



宁波银行
BANK OF NINGBO

专业创造价值

BANK OF NINGBO CO., LTD.

(Stock Code: 002142)

2021 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 10th meeting of the 7th Board of Directors of the Company deliberated on and approved the text and abstract of 2021 Annual Report. 13 directors were expected to be present at the meeting in person out of the total of 13 directors required to attend the meeting, and part of supervisors attended as a nonvoting delegates.

The Chairman of the Company, Mr. Lu Huayu, the person in charge of accounting, Mr. Zhuang Lingjun, 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 consolidated financial statements of Bank of Ningbo Co., Ltd. and its holding subsidiary, Maxwealth Fund Management Co., Ltd., its wholly-owned subsidiaries, Maxwealth Financial Leasing Co., Ltd. and Ningyin Finance Co., Ltd., are subject to the unit of RMB.

Ernst & Young Hua Ming LLP audited the 2021 Financial Statements of the Company in accordance with domestic accounting principles 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 5 (tax inclusive) as cash bonus per 10 shares to all shareholders registered upon the equity registration day. This plan will be submitted to 2021 general meeting of stockholders for further approval.

Content

Chapter One Important Notes, Content and Interpretation	1
Chapter Two Company Profile.....	5
Chapter Three Summary of Accounting Data and Financial Indicators	9
Chapter Four Address of the Chairman.....	12
Chapter Five Address of the President.....	14
Chapter Six Management Discussion and Analysis.....	16
Chapter Seven Corporate Governance	68
Chapter Eight Environmental and Social Responsibilities	92
Chapter Nine Important Matters	93
Chapter Ten Changes in Share Capital and Shareholding	102
Chapter Eleven Relevant Situation of Preferred Shares	106
Chapter Twelve Financial Statements	109

Catalogue

I. Financial Statements signed and stamped by the Legal Representative, CFO and Principal of the Accounting Department of the Company.

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

Chapter Two Company Profile

I. Company Information

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

II. Contact Information

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

III. Information Disclosure and Place for Inspection

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

V. Registration Changes

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

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

Name of the sponsor institution	Office address of the sponsor institution	Name of sponsor representatives	Period of continuous supervision
CITIC Securities Co., Ltd.	Block B & E, Kaiheng Center, No. 2, Chaonei Street, Dongcheng District, Beijing	Yan Mingqing, Tian Wenming	From now on to December 31, 2022
Yongxing Securities Co., Ltd.	8-11F, No. 565 & 577, Haiyan North Road, Yinzhou District, Ningbo, Zhejiang Province	Fan Youbiao, Qiu Li	From now on to December 31, 2022

VI. Development Vision, Corporate Culture and Investment Value

(I) Development Vision

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

(II) Enterprise Mission

Create value for customers with specialty.

(III) Corporate Culture

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

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

Adhere to the development strategy of “joint development of regional markets”, 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 “controlling the risk is exactly reducing the cost”, solidly carry out all requirements of the guideline for comprehensive risk management, continuously improve the comprehensive, full-crew and full-process risk management system, adapt to the 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 2021

(I) In the list of “2021 Top 1,000 International Banks” issued by the Banker, the Company ranked the 103rd in the world in terms of tier one capital, up 7 places from the previous year.

(II) In the list of “2021 Top 500 International Banking Brands” issued by the Banker, the Company ranked 71st in the world, up 41 places from the previous year.

(III) In the “Gyroscope” evaluation of the steady development capacity of commercial banks in 2021 released by China Banking Association, the Company ranked the first among urban commercial banks in terms of comprehensive evaluation.

(IV) In 2021 comprehensive selection of financial banks by Sina, the Company was rated as “the Best Urban Commercial Bank of the Year”.

(V) The Company was rated as one of “Top 100 China's Main Board Listed Companies in Value” in the Value Evaluation of Listed Companies of China held by Securities Times.

(VI) In the selection of “2021 Listed Companies with Excellent Competitiveness” by China

Business, the Company won the award of "Listed Company with the Highest Investment Value".

(VII) In the selection of "Outstanding Capital Value Enterprises" by Economic Observer, the Company won the award of "Outstanding Capital Value Enterprise in 2020-2021".

(VIII) In the selection of "2021 Financial Value List" of YICAI, the Company was rated as "Best Competitive Listed Bank".

(IX) The Company was awarded as "Outstanding Inclusive Financial Service Bank" by 21st Century Business Herald in "2021 Jin Bei Asset Management Competitiveness" selection.

(X) In the selection of "Jinding Award" by National Business Daily, the Company won the "Annual Inclusive Finance" award.

(XI) In the selection of "Jinglun Award for Listed Companies of China" by China Fund, the Company won the "Annual Outstanding Investment Value Company" and "Annual Most Popular Public Offering Listed Company".

(XII) In the election of "Jinxi Award" held by China Investment Network, the Company won the awards "2021 Outstanding Bank", "2021 Outstanding Fortune Management Bank" and "2021 ESG Green Company Star".

(XIII) In the selection of "2021 Financial Billboard" of StocksStar, the Company won the award of "the Most Growing Bank of the Year".

(XIV) In the selection of "2021 Top Financial List" of The Paper, the Company won the "Financial Institution of the Year" award.

(XV) In the selection of "China's Annual Financial Innovation Value List" by CLS.CN, the Company won the "Digital Innovation Application Award".

Chapter Three Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

Operating Performance (RMB 1 million)	Year 2021	Year 2020	Increase/Decrease by this year	Year 2019
Operating Income	52,774	41,111	28.37%	35,082
Operating Profit	20,478	16,500	24.11%	15,290
Total Profit	20,445	16,455	24.25%	15,219
Net Profit	19,609	15,136	29.55%	13,792
Net Profit Attributable to Shareholders of the Parent Company	19,546	15,050	29.87%	13,715
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	19,511	14,992	30.14%	13,745
Net Cash Flow from Operating Activities	(44,549)	60,771	Not applicable	40,339
Per Share (RMB /share)				
Basic Earnings Per Share (EPS)	3.13	2.43	28.81%	2.41
Diluted Earnings Per Share (EPS)	3.13	2.43	28.81%	2.41
Basic EPS after Non-recurring Profit and Losses	3.12	2.42	28.93%	2.41
Net Cash Flow from Operating Activities per share	(6.75)	10.12	Not applicable	7.17
Equity per share, Attributable to Common Stockholder of the Parent Company	20.38	17.26	18.08%	15.19
Financial Ratios				
Fully-diluted Return on Equity (ROE)	13.96%	13.79%	Increased by 0.17%	15.16%
Weighted Average ROE	16.63%	14.90%	Increased by 1.73%	17.10%
Fully-diluted ROE after Non-recurring Profits and Losses	13.93%	13.73%	Increased by 0.20%	15.19%
Weighted Average ROE after Non-recurring Profits and Losses	16.60%	14.84%	Increased by 1.76%	17.14%

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

2. The basic earnings per share and weighted average ROE are calculated in accordance with the provisions of *No. 9 of Information Disclosure and Compilation Rules for the Companies Issuing Securities Publicly: Calculation and Disclosure of ROE and Earnings Per Share*. The Company paid the dividend of the preferred stocks Preferred 01 and Preferred 02 in November 2021, the total amount of which was RMB 757 million. In addition, the Company allotted 595,574,506 to the original A-share shareholders in December 2021. The Company has considered the effect of the preference dividends issuance and shares allocation when calculating the basic earnings per share and weighted average ROE disclosed in this report.

Scale indicators (RMB 1 million)	End of 2021	End of 2020	Increase / Decrease by this Year	End of 2019
Total assets	2,015,607	1,626,749	23.90%	1,317,717
Client loans and advances	862,709	687,715	25.45%	529,102
— Personal loans and advances	333,128	261,653	27.32%	179,698
— Corporate loans and advances	464,462	369,881	25.57%	304,985
— Notes discounted	65,119	56,181	15.91%	44,419

Loan loss reserves	34,783	27,583	26.10%	21,702
Including: loss reserves of loans and advances measured at fair value with changes included in other comprehensive income	1,066	647	64.76%	590
Total liabilities	1,865,607	1,507,756	23.73%	1,216,981
Client deposits principal	1,052,887	925,174	13.80%	771,521
— Personal deposit principal	213,894	201,379	6.21%	159,142
— Corporate deposit principal	838,993	723,795	15.92%	612,379
Interbank borrowing	60,226	68,434	(11.99%)	35,962
Stockholders' equity	150,000	118,993	26.06%	100,736
Including: equity attributable to shareholders of the Parent Company	149,424	118,480	26.12%	100,309
Net capital	203,587	160,958	26.48%	137,797
Including: Tier-I net capital	148,846	118,073	26.06%	100,009
Net risk-weighted assets	1,318,873	1,084,870	21.57%	885,202

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

2. On the basis of *Notice of the People's Bank of China on the Adjustment of statistical Caliber for Loans and Deposits in Financing Institutions (NO. 14 [2015])*, from the year of 2015, the deposits of non-deposit-taking financial institutions kept in deposit-taking financial institutions shall be included into the statistical caliber of "total deposits" and the loan deposit-taking financial institutions lend to non-deposit-taking financial institutions shall be included into the statistical caliber of "total loans". Based on the new statistical caliber of People's Bank of China, the total deposits on Dec. 31, 2021 was RMB 1,265.970 billion, increasing by RMB 222.355 billion than the end of the previous year with a growth of 21.31%; the total client loans and advances was RMB 885.811 billion, increasing by RMB 195.196 billion than the end of the previous year with a growth of 28.26%.

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 st Quarter of 2021	2 nd Quarter of 2021	3 rd Quarter of 2021	4 th Quarter of 2021
Operating income	13,226	11,793	13,859	13,896
Net Profit Attributable to Shareholders of the Parent Company	4,735	4,784	4,788	5,239
Net Profit Attributable to Shareholders of the Parent Company	4,721	4,777	4,779	5,234
Net Cash Flow from Operating Activities	7,858	(1,526)	(30,731)	(20,150)

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 2021	Year 2020	Year 2019
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	7	72	5

Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	(8)	-	-
Other non-operating incomes and expenditures except for the above items	68	19	(39)
Impacts by income tax	(28)	(29)	7
Total	39	62	(27)
Of which: non-recurring profit and loss attributable to shareholders of the parent company	35	58	(30)
non-recurring profit and loss attributable to minority shareholders	4	4	3

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

IV. Supplementary Financial Indicators

Regulatory Indicators	Regulatory Standard	Year 2021	Year 2020	Year 2019
Capital adequacy ratio (%)	≥10.5	15.44	14.84	15.57
Tier-I Capital adequacy ratio (%)	≥8.5	11.29	10.88	11.30
Core Tier-I Capital adequacy ratio (%)	≥7.5	10.16	9.52	9.62
Liquidity ratio (RMB and foreign currencies) (%)	≥25	64.25	56.04	53.39
Liquidity coverage ratio (%)	≥100	279.06	136.67	169.03
Ratio of deposits and loans (domestic and foreign currencies) (%)		79.75	71.85	66.51
Ratio of non-performing loans (%)	≤5	0.77	0.79	0.78
Provision coverage (%)	≥150	525.52	505.59	524.08
Loan provisioning rate (%)		4.03	4.01	4.10
Migration rate of normal loans (%)		1.24	1.50	1.52
Migration rate of special-mentioned loans (%)		69.05	71.94	31.54
Migration rate of subprime loans (%)		63.58	41.26	61.51
Migration rate of doubtful loans (%)		44.01	33.03	41.67
Return on total assets (%)		1.07	1.02	1.13
Cost-income ratio (%)		36.95	37.96	34.32
Asset-liability ratio (%)		92.56	92.69	92.36
Net interest spread (%)		2.46	2.54	2.57
Net interest margin (%)		2.21	2.30	2.27

Chapter Four Address of the Chairman

The year 2021 was the first year of the "14th Five-year Plan". Standing at the historical intersection of the "Two Centenary Goals", the Company adhered to the original intention and mission of the Bank and the leadership of the Party, promoted the organic integration of the leadership of the Party and corporate governance, persisted in its main business, returned to its origin, focused on customer centricity, created value for customers with specialty in the process of serving the real economy, continuously promoting its banking operation quality, becoming a systemically important bank in China and constantly enhancing its sustainable development capacity.

In 2021, COVID-19 was still raging, and the world economy was struggling to recover in the cycle overlapping. Under such difficult circumstances, China's economy has maintained strong resilience, continued to achieve steady and sustainable development, providing a foundation for the banking industry to serve the real economy. In the face of more fierce market competition, according to the development strategy formulated by the Board of Directors, the Company adhered to the business strategy of "imperfect for large banks, impossible for small banks". Focusing on the business logic of the whole life cycle of customers, the Company continued to create value for customers with comprehensive financial services through financial technology empowerment. In this year, various lines of the Company's businesses developed well, its risk management was stable, and its capacity to serve the real economy was further enhanced.

Focus on value creation and serve the real economy with high quality. In 2021, the Company assisted the high-quality development of the real economy with expertise according to the decisions and deployment of governments and regulatory departments at all levels. The Company focused on the differentiated financial service needs of private enterprises, import and export, manufacturing and other real economy customers, solidly promoted inclusive small and micro-sized financial services, provided customers with comprehensive financial service schemes on the basis of increasing the investment of inclusive loans, and improved the availability, convenience and accuracy of financial services. In this year, the Company also helped transform the old and new driving forces of the economy, implemented special financial service schemes for science and technology enterprises and SRDI (specialized, refinement, differential, innovation) enterprises, so as to help the economic transformation and upgrading. In addition, the Company also took the initiative to integrate financial services into the overall situation of society and formulate special financial service plans to help Zhejiang realize high-quality development and build a demonstration area of common prosperity.

Adhere to the empowerment of science and technology and upgrade the business model with high efficiency. In 2021, the Company centered in the operation of core customers, focused on the whole life cycle of customer operation, took meeting the customer's financial service needs with high

quality as the fundamental starting point, linked the front, middle and back platforms among the head office, branches and sub-branches, and built an open, innovative and win-win customer operation system through financial technology empowerment, explored a new network operation mode and created a new position for customer operation. The Company also strived to provide customers with high-quality and all-round financial services at all business contacts, continuously enhanced the cooperation viscosity between customers and the Bank, improving the proportion of core customers in each business segment. In addition, the Company has seized the opportunity of digital reform, connected the capital flow and information flow of customers with an open bank, provided exclusive financial services according to the differentiated financial service needs of different customers, broken through the last difficulty of financial services, serving the needs of customers for digital transformation and creating value for customers with specialty.

Ensure smooth operation and control risk management with high standard. In 2021, the Company continued to uphold the concept of revering the market and risk, adhered to the risk management culture of prudent operation, and continued to improve the all-round, whole process and full coverage risk management system. At the end of the reporting period, the non-performing asset ratio of the Company was 0.77%, which remained at a low level in the industry. Facing the dynamic changes of the market and customers, the Company continued to improve the industry and industrial chain research system and formed a more accurate customer positioning on the basis of adhering to the unified credit policy and independent credit approval. Through the empowerment of financial technology, the Company has continuously enriched the model of customer risk management, accelerated the intelligent and digital transformation of risk management, improved the pertinence and effectiveness of risk management, and provided guarantee for promoting the high-quality development of the Bank.

“ He who observes the situation is wise, and he who controls the situation wins.” The new century has set off and a new test is on the way. In the next stage, the competition in the banking industry will be more intense. In an environment full of uncertainty, we will uphold the concept of customer-centricity, adhere to doing certain and correct things, persist in the original intention and perseverance of bank development, continue to create more value for customers and society with specialty, serve the real economy well, promote the steady and sustainable development of the Bank, and continue to strive to create high values for the customers, investors and the society.

Chairman: Lu Huayu

Chapter Five Address of the President

In 2021, under the leadership of the Board of Directors, the Company adhered to the customer-centric strategy, created value for clients by its expertise, provided high quality service for the real economy, and continued to achieve steady development. By the end of the reporting period, the total assets was RMB 2,015.607 billion, increased by 23.09% from the end of last year; the deposit balance was RMB 1,052.887 billion, increased by 13.80% from the end of last year; the loan balance was RMB 826.709 billion, increased by 15.45% from the end of last year; an operating income amounted to RMB 52.774 billion was realized, with a year-on-year growth rate of 28.37; a net profit attributable to shareholders of the parent Company amounted to RMB 19.546 billion was realized as well, with a year-on-year growth of 29.87%. The operating and management work in 2021 have the following four outstanding features:

Focus on main businesses and continuously improve the quality and efficiency in serving the real economy. In 2021, bearing in mind the original mission of serving the real economy, the Company earnestly implemented the decisions and arrangements of governments and financial regulatory authorities at all levels, continued to increase resource support and policy preference for real economy, actively practiced inclusive finance, continued to meet differentiated financial demands of clients, continuously increased support for SMEs, especially private, manufacturing and import & export enterprises, continuously improved the product system and service system according to clients' demand for full life-cycle services, implemented the visitor management system throughout the Company, understand the needs of clients through field visit, and create value for clients with our expertise. By the end of the reporting period, the Company had over 490,000 corporate clients, 90% of which are small and micro enterprises and private enterprises.

Follow the tendency and optimize the business model of profit center continuously. The Company made great efforts to meet the growing needs of clients for financial services continuously, and continued to improve its business model with the help of financial technology. In terms of corporate clients service, relying on the efficient linkage between the head office, all branches and sub-branches, as well as professional support from the front, middle and back office, the Company met the clients' demands for systematic, digital and intelligent financial service through financial technology empowerment, and met the clients' needs for digital transformation through open banking, so as to create value for clients with expertise. In terms of personal clients service, the Company adhered to the coordinated promotion of wealth management and personal credit business, implemented differentiated and professional management strategy for different types of clients, and provided clients with the most suitable financial products, so as to provide all-round financial service for all types of clients.

Achieve sustainable business growth and improve the comprehensive risk management

system continuously. In 2021, the Company adhered to the prudent risk management culture and promoted the risk management system to be more refined, intelligent and efficient, so that the asset quality of the Company remained good and the steady operation ability was improved. It implemented a matrix management system with separation of front, middle and back offices and combination of sections, and adhered to the bottom line of no significant NPL, no legal case and no outstanding system failure. The Company improved the pertinence and effectiveness of credit policies through continuous tracking and research on the industry and industrial chain; by adhering to the implementation of centralized operation and independent return visit, the Company can prevented operational risk and fraud risk; through the application of financial technology, the Company continued to improve the intelligent and digital level of risk management and the ability of comprehensive risk management.

