that need to be partitioned but is not able to be solely measured upon acquisition or on subsequent balance sheet date.

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

Financial assets classified as financial assets entered into income statement on its fair value by enterprise at the initial recognition shall not be reclassified as other financial assets; nor shall other financial assets be reclassified as financial assets entered into income statement on its fair value.

Held-to-maturity investments

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial

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measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when such assets are derecognized or impaired, as well as through the amortization process. Loans and receivable mainly include the issuing of loans and advance payment, receivables, as well as discount on notes.

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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial assets (continued)

Loans and receivables (continued)

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

Available-for-sale financial assets

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

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

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

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income statement when the said financial asset is transferred out at its disposal.

Classification and measurement of financial liabilities

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

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial liabilities (continued)

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

Financial liabilities designated at fair value through profit or loss

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

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

- (1) The assignment can eliminate or significantly reduce recognition or measurement inconsistencies of relevant gains or losses that would arise from different measurement bases of financial instruments.
- (2) It is specified in official written file of risk management or investment strategy that the financial instrument set is managed, evaluated and reported to key managers on the basis of fair value.
- (3) Mixed instruments containing one or more embedded derivative instruments, unless the embedded derivative instruments have no significant effect on the cash flow of the mixed instruments, or such derivative instruments shall not be separated from the mixed instruments.
- (4) Mixed instruments containing embedded derivatives that need to be partitioned but is not able to be solely measured upon acquisition or on subsequent balance sheet date.

Financial assets classified as financial assets entered into income statement on its fair value by enterprise at the initial recognition shall not be reclassified as other financial assets; nor shall other financial assets be reclassified as financial assets entered into income statement on its fair value.

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According to the criteria mentioned above, the financial liability assigned by the group includes rights and interests of consolidated securities investment funds and assets management plan enjoyed by other investors other than the group.

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Classification and measurement of financial liabilities (continued)

Other financial liabilities

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

Offset of financial instrument

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

Financial guarantee contracts

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

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive, or as liabilities when their fair value is negative. However, derivative financial instruments which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument shall be measured at cost.

Except the effective hedging portion of the cash-flow hedge is recorded into other

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comprehensive income and transferred to recorded into the current profit or loss when the hedged items cause influences to the profit or loss, any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the income statement.

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Convertible bond

The group determines the liability and equity component of the convertible bond according to the terms upon issuance. For convertible bond that involves both liability and equity, such liability and equity will be distinguished in the initial recognition. In the initial recognition, the initial recognized value of liability will be determined according to its fair value, and the initial recognized value of equity will be determined according to the overall issuing price of the convertible bond deducting its initial recognized value of liability. The transaction fee shall be apportioned to liability and equity component according to the relevant fair value. The liability component will be listed in the column of liabilities, and will be subject to future measurement according to the amortized cost before cancellation, conversion or redemption. The equity component will be listed in the column of equities, and will not be subject to future measurement.

In case the convertible bond issued involves liability component and embedded derivative, in other word, its share transfer right has the characteristics of embedded derivatives, such bond can be separated from convertible bonds and disposal as the derivative financial instrument, and its fair value will be adopted for the initial recognition. Any part of issuing price that exceeds the derivative financial instrument according to the initial recognition will be recognized as the liability instrument. The transaction fee shall be apportioned to liability and derivative financial instruments according to the relevant fair value. Any transaction fee related to the liability instrument will be recognized as liability, and any transaction fee related to derivative financial instrument will be recognized as the current profit and loss.

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Impairment of financial assets

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

Financial assets measured at amortized cost

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

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

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the

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impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Impairment of financial assets (continued)

Financial assets measured at amortized cost (continued)

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

Financial assets measured at cost

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

Available-for-sale financial assets

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

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

When defining “serious” or “non-transient”, the Group shall make judgment

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according to the degree or length of period that fair value is lower than cost, combined with other factors.

For available-for-sale investment of debt instrument, the impairment shall be evaluated in the same way as financial asset measured by amortized cost. However, the accumulated losses rolled out shall be the balance of amortized costs less current fair value and impairment losses recorded in profits and losses. Interest income after impairment shall be calculated and recognized as with the interest rate as according to the discount rate adopted in discounting future cash flow to determine impairment losses.

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

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

9. Financial Instruments (continued)

Transfer of financial assets

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

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

10. Repurchase and Reverse Repurchase Transactions

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

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

11. Long-term Equity Investments

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

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

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possessing the ability to affect the return amount by using the power over the invested party.

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III. Critical Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

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

12. Investment real estate

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

Since there is an active trading market of real estate in the location of the investment real estate owned by the Group, and the Group is able to obtain the market prices of the identical or similar real estates and other relevant information from the trading market of real estate, so as to be able to estimate the fair value of the investment real estate, the fair value pattern is applied for the measurement of investment real estate.

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

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

13. Fixed assets

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

Fixed assets are initially measured at cost. The cost of a fixed asset comprises its purchase price, related taxes and any directly attributable costs for bringing the

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fixed asset to its present usable condition can be recorded as other expenses of the fixed assets.

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

13. Fixed assets (continued)

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

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

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

14. Construction in progress

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

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

15. Intangible assets

Intangible assets are recognized at cost when the related economic benefits are likely to flow into the Group and the cost can be measured reliably.

The useful life of an intangible asset is determined based on economic benefits it brings to the Group.

Useful life of each intangible asset is as follows:

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

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

15. Intangible assets (continued)

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

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

16. Long-term deferred expenses

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

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

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

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

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

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

17. Debt assets

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

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

18. Impairment of assets

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

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

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

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

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

19. Contingent liabilities

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

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III. Critical Accounting Policies and Estimates (continued)

20. Fiduciary activities

Where the Group acts in a fiduciary capacity such as assignee, custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

In fund custody, the Group, as approved by related authorities, acts as the trustee to carry out related business in accordance with the contract with client, as well as laws and regulations. The Group undertakes its obligations and charge accordingly on the basis of the custody contract, but it does not undertake the obligation for any risk and income arising from such custody. Therefore, it attributes to the off-balance item.

The Group grants entrusted loans on behalf of third-party lenders who fund these loans (entrusted deposits) and in accordance with terms covering loan object, application, amount, period and interest rate determined by the third-party lenders. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. All the risks are borne by the third-party lenders. The Group only charges a commission.

21. Principle and methods for income confirmation

Interest income and expense

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

Fee and commission income

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

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

22. Principle and methods for income confirmation (continued)

Dividend income

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

Rental income

Rental income from investment real estate related to operating leases is charged to the income statement on the straight-line basis over the lease terms.

23. 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 can not be obtained in a reliable way, calculate according to nominal amount.

Assets required by the government document to be used for purchase and construction or turned into long-term assets in other ways shall be recognized as government subsidies related with assets; where the government document does not clearly specify, judge on the basis of fundamental conditions to be met to obtain subsidies, assets used for purchase and construction or turned into long-term assets in other ways shall be recognized as government subsidies related with assets and others shall be recognized as government subsidies related with incomes.

Government subsidies related with incomes that are used to compensate related cost expenses or losses in the future shall be recognized as deferred income and shall be included in the current profits and losses or write off against relevant costs when confirming related costs or losses; those used to compensate related cost expenses or losses that have already occurred shall be included in current profits and losses or write off against relevant costs immediately.

Government subsidies related with assets shall write off against the book value of the related assets; or recognized as deferred income and included in profits and losses (government subsidies measured by nominal amount shall be included in current profits and losses immediately) when being installed in a reasonable and systematic way within the service life of related assets; where related assets are sold, transferred, scrapped or destroyed before the end of the service life, balance of related deferred income that has not been distributed

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shall be transferred to current profits and losses of assets disposal.

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

24. Employee remuneration

Employee remuneration refers to all forms of remuneration or compensatory payment paid by the Group to employees for their service or termination of labor relationship. Employee compensation mainly includes short-term remuneration and welfare after departure. Other welfares the Group provides to spouse, children, dependents, members of deceased's family and other beneficiaries, etc of employees shall also be regarded as employee compensation.

(1) Short-term remuneration

During the accounting period when employees provide services, short-term remuneration incurred shall be regarded as liability and is calculated into current profits and losses or relevant asset cost.

(2) Welfare and Defined Contribution Plans after Departure (defined contribution plans)

Pension insurance and unemployment insurance

The pension insurance and unemployment insurance of the Group's employees are managed by local government, corresponding expenditures incurred shall be regarded as relevant asset cost or current profits and losses.

Corporate annuity plan

Employees who sign formal labor contracts with the Group, participate in basic pension insurance and perform payment obligations according to law, and have served the Group for over a year can choose to participate in the corporate annuity plan of Bank of Ningbo Co., Ltd. ("corporate annuity") set up by the Group. Expenses for the corporate annuity shall be undertaken by the Group and employees.

25. Income tax

Income tax comprises current income tax and deferred income tax. Income tax is recognized in the income statement except to the extent that it relates to transactions or events recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the

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Notes to Financial Statements (continued)
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year, calculated using tax rates enacted and any adjustment to pre-tax accounting profit.

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

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Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

25. Income taxes (continued)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the amount attributed to such assets and liabilities for tax purposes in the balance sheet, and also on temporary differences between the carrying amounts and the tax bases of those which are not recognized as assets and liabilities, but whose tax bases are determined in accordance with tax laws.

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

- (1) that are generated in the following trade: the deferred income tax liabilities occurred at the initial recognition of goodwill, or at the initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) for the taxable temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, the reversed time can be controllable and the temporary differences are unlikely to be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) the deferred income tax asset, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) the deferred income tax asset is recognized for the deductible temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, which at the same time meet the following conditions: it is probable that the temporary differences will be reversed in the foreseeable future and the taxable profit will be available against the deductible temporary differences.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date and reflecting the corresponding tax effect.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

25. Income taxes (continued)

After the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting each other: have the legal right of calculating the current income tax assets and the current income tax liabilities as net value; the deferred income tax assets and deferred income tax liabilities involve the same taxpayer or different taxpayer levied by the same tax department, but during each period of important inversion of deferred income tax assets and deferred income tax liabilities, the involved taxpayer intends to calculate the current deferred income tax assets and the current deferred income tax liabilities as net value or obtain assets while paying off debts.

26. Leases

Leases which transfer substantially all the risks and rewards associated with ownership of the assets are classified as finance leases. All leases other than finance leases are classified as operating leases.

As a lessee under an operating lease

Rental expenses are charged in related cost or in the income statement on a straight-line basis over the periods of the lease and contingent rental is taken into the income statement when actually incurred.

As a lessor under an operating lease

Rental income is recognized in the income statement on a straight-line basis over the periods of the lease and contingent rental is taken into the income statement when actually incurred.

As a lessor under a finance lease

For assets under finance leases, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognized as a receivable. The difference between the receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using an interest rate which reflects a constant rate of return.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

27. Profit distribution

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

28. Fair Value Measurement

On each balance sheet date, the Group measures investment real estate and derivative financial instrument by fair value. Fair value, occurring in orderly transaction on measurement date, refers to the payment the market participant receives when an asset is sold, or the amount paid when a liability is transferred. In the case that asset selling or liability transference is dealt with in staple market of relevant assets or liabilities, the Group measures relevant assets or liabilities by fair value; for the cases where there is no staple market, the Group assumes that the transaction is dealt with in the most advantageous market of relevant assets or liabilities. Staple market (or the most advantageous market) is the trading market the Group can enter on measurement date. The Group adopts the same assumption that the market participant uses to maximize its economic benefit when pricing the assets or liabilities.

For non-financial assets measured by fair value, the capability for the market participant to best use the assets to generate economic benefit, or the capability for the market participant to sell the assets to other market participant to best use the assets to generate economic benefit is considered.

The Group adopts applicable valuation technique supported by adequate data and other information available, prioritizing relevant observable input value. Only when observable input value is unable or infeasible to be obtained, can unobservable input value be adopted.

In financial statement, assets or liabilities measured or disclosed by fair value are leveled according to the input value of the lowest level with significance for overall fair value measurement: input value of the first level is the unadjusted quoted price of the same assets or liabilities available in active market on measurement date; input value of the second level is the directly or indirectly observable input value of relevant assets or liabilities apart from input value of the first level; input value of the third level is the unobservable input value of relevant assets or liabilities.

On each balance sheet date, the Group reevaluates the assets or liabilities continuing to be measured by fair value recognized in financial statement, to confirm that whether there is any shift between different levels of fair value

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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measurement.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

29. Related parties

When financial or operating decisions are made, a party is considered to be related to another party if the party, directly or indirectly controls or jointly controls the other party, or gives its significant influence over the other party, and two or more parties are considered to be related if they are controlled by, jointly controlled by or significantly affected by one party.

Related parties to a company are as follows:

- 1) parent company;
- 2) subsidiaries;
- 3) other entities controlled by the same parent company;
- 4) investors which have joint control;
- 5) investors which give significant influence;
- 6) joint ventures and their subsidiaries;
- 7) associated companies and their subsidiaries;
- 8) key investors and close members of their families;
- 9) key management personnel of the company or its parent company, and their close family members;
- 10) other entities that are controlled, jointly controlled or significantly influenced directly or indirectly by key investors, key management personnel or their close family members.

Entities which are only controlled by the government without any other relations with other companies are not the related parties of the Group.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

30. Significant accounting judgments and estimates

As required for the preparation of financial statements, the management makes judgments estimates and assumption that would affect reporting amounts of income, expense, assets and liabilities as well as the disclosure of contingent liabilities at the balance sheet date. However, the uncertainty of these estimates may result in significant adjustments on the carrying amount of affected future assets and liabilities.

Judgments

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

Classification of financial assets

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

Merge of Structured Bodies

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

The realizable return obtained by the group through the structured bodies includes the management fees and performance compensation, other kinds of interests, such as direct investment income, income and potential losses by providing credit upgrading of liquidity support, as well as realizable return from transaction with structured bodies. In judging whether in control of the structured bodies, the group shall not only consider the laws, regulations and arrangement according to the contract, but also other possible losses that the group may suffer from the structured bodies.

The group shall re-evaluate whether it is in control of the structured bodies when there's any change in related facts or conditions that may result in the change of concept of control.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

30. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates

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

Impairment losses of loans and receivables investment

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

Impairment of available-for-sale financial assets

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

Impairment of held-to-maturity investment

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

Impairment of non-current assets except the financial assets

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

Fair value of non-listed equity investment

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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III. Critical Accounting Policies and Estimates (continued)

30. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates (continued)

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on credit risk, market fluctuation and pertinency of the Group and its counterparties. Changes on these assumptions would affect the fair value of financial instruments.

Deferred income tax assets

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

IV. Taxation

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

<u>Category</u>	<u>Tax basis</u>	<u>Rate</u>
VAT	Taxable interests income(note1)	6%
Construction tax	VAT	5%、7%
Educational surcharges	VAT	5%
Business income tax	Taxable income	25%

Note 1: The Maxwealth Leasing Co., Ltd. and Maxwealth Fund Management Co., Ltd. under the Group is the general taxpayer of VAT, and adopt 6% as the tax rate for its output tax, and pays the VAT after deducted the input tax of the same period.

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

1. Cash and balances with central banks

	Dec 31, 2017	Dec 31, 2016
Cash on hand	1,331,317	1,325,341
Statutory deposit reserve in the central bank	77,475,652	68,510,722
Provision in the central bank	10,639,892	23,292,277
Public Finance-cash In Bank in the central banks	<u>746,960</u>	<u>248,375</u>
	<u>90,193,821</u>	<u>93,376,715</u>

By 31 December 2017, the group's statutory deposit reserve in the central bank is calculated according to the regulations of the people's bank of China that yuan renminbi reserve balances shall be no less than 13.5% of the RMB deposit at the end of the early month (31 Dec. 2016: 15%). While those denominated in foreign currencies was 5% (31 Dec. 2016: 5%) of the previous month regulated by the People's Bank of China.

