



宁波银行  
BANK OF NINGBO

专业创造价值

**BANK OF NINGBO CO., LTD.**

**(Stock Code: 002142)**

**2023 Annual Report**

## Chapter One Important Notes, Content and Interpretation

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

The 6<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors of the Company deliberated on and approved the text and abstract of 2023 Annual Report. 13 directors were expected to be present at the meeting in person out of the total of 14 directors required to attend the meeting (Director Bei Duoguang entrusted Director Wang Wei'an to vote), and part of supervisors attended as a nonvoting delegates.

The Chairman of the Company, Mr. Lu Huayu, the President of the Bank, Mr. Zhuang Lingjun, the person in charge of accounting, Mr. Luo Weikai, and the general manager of financial department, Ms. Huang Piao hereby declare to guarantee the authenticity, accuracy and integrity 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 Annual Report is subject to the unit of RMB.

Pricewaterhouse Coopers Zhong Tian LLP Ningbo Branch (Special General Partnership) audited the 2023 Financial Statements of the Company in accordance with the Auditing Standards of China and published standard unqualified audit report.

The forward-looking statements in this annual report involving the future plans are not substantive commitments to the investors. Thus the investors and other stakeholders 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 provided detailed description of major existing risks and the corresponding measures it will adopt to control risks. For details, please refer to relevant contents about risk management in Chapter Six Discussion and Analysis of the Management.

The Company's profit distribution plan was approved by the Board of Directors as follows: distribute RMB 6 (tax inclusive) as cash bonus per 10 shares to all shareholders registered upon the equity registration day. This plan will be submitted to 2023 general meeting of stockholders for further approval.

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## Catalogue

I. Financial Statements signed and stamped by the Legal Representative Mr. Lu Huayu, President Mr. Zhuang Lingjun, CFO Mr. Luo Weikai and Principal of the Accounting Department of the Company Ms. Huang Piao.

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

III. Originals of all documents and announcements publicly disclosed during the reporting period of the Company.

## 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 Financial Leasing	Refer to	Maxwealth Financial Leasing Co., Ltd.
BNB Wealth Management	Refer to	BNB Wealth Management Co., Ltd.
BNB Consumer Finance	Refer to	BNB Consumer Finance Co., Ltd.
PBC, the central bank	Refer to	People's Bank of China
CSRC	Refer to	China Securities Regulatory Commission

## Chapter Two Company Profile

### I. Company Information

Abbreviation of Common Stock	Bank of Ningbo	Code of Common Stock	002142
Abbreviation of Preferred Stock	Bank of Ningbo Preferred 01	Code of Preferred Stock	140001
	Bank of Ningbo Preferred 02		140007
Stock Exchange Listed	Shenzhen Stock Exchange		
Chinese Name	宁波银行股份有限公司		
Chinese Abbreviation	宁波银行		
English Name	Bank of Ningbo Co., Ltd.		
English Abbreviation	Bank of Ningbo		
Legal Representative	Lu Huayu		
Registered Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province, China		
Historical Changes of the Registered Address of the Company	The Company was founded on April 10, 1997 and its registered address was No. 868, Baizhang East Road, Ningbo, Zhejiang Province In 2002, due to the relocation of the head office, the registered address was changed to No. 294, Zhongshan East Road, Ningbo, Zhejiang Province In 2010, due to the relocation of the head office, the registered address was changed to No. 700, Ningnan South Road, Yinzhou District, Ningbo, Zhejiang Province In 2017, due to the relocation of the head office, the registered address was changed to No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province		
Post Code of Registered Address	315042		
Office Address	No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province, China		
Post Code of Office Address	315042		
Website	www.nbc.com.cn		
E-mail	dsh@nbc.com.cn		

### II. Contact Information

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

### III. Information Disclosure and Place for Inspection

The website of the stock exchange where the Company discloses the annual report	<a href="http://www.szse.cn">http://www.szse.cn</a>
Media names and websites of the annual report disclosed by the Company	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> <i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and Economic Information Daily</i> , <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place for inspection of the annual report	Board of Directors Office of the Company

### V. Registration Changes

Unified social credit code	91330200711192037M
Changes of Main Business after Listing	None

Changes of Controlling Shareholders in the Past	None
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## V. Other Relevant Information

### (I) Accounting firm appointed by the Company

Name of Accounting Firm	PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership)
Office Address of Accounting Firm	Room 01, Unit 507, DBS Building, No. 1318, Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone
Signed Accountants	Hu Liang, Gu Ying

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

During the reporting period, there was no need for the Company to engage a sponsor institution to perform the duty of continuous supervision.

## VI. Development Vision, Corporate Culture and Investment Value

### (I) Development Vision

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

### (II) Enterprise Mission

Serve the clients wholeheartedly and create value for the clients with specialty.

### (III) Corporate Culture

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

### (IV) Investment Value and Core Competitiveness

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

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

Adhere to the development strategy of “joint development of regional markets”, deeply cultivate the business area, optimize the network layout, continue to give full play to the efficient linkage advantages of the head office, branches and sub-branches, give full play to the efficient synergy

advantages with subsidiaries, 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 the Company.

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

Adhere to the risk control concept of "operating a bank is exactly controlling the risk", 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 development needs, continue to improve the intelligent and digital level of risk management, strive to minimize the risk cost, and ensure stable and sustainable development of all businesses of the Company.

Adhere to the development direction of “integration and innovation, transformation and upgrading” and regard science and technology as one of the most important production capacity for banks, invest a lot of resources every year, start from "systematization, digitization and intelligence", continue to improve the supporting capacity of financial technology, promote the organic integration of financial technology with business operation, risk management and other fields, and improve the efficiency of operation and management.

## **VII. Major Awards and Rankings in 2023**

(I) In the list of “2023 Top 1,000 International Banks” issued by the Banker, the Company ranked the 82<sup>nd</sup> in the world in terms of tier one capital.

(II) In the list of “2023 Top 500 International Banking Brands” issued by the Banker, the Company ranked 79<sup>th</sup> in the world.

(III) In the selection of "the Most Satisfactory Bank for Private Enterprises 2022 of Zhejiang Province" carried out by the People's Bank of China Zhejiang Branch and Zhejiang Federation of Industry and Commerce together, the Company was elected as "the Most Satisfactory Bank for Private Enterprises" as a municipal institution.

(IV) In the "Best Practice Creation Activity of the Board of Directors of Public Companies 2023" issued by China Association for Public Companies, the Company won the "Best Practice Case" award.

(V) In the selection of "2023 Gold Medal List of Chinese Financial Institutions" by Financial Times, the Company was awarded as "the Best Inclusive Financial Service Bank of the Year".

(VI) In the "2023 (11<sup>th</sup>) Comprehensive Selection of Banks 2023" by Sina, the Company was rated as "the Best Urban Commercial Bank of the Year".



(VII) In the selection of "Outstanding Cases of Financial Development in the 21<sup>st</sup> Century (2023)" by 21<sup>st</sup> Century Business Herald, the Company was awarded as "Outstanding City Commercial Bank of the Year".

(VIII) In the selection of "Demonstration Cases of 25 Years of Yinghua Award" by China Public Offering Fund, the Company was awarded "Fund Sales Model Bank (City Commercial Banks)" and "Fund Custody Model Bank (City Commercial Banks)".

(IX) In the "2023 Most Valuable Leaders List of the Capital Market" by CLS.CN, the Company won the "Best Financial Innovation Service Award of the Year" and "2023 City Commercial Bank Topology Award".

(X) In the selection of "the 21<sup>st</sup> Financial Ranking of Banking Industry" by hexun.com, the Company was awarded "Inclusive Financial Leader Bank of the Year" and "Regional Service Leader Bank of the Year".

(XI) In the election of "Jinxi Award" held by China Investment Network, the Company won the awards "2023 Outstanding Bank", "2023 Outstanding Custody Bank" and "2023 Outstanding Social Responsibility Enterprise".

XII In the selection of "2023 Capital Market Crystal Ball Award" issued by Securities Market Weekly, the Company was awarded "2023 Most Valuable Listed Company" and "2023 Best Investor Relations Management Listed Company".

## Chapter Three Summary of Accounting Data and Financial Indicators

### I. Key Accounting Data and Financial Indicators

<b>Operating Performance (RMB 1 million)</b>	<b>2023</b>	<b>2022</b>	<b>Increase/Decrease Year-on-year</b>	<b>2021</b>
Operating Income	61,585	57,879	6.40%	52,774
Operating Profit	28,028	25,392	10.38%	20,478
Total Profit	27,898	25,280	10.36%	20,445
Net Profit	25,609	23,132	10.71%	19,609
Net Profit Attributable to Shareholders of the Parent Company	25,535	23,075	10.66%	19,546
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	25,426	23,143	9.86%	19,511
Net Cash Flow from Operating Activities	173,372	94,768	82.94%	(44,549)
<b>Per Share (RMB /share)</b>				
Basic Earnings Per Share (EPS)	3.75	3.38	10.95%	3.13
Diluted Earnings Per Share (EPS)	3.75	3.38	10.95%	3.13
Basic EPS after Non-recurring Profit and Losses	3.74	3.39	10.32%	3.12
Net Cash Flow from Operating Activities per share	26.25	14.35	82.93%	(6.75)
Equity per share, Attributable to Common Stockholder of the Parent Company	26.71	23.14	15.43%	20.37
<b>Financial Ratios</b>				
Fully-diluted Return on Equity (ROE)	14.05%	14.60%	Decreased by 0.55%	13.96%
Weighted Average ROE	15.08%	15.56%	Decreased by 0.48%	16.64%
Fully-diluted ROE after Non-recurring Profits and Losses	13.99%	14.65%	Decreased by 0.66%	13.94%
Weighted Average ROE after Non-recurring Profits and Losses	15.01%	15.61%	Decreased by 0.60%	16.60%

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. Return on equity and basic earnings per share related indexes 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*. The Company paid the dividend of the preferred stocks Preferred 01 and Preferred 02 in November 2022, the total amount of which was RMB 757 million. The Company has considered the effect of the preference dividends issuance and shares allocation when calculating the return on equity and basic earnings per share in this report.

<b>Scale indicators (RMB 1 million)</b>	<b>End of 2023</b>	<b>End of 2022</b>	<b>Increase/Decrease Year-on-year</b>	<b>End of 2021</b>
Total assets	2,711,662	2,366,097	14.60%	2,015,548
Client loans and advances	1,252,718	1,046,002	19.76%	862,709
—Personal loans and advances	507,197	391,230	29.64%	333,128
—Corporate loans and advances	661,269	565,383	16.96%	464,462
—Notes discounted	84,252	89,389	(5.75%)	65,119
Loan loss reserves	43,797	39,456	11.00%	34,595
Including: loss reserves of loans and advances measured at fair value with changes included in other comprehensive income	919	892	3.03%	1,066

Total liabilities	2,509,452	2,197,571	14.19%	1,865,613
Client deposits principal	1,566,298	1,297,085	20.76%	1,052,887
—Personal deposit principal	413,593	282,833	46.23%	213,894
—Corporate deposit principal	1,152,705	1,014,252	13.65%	838,993
Interbank borrowing	183,114	109,104	67.83%	81,919
Stockholders' equity	202,210	168,526	19.99%	149,935
Including: equity attributable to shareholders of the Parent Company	201,195	167,626	20.03%	149,359
Net capital	271,772	235,407	15.45%	203,522
Including: Tier-I net capital	199,446	166,112	20.07%	148,781
Net risk-weighted assets	1,811,196	1,551,141	16.77%	1,318,873

Note:

1. Client loans and advances and client deposit shall be calculated according to the regulatory caliber of National Financial Regulatory Administration.

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])*, 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, 2023 was RMB 1,735.145 billion, increasing by RMB 189.848 billion than the end of the previous year with a growth of 12.29%; the total client loans and advances was RMB 1,290.975 billion, increasing by RMB 212.480 billion than the end of the previous year with a growth of 19.70%.

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

## II. Key Quarterly Financial Indicators

Unit: RMB 1 million

Item	1 <sup>st</sup> Quarter of 2023	2 <sup>nd</sup> Quarter of 2023	3 <sup>rd</sup> Quarter of 2023	4 <sup>th</sup> Quarter of 2023
Operating income	16,553	15,591	15,091	14,350
Net Profit Attributable to Shareholders of the Parent Company	6,598	6,349	6,402	6,186
Net Profit Attributable to Shareholders of the Parent Company	6,407	6,361	6,421	6,237
Net Cash Flow from Operating Activities	146,356	(88,033)	90,657	24,392

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

## III. Non-recurring Profit and Loss Items and Amount

Unit: RMB 1 million

Item	Year 2023	Year 2022	Year 2021
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	280	13	7
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	(10)	(8)	(8)
Other non-operating incomes and expenditures except for the above items	(89)	(67)	68
Impacts by income tax	(70)	(4)	(28)
Total	111	(66)	39
Of which: non-recurring profit and loss attributable to shareholders of the	109	(68)	35

parent company

non-recurring profit and loss attributable to minority shareholders	2	2	4
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Note: the non-recurring profit and loss is calculated in compliance with the provisions of *No.1 of Explanatory Announcement of Information Disclosure for the Companies Issuing Securities Publicly-- Non-recurring Profit and Loss*.

#### IV. Supplementary Financial Indicators

Regulatory Indicators	Regulatory Standard	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Capital adequacy ratio (%)	≥10.75	15.01	15.18	15.43
Tier-I Capital adequacy ratio (%)	≥8.75	11.01	10.71	11.28
Core Tier-I Capital adequacy ratio (%)	≥7.75	9.64	9.75	10.16
Liquidity ratio (RMB and foreign currencies) (%)	≥25	84.28	73.21	64.25
Liquidity coverage ratio (%)	≥100	244.48	179.11	279.06
Ratio of deposits and loans (domestic and foreign currencies) (%)	N/A	78.98	79.79	79.75
Ratio of non-performing loans (%)	≤5	0.76	0.75	0.77
Provision coverage (%)	≥150	461.04	504.90	525.52
Loan provisioning rate (%)	N/A	3.50	3.79	4.03
Migration rate of normal loans (%)	N/A	2.10	1.65	1.24
Migration rate of special-mentioned loans (%)	N/A	59.62	54.95	69.05
Migration rate of subprime loans (%)	N/A	85.82	84.15	63.58
Migration rate of doubtful loans (%)	N/A	98.23	30.81	44.01
Return on total assets (%)	N/A	1.01	1.05	1.07
Cost-income ratio (%)	N/A	38.99	37.29	36.95
Asset-liability ratio (%)	N/A	92.54	92.88	92.56
Net interest spread (%)	N/A	2.01	2.20	2.46
Net interest margin (%)	N/A	1.88	2.02	2.21

## Chapter Four Address of the Chairman

The year 2023 was a year of striving ahead despite challenges and difficulties. Although the macro environment is complicated and changeable and there are many uncertainties in banking operation, China's economy is full of resilience, width and depth. As pointed out at the central financial work conference, finance is the essential of the national economy and an important part of the core competitiveness of the country, and it is urgent to accelerate the construction of a strong financial country and promote the high-quality development of the financial sector, which has consolidated our confidence and initial intention to promote the high-quality development of banking industry in serving the real economy.

The year 2023 was also a year of significant differentiation in the banking industry. With the continuous industrial differentiation and increasingly intense market competition, the banking operation has ushered more challenges. In this year, the Company continued to strengthen the leadership of the Party, constantly implemented the business strategy of "imperfect for large banks, impossible for small banks" based on the concept of "serving clients wholeheartedly", created value with its expertise and constantly realized a stable development of the Bank. In 2023, Bank of Ningbo was elected as a national systemically important bank once again; ranked the 82<sup>nd</sup> among the "2023 Top 1,000 Global Banks"; continued to be one of the most highly valued A-share banks and one of the banks with the lowest non-performing ratio.

**Internalize serving the real economy into the most distinct brand characteristics of Bank of Ningbo.** As we are located in the business area with the most developed economy and the strongest financial demand in China, we deeply feel that every effort we put on this land embodies our vision and pursuit of a better future in the practice of serving the real economy. In 2023, we constantly practiced the political and people-oriented nature of the financial work, actively integrated with the new development pattern, continuously met the demands of the people and real economy and served the high-quality development of economy and society. We continued to take private small and micro enterprises, manufacturing enterprises, import and export enterprises as important service objects, constantly improved the service system, and increased our financial support; continued to meet the needs of residents for financial services such as wealth management, consumer credit, payment and settlement, and improved customer experience; promoted the integration between ESG concept and banking development, implemented the sustainable development principle, strengthened green strategy leadership and constantly crated values for our clients, employees, shareholders and the society. We firmly believe that only by integrating the concept of "serving clients wholeheartedly" and "create value with expertise" into the banking operation and customer service, transforming the original mission of financial work into more specific actions, and closely focusing on the "five major missions" to achieve

high-quality development, can we continue to build the brand of Bank of Ningbo.

**Implement "professional, digital and platform-oriented" operation and constantly create value.** In 2023, we continued to accelerate the iterative upgrade of various business modes and expand the comparative advantages of banking differentiation around the primary principle of "value creation" and the full life cycle needs of the clients. The Bank continued to give full play to the competitiveness of "specialization", focusing on exchange rate management, interest rate management, financing management, wealth management and other key demand areas, keep up with the market and clients, give full play to the professional advantages in personnel, products and systems, and strive to create more value for the clients; continuously enhanced the driving force of "digitalization", actively promoted the implementation of the digital China strategy in Bank of Ningbo, upheld the concept of open banking, and constantly enriched the digital financial service solutions represented by "Treasurer of Kunpeng" and "Five-controls and Two-treasures", so as to develop the real economy digitally; significantly built the credibility of the platform, fully explored the platform advantages of the Bank, deeply integrated the banking service with manufacturing, operating, life and work scenario requirements of the clients to rebuild the value chain of the Bank. In 2023, we built two financial service platforms, "Bobo Zhiliao" and "Good Life", promoted the pilot of the "Home of Equipment" platform, expanded the connotation of banking services, and strived to maximize value creation

**Control comprehensive risk persistently to support serving the real economy.** Banking is an industry of risk management, and risk prevention and control is the eternal theme of the banking industry. As a national systematically important bank and one of the Top 100 Global banks, Bank of Ningbo has always adopted an overall, systematic and bottom line thinking to develop business and control the risk stably and promote the steady development of the Bank in serving the real economy. In this year, the Bank adhered to the concept of "risk control is essential for bank operation", constantly improved the all-round, all-personnel and all-process risk control system, continuously optimized the management structure, refined management measures and constantly promoted the forward looking, accuracy and effectiveness of risk control depending on financial technology, so as to consolidate the risk barrier and lay a solid foundation for the sustainable development.

Victory can only be achieved by facing up to difficulties. The banking industry is being differentiated faster and faster and the banking operation is confronted with unprecedented opportunities and challenges currently. We firmly believe that only those banks serving the clients wholeheartedly will have the core competitiveness and will emerge and realize a sustainable development in the severe market competition and differentiated industry. In the new year, we will continue to keep up with the development trend of the times actively, usher in the new challenges and changes forwardly, update the business mode, optimize the logic and business management system in banking operation, create higher values for the clients, comprehensively build the brand of the Bank and achieve more in serving and integrating with the construction of a powerful financial country.

Chairman: Lu Huayu

## Chapter Five Address of the President

Achieving steady development and making continuous progress. In 2023, under the leadership of the Board of Directors, the Company adhered to the development strategy of "Imperfect for Large Banks, Impossible for Small Banks", as well as the concept of "Serving Clients Wholeheartedly", focused on serving the real economy, continued to promote "professional, digital, and platform-based" operations, orderly promoted various business management work, and achieved stable development of the Bank as a result. By the end of the reporting period, the total assets of the Company were RMB 2,711.662 billion, with an increase of 14.60% compared to the end of the previous year; the deposit balance was RMB 1,566.298 billion, with an increase of 20.76% compared to the end of the previous year; various loans amounted to RMB 1,252.718 billion, with an increase of 19.76% compared to the end of the previous year; a revenue of RMB 61.585 billion was realized, with a year-on-year increase of 6.40%; a net profit attributable to shareholders of the parent company of RMB 25.535 billion was realized as well, with a year-on-year increase of 10.66%.

**Deeply plough into operating area, support high-quality development of the real economy.** Serving the real economy is the duty of finance and the foundation of sustainable development for the Bank. In 2023, the Company continued to implement the decisions and deployments of governments and financial regulatory departments at various levels, continuously increased investment in financial resources, and continuously improved the quality and efficiency of serving the real economy. In terms of resource allocation, the Company adhered to the business philosophy of "Serving Clients Wholeheartedly", actively tilted credit resources to guarantee the support for key areas, thus overfulfilling key indicators such as manufacturing loans, inclusive small and micro loans, agriculture-related loans, and inclusive agriculture-related loans. Through direct financing such as bonds, the Company provided diversified and low-cost funding sources for the real economy; in terms of client base, the Company regarded private small and micro enterprises, manufacturing enterprises, and import and export enterprises as important client groups. In addition, the Company improved its service level and quality through proactive service advancement, service innovation, digital empowerment and other measures.

**Exploit the comparative advantages, promote the iteration and upgrading of business models continuously.** Faced with the accelerated differentiation and increasingly fierce competition in the industry, the Company closely followed the main business line, exploited digital comparative advantages, fully implemented "professional, digital, and platform-based" operations, and promoted the iteration and upgrading of business models. The Company comprehensively promoted digital financial practices, enriched the digital financial service matrix, and utilized digital solutions such as "Kunpeng Treasurer", "Financial Asset Manager", "Bill Manager", "Foreign Exchange Manager", "Intelligent



Investment Banking Manager" and "Government Affair Manager" to empower clients with digital transformation; the Company launched the "NBCB Cloud" brand to achieve cloud-based upgrading of financial technology services, as well as cloud-based management of over 60 sets of scenario-oriented digital systems. During the reporting period, there were over 50 clients directly connecting to the "Kunpeng Treasurer", over 300,000 users of enterprise APP, and over 10,000 clients of Financial Asset Manager, with an annual transaction volume of over RMB 10 trillion. The Company continued to promote platform-based operations, empowered clients in all aspects, launched the "NBCB Cicada" Comprehensive Service Platform providing a "14+2" package of comprehensive services for operation and management of enterprises, and achieved simplification of enterprise services and value-adding of government services, which were highly recognized by clients.

**Lay solid foundations, empower transformation and development of clients with digital technologies.** In 2023, the Company continued to regard financial technology as an important productivity, continuously increased resource investment, injected technological driving force into the brand of Bank of Ningbo, and utilized digitalization as the foundation to empower the transformation and development of clients, thus creating differentiated comparative advantages in segmented fields. During the reporting period, the Company successfully launched the "Core System of New Generation" and "Credit Risk Management System Group", thus achieving comprehensive transformation of system architecture, independent and controllable key technologies, and comprehensive cloud-based infrastructure, and providing reliable support for long-term development. At the same time, relying on the effective linkage between financial technology and business, the Company launched the "Kunpeng Treasury" service plan, iteratively optimized the "Five Management Tools and Two Treasures" digital system, comprehensively upgraded the NBCB APP, thus facilitating the upgrading of operation and management of corporate clients, and contribute to the beautiful life of individual clients.

**Strengthen risk management, ensure stable operation of the Bank throughout processes.** In 2023, in accordance with the requirements of comprehensive risk management, the Company continuously improved the matrix management system that separates the front, middle, and back ends, and integrated departments and regions at different levels. It also dynamically adjusted the risk management strategy according to regulatory requirements, market changes and client changes, thereby continuing to maintain good asset quality and achieving stable operation. Relying on financial technologies, the Company accelerated the digitization and intelligentization of risk management, improved the accuracy and foresight of risk management, and created a closed-loop risk management system. The Company always adhered to prudent business philosophy, created a compliant risk culture, integrated stable operation into the entire process of management, and continuously optimized the rectification and evaluation mechanism of regulatory opinions to promote the stable development of the Bank.

A new Journey requires new progresses, and a new era poses new challenges. In 2024, the banking industry will face more challenges. The Company will adhere to the leadership of the Party, follow the



strategic requirements of the Board of Directors, focus on serving the real economy, strengthen digital empowerment, implement differentiated development, continue to deepen professional, digital and platform-based management capabilities, thus writing a new chapter with the characteristics of Bank of Ningbo by centering on the "Five Major Tasks", and supporting the sound development of the real economy. We will firmly hold the bottom line of risks, create higher value for investors, clients and the society, and contribute to the modernization construction with Chinese characteristics.

President: Zhuang Lingjun

## Chapter Six Management Discussion and Analysis

### I. Industry trends of the Company during the reporting period

During the reporting period, in the face of multiple uncertainties such as accelerated global changes and domestic economic downturn, as well as the development trend featuring technicalization, marketization and internationalization, the Company, under the leadership of the Board of Directors, held an open heart with awe, focused on segmented markets and client groups in accordance with the requirements of "Focusing on the main business and serving the entity", persisted in serving the real economy, created value for clients with professionalism, maintained stable development of various businesses, and improved the operation quality continuously. The Company has been selected as a national systemically important bank for three consecutive years, and ranked 82<sup>nd</sup> among the "2023 Top 1,000 Global Banks" announced by the Banker (an UK magazine), 5 places higher than the previous year.

### II. Main businesses during the reporting period

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

### III. Core competitiveness analysis

Under the leadership of the Board of Directors, the Company unswervingly implemented the business strategy of "Imperfect for Large Banks, Impossible for Small Banks", deeply cultivated high-quality business areas, continued to promote the professional, digital and platform-base operation according to the demands of clients, focused on the expansion of large retail and light capital business, thus improving the competitiveness continuously. The core competitiveness of the Company is mainly reflected in the following four aspects:

First, continuously optimized profit structure and diversified profit sources. The Company has always been committed to building a diversified profit center. At present, 9 profit centers have been formed, including corporate banking, retail company, wealth management, consumption credit, credit card, financial market, investment banking, asset custody and bill business. In terms of subsidiaries,

four profit centers, namely the Maxwealth Fund Management, Maxwealth Financial Leasing, BNB Wealth Management and BNB Consumer Finance, have been formed. Thanks to the coordinated promotion by the Company, all profit centers achieved sound development. The profit proportion of large retail and light capital business has continued to take a leading position in the industry, and the income from non-interest business has increased as well, thus enhancing the sustainability of development continuously.

Second, highly effective risk management and steady and long-lasting business development. The Company adhered to the risk concept of "Risk Control is Essential for Bank Operation", took the bottom line of risks as its most fundamental business goal, and continuously improved the comprehensive, all-staff and full-process risk management system. On the basis of adhering to the unified credit policy and independent credit approval, the Company has implemented risk management measures such as risk early-warning, post-loan review, industry research and industrial chain research, thus accelerating the digital and intelligent transformation of risk management, continuously improving the effectiveness of control measures, and responding to the business cycle and industrial restructuring in a better way. The non-performing loan ratio of the Company has always been maintained at a relatively low level in the industry, enabling the Company to focus on business expansion and financial services, and laying a solid foundation for the sustainable development of the Bank.

Third, integration and innovation of finance and technology, and strong support for transformation of business model. Faced with challenge of digitization, the Company focused on the vision for financial technology development of smart bank, made full use of the advantages of open banking financial service solutions, continued to strengthen the investment, established a "Ten Centers" financial technology organizational structure and a "three-in-one" R&D center system, promoted the integrated development of finance and technology, assisted the iteration and upgrading of business model with the support of financial technology, and achieved the goal of energizing businesses and clients.

Fourth, solid reserve of talents and continuous enhancement of employees' quality. The Company has continuously strengthened the construction of professional team. Relying on the NBCB Knowledge Base, mapping knowledge domain, staff teaching, full visitor system and other carriers of Bank of Ningbo, the Company has continuously improved the hierarchical and professional training mechanism of employees, promoted the front, middle and back ends, headquarters and branches to form a professional and dedicated staff team, continuously improved the comprehensive ability of employees, insisted on creating value for clients with expertise, thus laying a solid foundation for the Company to cope with fierce competition and ensure sustainable development.

In the next stage, the core competitiveness of the Company will be sustainably developed around the strategic goal from the following four aspects:

First, the Company will deepen the construction of diversified profit center. On the basis of strengthening the differentiated competitive advantage of the existing profit centers, the Company will actively explore and cultivate more profit growth points, continue to promote the transformation and

upgrading of the business model of each profit center, actively explore the comprehensive business model, establish diversified profit channels and improve the comprehensive financial service ability.

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

Third, the Company will promote the operation management through energizing of financial technology. It will actively leverage the comparative advantages of digitization, and continuously accelerate the construction of IT infrastructure and information system. Through technological, service and product innovation, we can achieve a close integration of technology and business, so as to provide better services to clients, and provide support for upgrading of business model of the Bank.

Fourth, the Company will continue to improve human resources management. It will establish and improve a multi-level and systematic talent introduction, promotion and cultivation and layered selection mechanism continuously, and build a professional employee team that adapts to the development of the banking industry through standardized, templatized and systematic construction, as well as the implementation of BNB Study and Development Center, knowledge base and mapping knowledge domain, so as to provide human resources guarantee for sustainable development.

#### **IV. General review**

In 2023, facing multiple uncertainties in the domestic and international economy, the Company, under the leadership of the Board of Directors, adhered to the business strategy of "Imperfect for Large Banks, Impossible for Small Banks", as well as the concept of "Serving Clients Wholeheartedly", continued to create value for clients, steadily moved forward in fierce industry competition, and continued to achieve sound development.

##### **(I) High-quality and effective services for real economy, and steady growth of asset size**

In 2023, centering on the business philosophy of "Focusing on the main business and serving the real economy", the Company actively responded to national policy, fulfilled the mission and responsibility of "Finance for the People", increased support for key areas and weak links of social development such as private small and micro enterprises, manufacturing enterprises, import and export enterprises, and livelihood consumption, improved the breadth and depth of services, thus maintaining steady growth in asset size. As of the end of 2023, the total assets of the Company were RMB 2,711.662 billion, with an increase of 14.60% compared to the beginning of the year; various deposits amounted to RMB 1,566.298 billion, with an increase of 20.76% compared to the beginning of the year; various loans amounted to RMB 1,252.718 billion, with an increase of 19.76% compared to the beginning of the year.

## **(II) Synergetic development of diversified systems, and continuous growth of operating benefit**

In 2023, by giving full play to the various licenses, the Company achieved coordinated development of profit centers. The Company also met comprehensive financial needs of various clients by focusing on their pain point, thus achieving steady growth of profit. In 2023, the Company achieved revenue of RMB 61.585 billion, with a year-on-year increase of 6.40%; a net profit attributable to the shareholders of the parent company of RMB 25.535 billion, with a year-on-year increase of 10.66%; a non-interest income of RMB 20.678 billion, accounting for 33.58% of operating revenue.

## **(III) Steady progress in risk control, and stable development of asset quality**

In 2023, faced with complicated and changeable macro-economic situation and fierce competition in the industry, the Company adhered to the concept of "Risk Control is Essential for Bank Operation", stuck to the Bottom-line Thinking, optimized management measures, focused on risk control in key areas, continuously iterated digital risk control systems, continuously strengthened the integration of risk management and business development, thus maintaining stable asset quality. By the end of 2023, the balance of the non-performing loan of the Company was RMB 9.499 billion, with a non-performing loan ratio of 0.76%. The provision coverage rate was 461.04%. Outstanding assets quality and solid risk-resistance capacity provided a guarantee for sustainable development of the Company.

## **(IV) Systematized evolution of business models, and favorable operating efficiency**

In 2023, guided by the culture of "Integrated Innovation", the Company firmly developed financial technology, enhanced digital empowerment, and supported the development of marketing, risk control, operations, management and other aspects, thus maintaining good operating quality and efficiency. The Company continued to promote refined capital management, popularized the concept of capital conservation and capital return, and achieved intensive operation of capital by optimizing capital distribution, strengthening capital monitoring and improving assessment guidance. As a result, the comprehensive indicators of the Company, such as capital adequacy ratio and return on capitals continued to remain at the forefront of the industry. As of the end of 2023, the capital adequacy ratio of the Company was 15.01%, the Tier I capital adequacy ratio was 11.01%, and the core Tier I capital adequacy ratio was 9.64%; the weighted average return on equity was 15.08%, and the return on total assets was 1.01%.

## **V. Financial statements analysis**

### **(I) Analysis on items in the Income Statement**

In 2023, the Company achieved the operating revenue of RMB 61.585 billion, with a year-on-year increase of 6.40%; the net profit attributable to the shareholders of the parent company was RMB 25.535 billion, with a year-on-year increase of 10.66%.

### **Changes of Key Items in the Income Statement**

Unit: in RMB 1 million

Item	2023	2022	Increase/Decrease	Increase rate
Operating income	61,585	57,879	3,706	6.40%
Net interest income	40,907	37,521	3,386	9.02%
Interest income	90,766	78,731	12,035	15.29%
Interest expense	(49,859)	(41,210)	(8,649)	20.99%
Non-interest income	20,678	20,358	320	1.57%
Net fees and commissions income	5,767	7,466	(1,699)	(22.76%)
Other non-interest income	14,911	12,892	2,019	15.66%
Operating expense	(33,557)	(32,487)	(1,070)	3.29%
Business tax and surcharges	(592)	(467)	(125)	26.77%
Operating and administrative expenses	(24,012)	(21,582)	(2,430)	11.26%
Impairment of credit	(8,940)	(10,431)	1,491	(14.29%)
Other operating expenses	(13)	(7)	(6)	85.71%
Operating profit	28,028	25,392	2,636	10.38%
Net non-operating income	(130)	(112)	(18)	不适用
Profit before tax	27,898	25,280	2,618	10.36%
Income tax expense	(2,289)	(2,148)	(141)	6.56%
Net profit	25,609	23,132	2,477	10.71%
Including: net profit attributable to shareholders of the parent company	25,535	23,075	2,460	10.66%
Minority interest income	74	57	17	29.82%

### 1. Net Interest Income

In 2023, the Company achieved a net interest income of RMB 40.907 billion, with a year-on-year increase of 9.02%. The main reason is that the Company firmly implemented financial supervision policies, constantly improved the level of financial services, continued to increase credit supply, reduced the financing cost of the real economy, and, at the same time, appropriately allocated bond investment such as treasury bonds and credit bonds according to the debt situation of the Bank, thus achieving a dynamic balance of asset and liability management, as well as the steady growth under the condition of narrowing interest margin. In 2023, the interest income was RMB 90.766 billion, with a year-on-year increase of RMB 12.035 billion and a growth rate of 15.29%; the interest expenses was RMB 49.859 billion, with an increase of RMB 8.649 billion and a growth rate of 20.99% year-on-year.

Unit: in RMB 1 million

Item	2023	2022	Increase/Decrease	Increase rate
<b>Interest income</b>	90,766	78,731	12,035	15.29%
Loans and advances	59,795	52,164	7,631	14.63%
Due from banks	312	164	148	90.24%
Deposit in the central bank	1,749	1,441	308	21.37%
Lending funds	1,257	757	500	66.05%
Redemptory monetary capital for sale	687	577	110	19.06%
Bond investment	21,130	17,566	3,564	20.29%
Asset management plan and trust plan	5,836	6,062	(226)	(3.73%)
<b>Interest expense</b>	49,859	41,210	8,649	20.99%

Deposits from banks	2,188	2,698	(510)	(18.90%)
Borrowings from central bank	1,933	2,330	(397)	(17.04%)
Borrowing funds	3,596	2,706	890	32.89%
Deposit from clients	30,547	21,632	8,915	41.21%
Financial assets sold for repurchase	2,015	1,132	883	78.00%
Bond issued	9,474	10,601	(1,127)	(10.63%)
Lease liability	106	111	(5)	(4.50%)
<b>Net interest income</b>	<b>40,907</b>	<b>37,521</b>	<b>3,386</b>	<b>9.02%</b>

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-paying liabilities.

Unit: in RMB 1 million

Item	2023			2022		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
<b>Assets</b>						
Loans and advances	1,166,271	59,795	5.13%	976,489	52,164	5.34%
Securities investment	803,288	26,966	3.36%	683,061	23,628	3.46%
Due from Central Bank	125,253	1,749	1.40%	106,947	1,441	1.35%
Due from banks and other financial institutions	86,685	2,256	2.60%	87,680	1,498	1.71%
<b>Total interest-bearing assets</b>	<b>2,181,497</b>	<b>90,766</b>	<b>4.16%</b>	<b>1,854,177</b>	<b>78,731</b>	<b>4.25%</b>
<b>Liabilities</b>						
Deposits	1,519,400	30,547	2.01%	1,222,510	21,632	1.77%
Due to banks and other financial institutions	364,387	7,799	2.14%	318,085	6,536	2.05%
Bonds payable	364,508	9,474	2.60%	384,210	10,601	2.76%
Borrowings from central bank	72,915	1,933	2.65%	83,405	2,330	2.79%
Lease liability	2,914	106	3.64%	3,014	111	3.67%
<b>Total interest-paying liabilities</b>	<b>2,324,124</b>	<b>49,859</b>	<b>2.15%</b>	<b>2,011,224</b>	<b>41,210</b>	<b>2.05%</b>
<b>Net interest income</b>		<b>40,907</b>			<b>37,521</b>	
<b>Net interest spread (NIS)</b>			<b>2.01%</b>			<b>2.20%</b>
<b>Net interest margin (NIM)</b>			<b>1.88%</b>			<b>2.02%</b>

Note:

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

2. The average balance of the interest-bearing assets and the interest-paying liabilities refers to the daily balance on average.

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

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

and interest rate.

Unit: in RMB 1 million

Item	Year 2023 VS Year 2022		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
<b>Assets</b>			
Loans and advances	10,141	(2,510)	7,631
Securities investment	4,158	(820)	3,338
Due from Central Bank	246	62	308
Due from banks and other financial institutions	(18)	776	758
Changes on interest income	14,527	(2,492)	12,035
<b>Liabilities</b>			
Client deposits	5,254	3,661	8,915
Due to banks and other financial institutions	950	313	1,263
Bonds payable	(543)	(584)	(1,127)
Borrowings from central bank	(293)	(104)	(397)
Lease liability	(4)	(1)	(5)
Changes on interest expense	5,364	3,285	8,649
Net changes on interest income	9,163	(5,777)	3,386

### Net interest margin

In 2023, the net interest margin of the Company was 1.88%, with a decrease of 14 basis points year-on-year; the net interest spread was 2.01%, with a decrease of 19 basis points year-on-year. During the reporting period, due to factors such as market interest rate decline, LPR re-pricing and stock mortgage price adjustments, the yield on interest-bearing assets decreased by 9 basis points year-on-year, with a decrease of 21 basis points in loan yield; due to the increasing preference of clients for fixed-period products and the relatively fixed cost, the deposit interest rate increased by 24 basis points, and the overall interest rate of interest-paying debt increased by 10 basis points.

The decrease of the net interest margin of the Company in 2023 was lower than that of the deposit-loan spread, which can be mainly attributed to the preferable growth in the scale of deposits and loans. In 2023, the daily average scale of corporate loans accounted for 53.46% of interest-bearing assets, with an increase of 0.80 percentage points year-on-year; in 2023, the daily average corporate deposit size accounted for 65.38% of interest-paying liabilities, with a year-on-year increase of 4.60 percentage points.

### (I) Interest income

In 2023, the Company achieved an interest income of RMB 90.766 billion, with a year-on-year increase of 15.29%, as mainly attributed to the increased credit investment, rapid growth in interest-bearing assets, and continuous optimization of asset structure.

### Loan interest income

In 2023, the interest income from loans and advances of the Company was RMB 59.795 billion, accounting for 65.88% of the total interest income, with a year-on-year increase of 14.63%, as mainly



due to the rapid increase in loan scale.

During the reporting period, the Company adhered to the concept of "Serving Clients Wholeheartedly", conducted upgrading from financial services to composite and scenario-based financial services, and facilitated a year-on-year increase of 16.87% in the daily average scale of corporate loans. The Company adhered to the linkage management of client groups, provided comprehensive companionship for clients, and facilitated a year-on-year increase of 23.91% in the daily average scale of personal loans.

During the reporting period, the Company implemented the concept of "Finance Supporting the Real Economy" and implemented various policies related to high-quality development. Through measures such as interest-free loans, inclusive loan subsidies, and loan subsidies for clients, the Company actively carried out interest concession activities to support the real economy. In 2023, the corporate loan yield of the Company was 5.13%, a year-on-year decrease of 21 basis points. The average return on corporate loans of the Company was 4.39%, a decrease of 5 basis points year-on-year; the average return on personal loans was 6.34%, a year-on-year decrease of 58 basis points.

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

Unit: in RMB 1 million

Item	2023			2022		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	725,353	31,822	4.39%	620,644	27,535	4.44%
Personal loans	440,918	27,973	6.34%	355,845	24,629	6.92%
<b>Total loans</b>	<b>1,166,271</b>	<b>59,795</b>	<b>5.13%</b>	<b>976,489</b>	<b>52,164</b>	<b>5.34%</b>

#### **Interest income from securities investment**

In 2023, the Company's interest income from securities investment was RMB 26.966 billion, increased by 14.13% year-on-year, which can be attributed to the fact that the Company appropriately increased investments in Treasury bond, local government bonds and credit bonds according to its arrangement in asset and liability.

#### **Interest income from due from banks and other financial institutions**

In 2023, the Company's interest income from deposits and placements of banks and other financial institutions was RMB 2.256 billion, with a year-on-year increase of 50.60%, as mainly due to the continuous increase of interest rate by the Federal Reserve and the rise in foreign currency deposits and placements.

#### **(2) Interest expense**

In 2023, the interest expenses of the Company was RMB 49.859 billion, with a year-on-year increase of 20.99%, as mainly due to the rapid growth of the scale of interest-paying liabilities and the relatively rigid interest rate of liabilities.

#### **Interest expense for client deposits**

In 2023, the interest expense for client deposits of the Company was RMB 30.547 billion, accounting for 61.27% of the total interest expense, with a year-on-year growth of 41.21%. It was mainly due to the increase in client deposit scale and interest rate of payment.

During the reporting period, the Company provided comprehensive financial services to clients by utilizing digital technology, thus continuously consolidating the client base and driving the continuous growth of deposit scale. At the same time, due to fluctuations in the capital market and net value of wealth management products, residents tend to have conservative investment risk preferences, thus driving the increase in savings deposits to a new high. In 2023, the daily average corporate deposit size was RMB 1,149.42 billion, with a year-on-year increase of 16.76%; the daily average individual deposit scale was RMB 369.98 billion, with a year-on-year increase of 55.40%.

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

Unit: in RMB 1 million

Item	2023			2022		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
<b>Corporate deposits</b>						
Demand	427,883	4,109	0.96%	391,007	3,398	0.87%
Time	721,537	17,913	2.48%	593,424	12,944	2.18%
<b>Subtotal</b>	<b>1,149,420</b>	<b>22,022</b>	<b>1.92%</b>	<b>984,431</b>	<b>16,342</b>	<b>1.66%</b>
<b>Personal deposits</b>						
Demand	83,843	193	0.23%	77,066	225	0.29%
Time	286,137	8,332	2.91%	161,013	5,065	3.15%
<b>Subtotal</b>	<b>369,980</b>	<b>8,525</b>	<b>2.30%</b>	<b>238,079</b>	<b>5,290</b>	<b>2.22%</b>
<b>Total</b>	<b>1,519,400</b>	<b>30,547</b>	<b>2.01%</b>	<b>1,222,510</b>	<b>21,632</b>	<b>1.77%</b>

#### **Interest expense for due to banks and other financial institutions**

In 2023, the interest expense for due to banks and other financial institutions of the Company reached RMB 7.799 billion, increased by 19.32% over the previous year. It was mainly due to the increase in the scale and interest rates of interbank lending and Pledge-style Repo.

#### **Interest expense for issued liabilities**

In 2023, the interest expense for issued liabilities of the Company was RMB 9.474 billion, with a year-on-year decrease of 10.63%. It was mainly due to an increase in the Company's deposits during the reporting period, and a moderate reduction in the issuance scale of interbank certificates of deposit due to asset liability management needs.

## **2. Non-interest income**

In 2023, the Company achieved a non-interest income of RMB 20.678 billion, with a year-on-year increase of 1.57%. The non-interest income accounted for more than one-third of the total income, which was at a relatively good level in the industry.

#### **Main composition of non-interest income**

Unit: in RMB 1 million

Item	2023	2022	Increase/decrease	Increase rate
Fees and commissions income	7,346	8,680	(1,334)	(15.37%)
Less: fees and commission expense	1,579	1,214	365	30.07%
<b>Net fees and commissions income</b>	<b>5,767</b>	<b>7,466</b>	<b>(1,699)</b>	<b>(22.76%)</b>
Investment income	13,087	11,301	1,786	15.80%
Other income	740	323	417	129.10%
Changes in fair value recognized in profit or loss	1,161	1,542	(381)	(24.71%)
Profit or loss on exchange	(390)	(304)	(86)	N/A
Other business income	33	17	16	94.12%
Asset disposal income	280	13	267	2053.85%
<b>Total</b>	<b>20,678</b>	<b>20,358</b>	<b>320</b>	<b>1.57%</b>

### Net fees and commissions income

Unit: in RMB 1 million

Item	2023	2022	Increase/decrease	Increase rate
Settlement business	283	273	10	3.66%
Bank cards business	266	163	103	63.19%
Agency services business	5,747	7,036	(1,289)	(18.32%)
Guarantees business	609	674	(65)	(9.64%)
Custody business	401	473	(72)	(15.22%)
Consulting business	30	48	(18)	(37.50%)
Others	10	13	(3)	(23.08%)
<b>Fees and commissions income</b>	<b>7,346</b>	<b>8,680</b>	<b>(1,334)</b>	<b>(15.37%)</b>
Less: fees and commissions expense	1,579	1,214	365	30.07%
<b>Net fees and commissions income</b>	<b>5,767</b>	<b>7,466</b>	<b>(1,699)</b>	<b>(22.76%)</b>

During the reporting period, the Company achieved a net fees and commissions income of RMB 5.767 billion, with a year-on-year decrease of 22.76%. The reason is that, the income from wealth business decreased year-on-year with decline in agency service business due to fluctuations in capital market.

### 3. Business and administrative expenses

In 2023, the business and administrative expenses of the Company amounted to RMB 24.012 billion, with a year-on-year increase of 11.26%, as mainly due to the increase in employee expenses and business expenses. In order to continuously improve its professional and digital capabilities, the Company allocated marketing and fintech personnel, thus promoting the growth of staff cost; in terms of business expenses, the entire Bank steadily developed its institutional layout and continuously expanded its business scale, and strengthened the support and investment in special businesses. In the next stage, as the personnel system construction gradually becomes experienced, the empowering function of financial technology in business will continue to take effect, and the efficiency of cost allocation will be further improved.

Unit: in RMB 1 million

Item	2023	2022	Increase/decrease	Increase rate
Staff costs	14,638	13,648	990	7.25%

Business expenses	6,861	5,751	1,110	19.30%
Depreciation of fixed assets	933	797	136	17.06%
Depreciation of right-of-use assets	806	770	36	4.68%
Amortization of long-term deferred expenses	311	273	38	13.92%
Amortization of intangible assets	359	249	110	44.18%
Short-term leases and low-value asset leases	104	94	10	10.64%
<b>Total</b>	<b>24,012</b>	<b>21,582</b>	<b>2,430</b>	<b>11.26%</b>

#### 4. Credit and asset impairment losses

In 2023, the Company provisioned credit and asset impairment losses of RMB 8.94 billion, with a year-on-year decrease of RMB 1.491 billion. In 2023, the Company increased its efforts in liquidating non-performing assets, and optimized the allocation of structures of on-balance-sheet and off-balance-sheet assets. With the rehabilitation of macro economy, the overall level of impairment provision for the Company was decreased to a certain extent.

Unit: in RMB 1 million

Item	2023	2022	Increase/decrease	Increase rate
Loan impairment loss	10,742	10,688	54	0.51%
Impairment losses on financial investments	(263)	(1,116)	853	N/A
Impairment losses on accounts receivable from banks and other financial institutions	16	(77)	93	N/A
Impairment losses on other assets	(158)	282	(440)	(156.03%)
Impairment loss on off-sheet businesses	(1,397)	654	(2,051)	(313.61%)
<b>Total</b>	<b>8,940</b>	<b>10,431</b>	<b>(1,491)</b>	<b>(14.29%)</b>

#### 5. Income tax

In 2023, the income tax expense of the Company was RMB 2.289 billion, increased by RMB 0.141 billion from the previous year with a growth rate of 6.56%. It was mainly due to the increase of total profit of the Company.

### (II) Analysis of the Balance Sheet

#### 1. Assets

As of the end of 2023, the total assets of the Company were RMB 2,711.662 billion, with an increase of 14.60% compared to the end of the previous year. The total amount of loans and advances issued was RMB 1,252.718 billion, with an increase of RMB 206.716 billion and a growth rate of 19.76% compared to the end of the previous year; the investment balance was RMB 1,234.916 billion, with an increase of 115.904 billion and a growth rate of 10.36% compared to the end of the previous year.

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	129,131	4.76%	117,044	4.95%	12,087	(0.19)
Due from other banks	26,290	0.97%	21,396	0.90%	4,894	0.07

Precious metals	10,191	0.38%	3,803	0.16%	6,388	0.22
Lending funds	40,541	1.50%	30,337	1.28%	10,204	0.22
Derivative financial assets	20,167	0.74%	26,473	1.12%	(6,306)	(0.38)
Redemptory monetary capital for sale	9,251	0.34%	11,830	0.50%	(2,579)	(0.16)
Loans and advances	1,213,753	44.76%	1,010,817	42.72%	202,936	2.04
Trading financial assets	350,466	12.92%	361,750	15.29%	(11,284)	(2.37)
Investment on creditors' rights	418,710	15.44%	338,337	14.30%	80,373	1.14
Other investment on creditors' rights	465,419	17.16%	418,756	17.70%	46,663	(0.54)
Investment on other equity instruments	321	0.01%	169	0.01%	152	-
Investment property	14	-	24	-	(10)	-
Fixed assets	7,543	0.28%	7,685	0.32%	(142)	(0.04)
Construction in progress	1,570	0.06%	1,024	0.04%	546	0.02
Right-of-use assets	2,973	0.11%	3,083	0.13%	(110)	(0.02)
Intangible assets	2,912	0.11%	2,421	0.10%	491	0.01
Goodwill	293	0.01%	293	0.01%	-	-
Deferred income tax assets	6,260	0.23%	6,941	0.29%	(681)	(0.06)
Other assets	5,857	0.22%	3,914	0.18%	1,943	0.04
<b>Total assets</b>	<b>2,711,662</b>	<b>100.00%</b>	<b>2,366,097</b>	<b>100.00%</b>	<b>345,565</b>	<b>-</b>

### **(1) Loans and advances**

In 2023, the Company continued to strengthen support for the real economy, expanded the breadth and depth of financial services, and continuously increased the proportion of loans and advances in total assets. As of the end of 2023, the total amount of loans and advances of the Company was RMB 1,252.718 billion, with an increase of 19.76% compared to the end of the previous year. The proportion of loans and advances issued to total assets was 44.76%, with an increase of 2.04 percentage points from the end of the previous year.

#### **Corporate loans and advances**

In 2023, the Company continued to increase support for private small and micro enterprises, manufacturing enterprises and import & export enterprises in accordance with requirements of regulatory policies and development demands of clients, and increased loan investment accordingly. As of the end of 2023, the total amount of corporate loans and advances was RMB 661.269 billion, with an increase of 16.96% compared to the end of the previous year.

#### **Discount for bills**

In 2023, based on the needs of the real economy clients, the Company focused on bill discount business, enriched products of bill discount business, optimized business processes, continuously upgraded the functions of bill manager products, and provided clients with more flexible and convenient financing solutions. As of the end of 2023, the balance of discount for bills of the Company was RMB 84.252 billion, accounting for 6.73% of the total loans and advances.

#### **Personal loans and advances**

In 2023, the Company continued to enhance its client management thinking, continuously

enhanced its client service capabilities through deepening digital empowerment, and fully reached individual clients with comprehensive services throughout the entire cycle and scenario. By improving client acquisition, activation and stickiness, the Company promoted the rapid growth of personal loans and advances. As of the end of 2023, the total amount of personal loans and advances was RMB 507.197 billion, with an increase of 29.64% compared to the end of the previous year.