Strengthen the supporting capacity of financial technology through science and technology empowerment. The Company continued to regard financial technology as an important productivity, continuously increased the resource investment in financial technology, promoted the better integration of financial technology and business, and created higher value for clients. The Company implemented the smart banking strategy, accelerated integration and innovation, promoted the optimization and upgrading of the business model, development model and management model, and empowered client-administration in four fields, namely the financial products, service channels, marketing operation and operational risk control. During the reporting period, the Company insisted on using open banks to meet the diversified service demands of clients, provided clients with comprehensive services with faster response and better experience, and continuously improve the scientific and technological supporting capacity through model innovation, application innovation and technological innovation, so as to empower business development.

In the new year, the whole industry will still be full of changes, challenges and opportunities. There are two forces surging on the road of sustainable economic growth, enabling us to make new breakthrough while keep in mind our original mission. We always believe that we can achieve sustainable business growth by keeping in mind the original mission and serving the substantial economy better. The year 2022 is the 25th anniversary of the founding of Bank of Ningbo. We are very grateful for the support of our clients and investors. The Company will take the initiative to adapt to changes in the business environment, create value with expertise, promote the steady development of the Bank, and make greater contribution to the sound development of the substantial economy!

Executive Director and President¹: Zhuang Lingjun

¹ On March 24, 2022, the Board of Directors of the Company deliberated and passed relevant proposals and agreed to appoint Mr. Zhuang Lingjun as the President of the Company. He will officially take his office from the date on which his qualification is approved by regulatory authority.

Chapter Six Management Discussion and Analysis

I. Industry trends of the Company during the reporting period

During the reporting period, in the face of the uncertainty brought about by the times and the epidemic situation, and in the face of the industry development trend featuring technicalization, marketization and internationalization, the Company adhered to serving the real economy and continued to achieve steady development under the leadership of the Board of Directors. During the reporting period, the Company continued to improve its operating quality and became a bank of systematic importance in China, ranking 103rd in the list of "Top 1000 Global Banks in 2021", as issued by the Banker. The Company always keeps in mind the true essence of open and awe. According to the requirements of "Returning to the origin, focusing on the main business and serving the substantial economy", the Company stay true to its original intention, keeps in mind its mission, focuses on market segments and client segments, adheres to client-centered strategy, accumulates differentiated comparative advantages, thus promote the stable and sustainable development of the Company.

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 CBRC, 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 upgrade the business model in accordance with the demands of clients, focused on the expansion of large retail and light capital business, and worked hard to build a moat for development, thus to improve the competitiveness continuously. The core competitiveness of the Company is mainly reflected in the following four aspects:

First, the profit structure of the Company has been continuously optimized and the profit sources have become more diversified. The Company has always been committed to building a diversified profit center. At present, 12 profit centers have been formed in the banking sector, including corporate banking, retail company, wealth management, personal banking, personal credit, remote banking, credit card,

investment banking, asset custody, bill business, financial market and asset management. In terms of subsidiaries, three profit centers, namely the Maxwealth Fund Management Co., Ltd., Maxwealth Financial Leasing Co., Ltd. and Ningyin Financial Management Co. LTD. have been formed. The profit proportion of large retail and light capital business has continued to increase, and the income from non-interest business has increased as well, thus enhances 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 “controlling the risk is exactly reducing the cost”, took sticking to the risk bottom line as its most fundamental business goal, and continuously improved the comprehensive, full-crew and full-process risk management system. On the basis of adhering to the unified credit policy and independent credit approval, the Company has implemented risk management measures such as risk early-warning, post-loan review, industry research and industrial chain research, which has better responded periodic fluctuation and structure adjustment of economy, enabling it to cope with the economic cycle and industrial structure adjustment. The NPL ratio of the Company was at a relatively low level of the industry, ensuring that the Company can focus on business development and financial services, and can lay a solid foundation for sustainable development.

Third, integration and innovation of finance and technology, and strong support for transformation of business model. Faced with development of financial technologies, the Company focused on the vision for financial technology development of smart bank, continued to increase input, established a "Ten Centers" financial technology organizational structure and a "Three in One" R & D center system, implemented a systematic, digital and intelligent financial technology development strategy, promoted the integrated development of finance and technology, assisted the transformation of business model with the support of financial technology, and achieved the goal of energizing businesses and clients.

Fourth, solid talents reserve and continuous enhancement of employees' quality. In recent years, 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 training and professional training mechanism of employees, promoted the front, middle and back offices, 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 their expertise, thus lay a solid foundation for the Company to cope with fierce competition and ensure sustainable development.

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

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 NBCB University, NBCB Knowledge Base, mapping knowledge domain and staff teaching mechanism, so as to provide human resources guarantee for sustainable development.

IV. General review

In the face of changes in the internal and external business situation, under the leadership of the Board of Directors, the Company adhered to its main business, persisted in its original mission, adhered to accumulating differentiated comparative advantages in the process of serving the real economy, steadily implemented the business strategy of "imperfect for large banks, impossible for small banks", created value with specialty through financial technology empowerment, and achieved stable business development.

(I) Make breakthrough in operation scale through professional and prudent operation

In 2021, centering on the requirements of "Focusing on the main business and serving the real economy", the Company strengthened credit support for key areas such as inclusive microenterprises, manufacturing and green finance, continued to accumulate core clients and create value for clients with expertise. During the reporting period, the business scale of the Company reached a new level and the number of clients served increased to a new high. By the end of 2021, the total assets of the Company were RMB 2,015.607 billion, with an increase of 23.90% over the end of the previous year; the amount of various deposits reached to RMB 1,052.887 billion, with an increase of 13.80% over the end of the previous year; the amount of various loans reached RMB 862.709 billion, with an increase of 25.45% over the end of the previous year; the total number of enterprise clients was 490,000, an increase of 29,000 over the beginning of the year.

(II) Coordinated development of diversified profit centers via transformation and upgrading of business model

In 2021, the profit centers of the Company promote the upgrading of business model and steady profit growth through financial technology empowerment. In 2021, the Company achieved operating revenue of RMB 52.774 billion, with a year-on-year increase of 28.37%; the net profit attributable to the shareholders of the parent company reached RMB 19.546 billion, with a year-on-year increase of 29.87%, and continued to maintain a good growth rate. Due to the continuous construction of moat businesses such as wealth management, international settlement and small & micro enterprises, the client service ability of the Company has been continuously improved and the profit structure has been further optimized. In 2021, the Company realized a non-interest income of RMB 20.077 billion, with a year-on-year increase of 51.50%, accounting for 38.04% of the operating revenue, of which the net income from handling fees and commissions was RMB 8.262 billion, with a year-on-year increase of 30.27%, accounting for 15.66% of the operating revenue.

(III) Good assets quality due to consolidated risk management advantage

In 2021, in the face of changes in the business environment, the Company adhered to the prudent business philosophy and maintained good asset quality. By the end of 2021, the balance of non-performing loans of the Company was RMB 6.619 billion, and the balance of overdue loans over 90 days was RMB 4.684 billion. The NPL ratio of the Company was 0.77%, decreased by 0.02% from the end of last year, which was a relatively low level. The proportion of concerned loans and loans overdue for more than 90 days were 0.48% and 0.54% respectively, decreased by 0.0% and 0.12% respectively from the end of last year. The loan-allocation ratio was 4.03%, increased by 0.02% from the end of last year; and the provision coverage was 525.52%, increased by 19.93% from the end of last year.

(IV) Digital operation contributed to improvement of efficiency of capital returns

The Company adhered to integration and innovation, actively implemented digital operation, continuously upgraded professional operation system, and provided clients with comprehensive financial services relying on online operation platform. The digital transformation of the Company has achieved initial results. Therefore, the capital adequacy and capital return of the Company continued to maintain a good level in the industry. By the end of 2021, the capital adequacy ratio of the Company was 15.44%, with an increase of 0.6 percentage points over the end of the previous year; The adequacy ratio tier I capital was 11.29%, with an increase of 0.41 percentage points over the end of the previous year; the adequacy ratio of core tier capital was 10.16%, with an increase of 0.64 percentage points over the end of the previous year; the weighted average return on net assets of the Company was 16.63%, with an increase of 1.73 percentage points over the end of the previous year.

V. Financial statements analysis

(I) Analysis on items in the Income Statement

In 2021, the Company achieved the operating revenue of RMB 52.774 billion, with a year-on-year

increase of 28.37%; The net profit attributable to the shareholders of the parent company was RMB 19.546 billion, with a year-on-year increase of 29.87%.

Changes of Key Items in the Income Statement

Unit: in RMB 1 million

Item	2021	2020	Increase/Decrease	Increase rate
Operating income	52,774	41,111	11,663	28.37%
Net interest income	32,697	27,859	4,838	17.37%
Interest income	67,762	56,789	10,973	19.32%
Interest expense	(35,065)	(28,930)	(6,135)	21.21%
Non-interest income	20,077	13,252	6,825	51.50%
Net fees and commissions income	8,262	6,342	1,920	30.27%
Other non-interest income	11,815	6,910	4,905	70.98%
Operating expense	(32,296)	(24,611)	(7,685)	31.23%
Business tax and surcharges	(413)	(332)	(81)	24.40%
Operating and administrative expenses	(19,500)	(15,609)	(3,891)	24.93%
Impairment of credit	(12,354)	(8,667)	(3,687)	42.54%
Impairment loss of other assets	(23)	-	(23)	N/A
Other operating expenses	(6)	(3)	(3)	100.00%
Operating profit	20,478	16,500	3,978	24.11%
Net non-operating income	(33)	(45)	12	N/A
Profit before tax	20,445	16,455	3,990	24.25%
Income tax expense	(836)	(1,319)	483	(36.62%)
Net profit	19,609	15,136	4,473	29.55%
Including: net profit attributable to shareholders of the Parent company	19,546	15,050	4,496	29.87%
Minority interest income	63	86	(23)	(26.74%)

1. Net Interest Income

In 2021, the Company realized a net interest income of RMB 32.697 billion, with a year-on-year increase of 17.37%. The main reasons are as follows: first, the Company continued to strengthen its support for the real economy and reduce financing costs. In 2021, the average daily balance of ordinary loans was RMB 788.031 billion, with a year-on-year increase of 27.06%, and the average interest rate of general loans was 5.75%, with a year-on-year decrease of 25 basis points; second, the Company timely adjusted the asset liability portfolio and layout to promote structural optimization. In 2021, the average cost rate of liabilities was 2.13%, with a year-on-year decrease of 1 basis point.

Unit: in RMB 1 million

Item	2021	2020	Increase/Decrease	Increase rate
Interest income	67,762	56,789	10,973	19.32%
Loans and advances	45,346	37,233	8,113	21.79%
Due from banks	189	361	(172)	(47.65%)
Deposit in the central bank	1,352	1,330	22	1.65%
Lending funds	319	196	123	62.76%
Redemptory monetary capital for sale	659	622	37	5.95%
Bond investment	13,206	10,403	2,803	26.94%

Financial product and asset management plan	6,691	6,644	47	0.71%
Interest expense	35,065	28,930	6,135	21.21%
Deposits from banks	2,259	1,368	891	65.13%
Borrowings from central bank	2,304	1,109	1,195	107.75%
Borrowing funds	2,084	1,477	607	41.10%
Deposit from clients	19,060	17,764	1,296	7.30%
Financial assets sold for repurchase	1,349	907	442	48.73%
Bond issued	7,895	6,305	1,590	25.22%
Lease liability	114	-	114	N/A
Net interest income	32,697	27,859	4,838	17.37%

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

Unit: in RMB 1 million

Item	2021			2020		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
Assets						
General loans	788,031	45,346	5.75%	620,222	37,233	6.00%
Securities investment	519,969	19,897	3.83%	423,119	17,047	4.03%
Deposit in People's Bank of China	99,186	1,352	1.36%	93,550	1,330	1.42%
Due from banks and other financial institutions	70,165	1,167	1.66%	75,423	1,179	1.56%
Total interest-bearing assets	1,477,351	67,762	4.59%	1,212,314	56,789	4.68%
Liabilities						
Deposits	1,043,720	19,060	1.83%	952,796	17,764	1.86%
Due to banks and other financial institutions	264,425	5,692	2.15%	176,275	3,752	2.13%
Bonds payable	254,402	7,895	3.10%	185,308	6,305	3.40%
Borrowings from central bank	83,664	2,304	2.75%	38,950	1,109	2.85%
Lease liability	2,991	114	3.82%	-	-	-
Total interest-bearing liabilities	1,649,202	35,065	2.13%	1,353,329	28,930	2.14%
Net interest income		32,697			27,859	
Net interest spread (NIS)			2.46%			2.54%
Net interest margin (NIM)			2.21%			2.30%

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

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

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

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

Unit: in RMB 1 million

Item	Year 2021 VS Year 2020		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
Assets			
General loans	10,074	(1,961)	8,113
Securities investment	3,902	(1,052)	2,850
Deposit in People's Bank of China	80	(58)	22
Due from banks and other financial institutions	(82)	70	(12)
Changes on interest income	13,974	(3,001)	10,973
Liabilities			
Client deposits	1,696	(400)	1,296
Due to banks and other financial institutions	1,877	63	1,940
Bonds payable	2,351	(761)	1,590
Borrowings from central bank	1,273	(78)	1,195
Lease liability	114	-	114
Changes on interest expense	7,311	(1,176)	6,135
Changes on net interest income	6,663	(1,825)	4,838

Net interest margin

In 2021, the Company's net interest margin was 2.21%, decreased by 9 base points from the previous year; the Company's Net interest spread was 2.48%, a year-on-year decrease of 8 basis points. The main reasons are: during the reporting period, the Company took the initiative to optimize the debt structure and effectively reduce the debt cost. At the same time, it actively implemented the national macro-control policies and supported the development of the real economy. The interest rate at of asset decreased, resulting in a slight year-on-year decrease in the net interest margin and net interest spread.

(1) Interest income

In 2021, the Company achieved the interest income of RMB 67.762 billion, increased by 19.32% over the previous year. It was mainly due to the expansion of interest-bearing assets and optimization of structure.

Loan interest income

In 2021, the general loan interest income of the Company was RMB 45.346 billion, with an increase rate of 21.79%, accounting for 66.92% of the total interest income, as mainly due to the increase in loan scale.

During the reporting period, in the face of repeated COVID-19 pandemic, the Company practiced the fundamental mission of "Serving the Real Economy", and met the diversified financing needs of enterprises through product innovation and service upgrading. As a result, the daily corporate loan was increased by 17.77% over the same period of last year. The Company adhered to the business philosophy of "client-centered", promoted the large retail strategy in depth through online and offline integration, and created an intelligent and full-cycle client operation and management system, resulting in a year-on-year increase of 45.28% in the average daily scale of personal loans.

Meanwhile, the Company actively fulfilled its social responsibilities, effectively implemented various policies of financial support for the development of real economy, and reduced the financing cost of the real economy by making full use of low-cost funds such as interest-free loans and small refinancing, and moderately implementing preferential and interest concession activities on the premise of effectively preventing risks. In 2021, the average interest rate of corporate loans of the Company was 4.84%, with a year-on-year decrease of 25 basis points; the average interest rate of personal loans was 7.21%, with a year-on-year decrease of 58 basis points.

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

Unit: in RMB 1 million

Item	2021			2020		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	483,884	23,429	4.84%	410,876	20,929	5.09%
Personal loans	304,147	21,917	7.21%	209,346	16,304	7.79%
Total loans	788,031	45,346	5.75%	620,222	37,233	6.00%

Interest income from securities investment

In 2021, the Company's interest income from securities investment was RMB 19.897 billion, with an increase of RMB 16.72% over the same period last year, mainly due to the Company's appropriate increase in investment on national bonds, local government bonds and credit bonds during the reporting period.

Interest income from due from banks and other financial institutions

In 2021, the interest income from due from banks and other financial institutions of the Company was RMB 1.167 billion, decreased by RMB 12 million from the previous year, mainly due to the decrease of average daily scale of such assets.

(2) Interest expense

In 2021, the interest expense of the Company was RMB 35.065 billion, increased by 21.21% from the previous year. It was mainly due to the expansion of interest-paying liabilities.

Interest expense for client deposits

In 2021, the interest expense for client deposits of the Company was RMB 19.06 billion, accounting for 54.36% of the total interest expense, with a year-on-year growth of 7.30%. It was mainly

due to the increase in client deposit scale.

During the reporting period, thanks to the consolidation and expansion of the client base, the deposit business of the Company achieved diversified growth. In 2021, the average daily corporate deposit was RMB 825.713 billion, with a year-on-year increase of 7.36%; the average daily personal deposit was RMB 218.007 billion, with a year-on-year increase of 18.68%.

With the continuous advancement of the marketization of interest rate, the Company continued to pay attention to the changes of macroeconomic situation, strengthened the analysis and judgment of market interest rate, and promoted the decrease of deposit cost through the implementation of classification management and assessment guidance. In 2021, the average interest payment rate of client deposits was 1.83%, with a year-on-year decrease of 3 basis points.

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

Unit: in RMB 1 million

Item	2021			2020		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	384,489	4,026	1.05%	372,900	4,572	1.23%
Time	441,224	9,331	2.11%	396,203	8,853	2.23%
Subtotal	825,713	13,357	1.62%	769,103	13,425	1.75%
Personal deposits						
Demand	77,415	354	0.46%	52,428	240	0.46%
Time	140,592	5,349	3.80%	131,265	4,099	3.12%
Subtotal	218,007	5,703	2.62%	183,693	4,339	2.36%
Total	1,043,720	19,060	1.83%	952,796	17,764	1.86%

Interest expense for due to banks and other financial institutions

In 2021, the interest expense for due to banks and other financial institutions of the Company reached RMB 5.692 billion, increased by 51.71% over the previous year. It was mainly due to the increase of liabilities scale.

Interest expense for issued liabilities

In 2021, the interest expense for issued liabilities of the Company was RMB 7.895 billion, decreasing by 25.22% over the previous year. The main reason is that during the reporting period, the Company actively applied active liability management tools and appropriately increased the issuance scale of interbank certificates of deposit by taking into consideration the changes of market supply & demand and the needs of asset liability management.

2. Non-interest income

In 2021, the non-interest income of the Company reached RMB 20.077 billion, with a year-on-year growth of 51.50%.

Main composition of non-interest income

Unit: in RMB 1 million

Item	2021	2020	Increase/decrease	Increase rate
Fees and commissions income	9,425	7,315	2,110	28.84%
Less: fees and commission expense	1,163	973	190	19.53%
Net fees and commissions income	8,262	6,342	1,920	30.27%
Other non-interest income	11,815	6,910	4,905	70.98%
Total	20,077	13,252	6,825	51.50%

Net fees and commissions income

Unit: in RMB 1 million

Item	2021	2020	Increase/decrease	Increase rate
Settlement business	264	255	9	3.53%
Bank cards business	118	139	(21)	(15.11%)
Agency services business	7,839	5,890	1,949	33.09%
Guarantees business	624	577	47	8.15%
Custody business	482	371	111	29.92%
Consulting business	87	75	12	16.00%
Others	11	8	3	37.50%
Fees and commissions income	9,425	7,315	2,110	28.84%
Less: fees and commissions expense	1,163	973	190	19.53%
Net fees and commissions income	8,262	6,342	1,920	30.27%

During the reporting period, the net fees and commissions income of the Company was RMB 8.262 billion, with a year-on-year growth rate of 30.27%. Among which, the income from agency services business reached RMB 7.839 billion, with a year-on-year growth rate of 33.09%.