2. Due from other banks

	Dec 31, 2017	Dec 31, 2016
Due from domestic banks	22,893,212	12,959,409
Due from other domestic financial institutions	4,401,277	1,431,634
Due from foreign banks	<u>2,256,203</u>	<u>2,637,075</u>
	29,550,692	17,028,118
Provision for depreciation (note V. 19)	<u>-</u>	<u>(194)</u>
	<u>29,550,692</u>	<u>17,027,924</u>

3. Noble metal

	Dec 31, 2017	Dec 31, 2016
Noble metal - gold	760,429	181,447
Noble metal - silver	<u>83,144</u>	<u>88,139</u>
	<u>843,573</u>	<u>269,586</u>

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

4. Loans to other banks

	Dec 31, 2017	Dec 31, 2016
Banks	324,277	462,935
Other financial institutions	<u>1,721,717</u>	<u>6,239,584</u>
	<u>2,045,994</u>	<u>6,702,519</u>

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

	Dec 31, 2017	Dec 31, 2016
<i>Trading financial assets</i>		
Debt instrument		
Government bonds	12,560,323	1
Policy financial bonds	2,397,804	1,088,312
Deposit from other banks	12,100,921	6,487,093
Corporate bonds	132,456	467,303
Assets management plan	-	2,358
Equity instrument		
Capital investment	119,227,722	206,734
Stock investment	59,675	21,509

For Financial assets measured by fair value and enter the current profit and loss statement

Equity instruments	<u>3,000</u>	<u>3,000</u>
	<u>146,481,901</u>	<u>8,276,310</u>

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

6. Derivative financial instruments

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

	Nominal amount	Dec 31, 2017	
		Fair value	
		Assets	Liabilities
Currency forward	15,930,087	246,869	(216,608)
Currency swap	1,943,728,242	26,487,224	(30,420,751)
Interest rate swap	1,097,759,459	3,366,548	(3,306,995)
Currency exchange	1,916,509	35,723	(308)
Option	85,409,673	1,019,109	(1,150,819)
Nobel metal forward/swap	18,583,605	178,279	(73,437)
	<u>3,163,327,575</u>	<u>31,333,752</u>	<u>(35,168,918)</u>

	Nominal amount	Dec 31, 2016	
		Fair value	
		Assets	Liabilities
Currency forward	11,350,261	60,383	(244,205)
Currency swap	540,833,666	8,797,412	(6,615,722)
Interest rate swap	744,569,871	4,175,709	(4,206,695)
Option	17,772,391	262,093	(240,741)
Nobel metal forward/swap	47,607,656	643,945	(856,904)
	<u>1,362,133,845</u>	<u>13,939,542</u>	<u>(12,164,267)</u>

The nominal amount is reflected in a full amount and represents the amount of the underlying asset or reference index of derivatives, which is the basis of measuring changes in fair value of the derivative financial instruments. The nominal amount can reflect the risk exposures not settled to the end of the year, but it cannot directly reflect the market or credit risk.

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

7. Buying back the sale of financial assets

	Dec 31, 2017	Dec 31, 2016
Classified by pledges:		
Bonds	<u>1,096,968</u>	<u>19,731,604</u>
	<u>1,096,968</u>	<u>19,731,604</u>
Classified by counter party:		
Banks	1,096,968	19,671,604
Other financial institutions	<u>-</u>	<u>60,000</u>
	<u>1,096,968</u>	<u>19,731,604</u>

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

Dec. 31, 2017

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

Dec. 31, 2016

Pledged asset	Par value	Purpose	Amount	Expiry date
buying back the sale of financial assets -bond	8,027,000	Financial assets sold for repurchase-bond	7,491,850	Jan. 4, 2017

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

8. Interest receivable

	Dec 31, 2017		Dec 31, 2016	
	Amount	Proportion	Amount	Proportion
Financial assets investment interest receivable	2,969,074	71.43%	2,501,406	63.12%
Interest receivable from financial institutions	91,699	2.21%	248,343	6.27%
Interest receivable on loans	832,844	20.04%	772,218	19.48%
Interest receivable on swap	226,505	5.45%	129,395	3.26%
Interest receivable from redemptory monetary capital for sale	587	0.01%	213,516	5.39%
Other interest receivables	<u>35,746</u>	<u>0.86%</u>	<u>98,423</u>	<u>2.48%</u>
	<u>4,156,455</u>	<u>100.00%</u>	<u>3,963,301</u>	<u>100.00%</u>

9. Loans and advance payments

9.1. Classified by corporation and individual

	Dec 31, 2017	Dec 31, 2016
Individual loans and advance		
Individual consumption loan	87,301,230	86,407,106
Individual operating loan	17,237,071	8,175,108
Individual housing loan	<u>1,125,700</u>	<u>1,295,290</u>
Total individual loans and advance	105,664,001	95,877,504
Less: allowance for impairment losses for individual	<u>(1,277,508)</u>	<u>(1,061,738)</u>
	104,386,493	94,815,766
Corporate loans and advances		
Loan	212,156,660	182,533,502
Discount	24,132,284	20,324,378
Trade finance	<u>4,247,835</u>	<u>3,771,294</u>
Total corporate loan and advance	240,536,779	206,629,174
Less: impairment provision for corporate	<u>(12,723,964)</u>	<u>(8,656,599)</u>
	227,812,815	197,972,575
Net value of corporate loan and advance	<u>332,199,308</u>	<u>292,788,341</u>

See Note XI/2.1 for loans of shareholders with 5% or more than 5% shareholding.

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

9. Loans and advance payments (continued)

9.2. Classification of guarantees for loans and advance payments

	Dec 31, 2017	Dec 31, 2016
Credit	97,112,884	89,748,222
Guarantee	119,976,172	103,107,862
Mortgage	98,858,925	83,384,178
Pledge	<u>30,252,799</u>	<u>26,266,416</u>
Total	346,200,780	302,506,678
Less: impairment provision	<u>(14,001,472)</u>	<u>(9,718,337)</u>
Net value of loans and advances	<u><u>332,199,308</u></u>	<u><u>292,788,341</u></u>

9.3. Overdue loans

	Dec 31, 2017				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit	181,280	249,097	108,095	15,785	554,257
Guarantee	55,628	582,434	111,061	115	749,238
Mortgage/pledge	<u>251,313</u>	<u>621,804</u>	<u>514,007</u>	<u>16,429</u>	<u>1,403,553</u>
	<u>488,221</u>	<u>1,453,335</u>	<u>733,163</u>	<u>32,329</u>	<u>2,707,048</u>
	Dec 31, 2016				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	
Credit	209,032	214,144	80,327	467	503,970
Guarantee	354,532	184,691	198,807	-	738,030
Mortgage/pledge	<u>642,940</u>	<u>1,062,644</u>	<u>492,687</u>	<u>46,006</u>	<u>2,244,277</u>
	<u>1,206,504</u>	<u>1,461,479</u>	<u>771,821</u>	<u>46,473</u>	<u>3,486,277</u>

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

9. Loans and advance payments (continued)

9.4. Allowance for impairment losses

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

	Dec 31, 2016		
	Individual item	Portfolio	Total
Balance at the beginning of the year	899,854	6,389,621	7,289,475
Drawing in the year	2,238,625	2,803,117	5,041,742
Write-off	(2,216,646)	(632,148)	(2,848,794)
Transfer in	197,037	90,667	287,704
<i>Including: received from loans for sale and reconciliation from advance payment</i>	<i>197,037</i>	<i>90,667</i>	<i>287,704</i>
Transfer in of back of depreciated loan interest	(45,990)	(5,800)	(51,790)
Balance at the end of the year	<u>1,072,880</u>	<u>8,645,457</u>	<u>9,718,337</u>

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

10. Available-for-sale financial assets

	Dec 31, 2017	Dec 31, 2016
Debt instrument available for sale		
Measured by fair value		
Government bond	84,150,200	94,059,513
Policy based financial bond	4,243,865	7,721,701
Corporate bond	2,996,683	3,327,729
Due from other banks	34,204,143	4,327,319
Other financial bonds	689,293	892,722
Wealth management products and trust plan	<u>60,400,599</u>	<u>157,321,437</u>
Equity instrument available for sale		
Measured by fair value		
Capital investment	<u>32,131,430</u>	<u>12,889,746</u>
Depreciation reserves (Note V: 19)	<u>(1,698)</u>	<u>(1,698)</u>
Subtotal	<u>218,814,515</u>	<u>280,538,469</u>
Measured by cost		
Stock right investment	<u>28,260</u>	<u>13,250</u>
	<u>218,842,775</u>	<u>280,551,719</u>

Available-for-sale financial assets measured by fair value

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

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

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

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

	2016		Total
	Available for sale Equity instrument	Available for sale Debt instrument	
Equity instrument cost/debt instrument			
amortized cost	12,221,787	267,333,584	279,555,371
Fair value	12,888,048	267,650,421	280,538,469
Total fair value changes enter into other			
comprehensive income	666,261	316,837	983,098
Provision for impairment	(1,698)	-	(1,698)

Available for sale financial assets measured by cost:

2017

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

2016

	Account balance		Impairment		shareholding ratio (%) cash dividend	2016
	Year begin	year end	year begin	year end		
China Union Co., Ltd.	13,000	13,000	-	-	0.34	650
Clearing Center for City Commercial Bank	250	250	-	-	0.83	355
	13,250	13,250	-	-		1,005

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

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

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

Dec 31, 2017

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2018
Available-for-sale investment -bond	33,605,778	-bond	30,711,379	- Jan 20, 2018

Dec 31, 2016

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2017
Available-for-sale investment -bond	48,908,487	-bond	47,418,327	- Jan 20, 2017

11. Held-to-maturity investments

	Dec 31, 2017	Dec 31, 2016
Government bond	60,498,541	38,799,673
Corporate bond	50,000	50,000
Bond of other financial institution	<u>284,247</u>	<u>558,528</u>
Depreciation reserves (Note V: 19)	<u>(50,000)</u>	<u>(37,500)</u>
Total	<u><u>60,782,788</u></u>	<u><u>39,370,701</u></u>

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

11. Held-to-maturity investments (continued)

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

Dec 31, 2017

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2018
Available-for-sale investment -government bond	14,299,222	- bond	12,924,930	- Jan 23, 2018

Dec 31, 2016

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 3, 2017
Available-for-sale investment -government bond	7,381,513	- bond	7,086,273	- Jan 13, 2017

12. Account receivable held for investments

	Dec 31, 2017	Dec 31, 2016
Government bond	68,100	12,072
Corporate bond	120,000	120,000
Assets management plan and trusted plan	<u>95,895,280</u>	<u>99,879,488</u>
Depreciation reserves (Note V.19)	<u>(804,408)</u>	<u>(435,245)</u>
	<u><u>95,278,972</u></u>	<u><u>99,576,315</u></u>

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

13. Investing real estate

Continuing measurement on fair value:

Houses and buildings

	2017	2016
Balance at the beginning of the year	16,598	16,559
Increase in this year	35,881	-
Fair value change	<u>(5,753)</u>	<u>39</u>
Balance at the end of year	<u><u>46,726</u></u>	<u><u>16,598</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.

14. Fixed assets

2017	house and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2016	4,262,329	159,527	847,868	106,543	5,376,267
Purchase	61,286	14,335	125,388	37,818	238,827
Transfer from construction in progress	1,496,010	-	-	-	1,496,010
Write-off	<u>(66,755)</u>	<u>(9,117)</u>	<u>(5,985)</u>	<u>(2,474)</u>	<u>(84,331)</u>
Dec. 31, 2017	<u>5,752,870</u>	<u>164,745</u>	<u>967,271</u>	<u>141,887</u>	<u>7,026,773</u>
Accumulated depreciation:					
Dec. 31, 2016	1,161,979	103,459	523,718	64,486	1,853,642
Drawing	246,101	18,411	114,433	13,830	392,775
Write-off	<u>(18,723)</u>	<u>(8,541)</u>	<u>(5,789)</u>	<u>(2,355)</u>	<u>(35,408)</u>
Dec. 31, 2017	<u>1,389,357</u>	<u>113,329</u>	<u>632,362</u>	<u>75,961</u>	<u>2,211,009</u>
Depreciation Provision:					
Dec. 31, 2016	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Dec. 31, 2017	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Book value:					
Dec. 31, 2017	<u>4,361,851</u>	<u>50,707</u>	<u>333,200</u>	<u>65,201</u>	<u>4,810,959</u>
Dec. 31, 2016	<u>3,098,688</u>	<u>55,359</u>	<u>322,441</u>	<u>41,332</u>	<u>3,517,820</u>

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

14. Fixed assets (continued)

2016	house and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2015	3,969,758	148,898	738,824	90,510	4,947,990
Purchase	229,654	16,418	114,706	16,778	377,556
Transfer from construction in progress	62,917	-	-	671	63,588
Write-off	-	(5,789)	(5,662)	(1,416)	(12,867)
Dec. 31, 2016	<u>4,262,329</u>	<u>159,527</u>	<u>847,868</u>	<u>106,543</u>	<u>5,376,267</u>
Accumulated depreciation:					
Dec. 31, 2015	960,907	90,947	416,881	54,192	1,522,927
Drawing	201,072	18,132	112,450	11,538	343,192
Write-off	-	(5,620)	(5,613)	(1,244)	(12,477)
Dec. 31, 2016	<u>1,161,979</u>	<u>103,459</u>	<u>523,718</u>	<u>64,486</u>	<u>1,853,642</u>
Depreciation Provision:					
Dec. 31, 2015	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Dec. 31, 2016	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>4,805</u>
Book value:					
Dec. 31, 2016	<u>3,098,688</u>	<u>55,359</u>	<u>322,441</u>	<u>41,332</u>	<u>3,517,820</u>
Dec. 31, 2015	<u>3,007,189</u>	<u>57,242</u>	<u>320,234</u>	<u>35,593</u>	<u>3,420,258</u>

As of 31 Dec. 2017 and as of 31 Dec. 2016, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB 998,644,000 yuan and RMB 8,050,000 yuan. The management believed that no significant obstacles would be affected by the application of property ownership certificates of houses and buildings, and above issues had no serious negative effects on the overall financial position of the Group.

As of 31 Dec. 2017 and as of 31 Dec. 2016, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 646,741,000 yuan and RMB 506,410,000 yuan. The net book value was RMB 18,417,000 yuan and RMB 14,681,000 yuan respectively.

As of 31 Dec. 2017 and as of 31 Dec. 2016, there were no temporarily idle fixed assets.

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

15. Intangible assets

2017	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2016	375,873	48,271	22,000	446,144
Increase	<u>101,336</u>	<u>28,957</u>	<u>-</u>	<u>130,293</u>
Dec. 31, 2017	<u>477,209</u>	<u>77,228</u>	<u>22,000</u>	<u>576,437</u>
Accumulated amortization:				
Dec. 31, 2016	140,481	11,710	6,050	158,241
Increase	<u>71,644</u>	<u>1,389</u>	<u>2,200</u>	<u>75,233</u>
Dec. 31, 2017	<u>212,125</u>	<u>13,099</u>	<u>8,250</u>	<u>233,474</u>
Book value:				
Dec. 31, 2017	<u>265,084</u>	<u>64,129</u>	<u>13,750</u>	<u>342,963</u>
Dec. 31, 2016	<u>235,392</u>	<u>36,561</u>	<u>15,950</u>	<u>287,903</u>
2016	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2016	274,578	48,271	22,000	344,849
Increase	101,410	-	-	101,410
Decrease	<u>(115)</u>	<u>-</u>	<u>-</u>	<u>(115)</u>
Dec. 31, 2017	<u>375,873</u>	<u>48,271</u>	<u>22,000</u>	<u>446,144</u>
Accumulated amortization:				
Dec. 31, 2016	86,251	10,503	3,850	100,604
Increase	54,345	1,207	2,200	57,752
Decrease	<u>(115)</u>	<u>-</u>	<u>-</u>	<u>(115)</u>
Dec. 31, 2017	<u>140,481</u>	<u>11,710</u>	<u>6,050</u>	<u>158,241</u>
Book value:				
Dec. 31, 2017	<u>235,392</u>	<u>36,561</u>	<u>15,950</u>	<u>287,903</u>
Dec. 31, 2016	<u>188,327</u>	<u>37,768</u>	<u>18,150</u>	<u>244,245</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)

16. Construction in progress

2017

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

2016

	Dec 31, 2015	Increase	Transfer into fixed assets	Other decreases	Dec 31, 2016	Source of fund
Business occupancy	1,562,140	683,655	(28,387)	-	2,217,408	Self financing
Others	<u>35,902</u>	<u>120,303</u>	<u>(35,201)</u>	<u>(97,208)</u>	<u>23,796</u>	Self financing
	<u>1,598,042</u>	<u>803,958</u>	<u>(63,588)</u>	<u>(97,208)</u>	<u>2,241,204</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.