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Proportion	Amount	Proportion
<b>Corporate loans and advances</b>	661,269	52.78%	565,383	54.05%
Corporate loans	648,265	51.74%	552,283	52.80%
Trading financing	13,004	1.04%	13,100	1.25%
<b>Bill discounting</b>	84,252	6.73%	89,389	8.55%
<b>Personal loans and advances</b>	507,197	40.49%	391,230	37.40%
Personal consumption loan	320,958	25.62%	243,348	23.26%
Personal operation loan	98,948	7.90%	83,599	7.99%
Personal housing loan	87,291	6.97%	64,283	6.15%
<b>Total</b>	1,252,718	100.00%	1,046,002	100.00%

## (2) Security investment

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

### Investment structure divided by purpose of holding

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Proportion	Amount	Proportion
Trading financial assets	350,466	28.38%	361,750	32.33%
Investment on creditors' rights	418,710	33.91%	338,337	30.24%
Other investment on creditors' rights	465,419	37.68%	418,756	37.41%
Investment on other equity instruments	321	0.03%	169	0.02%
<b>Total</b>	1,234,916	100.00%	1,119,012	100.00%

In 2023, under the guidance of regulatory policy and according to the changes of market situation, the Company continuously optimized the structure of securities investment, actively supported the development of real economy, and further improved the efficiency and benefit of funds.

### Trading financial assets

In 2023, the yield of RMB bonds showed a fluctuating downward trend. By strengthening macro research and market analysis, and integrating investment with research, the Company seized the opportunities of swing trading, and improved the bond yield of bond trading account. By the end of 2023, the balance of the trading financial assets of the Company was RMB 350.466 billion. This kind of investment mainly includes investment on bonds and funds, accounting for 28.38% of the securities investment.

### Investment on creditors' rights

Investment on creditors' rights refers to the debt instrument investment that measured by amortized cost. The investment on creditors' rights of the Company is mainly Government Bonds of China and asset management plans, which were held for long term, aiming at strategic goals of assets and liabilities. By the end of 2023, the balance of investment on creditors' rights of the Company was RMB 418.71 billion, accounting for 33.91% of the investment in securities.

#### **Other investment on creditors' rights**

Other investment on creditors' rights refers to the debt instrument investment that measured by its fair value with its changes enter into the comprehensive income. This kind of investment mainly includes government bonds, asset-backed securities and corporate bonds, as was held by the Company to follow the macro-control policy of the country, to support the real economy, and to make balance between operation and performance. In 2023, the Company closely tracked market changes, strengthened investment research and public opinion monitoring, strictly controlled credit risks, selected optimal investment varieties within the credit strategy framework, and implemented full process control before and after investment, thus effectively avoiding credit risk events while achieving revenue growth. By the end of 2023, the balance of other investment on creditors' rights was RMB 465.419 billion, accounting for 37.68% of the investment in securities.

#### **Investment on other equity instruments**

Investment on other equity instruments refers to the equity instrument investment that measured by its fair value with its changes enter into the comprehensive income. This kind of investment was mainly non-trading equity investments held by the Company that has no control, joint control or significant influence on the investee. By the end of 2023, the balance of Company's investment on other equity instruments was RMB 321 million.

#### **Information on top ten financial bonds held by the Company**

Unit: in RMB 1 million

Category	Balance of face value	Interest rate %	Date of maturity	Depreciation reserve
Financial bond of 2023	7,580	2.83	2033/6/16	-
Financial bond of 2022	7,540	2.12	2024/10/13	-
Financial bond of 2023	6,990	3.10	2033/2/13	-
Financial bond of 2023	6,390	3.10	2033/2/27	-
Financial bond of 2023	3,700	2.64	2026/4/14	-
Financial bond of 2023	2,890	2.58	2025/3/23	-
Financial bond of 2023	2,860	2.55	2026/5/11	-
Financial bond of 2022	2,840	3.06	2032/6/6	-
Financial bond of 2022	2,270	2.37	2024/6/23	-
Financial bond of 2023	2,120	2.59	2026/1/11	-

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, 2023, the total face value of the top ten financial bonds was RMB 45.18 billion, mainly of which was policy bank debt.

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

Unit: in RMB 1 million

Derivative financial instrument	Dec. 31, 2023		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
<b>Foreign exchange derivatives</b>			
Foreign exchange forwards	57,050	640	(314)
Currency swap	572,146	6,471	(4,602)
Currency exchange	28,901	318	(608)
Foreign exchange option	191,424	3,109	(1,986)
<b>Interest Rate Derivatives</b>			
Interest rate swap	1,317,081	6,193	(6,393)
Interest rate option	5	2	(2)
<b>Other derivatives</b>			
Equity option	595	26	(26)
Precious metal forward/swap	59,187	3,408	(256)
<b>Total</b>	<b>2,226,389</b>	<b>20,167</b>	<b>(14,187)</b>

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.

Currency swap: refers to a currency swap transaction consisting of two transactions, with two different delivery dates and opposite directions, but with the same amount.

Currency exchange: 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.

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.

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

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

Precious metal inquiry transaction: refers to the gold transaction made by the market participants authorized by Shanghai Gold Exchange in the manner of bilateral inquiry via China Foreign Exchange Trade System. The trade category is the specified gold transaction listed in the foreign exchange trading



system of the trading center. The gold inquiry transaction includes categories such as spot, forward and swap depending on different trade terms.

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

In 2023, market interest rates showed a fluctuating downward trend. The Company managed market risk and maintained a stable trading style through various strategies such as interest rate swap hedging and curve trading.

#### (4) Changes of important constructions in progress during the reporting period

By the end of 2023, the important construction in progress of the Company totaled RMB 334 million.

Unit: in RMB 1 million

Project Name	Budget	Beg. Balance	Increase	Transfer into fixed assets	Other decrease	End balance	Fund source	Proportion of accumulated engineering investment to budget	Progress	Accumulated amount of capitalized interest	Including: capitalized interest of current period	Current interest capitalization rate
Data Center of Bank of Ningbo (Phase II)	530	214	120	-	-	334	Self-funded	63%	75%	-	-	-
<b>Total</b>	<b>530</b>	<b>214</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>334</b>						

#### (5) Withdrawal of debt assets and impairment provision

As of Dec. 31, 2023, the total debt assets of the Company was RMB 32 million, the impairment provision was RMB 24 million, and the net debt assets was RMB 8 million.

Unit: in RMB 1 million

Item	Amount
Land, houses and buildings	32
Stock rights	-
<b>Subtotal</b>	<b>32</b>
Provisions for impairment of mortgage assets	(24)
<b>Net mortgage assets</b>	<b>8</b>

## 2. Liabilities

As of Dec. 31, 2023, the total liabilities of the Company were RMB 2,509.452 billion, increased by 14.19% from the end of the previous year. It was mainly due to the increase of liabilities including client deposits and loans from other banks and other financial institutions.

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Borrowings from central bank	109,189	4.35%	65,435	2.98%	43,754	1.37
Due to other banks and financial institutions	82,122	3.27%	88,307	4.02%	(6,185)	(0.75)
Loans from other banks	183,114	7.30%	109,104	4.96%	74,010	2.34
Trading financial liabilities	12,359	0.49%	22,454	1.02%	(10,095)	(0.53)
Derivative financial liabilities	14,187	0.57%	19,583	0.89%	(5,396)	(0.32)
Financial assets sold for repurchase	122,641	4.89%	108,040	4.92%	14,601	(0.03)
Deposit taking	1,588,536	63.30%	1,310,305	59.63%	278,231	3.67
Wages and salaries payable	3,886	0.15%	4,112	0.19%	(226)	(0.04)
Tax payable	1,281	0.05%	1,420	0.06%	(139)	(0.01)
Bonds payable	371,083	14.79%	436,845	19.88%	(65,762)	(5.09)
Lease liability	2,819	0.11%	2,888	0.13%	(69)	(0.02)
Estimated liabilities	1,673	0.07%	3,047	0.14%	(1,374)	(0.07)
Other liabilities	16,562	0.66%	26,031	1.18%	(9,469)	(0.52)
<b>Total liabilities</b>	<b>2,509,452</b>	<b>100.00%</b>	<b>2,197,571</b>	<b>100.00%</b>	<b>311,881</b>	<b>-</b>

### Client deposit

Faced with the complex and ever-changing domestic and international economic situation, the Company regarded clients at the center, accelerated the updating and iteration of digital systems and business products, improved the empowerment quality and efficiency of financial technology, enhanced client stickiness, and promoted the steady increase of deposit scale; at the same time, the Company continued to adhere to the big wealth strategy, actively developed agency business, and expanded deposit sources. By the end of 2023, the total deposit amount of the Company reached RMB 1,566.298 billion, with an increase of 20.76% over the end of the previous year. The deposit balance of corporate clients was RMB 1,152,705 billion, with an increase of 13.65% over the end of the previous year; the deposit balance of personal clients was RMB 413,593 billion, with an increase of 46.23% over the end of the previous year.

The table below shows the client deposits categorized by product types and client types at the end of Dec. 31, 2023.

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Proportion	Amount	Proportion
<b>Corporate deposits</b>				
Demand	430,135	27.46%	396,859	30.60%
Time	722,570	46.13%	617,393	47.60%
<b>Subtotal</b>	<b>1,152,705</b>	<b>73.59%</b>	<b>1,014,252</b>	<b>78.20%</b>

<b>Individual deposits</b>				
Demand	86,717	5.54%	85,265	6.57%
Time	326,876	20.87%	197,568	15.23%
<b>Subtotal</b>	<b>413,593</b>	<b>26.41%</b>	<b>282,833</b>	<b>21.80%</b>
<b>Total</b>	<b>1,566,298</b>	<b>100.00%</b>	<b>1,297,085</b>	<b>100.00%</b>

### 3. Shareholders' equity

As of the end of 2023, the total shareholders' equity of the Company was RMB 202,210 million, with an increase of 19.99% compared to the end of the previous year. The equity attributable to shareholders of the parent company was RMB 201,195 billion, with an increase of 20.03% compared to the end of the previous year. Among them, undistributed profits was RMB 87.154 billion, with an increase of RMB 15.661 billion from the end of the previous year, as mainly due to profit growth; other equity instruments was RMB 24.81 billion, with an increase of RMB 10 billion from the end of the previous year, as mainly due to the issuance of perpetual bonds; other comprehensive income was RMB 5.801 billion, with an increase of RMB 2.15 billion from the end of the previous year, as mainly due to an increase in the fair value of other debt investments.

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	6,604	3.27%	6,604	3.92%	-	(0.65)
Other equity instruments	24,810	12.27%	14,810	8.79%	10,000	3.48
Capital reserve	37,611	18.60%	37,666	22.35%	(55)	(3.75)
Other comprehensive income	5,801	2.87%	3,651	2.17%	2,150	0.70
Earned surplus	14,705	7.27%	12,458	7.39%	2,247	(0.12)
General risk reserve	24,510	12.12%	20,944	12.43%	3,566	(0.31)
Undistributed profit	87,154	43.10%	71,493	42.42%	15,661	0.68
<b>Equity attributable to shareholders of the Parent company</b>	<b>201,195</b>	<b>99.50%</b>	<b>167,626</b>	<b>99.47%</b>	<b>33,569</b>	<b>0.03</b>
Minority equity	1,015	0.50%	900	0.53%	115	(0.03)
<b>Total shareholders' equity</b>	<b>202,210</b>	<b>100.00%</b>	<b>168,526</b>	<b>100.00%</b>	<b>33,684</b>	<b>-</b>

### (III) Analysis of assets quality

During the reporting period, the credit assets scale of the Company was in a stable growth and the non-performing loans stayed at a low level. As of Dec. 31, 2023, the total loans of the Company were RMB 1,252.718 billion, increased by 19.76% over the end of the previous year; the balance of non-performing loan of the Company was RMB 9.499 billion, with a non-performing loan ratio of 0.76%.

#### Quality of loan assets at the end of the reporting period

Unit: in RMB 1 million

Five-tier classification	Dec. 31, 2023		Dec. 31, 2022		Changes	
	Amount of loans and advances	Proportion	Amount of loans and advances	Amount of loans and advances	Increase /decrease	Proportion
<b>Subtotal of Non-NPL</b>	1,243,219	99.24%	1,038,156	99.25%	205,063	(0.01)
Standard	1,235,113	98.59%	1,032,112	98.67%	203,001	(0.08)
Special mention	8,106	0.65%	6,044	0.58%	2,062	0.07
<b>Subtotal of NPL</b>	9,499	0.76%	7,846	0.75%	1,653	0.01
Substandard	1,256	0.10%	2,546	0.24%	(1,290)	(0.14)
Doubtful	4,227	0.34%	3,553	0.34%	674	-
Loss	4,016	0.32%	1,747	0.17%	2,269	0.15
<b>Total client loans</b>	1,252,718	100.00%	1,046,002	100.00%	206,716	-

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

Unit: in RMB 1 million

Industry	Dec. 31, 2023			
	Loan amount	Proportion	NPL amount	NPL ratio
Agriculture, forestry, animal husbandry, fishing	6,305	0.50%	11	0.17%
Mining	1,817	0.15%	-	-
Manufacturing	165,369	13.20%	651	0.39%
Production and supply of electricity, gas and water	16,271	1.30%	7	0.04%
Construction	45,304	3.62%	92	0.20%
Transportation, storage, mailing	19,988	1.60%	33	0.17%
Information transfer, computer service and software	10,345	0.83%	67	0.65%
Wholesale and retail trade	112,240	8.96%	531	0.47%
Hotel, restaurant	2,720	0.22%	5	0.18%
Finance	4,374	0.35%	-	-
Real estate	115,518	9.22%	119	0.10%
Leasing and commercial service	169,133	13.49%	121	0.07%
Scientific research, technology service and geological exploitation	15,559	1.24%	31	0.20%
Water resource, environment and public facilities management and investment	52,429	4.19%	141	0.27%
Resident service and other services	1,664	0.13%	8	0.48%
Education	1,920	0.15%	70	3.65%
Health, social security and welfare	1,128	0.09%	12	1.06%
Culture, sports and entertainment	3,437	0.27%	5	0.15%
Personal loan	507,197	40.49%	7,595	1.50%
<b>Total</b>	1,252,718	100.00%	9,499	0.76%

During the reporting period, the corporate loans of the Company were mainly concentrated in the leasing and business services industry, manufacturing industry, real estate industry, wholesale and retail industry, with loan amount accounting for 13.49%, 13.20%, 9.22%, and 8.96% of the total loans, respectively. As of the end of the reporting period, there was no significant fluctuation in the non-performing loan ratios of various industries. Corporate non-performing loans were mainly

concentrated in the manufacturing and wholesale & retail industries, with non-performing loan amounts of RMB 651 million and RMB 531 million, and the non-performing loan ratios of 0.39% and 0.47%, respectively, accounting for 6.85% and 5.59% of the total non-performing loans of the Bank.

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

Unit: in RMB 1 million

Region	Dec. 31, 2023			
	Loan amount	Proportion	NPL amount	NPL ratio
Zhejiang Province	806,713	64.39%	6,042	0.75%
Including: Ningbo	432,125	34.49%	4,903	1.13%
Jiangsu Province	274,268	21.89%	2,136	0.78%
Shanghai	58,245	4.65%	571	0.98%
Beijing	48,566	3.88%	375	0.77%
Guangdong Province	52,053	4.16%	307	0.59%
Other provinces and cities	12,873	1.03%	68	0.53%
<b>Total</b>	<b>1,252,718</b>	<b>100.00%</b>	<b>9,499</b>	<b>0.76%</b>

The credit granting policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, client access policy, etc. together with regional credit extension enforcement regulation combining with the local conditions to reflect the differentiation between credit policies for different regions, thus making the policy applicable to the local market. At the end of the reporting period, the loans of the Company were mainly issued to clients in Zhejiang Province and Jiangsu Province, with the loan amount accounting for 64.39% and 21.89% of the total loan respectively. The NPL ratio in regions maintained steady. The NPL amount of Zhejiang Province and Shanghai Province was RMB 6.042 billion RMB 2.136 billion, accounting for 63.61% and 22.49% of the total NPL of the Bank respectively.

### Top 10 loan clients of the Company at the end of the reporting period

Unit: in RMB 1 million

Name of borrower	Loan balance	Proportion in total loan
Borrower A	2,125	0.17%
Borrower B	1,785	0.14%
Borrower C	1,558	0.12%
Borrower D	1,400	0.11%
Borrower E	1,400	0.11%
Borrower F	1,298	0.10%
Borrower G	1,250	0.10%
Borrower H	1,222	0.10%
Borrower I	1,184	0.09%
Borrower J	1,165	0.09%
<b>Total</b>	<b>14,387</b>	<b>1.15%</b>

As of the end of the reporting period, the loan balance of the top ten loan clients of the Company was RMB 14.387 billion, accounting for 1.15% of the total loan amount. Among them, the loan balance of the top five loan clients of the Company was RMB 8.268 billion, accounting for 0.66% of the total

loan amount.

### Proportion of loans divided by guarantee methods at the end of reporting period

Unit: in RMB 1 million

Guarantee type	Dec. 31, 2023			
	Loan amount	Proportion	NPL amount	NPL ratio
Credit Loan	501,850	40.06%	5,593	1.11%
Guarantee loan	342,976	27.38%	815	0.24%
Mortgage loan	319,222	25.48%	3,091	0.97%
Pledge loan	88,670	7.08%	-	-
<b>Total</b>	<b>1,252,718</b>	<b>100.00%</b>	<b>9,499</b>	<b>0.76%</b>

As of the end of the reporting period, the credit loan, guarantee loan and mortgage/pledge loan accounted for 40.06%, 27.38% and 32.56% of the total loan of the Company respectively.

### Loans divided by overdue limit

Unit: in RMB 1 million

Overdue limit	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	4,698	0.37%	3,220	0.31%
Overdue from 3 months to 1 year	5,001	0.40%	3,318	0.32%
Overdue from more than 1 year and within 3 years	1,708	0.14%	1,574	0.15%
Overdue for more than 3 years	277	0.02%	429	0.04%
<b>Total</b>	<b>11,684</b>	<b>0.93%</b>	<b>8,541</b>	<b>0.82%</b>

As of the end of the reporting period, the overdue loan of the Company was RMB 11.684 billion, accounting for 0.93% of the total loan. From the viewpoint of overdue limit, loans overdue within 3 months and loans overdue from 3 months to 1 year constituted the main overdue loans, with the amount of RMB 4.698 billion and RMB 5.001 billion, accounting for 0.37% and 0.40% of the total loan respectively.

### Restructured loan

Unit: in RMB 1 million

	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Restructured loan	1,197	0.10%	1,355	0.13%

By the end of the reporting period, the restructured loan of the Company was RMB 1.197 billion, accounting for 0.10% to the total loan, with a decrease rate of 0.03% from the end of the previous year.

### Withdrawal and written-off of provision for loan loss

Unit: in RMB 1 million

Item	Dec. 31, 2023	Dec. 31, 2022
Beginning balance	39,456	34,595
Other transfer-in	-	251

Current provision	10,742	10,688
Current write-off	(8,336)	(7,211)
Other transfer-out in the period	(4)	(204)
Current recovery	1,984	1,383
Including: recoveries of loans and advances written-off previously	1,984	1,383
Transferred in from decreased loan interests	(45)	(46)
Ending balance	43,797	39,456

From January 1, 2019, the Company began to implement the new standard of financial instruments. The standard takes the expected credit loss model as the basis, and, by taking into consideration the prospective adjustment of macro economy, withdrawals provision for loan credit risk loss in line with parameters such as client default rate and loss rate given default. During the reporting period, the total provision of loan loss reserves of the Company was RMB 10.742 billion, and the balance of the loan loss reserves at the end of the reporting period was RMB 43.797 billion.

#### (IV) Analysis of the Cash Flow Statement

The net cash inflow from operating activities was RMB 173.372 billion, including the cash inflow of RMB 494.388 billion, increased by RMB 114.838 billion than the previous year. It was mainly due to the increase in loans from other banks and other financial institutions, borrowings from central bank, and deposit. The cash outflow was RMB 321.016 billion, increased by RMB 36.234 billion. It was mainly due to the increase in client loans and advances.

The net cash outflow from investment activities was RMB 98.266 billion, including the cash inflow of RMB 1,291.116 billion, increased by RMB 199.856 billion than the previous year, as mainly due to the increase of cash inflow from noble metal investment and bond investment; and the cash outflow of RMB 1,389,382 billion, increased by RMB 171.177 billion than the previous year, as mainly due to the increase of cash outflow for noble metal investment and bond investment.

The net cash outflow from financing activities was RMB 70.277 billion, including the cash inflow of RMB 526.876 billion, decreased by RMB 85.871 billion than the previous year. It was mainly due to the decrease of interbank deposit certificate; the cash outflow was RMB 597.153 billion, increased by RMB 23.182 billion than the previous year. It was mainly due to the increase of funds for repayment of interbank deposit certificate.

Unit: in RMB 1 million

Item	2023	2022	Change
Subtotal of cash inflows from operating activities	494,388	379,550	114,838
Subtotal of cash outflows from operating activities	321,016	284,782	36,234
Net cash flow generated/used in operating activities	173,372	94,768	78,604
Subtotal of cash inflows from investment activities	1,291,116	1,091,260	199,856
Subtotal of cash outflows from investment activities	1,389,382	1,218,205	171,177
Net cash flow from investment activities	(98,266)	(126,945)	28,679

Subtotal of cash inflows from financing activities	526,876	612,747	(85,871)
Subtotal of cash outflows from financing activities	597,153	573,971	23,182
Net cash flow from financing activities	(70,277)	38,776	(109,053)
Net increase of cash and cash equivalents	5,013	8,058	(3,045)

#### (V) Liability quality analysis

The Company attached great importance to the quality management of liabilities. According to the *Measures for the Quality Management of Liabilities of Commercial Banks*, the Company formulated the *Measures for the Quality Management of Liabilities of Bank of Ningbo*, established a more scientific and reasonable organizational structure for the quality management of liabilities, and clarified the division of responsibilities of the Board of Directors, Senior Management and relevant departments.

During the reporting period, The Company continued to strengthen the management of source, structure and cost of liabilities. First, it continued to strengthen deposit expansion, optimized debt structure, and increased the proportion of core liabilities. Second, it continued to expand diversified interbank financing channels and enhanced the diversity of its debt structure. Third, it improved comprehensive evaluation system for debt quality and conducted regular evaluations on debt quality. Fourth, it fully utilized FTP tools to guide the high-quality development of deposits.

During the reporting period, the debt quality of the Company was stable and sustainable, and all indicators were remained within a reasonable range. The deposits of the Company at the end of the year were RMB 1,566.298 billion, with an increase of 20.76% over the previous year; the proportion of net stable capital is 117.74%, and the liquidity coverage rate is 244.48%, all of which meet the requirements of the regulatory authorities; the Company's net interest margin was 1.88%, decreased by 14 basis points year-on-year; the average interest payment rate of interest bearing liabilities was 2.15%, with a year-on-year increase of 10 basis point; the average interest payment rate of client deposits was 2.01%, increased by 24 basis points year-on-year.

#### (VI) Segment analysis

The business segments of the Company are managed and reported in terms of corporate business, personal business, capital business and other business segments. In 2023, the corporate business segment achieved revenue of RMB 21.91 billion and a total profit of RMB 13.33 billion; personal business segment achieved the revenue of RMB 21.439 billion and a total profit of RMB 4.82 billion; the capital business segment achieved the revenue of RMB 17.602 billion and a total profit of RMB 9.557 billion.

Unit: in RMB 1 million

Item	2023		2022	
	Operating income	Total profit	Operating income	Total profit
Corporate business	21,910	13,330	21,407	10,819
Individual business	21,439	4,820	22,315	6,171



Capital business	17,602	9,557	13,704	8,186
Other	634	191	453	104
<b>Total</b>	<b>61,585</b>	<b>27,898</b>	<b>57,879</b>	<b>25,280</b>

**(VII) Balance of other off-balance sheet items with significant influence on the operating results**

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

**(VIII) Assets and liabilities measured at fair value through profit and loss**

Unit: in RMB 1 million

Item	Jan. 1, 2023	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for Dec. 31, 2023 impairment	
Derivative financial assets	26,473	(5,498)	-	-	20,167
Loans and advances measured at fair value, with changes included in other comprehensive income	89,389	-	100	(27)	85,133
Trading financial assets	361,750	1,544	-	-	350,466
Investment on other creditors' right	418,756	-	2,283	(271)	465,419
Other investment on equity instrument	169	-	157	-	321
Precious metal	3,803	244	-	-	10,191
Investment properties	24	(10)	-	-	14
<b>Subtotal of financial assets</b>	<b>900,364</b>	<b>(3,720)</b>	<b>2,540</b>	<b>(298)</b>	<b>931,711</b>
Trading financial liabilities	(22,511)	(2,318)	-	-	(46,344)
Derivative financial liabilities	(22,454)	(284)	-	-	(12,359)
<b>Subtotal of financial liabilities</b>	<b>(19,583)</b>	<b>4,361</b>	<b>-</b>	<b>-</b>	<b>(14,187)</b>
Derivative financial assets	(64,548)	1,759	-	-	(72,890)

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

Unit: in RMB 1 million

Item	2023	2022	Increase/Decrease year-on-year	Main causes
fees and commission expenses	1,579	1,214	30.07%	Increase in financial service fees
other income	740	323	129.10%	Increase in benefits from inclusive small and micro subsidies
other operating income	33	17	94.12%	Increase in rental income
Profits and losses from disposal of assets	280	13	2053.85%	Disposal of fixed assets
Other operating cost	13	7	85.71%	Increase in leasing expenses
Item	Dec. 31, 2023	Dec. 31, 2022	Increase/decrease from	Main causes

			the beginning of year	
Noble metal	10,191	3,803	167.97%	Increase in precious noble metal
Lending funds	40,541	30,337	33.64%	Increase in lending funds
Investments in other equity instruments	321	169	89.94%	Increase in fair value of other equity instrument investments
Investment real estate	14	24	(41.67%)	Fair value decrease of investment properties
Construction in progress	1,570	1,024	53.32%	Increase in construction in progress
Other assets	5,857	3,914	49.64%	Increase in liquidation funds
Borrowings from central bank	109,189	65,435	66.87%	Increase in medium-term lending facility
Loans from other banks and other financial institutions	183,114	109,104	67.83%	Increase in loans from other banks and other financial institutions
Trading financial liabilities	12,359	22,454	(44.96%)	Decrease in trading financial liabilities
Estimated liabilities	1,673	3,047	(45.09%)	Decrease in provision for off balance sheet expected credit losses
Other liabilities	16,562	26,031	(36.38%)	Decrease in liquidation funds
Other equity instruments	24,810	14,810	67.52%	Issuance of perpetual bonds
Other comprehensive income	5,801	3,651	58.89%	Increase in fair value of bonds

## VI. Investment

### (I) Overall condition

Unit: in RMB 1 million

Item	Ending amount	Beginning Amount	Proportion of equity of invested companies held by the Company	Main business
China UnionPay Co., Ltd.	13.00	13.00	0.34%	Licensed project: Bank card clearing service; category I value-added telecommunications services; category II of value-added telecommunications services. General project: provide electronic payment technology and related professional services centering on bank card clearing business.
Service Center for City Commercial Banks	0.25	0.25	0.81%	Provide conference training, consulting and management services for small and medium-sized financial institutions such as city commercial banks.
Maxwealth Fund Management Co., Ltd.	647.20	647.20	71.49%	Fund raising, fund sales, specific client asset management, asset management.
Maxwealth Financial Leasing Co., Ltd.	6,000.00	5,000.00	100.00%	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling off and disposal; economic consulting; asset securitization;
BNB Wealth Management Co., Ltd.	1,500.00	1,500.00	100.00%	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property;

					private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.
Zhejiang BNB Consumer Finance Co., Ltd.		4,694.94	1,194.94	92.79%	Grant personal consumption loans; receive deposits from domestic subsidiaries of shareholders and domestic shareholders; borrow money from domestic financial institutions; approved issuance of financial bonds; domestic interbank lending; consulting and agency services related to consumer finance; act as agent to sell insurance products related to consumer loans; fixed income securities investment business.
Ningbo Donghai Bank Co., Ltd.		52.79	52.79	4.99%	Absorb public deposits; issue short-term, medium-term and long-term loans; domestic settlement; bill acceptance and discount; Acting as an agent for issuing, cashing and underwriting government bonds; purchase and sale of government bonds and financial bonds; engage in bank card (debit card) business; act as an agent for collection, payment and insurance business.
<b>Total</b>		12,908.18	8,408.18		

Note: The fourth meeting of the eighth Board of Directors of the Company approved the Proposal on Increasing the Capital of Maxwealth Financial Leasing Co., Ltd. In February 2024, Maxwealth Financial Leasing Co., Ltd. completed the registration procedures for industrial and commercial changes of registered capital, and the Company's investment in Maxwealth Financial Leasing Co., Ltd. increased from RMB 6 billion to RMB 7 billion.

## (II) Significant equity investment acquired during the reporting period

Except as disclosed, the Company did not acquire any significant equity investments during the reporting period.

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

During the reporting period, 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)	Before conducting new types of derivatives business, the Company fully identified, analyzed and evaluated all types of risks through the New Product Committee, and used duration, limit control, VAR, stress testing, credit line management and other methods to measure and control the risks of derivatives.
Instructions on risk analysis and control measures of derivatives during the reporting period (including but not limited to market risk)	During the reporting period, the market price or fair value of the derivatives invested by the Company fluctuated with the change of market transaction parameters. The derivatives valuation parameters were set according to specific products, and were consistent with industry practices. The fair value measurement was carried out using the model method provided by the middle-and-back-end valuation system.
Explanation of whether there have been significant changes in the accounting policies and accounting principles relating to the derivatives of the Company during the reporting period compared to the previous reporting period	None
Special opinions of independent directors on the derivative investment and risk control situation of the Company	Independent directors of the Company understood that trading of derivatives is a regular banking business approved by National Financial Regulatory Administration. During the reporting period, the Company attached importance to risk management of

this business and carried out efficient risk control over trading of derivatives.

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

Unit: in RMB 1 million

Contract category	Contract sum at the beginning of the period	Contract sum at the end of the period	Profit and loss during the reporting period	Proportion of the contract sum to the net assets attributable to the shareholders' of the Parent company at the end of the reporting period
<b>Foreign exchange derivatives</b>				
Foreign exchange forwards	132,451	57,050	4,138	28.36%
Currency swap	700,393	572,146	(2,518)	284.37%
Currency exchange	25,925	28,901	215	14.36%
Foreign exchange option	297,778	191,424	(1,796)	95.14%
<b>Interest Rate Derivatives</b>				
Interest rate swap	1,462,461	1,317,081	(181)	654.63%
Interest rate option	-	5	(2)	-
<b>Other derivative instruments</b>				
Equity option	409	595	(45)	0.30%
Precious metal option	-	-	1	-
Credit risk mitigation tools	400	-	12	-
Precious metal forwards/swap	40,416	59,187	1,605	29.42%
<b>Total</b>	<b>2,660,233</b>	<b>2,226,389</b>	<b>1,429</b>	<b>1106.58%</b>

In 2023, inflation in major overseas economies slowly eased from high levels. However, the overall inflation level remained relatively high. There was no significant change in the monetary policies of major economies, and China's overall macroeconomic situation was generally good. The foreign exchange market was operated steadily, and the RMB exchange rate maintained a trend of bidirectional fluctuations at a reasonable and balanced level. In terms of swaps, the interest rate spread between RMB and the USD has remained stable with a slight increase, and swap prices have followed the fluctuations of the interest rate spread between RMB and USD. The Company effectively controlled market risks and actively utilized derivative products such as interest rates and exchange rates for hedging and strategic trading. The trading strategy was further optimized, and the trading style was remained stable.

### (V) Use of the raised fund

During the reporting period, no raised funds were used by the Company.

### (VI) Major assets and right offering

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

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

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

**Company**

Unit: in RMB 1 million

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Maxwealth Fund Management Co., Ltd.	Subsidiary	Fund raising, fund sales, specific client asset management, asset management.	900	3,055	2,327	1,018	220	174
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; asset securitization;	6,000	117,878	12,539	4,552	2,836	2,125
BNB Wealth Management Co., Ltd.	Subsidiary	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.	1,500	4,193	3,836	1,168	876	668
Zhejiang BNB Consumer Finance Co., Ltd.	Subsidiary	Grant personal consumption loans; receive deposits from domestic subsidiaries of shareholders and domestic shareholders; borrow money from domestic financial institutions; approved issuance of financial bonds; domestic interbank lending; consulting and agency services related to consumer finance; act as agent to sell insurance products related to consumer loans; fixed income securities investment business.	2,911	45,671	4,869	1,802	264	202

**2. Information of major holding companies and joint stock companies**

Maxwealth Fund Management Co., Ltd., established on November 7, 2013, has a registered capital of RMB 900 million, with 71.49% of its shares held by the Company. As of the end of 2023, Maxwealth Fund Management had a total asset of RMB 3.055 billion, a net asset of RMB 2.327 billion, a total public offering scale of RMB 359.9 billion, and a non-monetary scale of RMB 248.3 billion. During the reporting period, it achieved a net profit of RMB 174 million.

Maxwealth Financial Leasing Co., Ltd., established on May 26, 2015, has a registered capital of RMB 7 billion, with 100% of its shares held by the Company. As of the end of 2023, Maxwealth Financial Leasing had a total asset of RMB 117.878 billion, a net asset of RMB 12.539 billion, and a non-performing ratio of 0.21%. During the reporting period, it achieved a net profit of RMB 2.125 billion.

BNB Wealth Management Co., Ltd., established on Dec. 24, 2019, has a registered capital of RMB 1.5 billion, with 100% of its shares held by the Company. As of the end of 2023, BNB Wealth

Management had a total asset of RMB 4.193 billion, a net asset of RMB 3.836 billion, and managed a wealth management product amounting to RMB 402.1 billion. During the reporting period, it achieved a net profit of RMB 668 million.

Zhejiang BNB Consumer Finance Co., Ltd., opened at the new address of Ningbo on January 19, 2023, has a registered capital of RMB 2.911 billion, with 92.79% of its shares held by the Company. As of the end of 2023, BNB Consumer Finance had a total asset of RMB 45.671 billion, a net asset of RMB 4.869 billion, and a net profit of RMB 202 million according to the consolidated financial statement.

#### **(VIII) Information on structured entities controlled by the Company**

Please refer to the “Note VI to Financial Statement: Equity in other Entities” of “Chapter 12 Financial Report” for the information of structured entities controlled by the Company.

### **VII. Risk Management**

By adhering to the concept of "Risk Control is Essential for Bank Operation", the Company improved the risk management system covering all staff and the whole process, comprehensively promoted the digital, systematic and intelligent construction of risk management, continued to give full play to the value of risk management and supported the sound development of the Bank. During the reporting period, the Company maintained strategic focus within a unified risk appetite framework, strengthened risk assessment, and carried out orderly identification, measurement, monitoring, and control of various risks, thus continuously improving the professionalism and pertinence of risk management, effectively preventing various risks, and ensuring the stable development of the Bank.

#### **(I) Credit risk**

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

The Company has been committing to the construction of credit risk management system featuring independent function, balanced risk and high-level efficiency, with three lines of defense performing their duties respectively. During the reporting period, by focusing on changes in the market situation and the emphasis of the operational management of the whole Bank, the Company strengthened trend judgment and proactive risk management, continuously optimized the management system and risk control technology, improved the pertinence, flexibility, and foresight of risk management, and gave full play to the value of risk management.

First, under the precise guidance of credit policies, the Company optimized resource layout. Centering on the development strategy of the entire Bank, and by taking into consideration the market dynamics, the Company conducted in-depth analysis of client characteristics, and formulated prudent, pragmatic and efficient credit policies. It flexibly utilized advantageous products and strengthened

comprehensive management by using asset portfolio; it insisted on deepening industry research, expanding its client base while focusing on in-depth exploration of client group; it continuously improved the quality and efficiency of financial services for the real economy, focusing on five aspects, namely technology finance, green finance, inclusive finance, pension finance and digital finance.

Second, the Company deepened its management mechanism and proactively implemented risk management. In terms of earning warning for corporate business, the Company upgraded its early warning system, iteratively optimized intelligent monitoring models, thus improving the accuracy and foresight of early warning; in terms of early warning for retail business, the Company established a pre-analysis process to improve the quality and efficiency of early warning and investigation; in terms of early warning for personal business, the Company upgraded its relational graph to enhance its risk mining capabilities. The Company deepened its multi-level risk control talent training system and continuously improved the coverage of data analysts; it redefined the functions of the follow-up team and further enhanced their ability to identify credit risks.

Third, the Company strengthened the system support and consolidated its digital risk control capability. The Company promoted the construction of risk data platform, achieving the integration and interoperability of underlying data and upper-level platforms in the risk field; it upgraded the big data analysis platform by integrating it with new technologies such as correlation graphs and generative AI, thus continuously expanding the coverage of risk control; it improved the usability and intelligence level of platforms, and improved the efficiency of risk identification, judgment, and analysis. The Company successfully launched the second-phase guarantee and post loan management project of the new generation credit risk management system group, orderly promoted the construction of the third phase project, established a unified risk view, and provided effective means for credit risk management.

## **(II) Large-value risk exposure**

According to the *Management Measures for Large-value Risk Exposures of Commercial Banks*, large-value risk exposure refers to the credit risk exposure of a commercial bank to a single client or a group of related clients that exceeds 2.5% of its net Tier I capital (including various credit risk exposures in bank and trading books). The Company incorporated the management of large-value risk exposures into its comprehensive risk management system, continuously monitored changes in large-value risk exposures, and regularly reported to regulatory authorities in terms of operation of large-value risk exposure indicators and related work, thus effectively controlling client concentration risk.

At the end of 2023, the Company met all regulatory requirements for large risk exposure. Among them, the risk exposure of the largest non-bank single client (anonymous client) accounted for 4.35% of the net Tier I capital, meeting the indicator management requirement as of less than 15%; the risk exposure of the largest non-bank related client accounted for 4.70% of the net Tier I capital, meeting the indicator management requirement as of less than 20%; the risk exposure of the largest interbank single client accounted for 7.13% of the net Tier I capital, meeting the indicator management requirement as of



less than 25%; the risk exposure of the largest interbank group client accounted for 7.13% of the net Tier I capital, meeting the indicator management requirement as of less than 25%.

### **(III) Liquidity risk**

Liquidity risk refers to the Company's risk of failing to obtain adequate funds in a timely manner at a reasonable cost to repay matured debts or fulfill other payment obligations for business development. Events or factors that affect the liquidity risk of the Company include significant adverse changes in market liquidity, excessive mismatch of asset and liability maturity, significant loss of wholesale or retail deposits, conversion of other risks such as credit risk or operational risk to liquidity risk, and the decrease in the financing ability of the Company.

According to the regulatory requirements and changes in macroeconomic situation, the Company continued to strengthen the construction of its liquidity risk system, improved its liquidity risk management technology, thus ensuring that the liquidity risk management system matches with the business strategy, business characteristics, financial strength, financing ability, overall risk preference and market influence of the Company. The Company implemented a prudent liquidity risk management strategy, maintained the liquidity assets at high level, held sufficient cash flow, and ensured its ability to make external payments.

During the reporting period, the Company made advance deployment and dynamically adjusted the liquidity management strategy according to the macro-economic situation, the monetary policies of the central bank, as well as the growth of assets and liabilities businesses and the liquidity gap of the Company, thus ensuring that the liquidity risk of the Company is within a safe range. During the reporting period, the Company continued to strengthen liquidity risk control. First, it continuously improved liquidity risk identification ability, upgraded the functions of asset liability management system, improved the effectiveness of risk measurement, carried out re-inspection of the early warning indicator system, and improved the sensitivity of early warning indicators; second, it continuously strengthened intraday liquidity risk management and optimized the function of position management system, thus strengthening the position management capacity of branches and sub-branches; third, it improved liquidity risk emergency management system, clarified emergency response procedures, and strengthened emergency response capabilities.

During the reporting period, the maturity of assets and liabilities of the Company matched each other well, and all supervision indexes met the supervision requirement. Meanwhile, the light, medium and heavy stress tests were applied to the domestic and foreign currencies of the Company, and the outcome indicated that the Company achieved the minimum survival period of not less than 30 days. Therefore, the emergency buffer capacity of domestic and foreign currencies was good.

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

#### **1. Liquidity ratio**

By the end of 2023 the balance of the liquidity assets of the Company was RMB 796.512 billion,



and the balance of the liquidity liabilities of the Company was RMB 945.071 billion, the liquidity ratio was 84.28%, met the requirement of regulatory authority as no more than 25%.

## 2. Liquidity coverage ratio

By the end of 2023, the balance of high-quality liquid assets of the Company was RMB 455.861 billion and the net cash outflow within 30 days was RMB 186.464 billion with the liquidity coverage ratio of 244.48% and met the requirement of no less than 100% as specified by regulatory authority.

## 3. Net stable funding ratio

By the end of 2023, the balance of stable funding available to the Company was RMB 1,526.158 billion, the balance of stable funding needed by the Company was RMB 1,296.164 billion, and the net stable funding ratio was 117.74%, met the requirement of regulatory authority as no less than 100%.

Unit: in RMB 1 million

Item	Dec. 31, 2023	Sep. 30, 2023
Stable funding available	1,526,158	1,512,477
Stable funding in need	1,296,164	1,293,399
Net stable funding ratio	117.74%	116.94%

## (IV) Market risk

Market risk refers to the risk of potential losses in future benefits or future cash flow arising from the value change of financial instruments due to the changes in interest rate, exchange rate and other market factors. The major market risks influencing the Company's business were interest rate risk and exchange rate risk, including the transaction account and account book. The Company established relatively perfect transaction account market risk management system that adapted to the nature, scale and complexity of the business, clarified the responsibilities and reporting requirement of the Board of Directors, special committees, senior management and departments concerned under the market risk governance structure, specified the policy of market risk management, as well as the identification, measurement, monitoring and control procedures, defined the program and requirements for market risk report, information disclosure, emergency disposal and market risk capital measurement, and delivered clear demands on market risk internal control, internal & external audit and information system construction.

### 1. Market risk of transaction account

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

During the reporting period, the Company closely followed the regulatory requirements and the trend of the financial market, continuously improved the market risk management system of transaction

accounts, and continuously strengthened the effectiveness of market risk identification, measurement and monitoring. First, it continued to strengthen its market risk measurement support system, further improved the quality level of market risk data and enhanced the market risk measurement capabilities by improving market risk data standards and systematic management processes. Second, it continuously improved its market risk verification and management capabilities, strengthened the pre-production model verification mechanism and annual comprehensive verification mechanism, thus ensuring the stability and reliability of the market risk measurement model of the Company. Third, it conducted the comprehensive assessment and scenario update of market risk stress testing scenarios based on changes in the financial market, thus improving sensitivity to extreme scenario impact.

The Company continuously tracked macroeconomic and monetary policy changes, conducted daily market value revaluation of trading book positions, and monitored the execution of market risk limit indicators on a daily basis. During the reporting period, the profit of the transaction account business of the Company grew steadily, and all market risk indicators were under stable operation.

## **2. Market risk of bank account**

The Company established a bank account interest rate risk management system that matches with the nature, scale, and complexity of its businesses, defined the main responsibilities of the Board of Directors, senior management, and relevant departments. The Company mainly adopted methods such as re-pricing gap analysis, duration analysis, net interest income analysis, economic value analysis and stress testing to measure the interest rate risk of bank accounts for different currencies and sources of interest rate risk in different bank accounts, set management goals for indicators of economic value changes, and monitored the level of indicators continuously, thus ensuring that the interest rate risk of the Company were under control.

During the reporting period, the Company paid close attention to the changes in the external interest rate environment and the exposure structure of internal interest rate risk, and continued to improve the level of interest rate risk management of bank account books. First, it continuously improved the interest rate risk management system of bank account books, conducted quarterly analysis and reporting on the interest rate risk management of bank account books, and strengthened the sensitivity of interest rate risk; second, it continued to carry out verification and optimization of interest rate risk measurement models and parameters in bank account books, thus ensuring the rationality and accuracy of the measurement process and results. At the same time, it continued to proactively adjust its asset liability structure and optimize its internal and external pricing strategies, thus maintaining a stable net interest margin and achieving a stable growth in net interest income.

Please refer to "Note XII to Financial Statements - 3 Market Risk" in Section Nine Financial Statements for more information on the market risk management of the Company

## **(V) Country risk**

Country risk refers to the risk that the borrower or debtor of a country or region is unable or refuses to pay the debts of commercial banks, or the businesses of the commercial banks suffer losses in the

country or region due to the economic, political, social changes and events of that country or region. Country risk may be caused by the deterioration of the economic situation of a country or region, political and social unrest, nationalization or expropriation of assets, refusal of the government to pay foreign debts, foreign exchange control or currency devaluation.

The Company followed the basic principles of "adaptation", "moderation" and "timeliness" in country risk management, formulated practical and feasible implementation plans for country risk management in accordance with regulatory requirements, and organized implementation accordingly. It established and improved the country risk management system that is consistent with the strategic goals, country risk exposure scale, and complexity, and integrated country risk management into the comprehensive risk management system. First, it timely adjusted the country risk grade, constructed internal evaluation system for country risk according to the guidance of the regulatory authorities, comprehensively determined the risk level of each country on the basis of change in macroeconomic development of the country and external rating information, divided the country risk level into five categories, namely low, comparatively low, medium, comparatively high and high country risk, and calculated the corresponding country risk limit. At the same time, the Company continuously strengthened its research and analysis of the global macro market, maintained attention to major international events and their impacts, and dynamically adjusted country risk levels based on the analysis results in a timely manner. Second, the Company continued to carry out country risk limit management. The relevant business departments of the head office dynamically identified the country risk of relevant countries or regions in the process of business operation. The risk management department of the head office reasonably allocated the country risk limit according to the business needs of relevant business departments, regularly monitored the implementation of limit management, identified potential risks at early stage, and ensured that the risk exposure of each country and region was under control. Third, the Company provisioned country risk reserves in full amount by taking into consideration the impact of country risk on asset quality, accurately identified, reasonably evaluated, and prudently predicted possible asset losses caused by country risk, thus formulating corresponding policies for the provision of country risk reserves, based on which corresponding country risk reserves were provisioned.

During the reporting period, the global economic development environment still faced various unstable factors, and issues such as geopolitical tensions made the international political and economic situation more complex. The country risk management situation of the Company is good, and the country risk exposure of the Company is mainly concentrated in countries or regions with low and comparatively low risk. Therefore, the country risk would have no significant impact on the business operation of the Company.

#### **(VI) Operational risk**

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, systems or external events.

During the reporting period, the Company continued to optimize the application of operational risk management tools, strengthened operational risk assessment and monitoring analysis, improved operational risk prevention and control in key areas, deepened information technology risk management and control, and further promoted anti-fraud work, thus ensuring that the operational risk is controlled within an appropriate range. First, the Company optimized the application of management tools for operational risk. It carried out operational risk assessment of key businesses and management processes, collated the data relating to losses of operational risk, regularly held joint meetings on operational risk, and strengthened the analysis and application of operational risk events. Second, the Company perfected the control and prevention of operational risk in key areas. It standardized signature and stamp management of online business, and improved the management and control measures for stamp-using risk of online business; it strengthened archive management from the source, established a docking system with investment banking, custody, and international business systems, regularly monitored the registration and transfer of archives, and guaranteed that all types of archives were documented in a timely and standardized manner. Third, the Company deepened the management and control of information technology risk. It conducted comprehensive self testing and evaluation of information technology risk, identified the vulnerable links effectively, and implemented rectification measures; it optimized key risk indicators for information technology and strengthened monitoring of information technology risks; fourth, the Company enhanced the management level of outsourcing risk. It revised the regulations for outsourcing system and improved its information technology outsourcing strategy and risk management strategy; it conducted outsourcing management investigation and risk assessment, and improved the control measures for outsourcing risk. Fifth, the Company managed the business continuity continuously. It revised the management method for business continuity, and clarified the requirement for analyzing the impact of new products on businesses; it conducted analysis of business impact in the whole Bank, collated the external supplier continuity plan in the important business related information system, conducted business continuity drills, and improved emergency recovery processes and strategies. Sixth, the Company promoted the prevention of telecommunication and internet fraud in depth. It paid equal attention to source control and due diligence, strengthened the management and control for account opening by individual and corporate clients; it optimized the early warning and intercepting model, and enhanced the accuracy of risk identification; it cooperated with the police to implement the dissuasion mechanism, and gave full play to the effectiveness of anti-fraud work.

#### **(VII) Compliance risk**

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

During the reporting period, the Company actively carried out compliance risk prevention work based on the goal of ensuring legal compliance management. First, the internal control system was improved. The Company paid close attention to the external regulatory policy and the actual situation of

internal operation and management. Through the interpretation of external regulatory provisions and multidimensional review of internal control system, it continuously improved the relevant systems, so as to improve the rationality and integrity of the system. Second, the monitoring and evaluation of compliance risk was strengthened. The Company continued to track all kinds of compliance risk information such as external regulation, punishment, regulatory opinions, internal and external inspection, regularly assessed the distribution and changes of compliance risk of the whole Bank, completed the compliance risk point database, strengthened the identification, monitoring and control of compliance risks in business lines and regions, and promoted the steady improvement of the effectiveness of compliance management. Third, the management on compliance of products was strengthened. The Company promoted the full-cycle management of product compliance, conducted legal compliance reviews from multiple perspectives such as product structure, institutional processes, and contract texts to ensure legality and compliance of products. Fourth, the data compliance management was deepened. The Company formulated a data compliance review template and unified data compliance review standards based on external regulations related to personal information protection; it optimized the cooperative data review process and enhanced the convenience of cooperative data review; it introduced privacy computing technology, strengthened the supporting function of big data for management, and promote compliance implementation of data cooperation and applications. Fifth, the quality and efficiency of compliance inspection was improved. Centering on regulatory priorities, the Company conducted dynamic monitoring of compliance risks supported by changes in compliance risk points; it strengthened project quality control and conducted quality assessments throughout the entire process of the front, middle and back ends. By adhering to the cultural concept of "Compliance Oriented", the Company improved the compliance awareness of new employees by publicizing the compliance management requirements and analyzing violation cases; it carried out business compliance publicity and popularize business compliance knowledge throughout the Bank; it organized daily study and research on compliance subjects, and issued legal compliance report on a bimonthly basis, thus improving the professional ability of compliance personnel; it organized special activities related to compliance culture, so as to create a good atmosphere of compliance culture, and held thematic challenges, compliance essay solicitation, knowledge and skills competitions, etc., thus creating a good atmosphere for compliance culture.

#### **(VIII) Reputation risk**

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

Guide by the regulatory requirement and by taking into consideration the actual situation of the Company, the Company adjusted its strategy in a timely manner, thus continuously enhancing the foresight, matching ability, full coverage, and effectiveness of reputation risk management. First, by centering on the foresight and effectiveness, the Company actively responded to public opinion and

handled complaints properly. It regularly evaluated and analyzed hotspots of industrial opinions, and prepared various public opinion response plans in advance based on its own situation. Supported by linkage mechanism, it ensured smooth communication and timely response during emergency event. Second, in terms of matching ability, it strengthened publicity on supporting the real economy and protecting the rights of clients and investors, and assumed social responsibility actively. In addition, it actively carried out various themed promotions such as cracking down on crimes in telecommunication network and preventing illegal fundraising. Third, in terms of full coverage, it followed the development trend of new media and continued to explore new propagation modes of convergence media. It has settled on major media platforms to enhance the external image of the Company in aspects of corporate social responsibility, serving the real economy and excellent service. By sponsoring the 2023 WTA Ningbo Open and co-organizing sports events such as marathons by branches in different cities, it provided comprehensive services to over 100 million people, advocated for the concept of national fitness and health, and improved the brand exposure and reputation significantly.

#### **(IX) Anti-money laundering management**

By adhering to the anti-money laundering management principle of "risk-oriented", the Company continued to fulfill social responsibilities and legal obligations in accordance with relevant laws, regulations, and regulatory requirements, restructured the institutional money laundering risk assessment system, deepened the empowerment function of anti-money laundering technology, and improved the level of money laundering and terrorist financing risk management. First, the Company accelerated the online governance of clients' information. Relying on the new system, it comprehensively integrated all client information from various business lines, accelerated the online intelligent management of client information quality. Second, the Company completed the institutional risk self-assessment. According to the Guidelines for Self-Assessment of Money Laundering and Terrorist Financing Risks of Legal Person Financial Institutions, the Company collated and rebuilt a "risk-oriented" three-dimensional indicator system, revised and improved the self-assessment management measures, and completed the first self assessment. Third, the Company perfected the intelligent suspicious monitoring system. On the basis of continuously adding and optimizing traditional rule-based models for transaction monitoring, and covering all common types of money laundering and high-risk businesses required by regulations, the Company continuously promoted the application of AI intelligent models and graph analysis tools, thus further perfecting the monitoring coverage and improving analysis efficiency.