3. Business and administrative expenses

In 2021, the business and administrative expenses of the Company were RMB 19.5 billion, with a year-on-year increase of 24.93%. The main reasons are as follows: first, in order to deepen the implementation of large retail strategy and improve the ability of serving the real economy, the Company increased the staffing for inclusive microenterprises and wealth management positions. As the production capacity has yet to be released, the staff cost has increased rapidly; second, the Company increased investment in scientific and technological research and development to strengthen scientific and technological empowerment and improve its digital operation ability. At the same time, the Company continued to optimize the allocation of cost resources, strengthened the cost decreasing and benefits increasing mechanism, and steadily improved the efficiency of personnel capacity and cost allocation. During the reporting period, the cost-income ratio of the Company was 36.95%, decreased by 1.01 percentage points from the last year.

Unit: in RMB 1 million

Item	2021	2020	Increase/decrease	Increase rate
Staff costs	12,602	10,138	2,464	24.30%
Business expenses	4,850	3,841	1,009	26.27%
Depreciation of fixed assets	718	640	78	12.19%
Depreciation of right-of-use assets	691	-	691	N/A

Amortization of long-term deferred expenses	251	193	58	30.05%
Amortization of intangible assets	246	138	108	78.26%
Short-term leases and low-value asset leases	142	-	142	N/A
Rental expenses	-	659	(659)	N/A
Total	19,500	15,609	3,891	24.93%

4. Assets impairment loss

In 2021, the assets impairment loss of the Company was RMB 12.377 billion, with a year-on-year growth of 42.81%.

Unit: in RMB 1 million

Item	2021	2020	Increase/decrease	Increase rate
Loan impairment loss	9,681	7,671	2,010	26.20%
Financial investment	1,447	(164)	1,611	N/A
Receivables from banks and other financial institutions	79	13	66	507.69%
Impairment loss of other assets	(54)	73	(127)	N/A
Impairment loss of off-sheet businesses	1,201	1,074	127	11.82%
Impairment loss of debt-repaid assets	23	-	23	N/A
Total	12,377	8,667	3,710	42.81%

Loan impairment loss is the largest component of credit and asset impairment loss of the Company. In 2021, the loan impairment loss of the Company was RMB 9.681 billion, with a year-on-year growth of 26.20%. It is mainly due to the growth of the Company's loan scale, and the increase of supplementary provisions for macro and prudential purposes.

5. Income tax

In 2021, the income tax expense of the Company was RMB 0.836 billion, decreased by RMB 0.483 billion from the previous year. It was mainly due to the adjustment of asset structure and the increase of tax-free income from treasury bonds.

(II) Analysis of the Balance Sheet

1. Assets

By the end of 2021, the total assets of the Company were RMB 2,015.607 billion, with an increase of 23.90% over the end of the previous year. It was mainly due to the growth of loans and securities investment.

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	97,596	4.84%	102,498	6.30%	(4,902)	(1.46)
Due from other banks	17,679	0.88%	20,040	1.23%	(2,361)	(0.35)
Precious metals	24,739	1.23%	23,171	1.42%	1,568	(0.19)
Lending funds	22,009	1.09%	3,300	0.20%	18,709	0.89

Derivative financial assets	19,110	0.95%	32,942	2.03%	(13,832)	(1.08)
Redemptory monetary capital for sale	9,567	0.47%	626	0.04%	8,941	0.43
Loans and advances	832,443	41.30%	663,447	40.78%	168,996	0.52
Trading financial assets	355,391	17.63%	305,630	18.79%	49,761	(1.16)
Investment on creditors' rights	259,722	12.89%	216,399	13.30%	43,323	(0.41)
Other investment on creditors' rights	352,151	17.47%	236,712	14.55%	115,439	2.92
Investment on other equity instruments	199	0.01%	111	0.01%	88	-
Investment property	32	-	39	-	(7)	-
Fixed assets	7,618	0.38%	7,276	0.45%	342	(0.07)
Construction in progress	676	0.03%	317	0.02%	359	0.01
Right-of-use assets	3,241	0.16%	-	-	3,241	0.16
Intangible assets	1,302	0.06%	1,199	0.07%	103	(0.01)
Deferred income tax assets	7,377	0.37%	7,393	0.45%	(16)	(0.08)
Other assets	4,755	0.24%	5,649	0.36%	(894)	(0.12)
Total assets	2,015,607	100.00%	1,626,749	100.00%	388,858	-

(1) Loans and advances

In 2021, due to the impact of repeated pandemic and economic slowdown, the Company closely followed the macro strategic guidance and regulatory requirements, reasonably increased financing support, actively supported the development of real economy such as manufacturing industry, and continued to deepen inclusive finance. On the premise of strengthening risk control, the Company expanded its core client base through financial technology empowerment and product and service upgrading, realizing the steady growth of various loan scales. By the end of 2021, the amount of loans and advances of the Company reached RMB 862.709 billion, with an increase of 25.45% over the end of the previous year.

Corporate loan

In 2020, the Company continued to take small and micro enterprises as the focus of its services, increased its support for manufacturing and emerging industries, thus contribute to the transformation and upgrading of the real economy. As of Dec 31, 2021, the total corporate loan of the Company was RMB 464.462 billion, with an increase rate of 25.57% over the end of last year.

Discount for bills

In terms of bill business in 2021, the Company continued to adhere to the tenet of "Serving the real economy and small and medium enterprises", reduced the financing cost of enterprises, optimized the key products, and improved the quality and efficiency of business. By the end of 2021, the balance of discount for bills was RMB 65.119 billion, accounting for 7.55% of the total loans and advances of the Company

Personal loan

In 2021, the Company continued to practice inclusive finance and continuously improved the

stickiness of mobile clients at mobile terminal through digital, intelligent and systematic support; the Company continued to promote product innovation and service upgrading, achieved integrated development of online and offline businesses, and promoted the rapid growth of personal loans. By the end of 2021, the total amount of personal loans was RMB 333.128 billion, with an increase of 27.32% over the end of the previous year.

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	464,462	53.84%	369,881	53.78%
Loans	450,818	52.26%	363,069	52.79%
Trading financing	13,644	1.58%	6,812	0.99%
Bill discounting	65,119	7.55%	56,181	8.17%
Personal loans and advances	333,128	38.61%	261,653	38.05%
Personal consumption loan	219,847	25.47%	178,378	25.94%
Personal operation loan	75,968	8.81%	60,013	8.73%
Personal housing loan	37,313	4.33%	23,262	3.38%
Total	862,709	100.00%	687,715	100.00%

(2) Security investment

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

Investment structure divided upon purpose

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020	
	Amount	Proportion	Amount	Proportion
Trading financial assets	355,391	36.73%	305,630	40.28%
Investment on creditors' rights	259,722	26.85%	216,399	28.52%
Other investment on creditors' rights	352,151	36.40%	236,712	31.19%
Investment on other equity instruments	199	0.02%	111	0.01%
Total	967,463	100.00%	758,852	100.00%

In 2021, 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 2021, the RMB bond yield showed an upward trend followed by a downward trend. Through strengthening macro research, adjusting portfolio duration and grasping the high band, the Company improved the bond yield of trading account. By the end of 2021, the balance of the trading financial assets of the Company was RMB 355.391 billion. This kind of investment mainly includes investment on bonds and funds.

Investment on creditors' rights

Investment on creditors' rights refers to the debt instrument investment that measured by amortized

cost. This kind of investment mainly includes Government Bonds of China and asset management plans. As a strategic allocation of assets and liabilities, Government Bonds of China are held by the Company to gain bond interest income, to meet the liquidity management demands of bank accounts, and to make balance between benefits and risks. By the end of 2020, the balance of investment on creditors' rights of the Company was RMB 259.722 billion.

Other investment on creditors' rights

Other investment on creditors' rights refers to the debt instrument investment that measured by its fair value with its changes enter into the comprehensive income. This kind of investment mainly includes government bonds, asset-backed securities and corporate bonds, as was held by the Company to follow the macro-control policy of the country, to support the real economy, and to make balance between operation and performance. In 2021, the Company closely followed the market changes, strengthened investment research, selected optimal allocation of investment products under the framework of credit strategy, implemented closed-loop management before and after investment, and effectively avoids credit risk events while achieving income growth. By the end of 2020, the balance of other investment on creditors' rights was RMB 352.151 billion.

Investment on other equity instruments

Investment on other equity instruments refers to the equity instrument investment that measured by its fair value with its changes enter into the comprehensive income. This kind of investment was mainly non-trading equity investments held by the Company that has no control, joint control or significant influence on the investee. By the end of 2020, the balance of Company's investment on other equity instruments was RMB 199 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 2021	4,930	3.05	2023/3/4	-
Financial bond of 2021	4,170	3.04	2023/3/8	-
Financial bond of 2021	1,271	0.38	2022/6/10	-
Financial bond of 2021	1,271	0.80	2023/12/3	-
Financial bond of 2021	635	0.70	2022/9/8	-
Financial bond of 2014	290	6.00	2024/12/9	-
Financial bond of 2020	270	2.17	2023/4/7	-
Financial bond of 2018	260	4.99	2023/1/24	-
Financial bond of 2021	230	2.58	2023/7/26	-
Financial bond of 2021	210	3.00	2024/6/17	-

During the reporting period, the Company balanced the requirements of liquidity management and profit growth, made rational allocation on the bond investment. As of Dec. 31, 2021, the total face value of the top ten financial bonds was RMB 13.537 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	2021		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	128,254	354	(2,296)
Foreign exchange swap	860,719	7,608	(5,493)
Interest rate swap	1,727,426	8,164	(8,343)
Currency swap	20,718	213	(76)
Option contract	223,106	2,636	(2,620)
Credit risk mitigation instruments	830	10	(18)
Precious metal forward/swap	32,027	125	(493)
Total	2,993,080	19,110	(19,339)

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

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

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

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

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

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 2021, the market interest rate showed an upward trend followed by a downward trend. The Company managed market risk effectively and maintained a stable trading style through various strategies such as interest rate swap hedging and curve trading.

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

By the end of 2021, the important construction in progress of the Company totaled RMB 216 million, with an increase of RMB 169 million over the beginning of the year.

Unit: in RMB 1 million

Project Name	Budget	Beginning balance	Increase	Transferred into fixed assets	Other decrease	Ending balance	Capital source	Proportion of accumulated project investment in budget	Progress	Cumulative amount of interest capitalization	Including: capitalization in the period	Interest capitalization rate of the period
Data Center of Bank of Ningbo (Phase II)	430	28	109	-	-	137	Self-funded	32%	47%	-	-	-
Building of Huzhou Branch	167	19	60	-	-	79	Self-funded	47%	55%	-	-	-
Total	597	47	169	-	-	216						

(5) Withdrawal of provisions for impairment of mortgage assets

As of Dec. 31, 2021, the total mortgage assets of the Company was RMB 37 million, the impairment provision was RMB 26 million, and the net mortgage assets was RMB 11 million.

Unit: in RMB 1 million

Item	Amount
Land, houses and buildings	37
Stock rights	-
Subtotal	37
Provisions for impairment of mortgage assets	(26)
Net mortgage assets	11

2. Liabilities

As of Dec. 31, 2021, the total liabilities of the Company were RMB 1,865.607 billion, increased by 23.73% from the end of the previous year at a growth rate of 23.73%. It was mainly due to the increase of liabilities including client deposits and bonds payable.

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)

Borrowings from central bank	81,742	4.38%	83,623	5.55%	(1,881)	(1.17)
Due to other banks and financial institutions	94,714	5.08%	108,073	7.17%	(13,359)	(2.09)
Loans from other banks	60,226	3.23%	68,434	4.54%	(8,208)	(1.31)
Trading financial liabilities	20,882	1.12%	19,092	1.27%	1,790	(0.15)
Derivative financial liabilities	19,339	1.04%	36,257	2.40%	(16,918)	(1.36)
Financial assets sold for repurchase	92,595	4.96%	29,924	1.98%	62,671	2.98
Deposit taking	1,062,328	56.94%	933,164	61.89%	129,164	(4.95)
Wages and salaries payable	3,841	0.21%	2,545	0.17%	1,296	0.04
Tax payable	2,631	0.14%	3,970	0.26%	(1,339)	(0.12)
Bonds payable	382,364	20.50%	187,443	12.43%	194,921	8.07
Lease liability	3,002	0.16%	-	-	3,002	0.16
Estimated liabilities	2,310	0.12%	2,822	0.19%	(512)	(0.07)
Deferred income tax liabilities	30	-	-	-	30	-
Other liabilities	39,603	2.12%	32,409	2.15%	7,194	(0.03)
Total liabilities	1,865,607	100.00%	1,507,756	100.00%	357,851	-

Client deposit

The Company has been recognizing the expanding of deposits as a basic resource for transformation and development over the years. In 2021, in the face of changes in the market situation, the Company adhered to the concept of "Client-centered", continuously deepened client operation through business model upgrading and digital transformation, enhanced client stickiness, continued to expand the value chain of client service, and maintained the steady growth of deposit scale. By the end of 2021, the total deposit amount of the Company reached RMB 1,052.887 billion, with an increase of 13.80% over the end of the previous year. The deposit balance of corporate clients was RMB 838.993 billion, with an increase of 15.92% over the end of the previous year; the deposit balance of personal clients was RMB 213.894 billion, with an increase of 6.21% over the end of the previous year.

The table below shows the client deposits categorized upon product types and client types at the end of Dec. 31, 2021.

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020	
	Amount	Proportion	Amount	Proportion
Corporate deposits				
Demand	360,280	34.22%	362,857	39.22%
Time	478,713	45.46%	360,938	39.02%
Subtotal	838,993	79.68%	723,795	78.24%
Individual deposits				
Demand	73,357	6.97%	53,029	5.73%
Time	140,537	13.35%	148,350	16.03%
Subtotal	213,894	20.32%	201,379	21.76%
Total	1,052,887	100.00%	925,174	100.00%

3. Shareholders' equity

By the end of 2021, the total shareholders' equity of the Company was RMB 150 billion, with an increase of 26.06% over the end of the previous year. The equity attributable to shareholders of the parent company was RMB 149.424 billion, with an increase of 26.12% over the end of the previous year. Among them, the undistributed profit was RMB 58.693 billion, with an increase of RMB 10.774 billion over the end of the previous year, as mainly due to the increase of profit; the share capital and capital reserve were RMB 6.604 billion and RMB 37.695 billion respectively, as mainly due to the increase of allotment by RMB 596 million and RMB 11.292 billion respectively compared with the end of the previous year; other comprehensive income was RMB 4.371 billion, with an increase of 3.271 billion over the end of the previous year, as mainly due to the increase in the fair value of other debt investments.

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	6,604	4.40%	6,008	5.05%	596	(0.65)
Other equity instruments	14,810	9.87%	14,810	12.45%	-	(2.58)
Capital reserve	37,695	25.13%	26,403	22.19%	11,292	2.94
Other comprehensive income	4,371	2.91%	1,100	0.92%	3,271	1.99
Earned surplus	10,418	6.95%	8,632	7.25%	1,786	(0.30)
General risk reserve	16,833	11.22%	13,608	11.44%	3,225	(0.22)
Undistributed profit	58,693	39.13%	47,919	40.27%	10,774	(1.14)
Equity attributable to shareholders of the Parent company	149,424	99.61%	118,480	99.57%	30,944	0.04
Minority equity	576	0.39%	513	0.43%	63	(0.04)
Total shareholders' equity	150,000	100.00%	118,993	100.00%	31,007	-

(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, 2021, the total loans of the Company were RMB 862.709 billion, increased by 25.45% over the end of the previous year; the ratio of non-performing loan was 0.77%, decreased by 0.02% from the end of last year.

Quality of loan assets at the end of the reporting period

Unit: in RMB 1 million

Five-tier classification	Dec. 31, 2021		Dec. 31, 2020		Changes	
	Loans & advances	Proportion	Loans & advances	Proportion	Increase/decrease	Proportion (percentage point)
Subtotal of Non-NPL	856,090	99.23%	682,259	99.21%	173,831	0.02
Standard	851,990	98.75%	678,837	98.71%	173,153	0.04
Special mention	4,100	0.48%	3,422	0.50%	678	(0.02)
Subtotal of NPL	6,619	0.77%	5,456	0.79%	1,163	(0.02)
Substandard	2,414	0.29%	1,777	0.26%	637	0.03

Doubtful	2,628	0.30%	2,504	0.36%	124	(0.06)
Loss	1,577	0.18%	1,175	0.17%	402	0.01
Total client loans	862,709	100.00%	687,715	100.00%	174,994	-

Under the loan supervision system of five-tier classification, the non-performing loans of the Company was classified as substandard, doubtful and loss loans. As of the end of the reporting period, the total non-performing loan of the Company was RMB 6.619 billion with the ratio of non-performing loan as 0.77%.

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

Unit: in RMB 1 million

Industry	Dec. 31, 2021			
	Loan amount	Proportion	NPL amount	NPL ratio
Agriculture, forestry, animal husbandry, fishing	4,559	0.53%	-	-
Mining	846	0.10%	-	-
Manufacturing	137,351	15.92%	606	0.44%
Production and supply of electricity, gas and water	11,924	1.38%	5	0.04%
Construction	33,016	3.83%	167	0.51%
Transportation, storage, mailing	14,558	1.69%	21	0.14%
Information transfer, computer service and software	9,580	1.11%	316	3.30%
Commercial trade industry	83,154	9.64%	702	0.84%
Hotel, restaurant	2,412	0.28%	37	1.53%
Finance	5,026	0.58%	-	-
Real estate	36,618	4.24%	341	0.93%
Leasing and commercial service	146,779	17.03%	133	0.09%
Scientific research, technology service and geological exploitation	7,669	0.89%	5	0.07%
Water resource, environment and public facilities management and investment	30,920	3.58%	139	0.45%
Resident service and other services	457	0.05%	6	1.31%
Education	1,236	0.14%	8	0.65%
Health, social security and welfare	970	0.11%	10	1.03%
Culture, sports and entertainment	2,506	0.29%	-	-
Personal loan	333,128	38.61%	4,123	1.24%
Total	862,709	100.00%	6,619	0.77%

During the reporting period, the Company's loans were mainly concentrated in leasing and business service industry, manufacturing industry and commercial trade industry, accounting for 17.03%, 15.92% and 9.64% of the total loans respectively.