17. Deferred income tax assets/liabilities

17.1 Deferred income tax assets and deferred income tax liabilities are listed on net basis

Deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	2017		2016	
	deductible/ (taxable)	deferred income tax	deductible/ (taxable)	deferred income tax
Temporary differences assets/(liabilities)				
Deferred income tax assets	<u>49,493,600</u>	<u>12,373,400</u>	<u>19,584,048</u>	<u>4,896,012</u>
Deferred income tax assets	<u>(30,889,344)</u>	<u>(7,722,336)</u>	<u>(14,919,548)</u>	<u>(3,729,887)</u>

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

17. Deferred income tax assets/liabilities

17.1 Deferred income tax assets and deferred income tax liabilities are listed on net basis (continued)

Temporary differences of the deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	<u>2017</u>		<u>2016</u>	
	deductible	deferred	deductible	deferred
Income tax assets with temporary differences				
Deferred income tax assets				
Provisions for asset depreciation	11,370,844	2,842,711	7,115,860	1,778,965
Changes in fair value of derivative financial liabilities	34,611,196	8,652,799	12,090,260	3,022,565
Changes in fair value of available-for-sale financial assets	2,791,988	697,997	-	-
Changes in fair value of trading financial liabilities	19,684	4,921	-	-
Others	<u>699,888</u>	<u>174,972</u>	<u>377,928</u>	<u>94,482</u>
	<u>49,493,600</u>	<u>12,373,400</u>	<u>19,584,048</u>	<u>4,896,012</u>
	<u>2017</u>		<u>2016</u>	
	taxable	deferred	taxable	deferred
Income tax liabilities with temporary differences				
Deferred income tax liabilities				
Fair value changes in investing real estate	4,060	1,015	9,812	2,453
Changes in fair value from transaction financial assets into investing real estate	26,064	6,516	26,064	6,516
Changes in fair value of available-for-sale financial assets	-	-	983,100	245,775
Changes in fair value of derivative financial assets	30,847,804	7,711,951	13,826,248	3,456,562
Changes in fair value of trading financial assets	7,220	1,805	10,948	2,737
Changes in fair value of trading financial liabilities	-	-	39,548	9,887
Others	<u>4,196</u>	<u>1,049</u>	<u>23,828</u>	<u>5,957</u>
	<u>30,889,344</u>	<u>7,722,336</u>	<u>14,919,548</u>	<u>3,729,887</u>

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

17. Deferred income tax assets/liabilities (continued)

17.2 Deferred income tax assets and liabilities after offsetting

After the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting each other: have the legal right of calculating the current income tax assets and the current income tax liabilities as net value; the deferred income tax assets and deferred income tax liabilities involve the same taxpayer or different taxpayer levied by the same tax department, but during each period of important inversion of deferred income tax assets and deferred income tax liabilities, the involved taxpayer intends to calculate the current deferred income tax assets and the current deferred income tax liabilities as net value or obtain assets while paying off debts. The Company's deferred income tax assets and liabilities after offsetting and the corresponding temporary differences are as follows:

	Dec 31, 2017		Dec 31, 2016	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>12,373,400</u>	<u>4,651,064</u>	<u>4,896,012</u>	<u>1,166,125</u>
Deferred income tax liabilities	<u>(7,722,336)</u>	<u>-</u>	<u>(3,729,887)</u>	<u>-</u>

17.3 Change of deferred income tax assets and liabilities

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

2017	Dec 31, 2016	Enter into income statement	Enter into equity	Dec 31, 2017
Deferred income tax assets				
Assets depreciation reserves	1,778,965	1,063,746	-	2,842,711
Fair value change of derivative financial liabilities	3,022,565	5,630,234	-	8,652,799
Changes in fair value of available-for-sale financial assets	-	-	697,997	697,997
Changes in fair value of financial liabilities measured by fair value and calculated into current profits and losses	-	4,921	-	4,921
Others	<u>94,482</u>	<u>80,490</u>	<u>-</u>	<u>174,972</u>
Subtotal	<u>4,896,012</u>	<u>6,779,391</u>	<u>697,997</u>	<u>12,373,400</u>

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

17. Deferred income tax assets/liabilities (continued)

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

2017	Dec 31, 2016	Enter into income statement	Enter into equity	Dec 31, 2017
Deferred income tax liabilities				
Fair value changes in investing real estate	2,453	(1,438)	-	1,015
Changes in fair value from transaction financial assets				
Into investing real estate	6,516	-	-	6,516
Changes in fair value of available-for-sale financial assets	245,775	-	(245,775)	-
Changes in fair value of derivative financial assets	3,456,562	4,255,389	-	7,711,951
Change in fair value of financial assets measured by fair value in the income statement	2,737	(932)	-	1,805
Change in fair value of financial liabilities measured by fair value in the income statement	9,887	(9,887)	-	-
Others	<u>5,957</u>	<u>(4,908)</u>	<u>-</u>	<u>1,049</u>
Subtotal	<u>3,729,887</u>	<u>4,238,224</u>	<u>(245,775)</u>	<u>7,722,336</u>
Net amount	<u><u>1,166,125</u></u>	<u><u>2,541,167</u></u>	<u><u>943,772</u></u>	<u><u>4,651,064</u></u>

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

17. Deferred income tax assets/liabilities (continued)

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

2016	Dec 31, 2015	Accounted into profit or loss	Accounted into equity	Dec 31, 2016
Deferred income tax assets				
Assets depreciation reserves	1,231,854	547,111	-	1,778,965
Changes in fair value of derivative financial liabilities	836,665	2,185,900	-	3,022,565
Others	<u>11,097</u>	<u>83,385</u>	<u>-</u>	<u>94,482</u>
Subtotal	<u>2,079,616</u>	<u>2,816,396</u>	<u>-</u>	<u>4,896,012</u>
2016	Dec 31, 2015	Accounted into profit or loss	Accounted into equity	Dec 31, 2016
Deferred income tax liabilities				
Fair value changes in investing real estate	2,443	10	-	2,453
Changes in fair value from transaction financial assets				
Into investing real estate	6,516	-	-	6,516
Changes in fair value of available-for-sale financial assets	431,088	-	(185,313)	245,775
Changes in fair value of derivative financial assets	863,396	2,593,166	-	3,456,562
Change in fair value of Financial liabilities measured by fair value in the income statement	22,943	(20,206)	-	2,737
Change in fair value of Financial assets measured by fair value in the income statement	1,233	8,654	-	9,887
Others	<u>6,874</u>	<u>(917)</u>	<u>-</u>	<u>5,957</u>
Subtotal	<u>1,334,493</u>	<u>2,580,707</u>	<u>(185,313)</u>	<u>3,729,887</u>
Net Value	<u><u>745,123</u></u>	<u><u>235,689</u></u>	<u><u>185,313</u></u>	<u><u>1,166,125</u></u>

18. Other assets

		Dec 31, 2017	Dec 31, 2016
Deferred expenses	18.1	156,297	135,719
Other receivables	18.2	7,295,232	1,178,372
Debt Assets	18.3	70,784	253,860
Long-term deferred expenses	18.4	558,851	623,400
Pending deduct VAT on purchase		<u>24,515</u>	<u>24,833</u>
		<u><u>8,105,679</u></u>	<u><u>2,216,184</u></u>

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18. Other assets (continued)

18.1 Deferred expenses

	Dec 31, 2017	Dec 31, 2016
Renting	149,399	129,940
Others	<u>6,898</u>	<u>5,779</u>
	<u>156,297</u>	<u>135,719</u>

18.2 Other receivables

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

	Dec 31, 2016					Proportion	Provision For bad debts	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total			
Settlement receivable and other liquidates	1,041,873	32,061	70,786	19,747	1,164,467	97.71%	(13,337)	1,151,130
Deposit	<u>10,142</u>	<u>2,784</u>	<u>4,391</u>	<u>9,925</u>	<u>27,242</u>	2.29%	-	27,242
	<u>1,052,015</u>	<u>34,845</u>	<u>75,177</u>	<u>29,672</u>	<u>1,191,709</u>	100.00%	(13,337)	1,178,372

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 2017 (31 Dec. 2016: none).

18.3 Debt assets

	31 Dec. 2017		31 Dec. 2016	
	Original value	impairment provision Net value	Original value	impairment provision Net value
Real estate	70,784	-	70,784	-
Stock rights	<u>-</u>	<u>-</u>	<u>58,010</u>	<u>-</u>
	<u>70,784</u>	<u>-</u>	<u>70,784</u>	<u>-</u>
	<u>70,784</u>	<u>-</u>	<u>128,794</u>	<u>-</u>

The original value of debt assets disposed by the Group in 2017 is RMB 346,490,000 (2016: RMB 70,130,000). The Group disposed the debt assets through transfer on agreement and transfer to own use.

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

18. Other assets (continued)

18.4 Long-term deferred expenses

2017	Supplementary Endowment insurance	Renting of fixed assets rent	Improvements of fixed assets rent	Others	Total
Dec 31, 2016	190,181	39,052	382,571	11,596	623,400
Increase	-	25,489	67,059	-	92,548
Amortize	<u>(21,845)</u>	<u>(27,142)</u>	<u>(102,316)</u>	<u>(5,794)</u>	<u>(157,097)</u>
Dec 31, 2017	<u>168,336</u>	<u>37,399</u>	<u>347,314</u>	<u>5,802</u>	<u>558,851</u>
2016	Supplementary Endowment insurance	Renting of fixed assets rent	Improvements of fixed assets rent	Others	Total
Dec 31, 2015	158,294	42,597	325,873	17,305	544,069
Increase	53,687	14,684	159,273	100	227,744
Amortize	<u>(21,800)</u>	<u>(18,229)</u>	<u>(102,575)</u>	<u>(5,809)</u>	<u>(148,413)</u>
Dec 31, 2016	<u>190,181</u>	<u>39,052</u>	<u>382,571</u>	<u>11,596</u>	<u>623,400</u>

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

19. Allowances for Assets Impairment

2017	Dec 31, 2016	Increase	Write-off	Dec 31, 2017
Provision for bad loans of other receivables	13,337	8,744	(10,931)	11,150
Provision for bad loans of due from other banks	194	-	(194)	-
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for depreciation of held-to-maturity investment	37,500	12,500	-	50,000
Provision for depreciation of available-for-sale financial assets	1,698	-	-	1,698
Provision for depreciation of receivables	<u>435,245</u>	<u>369,163</u>	<u>-</u>	<u>804,408</u>
	<u>492,779</u>	<u>390,407</u>	<u>(11,125)</u>	<u>872,061</u>
2016	Dec 31, 2015	Increase	Write-off	Dec 31, 2016
Provision for bad loans of other receivables	13,355	-	(18)	13,337
Provision for bad loans of due from other banks	194	-	-	194
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for depreciation of held-to-maturity investment	-	37,500	-	37,500
Provision for depreciation of available-for-sale financial assets	-	1,698	-	1,698
Provision for depreciation of receivables	<u>195,245</u>	<u>240,000</u>	<u>-</u>	<u>435,245</u>
	<u>213,599</u>	<u>279,198</u>	<u>(18)</u>	<u>492,779</u>

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

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

20. Borrowing from the central bank

	Dec 31, 2017	Dec 31, 2016
Medium term loan	<u>2,500,000</u>	<u>26,000,000</u>
	<u>2,500,000</u>	<u>26,000,000</u>

21. Deposit in other banks/financial institutions

	Dec 31, 2017	Dec 31, 2016
Banks	13,038,011	23,280,267
Other financial institutions	<u>14,254,424</u>	<u>21,303,797</u>
	<u>27,292,435</u>	<u>44,584,064</u>

22. Deposit funds

	Dec 31, 2017	Dec 31, 2016
Banks	94,606,096	34,693,881
Other financial institutions	<u>-</u>	<u>138,953</u>
	<u>94,606,096</u>	<u>34,832,834</u>

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

	Dec 31, 2017	Dec 31, 2016
Noble metal (nominal)	5,374,442	5,969,934
Financial liabilities that measured by its fair value with its change enter into the income statement	<u>56,433</u>	<u>260,984</u>
	<u>5,430,875</u>	<u>6,230,918</u>

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

24. Proceeds generated from repurchase agreements

Classified by pledges	Dec 31, 2017	Dec 31, 2016
Bonds	44,613,227	61,996,450
Bills	<u>1,375,563</u>	<u>454,765</u>
	<u>45,988,790</u>	<u>62,451,215</u>
Classified by counter party	Dec 31, 2017	Dec 31, 2016
Banks	44,845,880	61,953,595
Other financial institutions	<u>1,142,910</u>	<u>497,620</u>
	<u>45,988,790</u>	<u>62,451,215</u>

25. Deposit

	Dec 31, 2017	Dec 31, 2016
Demand deposit		
Company	261,403,538	230,709,364
Personal	32,640,479	28,815,639
Fixed time deposit		
Company	171,565,001	154,048,421
Personal	73,218,110	71,468,518
Guarantee deposit	23,291,085	24,676,845
Others	<u>3,135,691</u>	<u>1,686,197</u>
	<u>565,253,904</u>	<u>511,404,984</u>

See Note IX/2.2 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)

26. Accrued payroll

2017	Dec 31, 2016	Addition	Payment	Dec 31, 2017
Short-term salary:				
Salary, bonus and allowance	1,863,041	4,462,616	4,329,638	1,996,019
Welfare	-	307,890	307,890	-
Social insurances				
Medical insurance	6	116,627	116,622	11
Work injury insurance	-	4,377	4,377	-
Maternity insurance	-	5,624	5,624	-
Disability insurance	1	191	190	2
House funds	-	236,858	236,857	1
Labor union's funds and employee education funds	-	<u>35,799</u>	<u>35,749</u>	<u>50</u>
Contribution plan:				
Basic pension insurance	4	213,417	213,411	10
Unemployment insurance	1	9,087	9,072	16
Annuity plan	-	<u>62,483</u>	<u>62,483</u>	-
	<u>1,863,053</u>	<u>5,454,969</u>	<u>5,321,913</u>	<u>1,996,109</u>
2016	Dec 31, 2015	Addition	Payment	Dec 31, 2016
Short-term salary:				
Salary, bonus and allowance	1,495,972	3,989,956	3,622,887	1,863,041
Welfare	-	229,678	229,678	-
Social insurances				
Medical insurance	2	87,444	87,440	6
Work injury insurance	-	2,577	2,577	-
Maternity insurance	-	3,163	3,163	-
Disability insurance	-	41	40	1
House funds	-	208,539	208,539	-
Labor union's funds and employee education funds	-	<u>38,045</u>	<u>38,045</u>	-
Contribution plan:				
Basic pension insurance	3	155,538	155,537	4
Unemployment insurance	-	<u>10,245</u>	<u>10,244</u>	1
	<u>1,495,977</u>	<u>4,725,226</u>	<u>4,358,150</u>	<u>1,863,053</u>

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

27. Tax payable

	Dec 31, 2017	Dec 31, 2016
Value-added tax	385,415	447,356
City maintenance and construction tax	48,648	33,803
Educational surcharges	34,258	21,309
Corporate income tax	2,517,997	725,264
Individual income tax	33,279	27,142
Taxes payable on behalf of entrusted loans	1,691	2,363
Others	<u>14,575</u>	<u>2,952</u>
	<u><u>3,035,863</u></u>	<u><u>1,260,189</u></u>

28. Interest payable

	Dec 31, 2017	Dec 31, 2016
Interest on deposit	6,780,796	5,831,510
Interest on repurchase financial assets	15,395	19,635
Interest on inter-bank deposit and borrowings	659,472	429,769
Interest on bond	671,292	641,750
Interest on rate exchange	223,997	142,828
Interest on rate exchange	<u>24,937</u>	<u>94,810</u>
	<u><u>8,375,889</u></u>	<u><u>7,160,302</u></u>

29. Bond payable

	Dec 31, 2017	Dec 31, 2016
Financial bond payable	17,986,760	17,982,764
Subordinated bond payable	2,994,704	2,994,346
Subordinated capital bond payable	16,989,916	6,989,062
Convertible corporate bond payable	8,119,066	-
Deposit of other banks payable	<u>125,408,996</u>	<u>85,018,487</u>
	<u><u>171,499,442</u></u>	<u><u>112,984,659</u></u>

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

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

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

Balance of bond payables to the date 31 December 2016 is as follows:

	Bond			Dec 31, 2016	Issued in 2016	2017 Premium discount		Repayment	Dec 31, 2017
	Date of issue	period	Book value			Accrued interest	Amortize		
12 Subordinated (1)	11/22/2012	15 years	3,000,000	2,994,009	-	172,884	337	-	2,994,346
13 Financial bond (2)	4/16/2013	5 years	5,000,000	4,994,749	-	237,201	1,747	-	4,996,496
13 Financial bond (2)	4/16/2013	10 years	3,000,000	2,995,260	-	154,659	462	-	2,995,722
15 Tier II capital									
Bonds (3)	5/27/2015	10 years	7,000,000	6,988,246	-	364,712	816	-	6,989,062
15 Financial bond (4)	7/3/2015	3 years	500,000	499,326	-	20,849	221	-	499,547
15 Financial bond (4)	9/9/2015	3 years	9,500,000	9,486,839	-	382,582	4,160	-	9,490,999
		Term of bond			Actual interest rate	Book value			Balance at the end of year
Deposit of other banks		3 months – 1 year			2.81%-4.40%	85,540,000			85,018,487

- (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 27 May 2015, the Company issued the Tier II Capital bonds at the par value of RMB 7 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interest rate. Right of redemption with certain premise is attached. The

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nominal interest rate is 5.19%, 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)

29. Bond payable (continued)

- (4) On 3 July 2015 and 9 Sep 2015, the Company issued the financial bonds at the par value of RMB 0.5 billion and RMB 9.5 billion in the national inter-bank bond market respectively, including: type 1 is the three-year bonds of fixed interest rate, RMB 0.5 billion, coupon rate 4.12%; type 2 is the three-year bonds of fixed interest rate, RMB 9.5 billion, coupon rate 3.98%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.
- (5) On 6 December 2017, the Company issued the Tier II Capital bonds at the par value of RMB 10 billion in the national inter-bank bond market, it is the 10-year bonds of fixed 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.
- (6) Pursuant to the approval by relevant PRC regulatory authorities, on 5 Dec. 2017, the Group issued A-share convertible bonds (hereinafter referred to as “convertible bonds”) with a total principal amount of RMB 10 billion on Shenzhen Stock Exchange. The convertible bonds have a maturity term of six years from 5 Dec. 2017 to 5 Dec. 2023 and bear a fixed interest rate of 0.2% for the first year, 0.4% the second year, 0.8% the third year, 1.2% the fourth year, 1.6% the fifth year and 2.0% the sixth year. The convertible bond holders may exercise their rights to convert the convertible bonds into the Group’s A shares at the stipulated conversion price during the period beginning six months after the date of issuance 11 Dec. 2017 (T+4) until the maturity date (or from 11 June 2018 to 5 Dec. 2023). Within 5 trading days after maturity, the Group shall redeem the outstanding convertible bonds at 105% of par value, including interest for the sixth year.