#### **(X) Explanations on integrity, reasonability and effectiveness of the internal control system**

The Company attaches great importance to the integrity of the internal control system. As of now, the internal control system adopted by the Company has covered business activities, management activities and supporting activities. In accordance with external laws and regulations, regulatory policies and internal management requirements, the Company promptly formulated and revised related internal control system, continued to optimize business and management processes and implemented risk management and control measures, thus making the internal control system more complete and content

of the system more reasonable and efficient.

### **1. Improve the internal control system**

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

The Compliance Department of the Company is the leading administrative department for system administration. Before the release of the Company's system, it shall be submitted to the Legal Compliance Department for review. The Legal Compliance Department shall put forward comprehensive review opinions integrating anti-money laundering, operational risk and compliance management. The competent department of system shall implement the compliance review opinions to the corresponding system, so as to ensure that all management and business activities have rules to follow. After the release of the system and before the actual implementation of business, the Company urged branches to keep tracking the implementation of new products in the branches continuously, so as to ensure the smooth operation of business. In case there are special local regulatory requirements or operating management needs of branches or sub-branches after the corporate system is released, the branches or sub-branches can formulate the administrative systems and implementation regulations with regional characteristics.

### **2. Update the system timely and reasonably**

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

First, the Company implemented the regulatory requirements, analyzed and interpreted the important regulatory policies and work requirements, formulated the plan and implemented it in an orderly manner. Special officers were appointed to supervise and review the implementation of the system, and to ensure that regulatory requirements such as system internalization were well implemented, so as to improve the timeliness and effectiveness of the system. Second, the Company carried out post evaluation for systems. The Company regularly conducted comprehensive post evaluation for the system, focusing on evaluating whether the internal and external regulations of the existing effective system have changed, whether the system is consistent with its basis, or whether the system needs to be revised or abolished, identified whether there are incomplete or incomplete system management issues such as system deficiencies, system conflicts, and system lag, thus ensuring the effectiveness of compliance risk control from the institutional level. Third, the Company established the policy correlation mechanism throughout the Bank, and realized policy linkage on this ground. Upon the updating of a certain policy, the competent department would be reminded by the system



automatically for modification of local policies. As soon as the system of the Head Office is updated, the system will automatically remind the branch to localize the system in time. The Legal Compliance Department would follow up the implementation to ensure the effectiveness of system.

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

### **VIII. 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. In September, 2023, the People's Bank of China and the National Financial Regulatory Administration jointly released the 2023 List of Banks of Systematic Importance to China. The Company was listed among the first group, making it be subject to additional capital requirements such as an additional capital ratio of 0.25% and an additional leverage ratio of 0.125%. The Company monitored capital adequacy ratio on a regular basis and submits required information to the National Financial Regulatory Administration every quarter. It predicted capital adequacy ratio every month through stress test and other approaches to ensure the index complies with regulatory requirements. With the establishment of comprehensive risk management, the Company further strengthened risk identification and appraisal abilities to make it measure risk-weighted assets more accurately according to business essence. During the reporting period, all indicators of the capital adequacy ratio of the Company met the regulatory requirements. In 2023, the National Financial Regulatory Administration issued the Capital Management Measures for Commercial Banks, and the Company actively promoted the upgrading and construction of the risk weighted asset measurement system, achieving the measurement of regulatory indicators of capital under the new capital regulations.

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 2023, the Company issued perpetual bonds amounted to RMB 10 billion to optimize its capital structure, thus enhancing its ability to resist risks and support the real economy.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2023, 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, and promoted optimized and reasonable configuration of capital; it further leveraged its comprehensive operating advantages, improved consolidation management and other systems, and gradually strengthened the capital management of subsidiaries, thus meeting the capital management demands of the collectivized and comprehensive operations.

### (I) Information on capital adequacy ratio

According to the *Capital Management Measures for Commercial Banks (Trial)*, the scope of consolidated data of the Company covers the parent company and affiliated fund companies, financial leasing companies, wealth management subsidiaries, and consumer finance companies. By the end of 2023, the capital adequacy ratio of the Company is as follows:

Unit: in RMB 1 million

Item	Dec. 31, 2023		Dec. 31, 2022	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	174,611	152,455	151,288	136,697
2. Net balance of Tier one capital	199,446	177,265	166,112	151,507
3. Net balance of total capital	271,772	247,990	235,407	219,570
4. Total risk-weighted assets	1,811,196	1,670,655	1,551,141	1,443,082
Including: credit risk-weighted assets	1,682,837	1,557,227	1,439,096	1,341,623
Market risk-weighted assets	21,043	18,313	17,206	15,678
Operational risk-weight assets	107,316	95,115	94,839	85,781
5. Core Tier one capital adequacy ratio	9.64%	9.13%	9.75%	9.47%
6. Tier one capital adequacy	11.01%	10.61%	10.71%	10.50%
7. Capital adequacy ratio	15.01%	14.84%	15.18%	15.22%

Note: According to regulatory requirements, the credit risk, market risk and operational risk of the Company were measured by using the weighting method, standard method and basic indicator method respectively.

### (II) Information on leverage ratio

Unit: in RMB 1 million

Item	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Leverage ratio	6.00%	5.96%	5.72%	5.60%

Net balance of Tier I capital	199,446	193,535	180,928	172,819
Balance of assets on and off the balance sheet after adjustment	3,324,218	3,246,905	3,160,510	3,084,791

## IX. Business review

### (I) Corporate banking business

In terms of corporate banking business, the Company maintained its primary mission of "Serving the Real Economy", adhered to the service concept of "Serving Clients Wholeheartedly", committed to solving the pain point of clients concerning cost deduction and benefit enhancement through financial technology empowerment, thus providing clients with all-around and comprehensive financial services. The Company implemented a storied, classified and professional corporate client management system. On the basis of promoting the list system and grid marketing, it had deeply promoted the efficient introduction and deep operation of strategic and key. During the reporting period, the Company insisted on taking root in the regional market, continuously improved the quality and efficiency of services, comprehensively enhanced the stickiness of corporate business, and expended the client group as well, thus ensuring the steady growth of all businesses. At the end of the reporting period, the total number of corporate clients of the Company reached 151,500, with an increase of 16,200 compared with the end of the previous year.

In terms of deposits, the Company focused on client demand and empowered enterprise operations through digital systems such as financial asset manager, bill manager, foreign exchange manager, and enterprise APP, thus facilitating the settlement of enterprises, and contributing to the financial benefit of enterprises. At the same time, the Company continuously optimized service processes, improved the full-cycle operation service system based on different dimensions such as industry types and segmented client groups, and provided clients with professional, online, and mobile services, thus effectively promoting the growth of settlement deposits via the improvement of both quality and quantity. At the end of the reporting period, the balance of corporate banking deposit reached RMB 911.4 billion (including institutional deposits), increased by RMB 97 billion over the end of the previous year with a growth rate of 11.91%.

In terms of loans, the Company continued to optimize the allocation of credit resources and provided clients with flexible and high-quality financing services by comprehensively utilizing a package of financial products such as local/foreign currency loans, commercial bills, bank notes and domestic L/C. It continued to increase medium and long-term financial support for technological transformation, project construction and green transformation and development of enterprises; it increased credit allocation to SRDI enterprises as well as technology innovation enterprises; it strengthened financial support for enterprises of major strategies and in key areas such as green and low-carbon enterprises and strategic emerging industries. The Company continued to deepen the reform of digital services for asset business, actively connected with the "Digital Supply Chain Financial

Service Platform" of the People's Bank of China's, accelerated the digitization, scenarioization, and platformization of asset business with the support of innovative products and services of "Five Management Tools and Two Treasures", thus improving the quality and efficiency of serving the real economy. At the end of the reporting period, the balance of RMB loans from corporate banking business reached RMB 397.6 billion, increased by RMB 61.9 billion over the end of the previous year, with a growth rate of 18.44%.

In terms of institutional business, the Company followed the trend of digital transformation of clients, focused on the management needs and business scenarios of institutional clients, leveraged digital advantages, and continuously iterated and upgraded comprehensive digital service solutions. At the same time, it carried out various business carrier activities to provide comprehensive financial services for institutional clients with higher quality. At the end of the reporting period, the deposits from institutional business of the Company reached RMB 234.2 billion, increased by RMB 43.1 billion from the end of last year, with a growth rate of 22.55%.

## **(II) Retail corporate business**

By adhering to the business philosophy of "taking root in regional development, contributing to the development of the real economy, practicing inclusive finance, and supporting small and micro businesses", the Company upgraded business model by centering on clients, and optimized client service model and product system by emphasizing on high-quality comprehensive management of SMEs client groups, specialized services for client groups of key industry and refined management of existing client groups, thus providing clients with "more professional, convenient and flexible" financial product portfolios and comprehensive service solutions. During the reporting, the Company, with the assistance of carrier management and digital operation, actively promoted the full-coverage visit, high-quality and efficient access and batch services for middle and small-sized enterprises within its operating area, and provided personalized, diversified and integrated financial services solutions concentrating on the operating cycle and upstream and downstream industry chain of enterprises, thus further meeting the all-around financial and pan-financial demands of clients. At the end of the reporting period, there were 432,000 retail corporate clients, increased by 14,900 compared to the end of the previous year.

In terms of deposits, the Company continued to consolidate its key client base, expanded new business paths in the industry, promoted the optimization of settlement products and systems, leveraged the advantages of product portfolios, and comprehensively upgraded service level of settlement business, thus effectively enhancing breadth and depth of services. At the end of the reporting period, the balance of deposits from retail corporate business reached RMB 241.3 billion, increased by RMB 41.4 billion from the end of previous year, with a growth rate of 20.71%.

In terms of loans, the Company continuously strengthened the placement of inclusive credit loan, implemented exclusive preferential policies, as supported by special activities, and actively developed "First Loan Clients". By leveraging digital empowerment, the Company continuously improved online

processes and enhanced quality and efficiency of client service. At the end of reporting period, the number of inclusive small and micro enterprises reached 233,100, increased by 25.19% from the end of previous year; the balance of loan from inclusive small and micro enterprises reached RMB 185.8 billion, increased by 20.81% from the end of previous year; the average interest rate of new loans to inclusive small and micro enterprises was 6.15%.

### **(III) Investment banking business**

In terms of investment banking business, the Company, by adhering to the concept of "Creating Value for Clients", upgraded the comprehensive financial service plan, and achieved finance product aggregate (FPA) of RMB 606.5 billion with a total client number of over 3,000. In terms of principal bond underwriting, the Company has issued non-financial enterprise debt financing instruments with a total scale of RMB 286.4 billion, ranking first among regional banks in the interbank market for four consecutive years. The Company continued to strengthen innovation in bond products in fields of green and technological innovation, and issued the first green carbon asset bond and the first mixed science and technology innovation REITs in the market. In terms of financing for science and technology innovation, the Company provided multidimensional empowerment such as equity financing, policy consulting and industrial resource linkage according to the needs of enterprises, thus continuously improving service quality and efficiency, and supporting high-quality development of the real economy. In terms of digital systems, the Company continuously iterated and upgraded its "Smart Investment Bank Manager", and served nearly 1,000 clients, thus contributing to the digital transformation of investment bank clients.

### **(IV) Bill business**

In terms of bill business, The Company actively responded to policy changes, continuously upgraded services, and provided higher quality, convenient and efficient discount services to real economy clients, especially micro, small and medium-sized clients. During the reporting period, the Company held over 100 online live broadcasts, launched hot events such as "Special Offer Week of Bill Business", thus enhancing client experience, improving business stickiness and expanding client base. During the reporting period, the Company had over 29,000 clients of bill business, including 28,000 micro, small and medium-sized clients, accounting for 96% of the total. During the reporting period, the Company won several awards by the Shanghai Commercial Paper Exchange, including "Excellent Comprehensive Business Institution", "Excellent Institution of Bill Business", and "Excellent System Business Promotion Institution of the New Generation", etc.

### **(V) Asset custody business**

During the reporting period, the Company continued to provide professional, innovative and secure asset custody services to clients. It made new breakthrough in product innovation, and further perfected the product spectrum. It launched the first mixed science and technology innovation REITs custody business in the country, thus assisting enterprises in revitalizing state-owned assets and expanding

financing channels; it launched its first family service trust in which participated with fund advisor, thus contributing to the transformation development of trust industry. It insisted on digital transformation, established ecological system for custody services, and iteratively upgraded digital service platform of "Easy Custody", providing comprehensive solutions for nearly a thousand custody clients, and taking a leading position in the market. At the end of the reporting period, the Company had a total of 656 clients of asset custody business, with the CUM scale of asset custody business exceeding RMB 4.3 trillion, including a custodial scale of RMB 4 trillion and an outsourced business scale of RMB 331.8 billion.

#### **(VI) Financial market business**

During the reporting period, by centering on the development principle of "Strengthening Strategy, Exploring Client Base and Optimizing Empowerment", the Company strengthened market research and judgment, realized precise timing, flexibly adjusted positions, and improved asset investment efficiency; it deepened client group operation, enhanced comparative advantage of interbank business, and continuously expanded the market comparative advantage of agency business. During the reporting period, the Company had stable-growing transactions concerning a variety of financial market business. It ranked the 1st in the entire market in CDB bonds underwriting, the 9th in national debt underwriting and the 13th in comprehensive foreign exchange marketing.

During the reporting period, the excellent performance of the Company in financial market business was widely recognized by the market. The Company was awarded titles of "2023 Annual Market Influential Institution" and the "2023 Market Innovation Business Institution" in four sub-categories, including the "Core Trader" in the interbank local currency market by the China Foreign Exchange Trade System; it won the titles of "2023 Excellent Financial Bond Issuer" and "2023 Excellent Bond Underwriter" of the China Central Depository & Clearing Co., Ltd.; it won titles "2023 Outstanding Underwriter in the Interbank Market" and "2023 Innovation Cooperation Award" of China Development Bank; it won titles of "2023 Core Underwriter" and "2023 Best City Commercial Bank" of Financial Bond Underwriting Market Making Group of the Export-Import Bank of China; as well as titles of "Excellent Underwriting Institution", "2023 Best City Commercial Bank in Serving Agriculture, Rural Areas, and Rural Residents", and "2023 Cohesiveness Award" of Agricultural Development Bank of China.

#### **(VII) Wealth management business**

During the reporting period, by sticking to the business philosophy of "Serving Clients Wholeheartedly" and sticking to the tenet of "Creating value through professionalism", the Company promoted its big wealth management strategy, enhanced digital empowerment capabilities for operation, optimized business models, and upgraded operating system, thus laying a solid foundation for the stable and sustainable development of its wealth business. In terms of product systems, the Company further perfected product lines covering cash, fixed income, equity, security and alternative products, improved its capabilities in investment research, strategy, product selection and investment adviser, and provided clients with selected products by introducing top institutions continuously; in terms of client

management, the Company continued to upgrade its business system, deepened hierarchical and classified operations, integrated the multi-dimensional equity system, and provided clients with full and comprehensive services from multiple perspectives via a rich content ecosystem; in terms of team construction, the Company conducted professional training and tool empowerment for employees, promoted the growth of outstanding professional talents, insisted on creating long-term value for clients with expertise, thus promoting the effective improvement of scale, client quantity and brand image of wealth business. At the end of the reporting period, the total asset under management (AUM) of the individual clients of the Company reached RMB 987 billion, increased by RMB 181.4 billion compared to the end of the previous year, with a growth rate of 22.5%; due to its outstanding performance in the field of wealth management, the Company won the "2023 Best Wealth Management Bank Award" and Top 10 of "2023 China Financial Value Ranking" in terms of pension finance. In addition, it also won awards such as "Yinghua Best Fund Sales Bank for Public Funds in the Past 25 Years" of the fund industry in China.

In terms of private banking business, the Company adhered to the operation philosophy of "Prudent Operation and Steady Development", Provided comprehensive services for "individual, enterprise, home and community" of client, established asset allocation plan centering on professionalism and robustness, thus continuously enriching the service and product system of private banking business and meeting the differentiated needs of private banking clients; it built professional team of private banking business continuously, insisted on internal and external linkage and integrated internal and external resources, thus providing clients with personalized, comprehensive and systematic services, and further enhancing the reputation of private banking business. At the end of the reporting period, the Company had 21,487 private banking clients, increased by 4,411 compared to the end of the previous year with a growth rate of 25.83%; the AUM of private banking clients reached RMB 261.8 billion, increased by RMB 62.9 billion compared to the end of the previous year with a growth rate of 31.63%.

#### **(VIII) Consumption credit business**

During the reporting period, by centering on clients, the Company continuously promoted the empowerment of big data, enriched the consumer credit product system, met the diversified financing needs of clients, and supported transformation and upgrading of consumption. The Company continued to improve digital, intensive and refined business system, providing clients with more professional, precise and comprehensive financial services. It actively supported the reasonable housing loan demand of residents and continuously optimized the quality and efficiency of mortgage business services. It continuously improved the admittance threshold of clients and risk warning system, refined multi-dimensional risk control measures, and ensured the stable quality of assets. At the end of the reporting period, the balance of personal credit loan of the Company was RMB 242.4 billion, with an increase of 23.61% compared to the end of the previous year.

**(IX) Credit card business**

During the reporting period, the Company continued to promote the transformation of the credit card business, with the exhibition modes constantly iterated and innovated, focusing on the optimization and upgrading of the process experience. In terms of customer operation, the Company has continuously promoted the ecosystem construction by depending on the "Good Life" platform built by itself in compliance with the customer consumption hotspots and regional characteristics, conducted differentiated and special theme activities so as to improve the sense of satisfaction and gain of the customers when using the credit cards. In terms of product research and development, the Company has promoted Jingying Card and other products, further enriching the product system. And in terms of risk prevention and control, the Company has completed the construction of key projects such as credit card collection, early warning management and control, and data monitoring, further improving the credit card risk management and control capabilities. As of the end of the reporting period, the Company has issued a total of 5,875,000 credit cards, an increase of 21% compared with the end of the previous year, and the balance of the credit card advances was RMB 35,098 million.

**(X) Maxwealth Fund**

During the reporting period, Maxwealth Fund continued to build a team and platform-based integrated investment and research system, achieving a steady growth in various business scales. By the end of the reporting period, the total public offering scale of Maxwealth Fund has reached RMB 359.9 billion, increasing by RMB 88.6 billion over the end of the previous year. The non-monetary scale was RMB 248.3 billion, increasing by RMB 40.2 billion over the end of the previous year. There were 121 public offering products, including 82 fixed income public offering fund products, 5 of which were newly established in the reporting period; there were 39 equity public fund products in total, with 5 newly established in the reporting period; there were 49 special account products, realizing a relatively scientific overall layout. During the reporting period, Maxwealth Fund has realized a net profit of RMB 174 million.

**(XI) Maxwealth Financial Leasing**

During the reporting period, based on the real economy, Maxwealth Financial Leasing continued to integrate with the industry, actively expanded small and micro leasing business, data operation, new energy, intelligent equipment, intelligent manufacturing and public utilities, taken the initiative to innovate financial technology, and accelerated transformation and development, continuously accumulative advantages and promoting its brand awareness and market influence steadily. As of the end of the reporting period, balance of the assets of Maxwealth Financial Leasing reached RMB 111.2 billion, with a non-performing rate of 0.21%; and during the reporting period, Maxwealth Financial Leasing realized a net profit of RMB 2,125 million and a net return on assets of 18.79%, with its main operating indicators among the top in the financial leasing industry.



## **(XII) BNB Wealth Management**

BNB Wealth Management always adhered to the original mission that the financial industry shall serve the real economy, constantly optimized the product layout, and upgraded the product categories, meeting the wealth management needs of the customers. During the reporting period, BNB Wealth Management closely followed the national development strategic deployment, promoted the diversified layout of the product strategies, realized the landing of strategic products such as Shanghai, Hong Kong and Shenzhen, intelligent manufacturing, and state-owned enterprise dividends, and led the funds to be invested in the real economy; valued the comprehensive experience of the investors, gave ply to the inclusive nature of the financial products, launched the short maturity, daily available and target profitability products, providing customers with flexible product redemption plans and investment cycle arrangements; accelerated the pace of channel construction, solidly practiced the work of investment and education, officially launched the direct marketing APP, released more than 100 investment and education papers, passing the correct investment concept; received honors such as "China Banking Financial Bull Award" organized by China Securities Journal and "Jinyu Award" by Pystandard. By the end of the reporting period, the balance of financial products managed by BNB Wealth Management was RMB 402.1 billion, an increase of RMB 5.4 billion over the end of the previous year; realized a net profit of RMB 668 million.

## **(XIII) BNB Consumer Finance**

BNB Consumer Finance always adhered to the policy guidance of promoting consumption and protecting people's wellbeing, actively practiced inclusive finance, constantly enriched the consumption scenario, linked the online and offline channels and promoted the business development; launched the proprietary product "Loan for You", meeting the consumer financing needs of the new citizen groups; constantly promoted the systematic, digital and intelligent level of the Company by deepening the adoption of financial technology, and promoted the quality and efficiency of financial services. As of the end of the reporting period, the loan balance of BNB Consumer Finance was RMB 42.1 billion, with a net profit of RMB 202 million.

## **(XIV) Electronic channels**

During the reporting period, in order to further promote the digital transformation and accelerate the brand building of the Bank of Ningbo, the Company continued optimize the product services at the electronic channels, promote the customer experience and provide customers with professional, intelligent and convenient one-stop comprehensive financial services with the APP, online banking and WeChat banking as the contact points and the users and scenario as the center.

APP platform. During the reporting period, the Company has constantly upgraded APP of Bank of Ningbo. In terms of individual functions, the Company has upgraded the financial products to help customers choose high quality products; created the night financial products and salary financing to meet personalized demands of customers; in terms of subdivided customer groups, the Company has



launched "BNB Baby" and other characteristic scenarios, enriching the scenario ecology. As of the end of the reporting period, the Company had a total of 10.03 million individual users, increasing by 36% year-on-year. In terms of corporate functions, based on the customer application scenario, the Company has promoted the voice transfer, QR code payment and other relevant characteristic functions to improve the operation convenience. As of the end of the reporting period, the Company had a total of 271,000 corporate users, increasing by 32% year-on-year.

Online banking service. During the reporting period, the Company adhered to the development strategy of both product construction and customer operation, continued to promote the upgrading of online banking products, expand the service scenarios and improve the service level. The Company has improved the quota billing function, set up ticket cockpit to assist the enterprises in bill lifecycle management; focused on core functions such as foreign exchange settlement and exchange rate management, strengthened cross-border RMB and capital account settlement scenarios, constantly optimized the settlement process of foreign exchange payment, and achieved one-stop service for decision-making and trading; upgraded the unified marketing center for corporate customers, improved the efficiency of customer activities, and promoted the risk prevention and control system. By the end of the reporting period, there were 510,000 customers at the electronic corporate channel of the Company, increasing by 11% year-on-year.

WeChat banking. During the reporting period, the Company upgraded the WeChat service hall, providing customers with more convenient business processing channels and caring financial services. As of the end of the reporting period, there were 5.68 million followers of the official account of the Bank of Ningbo, which was 37% higher than the end of the previous year.

#### **(XV) Financial technology**

During the reporting period, the Company took the initiative to seize the opportunity of digital transformation, upheld the concept of financial technology creating value for customers, upgraded the three innovative business models of data operation, platform operation and financial technology operation, and continued to improve the productivity and competitiveness of financial technology with the guidance of technology enabling customer management and integrating into customer production and life, so as to build the characteristic advantages of the brand of Bank of Ningbo.

In terms of organizational structure, the Company continued to strengthen the integration and collaboration of science and technology business. Furthermore, the Company has promoted the full link integration of product research and development and experience design through the newly established experience design center, professionalizing and standardizing the customer experience on the basis of strengthening the linkage and collaboration between science and technology and business.

During the reporting period, the Company launched a new generation of core business systems and credit risk management system groups, realized the comprehensive transformation of system architecture, the independent control of key technologies and the overall cloudification of the

infrastructure, promoted the scientific and technological capabilities to a new level, providing strong support for the long-term development of the business. The Company has also continued to improve the product research and development system, improve the research and development efficiency, strengthen the operation and maintenance support, and obtained the DevOps capability maturity excellent rating. In addition, the Company has enhanced its research and development engineering capabilities to provide more agile demand response capabilities for business innovation and development.

The company released the "BNB Cloud" brand to provide various financial technology products and professional digital solutions to upgrade the financial technology service model. The Company has continued to strengthen the cooperation of science and technology business, promote the efficient linkage of the total branch offices, adhere to the promotion of joint marketing, joint research and development and joint operation and maintenance, expand the application scenarios of financial technology, and improve customer response ability, meeting the requirements of high-quality and sustainable business development.

#### **(XVI) Consumer rights and interests protection**

The Company adheres to the people-centered value orientation, deeply understands the political and livelihood importance of the consumer rights and interests protection work, persists in the principle of "all for people", focuses on the construction of the "big consumer rights and interests protection" work system, continuously improves the construction of the consumer rights and interests protection system, builds a new financial consumer rights and interests protection mechanism, promotes the implementation in an orderly manner, and strives to enhance the sense of gain, happiness and security of financial consumers.

The Company follows the principles of law compliance, equality, willingness and credit to carry out consumer rights and interests protection work, strengthens the mechanism construction of "two-all and three-source" consumer rights and interests protection work, increases the application of financial technology innovation, and implements the consumer rights and interests protection work through all links of the business process and covers the whole process of customer service, forming a closing management loop involving pre-prevention, in-process control and post-tracing and building a work pattern in which all employees bear the responsibility of consumer rights protection. The Company revised the *Administrative Measures for the Protection of Consumer Rights and Interests of Bank of Ningbo*, *Emergency Plans for the Consumer Rights and Interests of Bank of Ningbo*, *Administrative Measures for the Contents Review of the Consumer Rights and Interests of Bank of Ningbo*, *Administrative Measures for Handling Consumer Complaints of Bank of Ningbo*, *Administrative Measures for the Protection of Financial Information of Consumers of Bank of Ningbo*, *Publicity and Education System for Financial Knowledge of the Consumer Rights and Interests of Bank of Ningbo*, consolidating the institutional cornerstone of consumer rights and interests protection work.

The Company has adhered to and developed the "Fengqiao Experience" in the new era, strictly followed the work concept of "Doing Good and Doing Right", constantly resolved difficulties at the

source, built a set of efficient whole process complaint handling system, unblocked the complaint handling channel, launched the WeChat compliant APP, and set up customer complaint ends at online banking, mobile banking and WeChat official account ends so that customers can access to the updated information and complaint anytime. Furthermore, the Company also adopted high-tech data analysis methods such as big data and AI to continuously iterate and optimize the functions of the customer complaint management system, promoted the intelligent transformation of customer complaint management, continued to improve the quality and efficiency of financial consumer complaint handling, and ensured that the reasonable demands of the masses were timely responded to and properly solved. In response to the relatively concentrated complaints, the Company penetrated from the phenomenon of customer complaints to the source of business, continuously optimized and improved services, and strengthened the sales code of conduct and source governance. During the reporting period, the Company received 1,370 complaints transferred by the supervision, and the complaint response rate and feedback rate were 100%. In terms of business category, loan business accounted for 49.9%, credit card business accounted for 23.9%, wealth management business accounted for 13.4% and other business accounted for 12.8%. And in terms of regional distribution, Jiangsu Province accounted for 20.4%, Shanghai 13.1%, Beijing 7%, Guangdong 4.8%, Zhejiang 54.7% , among which Ningbo accounted for 40.4%.

The Company has actively fulfilled its obligation of publicity and education for the protection of the rights and interests of financial consumers, popularized financial knowledge, passed on positive financial energy, and coordinated and organized various publicity and education activities, creating a harmonious and healthy financial environment, improving the financial literacy of financial consumers, helping the consumers understand more financial knowledge, and working with the masses to build an honest consumption environment and boost financial consumer confidence. During the reporting period, the Company continued to carry out financial education activities, explore the form of financial education, and carry out publicity and education activities concerning the rule, community, campus, enterprises and business circles, sinking the focus of publicity and education, so as to get close to financial consumers. For the service scenes and high-frequency matters involved in daily life, the Company adopted a popular way to carry out financial publicity and education through multiple channels and forms. In the past year, the Company carried out a total of 848 various publicity and education activities, such as "3·15" consumer rights and interests protection education and publicity week, "Financial Knowledge Popularization Activity" and "Financial Consumer Rights and Interests Protection Education and Publicity Month"; more than 70 publicities at over 30 medias, including Xinhua News Agency, China News Network and other central media, China Insurance News, China Fortune network and other financial media, Ningbo Evening News, Ningbo Pai and other local media; promoted financial knowledge videos for 6 months at the metro and bus lines, such as "Something About Wealth Management" and "Danger · Trap, with a cumulative audience of more than 30.2 million consumers. The original videos "Credit Investigation Fraud" and "Credit Card Fraud Prevention Guide" were respectively awarded the first prize and the Excellence Award at the financial digital works

selection by Ningbo Financial Consumer Rights and Interests Protection Association in 2023.

## **X. Outlook of future development**

### **(I) Business development planning in 2024**

At present, the international economy, trade and investment has slowed down, geopolitical conflicts continue, international financial market volatility has intensified, and there are many uncertain factors in banking business operation. Although China's economic recovery is generally positive and gaining momentum, it still faces challenges such as insufficient effective demand and weak social expectations. In 2024, the Company will continue to adhere to the general tone of stability while seeking progress, actively adapt to changes in the business environment, continue to accumulate differentiated comparative advantages, and promote the stable and high-quality development of the Bank under the leadership of the Board of Directors.

Firstly, deepen the main line of business and promote sustainable development. The Company will continue to implement the business strategy of "imperfect for large banks, impossible for small banks", stay true to its original idea of "Serving Clients Wholeheartedly", adhere to the finance for the people, persist in the customer-centered principle, take private enterprises, small and micro enterprises, manufacturing and import and export enterprises as the focus, continue to focus on key areas, segmented industries, capital ports, so as to serve the needs of the real economy and solve the difficult and right thing deeply, expand its customer groups and promote the high-quality and sustainable development of the Bank.

Secondly, strengthen the professional management and consolidate its core advantages. Facing the increasingly narrowing of the growth space under the traditional banking business model, the Company will be more firm in the customer-centric business philosophy, continue to improve the ability to create value for customers with expertise, transform the uncertainty in the market fluctuations into the certainty of value creation from the perspective of customers, grasp the market opportunities with expertise, and further improve the level of banking business expansion and management, accumulate and comparative advantage of market segment and build a moat for the development of the Bank.

Thirdly, accelerate the technological empowerment and promote the transformation development. The Company will continue to accelerate the technological transformation and empower operation, deepen the core advantages of open bank, promote the "professional, digital, platform" business, focus on data, algorithm and computing power, consolidate the underlying science and technology foundation of digital application, strengthen the capabilities of technology center and data center, accelerate the system iteration and upgrade, and strive for more development space.

Fourthly, hold the bottom line of risks firmly and ensure a stable operation. Facing the complex and changeable internal and external environment, the Company will continue to strengthen the overall risk management, further promote the pertinence and effectiveness of risk management measures, anticipate in advance and effectively avoid risks, accelerate the digitized and intelligent application of

risk management, and continue to improve all links of the whole process of risk management, strictly adhere to the three operating bottom lines, namely no large adverse risks, no cases and no major system failures, so as to ensure the long-term development of the Bank.

## **(II) Key issues in operation**

### **1. About net interest rate of return**

Looking forward to 2024, the Company's net interest rate is expected to remain under pressure.

On the asset side, in terms of structure, due to the uncertainty of economic recovery, the growth rate of personal housing loans and personal consumption loans with high returns has slowed down. In terms of price, the market interest rate will continue to fall. In February, the 5-year LPR will be reduced by 25BP and the 10-year treasury bond yield will fall to below 2.4%, and the loan and investment yield will be both affected, for which, the Company will actively respond to. On the one hand, under the premise of controllable risks, the Company will continue to explore the financial needs of the customers, expand the coverage of customer service, promote the growth of credit scale and increase the proportion of credit assets in total assets; On the other hand, the Company will optimize the asset structure, strengthen the research and judgment of market interest rate, balance the efficiency of capital and fund use, and improve the comprehensive return on capital.

On the liability end, due to the fierce competition in the deposit market and the low fund activation rate because of the residents' preference for medium and long term deposits, the company will actively improve customer stickiness and increase demand deposit retention through the digital platform on the one hand; on the other hand, the Company will establish a hierarchical and classified management system for customers, implement differentiated pricing for different levels of customers, and strengthen the volume and price management of high-cost deposits. And meanwhile, the Company will also refine active debt management, timely issue bonds and interbank certificates of deposit when the market interest rate is low, absorb treasury cash fixed deposits, and actively apply for central bank rediscount and re-loan lines to reduce the cost of active debt.

### **2. About net non-interest rate of return**

In 2024, the Company will actively seek growth in net non-interest income. Firstly, due to the recovery of the equity market and the continuous reduction of deposit interest rates, wealth businesses such as commission funds and insurance are expected to grow. The Company will seize the market opportunities with strong demand for residents' wealth growth, strengthen the professional capacity building of the team, enrich the wealth management products, and bring into play the synergistic effect of multiple profit centers such as wealth, investment banking, custody, fund and financial management subsidiaries, and promote the commission income; secondly, the Company will strengthen macro policy analysis, grasp market opportunities and actively explore new growth points in subdivisions, internally improve the ability to choose the timing of trading, externally provide trend analysis services for customers to avoid market risks, and improve the level of investment transactions and customer service capabilities in financial markets, international settlement and bills; and thirdly, the Company will

deepen the professional, digital and platform operation, establish the brand of Bank of Ningbo, solve pain points of customers and improve the non-interest income based on the concept of "Serving Clients Wholeheartedly".

### 3. About asset quality

In the face of economic cycle fluctuations and changes in internal and external economic situation, the Bank will still face certain challenges in asset quality control. In 2024, the Company will adhere to the idea of "Risk Control is Essential for Bank Operation" and take control of the credit risk management. On one hand, the Company will closely follow the internal and external economic situation and policy requirements, implement prudent, pragmatic and efficient credit granting policies, accurately target at the key areas of the economy, do a good job in the "five missions" and better serve the high-quality financial development. On the other hand, the Company will continue to improve the whole process credit risk management, promote the risk management professionalism and precision and serve to the stable development of the Bank depending on the financial technology. It is expected that the Company's asset quality will continue to maintain a good level in the industry.

### 4. About capital management

2024 will be the first year of the implementation of the new capital regulations, and the Company will strictly comply with the requirements of the new regulations and promote capital management in an orderly manner. Firstly, the Company will implement the *Measures for the Administration of Capital of the Commercial Banks*, maintain a reasonable and adequate capital level, and ensure that the capital adequacy ratio meets regulatory requirements; secondly, the Company will adapt to the new policies, optimize the resource allocation at the company level, refine capital management, promote business structure adjustment, management process optimization, and capital system iteration, integrate the concept of capital saving into the whole business process, and improve the return on capital level; thirdly, the Company will issue capital bonds in a timely manner in compliance with the changes in the economic environment and the needs of business development.

## XI. Activities of receiving investigation, communication and interview, etc. during the report period

Reception time	Reception place	Reception mode	Reception object type	Reception object	Discussion content and information provided	Index of research basic situation
Apr. 24, 2023	Ningbo	quanjing.com	Others	Institutional and individual investors		
May. 5, 2023	Ningbo	Telephone communication	Institutions	Institutional investors		
May. 12, 2023	Ningbo	Field investigation	Institutions	Institutional investors	Management and development strategies of the Company, periodic reports and temporary announcements	www.cninfo.com.cn ) <i>Investor Relation Activities Record Chart</i> of the Company
May. 29, 2023	Ningbo	Field investigation	Institutions	Institutional investors		
Jul. 4, 2023	Ningbo	Field investigation	Institutions	Institutional investors		
Jul. 11, 2023	Ningbo	Telephone communication	Institutions	Institutional investors		
Aug. 29, 2023	Ningbo	Telephone	Institutions	Institutional		

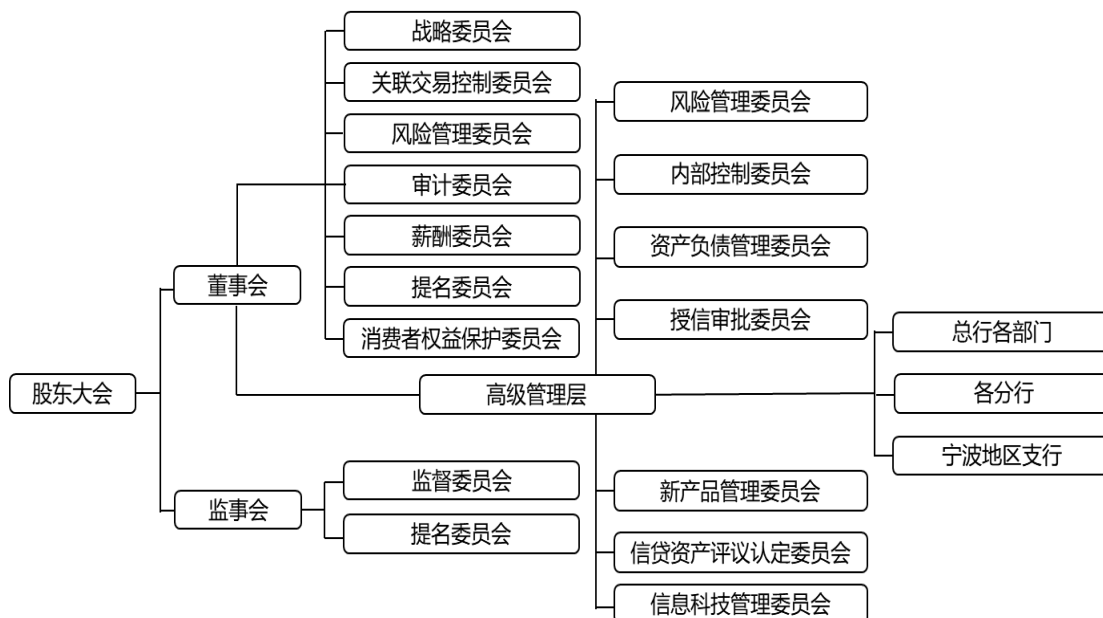
		communication		investors
Sep. 5, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Jul. 6, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Jul. 12, 2023	Ningbo	Field investigation	Institutions	Institutional investors
Jul. 15, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Jul. 20, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Nov. 9, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Nov. 9, 2023	Ningbo	Field investigation	Institutions	Institutional investors
Nov. 15, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Nov. 22, 2023	Ningbo	Telephone communication	Institutions	Institutional investors
Nov. 23, 2023	Ningbo	Field investigation	Institutions	Institutional investors
Nov. 24, 2023	Ningbo	Field investigation	Institutions	Institutional investors
Nov. 27, 2023	Ningbo	Telephone communication	Institutions	Institutional investors



## Chapter Seven Corporate Governance

### I. Basic conditions of the corporate governance

The Company has constantly improved its corporate governance system in strict accordance with the requirements of *the Company Law*, *Governance Criteria of Listed Companies* and other laws and regulations and the regulatory requirements. During the reporting period, the Company held 1 annual general meeting of the shareholders and 2 extraordinary meetings of the shareholders; 5 regular meetings and 2 extraordinary meetings of the Board of Directors; and 20 meetings of the special committees of the Board of Directors. The Board of Directors has carefully considered and deliberated various proposals, listened to the work report of the senior management, understood the business status of the Company, and made scientific decisions around the Company's strategic development, risk management, internal control, related party transaction management and other matters, effectively safeguarding the Company's overall interests and the legitimate rights and interests of shareholders. The Board of Supervisors has actively performed the supervision function and independently supervised the decision-making, risk management and internal control of the Company. The Senior Management has consciously accepted the supervision of the Board of Directors and Board of Supervisors, regularly reported to the Board of Directors on the operation status of the Bank, implemented the opinions and suggestions of the Board of Directors and Board of Supervisors, and solidly promoted the stable development of the Company.



股东大会： Shareholders' Meeting

董事会： Board of Directors

监事会： Board of Supervisors

战略委员会： Strategy Committee

关联交易控制委员会： Related Party Transaction Control Committee

风险管理委员会： Risk Management Committee

审计委员会： Audit Committee

薪酬委员会： Remuneration Committee

提名委员会： Nomination Committee

消费者权益保护



委员会：Consumer Protection Committee      高级管理层：Senior Management      监督委员会：Supervisory Committee      提名委员会：Nomination Committee  
 风险管理委员会：Risk Management Committee      内部控制委员会：Internal Control Committee  
 资产负债管理委员会：Asset-Liability Management Committee      授信审批委员会：Credit Approval Committee  
 新产品管理委员会：New Products Management Committee      信贷资产评  
 议认定委员会：Credit Assets Review Committee      信息科技管理委员会：Information Technology Management Committee  
 总行各部门：Departments of Head Office      各分行：Branches      宁波地区支行：Sub-branches within Ningbo Region

## II. Independence of the Company against the controlling shareholders and actual controllers in ensuring asset, personnel, finance, organization and business of the Company

During this report period, the Company has no controlling shareholders nor actual controllers.

## III. Horizontal competition

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

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

Session and type of meeting	Ratio of participating investors	Date of meeting	Date of disclosure	Resolutions of meeting
The 1 <sup>st</sup> Session of 2023 Extraordinary General Meeting of Shareholders	61.86%	Feb. 10, 2023	Feb. 11, 2023	
The 2 <sup>nd</sup> Session of 2023 Extraordinary General Meeting of Shareholders	59.58%	Feb. 27, 2023	Feb. 28, 2023	For details <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2022 Annual General Meeting of Shareholders	60.72%	May. 17, 2023	May. 18, 2023	

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

## V. Information of directors, supervisors and senior management

### (I) Basic information

Name	Gender	Age	Position	Status	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)	Other increase/decrease (share)	Shares held at year end	Reason of increase/decrease
Lu Huayu	Male	59	Chairman	Incumbent	Jan. 15, 2005	Feb. 9, 2026	1,374,350	0	0	0	1,374,350	-
Zhuang Lingjun	Male	44	Vice chairman, president	Incumbent Incumbent	May. 24, 2022 Apr. 8, 2022	Feb. 9, 2026 Feb. 9, 2026	0	0	0	0	0	-
Zhou Jianhua	Male	51	Director	Incumbent	Apr. 14, 2023	Feb. 9, 2026	0	0	0	0	0	-
Wei Xuemei	Female	48	Director	Incumbent	May. 18, 2015	Feb. 9, 2026	0	0	0	0	0	-
Chen Delong	Male	54	Director	Incumbent	May. 15, 2023	Feb. 9, 2026	0	0	0	0	0	-

Qiu Qinghe	Male	61	Director	Incumbent	May. 15, 2023	Feb. 9, 2026	0	0	0	0	0	-
Liu Xinyu	Female	49	Director	Incumbent	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0	0	-
Bei Duoguang	Male	66	Independent director	Incumbent	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0	0	-
Li Hao	Male	65	Independent director	Incumbent	Apr. 9, 2020	Feb. 9, 2026	165,000	0	0	0	165,000	-
Hong Peili	Female	60	Independent director	Incumbent	Apr. 9, 2020	Feb. 9, 2026	0	0	0	0	0	-
Wang Wei'an	Male	58	Independent director	Incumbent	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0	0	-
Li Renjie	Male	69	Independent director	Incumbent	Jun. 12, 2023	Feb. 9, 2026	0	0	0	0	0	-
Luo Mengbo	Male	53	Supervisory, employees' supervisor	Incumbent	Feb. 6, 2024	Feb. 9, 2026	2,111,646	0	811,646	0	1,300,000	-
Zhou Shijie	Male	34	Supervisor	Incumbent	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0	0	-
Ding Yuanyao	Male	58	External supervisor	Incumbent	Feb. 10, 2020	Feb. 9, 2026	0	0	0	0	0	-
Bao Mingwei	Male	51	External supervisor	Incumbent	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0	0	-
Yu Dechang	Male	48	External supervisor	Incumbent	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0	0	-
Zhuang Ye	Female	46	Employees' supervisor	Incumbent	Feb. 10, 2017	Feb. 9, 2026	0	0	0	0	0	-
Yu Qing	Female	47	Employees' supervisor	Incumbent	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0	0	-
Luo Weikai	Male	58	Director	Incumbent	Jul. 12, 2022	Feb. 9, 2026	0	0	0	0	0	-
			Vice president	Incumbent	May. 10, 2022	Feb. 9, 2026						
			CFO	Incumbent	May. 10, 2022	Feb. 9, 2026						
			CIO	Incumbent	Nov. 1, 2022	Feb. 9, 2026						
Wang Yongjie	Male	51	Vice president	Incumbent	Aug. 27, 2012	Feb. 9, 2026	265,980	0	0	0	265,980	-
Feng Peijiong	Male	49	Director	Incumbent	Apr. 12, 2016	Feb. 9, 2026	0	0	0	0	0	-
			Vice president	Incumbent	Aug. 11, 2015	Feb. 9, 2026						
Xu Xuesong	Male	48	Vice president	Proposed	-	Feb. 9, 2026	0	0	0	0	0	-
Wang Dandan	Female	41	Vice president	Proposed	-	Feb. 9, 2026	0	0	0	0	0	-
Yu Gang	Male	47	Secretary to the board of directors	Proposed	Jan. 25, 2018	Feb. 9, 2026	0	0	0	0	0	-
Shi Tingjun	Male	53	Director	Resigned	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0	0	-
Chen Shouping	Male	53	Director	Resigned	Jun. 5, 2020	Feb. 9, 2023	0	0	0	0	0	-
Zhu Nianhui	Male	61	Director	Resigned	Sep. 23, 2021	Feb. 9, 2023	0	0	0	0	0	-
Hu Pingxi	Male	70	Independent director	Resigned	Mar. 8, 2018	Feb. 9, 2023	0	0	0	0	0	-
Liu Jianguang	Male	52	Supervisor	Resigned	Sep. 16, 2019	Feb. 9, 2023	0	0	0	0	0	-
Shu Guoping	Male	59	External supervisor	Resigned	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0	0	-

Hu Songsong	Male	43	External supervisor	Resigned	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0	0	-
Lu Xiaosu	Female	54	Employees' supervisor	Resigned	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0	0	-
Hong Lifeng	Male	59	Supervisory, employees' supervisor	Resigned	Oct. 9, 2015	Feb. 6, 2024	1,808,524	0	0	0	1,808,524	-
Fu Wensheng	Male	51	Vice president	Resigned	Aug. 27, 2012	Feb. 6, 2024	0	0	0	0	0	-
Zhang Ningning	Female	40	Vice president	Resigned	Mar. 24, 2021	Feb. 6, 2024	0	0	0	0	0	-

## (II) Personal alteration of the Company's directors, supervisors and senior management

Name	Position	Type	Date	Reason
Zhou Jianhua	Director	Elected	Apr. 14, 2023	Work demand
Chen Delong	Director	Elected	May. 15, 2023	Work demand
Qiu Qinghe	Director	Elected	May. 15, 2023	Work demand
Li Renjie	Independent director	Elected	Jun. 12, 2023	Work demand
Zhou Shijie	Supervisor	Elected	Feb. 10, 2023	Work demand
Bao Mingwei	External supervisor	Elected	Feb. 10, 2023	Work demand
Yu Dechang	External supervisor	Elected	Feb. 10, 2023	Work demand
Yu Qing	Employees' supervisor	Elected	Feb. 10, 2023	Work demand
Shi Tingjun	Director	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Chen Shouping	Director	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Zhu Nianhui	Director	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Hu Pingxi	Independent director	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Liu Jianguang	Supervisor	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Shu Guoping	External supervisor	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Hu Songsong	External supervisor	Expiration of term of office	Feb. 9, 2023	Expiration of term of office
Lu Xiaosu	Employees' supervisor	Expiration of term of office	Feb. 9, 2023	Expiration of term of office

Notes:

1. On February 6, 2024, Mr. Hong Lifeng resigned as supervisory and employees' supervisor of the Company, Mr. Fu Wensheng and Ms. Zhang Ningning resigned as Vice President of the Company.

2. On February 6, 2024, Mr. Luo Mengbo was elected as the employees' supervisors of the eighth Board of Supervisors at the staff meeting and supervisory of the Company by the Board of Supervisors of the Company.

3. On February 6, 2024, the Board of Directors of the Company reviewed and approved the proposal to appoint Mr. Xu Xuesong and Ms. Wang Dandan as Vice President of the Company, while their qualification as senior management still needs to be approved by the regulatory authority.

## (III) Employment situation

### 1. Professional background, major work experience and major duties of the current director, supervisors and senior management

#### Directors

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

Mr. Zhuang Lingjun, born in July 1979, master's degree, is currently the Vice Chairman and President of the Company. Mr. Zhuang Lingjun has successively served as the Assistant to President of Beilun Sub-branch of the Company, Assistant to General Manager of the Personal Banking Department of the Head office, Vice President of Shenzhen Branch of the Company, President of Mingzhou Sub-branch of the Company, General Manger of the Risk Management Department of the Head Office and President of Beijing Branch of the Company. Mr. Zhuang Lingjun has been the Vice President of the Company since October 2019 and a Director of the Company since April 2020, President of the Company since April 2022 and Vice Chairman of the Board of Directors of the Company since May 2022.

Mr. Zhou Jianhua, born in September 1972, bachelor's degree, tax accountant, economist and accountant, currently serving as General Manager of Ningbo Financial Holding Co., Ltd. Mr. Zhou Jianhua has successively served as a member of the Party Committee of Xiangshan County Government Office, Director of the Financial Office of the People's Government of Xiangshan County, Party Secretary and Director of Xiangshan Investment Promotion Bureau, Party Secretary and Director of Xiangshan Investment Promotion and Development Center, and Deputy General Manager of Ningbo Financial Holding Co., Ltd.; he has been a director of the Company since April 2023.

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

Mr. Chen Delong, born in November 1969, Singapore, obtained MBA from University of Manchester, UK, Chartered Financial Analyst, Certified Public Accountant of Singapore. He is currently serving as the President of the Global Corporate and Investment Business of OCBC. Mr. Chen Delong has successively served as Chief Risk Officer, Head of Corporate and Institutional Banking at DBS Bank Limited in Singapore, and Supervisor at DBS Bank (China) Limited.

Mr. Qiu Qinghe, born in March 1963, Singapore, obtained Ph.D. from the University of Melbourne,

is a member of Institute of Certified Public Accountants Australia. He is currently serving as a Director, the Chairman of the Nominating Committee, Member of the Executive Committee and Member of the Remuneration Committee of OCBC. Mr. Qiu Qinghe has successfully served as the Deputy Managing Director of the Monetary Authority of Singapore and a Member of the Competition and Consumer Commission of Singapore; Director of the National Environment Agency of Singapore from April 2020 to present; Director of OCBC (Hong Kong) since August 2021 (Chairman of the Board since January 2023); he has been a director of the Company since May 2023.

Ms. Liu Xinyu, born in November 1974, obtained a master's degree and the title of Senior Economist. She is currently the General Manager of the Investment Operation Department of Youngor Fashion Co., Ltd. and Chairman of the Board of Directors of Ningbo Youngor Health and Pension Management Co. Ltd. Ms. Liu Xinyu has successively served as a cadre of the Planning Department and Editorial Department of Youngor Newspaper of Youngor Group Co., Ltd., Deputy Director of the Office of Youngor Group Co., Ltd. and Secretary of the Board of Directors; she has been a director of the Company since April 2020.

Mr. Luo Weikai, born in April 1965, obtained a master's degree and the title of Economist. He is currently the Director, Vice President, Financial Officer and CIO of the Company. 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 May 2005 to December 2007, has been the Vice President of the Company from December 2007 to February 2020, the Director of the Company from August 2006 to October 2011 and from April 2017 to February 2020, the full-time Deputy Secretary of the Party Committee of the Company since February 2020, Vice President of the Company since May 2022 and Director of the Company since July 2022.

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 Sub-branch, Head of the HR Department of the Company, Senior Associate Director at assistant general manager level, Assistant General Manager, Deputy General Manager and General Manager of the Company, 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. Bei Duoguang, born in May 1957, doctorate degree, is currently the President of Chinese Academy of Financial Inclusion, a Part-time Professor and Doctoral Supervisor of the School of Finance, Renmin University of China, a Consultant of the Strategy and Innovation Committee of Securities Association of China and Chairman of Renda Pratt & Whitney (Beijing) Consulting Co., Ltd..

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

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

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

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

Mr. Li Renjie, born in March 1955, bachelor's degree, has successfully served as the Director of the Planning Department of People's Bank of China Fujian Branch, Executive Director of Jiangnan Group (Hong Kong) Co., Limited, Chairman of the Board of Directors of Great Wall Securities, President of Industrial Bank Co., Ltd. Shenzhen Branch and Vice President, Director and President of the Head Office of Industrial Bank Co., Ltd., and Chairman of the Board of Directors of Lufax Holding Ltd.; Mr. Li Renjie has been a Director of the Company since June 2023.