By the end of the reporting period, there's no significant fluctuation of NPL ratio in industries. The NPLs were mainly concentrated in commercial trade and manufacturing industries, and the amount was RMB 0.702 billion and RMB 0.606 billion, accounting for 10.61% and 9.16% of the total NPL of the Bank, with the NPL ratio of 0.84% and 0.44% respectively.

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

Unit: in RMB 1 million

Region	Dec. 31, 2021			
	Loan amount	Proportion	NPL amount	NPL ratio
Zhejiang Province	573,780	66.50%	4,316	0.75%
Including: Ningbo	377,486	43.76%	3,530	0.94%
Jiangsu Province	183,915	21.32%	1,204	0.65%
Shanghai	44,092	5.11%	482	1.09%
Beijing	30,511	3.54%	313	1.03%
Guangdong Province	30,411	3.53%	304	1.00%
Total	862,709	100.00%	6,619	0.77%

The credit policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, client access policy, etc and formulated regional credit extension enforcement regulation combining with the local conditions to reflect the differentiation between credit policies for different regions and made the policy closer to the local market. At the end of the reporting period, the loans of the Company were mainly in Zhejiang and Jiangsu, with the loan amount accounting for 66.50% and 21.32% of the total loan respectively. The NPL ratio in regions maintained steady. The NPL amount of Zhejiang, Jiangsu and Shanghai was RMB 4.316 billion, RMB 1.204 billion and RMB 0.482 billion, accounting for 65.21%, 18.19% and 7.28% of the total NPL in the Bank respectively.

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

Unit: in RMB 1 million

Guarantee type	Dec. 31, 2021			
	Loan amount	Proportion	NPL amount	NPL ratio
Credit Loan	303,969	35.23%	3,418	1.12%
Guarantee loan	234,276	27.16%	973	0.42%
Mortgage loan	248,749	28.83%	2,141	0.86%
Pledge loan	75,715	8.78%	87	0.11%
Total	862,709	100.00%	6,619	0.77%

The Company consolidated the basis of risk prevention by risk mitigation measures such as increasing the mortgage and pledged goods. As of the end of the reporting period, the maximum proportion of mortgage and pledge loans was 37.61%.

Loans divided upon overdue limit

Unit: in RMB 1 million

Overdue limit	2021		2020	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	1,836	0.22%	970	0.14%
Overdue from 3 months to 1 year	2,520	0.29%	2,665	0.39%
Overdue from more than 1 year and within 3 years	1,669	0.19%	1,654	0.24%
Overdue for more than 3 years	495	0.06%	195	0.03%
Total	6,520	0.76%	5,484	0.80%

As of the end of the reporting period, the overdue loan of the Company was RMB 6.52 billion, accounting for 0.76% 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 loans, with the amount of RMB 1.836 billion and RMB 2.52 billion, accounting for 0.22% and 0.29% of the total loan respectively.

Restructured loan

Unit: in RMB 1 million

	2021		2020	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Restructured loans	596	0.07%	219	0.03%

By the end of the reporting period, the restructured loan of the Company was RMB 596 million, accounting for 0.07% to the total loan, with a growth rate of 0.04% from the end of the previous year.

Provision and written-off of provision for loan loss

Unit: in RMB 1 million

Item	2021	2020	2019
Beginning balance before adjustment	27,583	21,702	17,495
Changes in accounting policies	N/A	N/A	(1,166)
Beginning balance after adjustment	N/A	N/A	16,329
Current provision	9,681	7,671	6,530
Current write-Off	(3,727)	(2,855)	(1,910)
Current recovery	1,268	1,114	792
Including: recoveries of loans and advances written-off previously	1,268	1,114	792
Transferred in from decreased loan interests	(22)	(49)	(39)
Ending balance	34,783	27,583	21,702

From January 1st, 2019, the Company began to apply the new standard of financial instruments. The standard takes the expected credit loss model as the basis, and, by taking into consideration the prospective adjustment of macro economy, withdrawals provision for loan credit risk loss in line with parameters such as Client default rate and loss rate given default. During the reporting period, the total provision of loan loss reserves of the Company was RMB 9.681 billion, the recovery of non-performing loan was RMB 1.268 billion, the written-off of non-performing loan was RMB 3.727 billion and the balance of the loan loss reserves at the end of the reporting period was RMB 34.783 billion.

(IV) Analysis of the Cash Flow Statement

The net cash outflow from operating activities was RMB 44.549 billion, including the cash inflow of RMB 253.522 billion, decreased by RMB 113.718 billion than the previous year. It was mainly due to the decrease of deposit from other banks. The cash outflow was RMB 298.071 billion, decreased by RMB 8.398 billion. It was mainly due to the decrease in the net increment of financial asset investment held for trading purposes.

The net cash outflow from investment activities was RMB 141.607 billion, including the cash inflow of RMB 1,112.529 billion, decreased by RMB 937.687 billion than the previous year, as mainly

due to the decrease of cash inflow from noble metal investment and bond investment; and the cash outflow of RMB 1,254.136 billion, decreased by RMB 834.216 billion than the previous year, as mainly due to the decrease of cash outflow for noble metal investment.

The net cash outflow from financing activities was RMB 194.191 billion, including the cash inflow of RMB 629.869 billion, decreased by RMB 305.94 billion than the previous year. It was mainly due to the increase of allotment of shares and issuance of interbank deposit certificate; the cash outflow was RMB 435.678 billion, decreased by RMB 83.883 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	2021	2020	Change
Subtotal of cash inflows from operating activities	253,522	367,240	(113,718)
Subtotal of cash outflows from/(used by) operating activities	298,071	306,469	(8,398)
Net cash flow from operating activities	(44,549)	60,771	(105,320)
Subtotal of cash inflows from investment activities	1,112,529	2,050,216	(937,687)
Subtotal of cash outflows from investment activities	1,254,136	2,088,352	(834,216)
Net cash flow from investment activities	(141,607)	(38,136)	(103,471)
Subtotal of cash inflows from financing activities	629,869	323,929	305,940
Subtotal of cash outflows from financing activities	435,678	351,795	83,883
Net cash flow from/(used by) financing activities	194,191	(27,866)	222,057
Net increase of cash and cash equivalents	7,709	(5,605)	13,314

(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* issued by the China Banking and Insurance Regulatory Commission, 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.

The Company continued to strengthen the management of source, structure and cost of liabilities. First, it adhered to the principle of reasonable structure and balanced volume and price, continuously optimized the deposit structure and effectively controlled the cost of liabilities. Second, it adhered to the principle of initiative and foresight, and timely and dynamically adjusted the total amount, structure and pricing of the liability business in combination with regulatory policies, market and interbank dynamics, as well as the asset liability allocation strategy of the Bank. Third, it focused on building a comprehensive evaluation system of liability quality, and carried out comprehensive evaluation of liability quality on a regular basis.

In 2021, 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 1,052.887 billion, with an increase of 13.80% over the previous year; the proportion of net stable capital

is 110.16%, and the liquidity coverage rate is 279.06%, all of which meet the requirements of the China Banking and Insurance Regulatory Commission; The Company's net interest margin was 2.21%, decreased by 9 basis points year-on-year; the average interest payment rate of interest bearing liabilities was 2.13%, with a year-on-year decrease of 1 basis point; the average interest payment rate of client deposits was 1.83%, decreased by 3 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. The Company determined the inter-segment transfer of incomes and expenses through the internal transfer pricing tool according to the product and term, promoted the optimization of the structure of assets and liabilities and product pricing, and effectively controlled the interest rate risk. During the reporting period, all segments closely coordinated their internal resources, made concerted efforts, optimized the structure of assets and liabilities of the Company, and continuously improved their profitability. By the end of 2021, the corporate business segment had achieved an operating income of RMB 18.304 billion, with a year-on-year increase of 25.84%; the personal business segment had achieved an operating income of RMB 19.385 billion, with a year-on-year increase of 25.25%; the capital business segment had achieved an operating income of RMB 14.757 billion, with a year-on-year increase of 35.75%.

Unit: in RMB 1 million

Item	2021		2020	
	Operating income	Total profit	Operating income	Total profit
Corporate business	18,304	7,293	14,546	5,875
Individual business	19,385	7,051	15,477	5,802
Capital business	14,757	5,812	10,871	4,609
Other businesses	328	289	217	169
Total	52,774	20,445	41,111	16,455

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

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

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

Unit: in RMB 1 million

Item	Jan. 1, 2021	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Dec. 31, 2021
Derivative financial assets	32,942	(14,568)	-	-	19,110
Loans and advances measured at fair value, with changes included in other comprehensive income	56,181	-	(4)	(419)	65,119

Trading financial assets	305,630	367	-	-	355,391
Investment on other creditors' right	236,712	-	3,736	(173)	352,151
Other investment on equity instrument	111	-	35	-	199
Precious metal	22,267	(126)	-	-	23,697
Investment properties	39	(7)	-	-	32
Subtotal of financial assets	653,882	(14,334)	3,767	(592)	815,699
Trading financial liabilities	(19,092)	575	-	-	(20,882)
Derivative financial liabilities	(36,257)	17,399	-	-	(19,339)
Subtotal of financial liabilities	(55,349)	17,974	-	-	(40,221)

Explanation on fair value measurement of the Company:

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

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

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

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

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

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

Unit: in RMB 1 million

Item	Jan.-Dec. 2021	Jan.-Dec. 2020	Increase/decrease	Main causes
Investment income	12,531	9,180	36.50%	Increase of investment income
Other incomes	303	121	150.41%	increase in government subsidies for inclusive finance business
Changes in fair value recognized in profit or loss	(105)	(1,303)	N/A	Changes in the fair value of derivatives
Profits and losses from disposal of assets	7	72	(90.28%)	Increase of income from disposal of assets
Losses from credit impairment	12,354	8,667	42.54%	Increase of issuance of loans and advances
Impairment loss of other assets	23	-	N/A	Increase in provision for impairment loss of debt-paid assets
Other operating costs	6	3	100.00%	Increase of other business expenses
Non-operating income	57	33	72.73%	Increase of non-operating income
Income tax expenses	836	1,319	(36.62%)	Increase of tax-exempt income
Item	Jan.-Dec. 2021	Jan.-Dec. 2020	Increase/decrease	Main causes
Lending funds	22,009	3,300	566.94%	Increase of lending business
Derivative financial assets	19,110	32,942	(41.99%)	Positive increase in fair value of foreign exchange swap business
Redemptory monetary capital for sale	9,567	626	1428.27%	Increase of redemptory monetary capital for sale
Other bond investment	352,151	236,712	48.77%	Increase of other bond investment
Other equity instrument investment	199	111	79.28%	Increase in other equity instrument investment and fair value
Construction in progress	676	317	113.25%	Increase of construction in progress
Right-of-use assets	3,241	-	N/A	Items increased due to new lease criteria
Trading financial liabilities	19,339	36,257	(46.66%)	Negative decrease in fair value of foreign exchange

swap business				
Financial assets sold for repurchase	92,595	29,924	209.43%	Increase of collateral repo settlement volume
Payroll payable	3,841	2,545	50.92%	Increase in employee compensation provision
Taxes payable	2,631	3,970	(33.73%)	Decrease in enterprise income tax payable
Bonds payable	382,364	187,443	103.99%	Increase of issuance of negotiable certificate of deposit
Lease liabilities	3,002	-	N/A	Items increased due to new lease criteria
Deferred income tax liabilities	30	-	N/A	Deferred income tax liabilities are zero at the end of last year
Capital reserve	37,695	26,403	42.77%	Due to general allotment of shares
Other comprehensive incomes	4,371	1,100	297.36%	Floating profit from valuation of bonds at fair value through other comprehensive income

VI. Investment Analysis

(I) Overall Condition

Unit: in RMB 1 million

Item	Ending amount	Beginning Amount	Proportion of equity of invested companies held by the Company	Main business
China UnionPay Co., Ltd.	13.00	13.00	0.34%	Establishing and running a nationwide unified cross-bank network of information exchange for bankcards; providing advanced electronic payment technology and specialized services in regard to cross-bank information exchange for bankcards; conducting technology innovation in bankcard business; managing and operating the logo of "UnionPay"; stipulating business rules and technical standards on cross-bank transactions with bankcards; coordinating and arbitrating disputes occurred in bankcard cross-bank transactions; organizing training program and seminars and carry out international exchange; providing consulting and research services and other related services approved by the PBC.
Clearing Center for City Commercial Banks	0.25	0.25	0.83%	The Clearing Center for City Commercial Banks is a nonprofit membership organization which city commercial banks may join in or not of their own accord. It is mainly responsible for non-local clearing for city commercial banks.
Maxwealth Fund Management Co., Ltd.	647.20	647.20	71.49%	Fund raising, fund sales, assets management for special clients, assets management and other businesses approved by CSRC.
Maxwealth Financial Leasing Co., Ltd.	5,000.00	4,000.00	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; business approved by CBRC.

Ningyin Financial 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.
Ningbo Donghai Bank Co., Ltd.	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.
Total	7,213.24	6,160.45		

(II) Significant equity investment acquired during the reporting period

Unit: in RMB 1 million

Invested company	Main business	Investment way	Investment amount	Shareholding ratio	Capital source	Partner	Investment horizon	Product type	Progress as of the balance sheet date	Anticipated income	Investment profit and loss in the current period	Whether involved in litigation	Date of disclosure	Disclosure index
Huarong Consumer Finance Co., Ltd.	Granting personal consumption loans	Acquisition	1,091	70%	Self-owned fund	无	N/A	N/A	To be approved by supervision authorities	N/A	N/A	N/A	Dec. 28, 2021	http://www.cninfo.com.cn

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

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

(IV) Investment on derivatives

1. Investment on derivatives

Instructions on risk analysis and control measures of derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	None
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	Independent directors of the Company understood that trading of derivatives is one of regular banking business approved by CBRC. During the reporting period, the Company attached importance to risk management of this business and carried out efficient risk control over trading of derivatives.

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

Unit: in RMB 1 million

Contract category	Contract sum at the beginning of the period	Contract sum at the end of the period	Profit and loss during the reporting period	Proportion of the contract sum to the net assets attributable to the shareholders' of the Parent company at the end of the reporting period
Foreign exchange forwards	76,550	128,254	(1,482)	85.83%
Foreign exchange swap	1,054,198	860,719	465	576.02%
Interest rate swap	1,959,258	1,727,426	(192)	1156.06%
Currency swap	5,074	20,718	170	13.87%
Option contract	125,582	223,106	(779)	149.31%
credit risk mitigation tools	830	830	29	0.56%
Precious metal forwards/swap	22,577	32,027	(147)	21.43%
Total	3,244,069	2,993,080	(1,936)	2003.08%

In 2021, the overall macroeconomic indicators in China were maintained in a reasonable range, the foreign exchange market was under stable operation, and the RMB exchange rate remained basically stable at a reasonable and balanced level. The RMB exchange rate showed a bilateral fluctuation trend dominated by market supply and demand. In terms of foreign exchange swaps, the interest rate spread between China and the United States was relatively stable and the swap price range fluctuated. The Company effectively controlled market risks and actively applied interest rate, exchange rate and other derivatives for hedging and strategic transactions. The trading strategy was further optimized and the trading style was remained stable.

(V) Use of the raised fund

1. General use of the raised fund

Unit: in RMB 1 million

Year of raising	Method of raising	Total amount of funds raised	Total amount of raised funds used in this period	Accumulated amount of raised funds used	Total amount of raised funds with changed purposes during the reporting period	Accumulated amount of with changed purposes during the reporting period	Proportion of accumulated amount of with changed purposes during the reporting period	Total amount of raised funds unused	Purpose and destination of unused raised funds	Amount of raised funds idle for more than two years
2021	Allotment of shares	11,887	11,887	11,887	-	-	-	-	-	-

Information on general use of raised funds

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

2. Committed projects of raised funds

Unit: in RMB 1 million

Committed investment projects and investment direction of over-raised funds	Whether the project has been changed	Committed investment amount by raised fund	Total investment amount after adjustment (1)	Investment amount in this reporting period	Accumulated investment amount by the end of the period (2)	Investment progress by the end of the period (3)=(2)/(1)	date on which the project will be ready for use	Benefits achieved during the reporting period	Whether the expected benefits are achieved	Is there any significant change in the feasibility of the project
To supplement the core tier I capital	No	11,887	11,887	11,887	11,887	100%	Dec. 15, 2021	-	-	No

3. Change of project of raised funds

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

(VI) Major assets and right offering

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

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

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

Unit: in RMB 1 million

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Maxwealth Fund Management Co., Ltd.	Subsidiary	Fund raising, fund sales, assets management for special clients, assets management and other businesses approved by CSRC.	900	2,786	2,022	1,013	298	222
Maxwealth Financial Leasing Co., Ltd.	Subsidiary	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off shore borrowing; leasehold selling off and disposal; economic consulting; business approved by CBRC.	5,000	74,723	7,802	2,647	1,451	1,087
Ningyin Financial Management Co., Ltd.	Subsidiary	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.	1,500	2,493	2,234	809	572	435

2. Information of major joint stock companies

Maxwealth Fund Management Co., Ltd., established on November 7, 2013, has a registered capital of RMB 900 million, with 71.49% of its shares held by the Company. In 2021, Maxwealth Fund Management Co., Ltd. maintained steady development, with a total public offering scale of RMB 241.9 billion and a non-credit assets scale of RMB 185.7 billion, and realized a net profit of RMB 222 million during the reporting period.

Maxwealth Financial Leasing Co., Ltd., established on May 26, 2015, has a registered capital of RMB 5 billion, with 100% of its shares held by the Company. By the end of 2021, Maxwealth Financial Leasing Co., Ltd. maintained a good development trend, with its total assets of RMB 74.7 billion, a non-performing rate of 0.07%, and a net profit of RMB 1.087 billion during the reporting period.

Ningyin Financial Management Co., Ltd., established on December 24, 2019, has a registered capital of RMB 1.5 billion. It is the first financial subsidiary of city commercial bank in China, with 100% of its shares held by the Company. By the end of 2021, the scale of financial products managed by Ningyin Financial Management Co., Ltd. was RMB 332.2 billion, and a net profit of RMB 435 million was achieved during the reporting period.

(VIII) Information on structured entities controlled by the Company

Please refer to the “Note 6 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 adhered to the concept of "Reducing cost through risk control", 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, under the unified risk preference framework, the Company maintained strategic concentration, strengthened risk research and judgment, orderly carried out the identification, measurement, monitoring and control of various risks, continuously improved the professionalism and pertinence of risk management, effectively prevented various risks and ensured the steady 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. The Board of Directors of the Company is the ultimate responsible organ for credit risk management, and the senior management is responsible for implementing the credit risk preference, credit risk management strategies, policies and procedures approved by the Board of Directors. Under the senior management, there are Credit Approval Committee, Risk Management Committee, Credit Asset Appraisal and Recognition Committee and other professional committees, which are responsible for coordinating the whole process of credit risk management. The Risk Management Department, Credit Approval Department, Asset Protection Department and other departments in the Head Office are responsible for the identification, measurement, monitoring and control of credit risk.