During the conversion period, if the closing price of the Company’s A shares is not lower than or equal to 130% (inclusive) of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, the Group has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest with the approval of relevant regulatory departments (if required). Under circumstances where the conversion price of the Group is adjusted because of ex-right or ex-dividend on any of the above mentioned trading days, calculate according to conversion price and closing price before adjustment for trading days before adjustment while according to conversion price and closing price after adjustment for trading days after adjustment. Besides, the Group also has the right to redeem all the convertible bonds at par value plus accrued interest should the total outstanding amount be less than RMB 30 million.

Subject to the formulae provided for in the bond prospectus, the initial conversion price of the issued bonds is RMB 18.45 per share, 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

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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.

Up to 31 Dec. 2017, the Group had not paid any interest related to convertible bond (2016: none).

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

29. Bond payable (continued)

The liabilities and rights and interests of issued convertible corporate bonds are divided as follows:

	Liabilities	Rights and interests	Total
Amount of issued convertible bonds	8,101,971	1,898,029	10,000,000
Direct issuance expenses	<u>(11,848)</u>	<u>(2,775)</u>	<u>(14,623)</u>
Balance on date of issue	8,090,123	1,895,254	9,985,377
Amortization	28,943	-	28,943
Balance at the end of 2017	<u>8,119,066</u>	<u>1,895,254</u>	<u>10,014,320</u>

30. Deferred income

2017

	Dec 31, 2016	increase	decrease	Dec 31, 2017
Financial leasing project				
Commission charge	297,456	356,785	(302,355)	351,886
Custodian fee income	<u>3,153</u>	<u>3,488</u>	<u>(3,153)</u>	<u>3,488</u>
	<u>300,609</u>	<u>360,273</u>	<u>(305,508)</u>	<u>355,374</u>

2016

	Dec 31, 2015	increase	decrease	Dec 31, 2016
Financial leasing project				
Commission charge	279,250	199,019	(180,813)	297,456
Custodian fee income	<u>3,831</u>	<u>3,153</u>	<u>(3,831)</u>	<u>3,153</u>
	<u>283,081</u>	<u>202,172</u>	<u>(184,644)</u>	<u>300,609</u>

31. Other liabilities

		Dec 31, 2017	Dec 31, 2016
Dividend payable	31.1	23,811	23,811
Other payables	31.2	2,864,431	7,137,733
Settlement amount payable	31.3	1,023,247	1,247,056
Financial capital pool balance		9,169,658	4,868,659
Output tax to be carried over		21,248	37,575
Others		<u>230,380</u>	<u>82,370</u>
		<u>13,332,775</u>	<u>13,397,204</u>

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

31.1 Dividend payable

	Dec 31, 2017	Dec 31, 2016
Dividend of shareholders (note)	<u>23,811</u>	<u>23,811</u>

Note: Dividend of shareholder is not paid because the shareholder of the non-tradable share has not come to draw it yet.

31.2 Other payables

	Dec 31, 2017	Dec 31, 2016
Security deposit	-	2,971,614
Security assets to be transferred	1,422,853	1,729,289
Bills payable	167,343	1,550,596
Lease deposit	700,701	650,496
Unclaimed deposit account	30,075	31,399
Unpaid of construction	245,067	22,879
Others	<u>298,392</u>	<u>181,460</u>
	<u>2,864,431</u>	<u>7,137,733</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 2017 (31 Dec. 2016: none).

31.3 Settlement amount payable

	Dec 31, 2017	Dec 31, 2016
Settlement amount payable to Unionpay	165,527	168,812
Financial payment to be settled	471,998	52,853
Payment to be transferred	180,868	918,605
Online payment settlement	<u>204,854</u>	<u>106,786</u>
	<u>1,023,247</u>	<u>1,247,056</u>

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

2017	Dec 31, 2016		Change		Dec 31, 2017	
	Amount	Prop%	Desterilization	newly issued	Amount	Prop%
I. Shares subject to restriction on sale						
1. State-owned shares	-	0.00%	-	-	-	0.00%
2. Shares held by state-owned legal persons	190,155	4.88%	-	57,046	247,201	4.88%
Shares held by other domestic investors	-	0.00%	34	10	44	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
<i>Shares held by domestic natural person</i>	-	0.00%	34	10	44	0.00%
Shares held by foreign investors	249,055	6.39%	-	74,716	323,771	6.38%
<i>Amongst: shares held by foreign legal person</i>	249,055	6.39%	-	74,716	323,771	6.38%
5. Shares held by senior management	8,123	0.20%	(1,930)	1,978	8,171	0.16%
Total of shares subject to restriction on sales	447,333	11.47%	(1,896)	133,750	579,187	11.42%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	3,452,461	88.53%	1,896	1,036,188	4,490,545	88.58%
Total of shares not subject to restriction on sales	3,452,461	88.53%	1,896	1,036,188	4,490,545	88.58%
III. Total shares	3,899,794	100.00%	-	1,169,938	5,069,732	100.00%
2016	Dec 31, 2015		Change		Dec 31, 2016	
	Amount	Prop%	Desterilization	newly issued	Amount	Prop%
I. Shares subject to restriction on sale						
1. State-owned shares	-	0.00%	-	-	-	0.00%
2. Shares held by state-owned legal persons	190,155	4.88%	-	-	190,155	4.88%
3. Shares held by other domestic investors	-	0.00%	-	-	-	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
4. Shares held by foreign investors	249,055	6.39%	-	-	249,055	6.39%
<i>Amongst: shares held by overseas legal persons</i>	249,055	6.39%	-	-	249,055	6.39%
5. Shares held by senior management	10,324	0.26%	(2,201)	-	8,123	0.20%
Total of shares subject to restriction on sales	449,534	11.53%	(2,201)	-	447,333	11.47%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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II.	Shares not subject to restriction on sales						
	RMB-denominated ordinary shares						
	3,450,260	88.47%	2,201	-	3,452,461	88.53%	
	Total of shares not subject to restriction on sales						
	3,450,260	88.47%	2,201	-	3,452,461	88.53%	
III.	Total shares	<u>3,899,794</u>	<u>100.00%</u>	-	-	<u>3,899,794</u>	<u>100.00%</u>

The increase of share capital in 2017 is a result of capital reserve capitalization by offer 3 shares per every 10 shares on a basis of 3,899,794,000 shares, as approved by the resolution of the 2016 Shareholders' Meeting. The capital increase was verified by Ernst & Young Public Accountants, with the capital verification report (2017) No. 60466992_B01 being issued.

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

33. Other equity tools

Change on other equity tools of the group in 2017 is as follows:

	Jan 1, 2017		Increase		Decrease		Dec 31, 2017	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2017 domestic								
preferred share	48,500,000	4.825 billion	-	-	-	-	48,500,000	4.825 billion
convertible bond	-	-	-	1.895 billion	-	-	-	1.895 billion

Change on other equity tools of the group in 2016 is as follows:

	Jan 1, 2016		Increase		Decrease		Dec 31, 2016	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2016 domestic								
preferred share	48,500,000	4.825 billion	-	-	-	-	48,500,000	4.825 billion

As approved by related authorities, the group completed issuance of the preference shares of non-public basis on 19 November 2015. The total book value is RMB 4.85 billion, with the par value of RMB 100. Totally 48,500,000 shares were issued.

The shareholders, after received the preference shares according to the coupon dividend yield, will not participate in the surplus profit distribution with other ordinary shareholder. The above mentioned preference shares adopted non-cumulative dividend payment methods, that is, the undistributed of insufficient dividends of the previous year will not cumulated in the next year. In case of mandatory transferring and as required by CBRC, the above mentioned preference shares will be changed into ordinary shares.

The funds obtained through the issuance of the above mentioned preference shares, after deducting the issuance costs, will be used as the supplement of the other tier one capital of the group, thus to enhance the capital adequacy ratio of the group.

As approved by related authorities, the Company completed issuance of convertible bonds on 5 December 2017. See Notes V 29 for details.

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

34. Capital reserve

2017	Dec 31, 2016	Change	Dec 31, 2017
Capital premium (note 1)	9,949,664	(1,169,938)	8,779,726
Others (note 2)	<u>(1,428)</u>	<u>1,608</u>	<u>180</u>
	<u>9,948,236</u>	<u>(1,168,330)</u>	<u>8,779,906</u>
2016	Dec 31, 2015	Change	Dec 31, 2016
Capital premium	9,949,664	-	9,949,664
Others (note 2)	<u>(1,428)</u>	<u>-</u>	<u>(1,428)</u>
	<u>9,948,236</u>	<u>-</u>	<u>9,948,236</u>

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

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

35. Other comprehensive income

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

	2016 Jan 1	Change	2016 Dec 31	Change	2017 Dec 31
Change of fair value of financial assets available for sale	1,293,334	(555,856)	737,478	(2,831,163)	(2,093,685)
Investment real estate transferred from self-owned real estate on fair vale basis	<u>19,549</u>	<u>-</u>	<u>19,549</u>	<u>-</u>	<u>19,549</u>
	<u>1,312,883</u>	<u>(555,856)</u>	<u>757,027</u>	<u>(2,831,163)</u>	<u>(2,074,136)</u>

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

35. Other comprehensive income (continued)

Other comprehensive income in the consolidated comprehensive income statement:

2017

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

2016

	Amount Before tax	Transfer of other comprehensive Income that formerly enter into other comprehensive income	Income tax	Belong to parent company	Belong to minority equity
Other comprehensive income to be enter into income statement after reclassified	<u>(624,702)</u>	<u>(116,552)</u>	<u>185,313</u>	<u>(555,856)</u>	<u>(85)</u>

36. Surplus reserve

2017	Dec 31, 2016	Provision for this year	Dec 31, 2017
Statutory surplus reserve	<u>3,946,749</u>	<u>910,400</u>	<u>4,857,149</u>
2016	Dec 31, 2015	Provision for this year	Dec 31, 2016
Statutory surplus reserve	<u>3,181,124</u>	<u>765,625</u>	<u>3,946,749</u>

The Company appropriated 10% of the net profit to the statutory surplus reserve as stipulated by Corporate Law and regulations of the Company. The accumulated statutory surplus reserve that more than 50% of the registered capital of the Group can not be relieved from provisions.

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

37. Provision for general risks

2017	Dec 31, 2016	Provision for this year	Dec 31, 2017
Provision for general risks	<u>6,686,969</u>	<u>1,171,628</u>	<u>7,858,597</u>
2016	Dec 31, 2015	Provision for this year	Dec 31, 2016
Provision for general risks	<u>5,055,801</u>	<u>1,631,168</u>	<u>6,686,969</u>

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

According to Resolution of 2016 Shareholders' General Meeting on May 18, 2017, the Group accrued general provision of RMB1,157,411,000 from undistributed profit of the year 2016. The subsidiaries accrued RMB 14,217,000 as the 2017 provision for general risk (2016: RMB 112,995,000).

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

38. Undistributed profit

	Dec 31, 2017	Dec 31, 2016
Undistributed profit at the end of 2016	20,214,536	16,778,919
Net profit belongs to the parent company	9,333,572	7,810,417
Less: provision for accumulated statutory surplus reserve		
Provision for general risks	910,400	765,625
Cash dividend payable for preferred shares	1,171,628	1,631,168
Cash dividend payable for ordinary shares	223,100	223,100
	1,364,928	1,754,907
	25,878,052	20,214,536

See Note XII for the predetermined 2017 distribution plan. The financial statement of the year 2018 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On Apr 27, 2017, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2016 net profit as the statutory surplus reserve and withdraw the amount of RMB 1,157,411, 000 as general provision. And based on the total 3.8998 billion shares at the end of the year, the payment of cash dividend is RMB 3.5 (including tax) per 10 shares. This distribution decision has passed on the general meeting of shareholders on May 18, 2017.

The Company has discussed and passed the dividend distribution plan of the preferred shares (hereinafter referred to as “Bank of Ningbo Preferred 01”) on the meeting of the Board of Directors held on October 25, 2017, which approved the start value date for the distribution of the dividend would be November 16, 2016. And according to the total amount of the shares of Bank of Ningbo Preferred 01 that is 48,500,000 with a nominal dividend rate of 4.60%, the cash dividend per share will be RMB 4.6 (tax included) and the total dividend value will be RMB 223,100,000.

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

39. Net interest income

	2017	2016
Interest income		
Loans and advances	17,052,256	15,304,814
<i>Including: corporate loans and advances</i>	10,247,341	8,604,038
<i>Personal loans and advances</i>	5,520,252	4,653,569
<i>Personal loans and advances</i>	1,021,524	1,855,056
<i>Trade financing</i>	263,139	192,151
Due from other banks	521,789	394,643
Deposit in central bank	1,212,721	1,031,324
Loans to other banks	99,905	165,023
Buying back the sale of financial assets	371,828	314,900
Bond investment	6,782,627	4,585,356
<i>Including: financial assets held for trading</i>	392,058	227,111
Financing product and credit plan	10,471,770	12,457,468
Others	11,354	2,966
	36,524,250	34,256,494
Interest expenses		
Due to other banks	(1,102,406)	(2,176,968)
Borrowing from central bank	(501,696)	(198,397)
Placements from other institutions	(1,471,108)	(572,742)
Deposit	(9,439,917)	(8,133,684)
Repurchase agreements financial assets	(1,140,272)	(850,768)
Bond issuance	(6,472,201)	(4,758,346)
Others	(7,672)	(2,210)
	(20,135,272)	(16,693,115)
Net interest income	16,388,978	17,563,379

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

40. Net fee and commission income

	2017	2016
Fee and commission incomes		
Settlement and clearing expenses	185,569	211,612
Bank cards	1,578,169	1,811,692
Intermediary commissions	3,795,111	3,503,288
Guarantees	281,066	189,056
Intermediary acceptances	8,487	45,663
Trusting business	492,035	401,026
Intermediary consultations	29,972	40,238
Others	<u>5,093</u>	<u>3,620</u>
	<u>6,375,502</u>	<u>6,206,195</u>
Fee and commission expense		
Settlement and clearing expenses	(63,706)	(48,200)
Bank cards	(79,967)	(80,830)
Intermediary commissions	(259,931)	(476,796)
Entrust	(49,421)	(44,175)
Others	<u>(22,540)</u>	<u>(12,539)</u>
	<u>(475,565)</u>	<u>(662,540)</u>
Net fee and commission income	<u><u>5,899,937</u></u>	<u><u>5,543,655</u></u>

41. Investment gains

	2017	2016
Monetary fund investment income	3,756,141	190,000
Differences of financial assets investments	(254,960)	316,789
Gains from equity investment	799	1,005
Realized gains and losses from interests exchange	26,960	12,519
Gains and losses on noble metal	(184,243)	431,620
Others	<u>(9)</u>	<u>(9,101)</u>
	<u><u>3,344,688</u></u>	<u><u>942,832</u></u>

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

42. Gains and losses from fair value changes

	2017	2016
Fair value change of financial instrument measured by fair value and entered into the current income statement	(54,626)	(44,590)
Fair value changes on investment real estate	(5,753)	39
Fair value changes on derivative instrument	<u>(5,499,380)</u>	<u>1,628,523</u>
	<u>(5,559,759)</u>	<u>1,583,972</u>

43. Other operating incomes/expenses

	2017	2016
Other business incomes		
Rent income	29,958	23,577
Others	<u>594</u>	<u>290</u>
	<u>30,552</u>	<u>23,867</u>
Other business costs		
Losses on asset based securitization	(12,058)	(5,946)
Others	<u>(181)</u>	<u>(380)</u>
	<u>(12,239)</u>	<u>(6,326)</u>

In the year 2017, the bank deals with no investment property (In the year 2016 the bank dealt with no investment property).