### **Supervisors**

Mr. Luo Mengbo, currently the Employees' Supervisor and Supervisory of the Company, born in



November 1970, obtained a bachelor's degree and the title of Senior Economist. Mr. Luo Mengbo has successfully served as Business Inspector, Assistant General Manager and General Manager of the Corporate Department of the Company, General Manager of the Credit Management Department of the Company, President of Beilun Sub-branch of the Company and General Manager of the Corporate Department of the Company; Mr. Luo was the Assistant President of the Company from January 2008 to January 2009, the Vice President of the Company from January 2009 to October 2011 and a Director. He was the Director and President of the Company from October 2011 to February 2014, Vice Chairman and President from February 2014 to January 2022, and Deputy Secretary of CPC of the Company from February 2022 to February 2024; Mr. Luo Mengbo has been the Employees' Supervisor and Supervisory of the Company since February 2024.

Mr. Zhou Shijie, born in October 1989, obtained a master's degree, is now serving as the Deputy General Manager of Ningbo Haishu Industrial Investment Co., Ltd. Mr. Zhou Shijie has successfully served as the Deputy Business Director of the of Investment Bank Department III of Caitong Securities, the Deputy General Manager of Ningbo Haishu Industrial Investment Co., Ltd., and the Shareholder Supervisor of the Company from February 2023 to present.

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

Mr. Bao Mingwei, born in October 1972, holds a bachelor's degree and is a Senior Practicing Lawyer, who is now serving as Senior Partner and Chief Supervisor of L&H Law Firm (Ningbo). Mr. Bao Mingwei has served as the Legal Manager of Shanghai Alison Group from July 1997 to December 1999, Senior Partner Lawyer at Zhejiang Zhongxin Law Firm from September 2012 to December 2021, the Founding Partner, Senior Partner Lawyer and Supervisor of Dentons (Ningbo) from September 2012 to December 2021, and the Founding Partner, Senior Partner Lawyer and Supervisor of L&H Law Firm (Ningbo) from February 2023 to present. Mr. Bao Mingwei has served as an External Supervisor of the Company since February 2023.

Mr. Yu Dechang, born in July 1975, holds a bachelor's degree and is a Certified Public Accountant, Certified Tax Agent, Certified Appraiser, and Senior Accountant, who is currently serving as a Partner of Lixin Zhonglian CPAS and Director of the Hangzhou Branch. Mr. Yu Dechang has successfully

served as the Accountant of Ningbo Communications Engineering Construction Group Co., Ltd. from August 1996 to September 1999, Project Manager and Partner of Ningbo Guoxin United Accounting Firm from September 1999 to December 2013, the Head of the Zhejiang Branch of Lixin Zhonglian CPAS from January 2014 to January 2018, and the Head of the Hangzhou Branch of Lixin Zhonglian CPAS since January 2018. Mr. Yu Dechang has served as an External Supervisor of the Company since February 2023.

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

Ms. Yu Qing, born in August 1976 with a bachelor's degree, is now serving as the Deputy General Manager of the Audit Department of the Company. From 2011, Ms. Yu Qing has successfully served as the Senior Deputy Manager of the Personal Bank Audit Department, Senior Deputy Manager of Corporate Bank Audit Department, Senior Deputy Manager of Business Audit Department, Deputy General Manager of the Audit Department of Shanghai Branch (in charge of work), General Manager of Shanghai Audit Branch of the Head Office Audit Department, Assistant General Manager and Deputy General Manager of the Audit Department of the Head Office, and the General Manager of the Audit Department of the Company since June 2023; Ms. Yu Qing has been the Employees' Supervisor of the Company since February 2023.

### **Senior Management**

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

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

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. Xu Xuesong, born in November 1975, is a PhD and Senior Economist. He is currently the



Vice President (proposed) of the Company. Mr. Xu Xuesong was a faculty member of Shanghai University of Accounting and Finance from September 2007 to May 2008; he joined Bank of Ningbo in May 2008 and has served at the education training position of the Human Resources Department of the Head Office, and the Manager, Deputy General Manager, Deputy General Manager (work as chair) and General Manager of the Training Department; Mr. Xu Xuesong has served as the President of the Shanghai Branch of the Company from September 2017 to February 2024.

Ms. Wang Dandan, born in August 1982 with a master's degree, is an intermediate economist. She is currently the Vice President (proposed) of the Company. Joined Bank of Ningbo in July 2007, Ms. Wang Dandan has successfully taken positions concerning sales, product R&D and trade sales of the Financial Marketing Department (Capital Operation Department) of the Head Office, and served as Senior Deputy Manager, Senior Manager, Assistant to the General Manager and Deputy General Manager of the Product and Marketing Department; Ms. Wang Dandan has served as the Deputy General Manager and of the Capital Operation Center (inclusive of the preparation period) and the Deputy General Manager (work as chair) from April 2019 to July 2021, and the General Manager of the Capital Operation Center of the Company from July 2021 to February 2024.

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.

## **2. Employment information of the Company's directors, supervisors and senior management under the shareholder units**

<b>Name of Members</b>	<b>Name of Shareholders</b>	<b>Positions in Shareholder Units</b>	<b>Term of Office</b>	<b>Whether be remunerated in Shareholder units or not</b>
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Deputy General Manager	From May 2015 to the present	Yes
Chen Delong	Singapore Overseas-Chinese Banking Co., Ltd.	President of Global Corporate and Investment Banking	From March 2022 to the present	Yes
Qiu Qinghe	Singapore Overseas-Chinese Banking Co., Ltd.	Director	From March 2021 to the present	Yes
Liu Xinyu	Youngor Fashion Co., Ltd.	Deputy General Manager and Board Secretary	From May 2017 to May 2023	Yes
	Youngor Fashion Co., Ltd.	General Manager of Investment and Operation Department	From May 2023 to the present	Yes
Zhou Shijie	Ningbo Haishu Industrial Investment Co., Ltd.	General Manager	From June 2023 to the present	Yes

## **3. Employment information of the Company's directors, supervisors and senior management under other units**

Name of Members	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Zhou Jianhua	Ningbo Financial Holding Co., Ltd.	General Manager	From February 2024 to the present	Yes
	Yongxing Securities Co., Ltd.	Director	From November 2021 to the present	No
Wei Xuemei	Ningbo Maritime Industrial Fund Management Co., Ltd.	Director	From July 2018 to the present	No
	Ningbo Dahongying Education Group	Chairman of Board of Directors	From May 2021 to the present	No
	Ningbo University of Finance & Economics	Director General	From September 2023 to the present	No
Chen Delong	Maxwealth Fund Management Co., Ltd.	Director	From November 2022 to the present	No
Qiu Qinghe	National Environment Agency Singapore	Director	From April 2020 to the present	Yes
	OCBC Bank (Hong Kong) Limited	Chairman of Board of Directors	From January 2023 to the present	Yes
Liu Xinyu	Ningbo Youngor Health and Pension Management Co. Ltd.	Chairman of Board of Directors	From February 2021 to the present	No
	Zhejiang Yaru Tourism Development Co., Ltd.	Director	From September 2022 to the present	No
	Xinjiang Gelaixue Glacier Water Manufacturing Co., Ltd.	Director	From February 2023 to the present	No
	Kuafu Technology Co., Ltd.	Director	From February 2023 to April 2024	No
	Youngor Fashion (Shanghai) Technology Co., Ltd.	Director	From March 2023 to the present	No
	Ningbo Youngor Tourism Management Co., Ltd.	Director	From October 2023 to the present	No
	Youngor Garment Manufacturing Co., Ltd.	Director	From October 2023 to the present	No
	Youngor Garment Holdings Co., Ltd.	Director	From March 2024 to the present	No
	Ningbo Youngor Garment Co., Ltd.	Director	From March 2024 to the present	No
	Ningbo China-hemp Biotechnology Co., Ltd.	Director	From March 2024 to the present	No
	Youngor Real Estate Holdings Limited	Director	From March 2024 to the present	No
	Anhui Xinhao Textile Technology Co., Ltd.	Director	From March 2024 to the present	No
	Bei Duoguang	Renmin University of China	Professor and Doctoral Supervisor	From September 2002 to the present
Chinese Academy of Financial Inclusion		President	From April 2016 to the present	Yes
Renda Inclusive (Beijing) Consulting Co., Ltd.		Chairman of Board of Directors	From July 2015 to the present	Yes
Strategy and Innovation Committee of Securities Association of China		Consultant	From January 2015 to the present	No
China Trust Protection Fund Co., Ltd.		Independent Director	From February 2016 to the present	Yes
	Beijing International Trust Co., Ltd.	Independent Director	From July 2016 to the present	Yes

	Financial Research Center of Counselors' Office of the State Council	Researcher	From November 2020 to the present	No
	Zhejiang Mybank Co., Ltd.	Independent Director	From December 2021 to the present	Yes
	Chongho Bridge Rural Group Co., Ltd.	Director	From February 2024 to the present	No
	China Reform Holdings Corporation Ltd.	External Director	From October 2020 to March 2024	Yes
Li Hao	China Eastern Airlines Holding Co. Ltd.	External Director	From December 2020 to the present	Yes
	HSBC Bank (China) Limited	Independent Director	From December 2022 to the present	Yes
	Bangkok Bank (China) Company Limited	Independent Director	From September 2021 to the present	Yes
Hong Peili	Shanghai Fubanghua - Public Welfare Foundation	Council Member	From February 2022 to the present	No
	Xingyin Fund Co., Ltd.	Independent Director	From October 2022 to the present	Yes
	Fujian Haixi Financial Leasing	External Supervisor	From July 2022 to the present	Yes
	Zhejiang University	Professor and Doctoral Supervisor	From September 1999 to the present	Yes
	Zhejiang Huiju Investment Management Co., Ltd.	Director	From February 2011 to the present	No
Wang Wei'an	Hangzhou Central Branch of the People's Bank of China	Currency Policy Consultant	From July 2014 to the present	No
	Zhejin Trust Co., Ltd.	Independent Director	From May 2017 to the present	Yes
	Zhejiang Yasha Decoration Co., Ltd.	Independent Director	From August 2019 to the present	Yes
	Xiaoshan Rural Commercial Bank	Independent Director	From September 2021 to the present	Yes
	Guotai Junan Securities	Independent Director	From April 2021 to the present	Yes
Li Renjie	Huaneng Guicheng Trust	Independent Director	From April 2021 to September 2023	Yes
	Xiamen International Bank	Independent Director	From December 2021 to the present	Yes
	Ningbo University	Professor and Doctoral Supervisor	From December 2003 to the present	Yes
Ding Yuanyao	Ningbo Hongwei Software Technology Co., Ltd.	Supervisor	From March 2004 to April 2022	No
	L&H Law Firm (Ningbo)	Associate and Chief Supervisor	From January 2022 to the present	Yes
Bao Mingwei	Ningbo Zhong'ao Tiancheng Investment Partnership (Limited Partnership)	Partner	From June 2018 to the present	No
	Ningbo Qirui Enterprise Management Partnership (Limited Partnership)	Partner	From August 2018 to the present	No
	Lixin Zhonglian Realignment Firm	Associate and Director of Hangzhou Branch	From January 2018 to the present	Yes
Yu Dechang	Zhejiang Mustang Battery Co., Ltd.	Independent Director	From November to the present	Yes
	Ningbo Hushan Management Consulting Partnership (Limited Partnership)	Partner	From January 2018 to the present	No

	Ningbo Zhenhai Tongbao Paper Co., Ltd.	Executive Director	From August 2012 to the present	No
	Ningbo Haishu State Capital Investment Management Group Co., Ltd.	Director	From January 2020 to the present	No
	Ningbo Lanhai Private Equity Fund Management Co., Ltd.	Executive Director and Manger	From May 2020 to the present	No
Zhou Shijie	Sunny Loantop	Director	From May 2020 to the present	No
	Ningbo Haishu Guangju Asset Management Co., Ltd.	Director	From May 2021 to the present	No
	Ningbo Hudu Energy Technology Co., Ltd.	Director	From June 2021 to the present	No
	Ningbo Shuxia Trading Co., Ltd.	Executive Director and General Manger	From February 2023 to the present	No
	Huan Cai Xing Technology (Ningbo) Co., Ltd.	Director	From March 2023 to the present	No
Yu Qing	BNB Wealth Management Co., Ltd.	Supervisor	From January 2023 to the present	No

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

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

#### (IV). Remuneration of directors, supervisors and senior management personnel

##### 1. Decision-making process, determination basis and actual payment for the remuneration of directors, supervisors and senior management

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

**2. Remuneration of directors, supervisors and senior management personnel during the reporting period**

Unit: (RMB) 10,000

Name	Gender	Age	Position	Tenure Status	Total Pre-tax Remuneration Received from the Company	Whether be remunerated from Shareholders or other related methods
Lu Huayu	Male	59	Chairman	Incumbent	275	No
Zhuang Lingjun	Male	44	Vice chairman and president	Incumbent	275	No
Zhou Jianhua	Male	51	Director	Incumbent	0	Yes
Wei Xuemei	Female	48	Director	Incumbent	0	Yes
Chen Delong	Male	54	Director	Incumbent	10	Yes
Qiu Qinghe	Male	61	Director	Incumbent	10	Yes
Liu Xinyu	Female	49	Director	Incumbent	10	Yes
Bei Duoguang	Male	66	Independent director	Incumbent	35	No
Li Hao	Male	65	Independent director	Incumbent	35	No
Hong Peili	Female	60	Independent director	Incumbent	35	No
Wang Wei'an	Male	58	Independent director	Incumbent	35	No
Li Renjie	Male	69	Independent director	Incumbent	20.42	No
Luo Mengbo	Male	53	Chief supervisor, employees' supervisor	Incumbent	247.5	No
Zhou Shijie	Male	34	Supervisor	Incumbent	0	Yes
Ding Yuanyao	Male	58	External supervisor	Incumbent	30	No
Bao Mingwei	Male	51	External supervisor	Incumbent	27.5	No
Yu Dechang	Male	48	External supervisor	Incumbent	27.5	No
Zhuang Ye	Female	46	Employees' supervisor	Incumbent	110	No
Yu Qing	Female	47	Employees' supervisor	Incumbent	125	No
Luo Weikai	Male	58	Director, vice president, financial officer, and CIO	Incumbent	247.5	No
Wang Yongjie	Male	51	Vice president	Incumbent	247.5	No
Feng Peijiong	Male	49	Director, vice president	Incumbent	247.5	No
Yu Gang	Male	47	Secretary to the board of directors	Incumbent	233.8	No
Shi Tingjun	Male	53	Director	Resigned	0	Yes
Chen Shouping	Male	53	Director	Resigned	0	Yes
Zhu Nianhui	Male	61	Director	Resigned	0.83	Yes
Hu Pingxi	Male	70	Independent director	Resigned	0	No
Liu Jianguang	Male	52	Supervisor	Resigned	0	Yes
Shu Guoping	Male	59	External supervisor	Resigned	2.5	No
Hu Songsong	Male	43	External supervisor	Resigned	2.5	No
Lu Xiaosu	Female	54	Employees' supervisor	Resigned	123	No
Hong Lifeng	Male	59	Chief supervisor, employees' supervisor	Resigned	261.25	No
Fu Wensheng	Male	51	Vice president	Resigned	247.5	No
Zhang Ningning	Female	40	Vice president	Resigned	247.5	No

Notes: 1. Performance annual salary of the chairman of the Board of Directors, chairman of Board of Supervisors

and senior management undergo deferred payment; as specified within the sheet, deferred remuneration of senior management in 2023 is RMB 8,357,100, which will be paid and deferred in three years. And meanwhile, the Company has paid partial deferred payable remuneration, including RMB 915,100 for Lu Huayu, Chairman of the Company, RMB 749,700 for Zhuang Lingjun, Vice Chairman and President of the Company, RMB 874,000 for Luo Mengbo, Chief Supervisor of the Company, RMB 786,600 for Luo Weikai, Director, Vice President, Financial Officer, and CIO of the Company, RMB 712,800 for Fu Wensheng, the Former Vice President of the Company, RMB 712,800 for Wang Yongjie, Vice President of the Company, RMB 712,800 for Feng Peijiong, Director and Vice President of the Company, RMB 708,100 for Yu Gang, Secretary to the Board of Directors of the Company.

2. As of the date of disclosure of this Report, the Senior Management of the Company and employees in positions that have an important impact on the risk of the Head Office do not involve performance compensation in 2023 and need to claim back the relevant circumstances.

## VI. Performance of responsibilities by directors within the report period

### (I) Information on Board of Directors within the report period

Session of meeting	Date of meeting	Date of disclosure	Resolution of meeting
The 13 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors	January 17, 2023	January 19, 2023	
The 1 <sup>st</sup> meeting of the 8 <sup>th</sup> Board of Directors	February 10, 2023	February 11, 2023	
The 2 <sup>nd</sup> meeting of the 8 <sup>th</sup> Board of Directors	April 3, 2023	April 6, 2023	
The 1 <sup>st</sup> extraordinary meeting of the 8 <sup>th</sup> Board of Directors	April 27, 2023	April 28, 2023	( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
The 3 <sup>rd</sup> meeting of the 8 <sup>th</sup> Board of Directors	August 23, 2023	August 25, 2023	
The 2 <sup>nd</sup> extraordinary meeting of the 8 <sup>th</sup> Board of Directors	October 30, 2023	October 31, 2023	
The 4 <sup>th</sup> meeting of the 8 <sup>th</sup> Board of Directors	December 21, 2023	December 23, 2023	

### (II) Information on directors' attending of the board meeting and shareholders' meeting

Information on directors' attending of the board meeting and shareholders' meeting							
Name of director	Times of attending the board meeting during this report term	Name of director	Times of attending the board meeting during this report term	Name of director	Absent	Did you attend the meeting by other means other than in person for 2 times in a row	Times of attending the shareholders' meeting
Lu Huayu	7	5	2	0	0	No	3
Zhuang Lingjun	7	5	2	0	0	No	2
Luo Weikai	7	5	2	0	0	No	1
Feng Peijiong	7	5	2	0	0	No	1
Zhou Jianhua	4	2	2	0	0	No	1
Wei Xuemei	7	5	2	0	0	No	0
Chen Delong	3	1	1	1	0	No	0
Qiu Qinghe	3	2	1	0	0	No	0
Liu Xinyu	7	5	2	0	0	No	0

Bei Duoguang	7	5	2	0	0	No	0
Li Hao	7	5	2	0	0	No	0
Hong Peili	7	5	2	0	0	No	0
Wang Wei'an	7	5	2	0	0	No	1
Li Renjie	3	2	1	0	0	No	0

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

### (III) Objections raised by directors to related items

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

### (IV) Other notes on the performance of responsibilities by directors

During the report period, all directors of the Company actively performed their duties, attended the general meeting of shareholders, the meeting of the actively performed their duties, attended the general meeting of shareholders, the meeting of the Board of Directors and its special committees, carefully considered various proposals, listened to the work report of the senior management, understood the operation of the Company, expressed professional opinions and suggestions on the Company's strategic development, risk management, internal control, connected transaction management and other matters, and made prudent decisions on major matters, earnestly safeguarding the overall interests of the Company and the legitimate rights and interests of shareholders. When the Board of Directors was not in session, all directors regularly reviewed the business analysis reports such as Briefing, Risk Monitoring Report and Related Party Transaction Report, and paid close attention to the latest developments in industry development, regulatory policies and the Company's operation situation. Independent directors also went to Huzhou Branch to conduct field research, listen to the work report of the branch, and visit enterprise customers, grasping the first-hand situation by being close to the grass-roots level, deepening their understanding of the actual operation of the Company, and continuously improving their performance level and scientific decision-making ability.

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

The Board of Directors of the Company consists of seven special committees, that are Strategic Committee, Audit Committee, Related Party Transaction Control Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Consumer Protection Committee. There is a clear division of labor, rights and responsibilities between each committee to ensure the effective operation of all committees. In 2023, special committees of the Board of Directors of the Company organized 20 meetings in total as follows.

Name of Committee	Members	Number of Meetings	Date of Meetings	Content of Meetings	Important Comments and Suggestions Proposed	Other Performance of Duties
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Strategic Committee	Lu Huayu, Zhou Jianhua, Chen Delong, Liu Xinyu, Li Renjie	3	2023/3/23 2023/8/10 2023/12/11	Strategic planning, capital supplement and other related proposals	-	Briefing
Related Party Transaction Control Committee	Hong Peili, Li Hao, Li Renjie	4	2023/3/23 2023/6/26 2023/8/10 2023/12/11	Related proposals for related transactions	-	Briefing, report on related party transactions
Risk Management Committee	Li Renjie, Hong Peili, Chen Delong	3	2023/3/23 2023/8/10 2023/12/11	Related proposals for overall risk management	-	Briefing, report on risk monitoring
Audit Committee	Li Hao, Li Hao, Hong Peili	5	2023/3/23 2023/4/27 2023/8/10 2023/10/23 2023/12/11	Related proposals for financial audit and internal audit	-	Briefing
Remuneration Committee	Bei Duoguang, Hong Peili, Wang Wei'an	1	2023/3/23	Related proposals for remunerations of directors, supervisors and senior management	-	Briefing
Nomination Committee	Wang Wei'an, Bei Duoguang, Qiu Qinghe	1	2023/1/6	Related proposals for nominations of directors, supervisors and senior management	-	Briefing
Consumer Protection Committee	Wei Xuemei, Bei Duoguang, Feng Peijiong	3	2023/3/23 2023/8/10 2023/12/11	Related proposals for consumer rights protection	-	Briefing

### VIII. Performance of the Board of Supervisors

7 supervisors comprise the Board of Supervisors by the end of the reporting period, including 3 employee supervisors, 3 external supervisors and 1 supervisor of shareholder. The structure of the Board of Supervisors follows the requirements of laws and regulations. The Board of Supervisors consists of Audit Committee and Nomination Committee. The supervisors of the Company can fulfill their duties earnestly, and supervise the legality and compliance of Company's financial personnel, directors and senior management personnel during the performance of their responsibilities in line with the spirit of being responsible to the shareholders. During the report period, the external supervisors of the Company actively performed their duties, attended the meetings of the Board of Supervisors and its special committees, carefully deliberated various proposals, expressed professional opinions and suggestions on financial accounting, internal control and compliance, risk management and other matters, exercised their voting rights, and effectively improved the supervision quality and efficiency of the Board of Supervisors. When the Board of Supervisors was not in session, the external supervisors continued to follow up their understanding of the Company's operation by participating in the investigation of branches and reviewing documents such as *Briefing* and *Work Briefing of the Board of Supervisors*, so as to lay a solid foundation for scientific supervision.

During the report period, the Board of Supervisors had no objection to the supervision matters.

### IX. Employees in the Company

Up to Dec. 31, 2023, there were 29,209 employees in the Company, amongst which, 26,146 employees are of the parent company and 3,063 are of the subsidiaries. For the main body of the



Company, 8,587 employees are engaged in the corporate banking, 7,445 in personal banking, 4,532 are operation management staffs, 1,882 are risk and compliance management staffs, 1,946 are information technology staffs, 274 are other financial business staffs and 1,480 are comprehensive management staffs; among the total number, employees with bachelor degree or above account for 98.7%.

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. 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.

## **X. 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 (2022-2024)* in the 3<sup>rd</sup> extraordinary shareholders' meeting of 2021 on December 20, 2021 and mentioned explicitly that, the Company will preferentially make profit distribution using cash

dividend during the period from 2022 to 2024, 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.

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

**(II) Common stock cash dividend sheet of the Company in the past three years (including the report period)**

Unit: (RMB) 1 million

Dividend distribution year	Amount of cash dividend (Tax-inclusive)	Net profit contained in annual profit distribution consolidated statement and vested in common stockholders of the parent company	Ratio of net profit contained in the consolidated statement and vested in common stockholders of the parent company	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
2023	3,962	24,778	15.99%	-	-
2022	3,302	22,318	14.80%	-	-
2021	3,302	18,789	17.57%	-	-

**(III) 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)	6
Increased number (shares) every 10 shares	-
Bonus shares (shares) every 10 shares	6,603,590,792
Dividends per 10 shares (RMB) (including tax)	3,962
Increased number (shares) every 10 shares	82,173
Bonus shares (shares) every 10 shares	100%
<b>Cash dividend policy</b>	

Please view *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2022-2024)* disclosed on <http://www.cninfo.com.cn> on December 4, 2021 for details.

**Details of profit distribution scheme**

According to the annual financial statement of 2023 audited by PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership), the Company realized net profit value RMB 22,466 million in 2023, and the profit available for distribution in the end of 2023 was valued RMB 82,173 million after plus the profit available for distribution in the end of 2022 valued RMB 66,761 million, minus dividends of preferred shares in 2022 valued RMB 757 million, common stock dividends payable in 2022 valued RMB 3,302 million and general risk provisions deducted valued RMB 2,993, deducting other comprehensive income carry-forward of other equity instruments in 2023 valued RMB 2 million. With normal and orderly business operation as well as standard and steady financial operation, the Company believes it is able to pay off the dividends of shares of the year 2023 in the future.

Based on the above situation, the profit distribution scheme in 2023 is as below:

- I. Legal accumulation fund valued RMB 2,247 million was withdrawn as per 10% of the net profit in 2023;
- II. As stipulated by *Administrative Measures for Withdrawing of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 3,420 million was withdrawn as per 1.5% of the ending balance of risk assets in 2023;
- III. Cash dividend valued RMB 5 (tax-inclusive) per 10 shares was issued to common shareholders registered after the market closes on the day of equity distribution record.

This scheme will be deliberated in the annual general meeting of shareholders in 2023.

## **XI. 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.

## **XII. Construction and implementation of internal control system of the Company within the report period**

### **(I) Construction and implementation of internal control system**

In strict accordance with the *Basic Norms of Enterprise Internal Control* and other laws and regulations, the Company has continuously improved its internal control system, strengthened the control of related party transactions, external guarantees, use of raised funds, major investments, information disclosure and other activities, improved the corresponding control policies and procedures, and ensured the legal compliance of the Company's operation and management, asset safety, financial reports and relevant information to be true and complete.

### **(II) Material defects found in internal control during the report period**

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

## **XIII. Management and control of subsidiaries during the report period**

During the report period, the Company continued to improve the control policies and procedures of subsidiaries in strict accordance with the *Basic Norms of Enterprise Internal Control* and other laws and regulations, and urged subsidiaries to establish and realize effective internal control. The management control of subsidiaries was good during the report period.

## **XIV. Evaluation reports of internal control**

### **(I) Self-assessment reports of internal control**

Date of disclosure of evaluation reports of internal control	April 10, 2024
Index for disclosure of evaluation reports of internal control	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100%
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100%
Standards for recognition of defects	
Category	Financial statements
Qualitative criteria	<p>1. Material defects: Financial statements have received or are more likely to receive an adverse opinion or a disclaimer of opinion issued by certified public accountants; senior executives have been involved or are suspected of being involved in fraud; disclosed financial statements have material errors; the Company is lack of financial control system or the system has been invalid; material 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 corrected.</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; senior executives and senior technicians are of higher mobility; its negative news is frequently broadcast by media, generating a wide range of impacts; important businesses are under no system control or the system has been invalid; material or important defects of internal control have not been corrected.</p> <p>2. Important defects: Democratic decision-making procedures exist but are not complete; the Company's internal regulations are breached, causing great losses; key personnel are of higher mobility; its negative news is broadcast by media, radiating local areas; the important business system is deficient; important defects of internal control have not been corrected.</p> <p>3. General defects: Decision-making procedures are less efficient; the Company's internal regulations are breached, without causing any losses; ordinary staff is of high mobility; its negative news is broadcast by media, generating less damages; general business system is deficient; general defects have not been corrected; other defects.</p>
Quantitative criterion	<p>1. the amount of misstatement caused by defects of internal control: profits of misstatement <math>\geq 5\%</math> of the total profit.</p> <p>2. Important defects: the amount of misstatement caused by defects of internal control: <math>1.5\%</math> of the total profit <math>\leq</math> profits of misstatement <math>&lt; 5\%</math> of the total profit.</p> <p>3. General defects: the amount of misstatement caused by defects of internal control: profits of misstatement <math>&lt; 1.5\%</math> of the total profit.</p>
Number of material defects in financial statements	0
Number of material defects in non-financial statements	0
Number of important defects in financial statements	0
Number of important defects in non-financial statements	0

## (II) 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, 2023 in accordance with *Basic Standard for Enterprise Internal Control* and relevant regulations.

Date of disclosure of audit reports of internal control	April 10, 2024
Index for disclosure of audit reports of internal control	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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.

### XV. Information on organization construction

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
1	Head office	No. 345, Ningdong Road, Yinzhou District, Ningbo	1	5,174	547,599
2	Capital Operation Center	19F & 20F, No. 210, Century Avenue, Pudong New District, Shanghai	1	159	362,818
3	Shanghai Branch	Room 101, Room 106, Room 201, Room 203 & 14-20F, No. 8, Yincheng Middle Road, Pudong New District, Shanghai	28	1,951	199,334
4	Beijin Branch	4-13F & 1F, Block B, No. 6, Jianguomenwai Street, Chaoyang District, Beijing	19	1,547	158,433
5	Shenzhen Branch	1F-5F, Podium Building of Huangting Center Building, Jintian Road, Fudian District, Shenzhen	21	1,416	154,775
6	Hangzhou Branch	Room 101-103, 201, 301-303, Block 1 & Room 306, 16-19F, 21-27F, Block 2, No. 69, Shimin Street, Sijiqing Sub-district, Shangcheng District, Hangzhou	29	1,743	123,635
7	Nanjin Branch	No. 233, Middle Jiangdong Road, Jianye District, Nanjing	25	1,634	109,297
8	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou	25	1,500	132,491
9	Wuxi Branch	No. 6 Third Finance Street, Taihu New City, Wuxi, Jiangsu Province	16	1,286	94,687
10	Wenzhou Branch	No. 1258, Wenzhou Avenue, Lucheng District, Wenzhou	18	1046	45,859
11	Jinhua Branch	No. 1028 South Shuanglong Street, Wucheng District, Jinhua	12	826	30,295
12	Shaoxing Branch	No. 653, Jiefang Avenue, Yuecheng District, Shaoxing	10	723	37,814
13	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	11	643	31,461
14	Jinhua Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	11	753	48,319
15	Shaoxing Branch	No. 599 and No. 601 Renmin Street, Floor 1 & 3, S301 No. 9 Shou'erfu North Road & 22, 23, 24F, No. 599 Renmin Street, Yanquan Sub-district, Liandu District, Lishui,	6	356	13,406
16	Huzhou Branch	No. 30, No. 36, No. 40, No 44, Taihu Road & No. 527, No. 531, No. 535, No. 539, No. 543, No. 547, No. 551, No. 555, Wutong Road & Room 201-203, Room 301-303, Room 401-403, Changdao Mansion, Wuxing District, Huzhou	7	439	25,056
17	Quzhou Branch	No.10 & Room 202, 302, 303, 304, 504, Block 2, Hehua Middle Road, Kecheng District, Quzhou	5	318	11,332
18	Zhoushan Branch	1&2F, Room 301, 1601, 1701, 1801, Block B & Room 302, Block D, Jianghai Business Square, No. 158, Hexing Road, Qiandao Sub-district, Dinghai District, Zhoushan	2	249	9,198

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
19	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	11	262	21,813
20	Midtown Yinzhou Sub-branch	No. 700, Ningnan South Road, Yinzhou District, Ningbo	10	250	27,925
21	Jiangbei Sub-branch	No. 155, Lane 280, Tongji Road, Jiangbei District, Ningbo	10	233	25,784
22	Hudong Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	10	240	27,221
23	Sci-Tec Sub-branch	No. 868, East Baizhang Road, Jiangdong District, Ningbo	11	252	20,668
24	National Hi-Tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	8	212	18,656
25	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	8	166	33,773
26	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	13	283	22,877
27	Beilun Sub-branch	No. 901, Liaohe Road, & Room 2-1, 3-1, 4-1, 5-1, 6-1, 7-1, Block 4, No. 1388, Minshan Road, Xinqi Sub-district, Beilun District, Ningbo	10	228	23,832
28	Zhenhai Sub-branch	No. 666, North Dongyi Road, Luotuo Sub-district, Zhenhai District, Ningbo	11	255	21,740
29	Yinzhou Sub-branch	No. 364 Middle Rili Street; No. 542 and No. 546 Xueshi Street, Yinzhou District, Ningbo	15	327	27,635
30	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	10	197	11,590
31	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	15	298	26,885
32	Midtown Yuyao Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming Sub-district, Yuyao City, Ningbo	14	243	18,099
33	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	18	313	28,372
34	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	14	228	18,393
35	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo	9	175	10,300
36	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	11	221	19,493
37	Maxwealth Fund Management Co., Ltd.	21F, 22F, 23F & 27F, 21st Century Tower, No. 210, Century Avenue, Pudong New District, Shanghai	1	353	3,055
38	Maxwealth Financial Leasing Co., Ltd.	12F, 15F, 16F, 17F, No. 195, Dingtai Road, Yinzhou District, Ningbo	1	1,279	117,878
39	BNB Wealth Management Co., Ltd.	26F, 30F & 32F, No. 318 Heyuan Road, Yinzhou District, Ningbo	1	215	4,193
40	BNB Consumer Finance Co., Ltd.	No. 115, Lane 788, Changxing Road, Jiangbei District, Ningbo	1	1,216	45,671
<b>Total</b>	<b>496 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 36 community sub-branches)</b>			<b>29,209</b>	<b>2,711,662</b>

Note: Statistical data by the end of 2023.

XV. Organizational structure of the Company



宁波银行：Bank of Ningbo      总行：Head Office      分行：Branches      支行：Sub-branches

董事会办公室：Board of Directors Office      监事会办公室：Board of Supervisors Office      办公室：the Office  
人力资源部：Human Resource Department      公司银行总部：Corporate Banking Department      机构业务部：Corporate Business Department  
投资银行部：Investment Banking Department      票据业务部：Bill Business Department  
资产托管部：Assets Custody Department      国际业务部：International Business Department  
公司平台经营部：Corporate Platform Operation Department      资金营运中心：Capital Operation Center  
金融市场部：Financial Market Department      资产管理部：Assets Management Department      零售公司部：Retail Company Department  
零售公司大数据经营部：Retail Company Big Data Operation Department      个人银行总部：Personal Banking Department  
财富管理部：Wealth Management Department      私人银行部：Private Banking Department  
个人信贷部：Personal Credit Department      信用卡中心：Credit Card Center  
远程银行中心：Remote Banking Center      生活平台经营部：Life Platform Business Department      网络经营服务中心：Online Operation Service Center  
风险管理部：Risk Management Department      授信管理部：Credit Management Department  
法律合规部：Legal and Compliance Department      资产保全部：Assets Protection Department  
监察保卫部：Supervision and Security Department      消费者权益保护部：Consumer Protection Department  
审计部：Audit Department      财务会计部：Financial Accounting Department      运营部：Operation Department  
金融科技部：Financial Technology Department      流程革新与客户体验部：Process Improvement and Customer Experience Department  
行政部：Administration Department      基建办：Capital Construction Office  
工会办：Labor Union Office



## Chapter Eight Environmental and Social Responsibilities

### I. Major Environmental Issues

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.

For other environmental information of the Company, please refer to the *Environmental, Social and Governance (ESG) Report 2023 of the Bank of Ningbo Co., Ltd.* published on <http://www.cninfo.com.cn>.

### II. Social Responsibilities

Please refer to the *Environmental, Social and Governance (ESG) Report 2023 of the Bank of Ningbo Co., Ltd.* published by the Company on <http://www.cninfo.com.cn> for more details.

## Chapter Nine Important Matters

### I. Commitment item implementation

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

Commitment issues	Commitment party	Commitment type	Commitment content	Commitment time	Commitment deadline	Performance situation
Commitment made during refinancing	Singapore Overseas - Chinese Banking Co., Ltd.	Commitment on limited share sales	The shares subscribed by this non-public offering will not be transferred within 5 years from the date of listing	May. 15, 2020	5 years	Under normal performance
Other commitments on company's medium and minority shareholders	The Company	Other commitments	Various measures shall be adopted to effectively prevent diluted risk of return on demand	Jul. 16, 2014 Nov. 26, 2015 Nov. 20, 2018 Apr. 26, 2019 Jan. 23, 2021	Long term	Under normal performance
Other commitments	Youngor Fashion Co., Ltd.	Other commitments	Not reducing its shares during the holding increase period and the legal period, and complete the holding increase plan within the holding increase period	Nov. 16, 2023	6 months	Under normal performance
Whether commitment performed in real time	Yes					
Specific reasons for failure and next plan should be provided	Not applicable					

### (II) Capital expenditure commitment

Unit: (RMB) 1 million

Item	December 31, 2023	December 31, 2022
Signed but not disbursed	2,500	2,282

### (III) Asset pledge commitment

Unit: (RMB) 1 million

Pledge asset content	Pledge application	Pledge amount
Bonds	Used for repurchase agreement transactions	116,203
Bonds	Used for borrowing from the central bank	102,575
Bonds	Bond for integration	167

Bonds	For treasury fixed deposit	58,256
Loans and advances	Used as collateral for interbank loans	6,461

## **II. 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.

## **III. Illegal external security**

Within the report period, the Company is free from illegal external securities.

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

Within the report period, the Company is free from changes of accounting policy, accounting estimate and major accounting method.

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

During the report period, there are no changes of the consolidated statement report.

## **VI. Situation of appointing and dismissing accounting firm**

### **(I) Current appointed accounting firm**

Name of domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership)
Reward of domestic accounting firm	RMB 3.23 million, including RMB 2.38 million for audit of financial statements and RMB 0.85 million for audit of internal control.
Continuous service year of domestic accounting firm	2 years
Name of registered accountant of domestic accounting firm	Hu Liang, Gu Ying

### **(II) Situation on appointing internal control audit accounting firm, financial consultant or sponsor**

During the report period, PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership) is employed as an internal auditing firm of the Company.

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

## **VII. Delisting information of the Company after the issuance of Annual Report**

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

## **VIII. Related issues of bankruptcy reorganization**

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

### **IX. 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, 2023 the Company, as a defendant or respondent, had a total object amount of RMB 1.568 billion for pending lawsuits and arbitration issues.

### **X. 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.

### **XI. 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.

### **XII. Major related transactions**

According to the *Listing Rules of Shenzhen Stock Exchange* and other relevant provisions, for the routine related transactions of a large amount, it is necessary to frequently formulate new routine related transaction agreements. If it is difficult to submit each agreement to the Board of Directors or the General Meeting of Shareholders for deliberation in accordance with regulations, the Company shall make a reasonable estimate of the total amount of the Company's routine related transactions in the current year by category, and submit it to the Board of Directors or the General Meeting of Shareholders for approval according to the estimated result. Please refer to the *Announcement on the Expected Amount of the Routine Related Transactions 2023 of the Bank of Ningbo Co., Ltd.* (Announcement No.: 2022-051) and *Announcement on Adjusting the Routine Related Transactions 2023 of the Bank of Ningbo Co., Ltd.* (Announcement No.: 2023-019) for the expected amount of 2023.

During the report period, the Company has conducted the related transactions in strict compliance with the regulatory provisions and general business principles, with the pricing of the related transactions in line with the market pricing no better than other customers, which was also in line with the overall interest of the Company and the shareholders. As of the end of 2023, the balance of the credit related transactions of the Company was RMB 24,010 million, including RMB 17.68 million of the related natural person credit transactions and RMB 23,993 million of the related legal person credit transactions; the total amount of non-credit related transactions of all related parties was RMB 80,928 million; all related party deposits, foreign exchange spot and other related transactions totaled RMB

45,736 million.

### **XIII. Major Contract and Implementation**

#### **(I) Trusteeship, contract and rent situations**

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

#### **(II) Major guarantee situations**

By the end of the report period, the balance of the Company's guarantee business (letter of guarantee) is RMB 44,706 million, and the outward guarantee business of the Company is a conventional bank businesses approved by People's Bank of China and China Banking Regulatory Commission.

#### **(III) Situation of entrusted cash asset management**

##### **1. Entrusted wealth management**

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

##### **2. Entrusted loan**

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

#### **(IV) Other significant contracts**

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

### **XIV. Description on Other Major Issues**

On November 16, 2023, the Company disclosed the *Announcement of Bank of Ningbo Co., Ltd. on Shareholding Increasing Plan of the Shareholders Holding More Than 5% Shares of the Company* (Announcement No.: 2023-047). Youngor Fashion Co., Ltd., the major shareholder of the Company, plans to increase its holding of not less than 20 million shares of the Company within 6 months from November 16, 2023 through the means permitted by the trading system of the Shenzhen Stock Exchange (including but not limited to centralized bidding trading, block trading, agreement transfer, etc.) at a price not higher than RMB 26.00 per share. As of the disclosure date of this report, Youngor Fashion Co., Ltd. increased its holdings of 42,670,934 shares of the Company through centralized bidding trading through the trading system of Shenzhen Stock Exchange, accounting for 0.65% of the total share capital of the Company; holding 660,360,057 shares of the Company, accounting for 10.00% of the total share capital of the Company.

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

**XV. Major Events of the Company's Subsidiaries**

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

## Chapter Ten 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
<b>I. Limited sale condition share</b>	<b>80,149,216</b>	<b>1.21%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,583,734)</b>	<b>(1,583,734)</b>	<b>78,565,482</b>	<b>1.19%</b>
1. National holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic capital holding	4,330,160	0.06%	0	0	0	(1,583,734)	(1,583,734)	2,746,426	0.04%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	4,330,160	0.06%	0	0	0	(1,583,734)	(1,583,734)	2,746,426	0.04%
4. Foreign holding	75,819,056	1.15%	0	0	0	0	0	75,819,056	1.15%
wherein: foreign legal person holding	75,819,056	1.15%	0	0	0	0	0	75,819,056	1.15%
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%
<b>II. Limit-free condition share</b>	<b>6,523,441,576</b>	<b>98.79%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,583,734</b>	<b>1,583,734</b>	<b>6,525,025,310</b>	<b>98.81%</b>
1. RMB ordinary share	6,523,441,576	98.79%	0	0	0	1,583,734	1,583,734	6,525,025,310	98.81%
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%
<b>III. Total shares</b>	<b>6,603,590,792</b>	<b>100.00%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,603,590,792</b>	<b>100.00%</b>

### 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.	75,819,056	0	0	75,819,056	Non-public offered subscription share limited sale	May 18, 2025
Company's directors, supervisors and senior management holding	4,294,124	0	1,583,734	2,710,390	Locked shares and restricted shares before IPO by directors, supervisors and senior management	In-office directors, supervisors and senior management shall transfer 25% of shares to the greatest extent within 1 year
Shares to be confirmed before IPO	36,036	0	0	36,036	Pre-IPO limited shares	-
<b>Total</b>	<b>80,149,216</b>	<b>0</b>	<b>1,583,734</b>	<b>78,565,482</b>		

### III. Situation on Security Issuing and Listing

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

During the report period, the Company did not issue new common stocks, nor publicly issued corporate bonds listed on the stock exchange.

For the issuance of other bonds of the Company and its subsidiaries, please refer to "Notes to the Financial Statements V. 22 Bonds Payable" in Chapter Twelve Financial Report.

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

As of the end of the report period, the total number of shares of the Company did not change.

#### (III) Situation on existing internal staff shares

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)	167,196	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report (Account)	166,638	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 (Account)	0
<b>Situation on shareholders holding more than 50% of shares or top ten shareholders</b>							
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing Share state    Share number
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	18.74%	1,237,489,845	0	0	1,237,489,845	-    -
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.69%	1,233,993,375	0	75,819,056	1,158,174,319	-    -
Youngor Fashion Holdings Co., Ltd.	Domestic non-state-owned legal person	10.00%	660,360,057	110,457,533	0	660,360,057	-    -
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	4.57%	301,828,047	(117,910,412)	0	301,828,047	-    -
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	2.47%	163,417,509	0	0	163,417,509	-    -
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	1.82%	120,493,979	0	0	120,493,979	-    -
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.33%	87,770,208	0	0	87,770,208	-    -
Ningxing (Ningbo) Property Management Co., Ltd.	State-owned legal person	1.29%	85,348,203	0	0	85,348,203	-    -
Ningbo Rail Transit Group Co., Ltd.	State-owned legal person	1.19%	78,310,394	0	0	78,310,394	-    -
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.14%	75,496,366	0	0	75,496,366	-    -
<b>Description on related relations, persons acting in concert, controlling shareholders, actual controller</b>	Co., Ltd. are persons acting in concert and the controlling shareholder is State-owned Assets Supervision and Administration Commission of Ningbo Municipal Government; Singapore						



<b>and final beneficiaries above mentioned</b>	Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institutional investor of OCBC Bank Singapore, which neither has controlling shareholders nor actual controllers; the controlling shareholder of Youngor Fashion Holdings Co., Ltd. is Ningbo Youngor Holding Co., Ltd. and the actual controller is Mr. Li Rucheng; And according to <i>the Interim Measures for the Equity Management of Commercial Banks of China</i> Banking and Insurance Regulatory Commission, the controlling shareholder of Ningbo Haishu Industrial Investment Co., Ltd., the another major shareholder of the Company, is Ningbo Haishu State Capital Investment & Operation Group Co., Ltd.		
<b>Situation on share holding of the top ten shareholders without limited sale condition</b>			
Name of shareholder	Share quantity without limited sale condition to the end of year	Share class	
		Share class	Amount
Ningbo Development Investment Group Co., Ltd.	1,237,489,845	RMB ordinary share	1,237,489,845
Singapore Overseas-Chinese Banking Co., Ltd.	1,158,174,319	RMB ordinary share	1,158,174,319
Youngor Fashion Holdings Co., Ltd.	660,360,057	RMB ordinary share	660,360,057
Hong Kong Securities Clearing Company Ltd.	301,828,047	RMB ordinary share	301,828,047
Huamao Group Co., Ltd.	163,417,509	RMB ordinary share	163,417,509
Ningbo Fubang (Holdings) Limited	120,493,979	RMB ordinary share	120,493,979
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	87,770,208	RMB ordinary share	87,770,208
Ningxing (Ningbo) Property Management Co., Ltd.	85,348,203	RMB ordinary share	85,348,203
Ningbo Rail Transit Group Co., Ltd.	78,310,394	RMB ordinary share	78,310,394
Central Huijin Asset Management Co., Ltd.	75,496,366	RMB ordinary share	75,496,366
<b>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</b>	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.		
<b>Description on shareholders attending securities margin trading</b>	Huamao Group Co., Ltd. as a shareholder of the Company, holds 93,661,663 shares of the Company through the customer credit transaction guarantee securities account of GF Securities Co., Ltd.		

Within the report period, the Company is free from agreed repurchase transaction among top 10 ordinary shareholders, and there is no loan of shares in terms of refinancing business.

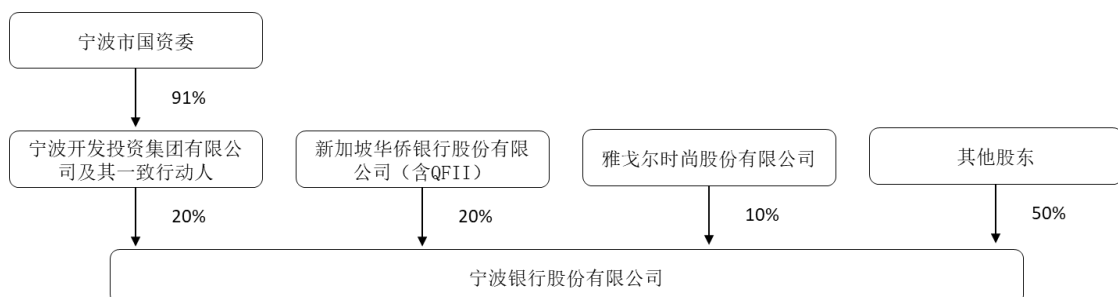
## (II) Situation on Company's controlling shareholders

The Company is free from controlling shareholders to the end of the report period.

## (III) Situation on Company's actual controllers

The Company has no actual controllers within the report period.

## (IV) Company's shareholding structure chart



宁波市国资委

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

宁波开发投资集团有限公司及其一致行动人

Ningbo Development & Investment Co., Ltd. and its consistent acting person

新加坡华侨银行有限公司 (含 QFII)	Singapore Overseas-Chinese Banking Co., Ltd. (including QFII)
雅戈尔时尚股份有限公司	Youngor Fashion Holdings Co., Ltd.
其他股东	Other shareholders
宁波银行股份有限公司	Bank of Ningbo Co., Ltd.

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

Name of corporate shareholder	Legal representative/unit leader	Date of establishment	Registered capital	Major businesses or management activities
Ningbo Development & Investment Co., Ltd.	Shi Tingjun	Nov. 12, 1992	9133020014407480X5	Project investment, assets management, real estate development, property management, etc.
Singapore Overseas-Chinese Banking Co., Ltd.	Li Guoqing	Oct. 31, 1932	Not applicable	Financial service industry
Youngor Fashion Holdings Co., Ltd.	Li Guoqing	Jun. 25, 1993	91330200704800698F	Garments producing, real estate development, etc.
<b>Equity of other domestic and foreign listed companies controlled by shareholders during the report period</b>	Ningbo Development & Investment Co., Ltd. holds 45.90% of the shares of Ningbo Energy Group Co., Ltd., a company listed on Shanghai Stock Exchange, and Singapore Overseas-Chinese Banking Co., Ltd. holds 88.40% of the shares of Greater Oriental Holdings Co., Ltd., a company listed on Singapore Stock Exchange, and 85.08% of the shares of Bank OCBC NISP, a company listed on Indonesia stock exchange.			

**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 Eleven Relevant Situation of Preferred Shares

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

#### Period

Abbreviation	Code	Issue method	Issue date	Issue price (RMB / share)	Face dividend rate	Issue quantity (share)	Listing date	Quantity of acquired listed transfer (share)	Expiry date of listing
Ning Hang Preferred 01	140001	Non-public	Nov. 16, 2015	100	4.68%	48,500,000	Dec. 9, 2015	48,500,000	None
Ning Hang Preferred 02	140007	Non-public	Nov. 7, 2018	100	4.50%	100,000,000	Nov. 28, 2018	100,000,000	None

Note: since November 7, 2023, the coupon dividend yield of the second interest bearing cycle of "Ning Hang Preferred 02" was adjusted from 5.30% to 4.50%.

### 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 (account)	33	Total quantity of preferred shares shareholders to the end of report period (account)	35					
<b>Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders</b>								
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	Pledge or freezing condition	
							Share status	Share number
Huabao Trust Co., Ltd.—Huabao Trust—Baofu Investment No. 1 Pooled Funds Trust Plan	Others	21.18%	31,450,000	0	0	31,450,000	-	-
Everbright Securities Asset Management Co., Ltd.—China Everbright Bank—Everbright Asset Management Xinyou No. 3 Collective Asset Management Plan	Others	10.10%	15,000,000	15,000,000	0	15,000,000	-	-
Ping An Life Insurance of China—equity fund	Others	9.45%	14,040,000	0	0	14,040,000	-	-
JSITC Co., Ltd.—JSITC—He Heng Tian Li No. 1 Pooled Funds Trust Plan	Others	6.71%	9,960,000	0	0	9,960,000	-	-
Bosera Fund—ICBC—Bosera—ICBC—No. 5 Specific Multi-client Asset Management Plan	Others	5.25%	7,790,000	0	0	7,790,000	-	-
Ping An Assets Management Co., Ltd.—Universal—Universal Insurance	Others	4.73%	7,020,000	0	0	7,020,000	-	-
Ping An Assets Management Co., Ltd.—Dividend—Personal Insurance Dividend	Others	4.73%	7,020,000	0	0	7,020,000	-	-
Citic Securities—PSBC—Citic Securities Xinghe No. 28 Pooled Funds Trust Plan	Others	3.84%	5,700,000	0	0	5,700,000	-	-
Citic Securities—CCB—Citic Securities Xinghe No. 32 Pooled Funds Trust Plan	Others	3.37%	5,000,000	0	0	5,000,000	-	-
Truvalue Asset Management—Bank of Ningbo—Truvalue Asset No. 4 Pooled	Others	3.37%	5,000,000	0	0	5,000,000	-	-

**Funds Trust Plan**

AVIC Trust Co., Ltd.—AVIC Trust ·Tian Ji Gong Ying No. 2 Securities Investment Trust Plan	Others	3.37%	5,000,000	5,000,000	0	5,000,000	-	-
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<b>Preferred shares have different explanations in terms other than dividend distribution and residual property distribution.</b>	None
<b>Instructions on the related relations or persons acting in concert among the top 10 preferred shareholders and between the top 10 preferred shareholders and top 10 general shareholders</b>	There are related relations among Ping An Life Insurance of China —equity fund, Ping An Assets Management Co., Ltd.—Universal—Universal Insurance and Ping An Assets Management Co., Ltd —Dividend—Personal Insurance Dividend, and between Citic Securities—PSBC—Citic Securities Xinghe No. 28 Pooled Funds Trust Plan and Citic Securities—CCB—Citic Securities Xinghe No. 32 Pooled Funds Trust Plan. Besides these, the Company does not know that there is a related relation or a concerted action relationship between the above shareholders.