During the reporting period, the Company adapted to the macroeconomic and financial trend, continued to strengthen scientific and technological empowerment, improved credit risk management strategies and processes, improved the accuracy of risk control model, strengthened system support and guarantee, and kept the asset quality at a satisfactory level.

First, the asset structure was optimized through scientific arrangement. Last year, the company adhered to the original intention of finance, actively responded to major national development strategies, earnestly implemented national industrial policies, continued to increase support for the manufacturing industry, inclusive finance, green finance and other real economies, continuously promoted the sound

development of credit granting business of the whole Bank and contributed to the high-quality transformation of enterprises. At the same time, the Company actively adapted to external economic fluctuations and policy changes, closely followed the change of industry structure, kept up with structure upgrading of the industry, deeply carried out research on industrial chain, actively introduced all kinds of high-quality assets and core clients, and actively removed non-performing and inefficient clients, so as to grasp the initiative of risk management.

Second, the risk management mechanism was improved by laying a solid foundation. The Company continued to improve the accuracy of early warning system and launched the personal early warning index model. At the same time, relying on the big data monitoring platform, the Company flexibly and timely gave play to the big data inside and outside the Bank, independently formulated the risk monitoring and analysis model with regional characteristics, implemented the whole process management of credit risk, as supplemented by the early warning system. The Company deepened the application of financial technology and big data modeling in process control and post-loan review, built an effective monitoring model covering the whole process, and detected choke points of the process in time; through the establishment of various doubtful point models, the Company accurately recognized the processes and clients with potential risks, thus to improve the efficiency of risk control.

Third, strengthen the support through scientific and technological empowerment. The Company promoted the construction of credit risk management system cluster of new generations, and built modularized and distributed system clusters to achieve the three main objectives, namely group management, specialized operation and intelligent risk control. The Company continued to improve the level of risk measurement, continuously promoted the optimization of internal rating system, and actively explored the implementation and application of new technologies such as machine learning and relational graph spectra, so as to improve the accuracy and foresight of risk trend judgment.

(II) Liquidity risk

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

According to requirements of regulatory policies and macro-economic changes, the Company strengthened the construction of liquidity risk system, continued to improve liquidity risk management technologies, monitored liquidity risk indicators and liquidity gap between local and foreign currency on a daily basis, established a high-quality liquid asset classification management system, conducted regular liquidity risk stress test, and enhanced the liquidity risk management capability. In the reporting period, the maturity of assets and liabilities of the Company matched each other well, and all supervision indexes met the supervision requirement. Meanwhile, the light, medium and heavy stress

tests were applied to the domestic and foreign currencies of the Company, and the outcome indicated that the Company achieved the minimum survival period of not less than 30 days. Therefore, the emergency buffer capacity of domestic and foreign currencies was good.

During the reporting period, according to the macroeconomic situation and monetary policy by the central bank, the Company made advance deployment and dynamically adjusted the liquidity management strategy according to the macro-economic situation, the monetary policies of the central bank, as well as the growth of assets and liabilities businesses of the Company and the liquidity gap, thus to ensure that the liquidity risk of the Company is under control. During the reporting period, the Company took the following measures to strengthen the liquidity risk management: first, it continuously allocate qualified liquid assets to ensure sufficient reserves for liquidity risk; second, it improved its liquidity risk preference and limit management system, and implemented re-inspection and retrospective analysis of the limit management system to improve the appropriateness of limit and sensitivity to risks; third, it continued to do a good job in the forward-looking management of indicators, and fully took into consideration various indicators concerning the arrangement of assets and liabilities, thus ensure that the indicators meet the standards; fourth, it fully implemented the requirements of the *Measures for the Quality Management of Liabilities of Commercial Banks*, strengthened the quality management of liabilities, and ensured that the source of liabilities of the Company was stable and all liquidity risks were under control.

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

1. Liquidity ratio

As of Dec. 31, 2021, the balance of the liquidity assets of the Company was RMB 528.209 billion, and the balance of the liquidity liabilities of the Company was RMB 822.099 billion, the liquidity ratio was 64.25%, met the requirement of CBRC as no more than 25%.

2. Liquidity coverage ratio

As of Dec. 31, 2021, the balance of high-quality liquid assets of the Company was RMB 268.883 billion and the net cash outflow within 30 days was RMB 96.353 billion with the liquidity coverage ratio as 279.06% and met the requirement of no less than 100% as specified by CBRC.

3. Net stable funding ratio

By the end of 2021, the balance of stable funding available to the Company was RMB 1,122.728 billion, the balance of stable funding needed by the Company was RMB 1,019.174 billion, and the net stable funding ratio was 110.16%, met the requirement of CBRC as no less than 100%.

Unit: in RMB 1 million

Index	December 31 st , 2021	September 30 th , 2021
Stable funding available	1,122,728	1,033,921
Stable funding in need	1,019,174	962,616
Net stable funding ratio	110.16%	107.41%

(III) Market risk

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

1. Market risk of transaction account

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

During the reporting period, the Company closely followed the regulatory requirements and the trend of the financial market, continuously improved the market risk management system of transaction accounts, and continuously strengthened the effectiveness of market risk identification, measurement and monitoring. First, the Company continuously improved the market risk policy system and strengthened internal control management; second, it implemented the re-inspection and optimization of the market risk limit system; third, it continued to strengthen the management of market risk model, promoted the verification of market risk system, carried out the verification of market risk valuation model, capital measurement, stress test and valuation of agency derivatives business to ensure the stability and reliability of market risk management system; fourth, it continued to strengthen the construction of market risk management system, comprehensively upgraded the capital business transaction management system, and improved the direct processing and risk management ability of the system.

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

2. Market risk of bank account

The Company conducted interest rate risk measurement of bank account based on different currencies and different source of interest rate risk in the bank account through re-pricing exposure analysis, duration analysis, net interest income simulation, economic value simulation and stressing tests.

During the reporting period, the Company paid close attention to policy trends and changes in the external interest rate environment, continued to optimize the relevant models for interest rate risk measurement of bank account, and improved the refinement level of bank account in terms of interest rate risk management. The Company set internal management objectives for indicators of the range of change in economic value, and continuously monitored the indicator level to ensure that the market risk of books was under control. At the same time, the Company continued to actively adjust its business pricing and asset liability structure strategy. The net interest margin remained stable, and a steady growth of net interest income was achieved.

(IV) Country risk

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

Focusing on concentration risk management, the Company strengthened the evaluation and management of country risk, regularly monitored and timely adjusted country risk exposure, and strictly implemented country risk prevention and control. First, the Company timely adjusted the country risk level, regularly updated the country rating and various economic indicators in combination with the changes of international macroeconomic development, determined the country risk level, 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. 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.

During the reporting period, due to the repeated COVID-19 pandemic all over the world, the foundation of economic recovery is not stable, and uncertainties still existed in the economic and social development of countries and regions. However, the Company implemented good exposure limit of country risk, and maintained country risk exposure at a comparatively low level in different countries

and regions to ensure that it would have no significant impact on the business operation of the Company.

(V) Operational risk

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

During the reporting period, the Company continued to improve the level of operational risk management, optimized system construction and application, improved the IT risk prevention and control system, and carried out anti-fraud risk regulation to ensure that the operational risk is controlled in an appropriate range. First, the Company upgraded its operational risk management system. It focused on diversified collection, accurate monitoring and intelligent analysis of operational risk information, and improved the supporting ability of operational risk management system. Second, the Company continuously conducted operational risk assessment and monitoring. It implemented operational risk assessment of key processes, collected information on operational risk events, and regularly convened joint meetings on operational risk to strengthen the analysis of operational risk and the implementation of rectification. Third, the Company strengthened operational risk prevention and control in key areas. It comprehensively promoted the new seal management system, actively promoted the application of electronic seals, and strictly controlled the risks of using seals; it built a file management system to achieve the online management of the whole process of file management. Fourth, the Company strengthened the management and control of IT risk. It introduced external professional consulting companies, carried out comprehensive IT risk assessment, optimized key indicators of IT risk, and strengthened IT risk monitoring; it carries out investigation on management of data leakage, and improved prevention and control of data security risk. Fifth, the Company improved the management of business continuity. It comprehensively combed the business continuity management system, conducted business continuity drills, strengthened process management, and established a long-term mechanism for business continuity management. Sixth, the Company further promoted the regulation on anti-fraud risk. It strictly implemented account source governance, applied big data to accurately identify risk clients, and strengthened the control for account opening by personal and corporate clients; it comprehensively implemented inventory risk investigation, strengthened in-process prevention and control, and earnestly implemented the requirements for anti-fraud works.

(VI) Compliance risk

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

During the reporting period, the Company actively carried out compliance risk prevention work based on the goal of ensuring legal compliance management. First, the internal control system was improved. The Company paid close attention to the external regulatory policy and the actual situation of internal operation and management. Through the interpretation of external regulatory provisions 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 closely followed the changes of external laws, regulations and regulatory policies, timely formulated and revised product related systems and documents, and strictly prevented legal compliance risks of products; fourth, the management on compliance of data was strengthened. The Company improved the review standards of data compliance according to the external regulations related to personal information protection, promoted the investigation of inventory projects, and implemented the data compliance requirements. Fifth, the Company improved the quality and efficiency of compliance inspection. It conducted dynamic monitoring of compliance risk based on the change of compliance risk points; strengthened the project quality control, implemented quality evaluation of the whole process of inspection; sixth, the construction of compliance culture was promoted. by adhering to the business philosophy of "Compliance Oriented", the Company improved the compliance awareness of new employees by publicizing the compliance management requirements; it carried out business compliance publicity and popularize business compliance knowledge throughout the Bank; it organized daily study and research on compliance subjects to improve the professional ability of compliance personnel; it organized special activities related to compliance culture, so as to create a good atmosphere of compliance culture .

(VII) Reputation risk

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

During the reporting period, the Company revised the relevant systems of reputation risk management according to the requirements of the *Measures for Reputation Risk Management of Banking and Insurance Institutions (Trial)*, and took the system as the guidance to improve the foresight, matching, full coverage and effectiveness of reputation risk management. First, by taking the leading function of system as the starting point, the Company integrated the leadership of the Party into all links of reputation risk management, so as to improve the governance structure, whole process management and normalization construction. Second, in view of the foresight and effectiveness, the Company improved the emergency response ability for reputation related events. The Company regularly analyzed and recognized the potential point related to reputation risk in the industry, improved the disposal plan of various public opinions, and carried out the public opinion drill and special training on compliance of

marketing publicity management. Third, the Company strengthened the linkage among the head office, branches and sub-branches, and improved the brand image of the Company through text, video, audio programs and other carriers from the perspectives of social responsibility, services for the real economy and outstanding services.

(VIII) Anti-money laundering management

According to the relevant laws, regulations and regulatory requirements on anti-money laundering, the Company conscientiously fulfilled the anti-money laundering social responsibility and legal duty, deepened the implementation of "Risk-based" working methods, and strived to promote the anti-money laundering and anti-terrorist financing risk management level.

First, the Company improved the internal control mechanism and strengthened the system support. By taking the opportunity of promoting the rectification of on-site problems detected through inspection, it revised and improved various systems and regulations, and developed and put into operation two new systems, namely the "Unified Platform of Clients" and "AI Intelligent Monitoring". Second, the Company implemented the guidance for self-assessment. According to the No. 1 Document of the China Anti-money Laundering Bureau of the Central Bank, it comprehensively rebuilt the self-assessment indicator system of institutional anti-money laundering risk, so as to lay a solid foundation for the first self-assessment on the basis of the new system. Third, the Company took serious measures to improve information governance. It promoted a special rectification of client information, completely eradicated any unidentified, anonymous and pseudonyms phenomena, and further improved the integrity and effectiveness of client information. Fourth, the Company dug out suspicious clues. It optimized the daily monitoring of suspicious events and special risk investigation, deeply excavated, recognized and reported key suspicious clues, and actively cooperated with regulatory departments and competent authorities in carrying out investigation and research work.

(IX) 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 make the internal control system more complete and content of the system more reasonable and efficient.

1. Improve the internal control system

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

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

After the release of the system and before the actual implementation of business, the Company 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 system evaluation. It selected the key product system for evaluation, focusing on the consistency of product system with external regulations and regulatory policies, as well as consistency of product system with text, system process and actual operation, etc., thus to find out whether there are incomplete and imperfect system management events such as system deficiency, system conflict and system lag, and to improve the system problems in a timely manner. Third, the Company established the policy correlation mechanism throughout the Bank, and realized policy linkage on this ground. Upon the updating of internal policy, 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 October 2021, the people's Bank of China and the China Banking and Insurance Regulatory Commission jointly released the first list of banks that are of systematic importance to China. The Company among the first group on the list, 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 commission every quarter. It predicted capital adequacy ratio every month through stress test and other approaches to ensure the index complies with regulatory requirements. With the establishment of comprehensive risk management, the Company further strengthened risk identification and appraisal abilities to make it measure risk-weighted assets more accurately according to business essence. During the reporting period, all indicators of the capital adequacy ratio of the Company met the regulatory requirements.

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 2021, the Company implemented share allotment to raise a net capital of RMB 11.887 billion; in addition, it issued secondary capital bonds of RMB 9.5 billion, so as to effectively supplement capital, optimize capital structure, and further improved its ability to resist risks and support the development of real economy.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2020, the Company steadily pushed forward economic capital limit management, formulated economic capital allocation plans, realized optimized configuration of capital in all business lines, regions, products and risk areas, made overall arrangements of risk-weighted asset scale of all business departments and

business lines, promoted optimized and reasonable configuration of capital and endeavored to realize maximization of risk-weighted asset yields; further displayed group comprehensive business advantages, gradually strengthened corporate capital management by perfecting group consolidated administration and other systems, and satisfied group and comprehensive business' demand for capital management.

(I) Information on capital adequacy ratio

In compliance with the relevant regulations of “Capital Management Measures for Commercial Banks (Trial)” of CBRC, the scope of consolidated data covers the parent company, the affiliated fund company, financial leasing company and financial management subsidiary. Up to Dec. 31, 2021, the consolidated and non-consolidated capital adequacy ratios, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the Company are as follows:

Unit: in RMB 1 million

Item	Dec. 31, 2021		Dec. 31, 2020	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	134,036	122,367	103,263	94,480
2. Net balance of Tier one capital	148,846	137,177	118,073	109,290
3. Net balance of total capital	203,587	191,067	160,958	151,589
4. Total risk-weighted assets	1,318,873	1,243,392	1,084,870	1,033,381
Including: credit risk-weighted assets	1,210,160	1,141,283	995,033	947,611
Market risk-weighted assets	28,398	26,626	24,380	23,000
Operational risk-weight assets	80,315	75,483	65,457	62,770
5. Core Tier one capital adequacy ratio	10.16%	9.84%	9.52%	9.14%
6. Tier one capital adequacy	11.29%	11.03%	10.88%	10.58%
7. Capital adequacy ratio	15.44%	15.37%	14.84%	14.67%

Note: In accordance with relevant regulations specified within *Capital Management Measures for Commercial Banks (Trial)* (China Banking Regulatory Commission No.1, 2012) issued by China Banking Regulatory Commission on June 7, 2012, the credit risk is measured by weighting method, market risk is measured by standard method and operational risk is measured by basic index method.

(II) Information on leverage ratio

Unit: in RMB 1 million

Item	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021
Leverage ratio	6.23%	5.85%	5.96%	6.09%
Net balance of Tier one capital	148,846	132,057	128,482	122,824
Balance of assets on and off the balance sheet after adjustment	2,388,541	2,257,200	2,154,450	2,015,315

Note: indexes relevant to leverage ratio are calculated in accordance with *Management Measures for Leverage Ratio of Commercial Banks (Revised)* (China Banking Regulatory Commission, No. 1, 2015).

IX. Business Review

(I) Corporate banking business

In terms of corporate banking, the Company adhered to the service concept of "client-centered",

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

Corporate banking clients. During the reporting period, the Company was committed to the accumulation and operation of core clients. On the basis of adhering to list marketing and grid marketing, the Company accelerated the introduction of clients by using a variety of network operation methods such as WeChat group, live broadcast and short video. At the end of the reporting period, the total number of corporate clients of the Company reached 117,200, with an increase of 16,500 compared with the end of the previous year.

Corporate banking deposit. The Company has continuously upgraded various system functions and officially launched a new version of enterprise APP. By optimizing the online service process, the Company provided more efficient and convenient financial service for corporate clients, thus promote the introduction of clients and the growth of funds settlement. At the end of the reporting period, the balance of corporate banking deposit reached RMB 694.1 billion (including institutional deposits), with an increase of RMB 87.9 billion over the end of the previous year.

Assets investment concerning corporate banking business. During the reporting period, focusing on the principle of "Providing financial services for the real economy", the Company contributed to the development of real enterprises in the business region, increased credit support for key areas such as manufacturing, science & technology enterprises and emerging industries of strategic importance, provided clients with a variety of financing products including RMB and foreign currency loans, mercantile papers, bank notes and domestic letters of credit, and provided clients with comprehensive financing schemes through flexible combination to help reduce the financing costs of enterprises; by adhering to the concept of "Make offline business online, and make online business mobile", the Company further promoted the online operation and mobilization of key businesses such as loans, bills, letters of guarantee and supply chain. At the end of the reporting period, the balance of RMB loans from corporate banking business reached RMB 284.7 billion, increased by RMB 36.9 billion over the end of the previous year, with a growth rate of 14.9%.

(II) Institutional business

In 2021, in order to follow the trend of digital transformation and meet the clients' demands on digital transformation, the Company established a Institutional Business Department (Level I department) at the head office and branch level, and built the personnel structure and business system gradually, thus lay a solid foundation for comprehensively promoting the professional operation of institutional business. During the reporting period, the Company gave full play to the advantages of

financial technology and launched a series of smart financial ecological solutions in accordance with the management demands and service scenarios of institutional clients, thus provides clients with personalized, digital and comprehensive financial services. During the reporting period, the Company implemented 2,516 projects, obtained several qualification accesses and established cooperation relationship with a number of key clients, and provided an effective carrier for driving the capital flow of institutional clients. At the end of the reporting period, the deposits from institutional business of the Company reached RMB 185.9 billion, with an increase of RMB 35.2 billion over the end of the previous year.