44. Assets disposal income

	2017	2016
Assets disposal income		
Fixed assets	34,300	227
Intangible assets	-	-
Mortgaged assets	(43,000)	-
Others	<u>26</u>	<u>-</u>
	<u>(8,674)</u>	<u>227</u>

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Notes to Financial Statements (continued)
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V.	Notes to Items in the Consolidated Financial Statements (continued)		
45.	Other income		
	Government subsidies related with daily activities are as follows:		
		2017	2016
	Financial aid	6,493	-
	Loan risk compensation	102	-
	Government reward	3,184	-
	Inclusive finance special fund	<u>3,755</u>	<u>-</u>
		<u>13,534</u>	<u>-</u>
46.	Business tax and surcharges		
		2017	2016
	Business Tax	-	362,173
	City Maintenance and Construction Tax	110,419	99,457
	Educational surcharges	78,935	71,270
	Stamp Duty	14,009	10,557
	Housing Property Tax	35,524	19,478
	Other taxes	<u>8,585</u>	<u>961</u>
		<u>247,472</u>	<u>563,896</u>

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

47. Business and administrative expenses

	2017	2016
Staff costs	5,454,969	4,725,226
Business expenses	2,678,478	2,797,660
Depreciation of fixed assets	392,775	343,192
Amortization of long-term deferred expenses	157,097	148,413
Amortization of intangible assets	75,233	57,752
Taxes	<u>8,083</u>	<u>28,280</u>
	<u><u>8,766,635</u></u>	<u><u>8,100,523</u></u>

48. Asset impairment losses

	2017	2016
Loan impairment losses	5,717,662	5,041,742
Losses on investment of receivables	369,163	240,000
Losses on other receivables	8,744	-
Losses on held-to-maturity investment	12,500	37,500
Losses on investment of available-for-sale financial assets	<u>-</u>	<u>1,698</u>
	<u><u>6,108,069</u></u>	<u><u>5,320,940</u></u>

49. Non-operating incomes

	2017	2016	Enter into 2017 non-recurrent gains and losses
Reward funds	-	16,144	-
Unclaimed deposit account	1,341	21,923	1,341
Others	<u>28,186</u>	<u>14,865</u>	<u>28,186</u>
	<u><u>29,527</u></u>	<u><u>52,932</u></u>	<u><u>29,527</u></u>

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

50. Non-operating expenses

	2017	2016	Enter into 2017 non-recurrent gains and losses
Donation and sponsorship	14,821	36,631	14,821
<i>Including: charitable donation expenses</i>	<i>13,445</i>	<i>33,717</i>	<i>13,445</i>
Penalty and overdue fine	12,682	1,353	12,682
Water conservancy fund	19	7,293	19
Others	<u>18,566</u>	<u>9,136</u>	<u>18,566</u>
	<u><u>46,088</u></u>	<u><u>54,413</u></u>	<u><u>46,088</u></u>

51. Income tax

	2017	2016
Income tax	3,348,794	2,065,025
Deferred income tax	<u>(2,541,167)</u>	<u>(235,689)</u>
	<u><u>807,627</u></u>	<u><u>1,829,336</u></u>

Relationship between income tax and accounting profits as follows:

	2017	2016
Total profits	10,163,344	9,652,078
Tax rate	25%	25%
Tax amount at statutory tax rate	2,540,836	2,413,020
Adjustment of current tax items	(42,781)	8,875
Tax-free income	(2,182,345)	(981,255)
Non-deductible costs	491,915	388,694
Effect on deferred income tax by unconfirmed redeemable losses	<u>2</u>	<u>2</u>
	<u><u>807,627</u></u>	<u><u>1,829,336</u></u>

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

52. Earnings per share

Basic earnings per share

Ordinary shareholders' net profit of the current period divided by the weighted average of the outstanding common stock equal to basic earnings per share.

Basic earnings per share as follows:

	2017	2016
Current net profit of the shareholders of the parent company	9,333,572	7,810,417
Less: current net profit of the other equity holders of the parent company	223,100	223,100
Current net profit of the ordinary shareholders of the parent company	9,110,472	7,587,317
Weighted average of issuing ordinary shares of the Company	5,069,732	5,069,732
Earnings per share (RMB Yuan)	1.80	1.50

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.

	2017	2016
Net profit attributable to ordinary shareholders of the parent company	9,110,472	7,587,317
Add: interest expenses of convertible bonds (post-tax)	30,422	-
Net profit used to calculate diluted earnings per share	9,140,894	7,587,317
Weighted average of ordinary shares in issue	5,069,732	5,069,732
Add: weighted average of ordinary shares converted from all bonds	45,167	-
Weighted average of shares in issue used to calculate diluted earnings per share	5,114,899	5,069,732

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Diluted earnings per share (in RMB/share)	1.79	1.50
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V. Notes to Items in the Consolidated Financial Statements (continued)

53. Cash and cash equivalents

	2017	2016
Cash	20,241,811	30,357,171
<i>Including: cash</i>	<i>1,331,317</i>	<i>1,325,341</i>
<i>Current deposit in other banks</i>	<i>8,270,602</i>	<i>5,739,553</i>
<i>Payable balances with central banks</i>	<i>10,639,892</i>	<i>23,292,277</i>
Cash equivalent	23,903,238	21,378,697
<i>Including: Placements with other institutions</i>		
<i>due within 3 months</i>	<i>2,509,270</i>	<i>1,741,797</i>
<i>Including: Due from other banks</i>		
<i>matured within 3 months</i>	<i>20,300,000</i>	<i>-</i>
<i>Reserve repurchase financial assets</i>		
<i>due within 3 months</i>	<u><i>1,093,968</i></u>	<u><i>19,636,900</i></u>
 Balance of cash and cash equivalents at the end of the year	 <u>44,145,049</u>	 <u>51,735,868</u>

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V. Notes to Items in the Consolidated Financial Statements (continued)		
54.	Other cash receivable relating to operating activities	
		2017 2016
	Pending settlement paid	7,315,112 3,976,040
	Premium for lease	50,205 157,873
	Rent income	25,966 24,321
	Other income	<u>226,965</u> <u>53,026</u>
		<u><u>7,618,248</u></u> <u><u>4,211,260</u></u>
55.	Cash paid to other operating related activities	
		2017 2016
	Pending settlement paid	6,248,315 681,375
	Business promotion and advertising	78,898 118,667
	Entertainment expense	457,865 441,108
	Office and administration expenses	<u>1,982,008</u> <u>1,996,028</u>
		<u><u>8,767,086</u></u> <u><u>3,237,178</u></u>
56.	Operating activities cash flow	
		2017 2016
	Net profit adjusted to operating activities cash flow	
	Net profit	9,355,717 7,822,742
	Add: loss for fixed assets impairment	6,108,069 5,320,940
	Depreciation of fixed assets	392,775 343,192
	Amortization of intangible assets	75,233 57,752
	Amortization of deferred expenses	437,037 421,364
	Income from disposal of fixed assets, intangible assets and other long-term assets	8,674 (227)
	Income of fair value adjustment	5,559,759 (1,583,972)
	Investment income	(19,709,040) (16,923,653)
	Increase of deferred income tax assets	(2,541,167) (229,567)
	Decrease of deferred income tax liabilities	- (6,122)
	Increase of operating receivable	(40,511,976) (65,949,971)
	Increase of operating payable	<u>58,825,898</u> <u>180,139,374</u>
		<u><u>18,000,979</u></u> <u><u>109,411,852</u></u>

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

57. Transfer of financial assets

The Company enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Company has retained substantially all the risks and rewards of these assets, the Company continued to recognize the transferred assets.

Repurchase agreements

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

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

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

Credit asset securitization

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

By December 31, 2017, the Company has already derecognized all the credit assets transferred in the credit asset securitization transaction. The corresponding total book value of credit assets transferred by the Company to the special purpose trust set in the

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credit asset securitization transaction in 2017 was RMB 33,628,000,000 (2016: RMB 6,360,000,000). And in 2017, the Company has not provided financial support for non-consolidated financial products and assets management plans (2016: none).

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VI. Interests in Other Entities

1. Interests in the subsidiary

The subsidiaries of the Company as of Dec. 31, 2017 are as follows:

Subsidiary obtained through establishment	Major operation site	place of registry	Business nature	Registered capital (RMB)	Shareholding ratio	
					Direct	Indirect
Maxwealth Finance Leasing Co. Ltd. (Note)	Ningbo	Ningbo	Finance leasing	1500 million	100%	-
Maxwealth Fund Management Co., Ltd.	Shanghai	Zhejiang	Fund management	200 million	71.49%	-
Maxwealth Assets Management Co., Ltd.	Shanghai	Shanghai	Assets management	100 million	-	71.49%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	200 million	-	71.49%

Neither of the above-mentioned subsidiaries is listed, so they are both included into the consolidated statements of the company.

In accordance with the enterprise accounting principles, it is required to disclose all the financial information abstracts of the subsidiary with material non-controlling interests. The company evaluates the non-controlling interests of each subsidiary and comes to the conclusion that neither of them has material non-controlling interests with our group. Thus we do not think it is necessary to disclose their financial information abstracts.

Note: Maxwealth Finance Leasing Co. Ltd. has increased the registered capital by 500 million yuan in 2017.

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

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

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Notes to Financial Statements (continued)
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VI. Interests in Other Entities (continued)

3. Interests in the structured entities not included into the consolidated financial statement scope

3.1 Interests in the structured entities not included into the consolidated financial statement scope

(1) Financial products

The structured entities managed by the group but not included into the consolidated scope are mainly the financial products issued and managed by the group as the administrator. On the basis of potential customer group analysis and study, the group designs and sells capital investment and management plan to target customer groups, inputs the collected financial capital into related financial market or financial products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the group obtains the commission including sales fee, fixed management fee, and floating management fee. The group deems the variable return on those structured entities non-significant. To the end of December 31, 2017, the balance of unconsolidated financial product of the group amounted to RMB 199,309,781,000 (December 31, 2016: RMB 188,321,626,000). Incomes of the group from commission, trustee fee and management fee related to the financial business in 2017 amounted to RMB 1,078,388,000 (December 31, 2016: 1,549,760,000).

(2) Asset securitization business

Another type of structured entity managed by the group but not included into the consolidation scope is the trust of specific objective set by third trust company due to the group's asset securitization business. The group, as the loan service mechanism for this kind of trust with specific objective, manages the credits assets of transferred trust with specific objective, and charges corresponding commission as the loan assets administrator. The group believes its variable return on such kind of structured entities is non-significant. The book value of the asset-backed securities investment held by the group in such assets securitization business to the end of December 31, 2017 amounted to RMB 477,868,000 (December 31, 2016: RMB 673,109,000), and the maximum loss exposure was close to the book value.

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Notes to Financial Statements (continued)
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VI. Interests in Other Entities (continued)

3. Interests in the structured entities not included into the consolidated financial statement scope (continued)

3.2 Interests in the structured entities in the third party financial institution

The group invested in the structured entities not included into the consolidated financial statement scope in some other institutions, with their income being confirmed. Such structured entities includes 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 2017 (year 2016: none).

By Dec 31, 2017 and Dec. 31, 2016, the book value and max loss risk exposure of the assets formed from the structured entities not included into the consolidations scope but held by the group are as follows:

2017	Financial assets at fair value through profit and loss	Receivable investment	Available for sale financial assets	Total	Max loss exposure
Financial products	-	-	29,630,496	29,630,496	29,630,496
Trust plan	-	5,531,900	30,770,103	36,302,003	36,302,003
Assets management plan	-	90,283,380	-	90,283,380	90,283,380
Fund	119,227,722	-	32,131,430	151,359,152	151,359,152
2016	Financial assets at fair value through profit and loss	Receivable investment	Available for sale financial assets	Total	Max loss exposure
Financial products	-	-	148,771,660	148,771,660	148,771,660
Trust plan	-	2,952,068	8,549,777	11,501,845	11,501,845
Assets management plan	2,358	96,927,420	-	96,929,778	96,929,778
Fund	206,734	-	12,889,746	13,096,480	13,096,480

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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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, 2017	Dec 31, 2016
Core tier-I capital		
including: paid-in capital entered	5,069,732	3,899,794
capital reserve, other equity instruments and other		
comprehensive incomes entered	8,601,024	10,705,263
surplus reserve	4,857,149	3,946,749
general risk reserve	7,858,597	6,686,969
undistributed profit	25,878,052	20,214,536
Less: other intangible assets (excluding right to use land)	(278,834)	(251,342)
Net value of core tier-I capital	51,985,720	45,201,969
Other tier-I capital		
Including: preferred share and premium	4,824,691	4,824,691
Net value of core tier-I capital	56,810,411	50,026,660
Tier-II capital		
Including: tier-II capital tools and premium	18,500,000	8,800,000
provision for jumbo loan loss	6,709,092	5,956,907
Net capital value	82,019,503	64,783,567
Risk weighted capital	603,762,790	528,644,875

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Core tier-I capital adequacy ratio	8.61%	8.55%
Tier-I capital adequacy ratio	9.41%	9.46%
Capital adequacy ratio	13.58%	12.25%

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

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

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

2016	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	5,081,364	1,855,347	10,626,668	-	17,563,379
Net internal interest income	2,428,283	1,001,329	(3,429,612)	-	-
Net fee and commission income	2,734,465	2,538,086	271,104	-	5,543,655
Investment gains	-	-	942,832	-	942,832
Gains from fair value adjustment	-	-	1,583,972	-	1,583,972
Foreign exchange gains	556,997	291,025	(2,860,710)	-	(2,012,688)
Other operating income/expense	(6,326)	-	-	23,867	17,541
Gains from assets disposal	-	-	-	227	227
Tax and surcharge	(366,465)	(186,973)	(10,458)	-	(563,896)
Business and administrative fee	(2,593,029)	(1,476,066)	(4,031,428)	-	(8,100,523)
Assets impairment loss	(4,074,903)	(966,838)	(279,199)	-	(5,320,940)
Operating profit	3,760,386	3,055,910	2,813,169	24,094	9,653,559
Non-operating net balance	-	-	-	(1,481)	(1,481)
Total profits	<u>3,760,386</u>	<u>3,055,910</u>	<u>2,813,169</u>	<u>22,613</u>	<u>9,652,078</u>
Total assets	<u>200,771,507</u>	<u>95,710,163</u>	<u>588,522,070</u>	<u>16,671</u>	<u>885,020,411</u>
Total liabilities	<u>420,792,298</u>	<u>101,179,585</u>	<u>312,638,393</u>	<u>24,022</u>	<u>834,634,298</u>
Supplementary information:					
Capital expenditure	332,562	158,535	974,833	28	1,465,958
Depreciation and amortization expenses	251,867	146,610	423,831	-	822,308

IX. Related Parties Relationships and Transactions

1. Identification of related parties

Related parties of the Group consist of parties listed below:

1) Primary shareholders:

Primary shareholders of the Bank are the shareholders and shareholder groups with 5% shares or more of the Bank, or those shareholders and shareholder groups who have assigned directors within the Bank.

Name of related party	Dec 31, 2017		Dec 31, 2016	
	Share number (10,000)	Prop	Share number (10,000)	Prop
Ningbo Development & Investment Group Co., Ltd.	101,395	20.00%	77,996	20.00%
Singapore Overseas-Chinese Banking Co., Ltd.	94,203	18.58%	72,464	18.58%
Ningbo Youngor (Group) Co., Ltd.	66,770	13.17%	45,377	11.64%
Ningbo Huamao Group Co., Ltd.	26,038	5.14%	21,757	5.58%
Ningbo Shanshan Co., Ltd.	16,976	3.35%	15,266	3.91%

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Ningbo Fubang (Holding) Group Co., Ltd.	15,693	3.10%	13,177	3.38%
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Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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IX. Related Parties Relationships and Transactions (continued)

1. Identification of related parties (continued)

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

2) Subsidiary

See note VI (1. entities in subsidiary) and consolidated financial statements for basic and related information of the subsidiary.

3) Key management staff and their close family members of the Group.

4) Other entities bearing major influences from the key management staff and their close family members of the Group.

2. Major transactions between the Group and the related parties.

2.1 Loan and advance

Name of related party	Dec 31, 2017	Dec 31, 2016
Ningbo Development & Investment Group Co., Ltd.	587,000	100,000
Ningbo Shanshan Co., Ltd.	631,000	50,000
Ningbo Youngor (Group) Co., Ltd.	3,700	-
Ningbo Fubang (Holding) Group	703,540	463,665
Ningbo Huamao Group Co., Ltd.	637,098	400,647
Key management staff and their close family members of the Group	1,100	300
Other entities bearing major influences from the key management staff and their close family members of the Group	<u>500,000</u>	<u>103,442</u>
	<u><u>3,063,438</u></u>	<u><u>1,118,054</u></u>

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

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

2.2 Deposit

Name of related party	Dec 31, 2017	Dec 31, 2016
Ningbo Development & Investment Group Co., Ltd.	102,534	38,615
Ningbo Shanshan Co., Ltd.	195,103	56,711
Ningbo Youngor (Group) Co., Ltd.	109,856	1,281
Ningbo Fubang (Holding) Group	107,596	150,240
Ningbo Huamao Group Co., Ltd.	780,282	140,212
Key management staff and their close family members of the Group	36,488	24,426
Other entities bearing major influences from the key management staff and their close family members of the Group	<u>733</u>	<u>91,254</u>
	<u><u>1,332,592</u></u>	<u><u>502,739</u></u>

2.3 Deposit due from banks

Name of related party	Dec 31, 2017	Dec 31, 2016
Singapore Overseas-Chinese Banking Co., Ltd.	<u>32,064</u>	<u>31,158</u>

2.4 Off balance sheet

Name of related party	Dec 31, 2017	Dec 31, 2016
Ningbo Shanshan Co., Ltd.	608,738	131,089
Ningbo Youngor (Group) Co., Ltd.	486,010	400
Ningbo Fubang (Holding) Group	522,440	195,853
Ningbo Huamao Group Co., Ltd.	696,569	272,527
Other entities bearing major influences from the key management staff and their close family members of the Group	<u>50,000</u>	<u>908,244</u>
	<u><u>2,363,757</u></u>	<u><u>1,508,113</u></u>

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

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

2.5 Derivative transaction

On 31st Dec. 2017, the balance of long-term foreign exchange trading of the group and its affiliated party OCBC was zero (On 31st Dec. 2016, the balance of long-term foreign exchange trading of the group and its affiliated party OCBC was RMB 268,972,000, and the balance of long-term installment was RMB 277,906,000). The balance of long-term foreign exchange swap was RMB 12,791,776,000 and the balance of long-term installment was RMB 12,709,995,000 (On 31st Dec. 2016, the balance of long-term foreign exchange swap was RMB 4,113,645,000 and the balance of long-term installment was RMB 4,112,735,000). Interest rate swap long-term was RMB 12,043,000,000 (On 31st Dec. 2016, the interest rate swap long-term was RMB 8,440,000,000). Option contract RMB 3,678,200,000 (On 31st Dec. 2016, option contract RMB 139,100,000). Net expense of derivative transactions of 2017 was RMB 55,474,000 (2016: RMB 16,777,000).