### III. Profit Distribution of Company's Preferred Shares

#### Profit distribution of preferred shares within reporting period

Preferred share abbreviation	Preferred share code	Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	In compliance with distribution condition and relative procedure	Payment of dividend	Dividend accumulated	Join in residual profit distribution
Ning Hang Preferred 01	140001	Nov. 16, 2023	4.68%	226,980,000	Yes	Cash payment once a year	No	No
Ning Hang Preferred 02	140007	Nov. 7, 2023	5.30%	530,000,000	Yes	Cash payment once a year	No	No

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

#### 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 outstanding preferred shares this time comply with the requirements of accounting as an equity instrument. Therefore, account preferred shares as an equity instrument.

## Chapter Twelve Financial Statements

I. Audit Report

II. Financial statements

III. Notes to the financial statements

IV. Supplementary to financial statements

(see appendixes for above information)

Bank of Ningbo Co., Ltd.

Financial Statements and Audit Report  
As of December 31, 2023

## Bank of Ningbo Co., Ltd.

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## **Audit Report**

Audit Report (2024) S.Z. No. 10123  
(Page 1/8)

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

### **I. Opinion**

#### **(I) Contents We Audited**

We have audited the attached financial statements of Bank of Ningbo Co., Ltd. (hereinafter referred to as "Bank of Ningbo"), including the Consolidated Balance Sheet, Consolidated Income Statement and the Consolidated Statement of Changes in Shareholders' Equity and Cash Flow Statement of 2023, as well as Balance Sheet at 31 December 2022, Income Statement for the year of 2023, Statement of Changes in Shareholders' Equity and Cash Flow Statement as well as Notes to the Financial Statements.

#### **(II) Our Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Bank of Ningbo as at 31 December 2023, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Bank of Ningbo in accordance with the Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **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.

Key audit matters we identified during the audit are summarized below:

(I) Measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments;

(II) Evaluation of the combined structured subject.



**III. Key Audit Matters (Continued)**

<b>Key audit matter</b>	<b>How did we address the key audit matter in audit</b>
<i>Measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments</i>	
<p>Please refer to Note III 9 &amp; 35, Note V 6, 7.2, 14, 24 &amp; 41, Note X 3 and Note XII 1 to the Consolidated Financial Statements.</p> <p>As of December 31, 2023, the total amount (including interest accrued) of loans and advances issued by Bank of Ningbo and its subsidiaries (hereinafter referred to as "the Group") was RMB 1,256,792 million, and the reserve for estimated credit losses recognized by management was RMB 43,958 million; the total amount (including interest accrued) of debt investments in financial investments was RMB 420,593 million, and the reserve for estimated credit losses recognized by management was RMB 1,883 million; the credit commitment was RMB 505,175 million, and the estimated liabilities confirmed by the management was RMB 1,555 million.</p> <p>The total estimated credit impairment losses on loans and advances, creditor's rights investment in financial investments and credit commitments recognized in the Consolidated Income Statement for 2023 amounted to RMB 8,815 million.</p> <p>The Group has evaluated whether the credit risk of loans and advances, creditor's rights investment in financial investments and credit commitments increase significantly or default after the initial recognition, adopted the three-stage impairment model to measure the estimated credit losses, and used the risk parameter model method that includes default probability, default loss rate and default risk exposure and other key parameters to evaluate the impairment reserve.</p>	<p>We have understood the Group's internal control and evaluation processes related to the measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments, and by taking into account inherent risk factors, including the degree of uncertainty in estimating impairment losses, the complexity of applying model estimates, and the subjectivity of significant management judgments and assumptions, and its susceptibility to management bias, we also have evaluated the inherent risk of material misstatement.</p> <p>We have evaluated and tested the internal control design and operation related to the estimated credit loss measurement in granting loans and advances, creditor's rights investment in financial investments and credit commitments, mainly including as follows:</p> <ol style="list-style-type: none"> <li>(1) Governance of estimated credit loss model, including selection, approval and application of model methodology, continuous model monitoring and optimization, and internal control related to model validation;</li> <li>(2) Internal control related to the significant judgments and assumptions of the management, including portfolio division, parameter estimation, judgment of significant increase in credit risk, default and credit impairment that has occurred, determination of economic indicators used in forward-looking measurement, determination of economic scenarios and their weights, and evaluation and approval of loss reserves for external circumstances not reflected by the model;</li> <li>(3) Internal control related to the accuracy and completeness of key data used in model metrology;</li> <li>(4) Internal control of information system related to the measurement of estimated credit losses.</li> </ol>

### III. Key Audit Matters (Continued)

Key audit matter (continued)	How did we address the key audit matter in audit (continued)
<p><i>Measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments (continued)</i></p>	
<p>Significant management judgments and assumptions contained in the estimated credit loss model mainly include:</p> <p>(1) Group businesses with similar credit risk characteristics into the same portfolio, select appropriate models, and determine key parameters related to measurement;</p> <p>(2) Judging criteria of significant increase in credit risk, default and credit impairment;</p> <p>(3) The use of economic indicators, economic scenarios and their weights for prospective measurement;</p> <p>(4) Loss reserve for external environment not reflected by the model.</p> <p>The measurement of estimated credit losses of the Group has adopted a complex model, a large number of parameters and data, involving significant management judgments and assumptions, with significant inherent risks. And due to the significant exposure of loans and advances, claims and credit commitments in financial investments, as well as the related estimated credit loss reserves and projected liabilities, we identified them as key audit matters.</p>	<p>With the assistance of credit risk specialists, our substantive procedures for the implementation of the estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments include:</p> <p>(1) Based on the risk characteristics of the asset portfolio, combined with the risk management practice of the Group, and through comparison with regulatory guidelines and industry practices, the rationality of the methodology of portfolio division and expected credit loss model of different portfolios was evaluated. We sampled the operation of the model to test whether the model measurement properly reflects the model methodology of the Group;</p> <p>(2) We sampled the accuracy and completeness of key input data used in model measurement, including historical data and data from the base date of evaluation;</p> <p>(3) We performed back-testing by comparing the predicted default probability of the model with the historical true default probability, and evaluated the impact of the backtracking test results on the model.</p> <p>(4) Based on the financial and non-financial information of the borrower and other external evidence, and considering the credit risk status of the borrower and the risk management practice of the Group, we evaluated the appropriateness of the application of the management's judgment criteria for loans with significant increase in credit risk, default and credit impairment;</p>

**III. Key Audit Matters (Continued)**

<b>Key audit matter (continued)</b>	<b>How did we address the key audit matter in audit (continued)</b>
<p><i>Measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments (continued)</i></p>	<p>(5) For prospective measurement, we evaluated the methods and results used by the management to select economic indicators and determine economic scenarios and weights based on statistical analysis; by comparing the forecast value of the third party institution in the market, the rationality of the forecast value judgment of the economic index was evaluated; and meanwhile, the sensitivity test of economic scene weight was carried out;</p> <p>(6) For the stage 3 loans, we selected samples and checked the financial information of the borrower and the guarantor, the latest assessed value of the collateral and other obtained information, calculated the estimated future cash flow based on various possible factors in the future and calculated the loss reserve based on discount, and compared it with the results of the management;</p> <p>(7) For the loss reserve that was not reflected in the external environment and other circumstances, we evaluated the rationality of such loss reserve method based on the industry practice and checked the accuracy of its mathematical calculation.</p> <p>Based on the procedures we have implemented, the models used by management, the key parameters used, the significant judgments and assumptions involved, and the measurement results are acceptable in measuring the estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments.</p>

**III. Key Audit Matters (Continued)**

<b>Key audit matter (continued)</b>	<b>How did we address the key audit matter in audit (continued)</b>
<i>Evaluation on consolidation of structured entities</i>	
<p>Please refer to Note III to the Consolidated Financial Statements, 5 &amp; 35, Note V, 7 and Note VI 2 &amp; 3.</p> <p>Structured entities mainly include financial products issued, managed or invested by the Group, asset securitization products, funds, trust plans and asset management plans. As of December 31, 2023, the consolidated structured entities of the Group had an asset size of RMB 60,063 million. As of December 31, 2023, the unconsolidated financial products of the Group amounted to RMB 402,051 million, and the unconsolidated funds, asset management plans and other structured entities amounted to RMB 368,272 million; the unconsolidated trust plans and asset management plans with the services provided by the Group amounted to RMB 11,890 million; the book value of asset management plans and trust plans, funds and financial products directly initiated and set up by the Group in third-party financial institutions was RMB 288,087 million; the unconsolidated trust plans initiated by the third-party trust companies for the purpose of carrying out the asset securitization business was RMB 4,554 million.</p> <p>Bank of Ningbo determines whether to consolidate the structured entities based on the management's evaluation of the control of the structured entities, including the power of the structured entities; the variable returns enjoyed by participating in the related activities of the structured entities; and the ability to use the power of the structured entities</p> <p>Considering that the evaluation of structured entity control involves significant judgment and has significant inherent risks, and that the structured entity amount is material, we identified it as a key audit matter.</p>	<p>We have understood, evaluated and tested the design and execution effectiveness of the management's internal control over consolidated evaluation of the structured entities, including the management's evaluation of power and variable returns as well as the review and approval of the consolidated evaluation results. We have assessed the inherent risk of material misstatement by considering the degree of uncertainty in our estimates and the level of other inherent risk factors.</p> <p>We selected samples to assess whether Bank of Ningbo controls the structured entities by implementing the following substantive procedures:</p> <ol style="list-style-type: none"> <li>(1) By examining the contract terms of the structured subject, understanding the purpose of its establishment, checking the transaction structure and identifying the decision-making mechanism of related activities, assessing whether Bank of Ningbo has the right to dominate the related activities of the structured subject;</li> <li>(2) We have checked the terms of variable return in the structured main contract, including the management rate related to the remuneration of Bank of Ningbo in the contract, and checked with the information used in the management evaluation; we recalculate the magnitude and variability of the variable returns obtained by Bank of Ningbo in the structured entities;</li> <li>(3) By analyzing the scope of decision-making power in the structured entities, the compensation level obtained for providing management services to the structured entities, the risk of variable return due to other interests held in the structured entities and the rights held by other parties of Bank of Ningbo, we evaluated whether the identity of Bank of Ningbo exercising decision-making power is "the main responsible person" or "agent", and compared the evaluation results with management's evaluation results.</li> </ol> <p>Based on the above work, the overall evaluation of the management of Bank of Ningbo on the consolidated structured entities is acceptable.</p>

#### **IV. Other Information**

The management of Bank of Ningbo is responsible for the other information. The other information comprises the information included in the 2022 Annual Report, other than the consolidated financial statements and our Audit Report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of Bank of Ningbo 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.

The management of Bank of Ningbo 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.

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

## **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 Audit 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:

- (I) 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.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (IV) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Audit 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 Audit Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (V) Evaluate the overall presentation (including the disclosure), structure and content of the consolidated financial statements, and evaluate whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Evaluate the overall presentation (including the disclosure), structure and content of the consolidated financial statements, and evaluate whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 Audit 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.

PricewaterhouseCoopers  
Zhong Tian LLP Ningbo Branch  
(Special General Partnership)

CPA:

\_\_\_\_\_  
Hu Liang (Project Partner)

Shanghai, China  
April 8, 2024

CPA:

\_\_\_\_\_  
Gu Ying

**Bank of Ningbo Co., Ltd.**  
**Consolidated Balance Sheet**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

<b>Assets</b>	<b>Note V</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Cash and balances at central banks	1	129,131	117,044
Due from banks	2	26,290	21,396
Precious metal		10,191	3,803
Loans to banks	3	40,541	30,337
Derivative financial assets	4	20,167	26,473
Hold for trading financial asset	5	9,251	11,830
Loans and advances	6	1,213,753	1,010,817
Financial investment:	7		
Trading financial assets		350,466	361,750
Investment on bonds		418,710	338,337
Other investment on bonds		465,419	418,756
Other equity investment		321	169
Investment real estate		14	24
Fixed assets	8	7,543	7,685
Construction in progress	9	1,570	1,024
Right-of-use assets	10	2,973	3,083
Intangible assets	11	2,912	2,421
Goodwill		293	293
Deferred income tax assets	12	6,260	6,941
Other assets	13	5,857	3,914
<b>Total assets</b>		<b>2,711,662</b>	<b>2,366,097</b>

*Attached notes to financial statements are components of the Financial Statements*



**Bank of Ningbo Co., Ltd.**  
**Consolidated Balance Sheet (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

<b>Liabilities</b>	<b>Note V</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Due to Central Bank	15	109,189	65,435
Due to banks and other financial institutions	16	82,122	88,307
Loans from other banks	17	183,114	109,104
Trading financial liabilities		12,359	22,454
Derivative financial liabilities	4	14,187	19,583
Financial assets sold for repurchase	18	122,641	108,040
Deposit taking	19	1,588,536	1,310,305
Wages and salaries payable	20	3,886	4,112
Taxes payable	21	1,281	1,420
Bonds payable	22	371,083	436,845
Lease liabilities	23	2,819	2,888
Anticipation liabilities	24	1,673	3,047
Other liabilities	25	16,562	26,031
<b>Total liabilities</b>		<b>2,509,452</b>	<b>2,197,571</b>
Shareholders' equity			
Equity	26	6,604	6,604
Other equity tools	27	24,810	14,810
Including: preferred shares		14,810	14,810
Perpetual bonds		10,000	-
Capital reserve	28	37,611	37,666
Other comprehensive income	29	5,801	3,651
Surplus reserve	30	14,705	12,458
General risk reserve	31	24,510	20,944
Undistributed profit	32	87,154	71,493
Equity attributable to shareholders of the parent Company		201,195	167,626
Minority shareholders' equity		1,015	900
<b>Total shareholders' equity</b>		<b>202,210</b>	<b>168,526</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,711,662</b>	<b>2,366,097</b>

The Financial Statements are signed by:

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

**Bank of Ningbo Co., Ltd.**  
**Consolidated Income Statement**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

	Note V	2023	2022
<b>I. Operating income</b>		<b>61,585</b>	<b>57,879</b>
Net interest income	33	40,907	37,521
Interest income	33	90,766	78,731
Interest expense	33	(49,859)	(41,210)
Net fee and commission income	34	5,767	7,466
Fee and commission income	34	7,346	8,680
Fee and commission expense	34	(1,579)	(1,214)
Investment gains	35	13,087	11,301
Including: income from de-recognition of financial assets measured at amortized cost		(4)	139
Other income	36	740	323
Changes in fair value recognized in profit or loss	37	1,161	1,542
Exchange gain or loss	38	(390)	(304)
Other operating income		33	17
Assets disposal income		280	13
<b>II. Operating expenditure</b>		<b>(33,557)</b>	<b>(32,487)</b>
Tax and surcharges	39	(592)	(467)
Business and administratio expenses	40	(24,012)	(21,582)
Credit impairment losses	41	(8,940)	(10,431)
Other operating expenses		(13)	(7)
<b>III. Operating profits</b>		<b>28,028</b>	<b>25,392</b>
Non-operating income		77	81
Non-operating expenditure		(207)	(193)
<b>IV. Total profits</b>		<b>27,898</b>	<b>25,280</b>
Income tax	42	(2,289)	(2,148)
<b>V. Net profits</b>		<b>25,609</b>	<b>23,132</b>
Including: net profit attributabl to the parent company		25,535	23,075
Minority shareholders' gain and loss		74	57

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Consolidated Income Statement (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

	Note V	2023	2022
<b>VI.</b>			
		<b>2,148</b>	<b>(720)</b>
	29	2,148	(720)
		<b>116</b>	<b>(22)</b>
		116	(22)
		<b>2,032</b>	<b>(698)</b>
		1,808	(1,014)
		224	316
		<b>-</b>	<b>-</b>
<b>VII.</b>		<b>27,757</b>	<b>22,412</b>
		27,683	22,355
		74	57
<b>VIII.</b>			
	43	3.75	3.38
	43	3.75	3.38

*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 2023**

**Unit: CNY One Million**

**2023**

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			
<b>I.</b>	<b>Beginning balance of the year</b>	<b>6,604</b>	<b>14,810</b>	<b>37,666</b>	<b>3,651</b>	<b>12,458</b>	<b>20,944</b>	<b>71,493</b>	<b>167,626</b>	<b>900</b>	<b>168,526</b>
<b>II.</b>	<b>Increase/decrease in the year</b>	<b>-</b>	<b>10,000</b>	<b>(55)</b>	<b>2,150</b>	<b>2,247</b>	<b>3,566</b>	<b>15,661</b>	<b>33,569</b>	<b>115</b>	<b>33,684</b>
(I)	Total comprehensive income	-	-	-	2,148	-	-	25,535	27,683	74	27,757
(II)	Capital invested and reduced	-	10,000	(55)	-	-	12	(12)	9,945	55	10,000
	1. Shareholder invested capital	-	-	-	-	-	-	-	-	-	-
	2. Perpetual bonds	-	10,000	-	-	-	-	-	10,000	-	10,000
	3. Others	-	-	(55)	-	-	12	(12)	(55)	55	-
(III)	Profit distribution	-	-	-	-	2,247	3,554	(9,860)	(4,059)	(14)	(4,073)
	1. Withdrawal surplus reserves	-	-	-	-	2,247	-	(2,247)	-	-	-
	2. Withdrawal general risk reserves (notes)	-	-	-	-	-	3,554	(3,554)	-	-	-
	3. Dividend distribution	-	-	-	-	-	-	(4,059)	(4,059)	(14)	(4,073)
(IV)	Internal carryforward of owners' equity	-	-	-	2	-	-	(2)	-	-	-
	1. Retained income from other comprehensive income carryforward	-	-	-	2	-	-	(2)	-	-	-
<b>III.</b>	<b>End balance of the year</b>	<b>6,604</b>	<b>24,810</b>	<b>37,611</b>	<b>5,801</b>	<b>14,705</b>	<b>24,510</b>	<b>87,154</b>	<b>201,195</b>	<b>1,015</b>	<b>202,210</b>

Notes: including the general risk reserve by the subsidiary amounted to RMB 561 million.

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Consolidated Statement of Changes in Shareholders' Equity (Continued)**  
**For the Year Ended 31 December 2023** **Unit: CNY One Million**  
**2022**

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			
<b>I.</b>	<b>Beginning balance of the year</b>	<b>6,604</b>	<b>14,810</b>	<b>37,695</b>	<b>4,371</b>	<b>10,418</b>	<b>16,833</b>	<b>58,628</b>	<b>149,359</b>	<b>576</b>	<b>149,935</b>
<b>II.</b>	<b>Increase/decrease in the year</b>	-	-	(29)	(720)	2,040	4,111	12,865	18,267	324	18,591
(I)	Total comprehensive income	-	-	-	(720)	-	-	23,075	22,355	57	22,412
(II)	Capital invested and reduced	-	-	(29)	-	-	-	-	(29)	(75)	(104)
	1. Shareholder invested capital	-	-	-	-	-	-	-	-	-	-
	2. Others	-	-	(29)	-	-	-	-	(29)	(75)	(104)
(III)	Profit distribution	-	-	-	-	2,040	4,055	(10,154)	(4,059)	-	(4,059)
	1. Withdrawal surplus reserves	-	-	-	-	2,040	-	(2,040)	-	-	-
	2. Withdrawal general risk reserves (notes)	-	-	-	-	-	4,055	(4,055)	-	-	-
	3. Dividend distribution	-	-	-	-	-	-	(4,059)	(4,059)	-	(4,059)
(IV)	Others	-	-	-	-	-	56	(56)	-	342	342
<b>III.</b>	<b>End balance of the year</b>	<b>6,604</b>	<b>14,810</b>	<b>37,666</b>	<b>3,651</b>	<b>12,458</b>	<b>20,944</b>	<b>71,493</b>	<b>167,626</b>	<b>900</b>	<b>168,526</b>

Notes: including the general risk reserve by the subsidiary amounted to RMB 905,000,000.

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Consolidated Cash Flow Statement**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

	Vote V	2023	2022
<b>I. Cash flow from operating activities</b>			
Net increase in customer deposits and deposits with banks		262,942	236,944
Net increase in loan from the central bank		43,572	-
Net increase in placements from other financial institutions		71,076	21,504
Net decrease of financial assets sold for repurchase		-	97
Net decrease in financial assets held for trading purposes		-	15,461
Cash received from interest, fees and commission		79,879	75,041
Net increase of financial assets sold for repurchase		14,603	15,454
Other cash received relating to operating activities	44	<u>22,316</u>	<u>15,049</u>
<b>Sub-total of cash inflow from operating activities</b>		<b><u>494,388</u></b>	<b><u>379,550</u></b>
Net increase in loans and advance payments to customers	181,999	217,253	181,999
Net decrease in loan from the central bank		-	16,394
Net increase in deposits with the central bank and other banks		14,546	9,221
Net increase in financial assets held for trading purposes		15,533	-
Net increase in lending funds		4,730	16,299
Cash paid to interest, fees and commission		32,210	28,589
Cash paid to and on behalf of employees		14,864	13,389
Taxes paid		6,923	6,929
Cash paid relating to other operating activities	44	<u>14,957</u>	<u>11,962</u>
<b>Sub-total of cash outflow from operating activities</b>		<b><u>321,016</u></b>	<b><u>284,782</u></b>
<b>Net cash flows generated from operating activities</b>	44	<b><u>173,372</u></b>	<b><u>94,768</u></b>
<b>II. Cash flow from investing activities</b>			
Cash paid as investment	44	1,263,308	1,075,701
Net cash obtained from payment by subsidiaries and other business units		27,042	15,537
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>766</u>	<u>22</u>
<b>Sub-total of cash outflow from investing activities</b>		<b><u>1,291,116</u></b>	<b><u>1,091,260</u></b>

*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 2023**

**Unit: CNY One Million**

	Vote V	2023	2022
Cash paid as investment	44	1,385,675	1,214,699
Net cash obtained from payment by subsidiaries and other business units		-	633
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>3,707</u>	<u>2,873</u>
<b>Sub-total of cash outflow from investing activities</b>		<b><u>1,389,382</u></b>	<b><u>1,218,205</u></b>
<b>Net cash flow used in investing activities</b>		<b><u>(98,266)</u></b>	<b><u>(126,945)</u></b>
<b>III. Cash flow from financing activities</b>			
Cash received by absorbing investment		10,000	-
Cash received by bonds issuing		<u>516,876</u>	<u>612,747</u>
<b>Sub-total of cash inflow from financing activities</b>		<b><u>526,876</u></b>	<b><u>612,747</u></b>
Cash for payment of borrowing		582,414	562,222
Cash paid for distribution of dividends or profits, or cash paid for interests		13,756	10,703
Cash paid for other financing activities		<u>983</u>	<u>1,046</u>
<b>Sub-total of cash outflow from financing activities</b>		<b><u>597,153</u></b>	<b><u>573,971</u></b>
<b>Net cash flow from financing activities</b>	44	<b><u>(70,277)</u></b>	<b><u>38,776</u></b>
<b>IV. Effect of foreign exchange rate change on cash and cash equivalents</b>		<b><u>184</u></b>	<b><u>1,459</u></b>
<b>V. Net increase in cash and cash equivalents</b>		<b>5,013</b>	<b>8,058</b>
Add: balance of cash and cash equivalents at the beginning of the year		<u>52,214</u>	<u>44,156</u>
<b>VI. Balance of cash and cash equivalents at the end of the year</b>	44	<b><u>57,227</u></b>	<b><u>52,214</u></b>

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Balance Sheet**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

<b>Assets</b>	<b>Note XIV</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Cash and deposits at central banks		129,131	117,044
Due from other banks		29,818	23,729
Precious metal		10,191	3,803
Loans to other banks		40,838	32,835
Derivative financial assets		20,167	26,473
Hold for trading financial asset		9,249	11,806
Loans and advances	2	1,063,650	916,099
Financial investment:			
Trading financial assets		332,927	331,078
Investment on bonds		418,710	338,337
Other investment on bonds		462,635	416,352
Other equity investment		321	169
Long-term equity investment	1	12,842	8,342
Investment real estate		14	24
Fixed assets		7,406	7,511
Construction in progress		1,542	992
Right-of-use asset		2,846	2,916
Intangible assets		2,190	1,815
Deferred income tax assets		5,312	6,190
Other assets		4,658	2,972
<b>Total assets</b>		<b>2,554,447</b>	<b>2,248,487</b>

*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 2023**

**Unit: CNY One Million**

<b>Liabilities</b>	<b>Note XIV</b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Due to Central Bank		109,189	65,435
Due to banks and other financial institutions		86,680	94,479
Loans from other banks		63,426	39,853
Trading financial liabilities		6,878	1,189
Derivative financial liabilities		14,187	19,583
Financial assets sold for repurchase		110,302	98,960
Deposit taking		1,589,806	1,310,500
Wages and salaries payable		2,955	3,355
Taxes payable		657	959
Bonds payable		369,582	435,818
Lease liabilities		2,699	2,727
Anticipation liabilities		1,673	3,047
Other liabilities		5,250	11,954
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>2,363,284</b>	<b>2,087,859</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Shareholders' equity</b>			
Equity		6,604	6,604
Other equity tools		24,810	14,810
Including: preferred shares		14,810	14,810
Perpetual bonds		10,000	-
Capital reserve		37,695	37,695
Other comprehensive income		5,779	3,649
Surplus reserve		14,705	12,458
General risk reserve		21,644	18,651
Undistributed profit		79,926	66,761
		<hr/>	<hr/>
<b>Total shareholders' equity</b>		<b>191,163</b>	<b>160,628</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and shareholders' equity</b>		<b>2,554,447</b>	<b>2,248,487</b>
		<hr/> <hr/>	<hr/> <hr/>

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Income Statement**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

	Note XIV	2023	2022
<b>I. Operating income</b>		<b>53,101</b>	<b>51,252</b>
Net interest income	3	35,337	33,861
Interest income	3	82,276	72,745
Interest expense	3	(46,939)	(38,884)
Net fee and commission income		3,123	4,548
Fee and commission income		4,556	5,727
Fee and commission expense		(1,433)	(1,179)
Investment gains		11,159	11,758
Including: income from de-recognition of financial assets measured at amortized cost		(4)	140
Other income		724	308
Changes in fair value recognized in profit or loss		2,841	1,044
Exchange gain or loss		(390)	(304)
Other operating income		28	24
Assets disposal income		279	13
<b>II. Operating expenditure</b>		<b>(29,244)</b>	<b>(29,482)</b>
Tax and surcharges		(506)	(410)
Business and administration expenses		(21,337)	(19,888)
Credit impairment losses		(7,395)	(9,177)
Other operating expenses		(6)	(7)
<b>III. Operating profits</b>		<b>23,857</b>	<b>21,770</b>
Non-operating income		77	81
Non-operating expenditure		(195)	(189)
<b>IV. Total profits</b>		<b>23,739</b>	<b>21,662</b>
Income tax		(1,273)	(1,264)
<b>V. Net profits</b>		<b>22,466</b>	<b>20,398</b>
<b>VI. Net after-tax value for other comprehensive income</b>		<b>2,128</b>	<b>(720)</b>
<b>Other comprehensive income that cannot be reclassified into profit and loss</b>		<b>116</b>	<b>(22)</b>
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		116	(22)
<b>Other comprehensive income will subsequently be reclassified into profit and loss</b>		<b>2,012</b>	<b>(698)</b>
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		1,789	(1,014)
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		223	316
<b>VII. Total comprehensive income</b>		<b>24,594</b>	<b>19,678</b>

*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 2023**

**Unit: CNY One Million**

**2023**

<b>Item</b>	<b>Share capital</b>	<b>Other equity tool</b>	<b>Capital reserve</b>	<b>Other comprehensive income</b>	<b>Surplus reserve</b>	<b>General risk reserve</b>	<b>Undistributed profit</b>	<b>Total Shareholders' Equity</b>
<b>I. Beginning balance of the year</b>	<b>6,604</b>	<b>14,810</b>	<b>37,695</b>	<b>3,649</b>	<b>12,458</b>	<b>18,651</b>	<b>66,761</b>	<b>160,628</b>
<b>II. Increase/decrease in the year</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>2,130</b>	<b>2,247</b>	<b>2,993</b>	<b>13,165</b>	<b>30,535</b>
(I) Total comprehensive income	-	-	-	2,128	-	-	22,466	24,594
(II) Capital invested and reduced	-	10,000	-	-	-	-	-	10,000
1. Shareholder invested capital	-	-	-	-	-	-	-	-
2. Perpetual bonds	-	10,000	-	-	-	-	-	10,000
(III) Profit distribution	-	-	-	-	2,247	2,993	(9,299)	(4,059)
1. Withdrawal surplus reserves	-	-	-	-	2,247	-	(2,247)	-
2. Withdrawal general risk reserves	-	-	-	-	-	2,993	(2,993)	-
3. Dividend distribution	-	-	-	-	-	-	(4,059)	(4,059)
(IV) Internal carryforward of owner's equity	-	-	-	2	-	-	(2)	-
1. Retained income from other comprehensive income carryforward	-	-	-	2	-	-	(2)	-
<b>III. End balance of the year</b>	<b>6,604</b>	<b>24,810</b>	<b>37,695</b>	<b>5,779</b>	<b>14,705</b>	<b>21,644</b>	<b>79,926</b>	<b>191,163</b>

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Statement of Changes in Shareholders' Equity (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**2022**

<b>Item</b>	<b>Share capital</b>	<b>Other equity tool</b>	<b>Capital reserve</b>	<b>Other comprehensive income</b>	<b>Surplus reserve</b>	<b>General risk reserve</b>	<b>Undistributed profit</b>	<b>Total Shareholders' Equity</b>
<b>I. Beginning balance of the year</b>	<b>6,604</b>	<b>14,810</b>	<b>37,695</b>	<b>4,369</b>	<b>10,418</b>	<b>15,501</b>	<b>55,612</b>	<b>145,009</b>
<b>II. Increase/decrease in the year</b>	-	-	-	<b>(720)</b>	<b>2,040</b>	<b>3,150</b>	<b>11,149</b>	<b>15,619</b>
(I) Total comprehensive income	-	-	-	(720)	-	-	20,398	19,678
(II) Capital invested and reduced	-	-	-	-	-	-	-	-
1. Shareholder invested capital	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	2,040	3,150	(9,249)	(4,059)
1. Withdrawal surplus reserves	-	-	-	-	2,040	-	(2,040)	-
2. Withdrawal general risk reserves	-	-	-	-	-	3,150	(3,150)	-
3. Dividend distribution	-	-	-	-	-	-	(4,059)	(4,059)
<b>III. End balance of the year</b>	<b>6,604</b>	<b>14,810</b>	<b>37,695</b>	<b>3,649</b>	<b>12,458</b>	<b>18,651</b>	<b>66,761</b>	<b>160,628</b>

*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 2023**

**Unit: CNY One Million**

	Note XIV	2023	2022
<b>I. Cash flow from operating activities</b>			
Net increase in customer deposits and deposits with banks		262,403	241,943
Net increase in loan from the central bank		43,572	-
Net increase in placements from other financial institutions		21,086	6,950
Net decrease in purchase and resale of financial assets		-	97
Net decrease in financial assets held for trading purposes		2,808	19,089
Cash received from interest, fees and commission		66,250	62,917
Net increase of financial assets sold for repurchase		11,348	9,274
Other cash received relating to operating activities		6,824	14,110
<b>Sub-total of cash inflow from operating activities</b>		<b>414,291</b>	<b>354,380</b>
Net increase in loans and advance payments to customers		156,924	162,928
Net decrease in loan from the central bank		-	16,394
Net increase in deposits with the central bank and other banks		19,816	15,901
Net increase in lending funds		4,730	16,299
Cash paid to interest, fees and commission		29,412	25,630
Cash paid to and on behalf of employees		13,272	12,252
Taxes paid		4,833	5,111
Cash paid relating to other operating activities		14,700	6,394
<b>Sub-total of cash outflow from operating activities</b>		<b>243,687</b>	<b>260,909</b>
<b>Net cash flows generated from (used in) operating activities</b>	<b>4</b>	<b>170,604</b>	<b>93,471</b>
<b>II. Cash flow from investing activities</b>			
Cash received from investment		1,260,777	1,069,453
Cash received from returns on investment		26,973	15,492
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		682	21
<b>Sub-total of cash outflow from investing activities</b>		<b>1,288,432</b>	<b>1,084,966</b>
Cash paid as investment		1,386,434	1,208,352
Net cash obtained from payment by subsidiaries and other business units		-	1,091
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		3,426	2,541
<b>Sub-total of cash outflow from investing activities</b>		<b>1,389,860</b>	<b>1,211,984</b>
<b>Net cash flow used in investing activities</b>		<b>(101,428)</b>	<b>(127,018)</b>

*Attached notes to financial statements are components of the Financial Statements*

**Bank of Ningbo Co., Ltd.**  
**Cash Flow Statement (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

	Note XIV	2023	2022
<b>III. Cash flow from financing activities</b>			
Cash received by absorbing investment		10,000	-
Cash received by bonds issuing		515,376	612,747
<b>Sub-total of cash inflow from financing activities</b>		<b>525,376</b>	<b>612,747</b>
Cash for payment of borrowing		581,414	560,222
Cash paid for distribution of dividends or profits, or cash paid for interests		13,723	10,595
Cash paid for other financing activities		917	894
<b>Sub-total of cash outflow from financing activities</b>		<b>596,054</b>	<b>571,711</b>
<b>Net cash flow from (used in) financing activities</b>		<b>(70,678)</b>	<b>41,036</b>
<b>IV. Effect of foreign exchange rate change on cash and cash equivalents</b>		<b>184</b>	<b>1,458</b>
<b>V. Net increase (decrease) in cash and cash equivalents</b>		<b>(1,318)</b>	<b>8,947</b>
Add: balance of cash and cash equivalents at the beginning of the year		51,245	42,298
<b>VI. Balance of cash and cash equivalents at the end of the year</b>		<b>49,927</b>	<b>51,245</b>

*Attached notes to financial statements are components of the Financial Statements*

**I. Group Profile**

**1. Company History**

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

The Bank holds the No. 00498103 Financial Business Operation Permit, as approved by the former CBIRC. The enterprise business license No. of the Bank is 91330200711192037M, as issued by Ningbo Administrative Bureau for Industry and Commerce. The registered address of the Company is No. 345, Ningdong Road, Yinzhou District, Ningbo, Zhejiang Province.

The main business of the Bank and its subsidiaries (hereinafter referred to as "the Group") is approved by the CBRC, including corporate and private deposits, loans, payment and settlement, capital business, and providing asset management and other financial businesses. The Group operates in China.

**2. Structure**

As of December 31, 2023, the Bank has established 16 branches, 19 primary sub-branches and 1 capital operation center with its sales department of head office and sub-branches located in downtown, suburb and county (county-level city) of Ningbo, Zhejiang Province, and branches located in Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou, Jiaying, Lishui, Huzhou, Quzhou and Zhoushan, and with its capital operation center in Shanghai.

This Financial Statement was submitted and approved by the board of director of the Company on April 8, 2024. According to the Articles of Association of the Company, the Financial Statement will be submitted to the shareholders' meeting for approval.

## **II. Basis for preparation of the Financial Statements**

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

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

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

## **III. Critical Accounting Policies and Estimates**

The Management follows the materiality principle in preparing and disclosing the financial statements. Under certain rational expectations, if omission or misstatement of some item in the financial statements may affect the user to make economic decisions accordingly, this item is of materiality. The Group and the Company will determine the materiality of financial information in terms of the nature and amount of the item in accordance with the specific environment in which they operate. In determining the materiality of the nature of an item, the Group and the Company mainly consider whether the item is a routine activity in nature and whether it significantly affects the financial position, operating results and cash flows of the Group and the Company; in determining the materiality of amount scale of an item, the Group and the Company mainly consider the proportion of the amount of the item to the amount of directly related items such as total assets, total liabilities, shareholders' equity, operating income, operating expenses, net profit and total comprehensive income, or the proportion of the amount of item listed separately in the statement.

### **1. Declaration of compliance with Accounting Standards for Business Enterprise**

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 2023 and the operating results and cash flow for 2023.

### **2. Accounting period**

Calendar year from 1 January to 31 December.

### **3. Recording currency**

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

### **4. Business combination**

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



**III. Critical Accounting Policies and Estimates (continued)**

**4. Business combination (continued)**

Business Combination under the Common Control

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

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

Business Combination under the Non-common Control

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

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

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

### **III. Critical Accounting Policies and Estimates (continued)**

#### **5. Consolidated Financial Statements**

The consolidated scope of the consolidated financial statements is on the basis of control, including the consolidated financial statements of the Company and all of its subsidiary companies. A subsidiary company refers to the entity controlled by the Company (including divisible part in the enterprise or invested unit, as well as the structured entity controlled by the Company). A structured subject is one in which voting rights or similar powers are not used as a decisive factor in designing the structure of the subject when judging the controlling party of the subject (for example, voting rights are only related to administrative affairs), and the relevant activities of the subject are governed by contracts or corresponding arrangements.

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.

If changes in relevant facts and circumstances lead to changes in one or more of the controlling elements, the Group will re-evaluate whether to control the investees.

#### **6. Cash and cash equivalents**

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

#### **7. Precious metals**

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

### **III. Critical Accounting Policies and Estimates (continued)**

#### **8. Foreign currency transactions**

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

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

#### **9. Financial instruments**

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

##### Recognition and de-recognition of financial instruments

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

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

- (1) where the rights to receive cash flows from the financial asset have expired;
- (2) where the rights to receive cash flows from the financial asset have been transferred, or where the obligations of paying all the collected cash flow to a third party are undertaken under "pass-through" agreements, and (a) all the risks and rewards of the ownership of this financial asset have 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.

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.

**III. Critical Accounting Policies and Estimates (continued)**

**9. Financial instruments (continued)**

Classification and measurement of financial assets

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

*Business model*

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

*Characteristics of contractual cash flows*

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

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

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

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

*Debt instrument investment measured at amortized cost*

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

**III. Critical Accounting Policies and Estimates (continued)**

**9. Financial instruments (continued)**

Classification and measurement of financial assets (continued)

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

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

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

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

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

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

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

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

Classification and measurement of financial liabilities

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

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

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

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

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

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

*Other financial liabilities*

For other financial liabilities other than the financial guarantee contract, the effective interest rate method is adopted for subsequent measurement according to the amortized cost.

**III. Critical Accounting Policies and Estimates (continued)**

**9. Financial instruments (continued)**

Impairment of financial instruments

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

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

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

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

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

Financial guarantee contracts

A financial guarantee contract refers to a contract whereby the issuer pays a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay its debts in accordance with the terms of the debt instrument. The margin absorbed when financial guarantee has been made is recognized in the balance sheet.

**III. Critical Accounting Policies and Estimates (continued)**

**9. Financial instruments (continued)**

Modification of contractual cash flow

The Group sometimes renegotiates or modifies contracts for customer loans, resulting in changes in contractual cash flows. When this happens, the Group will evaluate whether the revised contract terms have changed materially. Factors considered by the Group in making the evaluation include as follows:

- Whether the modification reduces the contractual cash flow only to the amount expected to be satisfied by the borrower when the modification occurs at a time when the borrower is experiencing financial difficulties.
- Whether any material provisions have been added, such as profit sharing/return on equity, resulting in material changes in the risk characteristics of the contract.
- Significantly extending loan terms when the borrower is not experiencing financial difficulties.
- Major changes in lending rates.
- The currency of the loan has changed.
- Increased guarantees or other credit enhancement measures that significantly changed the credit risk level of loans.

If there is a material change in the terms of the contract after modification, the Group will terminate the recognition of the original financial asset, recognize a new financial asset at fair value, and recalculate a new effective interest rate on the new asset. In such cases, when applying impairment requirements to the modified financial assets, including to determine whether there is a significant increase in credit risk, the Group takes the above contractual modification date as the initial confirmation date. For the above newly recognized financial assets, the Group will also evaluate whether credit impairment has occurred at the time of initial recognition, especially when the contractual modification occurs when the debtor is unable to fulfill the initially agreed payment arrangements. Changes in book value are booked into profit and loss as gains or losses resulting from termination recognition.

If there is no material change in the terms of the contract after modification, the modification of the contract will not lead to the termination of the recognition of financial assets. The Group will recalculate the total book amount of financial assets according to the revised contract cash flow, and record the modified gain or loss into profit and loss. When calculating the new book amount, the initial effective interest rate (or the credit adjusted effective interest rate of the financial assets purchased or originated from which credit impairment has occurred) is still used to discount the modified cash flow.



**III. Critical Accounting Policies and Estimates (continued)**

**9. Financial instruments (continued)**

Derivative financial instruments

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

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

Transfer of financial assets

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

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.

**III. Critical Accounting Policies and Estimates (continued)**

**11. Long-term equity investments**

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

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

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

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

**12. Investment real estate**

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

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

Since there is an active trading market of real estate in the location of the investment real estate owned by the Group, and the Group is able to obtain the market prices of the identical or similar real estates and other relevant information from the trading market of real estate, so as to be able to estimate the fair value of the investment real estate, the fair value pattern is applied for the measurement of investment real estate. Thereafter, investment real estate is measured at fair value on each balance sheet date and changes on fair value are taken into the income statement.

**III. Critical Accounting Policies and Estimates (continued)**

**13. Fixed assets**

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

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

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

Category	Expected Useful Life	Expected Net Salvage Value	Annual Depreciation Rate
Housing & buildings	20 years	3%	4.85%
Transportation vehicles	5 years	3%	19.40%
Electronic equipments	5 years	3%	19.40%
Machinery	5-10 years	3%	9.70%-19.40%
Fixed assets for operating lease	3-15 years	0-30%	4.67%-33.33%

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.

**III. Critical Accounting Policies and Estimates (continued)**

**15. Intangible assets**

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

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

Useful life of each intangible asset is as follows:

Category	Useful Life
Software	2-10 years
Land-use rights	40 years
Membership right	10 years

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

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

Identifiable intangible assets such as franchise rights acquired in the enterprise merger shall be measured at fair value. Franchise rights are intangible assets with no expected service life, which are not amortized and are tested for impairment every year.

**16. Goodwill**

In a business merger not under the same control, the difference between the cost of the merger and the share of the fair value of the identifiable net assets of the purchaser on the purchase date is recognized as goodwill.

### **III. Critical Accounting Policies and Estimates (continued)**

#### **17. Right-of-use assets**

The right-of-use assets of the Group are mainly houses and buildings.

On the beginning date of the lease term, the Group recognizes its right to use the leased asset within the lease term as the right to use asset, including: the initial measurement amount of the lease liability; for the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted; initiative direct expenses incurred by the lessee; the estimated cost incurred by the lessee for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms. The Group subsequently depreciates the right of use assets using the straight-line method. If it can be reasonably determined that the ownership of the leased asset is obtained at the expiration of the lease term, the Group accrues depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, the Group accrues depreciation within the shorter of the lease term and the remaining service life of the leased asset.

When the Group re-measures the lease liability according to the present value of the changed lease payment and adjusts the book value of the right of use asset accordingly, if the book value of the right of use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

#### **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.

**III. Critical Accounting Policies and Estimates (continued)**

**18. Impairment of assets (continued)**

For the goodwill and intangible assets with uncertain service life formed by the business merger, the impairment test shall be conducted at least at the end of each year, regardless of whether there are signs of impairment. At the time of the impairment test, the book value of goodwill is apportioned to the asset group or combination of asset groups expected to benefit from the synergies of the business combination. If the test results show that the recoverable amount of the asset group or asset group combination containing the apportioned goodwill is lower than its book value, the corresponding impairment loss will be recognized. The impairment loss amount is first offset against the book value of goodwill apportioned to the asset group or asset group combination, and then offset against the book value of other assets in proportion to the book value of other assets in the asset group or asset group combination.

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

**19. Long-term deferred expenses**

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

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

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

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.

**20. Debt assets**

The financial assets transferred by creditors are initially measured at fair value, while the non-financial assets transferred by creditors are initially measured at cost. On the balance sheet date, debt offset assets of non-financial assets shall be measured according to the lower of the book value and net realizable value. When the net realizable value is lower than the book value, impairment reserve shall be made for debt offset assets.

At the disposal of debt offset assets, the difference between the disposal income and the book value of debt offset assets is included in the asset disposal profit or loss.

The Group adopts a variety of ways to dispose of the debt assets it holds. Debenture assets shall not, in principle, be used for self-use. If the debenture assets are converted for self-use due to operation and management needs, they shall be regarded as newly purchased fixed assets for management.

If the debt assets are converted to personal use after acquisition, they shall be carried forward according to the book balance of the debt assets on the conversion date. If the impairment reserve for debt assets has been drawn up, the impairment reserve shall be carried forward at the same time.

The debenture assets of the Group are mainly houses and buildings.

**III. Critical Accounting Policies and Estimates (continued)**

**21. 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.

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.

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. (hereinafter referred to as "corporate annuity") set up by the Group. Expenses for the corporate annuity shall be undertaken by the Group and employees.

Termination Benefits

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

**III. Critical Accounting Policies and Estimates (continued)**

**22. Lease liabilities**

At the beginning of the lease term, the Group recognizes the present value of the unpaid lease payments as lease liabilities, except for short-term leases and low value asset leases. When calculating the present value of lease payments, the Group adopts the interest rate embedded in the lease as the discount rate; if the interest rate embedded in the lease cannot be determined, the lessee's incremental loan interest rate shall be used as the discount rate. The Group calculates the interest expense of the lease liabilities in each period of the lease term according to the fixed periodic interest rate and records it into the current profit and loss, unless otherwise specified, it is included into the cost of relevant assets. The amount of variable lease payments not included in the measurement of lease liabilities shall be included in the current profits and losses when they actually occur, unless otherwise specified to be included in the cost of relevant assets.

After the beginning date of the lease term, when the actual fixed payment changes, the expected payable amount of the guaranteed residual value changes, the index or ratio used to determine the lease payment changes, the evaluation results or actual exercise of the purchase option, renewal option or termination option change, the Group re-measures the lease liabilities according to the present value of the changed lease payment.

**23. Estimated liabilities**

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

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

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



**III. Critical Accounting Policies and Estimates (continued)**

**24. Fiduciary activities**

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

In fund custody, the Group, as approved by related authorities, acts as the trustee to carry out related business in accordance with the contract with client, as well as laws and regulations. The Group undertakes its obligations and charge 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.

**25. Other equity instruments --- preferred shares**

The preferred shares issued by the Group do not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions; at the same time, these preferred shares are non-derivative financial instruments to be settled with their own equity instruments in the future, but do not include the contractual obligation to deliver a variable number of their own equity instruments for settlement. The Group classifies preferred shares issued as equity instruments, and deducts transaction costs such as handling fees and commissions incurred in issuing preferred shares from equity. Preferred dividends are treated as profit distribution when they are declared.

**26. Income**

Interest income

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

**III. Critical Accounting Policies and Estimates (continued)**

**26. Income (continued)**

Interest income (continued)

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

For the purchased or original financial assets with credit impairment, the Group shall, from the initial recognition, calculate and determine the interest income according to the amortized cost of the financial assets and the actual interest rate adjusted by credit.

Fee and commission income

The income shall be recognized according to the expected amount of consideration entitled to be collected when the customer obtains the control over the relevant commodities or services and meets the following other recognition conditions for different types of income.

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

If the Group can control the service before transferring it to customers, the Group is the main responsible person. If the performance obligation is to arrange the other party to provide designated services, the Group is the agent. In this case, the Group will not control the designated service provided by the other party before the service is transferred to the customer. When the Group acts as an agent, the Group recognizes revenue according to the amount of commission or handling fee expected to be entitled to receive as a return for arranging the specified services provided by the other party.

The Group lists contractual liabilities in the balance sheet according to the relationship between performance obligations and customer payments.

Contractual liabilities refer to the obligation to transfer goods or services to customers for the consideration received or receivable from customers, such as the amount received by the enterprise before transferring the promised goods or services.

Dividend income

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

Rental income

Rental income from investment real estate related to operating leases is charged to the income statement on the straight-line basis over the lease terms.

**III. Critical Accounting Policies and Estimates (continued)**

**27. Expense**

Interest expense

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

Other expenses

Other expenses are recognized on the accrual basis.

**28. Government subsidies**

Government subsidies are confirmed when they can be received and conditions are satisfied. If the government subsidies are monetary assets, calculate according to received amount or amount receivable. If the government subsidies are non-monetary assets, calculate at the fair value; if the fair value cannot be obtained in a reliable way, calculate according to nominal amount.

Assets required by the government document to be used for purchase and construction or turned into long-term assets in other ways shall be recognized as government subsidies related with assets; where the government document does not clearly specify, judge on the basis of fundamental conditions to be met to obtain subsidies, assets used for purchase and construction or turned into long-term assets in other ways shall be recognized as government subsidies related with assets and others shall be recognized as government subsidies related with incomes.

Government subsidies related with incomes that are used to compensate related cost expenses or losses in the future shall be recognized as deferred income and shall be included in the current profits and losses or write off against relevant costs when confirming related costs or losses; those used to compensate related cost expenses or losses that have already occurred shall be included in current profits and losses or write off against relevant costs immediately.

Government subsidies related with assets shall write off against the book value of the related assets; or recognized as deferred income and included in profits and losses (government subsidies measured by nominal amount shall be included in current profits and losses immediately) when being installed in a reasonable and systematic way within the service life of related assets; where related assets are sold, transferred, scrapped or destroyed before the end of the service life, balance of related deferred income that has not been distributed shall be transferred to current profits and losses of assets disposal.

### **III. Critical Accounting Policies and Estimates (continued)**

#### **29. Income tax**

Income tax comprises current income tax and deferred income tax. Income tax is recognized in the income statement except to the extent that it relates to transactions or events recognized directly in equity, in which case it is recognized in equity.

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the amount attributed to such assets and liabilities for tax purposes in the balance sheet, and also on temporary differences between the carrying amounts and the tax bases of those which are not recognized as assets and liabilities, but whose tax bases are determined in accordance with tax laws.

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

- (1) that are generated in the following trade: the deferred income tax liabilities occurred at the initial recognition of goodwill, or at the initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses, and the assets and liabilities initially recognized do not result in equal amounts of taxable temporary differences and deductible temporary differences;
- (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, and the assets and liabilities initially recognized do not result in equal amounts of taxable temporary differences and deductible temporary differences;
- (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.

### **III. Critical Accounting Policies and Estimates (continued)**

#### **29. Income tax (continued)**

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

After the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting each other: have the legal right of calculating the current income tax assets and the current income tax liabilities as net value; the deferred income tax assets and deferred income tax liabilities involve the same taxpayer or different taxpayer levied by the same tax department, but during each period of important inversion of deferred income tax assets and deferred income tax liabilities, the involved taxpayer intends to calculate the current deferred income tax assets and the current deferred income tax liabilities as net value or obtain assets while paying off debts.

#### **30. Lease**

##### Identification of lease

At the beginning date of the contract, the Group evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period, the Group evaluates whether the customers in the contract have the right to obtain almost all the economic benefits arising from the use of the identified assets during the use period, and have the right to dominate the use of the identified assets during the use period.

##### Spin off of leased and non-leased parts

If the leased and non-leased parts are included in the contract, the Group, as the lessor, will split the leased and non-leased parts for accounting treatment.

##### Evaluation of lease term

The lease term is the irrevocable period during which the Group has the right to use the leased assets. The Group has the option to renew the lease, that is, it has the option to renew the assets. If it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the option to terminate the lease of the assets, but it is reasonably determined that it will not exercise the option, and the lease term includes the period covered by the option to terminate the lease. If a major event or change occurs within the control of the Group and affects whether the Group reasonably determines that it will exercise the corresponding option, the Group will reassess whether it reasonably determines that it will exercise the renewal option, purchase option or not to exercise the termination option.

### **III. Critical Accounting Policies and Estimates (continued)**

#### **30. Lease (continued)**

##### As a lessee

For the general accounting treatment of the Group as a lessee, please refer to Notes III, 17 and Notes III, 22.

##### *Lease change*

Lease change refers to the change of lease scope, lease consideration and lease term beyond the terms of the original contract, including increasing or terminating the use right of one or more leased assets, extending or shortening the lease term specified in the contract, etc.