(III) Retail corporate business

By adhering to the business philosophy of "Taking root in regional development, contributing to the development of the real economy and practicing inclusive finance", the Company has always been committed to providing clients with "More professional, convenient and efficient" financial products and comprehensive service solutions. During the reporting period, the Company continued to increase resource inclination, optimized the assessment policy, and improved the professional ability of service personnel for small and micro enterprises. By the end of reporting period, 320 specialized institutions involving 2,774 staff were established by the Company, 98.9% of which owned the academic credentials above undergraduate.

Clients of retail corporate business. The Company has been committed to the expansion of basic small and micro enterprise clients, as well as the cultivation of core clients. During the reporting period, the Company actively promoted the full-coverage visit and efficient access to small and micro enterprise clients in the business region, and implemented comprehensive business services centered on the growth cycle of enterprises, thus meet the all-round financial demands of clients. In addition, the Company also gave full play to the enabling function of financial technology to improve the efficiency of customer service and team management. At the end of the reporting period, the number of clients of retail corporate business reached 370,000, with an increase of 12,000 over the end of the previous year.

Deposit from retail corporate business. During the reporting period, the Company focused on key industries, key clients and key windows, gave full play to the advantages of product portfolio, and upgraded settlement service level and cash management ability continuously with the help of financial technologies, thus further optimize the deposit structure. At the end of the reporting period, the balance of deposits from retail corporate business reached RMB 144.9 billion, increased by RMB 28.1 billion from the end of previous year, with a growth rate of 24%.

Loan from retail corporate business. During the reporting period, the Company implemented the work requirements of Inclusive Finance, adhered to the preference of credit resources, continued to increase the investment on loans for small and micro enterprises, and continuously optimized the financing products, processes and services of small and micro enterprises. Particularly, the Company promoted the extension of inclusive finance loan and the launch of inclusive finance credit loan, actively expanded the number of small and micro enterprises who apply for loan for the first time,

assisted in the construction of partner bank in small and micro enterprises parks, and successfully completed the requirements for "Two Growths and Two Controls", inclusive credit, inclusive extension, inclusive agriculture-related loan and initial loan. The Company gave full play to the advantages of financial technology, strengthened the support of big data, served customers on an accurate basis, and promoted the business model of inclusive finance to become lighter, faster and more efficient. At the end of reporting period, there're 120,000 credit clients from retail corporate business, with the balance of loan reached RMB 139.2 billion, increased by RMB 30.7 billion from the end of last year with a growth rate of 28%. At the end of reporting period, the number of inclusive small and micro enterprises reached 82,700, increased by 18% from the end of previous year; the balance of loan from inclusive small and micro enterprises reached RMB 122.2 billion, increased by 35% from the end of previous year; the average interest rate of new loans to inclusive small and micro enterprises was 6.17%, decreased by 40 basis points year-on-year.

(IV) Investment banking business

In terms of investment banking business in 2021, the Company actively played the role of financial intermediary, deeply implemented the philosophy of comprehensive clients operation, cooperated with clients via diversified product portfolio, and provided customers with comprehensive financial service solutions. The annual finance product aggregate (FPA) reached RMB 605.9 billion, and a total number of over 2,000 clients were served. In terms of principal bond underwriting, the Company has issued non-financial enterprise debt financing instruments with a total scale of RMB 375.9 billion, ranking the 10th among the all principal underwriters in the country; in terms of non-bank financing, the Company continues to explore the diversified demands of clients through internal and external resources, and expand cooperation with clients through product portfolio such as corporate bonds, enterprise bonds and overseas bonds, etc.. With its outstanding performance in investment banking business, the Company continued to win the award of "Excellent Urban Commercial Investment Bank in 2021", as appraised and elected by 21st Century Business Herald.

(V) Bill business

In terms of bill business in 2021, by adhering to the tenet of "Serving the real economy and SMEs", the Company continued to give full play to the advantages of financial technology, accelerate innovation of bill products and optimization of business process, and provided efficient and high-quality whole process online discount services for the majority of real enterprise clients, especially small, medium and micro enterprises. In 2021, the Company provided discount services for nearly 20,000 small, medium and micro enterprise clients. Relying on network operation, the Company promoted service upgrading, provided timely and accurate market information and business suggestions for small and medium-sized enterprises, and realized efficient online and offline linkage. The Company actively responded to the rediscount monetary policy of the central bank and reduced the financing cost of small and medium-sized enterprises. The annual rediscount amount of the Company reached RMB 21.7 billion. The Company closely followed the innovation of the commercial paper exchange and cooperated with

the supply chain platform to provide convenient and efficient paper financing services of supply chain for small, medium-sized and micro suppliers, and constantly promoted the development paper business market of supply chain.

(VI) Asset custody business

In 2021, by making early arrangement and implementing linked marketing centered on the transformation direction, the Company achieved good results in terms of custody business. At the end of the reporting period, the company had a total of 644 custody customers, and the balance of custody assets was RMB 3.95 trillion. During the reporting period, the strength of the Company in terms of custody business was further recognized by the market, and the company was officially granted the QFII custody qualification; by seizing the opportunity of the implementation of new asset management regulations and net worth transformation, the Company promoted the rapid development of operation outsourcing services, and the scale of outsourcing business reached RMB 415.7 billion, becoming a new business growth point of the Company; in addition, the Easy Outsourcing (2021 Version) was released to provide comprehensive services and data interaction for the daily operation of outsourcing customers, making it the first service platform in the industry which provide exclusive service for outsourcing customers, thus enhance the brand and brand influence of asset custody business of the Company.

(VII) Financial market business

In 2021, the company closely followed market changes, took the initiative to grasp directional business opportunities, accurately studied and judged the trend of interest rate and exchange rate, flexibly adjusted phased business strategies and improved asset investment efficiency; it actively expanded the cooperation with other banks and financial institutions, constantly improved the proportion of intermediate businesses such as trading and agency business, and strived to become one of the best partners of small and medium-sized banks and financial institutions in financial market 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 6th in bond underwriting; the 11th in comprehensive foreign exchange marketing; and the 10th in gold inquiry marketing.

During the reporting period, the Company won the "2021 Market Innovation Award" of China Foreign Exchange Trade System and the "Annual Market Influence Award" in terms of five aspects including "Core Trader"; it won the titles of "Excellent Financial Bond Issuer" and "Excellent Bond Underwriter" of China Central Depository & Clearing Co., Ltd. in 2021; it won the title of "Excellent Underwriter of Financial Bonds" of Shanghai Stock Exchange in 2021; it won the title of "Excellent Underwriting Institution of Interest Rate Bonds in Bond Market" of Shenzhen Stock Exchange in 2020; it won the titles of "Best Member of Competitive Price Transaction", "Best Member of Risk Control" and "Best Product Promotion Organization" of Shanghai Gold Exchange in 2020; it won the title of "Outstanding Underwriter of Financial Bond in Interbank Market" and "Financial Bond Market Development Award" of China Development Bank in 2021; it won the title of "Core Underwriter of

Financial Bonds", "Market Innovation-driven Award" and "Social Responsibility Practicing Award" of Export-Import Bank of China in 2021. The granting of various honors reflected that the financial market businesses of the Company were highly recognized by the industry.

(VIII) Wealth management business

During the reporting period, in the face of fierce market competition and rapid change in capital market, the Company adhered to the concept of "Creating Value for Clients", persisted in professional empowerment, continuously optimized the development model, and laid a solid foundation for the steady and sustainable development of wealth management business. Focusing on the allocation of strategic assets, the Company actively introduced outstanding manager products from leading enterprise in the industry, such as wealth management subsidiaries, fund company and insurance company, and formed a full-range products line including cash financial products, fixed income financial products, hybrid financial products, guaranteed financial products, equity financial products and linked financial products, so as to meet the comprehensive wealth management demands of clients. With the help of technology empowerment, the Company improved the digital, standardized and professional wealth management system, launched an online wealth open platform and strengthened the linkage mechanism between online and offline platforms.

At the end of the reporting period, the total asset of personal clients under the management of the Company reached RMB 656.2 billion, increased by RMB 122.2 billion from the end of previous year with a growth rate of 23%. The contribution proportion of funds, insurance and other consignment products continued to increase. With its excellent performance in the field of wealth management, the Company won the award of "Best Fund Sales Bank" and other awards of the Third Yinghua Award for Publicly Offered Funds in China.

(IX) Private banking business

During the reporting period, the Company adhered to the service tenet of "Professional, Customized and Exclusive", continued to promote the steady development of private banking business and create more value for clients. The Company coordinated the resources of the whole Bank to meet the diversified and comprehensive financial service demands of clients of private banking business, continued to deepen big data operation, identified clients' demands in a more accurate manner, formed a highly adaptive asset allocation scheme, and provided customers with more efficient and professional financial services. As of the end of the reporting period, the Company had 12,974 private banking customers, an increase of 5,357 compared with the end of the previous year, with an growth rate of 70%; the total asset of private banking clients under the management of the Company reached RMB 146.4 billion, increased by RMB 50.8 billion from the beginning of the year with a growth rate of 53%.

(X) Individual credit business

During the reporting period, the Company continuously promoted the products innovation and service upgrading by using the digital financial technologies, thus contribute to the rapid growth of

personal loan business. At the same time, the Company actively responded to the development requirements of Inclusive Finance, increased the issuance of operational loans to small and micro business owners and individual industrial and commercial households, and continued to improve the effectiveness and clients' satisfaction of the inclusive financial services of the Company. At the end of the reporting period, the personal loans of the Company reached RMB 161.9 billion, with an increase of 21.4% over the end of the previous year. On the basis of realizing scale growth, the Company detailed its multi-dimensional collection measures for non-performing loan, thus continuously optimize its loan structure and stabilize the asset quality.

(XI) Credit card business

During the reporting period, the Company promoted the steady development of credit card business, continuously improved the construction of smart scenes, promoted the light customer acquisition mode, and improved the synergy of digital risk management system. In terms of customer development, the Company strengthened the fine management of online channels, continuously promoted the construction of ecosystem and continuously accumulated high-quality customers. In terms of customer management, the Company focused on the main links of the customer life cycle, based on the membership rights and interests system, implemented more sophisticated hierarchical management, and continuously improved the high-value core customers. In terms of risk control, the Company adhered to prudent risk preference, continuously optimized the customer base and asset structure, and dynamically adjusted and deployed risk control strategies. As of the end of the reporting period, the Company has issued a total of 3,720,000 credit cards, an increase of 27% compared with the end of the previous year.

(XII) Remote banking business

During the reporting period, the Company has implemented various regulatory requirements, continuously improved the quality and efficiency of services, and promoted the development of Internet loan business in an orderly way, and has continuously built up its own capability to control risks and financial technology. More than 30 models covering before, middle and after loans have been newly established throughout the year. In addition, the Company has explored network operation, and has built a multi-dimensional business platform including WeChat group, official account and mobile phone banking, continuously enhancing the quality of customer service while maintaining steady development.

(XIII) Maxwealth Fund

In 2021, Maxwealth Fund has accelerated its business layout and continued to provide quality services for investors, receiving a significant growth in various lines of business. By the end of the reporting period, the total public offering scale of Maxwealth Fund has reached RMB 241.9 billion, increasing by RMB 52 billion over the end of the previous year. The non-monetary scale was RMB 185.7 billion, increasing by RMB 50.6 billion over the end of the previous year. There were 92 public offering products, including 66 fixed income public offering fund products, 13 of which were newly

established in 2021; there were 26 equity public fund products in total, with 10 newly established in 2021.

(XIV) Maxwealth Leasing

In 2021, Maxwealth Leasing maintained a steady development trend and gradually formed a development pattern with small and micro leasing, manufacturer leasing, intelligent manufacturing and public utilities as the professional business direction. The mainstream position of small and micro leasing market was basically established, the manufacturer leasing business development system was further improved, the specialized operation of intelligent manufacturing was more in-depth, and the new investment of the three major businesses accounted for 47%. At the end of the reporting period, the total assets of Maxwealth Leasing reached RMB 74.7 billion and the non-performing rate was 0.07%, with the brand image continuously improved.

(XV) Ningyin Finance

During the reporting period, Ningyin Finance has orderly promoted the transformation of financial management business and further promoted the diversified layout of products in compliance with the requirements of the new asset management regulations, meeting the diversified wealth management needs of customers. In addition, Ningyin Finance continued to consolidate its investment and research capacity, continuously optimized channel services, deepened investor cultivation, continuously deepened the risk prevention and control mechanism, optimized the index monitoring system and kept the business bottom line. By the end of the reporting period, the balance of financial products managed by Ningyin Finance was RMB 332.2 billion, an increase of RMB 44 billion over the end of the previous year.

(XVI) Electronic channels

In 2021, in order to further promote the digital transformation and help the development of various businesses, the Company continued to enrich the product functions, optimize the user experience, and improve the online operation capacity with the APP, online banking and Wechat banking as the contact points, providing customers with more professional, intelligent and warm comprehensive financial services.

APP platform. During the reporting period, the Company adhered to the implementation of the smart bank strategy and continued to upgrade and build the APP of Bank of Ningbo. Focusing on the three characteristics of "openness +, intelligence + and companionship +, the APP of Bank of Ningbo has built an open wealth platform and jointly built an ecosystem with fund companies to meet the diversified wealth management needs of customers; upgraded the online loan product system to meet the financing needs of customers; launched an online business system integrating online shops, credits, rights and interests, membership and promotion activities; optimized core business processes, strengthened platform performance, and continuously improved user experience. By the end of the reporting period, APP users of Bank of Ningbo has reached 5.71 million, an increase of 25.3% over the

beginning of the year.

Online banking service. During the reporting period, the Company adhered to the strategy of both product construction and customer operation, continued to promote the upgrading of online banking products and improve the service level. It launched the enterprise office platform, linked the business activity scenarios and financial needs of the enterprise, and provided functions such as personnel, salary and tax; upgraded the enterprise customer marketing center, enriched the activity template and equity library, and adapted to the marketing scene. In 2021, there were 28.61 million transactions in the Company's public electronic channels, with a year-on-year increase of 29%, and the transaction amount was RMB 18,123.3 billion, with a year-on-year increase of 21%; there were 396,600 customers in the Company's public electronic channels, with a year-on-year increase of 12%.

WeChat banking. During the reporting period, the Company launched the new version of WeChat business hall to promote the functional experience and assist with the online business depending on the advantages of WeChat platform; upgraded WeChat notification function, and connected WeChat message capability, providing customers with a full range of business reminder services. As of the end of the reporting period, there were 3,130,600 followers of the official account of the Bank of Ningbo, which was 44.92% higher than the end of the previous year.

(XVII) Financial technology

During the reporting period, guided by the smart banking strategy of financial technology, the Company comprehensively deepened the integration and innovation of financial technology, continued to increase the investment of financial technology resources, and fully promoted the digital transformation. In terms of organizational structure, the financial technology regulatory commission comprehensively promoted the implementation of strategy, built a "horizontal to edge and vertical to the end" financial technology sector system, configured the "ten centers" and the "trinity" new R&D central system, and strengthened the integration of science and technology business. In addition, the Company took systematization, digitization and intelligence as its development strategy, promoted business model innovation with the construction of systematic information system group, and continued to promote digital transformation in the four fields of financial products, service channels, marketing operation and operation risk control. In terms of platform construction, the Company continued to promote the upgrading of the five platform architectures integrating business platform, data platform and technology platform, with R & D platform and operation and maintenance platform as the two wings, so as to provide support for the orderly expansion of various businesses.

(XVIII) Consumer rights and interests protection

The Company attached great importance to the protection of consumers' rights and interests, committed to the original intention of finance for the people, gave overall consideration to the Company's development and social public welfare, paid attention to the diversity and differentiation of financial consumers' needs, and improved the sense of acquisition, happiness and satisfaction of

financial consumers. The protection of financial consumers' rights and interests has become an important part of corporate governance, corporate culture construction and business development strategy. The Company actively fulfilled the social obligation of publicity and education on the protection of the rights and interests of financial consumers, innovated the form of publicity and education, carried out publicity and education activities on a regular basis, and used outlets, official websites, mobile banking, WeChat short video, live broadcast and other channels to promote the publicity and education of financial knowledge online and offline by entering communities, rural areas, campuses and enterprises, so as to help financial consumers effectively identify and prevent financial fraud.

During the reporting period, the Company carried out 1,950 publicity and education activities, and 363 media publicity, receiving more than 4 million consumers. In the "March 15" education and publicity week in 2021, the Company was rated as an excellent organization unit by the consumer rights and interests protection bureau of China Banking and Insurance Regulatory Commission. Besides, the Company continued to optimize and improve the complaint management system, and implemented the rapid handling and compensation mechanism for financial disputes in accordance with the law. During the reporting period, the Company received 1071 complaints transferred from the regulatory department, with a response rate of 100% and a feedback rate of 100%.

X. Outlook of future development

(I) Business development planning in 2022

The central economic work conference pointed out that at present, China's economic development is facing triple pressures of shrinking demand, supply shock and weakening expectation. In 2022, economic work should be stable and seek progress while maintaining stability. Under the leadership of the Board of Directors, the Company will actively adapt to changes in the business environment, seize market opportunities, continuously accumulate the comparative advantages of differentiation and promote the sustainable development of the Bank.

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

Secondly, focus on risk control core and ensure a stable operation. In the face of changes in situation, the Company will continue to strengthen the comprehensive risk management, constantly optimize risk management measures, resolutely implement all aspects of the whole process of risk management, and strictly adhere to the three bottom lines of no cases, no large non-performing loans and the business continuity.

Thirdly, cultivate the core competitiveness and strengthen professional operation. The Company

will adhere to its concept of professional and creative values, enhance the training mechanism and hierarchical selection mechanism, constantly enhance the professional advantages of employees in various business areas, promote its banking business expansion and operation management level so as to constantly promote the Bank's capacity to create values for the customers.

(II) Key issues in operation

1. About net interest rate of return

Looking forward to 2022, the Company's net interest rate is expected to remain under pressure. On the asset side, affected by the re-pricing effect of loans and changes in market interest rates, the asset side yield is expected to continue to decline. On the one hand, the Company will adhere to the policy orientation of making profits from the real economy, continue to increase credit support in key areas such as inclusive small and micro enterprises, and promote the steady increase of the proportion of loans in the asset structure. On the other hand, the Company will continue to promote the implementation of large retail strategy, continuously optimize the asset structure and improve the level of risk pricing management. On the liability side, facing the situation that the US dollar has entered the interest rate increase cycle and the intensified competition for deposits, on the one hand, the Company will continue to build core customers, pay close attention to account flow and capital flow, and promote the growth of deposit customers and the collection of settlement deposits; on the other hand, the Company will continue to strengthen the study and judgment of the situation, prospectively and flexibly adjust the allocation of inter-bank liabilities, and strengthen the cost control of the liability side. Through the above measures, the Company will strive to keep the net interest rate unchanged from that in 2021.