2.6 Loan interest income

Name of related party	2017	2016
Ningbo Development & Investment Group Co., Ltd.	18,447	6,953
Ningbo Shanshan Co., Ltd.	29,493	3,574
Ningbo Youngor (Group) Co., Ltd.	339	3,229
Ningbo Fubang (Holding) Group Co., Ltd.	37,474	27,103
Ningbo Huamao Group Co., Ltd.	12,990	14,047
Key management staff and their close family members of the Group	20	-
Other entities bearing major influences from the key management staff and their close family members of the Group	19,430	8,011
	<u>118,193</u>	<u>62,917</u>

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

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

2.7 Deposit interest expenses

Name of related party	2017	2016
Ningbo Development & Investment Group Co., Ltd.	585	369
Ningbo Shanshan Co., Ltd.	1,284	586
Ningbo Youngor (Group) Co., Ltd.	530	154
Ningbo Fubang (Holding) Group Co., Ltd.	378	1,092
Ningbo Huamao Group Co., Ltd.	2,225	1,594
Key management staff and their close family members of the Group	318	754
Other entities bearing major influences from the key management staff and their close family members of the Group	<u>292</u>	<u>547</u>
	<u>5,612</u>	<u>5,096</u>

2.8 Interests expenses of capital business

Name of related party	2017	2016
Singapore Overseas-Chinese Banking Co., Ltd.	<u>-</u>	<u>1,396</u>

2.9 Interests income of capital business

Name of related party	2017	2016
Singapore Overseas-Chinese Banking Co., Ltd.	<u>8</u>	<u>5</u>

2.10 Transactions with other related parties

Name of trade	2017	2016
Remuneration of key management	<u>27,110</u>	<u>27,156</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 (continued)
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X. Contingent Items, Commitment Items and Main Off-balance Sheet Items

1. Capitalized commitment

	Dec 31, 2017	Dec 31, 2016
Contracts signed but proceeds not yet be withdrawn	<u>268,952</u>	<u>250,979</u>

2. Operating lease commitment

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

	Dec 31, 2017	Dec 31, 2016
Within 1 year (included)	451,375	374,525
1-2 years (included)	417,927	337,452
2-3 years (included)	382,029	291,137
Over 3 years	<u>820,911</u>	<u>951,042</u>
	<u>2,072,242</u>	<u>1,954,156</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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X. Contingent Items, Commitment Items and Main Off-balance Sheet Items (continued)

3. Off-balance sheet commitments

	Dec 31, 2017	Dec 31, 2016
L/C issuance	11,777,285	10,153,614
Bank acceptance bill	60,233,731	65,582,884
Issuance of guarantee	28,379,173	17,405,318
Loan commitment	204,851,757	151,254,753
Additional insurance of import & export	<u>-</u>	<u>176,248</u>

Note: treasury acceptance commitment

Treasury Bill Redemption Commitment and Savings Bond Redemption Commitment refer to that the Company is entrusted by the Ministry of Finance to issue certain treasury bills and savings bonds (electronic). Investors of treasury bills and savings bonds have a right to ask for redemption of the bills and bonds (electronic) at any time prior to maturity and the Company is committed to redeem those bills and bonds. The redemption price is principal value of the bills and bonds plus the interests payable at that day. Until 31 Dec. 2017, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 2,160,147,000 (31 Dec. 2016 RMB 1,425,912,000). The Ministry of Finance is not to redeem the principal and interest of the bills and bonds (electronic) until the maturity. The Management of the Company considers that the amount for redemption of the treasury bills and savings bonds (electronic) prior to the maturity is not significant.

The issuance of Letter of Credit refers to credit operation that the Group acting at the request and on the instruction of applicant, make a documentary credit with a certain amount to the beneficiary and to pay at a certain place under the complying presentation of required documents within a certain period.

Bank Acceptance Bill refers to such credit business that a draft or a bill of exchange drawn upon a payee or a drawee (applicant) is examined and agreed to accept by the Company from applicant's application for acceptance.

Letter of Guarantee is a written undertaking made by the Group at the request of the applicant to the beneficiary, guaranteeing that the applicant will perform obligations under the contract signed between the applicant and the beneficiary, or the Company will take the responsibility.

Loan Guarantee is a commitment made by the Group guarantees to the clients to offer certain amount loan in a certain period.

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

4. Lawsuit

If during the normal operation of the Group, the Group is taken as a defendant for several lawsuits, the management of the Group believes the final ruling results will not incur significant impact to the financial status or operation of the Group. By the end of Dec. 31, 2017, the total subject amount of the Group for the pending lawsuits was RMB 2,030,000,000 (Dec. 31, 2016: RMB 2,505,000,000). 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, 2016: no need to estimate the liabilities).

XI. Financial Instruments and Risk Analysis

According to the disclosure requirements stipulated in *Accounting Standards for Enterprises No.37–Presentation of Financial Instruments*, the Group discloses the relative quantitative information of credit risk, liquidity risk and market risk in the year 2016 and 2015.

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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk

Credit risk means that clients or transaction counter-parties who may be incapable or unwilling to honor the obligations agreed with the Group. Once all of the transaction-parties are in one industry or region, the credit risks would rise for their ability to pay the accounts are affected by the same influence of economical development.

Concentration of credit risks: when a certain amount of clients do the same operations or are in the same geographic region, or share the similar economic characteristics in their trades, their ability to fulfill the obligations regulated in the agreements would be simultaneously influenced by the same economic changes. The concentration level of the credit risks reveals the sensitivity of the Company's achievements to the specific trade or geographic area.

Before approving credit for clients, the Group would firstly assess the credit rate and check the credit limit at regular intervals. Management of credit risk also includes to receive the guaranties and guarantees. For the off-balance sheet credit promises, the Company would regularly charge deposits to lower the credit risks.

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.1 Within-balance sheet assets

Proportion of loans and advances by industries:

	Dec 31, 2017		Dec 31, 2016	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	1,882,566	0.54	1,474,389	0.50
Mining	387,263	0.11	475,174	0.16
Manufacturing	53,644,324	15.50	43,564,886	14.40
Production and supply of electricity, gas and water	4,561,219	1.32	4,389,006	1.45
Construction	16,576,617	4.79	15,476,029	5.12
Transportation, storage and mailing	6,620,040	1.91	4,782,064	1.58
Information transfer, pc service and software	5,210,837	1.51	3,510,125	1.16
Commerce and trade	32,601,095	9.42	30,664,937	10.14
Hotel and restaurant	570,614	0.16	1,361,253	0.45
Finance	525,539	0.15	760,331	0.25
Real estate	22,956,496	6.63	23,665,213	7.82
Leasing and commercial service	55,938,866	16.16	43,380,234	14.34
Scientific research, technological service and geological reconnaissance	1,114,287	0.32	1,086,924	0.36
Management and investment of water resource, environmental and public facilities	31,634,929	9.14	24,508,714	8.10
Residential and other services	991,194	0.29	1,036,054	0.34
Education	917,775	0.27	1,107,030	0.37
Sanitation, social security and welfare	374,150	0.11	463,440	0.15
Culture, sports and entertainment	2,882,128	0.83	3,187,621	1.05
Public management and social organization	1,146,840	0.33	1,735,750	0.57
Personal loan	<u>105,664,001</u>	<u>30.51</u>	<u>95,877,504</u>	<u>31.69</u>
	<u>346,200,780</u>	<u>100.00</u>	<u>302,506,678</u>	<u>100.00</u>

Concentration by regional loans and advances:

	Dec 31, 2017		Dec 31, 2016	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	187,387,657	54.13	185,501,604	61.32
<i>including: Ningbo</i>	<i>141,563,691</i>	<i>40.89</i>	<i>130,872,894</i>	<i>43.26</i>
Shanghai	29,272,116	8.46	22,160,517	7.33
Jiangsu Province	84,813,958	24.50	70,624,894	23.35
Guangdong Province	32,157,794	9.29	14,518,012	4.80
Beijing	<u>12,569,255</u>	<u>3.62</u>	<u>9,701,651</u>	<u>3.20</u>
	<u>346,200,780</u>	<u>100.00</u>	<u>302,506,678</u>	<u>100.00</u>

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2 Derivative financial instruments

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

Derivative financial instruments adopted by the Group in transactions:

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

In an interest rate swap, interest will be paid by both parties participated in the transaction to each other in an agreed rate within an agreed period. Both parties, as based on the same currency and the same amount, will exchange a fixed interest rate for a floating interest rate, or exchange one floating interest rate for another. By the end of the agreed period, the interest will be paid according to the agreed interest rate.

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

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

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

The assessment and controlling standard for the credit risk of the derivative financial instruments of the Group is also applied to other transactions.

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.3 Credit risk exposure

The table below illustrates the maximum on-balance sheet credit exposure when available pledge or other credit enhancement was not considered in the analysis.

	Dec. 31, 2017	Dec. 31, 2016
Due from central banks	88,862,504	92,051,374
Due from other banks	29,550,692	17,027,924
Loan to other banks	2,045,994	6,702,519
Financial assets at fair value		
through profit and loss	146,419,226	8,251,801
Derivative financial assets	31,333,752	13,939,542
Reverse repurchase agreements	1,096,968	19,731,604
Interest receivable	4,156,455	3,963,301
Loans and advance payments	332,199,308	292,788,341
Available-for-sale financial assets	218,814,515	280,538,469
Held-to-maturity investment	60,782,788	39,370,701
Accounts receivable hold for investment	95,278,972	99,576,315
Other assets	<u>7,295,232</u>	<u>1,178,372</u>
Balance sheet risk exposure	<u><u>1,017,836,406</u></u>	<u><u>875,120,263</u></u>
Financial guarantee	100,390,189	93,318,064
Commitment	<u>228,497,171</u>	<u>151,254,753</u>
Maximum credit risk exposure	<u><u>1,346,723,766</u></u>	<u><u>1,119,693,080</u></u>

In the table above, the maximum risk exposure designated at fair value only represents current maximum credit exposure, while not the maximum risk exposure when fair value changes in the future.

The "Other assets" in the table are the financial assets with credit risks of the Group.

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.4 Pledge and other credit enhancement

The kind of pledge and its amount are made upon the evaluation of credit risk of counter-party. The Group takes the kind and value of the pledge as the execution standard.

Classification of pledges accepted by the Group:

- (i) Reverse repurchase agreements: bills and bonds, etc;
- (ii) Corporate loan: real estate, machinery facilities, land use right, deposit receipt, equity, etc;
- (iii) Personal loan: real estate and deposit receipt, etc;
- (iv) Accounts receivable hold for investment: real estate, deposit receipt, equity, land-use right, etc.

The Management shall check pledge value periodically and ask client to increase the amount of pledge when necessary according to the agreement.

1.5 Credit quality analysis of financial assets in compliance with credit rating system of the Group

If objective evidences of depreciation can prove that there is one or more than one circumstance have happened after the original confirmation of loans and advance payments issuance and these circumstances can be reliably assessed with influences on the anticipation of the future cash flows, these loans and advance payments are considered as the depreciated ones.

Credit quality analysis of financial assets in compliance with credit rating system of the Company dated as the Balance Sheet as follows:

Dec. 31, 2017	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central bank	88,862,504	-	-	-	-	88,862,504
Due from other banks	29,550,692	-	-	-	-	29,550,692
Loans to other bank	2,045,994	-	-	-	-	2,045,994
Financial assets at fair value						
through profit and loss	146,419,226	-	-	-	-	146,419,226
Derivative financial assets	31,333,752	-	-	-	-	31,333,752
Reverse repurchase financial assets	1,096,968	-	-	-	-	1,096,968
Interest receivable	4,150,264	929	1,129	-	4,133	4,156,455
Loans and advances	343,009,430	202,067	136,778	13,951	2,838,554	346,200,780
Available-for-sale financial assets	218,806,653	-	-	-	9,560	218,816,213
Held-to-maturity investment	60,782,788	-	-	-	50,000	60,832,788
Investment receivable	95,663,380	-	-	-	420,000	96,083,380
Other assets	7,254,462	45,353	-	-	6,567	7,306,382
	<u>1,028,976,113</u>	<u>248,349</u>	<u>137,907</u>	<u>13,951</u>	<u>3,328,814</u>	<u>1,032,705,134</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.5 Credit quality analysis of financial assets in compliance with credit rating system of the Group (continued)

Dec. 31, 2016	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central bank	92,051,374	-	-	-	-	92,051,374
Due from other banks	17,027,924	-	-	-	194	17,028,118
Loans to other bank	6,702,519	-	-	-	-	6,702,519
Financial assets at fair value						
through profit and loss	8,251,801	-	-	-	-	8,251,801
Derivative financial assets	13,939,542	-	-	-	-	13,939,542
Reverse repurchase financial assets	19,731,604	-	-	-	-	19,731,604
Interest receivable	3,945,631	-	15,091	28	2,551	3,963,301
Loans and advances	298,632,422	544,548	424,471	139,768	2,765,469	302,506,678
Available-for-sale financial assets	280,516,118	-	-	-	24,049	280,540,167
Held-to-maturity investment	39,358,201	-	-	-	50,000	39,408,201
Investment receivable	99,201,070	-	-	-	810,490	100,011,560
Other assets	1,132,858	45,514	-	-	13,337	1,191,709
	<u>880,491,064</u>	<u>590,062</u>	<u>439,562</u>	<u>139,796</u>	<u>3,666,090</u>	<u>885,326,574</u>

On Dec 31, 2017, the fair value of pledge for impaired loan reached to RMB 3,254,320,000 (Dec 31, 2016: RMB 3,866,261,000). The pledge included equipment, real estate and land, etc..

1.6 Credit quality analysis of financial assets neither past due nor impairment

Rating standard of credit quality of financial assets neither past due nor impair:

High quality: the counterpart has excellent financial conditions and business achievements, sufficient cash flows without bad credit records and is able to fulfill the contract.

Standard quality: there are negative factors which may affect the counterparts' fulfilling the contract, including the key financial indexes, cash flow of management and fair value of pledge.

	Dec. 31, 2017			Dec. 31, 2016		
	High quality	Standard quality	Total	High quality	Standard quality	Total
Balances with central banks	88,862,504	-	88,862,504	92,051,374	-	92,051,374
Due from other banks	29,550,692	-	29,550,692	17,027,924	-	17,027,924
Loans to other banks	2,045,994	-	2,045,994	6,702,519	-	6,702,519
Financial assets at fair value						
through profit and loss	146,419,226	-	146,419,226	8,251,801	-	8,251,801
Derivative financial assets	31,333,752	-	31,333,752	13,939,542	-	13,939,542
Reverse repurchase agreements	1,096,968	-	1,096,968	19,731,604	-	19,731,604
Interest receivable	4,150,264	-	4,150,264	3,945,631	-	3,945,631
Loans and advances	340,980,739	2,028,691	343,009,430	295,623,039	3,009,383	298,632,422
Available-for-sale financial assets	218,806,653	-	218,806,653	280,516,118	-	280,516,118
Held-to-maturity investment	60,782,788	-	60,782,788	39,358,201	-	39,358,201
Investment receivable	95,663,380	-	95,663,380	99,201,070	-	99,201,070
Other assets	7,254,462	-	7,254,462	1,132,858	-	1,132,858
Total	<u>1,026,947,422</u>	<u>2,028,691</u>	<u>1,028,976,113</u>	<u>877,481,681</u>	<u>3,009,383</u>	<u>880,491,064</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.7 Fair value of pledges past due but not impaired

Item	Dec. 31, 2017	Dec. 31, 2016
Loans and advance payments		
Housing, land and building	<u>122,373</u>	<u>1,869,804</u>

1.8 Restructured loans

Restructured loans represent the loans whose original repayment terms have been modified as a result of the deterioration of borrower's financial conditions or inability to repay the loans according to the contractual terms. Expressive forms of restructured loans: loan extension, borrowing for repaying, interest deduction, deduction of partial principal, adjustment of payment method, improvement of collateral and change guarantee conditions. By December 31, 2017, the book balance of restructured loans of the Company was RMB 34,750,000 (December 31, 2016: none).

2. Liquidity risk

Liquidity risk is the risk of incapable to meet the repayment obligations at the maturity, which can be resulted by the mismatches of terms or amounts of the assets and liabilities. The management of liquidity risks of the Group covers the prior plans, current management, afterward-adjustment and emergency plans. According to supervision authority's administration index system for the liquidity risks, the Company has also designed a series of daily liquidity risk supervision system in compliance with applicability and the actual conditions of the Company so as to control the executions of limitations on specific indexes daily, and also classify the system in accordance with supervision and adjustment rates.