If the lease changes and meets the following conditions at the same time, the Group will treat the lease change as a separate lease for accounting treatment:

- (1) If the lease changes and meets the following conditions at the same time, the Group will treat the lease change as a separate lease for accounting treatment:
- (2) The increased consideration is equivalent to the amount adjusted according to the conditions of the contract at the separate price for most of the expansion of the lease scope.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Group will re-determine the lease term and discount the changed lease payment at the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease embedded interest rate during the remaining lease period as the discount rate; if the implicit interest rate of the lease for the remaining lease term cannot be determined, the Group's incremental loan interest rate on the effective date of the lease change shall be used as the discount rate.

With regard to the impact of the above lease liability adjustment, the Group makes accounting treatment according to the following circumstances:

- (1) If the lease scope is reduced or the lease term is shortened due to the change of lease, the Group reduces the book value of the right of use assets to reflect the partial or complete termination of the lease, and the relevant gains or losses of partial or complete termination of the lease are included in the current profit and loss;
- (2) For other lease changes, the Group adjusts the book value of the right of use assets accordingly.

##### *Short term leases and low value asset lease*

The Group recognizes leases with a lease term of no more than 12 months and excluding purchase options as short-term leases on the beginning date of the lease term; a lease with a value of no more than RMB 40,000 when a single leased asset is a new asset is recognized as a low value asset lease. Where the Group sublets or expects to sublet leased assets, the original lease is not recognized as a low value asset lease. The Group does not recognize the right to use assets and lease liabilities for short-term leases and low-value asset leases. In each period of the lease term, it shall be included in the relevant asset cost or current profit and loss according to the straight-line method.

**III. Critical Accounting Policies and Estimates (continued)**

**30. Lease (continued)**

As a lessor

Leases that have substantially transferred almost all the risks and rewards related to the ownership of the leased assets on the lease start date are finance leases, except for operating leases.

*As a lessor under a finance lease*

On the beginning date of the lease term, the Group recognizes the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets. When the Group initially measures the finance lease receivables, the net amount of the lease investment is taken as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted at the interest rate embedded in the lease.

The Group calculates and recognizes the interest income of each period within the lease term at a fixed periodic interest rate. The variable lease payments obtained by the Group that are not included in the measurement of net lease investment are included in the current profit and loss when they actually occur.

*As a lessor under an operating lease*

The rental income of operating lease is recognized as current profit and loss according to the straight-line method in each period of the lease term, and the variable lease payment not included in the lease receipt is included in current profit and loss when it actually occurs.

**31. Profit distribution**

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

### **III. Critical Accounting Policies and Estimates (continued)**

#### **32. Fair value measurement**

Fair value, occurring in orderly transaction on measurement date, refers to the payment the market participant receives when an asset is sold, or the amount paid when a liability is transferred. In the case that asset selling or liability transference is dealt with in staple market of relevant assets or liabilities, the Group measures relevant assets or liabilities by fair value; for the cases where there is no staple market, the Group assumes that the transaction is dealt with in the most advantageous market of relevant assets or liabilities. Staple market (or the most advantageous market) is the trading market the Group can enter on measurement date. The Group adopts the same assumption that the market participant uses to maximize its economic benefit when pricing the assets or liabilities.

For non-financial assets measured by fair value, the capability for the market participant to best use the assets to generate economic benefit, or the capability for the market participant to sell the assets to other market participant to best use the assets to generate economic benefit is considered.

The Group adopts applicable valuation technique supported by adequate data and other information available, prioritizing relevant observable input value. Only when observable input value is unable or infeasible to be obtained, can unobservable input value be adopted.

In financial statement, assets or liabilities measured or disclosed by fair value are leveled according to the input value of the lowest level with significance for overall fair value measurement: input value of the first level is the unadjusted quoted price of the same assets or liabilities available in active market on measurement date; input value of the second level is the directly or indirectly observable input value of relevant assets or liabilities apart from input value of the first level; input value of the third level is the unobservable input value of relevant assets or liabilities.

On each balance sheet date, the Group reevaluates the assets or liabilities continuing to be measured by fair value recognized in financial statement, to confirm that whether there is any shift between different levels of fair value measurement.

#### **33. Related parties**

When financial or operating decisions are made, a party is considered to be related to another party if the party, directly or indirectly controls or jointly controls the other party, or gives its significant influence over the other party, and two or more parties are considered to be related if they are controlled by, jointly controlled by or significantly affected by one party.

Entities which are only controlled by the government without any other relations with other companies are not the related parties of the Group.

#### **34. Segmental report**

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



**III. Critical Accounting Policies and Estimates (continued)**

**35. 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.

*Combination of structured bodies*

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

The realizable return obtained by the Group through the structured bodies includes the management fees and performance compensation, other kinds of interests, such as direct investment income, income and potential losses by providing credit upgrading of liquidity support, as well as realizable return from transaction with structured bodies. In judging whether in control of the structured bodies, the Group shall not only consider the laws, regulations and arrangement according to the contract, but also other possible losses that the group may suffer from the structured bodies.

The Group shall re-evaluate whether it is in control of the structured bodies when there's any change in related facts or conditions that may result in the change of concept of control.

*Impairment of financial instrument*

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and basis information. For example, group businesses with similar credit risk characteristics into the same portfolio, select the appropriate model, and determine the key parameters related to measurement; judgment standard for significant increase in credit risk, default and credit impairment; the adoption of economic indicators, economic scenarios and their weights for prospective measurement; loss reserve for external circumstances not reflected by the model. Note XIII, 1 Credit Risks specifies the parameters, assumptions and estimation techniques used in the measurement of expected credit losses. When making such judgments and estimates, the Group infers the expected change of the debtor's credit risk according to the historical repayment data in combination with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment loss in the future.

*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 pertinence of the Group and its counterparties. Changes on these assumptions would affect the fair value of financial instruments.

**III. Critical Accounting Policies and Estimates (continued)**

**35. Significant accounting judgments and estimates (continued)**

*De-recognition of financial assets*

In the process of judging whether the transaction of loan transfer through packaging and asset securitization conforms to the de-recognition of financial assets, the Group needs to evaluate whether the Group meets the criteria of financial asset transfer and whether almost all the risks and rewards of loan ownership are transferred. In the event that virtually all risks and rewards on the transferred loan ownership are neither transferred nor retained, the Group will further evaluate whether control of the transferred loan has been retained. In its evaluation and judgment, the Group takes into account a number of factors, such as whether there is a buy-back clause attached to the transaction arrangement. The Group sets scenario hypothesis and uses discounted future cash flow model to conduct risk and reward transfer test. The Group will only derecognize the loan if it has been transferred and almost all the risks and rewards of ownership have been transferred to another subject. To the extent that the Group retains virtually all risk and rewards in the ownership of the transferred loan, it shall continue to recognize the loan and recognize the proceeds received as a financial liability. Where the Group neither transfers nor retains virtually all risks and rewards in the ownership of the loan and does not relinquish control of the loan, the relevant financial assets are recognized in accordance with the degree of continued involvement in the transferred loan and the relevant liabilities are recognized accordingly.

*Income tax*

Determining income tax involves making judgments about the future tax treatment of certain transactions. The Group carefully evaluates the tax impact of all transactions and provides for the corresponding income tax. The Group periodically reassesses the tax implications of these transactions in accordance with tax legislation. Deferred income assets are recognized as deductible tax losses and deductible temporary differences. Deferred tax assets will only be recognized when future taxable income is likely to be used to offset the relevant deferred tax assets, so it is up to management to determine the likelihood of obtaining future taxable income. The Group continuously reviews the judgment of deferred income tax, and will recognize the corresponding deferred income tax assets if it is expected that it is likely to obtain future taxable income that can be utilized in the future.

**IV. Taxation**

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

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

Note 1: Bank of Ningbo Co., Ltd. and its subsidiaries Maxwealth Financial Leasing Co., Ltd., Maxwealth Fund Management Co., Ltd., BNB Wealth Management Co., Ltd. and BNB Consumer Finance Co., Ltd. are general VAT taxpayers. For various main taxable income, the output tax is calculated at the tax rate of 6% or 13%, and the value-added tax is paid according to the difference after deducting the input tax allowed to be deducted in the current period.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**V. Notes to Items in the Consolidated Financial Statements**

**1. Cash and balances with central banks**

	Dec. 31, 2023	Dec. 31, 2022
Cash in hand	1,660	1,469
Statutory deposit reserve (Note 1)	109,972	98,009
Excess deposit reserve (Note 2)	14,017	16,039
Foreign exchange risk reserve	2,910	1,170
Fiscal deposit	524	311
	<hr/>	<hr/>
Subtotal	129,083	116,998
Interest accrued	48	46
	<hr/>	<hr/>
	<u>129,131</u>	<u>117,044</u>

Note 1: the statutory deposit reserve is the deposit reserve paid to the People's Bank of China according to regulations, which cannot be used for daily business. As of December 31, 2023, the Group deposited the statutory deposit reserve with the People's Bank of China in accordance with the regulations, and the deposit ratio of RMB deposit reserve was 7% (December 31, 2022: 7.5%); the deposit ratio of foreign currency deposit reserve was 4% (December 31, 2022: 6%).

Note 2: excess deposit reserve refers to the amount deposited with the People's Bank of China for capital settlement.

**2. Due from other banks**

	Dec. 31, 2023	Dec. 31, 2022
Due from domestic banks	14,983	9,678
Due from other domestic financial institutions	5,486	7,066
Due from foreign banks	5,854	4,664
	<hr/>	<hr/>
Subtotal	26,323	21,408
Interest Accrued	10	12
Less: Reserve for Impairment (Note V, 14)	(43)	(24)
	<hr/>	<hr/>
	<u>26,290</u>	<u>21,396</u>

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

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**3. Loans to other banks**

	Dec. 31, 2023	Dec. 31, 2022
Loans to foreign banks	17,256	27,893
Loans to domestic banks	1,917	-
Loans to other domestic financial institutions	<u>20,700</u>	<u>2,100</u>
Subtotal	39,873	29,993
Interest Accrued	703	371
Less: Reserve for Impairment (Note V, 14)	<u>(35)</u>	<u>(27)</u>
	<u>40,541</u>	<u>30,337</u>

**4. Derivative financial instruments**

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

	Dec. 31, 2023		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
-Currency forward	57,050	640	(314)
-Currency forward	572,146	6,471	(4,602)
-Currency exchange	28,901	318	(608)
-Foreign currency option	191,424	3,109	(1,986)
Interest rate derivatives			
-Interest rate swap	1,317,081	6,193	(6,393)
-Interest rate option	5	2	(2)
Other derivatives			
-Equity option	595	26	(26)
-Nobel metal forward/swap	<u>59,187</u>	<u>3,408</u>	<u>(256)</u>
	<u>2,226,389</u>	<u>20,167</u>	<u>(14,187)</u>

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

**4. Derivative financial instruments (continued)**

	Dec. 31, 2022		
	Nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
-Currency forward	132,451	3,173	(1,064)
-Currency forward	700,393	11,010	(7,911)
-Currency exchange	25,925	266	(942)
-Foreign currency option	297,778	5,711	(4,366)
Interest rate derivatives			
-Interest rate swap	1,462,461	4,980	(4,996)
Other derivatives			
-Equity option	409	65	(65)
-Credit risk mitigation instrument	400	-	(12)
-Nobel metal forward/swap	40,416	1,268	(227)
	<u>2,660,233</u>	<u>26,473</u>	<u>(19,583)</u>

The nominal amount is reflected in a full amount and represents the amount of the underlying asset or reference index of derivatives, which is the basis of measuring changes in fair value of the derivative financial instruments. The nominal amount can reflect the risk exposures not settled to the end of the year, but it cannot directly reflect the market or credit risk.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**5. Hold for trading financial assets**

	Dec. 31, 2023	Dec. 31, 2022
Dec. 31, 2021		
Bonds	9,249	11,838
Interest accrued	2	3
Less: provision for impairment (Note V, 14)	-	(11)
	<u>9,251</u>	<u>11,830</u>
Classified by counter parties:		
Banks	1,129	323
Other financial institutions	8,120	11,515
Other financial institutions	9,249	11,838
Interest accrued	2	3
Less: provision for impairment (Note V, 14)	-	(11)
	<u>9,251</u>	<u>11,830</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**6. Loans and advances**

**6.1 Classification of guarantees for loans and advance payments**

	Dec. 31, 2023	Dec. 31, 2022
Measured at amortized cost		
Corporate loans and advances	660,388	565,383
Loan	648,265	552,283
Trade financing	12,123	13,100
Individual loans	507,197	391,230
Individual consumption loan	320,958	243,348
Individual operating loan	98,948	83,599
Individual housing loan	87,291	64,283
Interest accrued	4,074	3,539
Subtotal	1,171,659	960,152
Less: loan and advance principal impairment provision measured at amortized cost	(42,878)	(38,564)
Reserve for impairment of accrued interest on loans and advances measured at amortized cost	(161)	(160)
Subtotal	(43,039)	(38,724)
Measured at fair value with changes through other comprehensive income		
Discount and others	85,133	89,389
Book value of loans and advances	1,213,753	1,010,817

The first, second and third stages of the total loans and advances issued by the Group are RMB 1,220,477 million, RMB 26,772 million and RMB 9,543 million respectively (December 31, 2022: first, second and third stages were RMB 1,022,260 million, RMB 18,608 million and RMB 8,673 million).

As of December 31, 2023, the loans of the Group measured at fair value with changes through other comprehensive income are the discount business, with an impairment provision of RMB 919 million (December 31, 2022: RMB 892 million), which is included in other comprehensive income. The reserve of the Group for expected credit losses for the above loans measured at amortized cost and loans measured at fair value and whose changes are included in other comprehensive income totals RMB 43,958 million (December 31, 2022: RMB 39,616 million).

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



**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**6. Loans and advances (continued)**

**6.2 Classification of guarantees for loans and advance payments**

	Dec. 31, 2023	Dec. 31, 2022
Credit loan	501,850	380,989
Guarantee loan	342,976	280,550
Mortgage loan	319,222	287,987
Pledge loan	88,670	96,476
Total loans and advances	<u>1,252,718</u>	<u>1,046,002</u>
Interest accrued	4,074	3,539
Less: loan and advance principal impairment provision measured at amortized cost	<u>(42,878)</u>	<u>(38,564)</u>
Reserve for impairment of accrued interest on loans and advances measured at amortized cost	<u>(161)</u>	<u>(160)</u>
Book value of loans and advances	<u><u>1,213,753</u></u>	<u><u>1,010,817</u></u>

**6.3 Loans of top 5 single borrowers**

	<u>Dec. 31, 2023</u>		
	Loan balance	Provision for impairment	Proportion of the total balance of loans and advances
Top 5 balances of total balance of loans and advances	<u>8,268</u>	<u>(56)</u>	<u>0.66%</u>
	<u>Dec. 31, 2022</u>		
	Loan balance	Provision for impairment	Proportion of the total balance of loans and advances
Top 5 balances of total balance of loans and advances	<u>9,126</u>	<u>(60)</u>	<u>0.87%</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**6. Loans and advances (continued)**

**6.4 Overdue loans**

	Dec. 31, 20223				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	2,760	3,334	533	49	6,676
Guarantee loan	716	352	73	180	1,321
Mortgage and pledge loan	1,222	1,315	1,102	48	3,687
	<u>4,698</u>	<u>5,001</u>	<u>1,708</u>	<u>277</u>	<u>11,684</u>
	Dec. 31, 2022				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	1,689	1,819	359	39	3,906
Guarantee loan	316	132	284	86	818
Mortgage and pledge loan	1,215	1,367	931	304	3,817
	<u>3,220</u>	<u>3,318</u>	<u>1,574</u>	<u>429</u>	<u>8,541</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**6. Loans and advances (continued)**

**6.5 Provision for loan losses**

Changes to the provisions for loans and advances of the year 2023 are as follows:

Provision for loans and advance principals measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total (Note V, 14)
Beginning balance	27,386	3,965	7,213	38,564
Drawing in the year	2,172	2,803	5,740	10,715
Transferred to stage I	650	(642)	(8)	-
Transferred to stage II	(596)	1,091	(495)	-
Transferred to stage III	(314)	(427)	741	-
Write-off	-	-	(8,336)	(8,336)
Other transfers	-	-	(4)	(4)
Received from loans for sale and reconciliation from advance payment	-	-	1,984	1,984
Transfer by write-down of impaired loan and advance interest	-	-	(45)	(45)
End balance	<u>29,298</u>	<u>6,790</u>	<u>6,790</u>	<u>42,878</u>

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

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total (Note V, 14)
Beginning balance	885	7	-	892
Drawing / (transfer) in the year	34	(7)	-	27
Transferred to stage II	(1)	1	-	-
End balance	<u>918</u>	<u>1</u>	<u>-</u>	<u>919</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**6. Loans and advances (continued)**

**6.5 Provision for loan losses (continued)**

Changes to the provisions for loans and advances of the year 2022 are as follows:

Provision for loans and advance principals measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total (Note V, 14)
Beginning balance	23,110	4,471	5,948	33,529
Other transfer-in	69	53	129	251
Drawing in the year	3,542	107	7,213	10,862
Transferred to stage I	1,015	(945)	(70)	-
Transferred to stage I	(292)	396	(104)	-
Transferred to stage III	(58)	(117)	175	-
Write-off	-	-	(7,211)	(7,211)
Other transfer-out	-	-	(204)	(204)
Received from loans for sale and reconciliation from advance payment	-	-	1,383	1,383
Transfer by write-down of impaired loan and advance interest	-	-	(46)	(46)
End balance	<u>27,386</u>	<u>3,965</u>	<u>7,213</u>	<u>38,564</u>

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

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total (Note V, 14)
Beginning balance	1,050	14	2	1,066
Drawing in the year	(164)	(8)	(2)	(174)
Transferred to stage II	(1)	1	-	-
End balance	<u>885</u>	<u>7</u>	<u>-</u>	<u>892</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**7. Financial investment**

**7.1 Trading financial assets**

	Dec. 31, 2023	Dec. 31, 2022
Financial assets measured at fair value with changes through current profit and loss		
Bonds		
Government bond	13,302	856
Policy based financial bond	57,377	25,875
Corporate bond	54,411	63,885
Other financial bonds	3,577	3,317
Due from other banks	220	546
Asset management plan and trust plan	14,340	43,482
Financial products	297	104
Fund investment	206,719	223,446
Equity instruments	223	239
	<u>350,466</u>	<u>361,750</u>

**7.2 Lending investment**

	Dec. 31, 2023	Dec. 31, 2022
Government bond	287,427	227,233
Policy based financial bond	27,524	-
Debt financing plan	44,012	40,597
Asset management plan and trust plan	57,050	69,128
Interest accrued	<u>4,580</u>	<u>3,587</u>
Subtotal	420,593	340,545
Less: principal impairment provision (Note V, 14)	(1,869)	(2,193)
Impairment provision for interest accrued (Note V, 14)	(14)	(15)
Subtotal	<u>(1,883)</u>	<u>(2,208)</u>
	<u>418,710</u>	<u>338,337</u>

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

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

**7. Financial investment (continued)**

**7.2 Lending investment (continued)**

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

2023:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	1,939	-	254	2,193
Withdrawing / provision of the year	(507)	437	(460)	(530)
Transferred to stage II	(78)	78	-	-
Write-off and transfer	-	-	(80)	(80)
Transferred from recovery of original investment	-	-	286	286
End balance	<u>1,354</u>	<u>515</u>	<u>-</u>	<u>1,869</u>

2022:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	3,607	20	196	3,823
Withdrawing / provision of the year	(1,668)	-	(34)	(1,702)
Transferred to stage III	-	(20)	20	-
Transferred from recovery of original investment	-	-	72	72
End balance	<u>1,939</u>	<u>-</u>	<u>254</u>	<u>2,193</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**7. Financial investment (continued)**

**7.3 Other lending investments**

	Dec. 31, 2023	Dec. 31, 2022
Bonds		
Government bond	322,930	316,487
Policy based financial bond	22,595	1,792
Corporate bond	91,640	41,982
Other financial bonds	2,433	941
Due from other banks	6,278	28,037
Asset management plan and trust plan	13,972	25,090
Subtotal	459,848	414,329
Interest accrued	5,571	4,427
	<u>465,419</u>	<u>418,756</u>

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

2023:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	1,027	57	60	1,144
Withdrawing / provision of the year	225	42	-	267
Transferred to stage I	57	(57)	-	-
Transferred to stage II	(6)	6	-	-
End balance	<u>1,303</u>	<u>48</u>	<u>60</u>	<u>1,411</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**7. Financial investment (continued)**

**7.3 Other lending investments (continued)**

2022:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	492	6	60	558
Withdrawing of the year	537	49	-	586
Transferred to stage II	(2)	2	-	-
End balance	<u>1,027</u>	<u>57</u>	<u>60</u>	<u>1,144</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**8. Fixed assets**

2023	House and construction	Transport Tool	Electronic Equipment	Machinery equipment	Operating lease fixed assets	Total
Original price:						
Dec. 31, 2022	9,417	222	2,567	411	92	12,709
Purchase in the year	329	25	498	67	45	964
Transfer from construction in progress	322	-	-	1	-	323
Disposal/scraping	(697)	(14)	(17)	(6)	(88)	(822)
Dec. 31, 2023	<u>9,371</u>	<u>233</u>	<u>3,048</u>	<u>473</u>	<u>49</u>	<u>13,174</u>
Accumulated depreciation:						
Dec. 31, 2022	3,128	157	1,501	233	-	5,019
Drawing	480	22	370	61	8	941
Disposal/scraping	(297)	(13)	(16)	(4)	(4)	(334)
Dec. 31, 2023	<u>3,311</u>	<u>166</u>	<u>1,855</u>	<u>290</u>	<u>4</u>	<u>5,626</u>
Depreciation Provision:						
Dec. 31, 2022	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>5</u>
Dec. 31, 2023	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>5</u>
Book value:						
Dec. 31, 2023	<u>6,058</u>	<u>67</u>	<u>1,191</u>	<u>182</u>	<u>45</u>	<u>7,543</u>
Dec. 31, 2022	<u>6,287</u>	<u>65</u>	<u>1,064</u>	<u>177</u>	<u>92</u>	<u>7,685</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**8. Fixed assets (continued)**

2022	House and construction	Transport Tool	Electronic Equipment	Machinery equipment	Operating lease fixed assets	Total
Original price:						
Dec. 31, 2021	9,249	211	2,036	366	-	11,862
Purchase in the year	172	20	533	61	92	878
Transfer from construction in progress	-	-	1	-	-	1
Disposal/scraping	(4)	(11)	(16)	(17)	-	(48)
Other transfer in	-	2	13	1	-	16
Dec. 31, 2022	<u>9,417</u>	<u>222</u>	<u>2,567</u>	<u>411</u>	<u>92</u>	<u>12,709</u>
Accumulated depreciation:						
Dec. 31, 2021	2,686	146	1,223	184	-	4,239
Drawing	443	20	280	54	-	797
Disposal/scraping	(1)	(11)	(14)	(5)	-	(31)
Other transfer in	-	2	12	-	-	14
Dec. 31, 2022	<u>3,128</u>	<u>157</u>	<u>1,501</u>	<u>233</u>	<u>-</u>	<u>5,019</u>
Depreciation Provision:						
Dec. 31, 2021	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>5</u>
Dec. 31, 2022	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>5</u>
Book value:						
Dec. 31, 2022	<u>6,287</u>	<u>65</u>	<u>1,064</u>	<u>177</u>	<u>92</u>	<u>7,685</u>
Dec. 31, 2021	<u>6,561</u>	<u>65</u>	<u>811</u>	<u>181</u>	<u>-</u>	<u>7,618</u>

As of December 31, 2023, all the houses and buildings of the Group have obtained the property certificate (Dec. 31, 2022: the same).

As of 31 Dec. 2023, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 1,650 million; the net book value was RMB 50 million (As of 31 Dec. 2022, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 1,479 million; the net book value was RMB 44 million).

As of December 31, 2023, the Group has idle houses and buildings with a net value of RMB 10 million (As of December 31, 2022, houses and buildings with a net value of RMB 14 million were idle).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**9. Construction in progress**

2023

	Dec. 31, 2022	Increase	Transfer into fixed assets	Other decrease	Dec. 31, 2023	Fund source
Business occupancy	721	533	(322)	(72)	860	Self
Others	303	834	(1)	(426)	710	Self
	<u>1,024</u>	<u>1,367</u>	<u>(323)</u>	<u>(498)</u>	<u>1,570</u>	

2022

	Dec. 31, 2021	Increase	Transfer into fixed assets	Other decrease	Dec. 31, 2022	Fund source
Business occupancy	409	661	-	(349)	721	Self
Others	267	486	(1)	(449)	303	Self
	<u>676</u>	<u>1,147</u>	<u>(1)</u>	<u>(798)</u>	<u>1,024</u>	

No interest capitalized expenses existed in the construction in progress.

As of December 31, 2023, no depreciation happened in the construction in progress of the Group, so no impairment provision of the construction in progress was accrued. (December 31, 2022: the same).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**10. Right-of-use assets**

Houses and buildings	2023	2022
Original value:		
Beginning balance	4,504	3,915
Increase in the period	710	659
Decrease in the period	(305)	(91)
Other transfer in	-	21
Ending balance	<u>4,909</u>	<u>4,504</u>
Accumulated depreciation:		
Beginning balance	1,421	674
Increase in the period	806	770
Decrease in the period	(291)	(38)
Other transfer in	-	15
Ending balance	<u>1,936</u>	<u>1,421</u>
Book value:		
Ending balance	<u>2,973</u>	<u>3,083</u>
Beginning balance	<u>3,083</u>	<u>3,241</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**11. Intangible assets**

2023	Software	Land use right	Membership right	Franchise rights (note)	Total
Original price:					
Dec. 31, 2022	1,862	1,189	22	440	3,513
Increase in the period	720	130	-	-	850
Decrease in the period	(1)	-	-	-	(1)
Dec. 31, 2023	<u>2,581</u>	<u>1,319</u>	<u>22</u>	<u>440</u>	<u>4,362</u>
Accumulated depreciation:					
Dec. 31, 2022	917	153	22	-	1,092
Increase in the period	327	32	-	-	359
Decrease in the period	(1)	-	-	-	(1)
Dec. 31, 2023	<u>1,243</u>	<u>185</u>	<u>22</u>	<u>-</u>	<u>1,450</u>
Book value:					
Dec. 31, 2023	<u>1,338</u>	<u>1,134</u>	<u>-</u>	<u>440</u>	<u>2,912</u>
Dec. 31, 2022	<u>945</u>	<u>1,036</u>	<u>-</u>	<u>440</u>	<u>2,421</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**11. Intangible assets (continued)**

2022	Software	Land use right	Membership right	Franchise rights (note)	Total
Original price:					
Dec. 31, 2021	1,250	852	22	-	2,124
Increase in the period	590	337	-	-	927
Decrease in the period	(3)	-	-	-	(3)
Other transfer in	25	-	-	440	465
Dec. 31, 2022	1,862	1,189	22	440	3,513
Accumulated depreciation:					
Dec. 31, 2021	672	128	22	-	822
Increase in the period	224	25	-	-	249
Decrease in the period	(1)	-	-	-	(1)
Other transfer in	22	-	-	-	22
Dec. 31, 2022	917	153	22	-	1,092
Book value:					
Dec. 31, 2022	945	1,036	-	440	2,421
Dec. 31, 2021	578	724	-	-	1,302

Note: the franchise rights formed by the merger of enterprises not under the same control

According to the impairment test results of the Group, as of December 31, 2023, the franchise rights did not experience impairment, and there were no signs of impairment for other intangible assets. Therefore, no provision for impairment of intangible assets was made (December 31, 2022: the same).

**Bank of Ningbo Co., Ltd.**

**Notes to Financial Statements (Continued)**

**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**12. Deferred income tax assets/liabilities**

**12.1. Deferred income tax assets and liabilities before offsetting each other**

Deferred income tax assets and liabilities before offsetting each other:

	Dec. 31, 2023		Dec. 31, 2022	
	Deductible/ (taxable) Temporary difference	Deferred income tax assets /(liabilities)	Deductible/ (taxable) Temporary difference	Deferred income tax assets /(liabilities)
Deferred income tax assets	56,380	14,095	58,824	14,706
Deferred income tax liabilities	(31,338)	(7,835)	(31,060)	(7,765)

Temporary differences of the deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	Dec. 31, 2023		Dec. 31, 2022	
	Deductible/ Temporary difference	Deferred Income tax assets	Deductible/ Temporary difference	Deferred Income tax assets
Deferred income tax assets				
Provisions for asset depreciation	32,446	8,112	30,716	7,679
Changes in fair value of derivative financial liabilities	13,069	3,267	17,429	4,357
Changes in fair value of trading financial liabilities	3,963	991	1,359	340
Estimated liabilities	1,673	418	3,047	762
Lease liability	2,813	703	2,881	720
Deferred income	1,385	346	2,329	582
Others	1,031	258	1,063	266
	56,380	14,095	58,824	14,706

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**12. Deferred income tax assets/liabilities (continued)**

**12.1. Deferred income tax assets and liabilities before offsetting each other (continued)**

Temporary differences of the deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows (continued):

	Dec. 31, 2023		Dec. 31, 2022	
	Taxable Temporary difference	Deferred income tax liabilities	Taxable Temporary difference	Deferred income tax liabilities
Deferred income tax liabilities				
Conversion of self use real estate to investment real estate measured at fair value	(19)	(5)	(19)	(5)
Changes in fair value of other debt investments	(5,138)	(1,285)	(2,826)	(707)
Changes in fair value of other equity instruments	(245)	(61)	(89)	(22)
Changes in fair value of derivative financial assets	(18,017)	(4,504)	(23,516)	(5,879)
Changes in fair value of trading financial assets	(4,514)	(1,129)	(1,097)	(274)
Right-of-use assets	(2,965)	(741)	(3,073)	(768)
Difference between the fair value and book value of identifiable net assets formed by mergers of enterprises under different controls	(440)	(110)	(440)	(110)
	<u>(31,338)</u>	<u>(7,835)</u>	<u>(31,060)</u>	<u>(7,765)</u>

**12.2. Deferred income tax assets and liabilities after offsetting**

The Company's deferred income tax assets and liabilities after offsetting and the corresponding temporary differences are as follows:

	Dec. 31, 2023		Dec. 31, 2022	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>14,095</u>	<u>6,260</u>	<u>14,706</u>	<u>6,941</u>
Deferred income tax liabilities	<u>(7,835)</u>	<u>-</u>	<u>(7,765)</u>	<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)**

**13. Other assets**

		Dec. 31, 2023	Dec. 31, 2022
Other receivables	13.1	3,634	2,600
Amount to be settled/liquidated		943	35
Long-term deferred expenses	13.2	924	976
Interest receivable		53	49
Pending deduct VAT on purchase		249	208
Debt assets	13.3	8	8
Others		46	38
		<u>5,857</u>	<u>3,914</u>

**13.1. Other receivables**

	Dec .31, 2023				Total	Proportion	Bad-debt provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years				
Deposit	27	9	13	58	107	2.83%	(7)	100
Others	<u>2,867</u>	<u>383</u>	<u>165</u>	<u>264</u>	<u>3,679</u>	<u>97.17%</u>	<u>(145)</u>	<u>3,534</u>
	<u>2,894</u>	<u>392</u>	<u>178</u>	<u>322</u>	<u>3,786</u>	<u>100.00%</u>	<u>(152)</u>	<u>3,634</u>

	Dec .31, 2022				Total	Proportion	Bad-debt provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years				
Deposit	14	14	22	52	102	3.74%	(18)	84
Others	<u>2,350</u>	<u>136</u>	<u>98</u>	<u>42</u>	<u>2,626</u>	<u>96.26%</u>	<u>(110)</u>	<u>2,516</u>
	<u>2,364</u>	<u>150</u>	<u>120</u>	<u>94</u>	<u>2,728</u>	<u>100.00%</u>	<u>(128)</u>	<u>2,600</u>

The balance of the account does not involve the arrearages to those shareholders' companies with 5% or over 5% shareholding of the Company till Dec. 31, 2023 (Dec. 31, 2022: none).

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

**13. Other assets (continued)**

**13.2. Long-term deferred expenses**

2023	Improvement of fixed assets for operation purpose	Other	Total
Dec. 31, 2022	961	15	976
Increase	287	21	308
Decrease	(20)	(29)	(49)
Amortize	(308)	(3)	(311)
	<u>920</u>	<u>4</u>	<u>924</u>
Dec. 31, 2023	<u>920</u>	<u>4</u>	<u>924</u>
2022	Improvement of fixed assets for operation purpose	Other	Total
Dec. 31, 2021	908	4	912
Increase	323	14	337
Amortize	(270)	(3)	(273)
	<u>961</u>	<u>15</u>	<u>976</u>
Dec. 31, 2022	<u>961</u>	<u>15</u>	<u>976</u>

**13.3. Debt assets**

The debt assets of the Group mainly included houses and buildings.

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**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**14. Allowances for assets impairment**

2023	Note V	Dec. 31, 2022	Accrual/ (transfer back)	Write-off/ Withdrawal after verification	Other changes	Dec. 31, 2023
Provision for impairment of deposits with banks	2	24	19	-	-	43
Provision for impairment of lending funds	3	27	8	-	-	35
Provision for impairment of repurchase financial assets	5	11	(11)	-	-	-
Provision for loan impairment measured at amortized cost	6	38,564	10,715	(6,356)	(45)	42,878
Provision for impairment of loans measured at fair value with changes recognized in other comprehensive income	6	892	27	-	-	919
Provision for impairment of investment on creditor's rights	7	2,193	(530)	206	-	1,869
Provision for impairment of other investment on creditor's rights	7	1,144	267	-	-	1,411
Provision for impairment of accrued interest on financial assets measured at amortized cost		175	-	-	-	175
Provision for impairment of accrued interest on financial assets measured at fair value with changes recognized in other comprehensive income		13	4	-	-	17
Provision for impairment of fixed assets	8	5	-	-	-	5
Provision for impairment of other assets		483	(162)	-	-	321
		<u>43,531</u>	<u>10,337</u>	<u>(6,150)</u>	<u>(45)</u>	<u>47,673</u>

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

**14. Allowances for assets impairment (continued)**

2022	Note V	Dec. 31, 2021	Accrual/ (transfer back)	Write-off/ Withdrawal after verification	Other changes	Dec. 31, 2022
Provision for impairment of deposits with banks	2	46	(22)	-	-	24
Provision for impairment of lending funds	3	91	(64)	-	-	27
Provision for impairment of repurchase financial assets	5	2	9	-	-	11
Provision for loan impairment measured at amortized cost	6	33,529	10,862	(6,032)	205	38,564
Provision for impairment of loans measured at fair value with changes recognized in other comprehensive income	6	1,066	(174)	-	-	892
Provision for impairment of investment on creditor's rights	7	3,823	(1,702)	72	-	2,193
Provision for impairment of other investment on creditor's rights	7	558	586	-	-	1,144
Provision for impairment of accrued interest on financial assets measured at amortized cost		211	(36)	-	-	175
Provision for impairment of accrued interest on financial assets measured at fair value with changes recognized in other comprehensive income		4	9	-	-	13
Provision for impairment of fixed assets	8	5	-	-	-	5
Provision for impairment of other assets		158	309	(2)	18	483
		<u>39,493</u>	<u>9,777</u>	<u>(5,962)</u>	<u>223</u>	<u>43,531</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**15. Borrowing from the central bank**

	Dec. 31, 2023	Dec. 31, 2022
Medium-term lending facility	108,080	64,833
Others	325	-
	<u>108,405</u>	<u>64,833</u>
Medium-term lending facility	108,405	64,833
Others	784	602
	<u>109,189</u>	<u>65,435</u>

**16. Deposit in other banks/financial institutions**

	Dec. 31, 2023	Dec. 31, 2022
Deposit with domestic banks	15,582	939
Deposit with foreign banks	76	30
Other financial institutions	66,268	87,227
	<u>81,926</u>	<u>88,196</u>
Subtotal	81,926	88,196
Accrued interest	196	111
	<u>82,122</u>	<u>88,307</u>

The interbank deposits of related parties of the Group at the end of the year are detailed in Note IX. 2.5.

**17. Loans from other banks and other financial institutions**

	Dec. 31, 2023	Dec. 31, 2022
Deposit funds measured at amortized cost		
Bank	128,592	80,875
Other financial institutions	6,894	5,050
	<u>135,486</u>	<u>85,925</u>
Precious metal lending measured at fair value through profit or loss for the current period		
Bank	46,344	22,511
	<u>46,344</u>	<u>22,511</u>
Subtotal	181,830	108,436
Accrued interest	1,284	668
	<u>183,114</u>	<u>109,104</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**18. Financial assets sold for repurchase**

	Dec. 31, 2023	Dec. 31, 2022
Classified by pledges:		
Bonds	121,774	106,526
Bills	821	1,466
	<hr/>	<hr/>
Subtotal	122,595	107,992
Accrued interest	46	48
	<hr/>	<hr/>
	122,641	108,040
	<hr/> <hr/>	<hr/> <hr/>
Classified by counter party:		
Banks	122,578	107,231
Other financial institutions	17	761
	<hr/>	<hr/>
Subtotal	122,595	107,992
Accrued interest	46	48
	<hr/>	<hr/>
	122,641	108,040
	<hr/> <hr/>	<hr/> <hr/>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**19. Deposits**

	Dec. 31, 2023	Dec. 31, 2022
Demand deposit		
Corporate	415,222	380,477
Personal	86,716	85,265
Fixed time deposit		
Corporate	676,544	563,703
Personal	326,875	197,568
Guarantee deposit	59,018	67,484
Others	1,923	2,588
	<hr/>	<hr/>
Subtotal	1,566,298	1,297,085
Accrued interest	22,238	13,220
	<hr/>	<hr/>
	<u>1,588,536</u>	<u>1,310,305</u>

See Note IX/2.3 for deposits of the related parties of the Company at the end of the year.

**20. Payroll payable**

2023	Dec. 31, 2022	Withdrawal	Payment	Dec. 31, 2023
Short-term salary:				
Salaries, bonuses, allowances, and subsidies	4,102	11,546	11,768	3,880
Welfare	-	911	911	-
Social insurances				
Medical insurance	1	367	367	1
Work injury insurance	-	9	9	-
House funds	-	819	819	-
Labor union's funds and employee education funds	5	55	56	4
	<hr/>	<hr/>	<hr/>	<hr/>
Contribution plan:				
Basic pension insurance	-	648	648	-
Unemployment insurance	-	21	21	-
Annuity plan	4	262	265	1
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>4,112</u>	<u>14,638</u>	<u>14,864</u>	<u>3,886</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**20. Payroll payable (continued)**

2022	Dec. 31, 2021	Withdrawal	Payment	Merged and transferred in	Dec. 31, 2022
Short-term salary:					
Salaries, bonuses, allowances, and subsidies	3,838	10,896	10,640	8	4,102
Welfare	-	990	990	-	-
Social insurances					
Medical insurance	1	284	284	-	1
Work injury insurance	-	7	7	-	-
House funds	-	710	710	-	-
Labor union's funds and employee education funds	-	58	57	4	5
Contribution plan:					
Basic pension insurance	-	553	553	-	-
Unemployment insurance	-	18	18	-	-
Annuity plan	2	132	130	-	4
	<u>3,841</u>	<u>13,648</u>	<u>13,389</u>	<u>12</u>	<u>4,112</u>

**21. Tax payable**

	Dec. 31, 2023	Dec. 31, 2022
Value-added tax	665	714
Corporate income tax	402	518
Individual income tax	72	76
Urban construction tax	40	25
Educational surcharges	28	17
Withholding and paying taxes on behalf of others	17	22
Others	57	48
	<u>1,281</u>	<u>1,420</u>

**22. Bond payable**

	Dec. 31, 2023	Dec. 31, 2022
Financial bond payable	73,991	61,993
Secondary capital bond payable	51,492	51,492
Interbank deposit certificates payable	<u>243,496</u>	<u>321,358</u>
Subtotal	368,979	434,843
Accrued interest	<u>2,104</u>	<u>2,002</u>
	<u>371,083</u>	<u>436,845</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**22. Bond payable (continued)**

Balance of bond payables to the date 31 December 2023 is as follows:

	Date of issue	Bond period	Book value	Dec. 31, 2022	Used in 2023	2023 Used interest	Discount Amortize	Repayment	Dec. 31, 2023
13 Financial bond (2)	2013/4/16	10 years	3,000	2,998	-	46	2	(3,000)	-
19 Tier II capital Bond (5)	2019/7/10	10 years	10,000	10,000	-	440	-	-	10,000
19 Financial bond Financial bond (6)	2019/10/14	5 years	1,000	1,000	-	38	-	-	1,000
20 Small and micro Financial bond (7)	2020/3/4	3 years	5,500	5,500	-	29	-	(5,500)	-
20 Small and micro Financial bond (7)	2020/3/4	5 years	1,500	1,500	-	47	-	-	1,500
20 Financial bond(8)	2020/4/9	3 years	5,000	5,000	-	34	-	(5,000)	-
20 Tier II capital bond (9)	2020/8/6	10 years	10,000	9,997	-	410	-	-	9,997
21 Financial bond(12)	2021/4/8	3 years	5,000	4,999	-	174	-	-	4,999
21 Tier II capital bond (13)	2021/6/3	10 years	6,000	5,999	-	232	-	-	5,999
21 Tier II capital bond (13)	2021/7/8	10 years	3,500	3,499	-	129	-	-	3,499
20 Maxwealth financial bond(11)	2020/2/25	3 years	1,000	1,000	-	15	-	(1,000)	-
22 Financial bond(14)	2022/2/16	3 years	10,000	9,999	-	278	-	-	9,999
22 Financial bond(14)	2022/5/6	3 years	10,000	9,999	-	284	-	-	9,999
22 Financial bond(14)	2022/6/9	3 years	10,000	9,998	-	281	-	-	9,998
22 Financial bond(14)	2022/11/3	3 years	10,000	10,000	-	248	-	-	10,000
22 Tier II capital bond (15)	2022/8/2	10 years	22,000	21,997	-	713	-	-	21,997
23 Financial bond(16)	2023/4/13	3 years	10,000	-	10,000	201	(1)	-	9,999
23 Financial bond(16)	2023/5/17	3 years	15,000	-	15,000	259	(2)	-	14,998
23 Maxwealth financial bond (17)	2023/12/15	3 years	1,500	-	1,500	2	(1)	-	1,499
		Term of bond		Actual interest rate		Book value at the end of year		Balance at the end of year	
Deposit of other banks		1 month to 1 year		1.84%-2.73%		245,560		243,496	

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**22. Bond payable (continued)**

Balance of bond payables to the date 31 December 2022 is as follows:

	Date of issue	Bond period	Book value	Dec. 31, 2021	Issued in 2022	2022 accrued interest	Discount Amortize	Repayment	Dec. 31, 2022
12 Subordinated (1)	2012/11/22	15 years	3,000	2,996	-	156	4	(3,000)	-
13 Financial bond(2)	2013/04/16	10 years	3,000	2,999	-	154	(1)	-	2,998
17 Tier II capital bond (3)	2017/12/06	10 years	10,000	9,993	-	450	7	(10,000)	-
19 Financial bond(4)	2019/01/14	3 years	6,000	6,000	-	9	-	(6,000)	-
19 Tier II capital bond (5)	2019/07/10	10 years	10,000	10,000	-	440	-	-	10,000
19 Small and micro Financial bond (6)	2019/08/08	3 years	6,000	6,000	-	127	-	(6,000)	-
19 Small and micro Financial bond (6)	2019/10/14	3 years	6,000	6,000	-	164	-	(6,000)	-
19 Small and micro Financial bond (6)	2019/10/14	5 years	1,000	1,000	-	38	-	-	1,000
20 Small and micro Financial bond (7)	2020/03/04	3 years	5,500	5,500	-	161	-	-	5,500
20 Small and micro Financial bond (7)	2020/03/04	5 years	1,500	1,500	-	47	-	-	1,500
20 Financial bond(8)	2020/04/09	3 years	5,000	5,000	-	120	-	-	5,000
20 Tier II capital bond (9)	2020/08/06	10 years	10,000	9,997	-	410	-	-	9,997
21 Financial bond(12)	2021/04/08	3 years	5,000	4,999	-	174	-	-	4,999
21 Tier II capital bond (13)	2021/06/03	10 years	6,000	5,999	-	232	-	-	5,999
21 Tier II capital bond (13)	2021/07/08	10 years	3,500	3,499	-	129	-	-	3,499
19 Maxwealth financial bond (10)	2019/03/13	3 years	2,000	1,999	-	15	1	(2,000)	-
20 Maxwealth financial bond (11)	2020/02/25	3 years	1,000	1,000	-	33	-	-	1,000
22 Financial bond(14)	2022/02/16	3 years	10,000	-	10,000	241	(1)	-	9,999
22 Financial bond(14)	2022/05/06	3 years	10,000	-	10,000	183	(1)	-	9,999
22 Financial bond(14)	2022/06/09	3 years	10,000	-	10,000	155	(2)	-	9,998
22 Financial bond(14)	2022/11/03	3 years	10,000	-	10,000	37	-	-	10,000
22 Tier II capital bond (15)	2022/08/02	10 years	22,000	-	22,000	293	(3)	-	21,997

	Term of bond	Actual interest rate	Book value at the end of year	Balance at the end of year
Deposit of other banks	1 month to 1 year	1.36%-3.11%	323,460	321,358

**Bank of Ningbo Co., Ltd.**

**Notes to Financial Statements (Continued)**

**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**22. Bond payable (continued)**

- (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. On November 23, 2022, the Group exercised its redemption right and fully redeemed the current bond.
- (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. On April 16, 2018 and April 18, 2023, the above-mentioned bonds have matured and been redeemed.
- (3) 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. On December 7, 2022, the Group exercised its redemption right and fully redeemed the current bond.
- (4) On January 14, 2019, the Group publicly issued financial bonds with a total face value of RMB 6 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.50%. The interest will be paid by year, and the principal will be return upon maturity. On January 16, 2022, the bond was due for redemption.
- (5) On July 10, 2019, the Group publicly issued RMB secondary capital bonds amounted to RMB 10 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 10 years and a nominal interest rate of 4.40%. The bonds are subject to the issuer's redemption right with preconditions at the end of the 5th year. The interest will be paid by year, and the principal will be return upon maturity.
- (6) On August 8, 2019, October 14, 2019 and October 14, 2019, the Group issued special financial bonds with total face value of RMB 6 billion, RMB 6 billion and RMB 1 billion for small and micro enterprise loans in the national inter-bank bond market. Among which, the bonds of type I have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type II have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type III have fixed interest rate, with the maturity of 5 years, a scale of RMB 1 billion, and a nominal interest rate of 3.8%. The interest will be paid by year, and the principal will be return upon maturity. On August 10, 2022 and October 16, 2022, the bonds of type I and type II have matured and been redeemed.

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

**22. Bond payable (continued)**

- (7) On March 4, 2020, the Group publicly issued RMB Special financial bond for small and micro enterprise loan amounted to RMB 5.5 billion and RMB 1.5 billion respectively in the national inter-bank bond market. Among which, type 1, with the total amount of RMB 5.5 billion, is the fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 2.92%, the interest will be paid by year and the principal will be return upon maturity; type 2, with the total amount of RMB 1.5 billion, is the fixed-rate financial bonds with a maturity of 5 years and a nominal interest rate of 3.10%, the interest will be paid by year and the principal will be return upon maturity.
- (8) On April 9, 2020, the Group publicly issued RMB financial bond amounted to RMB 5 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 2.4%. The interest will be paid by year, and the principal will be return upon maturity. On April 13, 2023, the bond was due for redemption.
- (9) On August 6, 2020, the Group publicly issued RMB secondary capital bonds amounted to RMB 10 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 10 years and a nominal interest rate of 4.10%. The bonds are subject to the issuer's redemption right with preconditions at the end of the 5th year. The interest will be paid by year, and the principal will be return upon maturity.
- (10) On March 13, 2019, the Group publicly issued RMB financial bond amounted to RMB 2 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 3.80%. The interest will be paid by year, and the principal will be return upon maturity. On April 13, 2023, the bond was due for redemption.
- (11) On February 25, 2020, the Group publicly issued RMB financial bond amounted to RMB 1 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 3.25%. The interest will be paid by year, and the principal will be return upon maturity. On February 27, 2023, the bond was due for redemption.
- (12) On April 8, 2021, the Group publicly issued RMB financial bond amounted to RMB 5 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years and a nominal interest rate of 3.48%. The interest will be paid by year, and the principal will be return upon maturity.

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

**2. Bond payable (continued)**

- (13) On June 3, 2021 and July 8, 2021, the Group publicly issued RMB secondary capital bonds with a total face value of RMB 6 billion and RMB 3.5 billion in the national inter-bank bond market. Among them, the first type is a 10-year bond with a fixed interest rate, and the issuer has a redemption right with preconditions at the end of the fifth year. The scale is RMB 6 billion, the coupon rate is 3.87%, the interest is paid annually, and the principal is repaid once due; The second is a 10-year bond with a fixed interest rate. At the end of the fifth year, the issuer has the redemption right with preconditions. The scale is RMB 3.5 billion, the coupon rate is 3.68%, the interest is paid annually, and the principal is repaid at its maturity.
- (14) On February 16, 2022, May 11, 2022, June 9, 2022 and November 3, 2022, the Group publicly issued four financial bonds with a total face value of RMB 10 billion respectively in the national inter-bank bond market, among which, the type I is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.78%, the interest is paid annually, and the principal is repaid at its maturity; type II is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.84%, the interest is paid annually, and the principal is repaid at its maturity; type III is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.81%, the interest is paid annually, and the principal is repaid at its maturity; type IV is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.48%, the interest is paid annually, and the principal is repaid at its maturity.
- (15) On August 4, 2022, the Group publicly issued secondary capital bonds amounted to RMB 22 billion in the national interbank bond market. The bonds are a 10-year fixed interest rate variety, with a conditional issuer redemption option at the end of the fifth year. The coupon rate is 3.24%, with annual interest payments and a one-time principal repayment upon maturity.
- (16) On April 13, 2023 and May 17, 2023, the Group publicly issued two periods of financial bonds with a total face value of RMB 10 billion and RMB 15 billion in the national interbank bond market. Among them, type one was a 3-year fixed interest rate bond with a scale of RMB 10 billion and a coupon rate of 2.83%, with annual interest payments and one-time principal repayment upon maturity; type two is a 3-year fixed interest rate bond with a scale of RMB 15 billion and a coupon rate of 2.78%. The interest is paid annually and the principal is repaid in one lump sum upon maturity.
- (17) On December 15, 2023, the Group publicly issued RMB financial bonds with a total face value of RMB 1.5 billion in the national interbank bond market. The current financial bond is a 3-year fixed interest rate bond with a scale of RMB 1.5 billion and a coupon rate of 2.95%. The interest is paid annually and the principal is repaid in one lump sum upon maturity.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**23. Lease liabilities**

Analysis by maturity - without discount analysis

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year (included)	760	729
1-2 years (included)	612	639
2-3 years (included)	513	515
3-5 years (included)	767	789
Over 5 years	444	522
	<u>3,096</u>	<u>3,194</u>
Total undiscounted lease liabilities	<u>3,096</u>	<u>3,194</u>
Lease liabilities	<u>2,819</u>	<u>2,888</u>

In 2023, the total cash outflow related to leasing paid by the Group as a lessee was RMB 1085 million (2022: RMB 1,138 million), of which RMB 983 million (2022: RMB 1,046 million) was included in financing activities to pay off lease liabilities, and the remaining cash outflows were included in operating activities.