2. About net non-interest rate of return

Looking forward to 2022, the Company's net non-interest income is expected to maintain a steady growth. The first is that the wealth management business of the Company has received a good foundation after the development in recent years. With the continuous improvement of the high wealth management system, the income contribution will be further revealed; the second is that through the effective use of characteristic service brands such as foreign exchange gold housekeeper, the comparative advantage of the differentiation of the Company national finance business in the market segments will continue to be consolidated, and the income of international settlement and financial market agency business will maintain a healthy growth; the third is that all profit centers will continue to grasp market opportunities and further open the development space of light capital businesses such as wealth management, bond underwriting and asset custody with the help of financial technology; the fourth is that the development pace of Maxwealth Fund, Ningyin Finance and other subsidiaries is steady and the market reputation market reputation is constantly accumulated, which will become important sources for the increase of non-interest income of the Company.

3. About asset quality

Currently, the global pandemic is still overwhelming, the situation at home and abroad is becoming

more and more complex, superimposed with domestic economic pressure, all kinds of derivative risks still need to be prevented, and bank asset quality control faces certain challenges. In 2022, the Company will continue to stick to the bottom line thinking, focus on key areas and prevent credit risks. On the one hand, the Company will strive to avoid large-scale risk events, continuously optimize credit access, improve large-scale data early warning system and find hidden risks in time by strengthening industrial chain research; On the other hand, the Company will do a good job in risk prevention in key areas, and effectively deal with and prevent possible risks such as overcapacity, inflection points in the real estate industry and government financing control by following up market changes. And meanwhile, the Company will effectively conduct real asset classification, improve the collection management system, and constantly strengthen the ability to resolve risks. By means of above efforts, the asset quality of the Company is expected to continue to maintain a good level in the industry.

4. About great wealth system

Since 2018, the Company has actively promoted the transformation of wealth business and arranged customer investment, teaching and professional services in advance. Through three years of efforts, the business model of wealth business has gradually taken shape, the product system has been gradually improved, private banking has accelerated growing and the great wealth foundation has been further consolidated. In 2022, the Company will further deepen the great wealth system, focus on the life cycle and business journey of various customer groups, and carry out differentiated in-depth binding through professional asset allocation and pan financial services. On the one hand, the Company will continue to promote the classified operation mechanism of customers, focus on various core channels where high potential customers are located, continuously introduce qualified investor customers, and do a good job in asset allocation and diversified operation. On the other hand, we will continue to strengthen the professionalism of the front, middle and back offices of wealth management, accelerate the improvement of the comprehensive ability of market research and judgment and asset allocation in terms of staff ability, and build a professional staff echelon; In terms of product system, continue to introduce high-quality products from head fund, insurance, trust and financial management subsidiaries to provide better choices for customers' asset allocation; In terms of customer service, rely on financial technology to continuously upgrade the user experience of APP and online services, and provide more warm wealth services centered on customers.

5. About capital management

Looking forward to 2022, the Company will promote capital management in an orderly manner in accordance with the regulatory requirements and the overall arrangement of capital planning. It is expected that the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio will reach more than 9%, 10% and 12% respectively as of the end of 2022. The Company will strengthen research, prediction and monitoring, raise capital sources through multiple channels, continue to promote the strategic transformation of light banking, integrate the concept of capital conservation into all links of operation and management, continue to optimize capital allocation and continuously improve the level of capital return. According to the needs of business development, the

Company plans to issue tier 2 capital bonds of no more than RMB 22.5 billion in 2022 to supplement capital.

6. About cost income ratio

On the one hand, with the continuous development of profit centers, the growing maturity of the great wealth system and the further consolidation of the diversified profit distribution, the operating income of the Company will be constantly expanded; On the other hand, the Company will comprehensively deepen the integration and innovation of financial science and technology, continue to increase the investment of scientific and technological resources, fully promote the digital transformation, and stably promote the efficiency of personnel capacity and cost allocation in various fields, with the cost growth expected to gradually slow down. The Company will strive to reduce the cost income ratio in 2022 slightly compared with that in 2021.

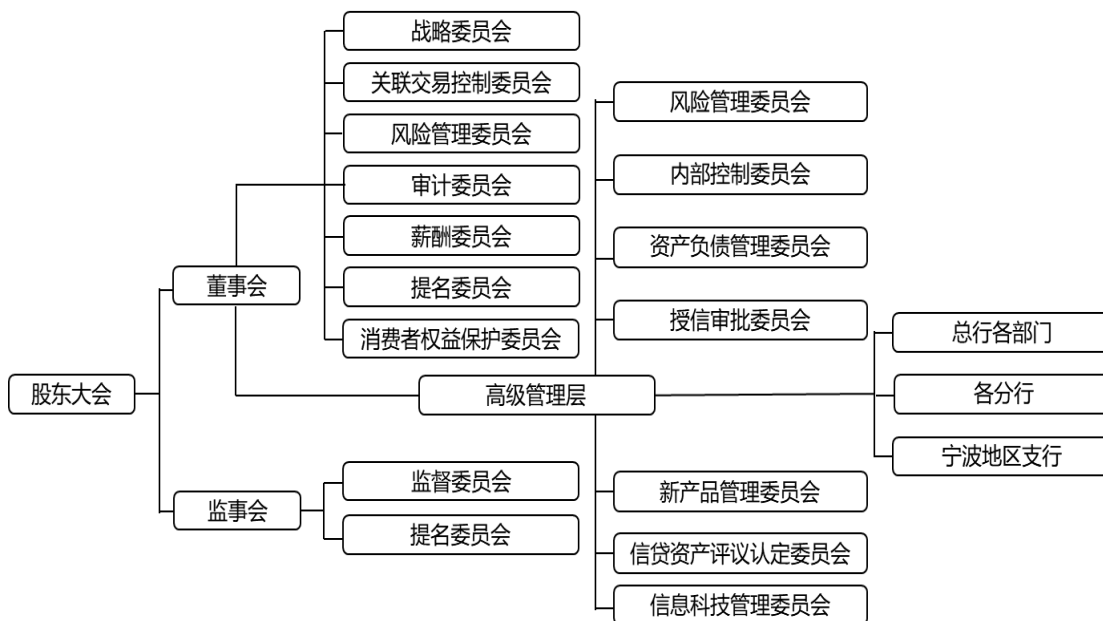
XI. Activities of receiving investigation, communication and interview, etc. during the report period

Reception time	Reception mode	Reception object type	Index of research basic situation
Feb. 3, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Apr. 23, 2021	Field research	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Apr. 28, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
May. 14, 2021	Field research	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Jun. 8, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Jun. 16, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Jul. 1, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Jul. 14, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Nov. 10, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Nov. 16, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company
Nov. 17, 2021	Telephone communication	Institutions	www.cninfo.com.cn Investor Relation Activities Record Chart of the Company

Chapter Seven Corporate Governance

I. Basic conditions of the corporate governance

The Company has constantly improved the modern corporate governance system of "three meetings and one management" in strict accordance with the requirements of *the Company Law*, *Governance Criteria of Listed Companies* and other laws and regulations and the regulatory requirements. During the reporting period, the Company held 1 annual general meeting of the shareholders and 3 extraordinary meetings of the shareholders; 4 regular meetings and 5 extraordinary meetings of the Board of Directors; and 21 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
 金融科技管理委员会: Information Technology Management Committee
 总行各部门: Departments of Head Office 各分行: Branches 宁波地区支行: Sub-branches within Ningbo Region

II. Independence of the Company 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	Disclosure index
The 1 st Session of 2021 Extraordinary General Meeting of Shareholders	57.78%	February 8, 2021	February 9, 2021	For details (http://www.cninfo.com.cn)
2020 Annual General Meeting of Shareholders	58.46%	May 18, 2021	May 19, 2021	
The 2 nd Session of 2021 Extraordinary General Meeting of Shareholders	58.87%	July 2, 2021	July 3, 2021	
The 3 rd Session of 2021 Extraordinary General Meeting of Shareholders	38.65%	December 20, 2021	December 21, 2021	

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	Position	Status	Gender	Age	Term start date	Term ending date	Shares held at the beginning of the year (share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
Lu Huayu	Chairman	Incumbent	Male	57	Jan. 15, 2005	Feb. 9, 2023	1,249,409	124,941	0	1,374,350
Shi Tingjun	Director	Incumbent	Male	51	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	46	May 18, 2015	Feb. 9, 2023	0	0	0	0
Chen	Director	Incumbent	Male	51	Jun. 5, 2020	Feb. 9, 2023	0	0	0	0

Shouping										
Zhu Nianhui	Director	Incumbent	Male	59	Sep. 23, 2021	Feb. 9, 2023	0	0	0	0
Liu Xinyu	Director	Incumbent	Female	47	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Hu Pingxi	Independent director	Incumbent	Male	68	Mar. 8, 2018	Feb. 9, 2023	0	0	0	0
Bei Duoguang	Independent director	Incumbent	Male	64	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Li Hao	Independent director	Incumbent	Male	63	Apr. 9, 2020	Feb. 9, 2023	150,000	15,000	0	165,000
Hong Peili	Independent director	Incumbent	Female	58	Apr. 9, 2020	Feb. 9, 2023	0	0	0	0
Wang Wei'an	Independent director	Incumbent	Male	56	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Hong Lifeng	Supervisory, employees' supervisor	Incumbent	Male	57	Oct. 9, 2015	Feb. 9, 2023	1,644,113	164,411	0	1,808,524
Liu Jianguang	Supervisor	Incumbent	Male	50	Sep. 16, 2019	Feb. 9, 2023	0	0	0	0
Shu Guoping	External supervisor	Incumbent	Male	57	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Hu Songsong	External supervisor	Incumbent	Male	41	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Ding Yuanyao	External supervisor	Incumbent	Male	56	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0
Zhuang Ye	Employees' supervisor	Incumbent	Female	44	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Lu Xiaosu	Employees' supervisor	Incumbent	Female	52	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0
Luo Weikai	Vice president	Proposed	Male	56	-	-	-	-	-	-
Fu Wensheng	Vice president	Incumbent	Male	49	Aug. 27, 2012	Feb. 9, 2023	0	0	0	0
Wang Yongjie	Vice president	Incumbent	Male	49	Aug. 27, 2012	Feb. 9, 2023	241,800	24,180	0	265,980
Feng Peijiong	Director, vice president	Incumbent	Male	47	Feb. 3, 2016	Feb. 9, 2023	0	0	0	0
Zhuang Lingjun	Director, vice president	Incumbent	Male	42	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Zhang Ningning	Vice president	Incumbent	Female	38	Mar. 24, 2021	Feb. 9, 2023	0	0	0	0
Yu Gang	Board secretary	Incumbent	Male	45	Jan. 25, 2018	Feb. 9, 2023	0	0	0	0
Luo Mengbo	Former vice chairman, president	Resigned	Male	51	Feb. 10, 2014	Jan. 7, 2022	1,919,678	191,968	0	2,111,646

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

Name	Position	Type	Date	Reason
Zhang Kaidong	Former director	Resigned	Jan. 22, 2021 日	Work reason
Ma Yuhui	Former vice president	Resigned	Jan. 22, 2021 日	Work reason
Zhang Ningning	Vice president	Appointed	Mar. 24, 2021	Work demand

Note: 1. Mr. Luo Mengbo, former Vice Chairman, Executive Director and President of the Company, resigned from the Company on January 7, 2022.

2. On March 24, 2022, the Board of Directors of the Company deliberated and approved the proposal of appointing Mr. Zhuang Lingjun as the President of the Company and electing Mr. Zhuang Lingjun as the Vice Chairman of the Company, and officially taking office from the date of regulatory approval of his qualification.

3. On March 24, 2022, the Board of Directors of the Company deliberated and approved the proposal to appoint Mr. Luo Weikai as the Vice President of the Company and nominate Mr. Luo Weikai as the candidate for director of the Company. The senior management qualification of Mr. Luo Weikai still needs regulatory approval, and the director qualification still needs the deliberation and regulatory approval of the general meeting of shareholders.

(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 title of Senior Accountant. Mr. Lu used to work in Finance Bureau of Ningbo and successively served as Assistant to Director & Vice Director of Administrative Bureau of State-owned Property, Vice Director of Finance bureau of Ningbo. Mr. Lu was the President of Bank of Ningbo from November 2000 to January 2005 and has been the Chairman of Bank of Ningbo since January 2005.

Mr. Zhuang Lingjun, born in July 1979, master's degree, is currently the Director and Vice 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. On March 24, 2022, the 10th meeting of the Seventh Board of Directors of the Company deliberated and approved the proposal of appointing Mr. Zhuang Lingjun as the President of the Company and electing Mr. Zhuang Lingjun as the Vice Chairman of the Company, and officially taking office from the date of regulatory approval of his qualification.

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

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

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

Mr. Zhu Nianhui, born in December 1962, is a Singaporean with a master's degree. He is currently the Executive Vice President and CRO of Overseas Chinese Banking Corporation and Non-Executive Director of SBC BANK. Mr. Zhu Nianhui has successively served as treasurer / foreign exchange trader of Standard Chartered Bank (Singapore), Second Vice President and Audit Director of Chase Bank (Singapore), Vice President and Director of Derivative Products Control of Bankers Trust New York Corporation (Hong Kong), Director and Deputy Director of Portfolio Management in Asian Region of Bankers Trust New York Corporation (Hong Kong), Managing Director and Head of Market Risk Management (Asia Pacific) of Deutsche Bank (Singapore), CRO of Deutsche Bank for Asia Pacific Region, a member of the Executive Committee of Asia Pacific Region, Chairman of the Risk Committee of Asia Pacific Region, Non-independent Non-executive Director of Deutsche Bank Malaysia Limited and Non-executive Director of Huaxia Bank; he was a director of the Company from February 2017 to February 2020 and has been a director of the Company since September 2021.

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

since April 2020.

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

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

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

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

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

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

Ms. Hong Peili, born in March 1964, master's degree and Senior Economist. 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 Hangzhou Central Branch of the People's Bank of China; Mr. Wang Wei'an has been a Director of the Company since April 2020.

Supervisors

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

the Company since October 2015.

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

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

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

Mr. Ding Yuanyao, born in November 1965, doctor of economics, professor, is currently a professor and master tutor of the Department of Business, Business School of Ningbo University. Mr. Ding Yuanyao took part in the work in 1990, and has successively served as lecturer and associate professor of Anhui University, lecturer and associate professor of Ningbo University; since 2003, he has been a professor in the Department of Finance, master's supervisor of quantitative economics and finance of Business School of Ningbo University, mainly engaged in the teaching and research of

economics and finance, during the period from 1999 to 2000, he has been a visiting scholar in Simon Fraser University of Canada, receiving a doctor's degree in economics from Renmin University of China. He was a visiting scholar at Adelaide University in Australia in 2013 and Southampton University from 2019 to 2020; Mr. Ding Yuanyao has been an external supervisor of the Company since February 2020.

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

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

Senior Management

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

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

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

the General Manager of the Credit Cards Center of the headquarters He has been the Assistant President of the Bank of Ningbo Co., Ltd. since from Oct, 2011 to Aug, 2012, and has been the Vice President of the Company since August 2012.

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

Ms. Zhang Ningning, born in March 1984, obtained a master's degree and the title of Intermediate Economist. Ms. Zhang has successively served as the Deputy General Manager of the Comprehensive Management Division of Financial Marketing Department, and Senior Manager, General Manager Assistant, Deputy General Manger and General Manager of Capital Management Department of the Company; and General Manager of the Capital operation Center, and has been the Vice President of the Company since March 2021.

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

Name of Members	Name of Shareholders	Positions in Shareholder Units	Term of Office	Whether be remunerated in Shareholder units or not
Shi Tingjun	Ningbo Development & Investment Co., Ltd.	Vice Chairman and General Manager	From January 2019 to the present	Yes
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Deputy General Manager	From May 2015 to the present	Yes
Chen Shouping	Singapore Overseas-Chinese Banking Co., Ltd.	Executive Vice-President and Chief Financial Officer	From December 201 to the present	Yes
Zhu Nianhui	Singapore Overseas-Chinese Banking Co., Ltd.	Executive Vice-President and Chief Risk Officer	From August 2014 to the present	Yes
Liu Xinyu	Youngor Group Co., Ltd.	Deputy General Manager and Board Secretary	From May 2017 to the present	Yes
Liu Jianguang	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd.	Deputy General Manager and Director	From April 2019 to the present	Yes