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2017	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of assets								
Cash and balances with central banks	77,475,653	12,718,168	-	-	-	-	-	90,193,821
Due from other banks	-	8,650,192	19,370,858	1,036,768	624,340	-	-	29,682,158
Loans to other banks	-	-	1,453,061	595,945	9,427	-	-	2,058,433
Financial assets at fair value								
through profit and loss	-	119,227,722	11,224,388	2,288,009	10,043,409	4,162,837	396,151	147,342,516
Reverse repurchase agreements	-	-	1,098,293	-	-	-	-	1,098,293
Loans and advance payments	2,394,613	312,432	21,149,702	39,040,542	189,879,490	103,492,027	20,334,675	376,603,481
Available-for-sale financial assets	-	-	4,928,786	17,953,308	82,509,978	62,918,509	64,693,219	233,003,800
Held-to-maturity investments	50,000	-	1,007,154	1,243,033	7,871,779	43,292,921	17,136,228	70,601,115
Other investment receivable	420,000	-	3,046,153	2,907,966	13,092,553	78,482,809	15,764,604	113,714,085
Other financial assets	51,920	5,465,892	272,192	21,503	837,540	657,335	-	7,306,382
Total assets	<u>80,392,186</u>	<u>146,374,406</u>	<u>63,550,587</u>	<u>65,087,074</u>	<u>304,868,516</u>	<u>293,006,438</u>	<u>118,324,877</u>	<u>1,071,604,084</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2017	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Cash and balances with central banks	-	-	6,674	2,572,118	-	-	-	2,578,792
Due from other banks	-	6,661,143	7,642,728	6,446,894	6,856,395	-	-	27,607,160
Placements from other institutions	-	-	50,707,233	23,051,059	21,449,419	366,738	-	95,574,449
Financial assets at fair value								
through profit and loss	-	5,374,442	29,560	26,873	-	-	-	5,430,875
Proceeds generated from repurchase agreements -	-	-	44,795,420	516,423	696,567	-	-	46,008,410
Deposit	-	351,043,676	30,781,475	42,019,048	88,194,668	77,707,320	10,359	589,756,546
Bond payable	-	-	65,202,098	56,539,330	21,191,972	5,078,800	38,006,300	186,018,500
Other financial liabilities	-	2,665,568	525,974	1,073,704	1,637,184	1,803,625	5,562,043	13,268,098
Total liabilities	-	365,744,829	199,691,162	132,245,449	140,026,205	84,956,483	43,578,702	966,242,830
Net amount of balance sheet liquidity	80,392,186	(219,370,423)	(136,140,575)	(67,158,375)	164,842,311	208,049,955	74,746,175	105,361,254
Off-balance sheet credit liquidity	4,829,304	230,623,713	12,446,723	25,829,289	50,047,945	4,096,829	1,013,558	328,887,361

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date (continued):

Dec. 31, 2016	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	68,510,722	24,865,993	-	-	-	-	-	93,376,715
Due from other banks	-	5,969,074	394,381	288,892	10,714,534	-	-	17,366,881
Loans to other banks	-	-	1,792,540	365,634	4,721,373	-	-	6,879,547
Financial assets at fair value								
through profit and loss	-	329,757	5,502,824	854,094	674,194	979,667	21,362	8,361,898
Reverse repurchase agreements	-	-	19,745,507	-	-	-	-	19,745,507
Loans and advance payments	2,215,543	588,386	20,636,828	36,595,826	163,485,647	89,115,755	15,315,740	327,953,725
Available-for-sale financial assets	-	2,322,445	4,281,540	27,062,249	140,897,154	58,051,857	65,873,341	298,488,586
Held-to-maturity investments	50,000	-	127,620	235,822	2,433,856	23,802,663	20,220,915	46,870,876
Accounts receivable held for investment	390,490	-	6,848,111	6,297,198	31,361,689	67,282,374	1,654,227	113,834,089
Other assets	58,851	131,684	7,393	65,119	584,073	344,589	-	1,191,709
Total assets	<u>71,225,606</u>	<u>34,207,339</u>	<u>59,336,744</u>	<u>71,764,834</u>	<u>354,872,520</u>	<u>239,576,905</u>	<u>103,085,585</u>	<u>934,069,533</u>

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date (continued):

Dec. 31, 2016	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								
Borrowings from central bank	-	-	580,374	632,983	25,324,563	-	-	26,537,920
Due to banks and other financial institutions	-	4,211,191	6,727,216	16,780,584	17,438,613	-	-	45,157,604
Placements from other institutions	-	-	3,801,745	20,029,393	11,396,816	-	-	35,227,954
Financial assets at fair value								
through profit and loss	-	5,969,935	147,471	113,512	-	-	-	6,230,918
Proceeds generated from repurchase agreements	-	-	62,103,964	231,460	138,864	-	-	62,474,288
Deposits	-	320,641,319	26,577,451	43,296,828	87,790,728	73,003,039	12,676	551,322,041
Bond payable	-	-	20,580,899	35,003,606	31,303,120	18,392,500	15,796,000	121,076,125
Other financial liabilities	-	2,681,588	935,031	1,617,310	5,056,997	1,803,486	1,226,271	13,320,683
Total liabilities	-	333,504,033	121,454,151	117,705,676	178,449,701	93,199,025	17,034,947	861,347,533
Net amount of balance sheet liquidity	<u>71,225,606</u>	<u>(299,296,694)</u>	<u>(62,117,407)</u>	<u>(45,940,842)</u>	<u>176,422,819</u>	<u>146,377,880</u>	<u>86,050,638</u>	<u>72,722,000</u>
Off-balance sheet credit liquidity	<u>4,699,259</u>	<u>152,421,741</u>	<u>13,663,746</u>	<u>23,505,787</u>	<u>46,404,413</u>	<u>2,861,303</u>	<u>1,016,568</u>	<u>244,572,817</u>

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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2 Cash flow analysis of derivative financial instruments

Derivative financial instruments at close-out netting

Derivative financial instruments at close-out netting include interest rate and currency derivatives based on rate swap.

The table below represented cash flow distribution of derivative financial instruments at close-out netting with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments under specified periods is the cash flow that has not been converted into cash.

Dec. 31, 2017	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	(885)	(2,356)	62,799	(5)	59,553
Dec. 31, 2016	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	(8,585)	(33,201)	10,783	17	(30,986)

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, 2017	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
<i>Forward foreign exchange</i>					
Cash outflow	(9,245,642)	(6,303,062)	(315,845)	-	(15,864,549)
Cash inflow	9,230,011	6,363,362	336,714	-	15,930,087
<i>Currency swap</i>					
Cash outflow	(887,847,480)	(1,011,721,688)	(48,464,747)	-	(1,948,033,915)
Cash inflow	886,386,377	1,007,454,806	49,887,059	-	1,943,728,242
<i>Currency exchange</i>					
Cash outflow	(565,134)	(1,315,158)	-	-	(1,880,292)
Cash inflow	580,652	1,335,857	-	-	1,916,509
<i>Option</i>					
Cash outflow	(28,726,777)	(54,837,673)	-	-	(83,564,450)
Cash inflow	29,062,881	56,346,792	-	-	85,409,673
<i>Nobel metal agreement</i>					
Cash outflow	(5,361,985)	(3,344,051)	-	-	(8,706,036)
Cash inflow	6,024,452	7,623,695	-	-	13,648,147

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XI. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2 Cash flow analysis of derivative financial instruments (continued)

Derivative financial instruments settled at full amount (continued)

Dec. 31, 2016	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(4,103,264)	(7,030,627)	(346,194)	-	(11,480,085)
Cash inflow	4,037,410	6,966,332	346,519	-	11,350,261
Currency swap					
Cash outflow	(244,366,870)	(272,199,166)	(22,275,495)	-	(538,841,531)
Cash inflow	244,705,200	274,112,360	22,016,106	-	540,833,666
Option					
Cash outflow	(7,296,833)	(10,534,965)	(20,640)	-	(17,852,438)
Cash inflow	7,289,707	10,461,841	20,843	-	17,772,391
Nobel metal agreement					
Cash outflow	(19,089,421)	(2,883,263)	-	-	(21,972,684)
Cash inflow	20,140,556	8,001,065	-	-	28,141,621

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

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has set rules for the lower limit of RMB loan interest rate and the upper limit of RMB deposit interest rate.

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec. 31, 2017	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	84,521,596	-	-	-	-	5,672,225	90,193,821
Due from other banks	27,950,192	1,000,000	600,500	-	-	-	29,550,692
Loans to other banks	1,445,252	591,472	9,270	-	-	-	2,045,994
Financial assets at fair value							
through profit and loss	11,216,080	2,244,939	9,559,918	3,870,460	300,107	119,227,722	146,419,226
Derivative financial assets	-	-	-	-	-	31,333,752	31,333,752
Reverse repurchase agreements	1,096,968	-	-	-	-	-	1,096,968
Loans and advance payments	25,278,090	35,753,549	176,103,043	57,480,474	9,155,158	28,428,994	332,199,308
Available-for-sale financial assets	5,672,226	18,348,985	79,217,319	53,749,872	29,696,381	32,129,732	218,814,515
Held-to-maturity investments	936,604	1,060,908	6,350,812	37,275,382	15,159,082	-	60,782,788
Accounts receivable held for investment	3,020,041	1,530,469	9,073,199	69,852,940	11,802,323	-	95,278,972
Other financial assets	-	-	-	-	-	11,451,687	11,451,687
Total assets	161,137,049	60,530,322	280,914,061	222,229,128	66,113,051	228,244,112	1,019,167,723

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date (continued):

Dec. 31, 2017	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	-	2,500,000	-	-	-	-	2,500,000
Due to banks and other financial institutions	14,198,072	6,349,111	6,745,252	-	-	-	27,292,435
Placements from other institutions	50,479,902	22,820,478	20,960,270	345,446	-	-	94,606,096
Financial assets at fair value							
through profit and loss	-	-	-	-	-	5,430,875	5,430,875
Derivative financial liabilities	-	-	-	-	-	35,168,918	35,168,918
Proceeds generated from repurchase agreements	44,780,933	514,942	692,915	-	-	-	45,988,790
Deposits	368,349,115	42,362,385	80,810,485	67,708,962	9,202	6,013,755	565,253,904
Bond payable	64,795,283	56,299,960	19,304,311	-	31,099,888	-	171,499,442
Other liabilities	-	-	-	-	-	21,643,987	21,643,987
Total liabilities	<u>542,603,305</u>	<u>130,846,876</u>	<u>128,513,233</u>	<u>68,054,408</u>	<u>31,109,090</u>	<u>68,257,535</u>	<u>969,384,447</u>
Interest sensitive gap	<u>(381,466,256)</u>	<u>(70,316,554)</u>	<u>152,400,828</u>	<u>154,174,720</u>	<u>35,003,961</u>	<u>159,986,577</u>	<u>49,783,276</u>

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date (continued):

Dec. 31, 2016	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	87,783,381	-	-	-	-	5,593,334	93,376,715
Due from other banks	6,326,574	229,500	10,471,850	-	-	-	17,027,924
Loans to other banks	1,775,801	331,570	4,595,148	-	-	-	6,702,519
Financial assets at fair value							
through profit and loss	5,495,328	1,049,770	490,134	987,602	19,876	209,091	8,251,801
Derivative financial assets	-	-	-	-	-	13,939,542	13,939,542
Reverse repurchase agreements	19,636,900	-	94,704	-	-	-	19,731,604
Loans and advance payments	22,930,504	33,967,543	152,130,173	50,309,434	5,983,295	27,467,392	292,788,341
Available-for-sale financial assets	4,664,767	27,720,610	138,773,654	48,593,720	47,897,670	12,888,048	280,538,469
Held-to-maturity investments	262,964	148,335	1,084,729	19,382,031	18,480,142	12,500	39,370,701
Accounts receivable held for investment	6,799,663	5,098,607	27,515,465	58,711,763	1,255,572	195,245	99,576,315
Other assets	-	-	-	-	-	5,141,673	5,141,673
Total assets	<u>155,675,882</u>	<u>68,545,935</u>	<u>335,155,857</u>	<u>177,984,550</u>	<u>73,636,555</u>	<u>65,446,825</u>	<u>876,445,604</u>

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date (continued):

Dec. 31, 2016	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	500,000	500,000	25,000,000	-	-	-	26,000,000
Due to banks and other financial institutions	10,808,574	16,560,597	17,214,893	-	-	-	44,584,064
Placements from other institutions	3,721,582	19,871,898	11,239,354	-	-	-	34,832,834
Financial assets at fair value							
through profit and loss	-	-	-	-	-	6,230,918	6,230,918
Derivative financial liabilities	-	-	-	-	-	12,164,267	12,164,267
Proceeds generated from repurchase agreements	62,082,445	230,838	137,932	-	-	-	62,451,215
Deposits	321,671,681	32,351,053	75,403,553	62,731,044	11,466	19,236,187	511,404,984
Bond payable	20,391,095	34,751,591	29,875,801	14,987,042	12,979,130	-	112,984,659
Other financial liabilities	-	-	-	-	-	20,480,985	20,480,985
Total liabilities	<u>419,175,377</u>	<u>104,265,977</u>	<u>158,871,533</u>	<u>77,718,086</u>	<u>12,990,596</u>	<u>58,112,357</u>	<u>831,133,926</u>
Interest sensitive gap	<u>(263,499,495)</u>	<u>(35,720,042)</u>	<u>176,284,324</u>	<u>100,266,464</u>	<u>60,645,959</u>	<u>7,334,468</u>	<u>45,311,678</u>

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Sensitivity analysis is the primary instrument for measuring and controlling the risks in the transaction business market, of which the duration analysis is to evaluate the potential influences of the market price fluctuation of the fixed-profit financial instruments to the Company's benefits and equity. And the gap analysis is mainly used by the Company to control the risks in the non-transaction business market.

Duration analysis is also called as persistent period analysis or duration elastic analysis, which is a method to measure the influences on the economic values of the banks caused by the fluctuations of interest rate, and also one of the methods to evaluate the sensitivity of interest rate's fluctuation.

Gap analysis is used to predicate the cash flow conditions in the future by calculating the balance between assets and liabilities in a specific duration in the future.

The Group primarily adopts sensitivity analysis to measure and control the interest rate risks. For the portfolio of available-for-sale bond investment, the Group uses duration analysis to evaluate the potential influences of the market price fluctuation of this kind of financial instrument market to the benefits and equity of the Group. And for the non-transaction financial assets and liabilities with Held-to-maturity bond investment, clients' loans and deposits as the primary content, the Company uses gap analysis to measure and control the interest rate risks of this kind of financial instruments.

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows:

1) Duration analysis

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec. 31, 2017	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	185,463	(185,463)
	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	28,451	(28,451)

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

1) Duration analysis (continued)

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec. 31, 2017	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	3,289,066	(3,289,066)

	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	4,704,029	(4,704,029)

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, 2017	
Alteration (base point) of interest rate	(100)	100
Alteration of profit before tax by interest rate risk	3,670,186	(3,670,186)

	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of profit before tax by interest rate risk	2,161,804	(2,161,804)

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Notes to Financial Statements (continued)
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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

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, 2017	
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	(113,750)	113,750
	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	(79,433)	79,433

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Notes to Financial Statements (continued)
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3.2 Foreign exchange risk

The Group is established in the territory of the People's Republic of China and operates within and mainly deals with Renminbi businesses, along with USD business for the foreign exchange.

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2 Foreign exchange risk (continued)

From 21 July 2005 on, People's Bank of China started to implement the floating exchange regime based on the supply and demand of the market and adjust in reference to the principle of "basket of currencies", which caused a gradual rising of Renminbi against U.S. dollars.