**24. Estimated liabilities**

	Dec. 31, 2023	Dec. 31, 2022
Expected credit loss provision for credit commitments	1,555	2,952
Other estimated liabilities	118	95
	<u>1,673</u>	<u>3,047</u>
	Dec. 31, 2023	Dec. 31, 2022
Stage 1 (expected credit loss in 12 months)	1,516	2,743
Stage 2 (expected credit loss for the entire lifespan - no impairment)	38	123
Stage 3 (expected credit loss over the entire lifespan - impaired)	1	86
	<u>1,555</u>	<u>2,952</u>
Total	<u>1,555</u>	<u>2,952</u>

Note 1: The assumptions and estimates related to the expected credit loss provision made by the Group for off-balance-sheet events are detailed in Note XII. 1.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**25. Other liabilities**

		Dec. 31, 2023	Dec. 31, 2022
Other payables	25.1	13,461	16,715
Liquidation amount payable		1,946	7,126
Output tax to be carried forward		195	125
Dividend payable		38	24
Others		922	2,041
		<u>16,562</u>	<u>26,031</u>

**25.1. Other payables**

		Dec. 31, 2023	Dec. 31, 2022
Bills payable		10,171	13,485
Securitized assets to be transferred		166	362
Unpaid of construction		302	250
Lease deposit		345	243
Others		2,477	2,375
		<u>13,461</u>	<u>16,715</u>

As of December 31, 2023, there were no shareholders, shareholder groups or other related parties holding 5% or more of the voting shares in the balance of this account (December 31, 2022: none).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**26. Share capital**

2023	Jan. 1, 2023		Change		Dec. 31, 2023	
	Amount	Prop.	Newly issued	sterilization	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	-	0.00%	-	-	-	0.00%
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	76	1.15%	-	-	76	1.15%
<i>Amongst: shares held by foreign legal person</i>	76	1.15%	-	-	76	1.15%
5. Shares held by senior management	4	0.06%	-	(1)	3	0.05%
Total of shares subject to restriction on sales	80	1.21%	-	(1)	79	1.20%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	6,524	98.79%	-	1	6,525	98.80%
Total of shares not subject to restriction on sales	6,524	98.79%	-	1	6,525	98.80%
III. Total shares	6,604	100.00%	-	-	6,604	100.00%
2022	Jan. 1, 2022		Change		Dec. 31, 2022	
	Amount	Prop.	Newly issued	sterilization	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	-	0.00%	-	-	-	0.00%
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	76	1.15%	-	-	76	1.15%
<i>Amongst: shares held by foreign legal person</i>	76	1.15%	-	-	76	1.15%
5. Shares held by senior management	4	0.06%	-	-	4	0.06%
Total of shares subject to restriction on sales	80	1.21%	-	-	80	1.21%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	6,524	98.79%	-	-	6,524	98.79%
Total of shares not subject to restriction on sales	6,524	98.79%	-	-	6,524	98.79%
III. Total shares	6,604	100.00%	-	-	6,604	100.00%



**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**27. Other equity instruments**

**27.1 Preferred shares**

As of Dec. 31, 2023, the preferred shares issued by the Group are as follows:

Date of issue	Accounting classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y. 01:								
2015/11/16	Preferred share	4.68%	100	48.5 million shares	RMB 4.85 billion	N/A	Mandatory conversion under certain trigger event	N/A
N.H.Y. 02:								
2018/11/7	Preferred share	4.50%	100	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger event	N/A

As of Dec. 31, 2022, the preferred shares issued by the Group are as follows:

Date of issue	Accounting classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y. 01:								
2015/11/16	Preferred share	4.68%	100	48.5 million shares	RMB 4.85 billion	N/A	Mandatory conversion under certain trigger event	N/A
N.H.Y. 02:								
2018/11/7	Preferred share	5.30%	100	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger event	N/A

N.H.Y. 01: the Company issued preferred shares on November 16, 2015. The preferred shares have no maturity date, and the Company has the right to choose to redeem them in advance. The fixed dividend yield at the time of issuance of preferred shares is 4.60%, and the dividend yield is adjusted every five years thereafter. The fixed dividend yield of preferred shares in the first interest period (November 16, 2015 to November 15, 2020) is 4.60%, and that in the second interest period (November 16, 2020 to November 15, 2025) is 4.68%. Preferred shares do not participate in the distribution of residual profits, and the Company has the right to cancel the payment of dividends. In case of compulsory conversion of shares, the Company has the right to forcibly convert preferred shares into ordinary shares according to the compulsory conversion price. According to relevant regulatory regulations, the preferred shares belong to Tier 1 capital instruments. The Company classifies it as other equity instruments.

N.H.Y. 02: the Company issued preferred shares on November 7, 2018. The preferred shares have no maturity date, and the Company has the right to choose to redeem them in advance. The fixed dividend yield at the time of issuance of preferred shares is 5.30%, and the dividend yield is adjusted every five years thereafter. The fixed dividend yield of preferred shares in the first interest period (November 7, 2018 to November 6, 2023) is 5.30%. The fixed dividend yield of preferred shares in the second interest period (November 7, 2023 to November 6, 2028) is 4.50%. Preferred shares do not participate in the distribution of residual profits and have the right to cancel the payment of dividends. In case of compulsory conversion of shares, the Company has the right to forcibly convert preferred shares into ordinary shares according to the compulsory conversion price. According to relevant regulatory regulations, the preferred shares belong to Tier 1 capital instruments. The Company classifies it as other equity instruments.

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

**27. Other equity instruments**

**27.1 Preferred shares (continued)**

The changes of preferred shares issued by the Group were as follows:

2023

	Jan. 1, 2023		Increase		Decrease		Dec. 31, 2023	
	Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
2023 domestic preferred share	148.5 million	RMB 14.81 billion	-	-	-	-	148.5 million	RMB 14.81 billion
		<u>RMB 14.81 billion</u>		<u>-</u>		<u>-</u>		<u>RMB 14.81 billion</u>

2022

	Jan. 1, 2022		Increase		Decrease		Dec. 31, 2022	
	Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
2022 domestic preferred share	148.5 million	RMB 14.81 billion	-	-	-	-	148.5 million	RMB 14.81 billion
		<u>RMB 14.81 billion</u>		<u>-</u>		<u>-</u>		<u>RMB 14.81 billion</u>

**27.2. Perpetual bond**

As of December 31, 2023, details of perpetual bonds issued by the Group to the public are as follows:

	Date of Issue	Accounting Category	Initial interest Rate	Issue price	Qty.	Amount	Maturity
23 NBCB perpetual bond 01	Jul. 6, 2023	Equity instrument	3.45%	100	0.1 billion share	RMB 10 billion	Non-fixed term

With the approval of relevant regulatory authorities, the Company issued an non-fixed term capital bond with a total scale of RMB 10 billion in the national interbank bond market on July 6, 2023, and the raised funds were received on July 11, 2023. The unit face value of this bond was RMB 100, with a coupon rate of 3.45%. This bond adopted a phased adjustment of the coupon rate, with a 5-year coupon rate adjustment period, during which interest is paid at the agreed coupon rate. On the benchmark interest rate adjustment date (i.e. every 5 years until the issuance and payment deadline), the level of coupon rate for an adjustment period in the future will be determined by adding the benchmark interest rate on the benchmark interest rate adjustment date to the fixed interest rate difference determined during the issuance pricing.

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

**27. Other equity instruments**

**27.2 Perpetual bond (continued)**

The duration of this bond is consistent with the duration of operation of the Company. This bond issuance is subject to conditional redemption clause of the Company. After 5 years from the issuance date, the Company has the right to redeem all or part of this bond on the annual interest payment date (including the 5th year after the issuance date), provided that the redemption prerequisites are met and approved by the National Financial Regulatory Administration. After the issuance of this bond, in case there are unforeseen regulatory changes that result in the bond no longer being included in other Tier 1 capital, the Company has the right to redeem the bond in full instead of in part.

The accounting category of this bond is other Tier I capital instruments recognized in equity, and the repayment order is after the depositor, general creditors, and subordinated debt ranked higher than this bond, and before all classes of shares held by shareholders of the Company; This bond will be repaid in the same order as other Tier I capital instruments of the Company in the same repayment order.

When a non-survival trigger event occurs, the Company has the right to partially or completely reduce the principal of this bond without obtaining the consent of the bondholders. This bond will be written down based on the proportion of the remaining face value to the total face value of all other Tier I capital instruments with the same triggering event.

This bond adopts a non cumulative interest payment method, and the Company has the right to cancel all or part of the dividend payout on this bond, which does not constitute a default event. The Company has the right to use the cancelled interest on this bond to pay off other maturing debts. The cancellation of all or part of the dividend payout on this bond does not constitute any other restrictions on the Company, except for the distribution of dividends on ordinary shares. The dividend payout for this bond must come from distributable items, and the dividend payout is not co-related to the own rating of the Company, and will not be adjusted with future changes in rating of the Company.

Investors are not allowed to resell this bond, and the funds raised from this bond issuance, after deducting issuance fees, will be fully used to supplement the other tier I capital of the Company in accordance with applicable laws and approval from regulatory authorities.

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

**27. Other equity instruments (continued)**

**27.3 Relevant information attributable to equity instrument holders**

Relevant information attributable to equity instrument holders is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Equity attributable to shareholders of the parent company	201,195	167,626
Equity attributable to holders of common share of the parent company	176,385	152,816
Equity attributable to holders of other equity of the parent company	24,810	14,810
Equity attributable to minority shareholders	1,015	900
Equity attributable to minority shareholders of common share	1,015	900

**28. Capital reserve**

2023	Jan. 1, 2023	Change	Dec. 31, 2023
Capital reserve	<u>37,666</u>	<u>(55)</u>	<u>37,611</u>
	<u>37,666</u>	<u>(55)</u>	<u>37,611</u>
2022	Jan. 1, 2022	Change	Dec. 31, 2022
Capital reserve	<u>37,695</u>	<u>(29)</u>	<u>37,666</u>
	<u>37,695</u>	<u>(29)</u>	<u>37,666</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**29. Other comprehensive income**

Accumulated balance of other comprehensive income attributable to the parent company in the consolidated balance sheet:

2023

	Jan. 1, 2023	Change	Retained income from other comprehensive income	Dec. 31, 2023
<b>Other comprehensive income not expected to be reclassified into profit and loss</b>				
Changes in fair value of other equity instrument investments	66	116	2	184
<b>Other comprehensive income expected to be reclassified into profit and loss</b>				
Conversion of self use real estate to investment real estate measured by fair value	14	-	-	14
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	2,034	1,808	-	3,842
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	1,537	224	-	1,761
	<u>3,651</u>	<u>2,148</u>	<u>2</u>	<u>5,801</u>

2022

	Jan. 1, 2022	Change		Dec. 31, 2022
<b>Other comprehensive income not expected to be reclassified into profit and loss</b>				
Changes in fair value of other equity instrument investments	88	(22)		66
<b>Other comprehensive income expected to be reclassified into profit and loss</b>				
Conversion of self use real estate to investment real estate measured by fair value	14	-		14
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	3,048	(1,014)		2,034
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	1,221	316		1,537
	<u>4,371</u>	<u>(720)</u>		<u>3,651</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**29. Other comprehensive income (continued)**

Incurred amount of other comprehensive income:

2023

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minority shareholder
<b>Other comprehensive income not expected to be reclassified into profit and loss</b>					
Changes in fair value of other equity instrument investments	155	-	(39)	116	-
<b>Other comprehensive income expected to be reclassified into profit and loss</b>					
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	2,535	(124)	(603)	1,808	-
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	298	-	(74)	224	-
	<u>2,988</u>	<u>(124)</u>	<u>(716)</u>	<u>2,148</u>	<u>-</u>

2022

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minority shareholder
<b>Other comprehensive income not expected to be reclassified into profit and loss</b>					
Changes in fair value of other equity instrument investments	(30)	-	8	(22)	-
<b>Other comprehensive income expected to be reclassified into profit and loss</b>					
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	(1,145)	(206)	337	(1,014)	-
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	421	-	(105)	316	-
	<u>(754)</u>	<u>(206)</u>	<u>240</u>	<u>(720)</u>	<u>-</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**30. Surplus reserve**

2023	Jan. 1, 2023	Provision in the year	Dec. 31, 2023
Statutory surplus reserve	12,458	2,247	14,705
2022	Jan. 1, 2022	Provision in the year	Dec. 31, 2022
Statutory surplus reserve	10,418	2,040	12,458

The Company appropriated 10% of the net profit to the statutory surplus reserve as stipulated by Corporate Law and regulations of the Company. The accumulated statutory surplus reserve that more than 50% of the registered capital of the Group cannot be relieved from provisions.

**31. Provision for general risks**

2023	Jan. 1, 2023	Provision in the year	Others	Dec. 31, 2023
Provision for general risks	20,944	3,554	12	24,510
2022	Jan. 1, 2022	Provision in the year	Others	Dec. 31, 2022
Provision for general risks	16,833	4,055	56	20,944

In accordance with the provisions of the Administrative Measures for the Provision of Financial Enterprises (C.J. [2012] No. 20) issued by the Ministry of Finance, the Group has set up general risk reserves to partially make up for the unidentified possible losses on the basis of the provision for asset impairment. The general risk reserve, as a part of the owner's equity, shall be treated as profit distribution, and shall not be less than 1.5% of the balance of risk assets in principle. It can be distributed year by year with a duration not exceeding 5 years in principle. Provision for general risks also includes other general provision drawn by subsidiaries of the Group in accordance with applicable laws and regulations of their industry.

According to the resolution of the 2022 general meeting of shareholders of the Group on May 17, 2023, the provision for general risks amounted to RMB 2,993,000,000 was withdrawn from the undistributed profits of 2022 (2022: general risk reserve amounted to RMB 3,150,000,000 was withdrawn from the undistributed profits of 2021) . The general risk reserves of subsidiaries in 2023 were RMB 561,000,000 (2022: RMB 905,000,000).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**32. Undistributed profit**

	2023	2022
Undistributed profit at the end of last year	71,493	58,628
Net profit attributed to parent company	25,535	23,075
Less: provision for accumulated statutory surplus reserve 1		
Provision for general risks	2,247	2,040
Retained income from other comprehensive income	3,554	4,055
Cash dividend payable for preferred shares	2	-
Cash dividend payable for ordinary shares	757	757
Others	3,302	3,302
	12	56
	87,154	71,493

See Note XIII for the predetermined 2023 distribution plan. The financial statement of the year 2023 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On April 3, 2023, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2022 net profit as the statutory surplus reserve and withdraw the amount of RMB 2,993,000,000 as general provision. Cash dividends were distributed to the registered ordinary shareholders after the close of the stock market on the equity distribution registration date, and the payment of cash dividend was RMB 5 (including tax) per 10 shares, with the total cash dividend of RMB 3,302,000,000 being distributed. This distribution decision has passed on the general meeting of shareholders on May 17, 2023.

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 30, 2023, which approved the start value date for the distribution of the dividend would be November 16, 2022. 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 4.68%, the cash dividend per share will be RMB 4.68 (tax included) and the total dividend value will be RMB 227,000,000.

The Company has discussed and passed the dividend distribution plan of the preferred shares (hereinafter referred to as “Bank of Ningbo Preferred 02”) on the meeting of the Board of Directors held on October 30, 2023, which approved the start value date for the distribution of the dividend would be November 7, 2022. According to the total amount of the shares of Bank of Ningbo Preferred 02 that is 100,000,000 with a nominal dividend rate of 5.30%, the cash dividend per share will be RMB 5.3 (tax included) and the total dividend value will be RMB 530,000,000.



**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

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

**33. Net interest income**

	2023	2022
Interest incomes		
Loans and advances (Note 1)	59,795	52,164
<i>Including: corporate loans and advances</i>		
<i>Personal loans and advances</i>	28,454	24,249
<i>Notes discounted</i>	27,973	24,629
<i>Trade financing</i>	2,851	2,782
Due from other banks	517	504
Deposit in central bank	312	164
Loans to other banks	1,749	1,441
Redemptory monetary capital for sale	1,257	757
Bond investment	687	577
Assets custody plan and credit management plan	21,130	17,566
	5,836	6,062
	90,766	78,731
Interest expenses		
Due to other banks	(2,188)	(2,698)
Borrowing from central bank	(1,933)	(2,330)
Placements from other institutions	(3,596)	(2,706)
Deposit	(30,547)	(21,632)
Repurchase agreements financial assets	(2,015)	(1,132)
Bonds payable	(9,474)	(10,601)
Lease liability	(106)	(111)
	(49,859)	(41,210)
Net interest income	40,907	37,521

Note 1: in 2023, the interest income generated by the impaired financial assets of the Group was RMB 45 million (2022: RMB 46 million).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**34. Net fee and commission income**

	2023	2022
Fee and commission incomes		
Settlement and clearing business	283	273
Bank cards business	266	163
Agency business	5,747	7,036
Guarantee business	609	674
Custody business	401	473
Consulting business	30	48
Others	10	13
	<u>7,346</u>	<u>8,680</u>
Fee and commission expenses		
Settlement and clearing business	(245)	(228)
Bank cards business	(150)	(122)
Agency business	(317)	(369)
Custody business	(83)	(65)
Others	(784)	(430)
	<u>(1,579)</u>	<u>(1,214)</u>
Net fee and commission incomes 7,466	<u><u>5,767</u></u>	<u><u>7,466</u></u>

**35. Investment income**

	2023	2022
Investment income from disposal of trading financial assets	101	(597)
Investment income from disposal of debt instruments measured at fair value with changes included in other comprehensive income	2,649	2,550
Gains from trading financial assets during the holding period	10,761	9,770
Profit and loss of derivatives business	(30)	(388)
Profit and loss of precious metal business	(382)	(204)
Income from equity investment	6	22
Income from de-recognition of financial assets measured at amortized cost	(4)	139
Others	(14)	9
	<u>13,087</u>	<u>11,301</u>

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

**36. Other incomes**

Government subsidies related to daily activities are as follows:

	2023	2022
Financial aid	40	45
Refund of withholding personal income tax	28	25
Special fund for inclusive finance	672	253
	<u>740</u>	<u>323</u>

**37. Gains and losses from fair value changes**

	2023	2022
Fair value change of financial instrument measured by fair value and entered into the current income statement	(813)	51
Changes in fair value of investment real estate	(10)	(8)
Changes in fair value of derivative financial instruments	1,984	1,499
	<u>1,161</u>	<u>1,542</u>

**38. Exchange gains and losses**

	2023	2022
Gains and losses from changes in fair value of foreign exchange derivatives	(3,121)	5,030
Other exchange gains and losses	2,731	(5,334)
	<u>(390)</u>	<u>(304)</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**39. Taxes and surcharges**

	2023	2022
City maintenance and construction tax	257	211
Educational surcharges	185	150
Stamp duty	69	38
Housing property tax	77	64
Other taxes	4	4
	<u>592</u>	<u>467</u>

**40. Business and administrative expenses**

	2023	2022
Staff costs	14,638	13,648
Business expenses	6,861	5,751
Depreciation of fixed assets	933	797
Depreciation of right-of-use assets	806	770
Amortization of long-term deferred expenses	311	273
Amortization of intangible assets	359	249
Short-term lease fee and lease fee of low value asset	104	94
	<u>24,012</u>	<u>21,582</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)**

**41. Credit impairment losses**

	2023	2022
Impairment losses on interbank deposits	19	(22)
Impairment loss on lending funds	8	(64)
Impairment loss on repurchase agreements	(11)	9
Impairment loss of loans and advances measured at amortized	10,715	10,862
Impairment loss of loans and advances measured at fair value with changes included in other comprehensive income	27	(174)
Impairment losses on debt investments	(530)	(1,702)
Impairment losses on other debt investments	267	586
Credit impairment losses on accrued interest on financial assets measured at amortized cost	-	(36)
Credit impairment loss on accrued interest on financial assets measured at fair value with changes recognized in other comprehensive income	4	9
Impairment loss of other assets	(162)	309
Impairment loss of credit commitment	(1,397)	654
	<u>8,940</u>	<u>10,431</u>

**42. Income tax**

	2023	2022
Income tax of the current period	2,324	1,536
Deferred income tax	(35)	612
	<u>2,289</u>	<u>2,148</u>

Relationship between income tax and accounting profits as follows:

	2023	2022
Total profits	27,898	25,280
Tax rate	25%	25%
Tax amount at statutory tax rate	6,975	6,320
Adjustment of current tax items	35	(23)
Tax-free income	(5,965)	(5,172)
Non-deductible costs	1,244	1,023
	<u>2,289</u>	<u>2,148</u>

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

**43. 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. 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.

Calculation of basic earnings per share is as follows:

	2023	2022
Net profit attributable to shareholders of the parent company	25,535	23,075
Less: current net profit of the other equity holders of the parent company	757	757
Current net profit of the shareholders of the parent company	24,778	22,318
Weighted average of ordinary shares in issue	6,604	6,604
Basic and diluted earnings per share attributable to common shareholders of the parent company (RMB / share)	3.75	3.38
Net profit attributable to common shareholders of the parent company after deducting non recurring profits and losses	24,669	22,386
Basic and diluted earnings per share attributable to common shareholders of the parent company after deducting non recurring profits and losses (RMB Yuan/share)	3.74	3.39

When calculating the basic earnings per share of ordinary shares, the preferred share dividends declared to be paid in the current period shall be deducted from the net profit attributable to the shareholders of the Company. In 2023, the Company announced the issuance of preferred share dividends of RMB 757 million (in 2022, the Company announced the issuance of preferred stock dividends of RMB 757 million).

The characteristics of conversion of preferred shares make the Company own or have the possibility to issue common shares. As of December 31, 2023 (Dec 31, 2022: the same), the trigger event of share conversion has not occurred, and the characteristics of share conversion of preferred shares have no impact on the calculation of basic and diluted earnings per share in 2023 (2022: the same).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

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

**44. Notes to items in the Cash Flow Statement**

**44.1 Cash and cash equivalents**

	Dec. 31, 2023	Dec. 31, 2022
Cash	40,880	38,426
<i>Including: Cash</i>	<i>1,660</i>	<i>1,469</i>
<i>Current deposit in other banks</i>	<i>25,203</i>	<i>20,918</i>
<i>Payable balances with central banks</i>	<i>14,017</i>	<i>16,039</i>
Cash equivalent	16,347	13,788
<i>Including: Placements with other Institutions due within 3 months</i>	<i>7,100</i>	<i>1,950</i>
<i>Reserve repurchase financial assets due within 3 months</i>	<i>9,247</i>	<i>11,838</i>
	<hr/>	<hr/>
Balance of cash and cash equivalents at the end of the year	<u>57,227</u>	<u>52,214</u>

**44.2 Other cash received relating to operating activities**

	2023	2022
Pending settlement paid	19,300	12,662
Rent income	31	16
Other incomes	2,985	2,371
	<hr/>	<hr/>
	<u>22,316</u>	<u>15,049</u>

**44.3 Cash paid for other operating related activities**

	2023	2022
Pending settlement paid	7,527	5,904
Business promotion and advertising	2,025	1,422
Business entertainment expense	370	360
Office and administration expenses	5,035	4,276
	<hr/>	<hr/>
	<u>14,957</u>	<u>11,962</u>

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

**44. Notes to items in the Cash Flow Statement (continued)**

**44.4 Cash flow of operating activities**

	2023	2022
Net profit	25,609	23,132
Add: loss of fixed assets impairment	8,940	10,431
Impairment loss of other assets	941	797
Depreciation of fixed assets	806	770
Depreciation of right-of-use assets	359	249
Amortization of intangible assets	329	292
Amortization of deferred expenses	(280)	(13)
Income from disposal of fixed assets, intangible assets and other long-term assets	(1,161)	(1,542)
Loss of fair value adjustment	(28,887)	(23,631)
Investment interest income and investment income	106	111
Interest expense of lease liabilities	9,474	10,601
Interest expense of bond payable	(35)	612
Decrease/(increase) in deferred income tax assets	(228,499)	(237,108)
Increase in operational receivables	385,670	310,067
	173,372	94,768

**44.5 Cash flows generated from investment activities**

The cash received or paid for by the investment activities of the Group is mainly arisen from buying and selling bonds, interbank certificates of deposit, and asset-backed securities.

**44.6 Cash flows from financing activities**

The cash flow generated from the financing activities of the Group mainly comes from the bonds and interbank certificates of deposit issued by the Group. The changes in related liabilities from the beginning balance to the end balance can be found in Note V. 22.



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

**45. Transfer of financial assets**

The Company enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases where these transferred financial assets qualify for de-recognition, the transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Company has retained substantially all the risks and rewards of these assets, the Company continued to recognize the transferred assets.

**Securities lending transaction**

The transferred financial assets that have not been derecognized at all were mainly the securities lent out in the securities lending transaction. Under such transaction, the counterparty can sell or reuse the above securities without any breach of contract by the Group, but at the same time, it shall bear the obligation to return the above securities to the Group on the maturity date specified in the agreement. For the above transactions, the Group believes that the Group has retained most of the risks and rewards of the relevant securities, so it has not derecognized the relevant securities. As of December 31, 2023, the book value of assets transferred by the Group and the Company in securities lending transactions was RMB 16.05 billion (December 31, 2022: RMB 26.02 billion).

**Securitization of credit assets**

In terms of securitization of credit assets, the Group sells credit assets to special trust institutions, and then the special trust institutions issue asset-backed securities to investors. The Group may hold some sub-prime asset-backed securities in such businesses, thus retaining some risks and rewards for the transferred credit assets. The Group analyzes and judges whether to derecognize relevant credit assets according to the retention degree of risk and reward.

On December 31, 2023, all credit assets transferred by the Group in the securitization of credit assets have been derecognized. In 2023, the book value of the credit assets transferred by the Group to the special trust institutions designated in the securitization of credit assets on the transfer date is RMB 2.103 billion (2022: RMB 24.415 billion).

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

**46. Collateral information**

**Assets used as security**

The following assets of the Group are used as collateral for repurchase agreement transactions, inter-bank loans, borrowing from the central bank, bonds and treasury time deposits.

	Dec. 31, 2023	Dec. 31, 2022
Bond		
-For repurchase agreements transaction	116,203	100,662
-For borrowing from the central bank	102,575	63,972
-For financing of bonds	167	434
-For treasury time deposits	58,256	41,114
	<u>277,201</u>	<u>206,182</u>
Loans and advances		
-Pledge for interbank loans	6,461	4,941
Total	<u><u>283,662</u></u>	<u><u>211,123</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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**VI. Interests in Other Entities**

**1. Interests in the subsidiaries**

The subsidiaries of the Company as of Dec. 31, 2023 were as follows:

	Major Operation site	Registration place	Business nature	Registered capital	Shareholding ratio
Maxwealth Finance Leasing Co. Ltd. (note 1)	Ningbo	Ningbo	Finance leasing	RMB 5 billion	100%
Maxwealth Fund Management Co., Ltd.	Shanghai	Ningbo	Fund management	RMB 0.9 billion	71.49%
Maxwealth Assets Management Co., Ltd.	Shanghai	Shanghai	Assets management	RMB 0.4 billion	71.49%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	RMB 20 million	71.49%
Maxwealth International Assets Management Co., Ltd.	Hong Kong	Hong Kong	Assets management	HDK 0.1 billion	71.49%
BNB Financial Management Co., Ltd.	Ningbo	Ningbo	Financial service	RMB 1.5 billion	100%
Zhejiang BNB Consumer Finance Co., Ltd. (note 2)	Ningbo	Ningbo	Consumer finance	RMB 2.911 billion	92.79%

Note 1: Maxwealth Finance Leasing Co. Ltd. increased its registered capital by RMB 1 billion in the first half of 2023.

Note 2: Zhejiang BNB Consumer Finance Co., Ltd. was opened on January 19, 2023 at the new address in Ningbo. It increased its registered capital by RMB 2.011 billion in 2023.

Neither of the above-mentioned subsidiaries is listed, so they are both included into the Consolidated Statements of the Company.

In accordance with the Accounting Standards for Business Enterprises, 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.

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

The structured entities included in the consolidation scope of the Group include asset management plans issued, managed and invested by the Group, securities investment funds and limited partnerships managed by the Group as general partners. In addition, the asset management plans and trust plans issued and managed by a third-party institution entrusted by the Group were also included in the consolidation scope. As the Group has power over such structured entities, enjoys variable returns by participating in relevant activities, and has the ability to use its power over the investee to affect its variable returns, the Group has control over such structured entities. As of December 31, 2023, the asset size of the structured entities included in the consolidation scope of the Group was RMB 60.063 billion (December 31, 2022: RMB 88.089 billion).

**VI. Interests in Other Entities (continued)**

**3. Interests in the structured entities not included into the consolidated financial statement scope**

**3.1 Structured entities initiated by the Group that are not included in the scope of consolidation**

(1) Wealth investment products

The structured entities initiated and managed by the Group but not included into the consolidated scope are mainly the wealth investment products issued and managed by the Group as the administrator. On the basis of potential client group analysis and study, the Group designs and sells capital investment and management plan to target client groups, inputs the collected financial capital into related financial market or wealth investment products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the Group obtains the commission including sales fee, fixed management fee, and floating management fee. The Group obtains the commission income as the asset manager. As of December 31, 2023, the balance of such unconsolidated bank wealth investment products of the Group totaled RMB 402.051 billion (December 31, 2022: RMB 396.652 billion).

As of December 31, 2023, the book value of the Group's investment in the above wealth investment products amounted to RMB 297 million (December 31, 2022: RMB 104 million). The maximum loss exposure of the investment in the above wealth investment products was close to its book value.

In 2023, the management fee income obtained by the Group from wealth investment products issued and managed by it but not included in the scope of consolidated financial statements was RMB 1.255 billion (2022: RMB 1.532 billion).

(2) Asset securitization business

The structured entities initiated by the Group that are not included in the scope of consolidation are special purpose trusts established by third-party trust companies due to the Group's asset securitization business. As a loan service institution for this specific purpose trust, the Group charges corresponding handling fee income. The Group believes that the variable returns related to these structured entities are not significant. As of December 31, 2023, the total size of the above-mentioned special purpose trusts not included in the consolidation scope was RMB 4.554 billion (December 31, 2022: RMB 20.015 billion). The book value of the asset-backed security investment held by the Group in such credit asset securitization transactions on December 31, 2023 was RMB 198 million (December 31, 2022: RMB 548 million), and its maximum loss exposure was similar to the book value.

(3) Fund and asset management plan

Another type of structured entity initiated and managed by the Group that is not included in the consolidation scope is the securities investment fund, asset management plan, and partnership private equity fund managed by the Group. The nature and purpose of this type of structured entity is mainly to manage investors' assets and earn management fee income. The Group does not have control over this type of structured entity, thus it has not been consolidated. As of December 31, 2023, the balance of such unconsolidated structured entities of the Group was RMB 368.272 billion (December 31, 2022: RMB 276.361 billion).

**VI. Interests in Other Entities (continued)**

**3. Interests in the structured entities not included into the consolidated financial statement scope (continued)**

**3.1 Structured entities initiated by the Group that are not included in the scope of consolidation (continued)**

(3) Fund and asset management plan (continued)

On December 31, 2023, the book value of the Group's investments in the above-mentioned securities investment funds, asset management plans and partnership private equity funds totaled RMB 3.384 billion (RMB 3.306 billion as on December 31, 2022). The largest loss of investment in the above-mentioned securities investment funds, asset management plans and partnership private equity funds and their accounts, and the maximum loss exposure was close to the book value.

In 2023, the management fee income from the securities investment funds, asset management plans and partnership private equity funds issued and managed by the Group but not included in the consolidated financial statements was RMB 0.976 billion (2022: RMB 0.932 billion).

In 2023, the Group did not provide financial support to unconsolidated wealth management products or asset management plans (2022: none).

**3.2 Interests in structured entities initiated by third-party financial institutions**

(1) Structured entities invested by the Group that are not included in the scope of consolidation

The Group invested in structured entities issued or managed by some other institutions that are not included in the consolidation scope, and recognized the investment income generated from them. These structured entities mainly include asset management plans, trust investment plans, and funds. The nature and purpose of these structured entities are mainly to manage investors' assets and earn management fees. In 2023, the Group did not provide liquidity support for such structured entities (2022: none).

(2) Structured entities served by the Group that are not included in the scope of consolidation

The Group provided services for structured entities issued or managed by some other institutions, including recommending loan applicants, cooperating in collecting borrower information and deploying pre-risk control models for loan approval, assisting in loan purpose review, repayment reminders, and assisting in dispute resolution. These structured entities mainly include trust plans and asset management plans. The Group believed that the variable returns enjoyed by the Group in such structured entities are not significant, and therefore are not included in the scope of consolidation.

As of December 31, 2023, the total size of the structured entities not included in the consolidation scope was RMB 11.89 billion (December 31, 2022: none).

In 2023, the service charge from structured entities served by the Group that are not included in the scope of consolidation was RMB 18 million (2022: None).

In 2023, the Group did not provide liquidity support to such structured entities (2022: none).

**Bank of Ningbo Co., Ltd.**  
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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)**

By Dec. 31, 2023, the book value and max loss risk exposure (excluding accrued interest) of the assets formed from the structured entities not included into the consolidation scope but held by the Group are as follows:

2023	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Asset Management Plans and Trust Plans	11,199	55,900	13,972	81,071	81,071
Funds	206,719	-	-	206,719	206,719
Wealth management product	297	-	-	297	297

By Dec. 31, 2022, the book value and max loss risk exposure (excluding accrued interest) of the assets formed from the structured entities not included into the consolidation scope but held by the Group are as follows:

2022	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Asset Management Plans and Trust Plans	22,981	67,585	25,090	115,656	115,656
Funds	223,446	-	-	223,446	223,446
Wealth management product	104	-	-	104	104

**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 Group has made capital adequacy ratio information disclosure and continuously improved the content of information disclosure in accordance with the Capital Management Measures of Commercial Banks (for Trial Implementation). In September 2022, the People's Bank of China and the former CBRC jointly released the list of national systemically important banks in 2022. The Group was in the first group of the list and faced additional capital requirements such as 0.25% additional capital and 0.125% additional leverage ratio. According to the above requirements, its core tier I Capital adequacy ratio shall not be less than 7.75%, tier I capital adequacy ratio shall not be less than 8.75%, and capital adequacy ratio shall not be less than 10.75%. During the reporting period, the Group complied with the capital requirements set by regulatory authorities.

The core tier I capital adequacy ratio, tier one capital adequacy ratio and capital adequacy ratio calculated by the Group in accordance with the Capital Management Measures for Commercial Banks (for Trial Implementation) of the former CBRC and other relevant regulations are as follows:

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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**VII. Capital Management (continued)**

	Dec. 31, 2023	Dec. 31, 2022
<b>Core tier I capital</b>		
Including: paid-in capital entered	6,604	6,604
Capital reserve, other equity instruments and other comprehensive incomes entered	43,412	41,317
Surplus reserve	14,705	12,458
General risk reserve	24,510	20,944
Undistributed profit	87,154	71,493
The portion of minority shareholder capital that can be included	187	107
<b>Deduction</b>	<b>(1,961)</b>	<b>(1,635)</b>
Including: goodwill	(293)	(293)
Other intangible assets (excluding land use rights)	(1,668)	(1,275)
Net deferred tax assets arising from operating losses	-	(67)
<b>Net value of core tier I capital</b>	<b>174,611</b>	<b>151,288</b>
<b>Other tier I capital</b>		
Including: preferred share and premium	14,810	14,810
Other instruments and premiums	10,000	-
The portion of minority shareholder capital that can be included	25	14
<b>Net value of core tier I capital</b>	<b>199,446</b>	<b>166,112</b>
<b>Tier II capital</b>		
Including: tier-II capital instrument and premium	51,500	51,500
Provision for jumbo loan loss	20,776	17,767
The portion of minority shareholder capital that can be included	50	28
<b>Net capital value</b>	<b>271,772</b>	<b>235,407</b>
<b>Risk weighted capital</b>	<b>1,811,196</b>	<b>1,551,141</b>
<b>Core tier I capital adequacy ratio</b>	<b>9.64%</b>	<b>9.75%</b>
<b>Tier I capital adequacy ratio</b>	<b>11.01%</b>	<b>10.71%</b>
<b>Capital adequacy ratio</b>	<b>15.01%</b>	<b>15.18%</b>

**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.

2023	Corporate business	Personal business	Capital business	Other businesses	Total
Net interest income	15,666	17,823	7,156	262	40,907
Net non-interest income	6,244	3,616	10,446	372	20,678
Operating income	21,910	21,439	17,602	634	61,585
Operating expense	(7,703)	(8,112)	(8,503)	(299)	(24,617)
<i>Including: depreciation and amortization</i>	<i>(647)</i>	<i>(425)</i>	<i>(1,290)</i>	<i>(47)</i>	<i>(2,409)</i>
Operating profit before impairment loss	14,207	13,327	9,099	335	36,968
Impairment loss	(877)	(8,507)	458	(14)	(8,940)
Net non-operating income and expenses	-	-	-	(130)	(130)
Segment profit	13,330	4,820	9,557	191	27,898
Income tax expense					(2,289)
Net profit					<u>25,609</u>
Dec. 31, 2023					
Total assets	<u>728,025</u>	<u>478,123</u>	<u>1,453,027</u>	<u>52,487</u>	<u>2,711,662</u>
Total liabilities	<u>1,201,220</u>	<u>446,126</u>	<u>861,973</u>	<u>133</u>	<u>2,509,452</u>



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**VIII. Segmental Report (continued)**

2022	Corporate business	Personal business	Capital business	Other businesses	Total
Net interest income	15,065	17,710	4,647	99	37,521
Net non-interest income	6,342	4,605	9,057	354	20,358
Operating income	21,407	22,315	13,704	453	57,879
Operating expense	(7,148)	(7,748)	(6,936)	(224)	(22,056)
<i>Including: depreciation and amortization</i>	(566)	(329)	(1,159)	(35)	(2,089)
Operating profit before impairment loss	14,259	14,567	6,768	229	35,823
Impairment loss	(3,440)	(8,396)	1,418	(13)	(10,431)
Net non-operating income and expenses	-	-	-	(112)	(112)
Segment profit	10,819	6,171	8,186	104	25,280
Income tax expense					(2,148)
Net profit					23,132
	Dec. 31, 2022				
Total assets	640,480	372,790	1,312,899	39,928	2,366,097
Total liabilities	1,109,616	297,192	790,598	165	2,197,571

**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:

Name of related party	Dec. 31, 2023		Dec. 31, 2022	
	Related party or not	Shareholding ratio	Related party or not	Shareholding ratio
Ningbo Development & Investment Group Co., Ltd.	Yes	18.74%	Yes	18.74%
Singapore Overseas-Chinese Banking Co., Ltd.	Yes	18.69%	Yes	18.69%
Youngor Fashion Co., Ltd.	Yes	10.00%	Yes	8.33%

**IX. Related Parties Relationships and Transactions (continued)**

**1. Identification of related parties (continued)**

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

1) Primary shareholders: (continued)

Other major shareholders:

Name of related party		Relationship with the Group
Ningbo Haishu Industrial Investment Co., Ltd.	Note 1	Held less than 5% of the shares of the Company and dispatched supervisors to the Company
Ningbo Jinxin Gold and Silver Jewelry Co., Ltd.	Note 2	Held less than 5% of the shares of the Company and dispatched supervisors to the Company in the past 12 months

Note 1: Since February 10, 2023, Ningbo Haishu Industrial Investment Co., Ltd. has dispatched supervisors to the Company. Therefore, it has become the major shareholder of the Company since February 10, 2023.

Note 2: As Ningbo Jinxin Gold and Silver Jewelry Co., Ltd. no longer sent supervisors to the Company after the expiration of its original term of office, it was longer recognized as the major shareholder of the Company from February 9, 2023. However, Ningbo Jinxin Gold and Silver Jewelry Co., Ltd. and its group are still the related party of the Group.

2) Subsidiaries

See note VI/1 for basic and related information of the subsidiaries.

3) Key management staff and their close family members of the Group.

4) Other enterprises controlled, jointly controlled or significantly influenced by key management personnel of the Group and their close family members.

**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)**

**2.1 Loans and advances**

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	946	1,035
Group of Youngor Fashion Co., Ltd.	71	208
Group of Ningbo Haishu Industrial Investment Co., Ltd.	1,438	-
Other enterprises that are significantly influenced by key management personnel or close family members	6	-
	2,461	1,243
	2,461	1,243

**2.2 Financial investment**

1) Trading financial assets

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Ningbo Development & Investment Group Co., Ltd.	140	10

2) Creditor's rights investment

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Ningbo Development & Investment Group Co., Ltd.	400	400

**2.3 Deposit**

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	643	651
Group of Youngor Fashion Co., Ltd.	1,991	1,200
Singapore Overseas-Chinese Banking Co., Ltd.	-	2
Group of Ningbo Jinxin Gold and Silver Jewelry Co., Ltd.	6	-
Group of Ningbo Haishu Industrial Investment Co., Ltd.	314	-
Other enterprises that are significantly influenced by key management personnel or close family members	36	58
Key management personnel or close family members of the Group	37	23
	3,027	1,934

**Bank of Ningbo Co., Ltd.**  
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**IX. Related Parties Relationships and Transactions (continued)**

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

**2.4 Deposit due from other banks**

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Singapore Overseas-Chinese Banking Co., Ltd.	39	32

**2.5 Deposit due to the Bank**

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	181	31
Group of Singapore Overseas-Chinese Banking Co., Ltd.	71	30
	<u>252</u>	<u>61</u>

**2.6 Loans from other banks and other financial institutions**

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Singapore Overseas-Chinese Banking Co., Ltd.	815	844

**2.7 Off-sheet events**

1) L/C issuance

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	-	550
Group of Youngor Fashion Co., Ltd.	1,205	895
	<u>1,205</u>	<u>1,445</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 Off-sheet events (continued)**

2) Draft issuance

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	300	139
Group of Youngor Fashion Co., Ltd.	2,263	1,974
	<u>2,563</u>	<u>2,113</u>

3) L/G issuance

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	23	4
Group of Ningbo Haishu Industrial Investment Co., Ltd.	2	-
	<u>25</u>	<u>4</u>

**2.8 Derivative transaction**

As of December 31, 2023, the balance of the nominal amount of forward foreign exchange transactions between the Group and Group of Singapore Overseas-Chinese Banking Co., Ltd., Group of Ningbo Development & Investment Group Co., Ltd. and Group of Youngor Fashion Co., Ltd. was RMB 31 million (December 31, 2022: RMB 125 million); The balance of the nominal amount of the foreign exchange swap received and forward is RMB 25,536 million, and the balance of the nominal amount of the forward payment is RMB 25,558 million (as of December 31, 2022: RMB 21,913 million and RMB 21,702 million respectively); the nominal principal balance of interest rate swaps is RMB 28,550 million (as of December 31, 2022: RMB 21,370 million); no option trading (December 31, 2022: none); the net expenditure on derivative transactions for the entire year of 2023 is equivalent to RMB 96 million (2022: equivalent to RMB 46 million).

**2.9 Loan interest income**

Name of related party	Dec. 31, 2023	Dec. 31, 2022
Group of Ningbo Development & Investment Group Co., Ltd.	56	47
Group of Singapore Overseas-Chinese Banking Co., Ltd.	1	1
Group of Ningbo Haishu Industrial Investment Co., Ltd.	54	-
Group of Youngor Fashion Co., Ltd.	5	1
	<u>116</u>	<u>49</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**IX. Related Parties Relationships and Transactions (continued)**

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

**2.10 Deposit interest expenses**

Name of related party	2023	2022
Group of Ningbo Development & Investment Group Co., Ltd.	6	7
Group of Youngor Fashion Co., Ltd.	3	2
Group of Ningbo Haishu Industrial Investment Co., Ltd.	4	-
	<u>13</u>	<u>9</u>

**2.11 Interest expenses on interbank deposits**

Name of related party	2023	2022
Group of Singapore Overseas-Chinese Banking Co., Ltd.	1	-
Group of Ningbo Development & Investment Group Co., Ltd.	1	-
	<u>2</u>	<u>-</u>

**2.12 Interest expense on loans from other banks and other financial institutions**

Name of related party	2023	2022
Group of Singapore Overseas-Chinese Banking Co., Ltd.	21	30
	<u>21</u>	<u>30</u>

**2.13 Operating and administrative expenses**

Name of related party	2023	2022
Group of Youngor Fashion Co., Ltd.	35	60
	<u>35</u>	<u>60</u>

**2.14 Interest income from debt investment**

Name of related party	2023	2022
Group of Ningbo Development & Investment Group Co., Ltd.	24	24
	<u>24</u>	<u>24</u>

**IX. Related Parties Relationships and Transactions (continued)**

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

**2.15 Service charge income from bank acceptance bill**

Name of related party	2023	2022
Group of Youngor Fashion Co., Ltd.	<u>1</u>	<u>1</u>

**2.16 Service charge income from L/C innusnace**

Name of related party	2023	2022
Group of Youngor Fashion Co., Ltd.	<u>33</u>	<u>31</u>

**2.17 Other transactions with related parties**

Name of related party	2023	2022
Remuneration of key management staff	<u>32</u>	<u>34</u>

The Management Team of the Group thought the transactions with above-mentioned related parties have been conducted in compliance with the regular business transaction terms and conditions and the normal business procedures with the general market price as the pricing fundamentals.

**IX. Related Parties Relationships and Transactions (continued)**

**3. Major transactions between the Company and its holding subsidiaries**

The current balance and major transactions between the Company and its holding subsidiaries have been offset in the consolidated financial statements. Details of the major transactions are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Lending funds	300	2,500
Due from banks	11,122	6,058
Other assets	1,073	29
Deposit	1,270	195
Deposits from banks and other financial institutions	1,951	4,730
Other liabilities	1	-
	2023	2022
Interest income	227	88
Fees and commissions	102	91
Other operating incomes	10	8
Interest expense	42	21
Service charges and commission expenses	7	32

As of December 31, 2023, the bank acceptance bill issued by the subsidiaries in the Company was RMB 5,415 million (December 31, 2022: RMB 5,634 million). The letter of credit opened was RMB 1,115 million (December 31, 2022: RMB 3 million).

There are several related party transactions between the Company and its subsidiaries, which are carried out according to the general commercial transaction terms and conditions, based on the general transaction price and in accordance with the normal business procedures.



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

**1. Capital expenditure commitments**

	Dec. 31, 2023	Dec. 31, 2022
Contracts signed but proceeds not yet be withdrawn	2,500	2,282
	<u>2,500</u>	<u>2,282</u>

**2. Operating lease commitment**

(1) As lessee

According to the lease contract signed with the lessor, the minimum lease payments of the irrevocable lease in the future are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	2	2
1 to 2 years	-	-
2 to 3 years	-	-
Over 3 years	-	-
	<u>2</u>	<u>2</u>

The Group adopted the new leasing standards on January 1, 2021. The future minimum lease payment only includes operating lease contracts that meet the exemption conditions of short-term lease or low value lease. As of December 31, 2023, the amount of the lease contract signed by the Group with the lease term not yet be started is not significant.

(2) As lessor

According to the lease contract signed with the lessee, the minimum lease collection amount of the irrevocable lease in the future is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	31	31
1 to 2 years	16	21
2 to 3 years	11	12
Over 3 years	17	31
	<u>75</u>	<u>95</u>

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

**3. Credit commitment**

	Dec. 31, 2023	Dec. 31, 2022
L/C issuance	107,652	95,898
Bank acceptance bill	291,149	287,457
L/G issuance	44,706	45,902
Irrevocable loan commitment	61,668	85,800
	<u>505,175</u>	<u>515,057</u>

The issuance of Letter of Credit refers to credit operation that the Group acting at the request and on the instruction of applicant, make a documentary credit with a certain amount to the beneficiary and to pay at a certain place under the complying presentation of required documents within a certain period.

Bank Acceptance Bill refers to such credit business that a draft or a bill of exchange drawn upon a payee or a drawee (applicant) is examined and agreed to accept by the Company from applicant's application for acceptance.

The issuance of Letter of Guarantee refers to the credit business in which the Group, at the request of the applicant or principal, promises to the beneficiary in the form of a letter of guarantee that in case the applicant fails to fulfill the obligations or commitments stipulated in the contract, the Group shall fulfill the obligations or assume the responsibilities as stipulated in the letter of guarantee.

Irrevocable loan commitments include the loan limit and credit card issuance commitments provided by the Group to clients.

The amount of the first, second and third stages of the Group's credit commitments were RMB 502,808 million, RMB 2,360 million and RMB 7 million, respectively (as of December 31, 2022: the amount of the first, second and third stages were RMB 511,979 million, RMB 2,984 million and RMB 94 million, respectively).

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

**4. Commitment on acceptance of national debt**

Treasury Bill Redemption Commitment and Savings Bond Redemption Commitment refer to that the Company is entrusted by the Ministry of Finance to issue certain treasury bills and savings bonds (electronic). Investors of treasury bills and savings bonds have a right to ask for redemption of the bills and bonds (electronic) at any time prior to maturity and the Company is committed to redeem those bills and bonds. The redemption price is principal value of the bills and bonds plus the interest payable at that day.

As of 31 Dec. 2023, the principal value of the certificate treasury bonds and saving bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 2,269,000 million (31 Dec. 2022: RMB 2,373 million). The Ministry of Finance is not to redeem the principal and interest of the certificate treasury bonds and saving bonds (electronic) until the maturity. The Management of the Company considers that the amount for redemption of the treasury bills and savings bonds (electronic) prior to the maturity is not significant.

**5. Lawsuit**

The Group acted as the defendant of several legal proceedings in the normal course of operation, and the management of the Group believed that the final ruling result of such legal proceedings will not have a significant impact on the financial status or operation of the Group. By the end of Dec. 31, 2023, the total subject amount of the Group for the pending lawsuits was RMB 1,568 million (Dec. 31, 2022: RMB 1,575 million). 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, 2022: no need to estimate the liabilities).

**XI. Entrusted loan business**

The entrusted business of the Group includes accepting the entrustment of government departments, enterprises or individuals to issue entrusted loans with the funds provided by them. The entrusted loan business of the Group does not require the Group to bear any credit risk. The Group only holds and manages these assets and liabilities as an agent according to the instructions of the client, and charges handling charges for the services provided. As the entrusted assets do not belong to the Group's assets, they are not recognized in the balance sheet.

The Group	Dec. 31, 2023	Dec. 31, 2022
Entrusted loan	<u>10,269</u>	<u>10,855</u>
Entrusted deposit	<u>10,269</u>	<u>10,855</u>

## **XII. Financial Instruments and Risk Analysis**

The Group disclosed qualitative and quantitative information related to credit risk, liquidity risk, and market risk for the years 2023 and 2022 in accordance with the disclosure requirements of *Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments*.

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.

The Group has stipulated corresponding policies and procedures for recognition and analysis of above mentioned risks, and also appropriate risk limits and controlling mechanisms. The Group has Risk Management Committee and its specific department, The Risk Management Department being responsible for the management of risks. The risk management department has its own clear responsibilities and is somehow independent from the business department bearing risks, and would submit its independent risk reports to the Board of Directors and the Management. The Risk Management Committee is responsible for formulating the policies and procedures for management of the risks, and also regulating the risk limits and management mechanisms. Besides, the Risk Management Committee shall at regular intervals host risk management conferences and meetings in compliance with the market conditions to improve those risk policies and procedures.

### **1. Credit risk**

Credit risk means that clients or transaction counter-parties who may be incapable or unwilling to honor the obligations agreed with the Group. Once all of the transaction-parties are in one industry or region, the credit risks would rise for their ability to pay the accounts are affected by the same influence of economical development.

Concentration of credit risks: when a certain amount of clients do the same operations or are in the same geographic region, or share the similar economic characteristics in their trades, their ability to fulfill the obligations regulated in the agreements would be simultaneously influenced by the same economic changes. The concentration level of 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 receiving the guaranties and guarantees. For the off-balance sheet credit promises, the Company would regularly charge deposits to lower the credit risks.

## **XII. Financial Instruments and Risk Analysis (continued)**

### **1. Credit risk (continued)**

#### *Measurement of expected credit loss*

Expected credit loss is the weighted average value of credit loss of financial instruments weighted by the risk of default. Credit loss is the difference between all contract cash flows receivable by the Group according to the original effective interest rate and all expected cash flows received, that is, the present value of all cash shortages.

The Group calculates the expected credit loss in three stages according to the change of credit risk after the initial recognition of financial instruments:

Stage I: Financial instruments with no significant increase in credit risk since initial recognition will be included in stage I, and their impairment reserves will be measured according to the amount of expected credit loss of the financial instrument in the next 12 months;

Stage II: Financial instruments with significantly increased credit risk since initial recognition with no objective evidence of impairment will be included in stage II, and their impairment reserves will be measured according to the expected credit loss during the whole duration of the financial instrument;

Stage III: Financial assets with objective evidence of impairment on the balance sheet date will be included in stage III, and the impairment provision will be measured according to the expected credit loss amount of the financial instrument in the whole life span.

For the financial instrument whose impairment provision has been measured in the previous accounting period according to the amount of expected credit loss in the whole duration of the financial instrument, however, on the balance sheet date of the current period, it no longer conforms to the situation of significant increase in credit risk since initial recognition, the Group measures the provision for impairment of such financial instrument in the balance sheet date of the current period according to the amount of expected credit loss in the next 12 months.

The way the Group measures the expected credit loss of financial instruments reflects:

- The unbiased probability-weighted amount determined by evaluating a range of possible results;
- The time value of money;
- Reasonable and reliable information about past events, current situation and forecast of future economic situation that can be obtained without extra cost or effort.

It is not necessary to identify every possible situation when measuring the expected credit loss. However, by taking the risk or probability of credit loss into consideration, the Group reflects the possibility of credit loss and the possibility of no credit loss (even if the possibility of credit loss is very low).