Assets and liabilities in compliance with currencies as follows:

Dec. 31, 2017	RMB	USD	Other currencies	Total
	Converted to RMB		Converted to RMB	
Items of assets				
Cash and balances with central bank	86,432,695	3,692,321	68,805	90,193,821
Due from other banks	25,958,666	2,718,036	873,990	29,550,692
Loans to other banks	1,120,000	925,994	-	2,045,994
Financial assets at fair value				
through profit and loss	146,419,226	-	-	146,419,226
Derivative financial assets	31,138,595	175,956	19,201	31,333,752
Reverse repurchase agreement	1,096,968	-	-	1,096,968
Loans and advance payments	326,476,875	4,990,016	732,417	332,199,308
Available-for-sale financial assets	216,430,952	2,378,998	4,565	218,814,515
Held-to-maturity investments	60,782,788	-	-	60,782,788
Accounts receivable held				
for investment	95,278,972	-	-	95,278,972
Other financial assets	<u>11,418,811</u>	<u>31,703</u>	<u>1,173</u>	<u>11,451,687</u>
Total assets	<u>1,002,554,548</u>	<u>14,913,024</u>	<u>1,700,151</u>	<u>1,019,167,723</u>
Dec. 31, 2016	RMB	USD	Other currencies	Total
	Converted to RMB		Converted to RMB	
Items of liabilities				
Due to central bank	2,500,000	-	-	2,500,000
Due to banks and other financial institutions	19,830,392	7,461,788	255	27,292,435
Placements from other institutions	38,143,227	52,600,800	3,862,069	94,606,096
Financial assets at fair value				
through profit and loss	5,430,875	-	-	5,430,875
Derivative financial liabilities	4,414,618	30,748,076	6,224	35,168,918
Proceeds generated by				
repurchase agreements	45,988,790	-	-	45,988,790
Deposit	531,030,365	33,137,524	1,086,015	565,253,904
Bonds payable	171,499,442	-	-	171,499,442
Other financial liabilities	<u>21,136,628</u>	<u>504,530</u>	<u>2,829</u>	<u>21,643,987</u>
Total liabilities	<u>839,974,337</u>	<u>124,452,718</u>	<u>4,957,392</u>	<u>969,384,447</u>
Balance sheet net position	<u>162,580,211</u>	<u>(109,539,694)</u>	<u>(3,257,241)</u>	<u>49,783,276</u>
Off-balance sheet position	<u>306,258,319</u>	<u>12,663,006</u>	<u>9,966,035</u>	<u>328,887,360</u>

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2 Foreign exchange risk (continued)

Assets and liabilities in compliance with currencies as follows: (continued):

Dec. 31, 2016	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of assets				
Cash and balances with central bank	89,308,499	4,011,082	57,134	93,376,715
Due from other banks	13,398,673	2,734,912	894,339	17,027,924
Loans to other banks	6,118,000	544,064	40,455	6,702,519
Financial assets at fair value				
through profit and loss	8,251,801	-	-	8,251,801
Derivative financial assets	5,084,858	8,847,767	6,917	13,939,542
Reverse repurchase agreement	19,731,604	-	-	19,731,604
Loans and advance payments	286,565,371	5,839,208	383,762	292,788,341
Available-for-sale financial assets	278,267,857	2,084,295	186,317	280,538,469
Held-to-maturity investments	39,370,701	-	-	39,370,701
Accounts receivable				
held for investment	99,576,315	-	-	99,576,315
Other financial assets	<u>5,112,760</u>	<u>28,301</u>	<u>612</u>	<u>5,141,673</u>
Total assets	<u>850,786,439</u>	<u>24,089,629</u>	<u>1,569,536</u>	<u>876,445,604</u>
Dec. 31, 2016	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of liabilities				
Due to central bank	26,000,000	-	-	26,000,000
Due to banks and other financial institutions				
	23,064,437	21,519,353	274	44,584,064
Placements from other institutions	11,396,000	20,899,317	2,537,517	34,832,834
Financial assets at fair value				
through profit and loss	6,230,918	-	-	6,230,918
Derivative financial liabilities	12,113,249	36,379	14,639	12,164,267
Proceeds generated by				
repurchase agreements	62,451,215	-	-	62,451,215
Deposit	489,881,899	20,150,241	1,372,844	511,404,984
Bonds payable	112,984,659	-	-	112,984,659
Other financial liabilities	<u>20,245,669</u>	<u>232,241</u>	<u>3,075</u>	<u>20,480,985</u>
Total liabilities	<u>764,368,046</u>	<u>62,837,531</u>	<u>3,928,349</u>	<u>831,133,926</u>
Balance sheet net position	<u>86,418,393</u>	<u>(38,747,902)</u>	<u>(2,358,813)</u>	<u>45,311,678</u>
Off-balance sheet position	<u>229,424,442</u>	<u>11,770,266</u>	<u>3,378,109</u>	<u>244,572,817</u>

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2 Foreign exchange risk (continued)

The Company adopts sensitivity analysis to measure the possible influences of exchange rate changes to the net exchange loss and gain of the Group. Sensitivity analysis results in compliance with the exchange rates of assets and liabilities on 31 December 2017 and 31 December 2016 as follows:

		Dec. 31, 2017
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	1,127,969	(1,127,969)
		Dec. 31, 2016
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	411,067	(411,067)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and also calculates the influences of the rational changes of foreign currencies exchange rate against Renminbi on the net profits and equities when all the other factors remain stable. The analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 1% (absolute) against closing price on the balance sheet date (middle price); (2) currency rates fluctuate against Renminbi simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure. Based on the above analysis, the real changes of the net exchange gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3.3 Disclosure of fair value

Financial assets and liabilities measured by fair value

Fair value is the price the market participant receives when selling an asset or pays when transferring a liability in the orderly transaction on the date of measurement. The fair value measured and disclosed in the financial statement is determined on this basis price that is either observable or estimated using a valuation technique.

The financial assets and financial liabilities measured by fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.

Level 3: the unobservable inputs of the related assets or liabilities.

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

As of Dec. 31, 2017, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv. 1)	Valuation technique- Observable market variable (Lv. 2)	Valuation technique- Unobservable market variable (Lv. 3)	Total
2017				
Continues fair value measurement				
Nobel metal	843,573	-	-	843,573
Financial assets at fair value				
through profit and loss	119,286,003	27,192,898	3,000	146,481,901
Derivative financial assets	-	31,333,752	-	31,333,752
Financial assets available for sale	<u>31,898,380</u>	<u>186,916,135</u>	-	<u>218,814,515</u>
Total financial assets	<u>152,027,956</u>	<u>245,442,785</u>	<u>3,000</u>	<u>397,473,741</u>
Financial liabilities at fair value				
through profit and loss	5,374,442	56,433	-	5,430,875
Derivative financial liabilities	-	<u>35,168,918</u>	-	<u>35,168,918</u>
Total financial liabilities	<u>5,374,442</u>	<u>35,225,351</u>	-	<u>40,599,793</u>

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

As of Dec. 31, 2016, 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
2016				
Continuous fair value measurement				
Nobel metal	269,586	-	-	269,586
Financial assets at fair value				
Financial assets at fair value	230,600	8,042,710	3,000	8,276,310
Derivative financial assets	-	13,939,542	-	13,939,542
Financial assets available for sale	<u>9,683,256</u>	<u>270,855,213</u>	-	<u>280,538,469</u>
Total financial assets	<u>10,183,442</u>	<u>292,837,465</u>	<u>3,000</u>	<u>303,023,907</u>
Financial assets at fair value through profit and loss	5,969,934	260,984	-	6,230,918
Derivative financial liabilities	-	<u>12,164,267</u>	-	<u>12,164,267</u>
Total financial liabilities	<u>5,969,934</u>	<u>12,425,251</u>	-	<u>18,395,185</u>

In 2017 and 2016, 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.

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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

For the financial instruments that are traded in the active market, the Group determines their fair values in compliance with the quotation of the active market; for the financial instruments that are not traded in the active market, the Group determines their fair values in compliance with the valuation technique. The primary valuation model adopted is the discount cash flow method. The level 2 financial instruments of the Group mainly include the bond investment and derivative financial instruments. The fair value of Renminbi bond is determined in compliance with the valuation results of China Government Securities Depository Trust & Clearing Co., Ltd. and the derivative financial instruments are valued complying with discount cash flow method and Black-Scholes Model. All the major valuation parameters adopt the valuation method that can observe the market information. Except some investment adopts the latest transaction price of similar or same financial instruments, the unlisted equity investment held by the Group mainly adopts comparative company valuation multiplier method and is adjusted appropriately, such as in terms of liquidity shortage. Such fair value may be measured by unobservable parameters that have significant influence in the valuation, so the Group classifies these assets and liabilities as level 3. The unobservable parameters that may have influence in the valuation include discount for lack of liquidity. As of Dec. 31, 2017, fair value changes caused by the change of the above unobservable parameters are not significant. The management have evaluated the influence of macroeconomic changes, evaluation of external assessors, loss coverage and other parameters, to determine whether to adjust the fair value of level 3 financial instruments. The Group has set up a relevant internal control procedure to monitor the exposure of the Group to such financial instruments.

Adjustment of fair value measurement

Adjustment of continuous L3 fair value measurements is as follows:

	<u>2017</u>	<u>2016</u>
Financial assets at fair value through profit and loss		
Beginning balance	3,000	2,000
Transfer to L3	-	-
Purchase	-	1,000
Included in gains and losses	<u>-</u>	<u>-</u>
End balance	<u><u>3,000</u></u>	<u><u>3,000</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
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XI. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities not measured by fair value

Financial assets and liabilities not measured by fair value include: cash and balances in the central bank, due from other banks, lending, reverse repurchase agreements, loans and advance payment, held-to-maturity investment, account receivable investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, repurchase agreements, deposits and bond payable.

For the held-to-maturity investment, accounts receivable investment and bond payable that are not reflected or disclosed by fair value, their book values and fair values are as follows:

	<u>Dec. 31, 2017</u>		<u>Dec. 31, 2016</u>	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Held-to-maturity investment	60,782,788	60,630,375	39,370,701	40,420,687
Accounts receivable investment	<u>95,278,972</u>	<u>95,960,715</u>	<u>99,576,315</u>	<u>99,587,232</u>
Financial liabilities:				
Bond payable	<u>171,499,442</u>	<u>170,731,021</u>	<u>112,984,659</u>	<u>112,532,193</u>

Besides the above financial assets and liabilities, the fair values of the other financial assets and liabilities of the balance sheet not measured by fair value are determined in compliance with future discount cash flow method and their book values are similar to their fair values:

Assets	Liabilities
Cash and deposit of central bank	Borrowings from central bank
Deposits in other banks	Deposits from banks and other financial institutions
Loans to other banks	Loans from other banks
Reverse repurchase agreement	Proceeds generated from repurchase agreements
Loans and advances	Deposit
Other financial assets	Other financial liabilities

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
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XII. Other Items After Balance Sheet Day

According to the resolution of the Board of Directors held on 27 March, 2018, the profit distribution plan (predetermined) of the year 2016 is listed as follow:

- 1) Distribute 10% of 2017 net profit RMB 910,400,000 as statutory welfare reserve;
- 2) According to *Administrative Measures for the Withdrawal of Reserves of Financial Enterprises* (C.J. [2012] No. 20), The Company will withdraw the amount of 1.5% of risk assets value RMB 1,071,774,000 as general provision;
- 3) Distribute cash dividends to the shareholders of the common stocks registered after closing at the equity rights registration date by RMB 4 per 10 shares (including tax) (i.e. RMB 0.4 per share) and this distribution decision is to be approved by the general meeting of shareholders.

Save as disclosed above, there's no other significant event of the Company that need to be disclosed after this balance sheet day.

XIII. Notes to Main Items of the Financial Statement

1. Long-term equity investment

Year 2017

	Beginning balance investment	Changes during the year					End book value	End impairment provision
		Increased investment	Gains & losses under equity method	Other comprehensive income	Other equity changes	Declare cash dividends		
Subsidiary								
Maxwealth Fund Management Co., Ltd.	135,000	11,770	-	-	-	-	146,770	-
Maxwealth Financial Leasing Co., Ltd.	1,000,000	500,000	-	-	-	-	1,500,000	-
	<u>1,135,000</u>	<u>511,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,770</u>	<u>-</u>

Year 2016

	Beginning balance investment	Changes during the year					End book value	End impairment provision
		Increased investment	Gains & losses under equity method	Other comprehensive income	Other equity changes	Declare cash dividends		
Subsidiary								
Maxwealth Fund Management Co., Ltd.	135,000	-	-	-	-	-	135,000	-
Maxwealth Financial Leasing Co., Ltd.	1,000,000	-	-	-	-	-	1,000,000	-
	<u>1,135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135,000</u>	<u>-</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
For the Year Ended 31 December, 2017
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XIII. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments

2.1 Classified by corporation and individual

	Dec 31, 2017	Dec 31, 2016
Individual loans and advances		
Individual consumption loan	87,301,230	86,407,106
Individual operating loan	17,237,070	8,175,108
Individual housing loan	<u>1,125,700</u>	<u>1,295,290</u>
Total individual loans and advance	105,664,000	95,877,504
Less: allowance for impairment losses for individual	<u>(1,277,508)</u>	<u>(1,061,738)</u>
	104,386,492	94,815,766
Corporate loans and advances		
Loan	195,528,945	169,797,876
Discount	24,132,284	20,324,378
Trade finance	<u>4,247,835</u>	<u>3,771,294</u>
Total corporate loan and advance	223,909,064	193,893,548
Less: impairment provision for corporate	<u>(12,388,912)</u>	<u>(8,427,756)</u>
	211,520,152	185,465,792
Net value of corporate loan and advance	<u><u>315,906,644</u></u>	<u><u>280,281,558</u></u>

2.2 Classification of guarantees for loans and advance payments

	Dec 31, 2017	Dec 31, 2016
Credit	97,112,884	89,748,222
Guarantee	104,563,755	91,609,569
Mortgage	97,811,836	82,337,090
Pledge	<u>30,084,589</u>	<u>26,076,171</u>
Total	329,573,064	289,771,052
Less: impairment provision	<u>(13,666,420)</u>	<u>(9,489,494)</u>
Net value of loans and advances	<u><u>315,906,644</u></u>	<u><u>280,281,558</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XIII. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.3 Overdue loans

	Dec 31, 2017				Total (included)
	1-90 days (included)	90-360 days	360 days to 3 years (included)	over 3 years	
Credit	181,280	249,097	108,095	15,785	554,257
Guarantee	55,628	582,434	111,061	115	749,238
Mortgage/pledge	<u>251,313</u>	<u>621,804</u>	<u>514,007</u>	<u>16,429</u>	<u>1,403,553</u>
	<u>488,221</u>	<u>1,453,335</u>	<u>733,163</u>	<u>32,329</u>	<u>2,707,048</u>
	Dec 31, 2016				
	1-90 days (included)	90-360 days	360 days to 3 years (included)	over 3 years	Total (included)
Credit	209,032	214,144	80,327	467	503,970
Guarantee	354,532	184,691	198,807	-	738,030
Mortgage/pledge	<u>642,940</u>	<u>1,062,644</u>	<u>492,687</u>	<u>46,006</u>	<u>2,244,277</u>
	<u>1,206,504</u>	<u>1,461,479</u>	<u>771,821</u>	<u>46,473</u>	<u>3,486,277</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XIII. Notes to Main Items of the Financial Statement (continued)

3. Net interest income

	2017	2016
Interest income		
Loans and advances	16,391,458	14,861,994
<i>Including: corporate loans and advances</i>	<i>9,561,062</i>	<i>8,161,218</i>
<i>Personal loans and advances</i>	<i>5,520,252</i>	<i>4,653,569</i>
<i>Notes discounted</i>	<i>1,047,005</i>	<i>1,855,056</i>
<i>Trade financing</i>	<i>263,139</i>	<i>192,151</i>
Due from other banks	514,648	392,481
Balance with central banks	1,212,721	1,031,324
Placements to other financial institutions	156,190	175,007
Reserve purchase agreement	371,539	330,478
Bond investment	6,782,627	4,569,617
<i>Including: financial assets held for trading</i>	<i>392,058</i>	<i>227,111</i>
Financing product and credit plan	10,471,770	12,457,468
Others	<u>11,332</u>	<u>2,966</u>
	<u>35,912,285</u>	<u>33,821,335</u>
Interest expenses		
Due to other banks	(1,091,456)	(2,209,485)
Borrowing from central bank	(501,696)	(198,397)
Placements from other institutions	(967,111)	(315,986)
Deposit	(9,456,094)	(8,133,684)
Repurchase agreements financial assets	(1,140,272)	(845,796)
Bond issuance	(6,472,201)	(4,758,346)
Others	<u>(7,672)</u>	<u>(2,210)</u>
	<u>(19,636,502)</u>	<u>(16,463,904)</u>
Net interest income	<u><u>16,275,783</u></u>	<u><u>17,357,431</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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XIII. Notes to Main Items of the Financial Statement (continued)

4. Operating activities cash flow

	2017	2016
Net profit adjusted to operating activities cash flow		
Net profit	9,104,002	7,656,248
Add: loss for fixed assets impairment	6,001,860	5,154,406
Depreciation of fixed assets	390,526	341,332
Amortization of intangible assets	73,074	56,296
Amortization of deferred expenses	431,951	420,121
Income from disposal of fixed assets, intangible assets and other long-term assets	8,590	(330)
Income of fair value adjustment	5,549,038	(1,619,522)
Investment income	(19,707,897)	(16,917,972)
Increase of deferred income tax assets	(2,514,300)	(204,033)
Increase of operating receivable	(37,794,331)	(58,454,377)
Increase of operating payable	<u>55,341,752</u>	<u>171,322,044</u>
	<u><u>16,884,265</u></u>	<u><u>107,754,213</u></u>

XIV. Comparative Data

Several comparative data have been recategorized and edited so as to comply with the presentation and accounting treatment requirements of the financial statement.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (continued)
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Supplementary to financial statement:

1. List of non recurring gains and losses

	2017	2016
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	(8,674)	227
Profit and loss from changes in the fair value of investment real estate which is subsequently measured at fair value	(5,753)	39
Receivables for impairment reversal of impairment testing alone	-	-
Other non-operating income and expense besides the above items	(3,027)	(1,482)
Affected amount of income tax	845	(763)
Total	(16,609)	(1,979)

The confirmation on the items of non-operating gains and loss of the Group is reported in compliance with CSRC Notice [2008] No. 43 *the Explanatory Announcement Concerning the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit & Loss.*

Gains and loss generated by fair value change in respect of financial assets held for trading investment income received, by disposing financial assets held for trading and available-for-sale financial assets were recognized as a part of Company's operating gains and loss, thus excluded in non-operating gains and loss.

2. ROE (return on equity) and earnings per share

2017	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
ROE for ordinary shareholders	19.02	1.80	1.79
ROE for ordinary shareholders after deducting non-recurring gains and losses	19.06	1.80	1.79
 2016	 <u>Weighted average ROE (%)</u>	 <u>Earnings per share (RMB)</u>	
		Basic	Diluted
ROE for ordinary shareholders	17.74	1.50	1.50
ROE for ordinary shareholders after deducting non-recurring gains and losses	17.75	1.50	1.50