**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

*Measurement of expected credit loss (continued)*

The Group evaluates the expected credit loss based on forward-looking information, and uses complex models and assumptions in the measurement of expected credit loss. These models and assumptions involve future macroeconomic conditions and the borrower's credit profile (e.g., the likelihood of a defaulting by clients and the corresponding losses). The Group uses judgments, assumptions and estimates in the measurement of expected credit loss according to the requirements of accounting standards, such as:

- Measure expected credit losses in a combination based on credit risk characteristics;
- Criteria used to judge a significant increase in credit risk;
- Definition of default and credit impairment assets that have occurred;
- Parameters for measuring expected credit losses;
- Forward-looking information;
- Provision for losses incurred in response to external circumstances not reflected by the model.

*Measure expected credit losses in a combination based on credit risk characteristics*

When measuring expected credit losses using a combination approach, the Group has classified exposures with similar risk characteristics. During classification, the Group obtained sufficient information to ensure its statistical reliability. Among them, the Group uses credit rating intervals, product types, and client types to measure retail loans in a portfolio.

*Criteria used to judge a significant increase in credit risk*

On each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers that it can obtain reasonable and reliable information, including qualitative and quantitative analysis, external credit risk rating and forward-looking information based on the Group's historical data and without paying extra cost or effort. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group determines the change of default risk during the expected duration of financial instruments by comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

The Group believes that the credit risk of financial instruments has increased significantly when one or more of the following quantitative, qualitative criterion or bottom-line constraint indicator is triggered:

Quantitative criterion

- The rating / default probability of financial instruments at the reporting date has risen to a certain threshold, as compared with the value at its initial recognition.

**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

*Criteria used to judge a significant increase in credit risk*

Qualitative criterion:

- The debtor has a credit risk event and is likely to cause a significant adverse effect;
- The debtor faces cash flow or liquidity problems, such as the delay of repayment;
- Deterioration of willingness for repayment, such as malicious debt evasion, fraud, etc;
- Default of debtor outside the Group, for example, non-performing asset of the debtor is found in the Credit Reference Center of the People's Bank of China;
- A significant increase in credit spreads;
- Changes in the value of collateral that may increase the risk of default (for mortgage and pledge loans).

Bottom-line constraint indicator

- The time of payment of the debtor according to the contract (including principal and interest) has been overdue for more than 30 days.

*Definition of default and assets with credit impairment*

When a financial asset experiences credit impairment, the Group defines it as having defaulted. Under the new financial instrument standards, the definition standards adopted by the Group to determine whether credit impairment has occurred are consistent with the internal credit risk management objectives for relevant financial instruments, while considering quantitative and qualitative indicators. When evaluating whether a debtor has experienced credit impairment, the Group mainly takes into consideration the following factors:

- Significant financial difficulties of the issuer or debtor;
- The debtor's breach of contract, such as default or overdue payment of interest or principal;
- The creditor gives the debtor concessions that will not be made in any other circumstances due to economic or contractual considerations related to the financial difficulties of the debtor;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The active market of the financial asset disappears due to the financial difficulties of the issuer or debtor;
- Purchase or originate a financial asset at a substantial discount reflecting the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events rather than the events that can be identified separately.

**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

*Parameters for the measurement of expected credit loss*

The Group measures the provision for impairment of different assets based on the expected credit loss of 12 months or the whole duration by taking into consideration whether the credit risk has increased significantly and whether the credit impairment has occurred. The key parameters of expected credit loss measurement include probability of default, loss rate of default and exposure to default. By taking the Basel New Capital Accord system used in current risk management system as the basis, and by adhering to the requirements of the new financial instrument standards, the Group has established a model integrating factors of default probability, default loss rate and default risk exposure, taking into account the quantitative analysis and forward-looking information of historical statistical data (such as counterparty rating, guarantee method, collateral type, repayment method, etc.).

The relevant definitions are as follows:

- Probability of default is the probability that the debtor will not be able to perform its payment obligations in the next 12 months or the whole duration. The default probability of the Group is adjusted according to the results of the internal evaluation model of the new capital accord, introducing forward-looking information and removing prudent adjustment, thus reflect the default probability of the debtor under the current macroeconomic environment;
- Default loss rate refers to the Group's expectation on the loss degree of default risk exposure. Default loss rate varies with the type of counterparty, the way and priority of recourse, and the type of collateral. Default loss rate is the percentage of exposure loss at the time of default, as calculated on the basis of the next 12 months or the whole duration;
- Default exposure is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the duration.

*Forward-looking information*

The assessment of significant increase in credit risk and the calculation of expected credit loss involve forward-looking information. By analyzing the historical data, the Group identifies key economic indicators that affecting credit risk and expected credit loss of various business types. In addition to common economic indicators such as Gross Domestic Product (GDP), Consumer Price Index (CPI), Producer Price Index (PPI) and Broad Money Supply, multiple categories of indicators such as industry, interest rate and exchange rate, and survey index are also included.



**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

*Forward-looking information (continued)*

The weight of multiple scenes is set based on the principle of benchmark scenes as the main focus and supplemented by other scenes, combined with expert judgment. As of December 31, 2023, the Group set four scenarios applicable to all portfolios, with the benchmark scenario having the highest weight. According to sensitivity calculations, in case the weight of the optimistic scenario increases by 10% and the weight of the benchmark scenario decreases by 10%, the expected credit loss amount decreases by approximately RMB 1,046.80 million compared to the current result. In case the pessimistic scenario weight increases by 10% and the benchmark scenario weight decreases by 10%, the expected credit loss amount increases by approximately RMB 2,040.15 million compared to the current result (Dec. 31, 2022: in case the weight of the optimistic scenario increases by 10% and the weight of the benchmark scenario decreases by 10%, the expected credit loss amount decreases by approximately RMB 956.72 million compared to the current result. In case the pessimistic scenario weight increases by 10% and the benchmark scenario weight decreases by 10%, the expected credit loss amount increases by approximately RMB 2,181.50 million compared to the current result

The impact of these economic indicators on the probability of default and the loss rate of default varies with the type of business. In this process, the Group mainly uses external data, which is supplemented by judgment of internal expert. The Group determines the relationship between these economic indicators and default probability and default loss rate through regression analysis.

The Group regularly updates the forecast value of macroeconomic indicators, and measures the relevant weighted credit provision according to the expected credit loss (stage I) in 12 months or in the whole duration (stage II and stage III).

Under the benchmark scenario, the Group prioritized referencing the predicted values published by external authoritative institutions. In case such external predicted values are not available, the prediction results of professional teams and relevant models within the industry will be referred to. For other scenarios, historical actual data will be used for analysis and prediction.

As of December 31, 2023, the Group considered different macroeconomic scenarios. By taking GDP (quarter on quarter) and PMI as examples, the Group listed the important macroeconomic assumptions used to estimate expected credit losses as follows:

Item	Range
GDP (quarter on quarter)	2.10 – 6.17
PMI	48.50 – 50.75

In 2023, the management of the Group has also considered and provisioned for losses due to external environmental factors that were not reflected through the model, thus further enhancing risk resisting and recovering capability.

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**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.1 In-balance-sheet assets**

**Loans and advances by industry are listed as follows:**

	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	6,305	0.50	5,010	0.48
Mining	1,817	0.15	2,512	0.24
Manufacturing	165,369	13.20	165,188	15.79
Production and supply of electricity, gas and water	16,271	1.30	15,924	1.52
Construction	45,304	3.62	37,840	3.62
Transportation, storage and mailing	19,988	1.60	18,059	1.73
Information transfer, pc service and software	10,345	0.83	12,305	1.18
Wholesale and retail	112,240	8.96	103,138	9.86
Hotel and restaurant	2,720	0.22	1,923	0.18
Finance	4,374	0.35	4,636	0.44
Real estate	115,518	9.22	84,231	8.05
Leasing and commercial service	169,133	13.49	143,418	13.71
Scientific research, technological service and geological reconnaissance	15,559	1.24	10,664	1.02
Management and investment of water resource, environmental and public facilities	52,429	4.19	43,101	4.12
Residential and other services	1,664	0.13	1,684	0.16
Education	1,920	0.15	1,026	0.10
Sanitation, social security and welfare	1,128	0.09	1,207	0.12
Culture, sports and entertainment	3,437	0.27	2,906	0.28
Subtotal of corporate loans and advances	<u>745,521</u>	<u>59.51</u>	<u>654,772</u>	<u>62.60</u>
Personal loans and advances	<u>507,197</u>	<u>40.49</u>	<u>391,230</u>	<u>37.40</u>
Total	<u>1,252,718</u>	<u>100.00</u>	<u>1,046,002</u>	<u>100.00</u>

**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.1 In-balance-sheet assets (continued)**

Loans and advances by region are listed as follows:

	Dec. 31, 2023		Dec. 31, 2022	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	806,713	64.39	672,896	64.33
<i>Including: Ningbo</i>	<i>432,125</i>	<i>34.49</i>	<i>369,977</i>	<i>35.37</i>
Jiangsu Province	274,268	21.89	236,411	22.60
Shanghai	58,245	4.65	46,827	4.48
Beijing	48,566	3.88	37,978	3.63
Guangdong Province	52,053	4.16	37,586	3.59
Other provinces and cities	12,873	1.03	14,304	1.37
	<u>1,252,718</u>	<u>100.00</u>	<u>1,046,002</u>	<u>100.00</u>

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**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.2 Credit risk exposure**

The maximum credit risk exposure borne by the Group is the book value of each financial asset (including derivative financial instruments) in the balance sheet. On the balance sheet day, the maximum credit risk exposure of off balance sheet credit business has been disclosed in note XI. 3. Maximum credit risk exposure refers to the total credit risk exposure without considering the available collateral or other credit enhancement.

	Dec. 31, 2023				
	Phase I	Phase II	Phase III	N/A	Total
Assets					
Due from Central Bank	127,471	-	-	-	127,471
Deposits in other banks	26,290	-	-	-	26,290
Lending funds	40,541	-	-	-	40,541
Redemptory monetary capital for sale	9,251	-	-	-	9,251
Loans and advances	1,191,058	19,963	2,732	-	1,213,753
Financial investment:					
Trading financial assets (Note 1)	-	-	-	350,243	350,243
Creditor's rights investment (note 2)	414,410	4,300	-	-	418,710
Other creditor's rights investment	464,369	1,050	-	-	465,419
Others (note 3)	4,449	-	207	30,358	35,014
<b>Total</b>	<b>2,277,839</b>	<b>25,313</b>	<b>2,939</b>	<b>380,601</b>	<b>2,686,692</b>

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**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.2 Credit risk exposure (continued)**

	Dec. 31, 2022				Total
	Phase I	Phase II	Phase III	N/A	
Assets					
Due from Central Bank	115,575	-	-	-	115,575
Deposits in other banks	21,396	-	-	-	21,396
Lending funds	30,337	-	-	-	30,337
Redemptory monetary capital for sale	11,830	-	-	-	11,830
Loans and advances	994,851	14,622	1,344	-	1,010,817
Financial investment:					
Trading financial assets (Note 1)	-	-	-	361,511	361,511
Creditor's rights investment (note 2)	338,323	-	14	-	338,337
Other creditor's rights investment	417,956	800	-	-	418,756
Others (note 3)	2,451	19	214	30,276	32,960
<b>Total</b>	<b>1,932,719</b>	<b>15,441</b>	<b>1,572</b>	<b>391,787</b>	<b>2,341,519</b>

Note 1: Among the above financial investment - trading financial assets, the balance of asset management plans and trust plans is RMB 14,340 million (December 31, 2022: RMB 43,482 million), as mainly managed and operated by third-party trust plan trustees or asset managers. As of December 31, 2023, the Group's fund trust and asset management plan included RMB 8,387 million (December 31, 2022: RMB 26,616 million), which was ultimately invested in credit assets.

Note 2: In the above financial investment - debt investment, the balance of asset management plans and trust plans is RMB 57,050 million (December 31, 2022: RMB 69,128 million), as mainly managed and operated by third-party trust plan trustees or asset managers, and ultimately invested in credit assets. The impairment provision is RMB 1,151 million (December 31, 2022: RMB 1,542 million). The balance of credit assets in the second stage is RMB 2,772 million, with an impairment provision of RMB 404 million (December 31, 2022: the balance of credit assets in the second stage is RMB 0, with an impairment provision of RMB 0 million). The balance of credit assets in the third stage is RMB 0, with an impairment provision of RMB 0 (December 31, 2022: the balance of credit assets in the third stage is RMB 268 million, with an impairment provision of RMB 254 million).

Note 3: Others include derivative financial assets and other financial assets.

The maximum credit risk exposure of financial assets measured at fair value listed in the above table only represents the current maximum credit risk exposure, rather than the maximum credit risk exposure after future changes in fair value.

## **XII. Financial Instruments and Risk Analysis (continued)**

### **1. Credit risk (continued)**

#### **1.3 Collateral and other credit enhancement**

The type and amount of collateral depend on the credit risk assessment of the counterparty. The Group takes the acceptable type of collateral and its value as the specific implementation standard.

The collateral accepted by the Group mainly includes the following types:

- (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) Debt investment: real estate, certificates of deposit, equity, land use rights, etc.

The Management checks pledge value periodically and asks clients to increase the amount of pledge when necessary.

#### **1.4 Credit quality analysis of financial assets in compliance with credit rating system of the Group**

As of December 31, 2023, the principal amount of impaired loans and advances was RMB 9,496 million (December 31, 2022: RMB 8,615 million). The fair value of the collateral for impaired loans and advances was RMB 12,389 million (December 31, 2022: RMB 10,692 million). The collateral includes machinery and equipment, real estate, land, equity, etc.

#### **1.5 Restructured loans**

Restructured loans represent the loans whose original repayment terms have been modified as a result of the deterioration of borrower's financial conditions or inability to repay the loans according to the contractual terms. Expressive forms of restructured loans: loan extension, borrowing for repaying, interest deduction, deduction of partial principal, adjustment of payment method, improvement of collateral and change guarantee conditions. By December 31, 2023, the book balance of restructured loans of the Company was RMB 1,197 million (December 31, 2022: RMB 1,355 million).

**XII. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.6 Investment financial products**

The book value of bond investment (excluding accrued interest) is listed as follows according to external credit rating and credit loss impairment stage:

	Dec. 31, 2023			Total
	Stage I	Stage II	Stage III Financial assets with credit impairment (expected credit loss for the entire duration)	
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration		
Not rated	199,801	-	-	199,801
Above A (included)	543,191	1,033	-	544,224
Below A	16,801	-	-	16,801
<b>Total</b>	<b>759,793</b>	<b>1,033</b>	<b>-</b>	<b>760,826</b>

	Dec. 31, 2022			Total
	Stage I	Stage II	Stage III Financial assets with credit impairment (expected credit loss for the entire duration)	
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration		
Not rated	62,155	677	-	62,832
Above A (included)	545,243	100	-	545,343
Below A	8,716	-	-	8,716
<b>Total</b>	<b>616,114</b>	<b>777</b>	<b>-</b>	<b>616,891</b>

**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.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity**

Dec. 31, 2023	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	-	112,882	16,249	-	-	-	-	-	129,131
Due from other banks	-	-	17,719	9,981	1,027	12,121	-	-	40,848
Loans to other banks	-	-	-	16,977	12,635	11,769	-	-	41,381
Redemptory monetary capital for sale	-	-	-	9,253	-	-	-	-	9,253
Loans and advances	11,684	-	-	96,846	157,544	603,068	314,451	254,211	1,437,804
Financial investment:									
Trading financial assets	-	-	208,318	10,228	12,747	55,502	38,149	34,545	359,489
Investment on creditor's rights	-	-	-	7,262	10,188	47,106	200,161	254,057	518,774
Other investment on creditor's rights	-	-	-	2,600	16,859	74,122	316,012	96,017	505,610
Other equity instrument investment	-	321	-	-	-	-	-	-	321
Other financial assets	207	167	592	756	796	1,210	1,032	7	4,767
<b>Total assets</b>	<b>11,891</b>	<b>113,370</b>	<b>242,878</b>	<b>153,903</b>	<b>211,796</b>	<b>804,898</b>	<b>869,805</b>	<b>638,837</b>	<b>3,047,378</b>



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**For the Year Ended 31 December 2023**

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**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity**

Dec. 31, 2023	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	-	-	-	6,168	16,425	88,571	-	-	111,164
Due from other banks and financial institutions	-	-	63,534	924	9,686	21,322	-	-	95,466
Placements from other institutions	-	-	-	19,184	36,952	122,646	7,369	-	186,151
Trading financial liabilities	-	-	7,060	2,430	1,958	935	-	-	12,383
Financial assets sold for repurchase	-	-	-	122,220	358	81	-	-	122,659
Deposits	-	-	524,823	224,686	121,830	282,596	463,316	27	1,617,278
Bonds payable	-	-	-	25,530	45,185	184,863	108,386	21,260	385,224
Other financial liabilities	-	-	1,278	2,249	2,942	8,139	34	-	14,642
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>596,695</b>	<b>403,391</b>	<b>235,336</b>	<b>709,153</b>	<b>579,105</b>	<b>21,287</b>	<b>2,544,967</b>
<b>Net amount of balance sheet liquidity</b>	<b>11,891</b>	<b>113,370</b>	<b>(353,817)</b>	<b>(249,488)</b>	<b>(23,540)</b>	<b>95,745</b>	<b>290,700</b>	<b>617,550</b>	<b>502,411</b>
Off-balance-sheet commitments (note 1)	5,889	-	64,424	82,862	107,590	221,316	22,936	158	505,175

Note 1: The off-balance-sheet commitments of the Group were listed according to the remaining term of the contract.

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**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity**

Dec. 31, 2022	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	-	99,179	17,865	-	-	-	-	-	117,044
Due from other banks	-	-	21,057	92	57	229	-	-	21,435
Loans to other banks	-	-	-	1,964	17,553	11,168	-	-	30,685
Redemptory monetary capital for sale	-	-	-	11,843	-	-	-	-	11,843
Loans and advances	8,462	-	-	69,533	111,216	523,941	293,877	206,124	1,213,153
Financial investment:									
Trading financial assets	189	-	225,635	3,732	10,063	61,096	57,906	13,533	372,154
Investment on creditor's rights	268	-	-	5,392	7,159	43,784	180,643	183,812	421,058
Other investment on creditor's rights	-	-	-	1,498	7,234	70,274	275,002	101,349	455,357
Other equity instrument investment	-	169	-	-	-	-	-	-	169
Other financial assets	213	28	397	586	254	917	391	26	2,812
<b>Total assets</b>	<b>9,132</b>	<b>99,376</b>	<b>264,954</b>	<b>94,640</b>	<b>153,536</b>	<b>711,409</b>	<b>807,819</b>	<b>504,844</b>	<b>2,645,710</b>

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**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity**

Dec. 31, 2022	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	-	-	-	6,070	10,782	49,727	-	-	66,579
Due from other banks and financial institutions	-	-	79,884	570	5,246	2,389	318	-	88,407
Placements from other institutions	-	-	-	19,564	16,596	56,263	18,889	-	111,312
Trading financial liabilities	-	-	1,284	1,808	1,481	17,204	1,248	-	23,025
Financial assets sold for repurchase	-	-	-	105,787	1,979	305	-	-	108,071
Deposits	-	-	604,110	45,532	248,246	251,551	344,422	627	1,494,488
Bonds payable	-	-	-	66,220	135,048	140,433	88,821	22,110	452,632
Other financial liabilities	-	-	7,294	1,791	2,672	13,440	40	2	25,239
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>692,572</b>	<b>247,342</b>	<b>422,050</b>	<b>531,312</b>	<b>453,738</b>	<b>22,739</b>	<b>2,369,753</b>
Net amount of balance sheet liquidity	9,132	99,376	(427,618)	(152,702)	(268,514)	180,097	354,081	482,105	275,957
Off-balance-sheet commitments	3,722	-	84,867	47,904	78,050	277,685	21,462	1,367	515,057

**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.2 Cash flow analysis of derivative financial instruments**

*Derivative financial instruments settled on a net basis*

The derivative financial instruments settled on a net basis by the Group are interest rate swaps and interest rate option derivative financial instruments.

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, 2023	Within 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Interest rate swap	6	26	(225)	(7)	(200)
Interest rate option	-	-	-	-	-
Dec. 31, 2022	Within 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Interest rate swap	(1)	39	(55)	1	(16)
Interest rate option	-	-	-	-	-

*Derivative financial instruments settled at full amount*

Derivative financial instruments settled at full amount include foreign exchange forwards, credit risk mitigation instruments, currency swaps, currency exchange, foreign exchange options, equity options and precious metal contract.

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.

**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.2 Cash flow analysis of derivative financial instruments (continued)**

*Derivative financial instruments settled at full amount (continued)*

Dec. 31, 2023	Within 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
<b>Foreign exchange forwards</b>					
Cash outflow	(35,684)	(19,985)	(739)	-	(56,408)
Cash inflow	36,029	20,249	772	-	57,050
<b>Currency swap</b>					
Cash outflow	(275,977)	(287,760)	(6,886)	-	(570,623)
Cash inflow	276,886	288,271	6,989	-	572,146
<b>Currency exchange</b>					
Cash outflow	(7,125)	(22,206)	-	-	(29,331)
Cash inflow	7,164	21,737	-	-	28,901
<b>Share option</b>					
Cash outflow	(89,155)	(98,798)	(1,378)	-	(189,331)
Cash inflow	89,858	99,964	1,395	-	191,217
<b>Precious metal contract</b>					
Cash outflow	(10,879)	(261)	-	-	(11,140)
Cash inflow	24,244	26,582	-	-	50,826

**XII. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.2 Cash flow analysis of derivative financial instruments (continued)**

*Derivative financial instruments settled at full amount (continued)*

Dec. 31, 2022	Within 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
<b>Foreign exchange forwards</b>					
Cash outflow	(64,828)	(64,377)	(407)	-	(129,612)
Cash inflow	66,431	65,597	423	-	132,451
<b>Credit risk mitigation instrument</b>					
Cash outflow	-	(400)	-	-	(400)
Cash inflow	-	-	-	-	-
<b>Currency swap</b>					
Cash outflow	(369,018)	(322,320)	(7,025)	-	(698,363)
Cash inflow	371,973	321,373	7,047	-	700,393
<b>Currency exchange</b>					
Cash outflow	(9,726)	(16,922)	(206)	-	(26,854)
Cash inflow	9,265	16,451	209	-	25,925
<b>Share option</b>					
Cash outflow	(116,777)	(178,453)	(172)	-	(295,402)
Cash inflow	117,088	179,888	164	-	297,140
<b>Precious metal contract</b>					
Cash outflow	(6,643)	(3,917)	-	-	(10,560)
Cash inflow	16,756	14,562	-	-	31,318

**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.

In compliance with the established standard and current management capability, the Group 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.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Group at the Balance Sheet date:

Dec. 31, 2023	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	121,780	-	-	-	-	7,351	129,131
Due from other banks	14,593	999	10,688	-	-	10	26,290
Loans to other banks	16,587	12,142	11,109	-	-	703	40,541
Derivative financial assets	-	-	-	-	-	20,167	20,167
Redemptory monetary capital for sale	9,249	-	-	-	-	2	9,251
Loans and advance payments	96,782	185,264	664,014	175,623	49,000	43,070	1,213,753
Financial investments:							
Trading financial assets	9,583	11,734	52,701	33,027	31,746	211,675	350,466
Investment on creditor's rights	6,019	7,369	36,081	160,522	204,153	4,566	418,710
Other investment on creditor's rights	1,904	14,959	63,880	288,667	90,438	5,571	465,419
Other equity instrument investment	-	-	-	-	-	321	321
Other financial assets	-	-	-	-	-	4,206	4,206
Total assets	<u>276,497</u>	<u>232,467</u>	<u>838,473</u>	<u>657,839</u>	<u>375,337</u>	<u>297,642</u>	<u>2,678,255</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Group at the Balance Sheet date: (continued)

Dec. 31, 2023	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	6,000	16,000	86,405	-	-	784	109,189
Due to banks and other financial institutions	62,185	8,530	11,211	-	-	196	82,122
Placements from other institutions	18,886	35,982	119,879	7,083	-	1,284	183,114
Trading financial liabilities	-	-	-	-	-	12,359	12,359
Derivative financial liabilities	-	-	-	-	-	14,187	14,187
Financial assets sold for repurchase	122,174	354	80	-	-	33	122,641
Deposits	738,050	119,230	273,933	435,061	24	22,238	1,588,536
Bond payable	25,495	44,669	179,330	99,487	19,998	2,104	371,083
Other financial liabilities	1,782	2,730	5,420	-	-	4,709	14,641
Total liabilities	974,572	227,495	676,258	541,631	20,022	57,894	2,497,872
Interest rate sensitivity gap	(698,075)	4,972	162,215	116,208	355,315	239,748	180,383



**Bank of Ningbo Co., Ltd.**  
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**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Group at the Balance Sheet date: (continued)

Dec. 31, 2022	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	109,172	-	-	-	-	7,872	117,044
Due from other banks	21,126	56	202	-	-	12	21,396
Loans to other banks	1,949	17,267	10,750	-	-	371	30,337
Derivative financial assets	-	-	-	-	-	26,473	26,473
Redemptory monetary capital for sale	11,827	-	-	-	-	3	11,830
Loans and advance payments	71,454	129,572	553,153	173,319	55,358	27,961	1,010,817
Financial investments:							
Trading financial assets	3,438	9,445	56,257	52,907	12,073	227,630	361,750
Investment on creditor's rights	4,319	4,957	33,620	148,155	143,685	3,601	338,337
Other investment on creditor's rights	953	6,000	61,702	249,870	95,804	4,427	418,756
Other equity instrument investment	-	-	-	-	-	169	169
Other financial assets	-	-	-	-	-	2,684	2,684
Total assets	<u>224,238</u>	<u>167,297</u>	<u>715,684</u>	<u>624,251</u>	<u>306,920</u>	<u>301,203</u>	<u>2,339,593</u>

**Bank of Ningbo Co., Ltd.**  
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**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Group at the Balance Sheet date: (continued)

Dec. 31, 2022	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	5,900	10,500	48,433	-	-	602	65,435
Due to banks and other financial institutions	80,440	5,200	2,257	299	-	111	88,307
Placements from other institutions	19,378	16,430	55,418	17,218	-	660	109,104
Trading financial liabilities	-	-	-	-	-	22,454	22,454
Derivative financial liabilities	-	-	-	-	-	19,583	19,583
Financial assets sold for repurchase	105,730	1,970	301	-	-	39	108,040
Deposits	649,596	69,561	247,936	329,365	627	13,220	1,310,305
Bond payable	66,157	134,034	135,665	78,990	19,997	2,002	436,845
Other financial liabilities	1,481	2,552	9,679	7	-	11,476	25,195
Total liabilities	928,682	240,247	499,689	425,879	20,624	70,147	2,185,268
Interest rate sensitivity gap	(704,444)	(72,950)	215,995	198,372	286,296	231,056	154,325

**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

The Group uses sensitivity analysis to measure the potential impact of changes in interest rates on the net interest income and equity of the Group. The following table presents the results of interest rate sensitivity analysis by assets and liabilities on the balance sheet date.

	Dec. 31, 2023		Dec. 31, 2022	
	Interest rate changes (basis point)		Interest rate changes (basis point)	
	-25	25	-25	25
Net interest income (decrease)/increase	1,607	(1,607)	1,718	(1,718)
Increase/(decrease) in other comprehensive income in equity	2,721	(2,704)	3,321	(3,412)

The above sensitivity analysis is based on the static interest rate risk structure of assets and liabilities.

The sensitivity analysis of net interest income is based on the financial assets and liabilities held by the Group at the end of the year (excluding financial assets and liabilities measured at fair value through profit or loss), and the expected impact of interest rate changes within one year on net interest income. The sensitivity analysis of equity is based on the revaluation of other debt investments held at fixed interest rates at the end of the year measured at fair value with changes recognized in other comprehensive income, and the expected impact of changes in interest rates on their corresponding equity.

The above analysis is based on the following assumptions: all assets and liabilities that are re-priced or matured within three months or three months to one year are assumed to be re-priced or matured in the middle of the relevant period; and the yield curve moves in parallel with the change of interest rate.

Due to the above assumptions, the actual changes in the net interest income and equity of the Group caused by interest rate increases or decreases may differ from the results of this sensitivity analysis.

**3.2 Exchange rate risk**

The Group is established and operates within the territory of the People's Republic of China, mainly engaged in RMB business, with foreign currency business mainly conducted in USD.

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**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.2 Exchange rate risk (continued)**

From July 21, 2005, the 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 "a basket of currencies", which caused a gradual rising of RMB against U.S. dollars.

Assets and liabilities in compliance with currencies are as follows:

Dec. 31, 2023

	RMB	USD converted to RMB	Other currency converted to RMB	Total
Items of assets				
Cash and balances with central bank	123,274	5,760	97	129,131
Due from other banks	16,591	8,100	1,599	26,290
Loans to other banks	21,260	18,430	851	40,541
Derivative financial assets	20,154	15	(2)	20,167
Redemptory monetary capital for sale	9,251	-	-	9,251
Loans and advance payments	1,199,900	11,478	2,375	1,213,753
Financial investment:				
Trading financial asset	349,380	1,075	11	350,466
Investment on creditor's rights	416,403	2,307	-	418,710
Other investment on creditor's rights	437,934	27,048	437	465,419
Other equity instrument investment	321	-	-	321
Other financial assets	4,204	1	1	4,206
<b>Total assets</b>	<b>2,598,672</b>	<b>74,214</b>	<b>5,369</b>	<b>2,678,255</b>
Items of liabilities				
Due to central bank	109,189	-	-	109,189
Due to banks and other financial institutions	81,909	206	7	82,122
Loans from other banks	180,642	1,807	665	183,114
Trading financial liabilities	12,359	-	-	12,359
Derivative financial liabilities	14,172	17	(2)	14,187
Financial assets sold for repurchase	122,641	-	-	122,641
Deposits	1,519,200	64,406	4,930	1,588,536
Bonds payable	371,083	-	-	371,083
Other financial liabilities	14,639	2	-	14,641
<b>Total liabilities</b>	<b>2,425,834</b>	<b>66,438</b>	<b>5,600</b>	<b>2,497,872</b>
<b>In-balance-sheet net position</b>	<b>172,838</b>	<b>7,776</b>	<b>(231)</b>	<b>180,383</b>
<b>Off-balance-sheet position</b>	<b>478,852</b>	<b>18,603</b>	<b>7,720</b>	<b>505,175</b>

**Bank of Ningbo Co., Ltd.**  
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**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.2 Exchange rate risk (continued)**

Assets and liabilities in compliance with currencies are as follows: (continued)

	RMB	USD converted to RMB	Other currency converted to RMB	Total
Dec. 31, 2022				
Items of assets				
Cash and balances with central bank	110,544	6,434	66	117,044
Due from other banks	14,413	5,638	1,345	21,396
Loans to other banks	2,108	28,229	-	30,337
Derivative financial assets	26,463	12	(2)	26,473
Redemptory monetary capital for sale	11,830	-	-	11,830
Loans and advance payments	981,567	25,367	3,883	1,010,817
Financial investment:				
Trading financial asset	359,944	1,806	-	361,750
Investment on creditor's rights	337,047	1,290	-	338,337
Other investment on creditor's rights	380,796	37,603	357	418,756
Other equity instrument investment	169	-	-	169
Other financial assets	2,684	-	-	2,684
Total assets	<u>2,227,565</u>	<u>106,379</u>	<u>5,649</u>	<u>2,339,593</u>
Items of liabilities				
Due to central bank	65,435	-	-	65,435
Due to banks and other financial institutions	88,217	38	52	88,307
Loans from other banks	104,660	4,444	-	109,104
Trading financial liabilities	22,454	-	-	22,454
Derivative financial liabilities	19,565	21	(3)	19,583
Financial assets sold for repurchase	108,040	-	-	108,040
Deposits	1,227,660	74,414	8,231	1,310,305
Bonds payable	436,845	-	-	436,845
Other financial liabilities	25,154	5	36	25,195
Total liabilities	<u>2,098,030</u>	<u>78,922</u>	<u>8,316</u>	<u>2,185,268</u>
In-balance-sheet net position	<u>129,535</u>	<u>27,457</u>	<u>(2,667)</u>	<u>154,325</u>
Off-balance-sheet position	<u>477,293</u>	<u>20,709</u>	<u>17,055</u>	<u>515,057</u>

**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.2 Exchange rate risk (continued)**

The Group adopts sensitivity analysis to measure the possible impact of exchange rate changes on the Group's net exchange gains and losses. The following table presents the results of exchange rate sensitivity analysis based on current assets and liabilities as of December 31, 2023 and December 31, 2022.

		Dec. 31, 2023
Alteration of exchange rate	-1%	1%
Alteration of profit before tax due to exchange rate risk	179	(179)
		Dec. 31, 2022
Alteration of exchange rate	-1%	1%
Alteration of profit before tax due to exchange rate risk	113	(113)

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 pretax profit 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 at 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 at fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.com.

Level 3: the unobservable inputs of the related assets or liabilities.

**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities measured at fair value (continued)**

As of Dec. 31, 2023, 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
Continues fair value measurement				
Derivative financial assets	-	20,167	-	20,167
Loans and advances	-	85,133	-	85,133
Trading financial assets	206,866	135,151	8,449	350,466
Other investment on creditor's rights	-	465,419	-	465,419
Other equity instrument investment	-	-	321	321
<b>Total financial assets</b>	<b>206,866</b>	<b>705,870</b>	<b>8,770</b>	<b>921,506</b>
Trading financial liabilities	182	6,878	5,299	12,359
Derivative financial liabilities	-	14,187	-	14,187
<b>Total financial liabilities</b>	<b>182</b>	<b>21,065</b>	<b>5,299</b>	<b>26,546</b>

**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities measured at fair value (continued)**

As of Dec. 31, 2022, 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
Continues fair value measurement				
Derivative financial assets	-	26,473	-	26,473
Loans and advances	-	89,389	-	89,389
Trading financial assets	223,641	111,448	26,661	361,750
Other investment on creditor's rights	-	418,756	-	418,756
Other equity instrument investment	-	-	169	169
<b>Total financial assets</b>	<b>223,641</b>	<b>646,066</b>	<b>26,830</b>	<b>896,537</b>
Trading financial liabilities	95	-	21,170	21,265
Derivative financial liabilities	-	19,583	-	19,583
<b>Total financial liabilities</b>	<b>95</b>	<b>19,583</b>	<b>21,170</b>	<b>40,848</b>

In 2023 and 2022, the Group has neither transferred the financial instrument fair value's levels from 1 and 2 to level 3, nor transferred the fair values between level 1 and level 2.



**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities measured at fair value (continued)**

For the financial instruments that are traded in the active market, the Group determines their fair values in compliance with the quotation of the active market; for the financial instruments that are not traded in the active market, the Group determines their fair values in compliance with the valuation technique. The primary valuation model adopted is the discount cash flow method.

The level 2 financial instruments of the Group mainly include the bond investment and derivative financial instruments. The fair value of Renminbi bond is determined in compliance with the valuation results of China Government Securities Depository Trust & Clearing Co., Ltd., Interbank Clearing House Co., Ltd and China Securities Index Co. Ltd., and the derivative financial instruments are valued complying with discount cash flow method and Black-Scholes Model. All the major valuation parameters adopt the valuation method that can observe the market information.

For the unlisted equity investments held by the Group, except for some investments that refer to the latest transaction prices of similar or identical financial instruments, the valuation multiplier method of comparable companies is mainly used and appropriate adjustments are made, such as adjustments for lack of liquidity. The measurement of their fair value may adopt unobservable parameters that have a significant impact on valuation. Therefore, the Group classifies these assets into a Level 3, and unobservable parameters that may have an impact on valuation mainly include liquidity allowances. For the asset management plan and trust plan investment held by the Group, the cash flow discount model is mainly used for valuation. Unobservable parameters involved in the valuation model include risk-adjusted discount rate, etc. As of December 31, 2023, the amount of fair value changes caused by the above unobservable parameter changes was not significant. The management has evaluated the impact of macroeconomic changes and loss coverage parameters to determine whether necessary adjustments should be made to the fair value of Level 3 financial instruments. The Group has established relevant internal control procedures to monitor its exposure to such financial instruments.

**Adjustment of fair value measurement**

Continuous adjustment of Lv. 3 fair value measurements is as follows:

2023

	Trading financial assets	Investment in other equity instruments	Trading financial liabilities
Beginning balance	26,661	169	21,170
Include in other comprehensive income	-	156	-
Gains or losses included in profit or loss	4	-	(1,327)
Increase	2,969	3	3,816
Sold/matured	(21,185)	(7)	(18,360)
Ending balance	8,449	321	5,299

**XII. Financial Instruments and Risk Analysis (continued)**

**3 Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Adjustment of fair value measurement (continued)**

2022

	Trading financial assets	Investment in other equity instruments	Trading financial liabilities
Beginning balance	18	199	-
Include in other comprehensive income	-	(30)	-
Increase	26,643	-	21,170
Sold	-	-	-
Ending balance	<u>26,661</u>	<u>169</u>	<u>21,170</u>

**Financial assets and liabilities not measured by fair value**

Financial assets and liabilities not measured by fair value include: cash and balances in the central bank, due from other banks, lending, reverse repurchase agreements, loans and advance payment, creditor's rights investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, borrowing funds, selling repurchase financial liabilities, deposits and bonds payable.

For the investment in debt and bonds payable that are not reflected or disclosed by fair value, their book values and fair values are listed in the following table. Among them, for the item at the Level II of fair value measurement, the fair value of RMB bonds is determined by the latest valuation results published on [www.chinabond.com.cn](http://www.chinabond.com.cn), and the comprehensive valuation published by Bloomberg is used for foreign currency bonds without active market quotations; the fair value at Level III of fair value is based on the valuation method of expected cash flow recovery.

			Dec. 31, 2023		
	Book value	Fair Value	Level I	Level II	Level III
Financial assets					
Investment on creditor's rights	<u>418,710</u>	<u>431,354</u>	<u>-</u>	<u>328,847</u>	<u>102,507</u>
Financial liabilities					
Bonds payable	<u>371,083</u>	<u>372,159</u>	<u>-</u>	<u>372,159</u>	<u>-</u>
			Dec. 31, 2022		
	Book value	Fair Value	Level I	Level II	Level III
Financial assets					
Investment on creditor's rights	<u>338,337</u>	<u>340,921</u>	<u>-</u>	<u>231,270</u>	<u>109,651</u>
Financial liabilities					
Bonds payable	<u>436,845</u>	<u>434,320</u>	<u>-</u>	<u>434,320</u>	<u>-</u>

**XII. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities not measured by fair value**

Except for 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:

Asset	Liability
Cash and deposits with 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
Redemptory monetary capital for sale	Financial assets sold for repurchase
Loans and advances	Deposits
Other financial assets	Other financial liabilities

**XIII. Other events after balance sheet day**

1. According to the resolution of the Board of Directors on April 8, 2024, the profit distribution plan (predetermined) of the year 2023 is listed as follow:

- 1) Distribute 10% of 2023 net profit amounted to RMB 2,247 million as legal surplus;
- 2) According to *Administrative Measures for the Withdrawal of Reserves of Financial Enterprises* (C.J. [2012] No. 20), the Company withdraw 1.5% of risk assets value as at the end of 2023 amounted to RMB 3,420 million as general risk provision;
- 3) A cash dividend of RMB 6 (including tax) per every 10 shares will be distributed based on 6.604 billion shares at the end of 2023. The profit distribution plan is yet to be approved by the Shareholders' Meeting.

2. At the fourth meeting of the eighth Board of Directors on December 21, 2023, the Company approved the Proposal on Increasing the Capital of Maxwealth Financial Leasing Co., Ltd., and agreed to act as the sole investor to increase the capital of its wholly-owned subsidiary - Maxwealth Financial Leasing Co., Ltd. (hereinafter referred to as "Maxwealth Financial Leasing") by RMB 1 billion. On February 1, 2024, Maxwealth Financial Leasing received the Reply from the National Financial Regulatory Administration Ningbo Bureau on Approving the Change of Registered Capital of Maxwealth Financial Leasing Co., Ltd. (Y.J.F. [2024] No. 27). According to the reply, Maxwealth Financial Leasing has completed the registration procedures for the change of registered capital and obtained a newly issued business license. The registered capital of Maxwealth Financial Leasing as stated in the business license has been changed from RMB 6 billion to RMB 7 billion, while the remaining registration items remain unchanged.

Save as disclosed above, there's no other significant event of the Company that needs to be disclosed after this balance sheet day.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XIV. Notes to Main Items of the Financial Statement**

**1. Long-term equity investment**

2023

	Beginning Balance Investment	Changes during the year					Ending Book Value	Ending Fairment Revision
		Increased by	Equity method Gains & losses	Comprehensive Income	Other changes In equity	Declared cash Dividend		
Subsidiary								
Maxwealth Fund Management Co., Ltd.	647	-	-	-	-	-	647	-
Maxwealth Financial Leasing Co., Ltd.	5,000	1,000	-	-	-	-	6,000	-
BNB Wealth Management Co., Ltd.	1,500	-	-	-	-	-	1,500	-
Zhejiang BNB Consumer Finance Co., Ltd.	1,195	3,500	-	-	-	-	4,695	-
	<u>8,342</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,842</u>	<u>-</u>

2022

	Beginning Balance Investment	Changes during the year					Ending Book Value	Ending Fairment Revision
		Increased by	Equity method Gains & losses	Comprehensive Income	Other changes In equity	Declared cash Dividend		
Subsidiary								
Maxwealth Fund Management Co., Ltd.	647	-	-	-	-	-	647	-
Maxwealth Financial Leasing Co., Ltd.	5,000	-	-	-	-	-	5,000	-
BNB Wealth Management Co., Ltd.	1,500	-	-	-	-	-	1,500	-
Zhejiang BNB Consumer Finance Co., Ltd.	-	1,195	-	-	-	-	1,195	-
	<u>7,147</u>	<u>1,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,342</u>	<u>-</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XIV. Notes to Main Items of the Financial Statement (continued)**

**2. Loans and advances**

**2.1 Loans and advances classified by corporate and individual**

	Dec. 31, 2023	Dec. 31, 2022
Measured at amortized cost		
Corporate loans and advances	549,290	475,309
Loans	537,167	462,212
Trade financing	12,123	13,097
Personal loan	465,102	384,042
Personal consumption loan	278,874	236,164
Personal operating loan	98,937	83,595
Personal housing loan	87,291	64,283
Accrued interest	<u>2,207</u>	<u>2,483</u>
Subtotal	1,016,599	861,834
Less: Provision for impairment of principal of loans and advances measured at amortized cost	(37,921)	(34,964)
Provision for impairment of accrued interest on loans and advances measured at amortized cost	<u>(161)</u>	<u>(160)</u>
Subtotal	(38,082)	(35,124)
Measured at fair value with changes included in other comprehensive income		
Discount and others	<u>85,133</u>	<u>89,389</u>
Book value of loans and advances	<u><u>1,063,650</u></u>	<u><u>916,099</u></u>

The total amount of loans and advances issued by the Company in the first, second and third phases were RMB 1,067,211 million, RMB 25,877 million and RMB 8,644 million respectively (December 31, 2022: the amounts in the first, second and third phases were RMB 924,395 million, RMB 18,416 million and RMB 8,412 million respectively).

On December 31, 2023, the loans measured at fair value with changes included in other comprehensive income were generated from discount business, and their impairment provision was RMB 919 million (December 31, 2022: RMB 892 million), which was included in other comprehensive income.

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XIV. Notes to Main Items of the Financial Statement (continued)**

**2. Loans and advances (continued)**

**2.2 Loans and advances classified by guarantee method**

	Dec. 31, 2023	Dec. 31, 2022
Credit loan	449,114	365,999
Guarantee loan	244,160	199,307
Mortgage loan	318,877	287,780
Pledge loan	87,374	95,654
Total loans and advances	<u>1,099,525</u>	<u>948,740</u>
Accrued interest	2,207	2,483
Less: Provision for impairment of principal of loans and advances measured at amortized cost	(37,921)	(34,964)
Provision for impairment of accrued interest on loans and advances measured at amortized cost	<u>(161)</u>	<u>(160)</u>
Book value of loans and advances	<u><u>1,063,650</u></u>	<u><u>916,099</u></u>

**2.3 Overdue loans**

	Dec. 31, 2023				Total
	Overdue for 1-90 days (included)	Overdue for 90-360 days (included)	Overdue for 360 days - 3 years (included)	Overdue for over 3 years	
Credit loan	2,646	2,864	433	49	5,992
Guarantee loan	239	202	66	180	687
Mortgage/pledge loan	1,216	1,311	1,101	48	3,676
	<u>4,101</u>	<u>4,377</u>	<u>1,600</u>	<u>277</u>	<u>10,355</u>
	Dec. 31, 2022				Total
	Overdue for 1-90 days (included)	Overdue for 90-360 days (included)	Overdue for 360 days - 3 years (included)	Overdue for over 3 years	
Credit loan	1,628	1,691	355	39	3,713
Guarantee loan	108	78	280	86	552
Mortgage/pledge loan	1,214	1,364	931	304	3,813
	<u>2,950</u>	<u>3,133</u>	<u>1,566</u>	<u>429</u>	<u>8,078</u>

**XIV. Notes to Main Items of the Financial Statement (continued)**

**2. Loans and advances (continued)**

**2.4 Provision for loan impairment**

The changes in the provision for impairment of loans and advances issued in 2023 are as follows:

Provision for impairment of principal of loans and advances measured at amortized cost:

	Stage I	Stage II	Stage III	Total
	Financial assets with credit impairment			
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	(expected credit loss for the entire duration)	
Beginning balance	24,043	3,890	7,031	34,964
Accrual in the year	1,386	2,430	5,381	9,197
Transferred to stage I	651	(642)	(9)	-
Transferred to stage II	(472)	967	(495)	-
Transferred to stage III	(87)	(364)	451	-
Write-off	-	-	(8,007)	(8,007)
Other transfer-out	-	-	(4)	(4)
Reversal caused by the recovery of original loans and advances	-	-	1,816	1,816
Reversal of interest on impaired loans and advances	-	-	(45)	(45)
Ending balance	<u>25,521</u>	<u>6,281</u>	<u>6,119</u>	<u>37,921</u>

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

	Stage I	Stage II	Stage III	Total
	Financial assets with credit impairment			
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	(expected credit loss for the entire duration)	
Beginning balance	885	7	-	892
Provision/( reversal) of the current year	34	(7)	-	27
Transferred to stage II	(1)	1	-	-
Ending balance	<u>918</u>	<u>1</u>	<u>-</u>	<u>919</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XIV. Notes to Main Items of the Financial Statement (continued)**

**2. Loans and advances (continued)**

**2.4 Provision for loan impairment (continued)**

The changes in the provision for impairment of loans and advances issued in 2022 are as follows:

Provision for impairment of principal of loans and advances measured at amortized cost:

	Stage I	Stage II	Stage III	Total
	Financial assets with credit impairment			
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	(expected credit loss for the entire duration)	
Beginning balance	20,623	4,467	5,913	31,003
Accrual in the year	2,775	84	6,763	9,622
Transferred to stage I	988	(940)	(48)	-
Transferred to stage II	(290)	394	(104)	-
Transferred to stage III	(53)	(115)	168	-
Write-off	-	-	(6,713)	(6,713)
Other transfer-out	-	-	(204)	(204)
Reversal caused by the recovery of original loans and advances	-	-	1,302	1,302
Reversal of interest on impaired loans and advances	-	-	(46)	(46)
Ending balance	<u>24,043</u>	<u>3,890</u>	<u>7,031</u>	<u>34,964</u>

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

	Stage I	Stage II	Stage III	Total
	Financial assets with credit impairment			
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	(expected credit loss for the entire duration)	
Beginning balance	1,050	14	2	1,066
Reversal of the current year	(164)	(8)	(2)	(174)
Transferred to stage II	(1)	1	-	-
Ending balance	<u>885</u>	<u>7</u>	<u>-</u>	<u>892</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XIV. Notes to Main Items of the Financial Statement (continued)**

**3. Net interest income**

	2023	2022
Interest income		
Loans and advances (note 1)	51,212	46,195
<i>Including: corporate loans and advances</i>		18,867
<i>    Personal loans and advances</i>	21,761	
<i>    Notes discounted</i>	26,065	24,038
<i>    Trade financing</i>	2,851	2,786
Due from other banks	535	504
Due from Central Bank	467	168
Placements to other financial institutions	1,749	1,441
Redemptory monetary capital for sale	1,262	776
Bond investment	687	576
Financing product and credit plan	21,063	17,527
	5,836	6,062
	82,276	72,745
Interest expense		
Due to other banks	(2,228)	(2,715)
Borrowing from central bank	(1,933)	(2,330)
Placements from other institutions	(895)	(522)
Deposit	(30,549)	(21,636)
Financial assets sold for repurchase	(1,765)	(1,021)
Bonds payable	(9,467)	(10,553)
Lease liabilities	(102)	(107)
	(46,939)	(38,884)
Net interest income	35,337	33,861

Note 1: in 2023, the interest income from the impaired financial assets of the Company was RMB 45 million (2022: RMB 46 million).

**Bank of Ningbo Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended 31 December 2023**

**Unit: CNY One Million**

**XIV. Notes to Main Items of the Financial Statement (continued)**

**4. Cash flow of operating activities**

	2023	2022
Adjusting net profit to cash flow from operating activities		
Net profit	22,466	20,398
Add: credit impairment loss	7,395	9,177
Depreciation of fixed assets	908	781
Depreciation of right-of-use assets	748	731
Amortization of intangible assets	318	227
Amortization of deferred expenses	311	280
Income from disposal of fixed assets, intangible assets and other long-term assets	(279)	(13)
Loss/(gain) from changes in fair value	(2,841)	(1,044)
Investment interest income and investment income	(28,865)	(23,464)
Interest expense on lease liabilities	102	107
Interest expense on bonds payable	9,467	10,553
Decrease in deferred income tax assets	168	824
Decrease in operating receivables	(180,465)	(176,506)
Increase in operating payables	341,171	251,420
	170,604	93,471

**XV. Comparative Data**

Certain comparative data have been reclassified and rearranged to conform to the presentation of the financial statements.

## Supplementary Information:

### I. Detailed Statement of Non-recurring Profits and Losses

	Unit: in RMB 1 million	
	2023	2022
Profits and losses on disposal of non-current assets, including the offsetting portion of the provision for asset impairment	280	13
Changes in fair value of investment real estate	(10)	(8)
Other non-recurring profit and loss items other than the above	<u>(89)</u>	<u>(67)</u>
Affected amount of income tax	<u>(70)</u>	<u>(4)</u>
Affected amount of minority equity (after tax)	<u>(2)</u>	<u>(2)</u>
Non-recurring profits and losses attributable to common shareholders of the parent company	<u>109</u>	<u>(68)</u>

The confirmation on the items of non-recurring profits and losses of the Group is reported in compliance with *Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public - Non-recurring Profits and Losses (Revised in 2023)*.

### II. ROE (Return on Equity) and Earnings per Share

2023	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	15.08	3.75	3.75
Net profit attributable to common shareholders after deducting non-recurring profits and losses	15.01	3.74	3.74
2022	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	15.56	3.38	3.38
Net profit attributable to common shareholders after deducting non-recurring profit and loss	15.61	3.39	3.39

The calculation of earnings per share and return on equity of the Group is carried out in accordance with the provisions of the *CSRC Rules for Information Disclosure and Reporting of Companies that Offer Securities to the Public No. 9 - Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010)*.

### III. Unaudited Supplementary Information

#### Evaluation Indexes for National Systemically Important Bank

The Company calculated and disclosed the evaluation indexes for 2022 national systemically important bank according to the requirements of *Evaluation Method for Systemically Important Bank* issued by PBC and the former CBRC, as well as *Notice on Data Filling for Evaluation of Systemically Important Bank* issued by the former CBRC.

Unit: in RMB 10 thousand, number

<b>Index</b>	<b>2022</b>
Adjusted balance of assets on and off the balance sheet	287,243,189
Assets among financial institutions	54,533,522
Liabilities among financial institutions	55,237,334
Issuance of securities and other financing tools	81,654,066
Payment amount settled through payment system or agent bank	6,092,440,153
Assets in custody	374,829,452
Agency and consignment businesses	250,331,290
Corporate clients (number)	555,119
Personal clients (number)	31,610,329
Domestic business institutions (number)	480
Derivative products	263,371,429
Securities measured at fair value	56,322,650
Assets of non-bank subsidiaries	11,041,196
Wealth management services	1,025,200
Balance of wealth management products issued by financial subsidiaries	38,640,047
Overseas credit and debt	4,808,387