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
Shi Tingjun	Ningbo Kaitou Lancheng Investment	Chairman of Board of	Form May 2019 to the	No

	and Development Co., Ltd.	Directors	present	
	Yongxing Securities Co., Ltd.	Chairman of Board of Supervisors	From April 2020 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
Chen Shouping	Lion Global Investors Limited	Director	From February 2012 to the present	No
	Maxwealth Fund Management Co., Ltd.	Director	From February 2018 to the present	No
	National Taxation Bureau of Singapore	Director	From September 2019 to the present	Yes
	OCBC Overseas Investments Pte Ltd	Director	From September 2019 to the present	No
	OCBC Property Services Pte Ltd	Director	From June 2019 to the present	No
Liu Xinyu	Ningbo Youngor Health and Pension Management Co. Ltd.	Chairman of Board of Directors	From February 2021 to the present	No
Hu Pingxi	Xiamen Rural Commercial Bank	Independent Director	From April 2018 to the present	No
	Xingyin Fund Co., Ltd.	Independent Director	From June 2019 to the present	No
Bei Duoguang	Renmin University of China	Professor and Doctoral Supervisor	From September 2002 to the present	No
	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 Counsellors' 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
Li Hao	China Reform Holdings Corporation Ltd.	External Director	From October 2020 to the present	Yes
	China Eastern Airlines Holding Co. Ltd.	External Director	From December 2020 to the present	Yes
Hong Peili	Caixin Asset Group	Vice Chairman of the Board and Executive Director	From July 2019 to September 2021	Yes
	Bangkok Bank (China) Company Limited	Independent Director	From September 2021 to September 2021	Yes
	Shanghai Fubanghua - Public Welfare Foundation	Council Member	From February 2022 to the present	No
Wang Wei'an	Zhejiang University	Professor and Doctoral Supervisor	From September 1999 to the present	Yes
	Zhejiang Financial Forum	Council Member	From July 1997 to the present	No
	China Financial Forum	Council Member	From July 2003 to the present	No

		present		
	China Urban Financial Society	Council Member	From July 2005 to the present	No
	Zhejiang Huiju Investment Management Co., Ltd.	Director	From February 2011 to the present	No
	Zhejiang Financial Education Foundation	Council Member	From July 2012 to the present	No
	Hangzhou Central Branch of the People's Bank of China	Currency Policy Consultant	From July 2014 to the present	No
	Zhejiang Shengda Bio-pharm Co., Ltd.	Independent Director	From October 2015 to August 2021	Yes
	Shangyu Rural Commercial Bank	Independent Director	From July 2014 to October 2021	Yes
	Zhejiang Huangma Technology Co., Ltd.	Independent Director	From October 2015 to August 2021	Yes
	Zhejin Trust Co., Ltd.	Independent Director	From May 2017 to the present	Yes
	Zhejiang Chunhui Environmental Energy Limited	Independent Director	From May 2017 to the present	Yes
	Zhejiang Yasha Decoration Co., Ltd.	Independent Director	From August 2019 to the present	Yes
	Xiaoshan Rural Commercial Bank	Independent Director	From September 2021 to the present	Yes
Shu Guoping	Lixin Zhonglian Realignment Firm	Associate	From August 2016 to the present	Yes
	Lixin Zhonglian Realignment Firm Zhejiang Club	President	From January 2017 to the present	Yes
	Zhejiang Guoxin Engineering Management Consulting Co., Ltd.	Supervisor	From October 2016 to the present	No
	Ningbo Yinzhou Duchang Jiuxin Corporate Management Consulting Co., Ltd.	Executive Director and Manger	From November 2016 to the present	No
	Xuelong Group Co., Ltd.	Independent Director	From September 2016 to the present	Yes
	Jiangxi Yangtai Building Powder Co., Ltd.	Director	From April 2007 to the present	No
Hu Songsong	Harnest & Garner Law Firm Zhejiang	Director of Management Council, Senior Founding Associate	From January 2014 to the present	Yes
Ding Yuanyao	Ningbo University	Professor and Master Tutor	From December 2003 to the present	Yes
	Ningbo Hongwei Software Technology Co., Ltd.	Council Member	From March 2004 to the present	No
Liu Jianguang	Ningbo Financial Office Co., Ltd.	Director	From May 2020 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 (exclusive of partial independent directors) 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	Position	Gender	Age	Tenure Status	Total Pre-tax Remuneration Received from the Company	Whether be remunerated from Shareholders or other related methods
Lu Huayu	Chairman	Male	57	Incubent	295	No
Shi Tingjun	Director	Male	51	Incubent	10	Yes
Wei Xuemei	Director	Female	46	Incubent	10	Yes
Chen Shouping	Director	Male	51	Incubent	10	Yes
Zhu Nianhui	Director	Male	59	Incubent	2.5	Yes
Liu Xinyu	Director	Female	47	Incubent	10	Yes
Hu Pingxi	Independent director	Male	68	Incubent	0	No
Bei Duoguang	Independent director	Male	64	Incubent	35	No
Li Hao	Independent director	Male	63	Incubent	35	No
Hong Peili	Independent director	Female	58	Incubent	35	No
Wang Wei'an	Independent director	Male	56	Incubent	35	No
Hong Lifeng	Chief supervisor, employees' supervisor	Male	57	Incubent	280.3	No
Liu Jianguang	Supervisor	Male	50	Incubent	8	Yes
Shu Guoping	External supervisor	Male	57	Incubent	30	No
Hu Songsong	External supervisor	Male	41	Incubent	30	No
Ding Yuanyao	External supervisor	Male	56	Incubent	30	No
Zhuang Ye	Employees' supervisor	Female	44	Incubent	115	No

Lu Xiaosu	Employees' supervisor	Female	52	Incubent	125	No
Fu Wensheng	Vice president	Male	49	Incubent	265.5	No
Wang Yongjie	Vice president	Male	49	Incubent	265.5	No
Feng Peijiong	Director, vice president	Male	47	Incubent	265.5	No
Zhuang Lingjun	Director, vice president, financial officer	Male	42	Incubent	265.5	No
Zhang Ningning	Vice president	Female	38	Incubent	265.2	No
Yu Gang	Secretary to the board of directors	Male	45	Incubent	250.8	No

Notes: Performance annual salary of the chairman of the board of directors, chairman of board of supervisors and senior management undergo deferred payment; as specified within the sheet, deferred remuneration of senior management in 2021 is RMB 9,455,200, which will be paid and deferred in three years. In 2021, Mr. Luo Mengbo, the former Vice Chairman and President of the Company, received a remuneration of RMB 2,950,000 during his tenure. The Company has paid the deferred payable remuneration of 2018, including RMB 712,700 for Lu Huayu, Chairman of the Company, RMB 675,800 for Luo Mengbo, the former Vice Chairman and President of the Company, RMB 606,800 for Hong Lifeng, Chief Supervisor of the Company, RMB 675,800 for Fu Wensheng, Vice President of the Company, RMB 541,600 for Wang Yongjie, Vice President of the Company, RMB 541,600 for Feng Peijiong, Director and Vice President of the Company, and RMB 543,000 for Yu Gang, the Secretary of the Board of Directors of the Company.

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 5 th meeting of the 7 th Board of Directors	January 21, 2021	January 23, 2021	
The 6 th meeting of the 7 th Board of Directors	April 8, 2021	April 10, 2021	
The 1 st extraordinary meeting 2021 of the 7 th Board of Directors	April 22, 2021	April 24, 2021	
The 2 nd extraordinary meeting 2021 of the 7 th Board of Directors	June 10, 2021	June 12, 2021	
The 3 rd extraordinary meeting 2021 of the 7 th Board of Directors	June 21, 2021	June 22, 2021	http://www.cninfo.com.cn
The 7 th meeting of the 7 th Board of Directors	August 12, 2021	August 14, 2021	
The 4 th extraordinary meeting 2021 of the 7 th Board of Directors	October 28, 2021	October 29, 2021	
The 8 th meeting of the 7 th Board of Directors	December 2, 2021	December 4, 2021	
The 5 th extraordinary meeting 2021 of the 7 th Board of Directors	December 24, 2021	December 28, 2021	

(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	Times of attending the board meeting in person	Times of attending the board meeting by communication	Times of attending the board meeting by entrusted representative	Absent	Did you attend the meeting by other means other than in person for 2 times in a row	Times of attending the shareholders' meeting

Lu Huayu	9	7	2	0	0	No	2
Luo Mengbo	9	7	2	0	0	No	4
Feng Peijiong	9	7	2	0	0	No	0
Zhuang Lingjun	9	7	2	0	0	No	0
Shi Tingjun	9	6	2	1	0	No	0
Wei Xuemei	9	7	2	0	0	No	0
Chen Shouping	9	7	2	0	0	No	0
Zhu Nianhui	3	2	1	0	0	No	0
Liu Xinyu	9	7	2	0	0	No	0
Hu Pingxi	9	7	2	0	0	No	0
Bei Duoguang	9	7	2	0	0	No	0
Li Hao	9	7	2	0	0	No	0
Hong Peili	9	7	2	0	0	No	0
Wang Wei'an	9	7	2	0	0	No	1

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

(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 Quzhou 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 2021, special committees organized 21 meetings in total, including 2 by Strategic Committee, 4 by Related Party Transaction Control Committee, Related Party Transaction Control Committee, 5 by Audit Committee, 1 by Remuneration Committee, 2 by Nomination Committee and 4 by Consumer Protection Committee.

Name of Committee	Members	Number of Meetings	Date of Meetings	Content of Meetings	Important Comments and Suggestions Proposed	Other Performance of Duties
Strategic Committee	Lu Huayu, Chen Shouping, Shi Tingjun, Liu Xinyu, Hu Pingxi	2	2021/1/11 2021/11/19	Strategic planning, capital supplement and other related proposals	-	Briefing
Related Party Transaction Control Committee	Hong Peili, Li Hao, Wang Wei'an	4	2021/1/11 2021/3/26 2021/7/30 2021/11/19	Related proposals for related transactions	-	Briefing, report on related party transactions
Rism Management Committee	Hu Pingxi, Wang Wei'an, Zhu Nianhui	3	2021/3/26 2021/7/30 2021/11/19	Related proposals for overall risk management	-	Briefing, report on risk monitoring
Audit Committee	Li Hao, Hu Pingxi, Chen Shouping	5	2021/1/11 2021/3/26 2021/4/27 2021/7/30 2021/11/19	Related proposals for financial audit and internal audit	-	Briefing
Remuneration Committee	Bei Duoguang, Hong Peili, Chen Shouping	1	2021/3/26	Related proposals for remunerations of directors, supervisors and senior management	-	Briefing
Nomination Committee	Wang Wei'an, Bei Duoguang, Zhu Nianhui	2	2021/1/11 2021/3/26	Related proposals for nominations of directors, supervisors and senior management	-	Briefing
Consumer Protection Committee	Wei Xuemei, Bei Duoguang, Feng Peijiong, Zhuang Lingjun	4	2021/1/11 2021/3/26 2021/7/30 2021/11/19	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, 2021, there were 24,177 employees in the Company, amongst which, 22,904 employees are of the parent company and 1,273 are of the subsidiaries. For the parent company, 6,989 employees are engaged in the corporate banking, 7,003 in personal banking, 4,205 are operation management staffs, 1,671 are risk and compliance management staffs, 1,414 are information technology staffs, 250 are other financial business staffs and 1,372 are comprehensive management staffs; among the employees of the parent company, employees with bachelor degree or above account for 98.19%.

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

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

The 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 3rd 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.

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

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

Unit: (RMB) 1 million

Dividend distribution year	Amount of cash dividend (Tax-inclusive)	Net profit contained in annual profit distribution consolidated statement and vested in common stockholders of the parent company	Ratio of net profit contained in the consolidated statement and vested in common stockholders of the parent company	Cash dividends in other ways	Proportion of cash dividends in other ways
2021	3,302	18,789	17.57%	-	-
2020	3,004	14,297	21.01%	-	-
2019	3,004	12,962	23.18%	-	-

(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)	5
Increased number (shares) every 10 shares	-
Equity base (share) of distribution plan	6,603,590,792
Amount of cash dividend (RMB 1 million) (tax-inclusive)	3,302
Distributive profit (RMB 1 million)	57,463
Percentage of cash dividends in total profit distribution	100%
Cash dividend policy	

Please view *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (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 2021 audited by Ernst & Young Hua Ming Accounting Firm (special general partnership), the Company realized net profit value RMB 17,855 million in 2021, and the profit available for distribution in the end of 2021 was valued RMB 57,463 million after plus the profit available for distribution in the end of 2020 valued RMB 46,098 million, minus dividends of preferred shares in 2020 valued RMB 757 million, common stock dividends payable in 2020 valued RMB 3,004 million and general risk provisions deducted valued RMB 2,729 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 2021 in the future.

Based on the above situation, the profit distribution scheme in 2021 is as below:

- I. Legal accumulation fund valued RMB 1,786 million was withdrawn as per 10% of the net profit in 2021;
- 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 3,150 million was withdrawn as per 1.5% of the ending balance of risk assets in 2021;
- 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 2021.

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 8, 2022	
Index for disclosure of evaluation reports of internal control	http://www.cninfo.com.cn	
Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100.00%	
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100.00%	
Standards for recognition of defects		
Category	Financial statements	Non-financial statements
Qualitative criteria	<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 or important defects in financial statements of internal control have not been modified.</p> <p>2. Important defects: The Company's financial system is deficient; important defects in financial statements of internal control have not been modified; there are other defects of internal control that may lead to material error of financial statements.</p> <p>3. General defects: Other defects in financial statements of internal control except those material and important defects mentioned above.</p>	<p>1. Material defects: Democratic decision-making procedures are incomplete; national laws and regulations are severely breached and corresponding punishment is received; 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	1. Material defects: the amount of misstatement caused by defects of internal control: profits of misstatement $\geq 100\%$ of	1. Material defects: direct property losses caused by defects of internal control: direct property losses $\geq 100\%$ of auditing

	auditing importance level of financial statements 2. Important defects: the amount of misstatement caused by defects of internal control: 30% of auditing importance level of financial statements \leq profits of non-financial statements \leq direct property losses $<$ 100% of auditing importance level of financial statements 3. General defects: the amount of misstatement caused by defects of internal control: profits of misstatement $<$ 30% of auditing importance level of financial statements	importance level of non-financial statements 2. Important defects: direct property losses caused by defects of internal control: 30% of auditing importance level of non-financial statements \leq direct property losses $<$ 100% of auditing importance level of non-financial statements 3. General defects: direct property losses caused by defects of internal control: direct property losses $<$ 30% of auditing importance level of non-financial statements
Number of material defects in financial statements	0	
Number of material defects in non-financial statements	0	
Number of important defects in financial statements	0	
Number of important defects in non-financial statements	0	

(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, 2021 in accordance with *Basic Standard for Enterprise Internal Control* and relevant regulations.

Date of disclosure of audit reports of internal control	April 8, 2022
Index for disclosure of audit reports of internal control	http://www.cninfo.com.cn
Opinions on audit reports of internal control	Standard & unqualified opinion
Whether non-financial reports have material defects or not	No

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

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
 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 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 网络银行部: Online Banking
 Department 远程银行中心: Remote Banking Center 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

XVI. Information on organization construction

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
1	Head office	No. 345, Ningdong Road, Yinzhou District, Ningbo	1	4,550	477,058
2	Capital Operation Center	19F & 20F, No. 210, Century Avenue, Pudong New District, Shanghai	1	140	342,543
3	Shanghai Branch	No. 8, Yincheng Middle Road, Pudong New District, Shanghai	24	1,605	147,219
4	Beijin Branch	4-13F & 1F, Block B, No. 6, Jianguomenwai Street, Chaoyang District, Beijing	18	1,299	120,163
5	Shenzhen Branch	1F-5F, Podium Building of Huangting Center Building, Jintian Road, Fudian District, Shenzhen	20	1,084	123,772
6	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou	25	1,509	87,010
7	Nanjin Branch	No. 233, Middle Jiangdong Road, Jianye District, Nanjing	22	1,511	85,526
8	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou	25	1,362	93,328
9	Wuxi Branch	No. 6 Third Finance Street, Taihu New City, Wuxi, Jiangsu Province	14	1,111	61,719
10	Wenzhou Branch	No. 1258, Wenzhou Avenue, Lucheng District, Wenzhou	18	967	26,726
11	Jinhua Branch	Podium Building of Xinrong Building, No. 1028 South Shuanglong Street, Wucheng District, Jinhua	10	680	17,089
12	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing	8	609	21,466
13	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	9	556	18,155
14	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	9	556	25,200
15	Lishui Branch	No. 599 and No. 601 Renmin Street; 1F and 3F, S301, No.9, North Shouerfu Road; 22F, 23F & 24F, No. 615 Renmin Street, Liandu District, Lishui	3	288	7,420
16	Huzhou Branch	No. 30, 36, 40 and 44, Taihu Road; No. 527, 531, 535, 539, 543, 547, 551 and 555, Wutong Road; Room 201-203, 301-301 and 401-403, 10 th Building, Changdaofu, Wuxing District, Huzhou	5	325	8,820
17	Quzhou Branch	No.10, Hehua Middle Road, Kecheng District, Quzhou, Rooms 202, 302, 303, 304 and 504, No. 2Building, Hehua Middle Road	2	232	4,926

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
18	Zhoushan Branch	Room 302 Block D & Room 301, 1601, 1701, 1801, 1F & 2F Block B, Jianghai Business Square, No. 158, Hexing Road, Qiandao Sub-district, Dinghai District, Zhoushan	1	146	2,038
19	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	11	270	14,652
20	Midtown Yinzhou Sub-branch	No. 700, South Ningnan Road, Yinzhou District, Ningbo	10	245	17,944
21	Jiangbei Sub-branch	No. 155, Lane 280, Tongji Road, Jiangbei District, Ningbo	10	229	20,969
22	Jiangbei Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	10	240	17,474
23	Sci-Tec Sub-branch	No. 868, East Baizhang Road, Jiangdong District, Ningbo	11	242	12,795
24	National Hi-Tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	9	229	12,227
25	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	9	179	22,136
26	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	13	297	13,980
27	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Subdistrict, Beilun District, Ningbo	10	218	15,239
28	Zhenhai Sub-branch	No. 666, North Dongyi Road, Luotuo Sub-district, Zhenhai District, Ningbo	10	236	13,818
29	Yinzhou Sub-branch	No. 364 Middle Rili Street; No. 542 and No. 546 Xueshi Street, Yinzhou District, Ningbo	15	314	19,356
30	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	10	206	8,964
31	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	15	268	16,988
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	227	10,200
33	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	18	326	17,207
34	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	14	243	11,378
35	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo	8	182	7,097
36	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	11	223	13,003
37	Maxwealth Fund Management Co., Ltd.	21F, 22F & 27F, 21 st Century Tower, No. 210, Century Avenue, Pudong New District, Shanghai	1	317	2,786
38	Maxwealth Financial Leasing Co., Ltd.	12F, 15F, 16F, 17F, No. 195, Dingtai Road, Yinzhou District, Ningbo City	1	790	74,723
39	Ningyin Financial Management Co., Ltd.	30F & 32F, No. 318 Heyuan Road, Yinzhou District, Ningbo	1	166	2,493
Total	463 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 36 community sub-branches)			24,177	2,015,607

Note: Statistical data by the end of 2021.

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 *Annual Social Responsibility Report in 2021 of the Bank of Ningbo Co., Ltd.* published on <http://www.cninfo.com.cn>.

II. Social Responsibilities

In 2021, the Company continued to adhere to the social responsibility view of "justice and integrity, be kind to the customers, care for employees, be warmhearted in promoting public good, devoted to environmental protection and contribute to the society", closely combined the management behavior with its social responsibilities and continued to make contributions to the society, realizing a stable and sustainable development of the Company. Firstly, giving full play of the financial power and implementing the "six-stabilities" and "six-protections"; secondly, based on the financial origin, promoting quality and efficiency in serving the real economy; thirdly, operating stably and sustainably, strictly guarding against all kinds of financial risks; fourthly, embracing financial science and technology and promoting value creation capabilities; fifthly, deepening inclusive finance and carrying out financial-aid activities for the elderly; sixthly, protecting the legitimate rights and interests of financial consumers and constantly carrying out anti-fraud propagandas; seventhly, caring for personnel development and promoting the professional competence of the employees; eighthly, promoting the green credit loans and supporting energy-saving and environment protection enterprises.

Please review the *Annual Social Responsibility Report in 2021 of the Bank of Ningbo Co., Ltd.* published on <http://www.cninfo.com.cn> for 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 guarantee the effective use of raised funds, to effectively prevent diluted risk of return on demand and improve return capacity in the future	Jul. 16, 2014 Nov. 26, 2015 Nov. 20, 2018 Apr. 26, 2019	Long term	Under normal performance
Whether commitment performed in real time				Yes		
If commitment is overdue and unperformed, specific reasons and next plan should be provided				Not applicable		

(II) Capital expenditure commitment

Unit: (RMB) 1 million

Item	December 31, 2021	December 31, 2020
Signed but not disbursed	2,048	1,396

(III) Asset pledge commitment

Unit: (RMB) 1 million

Pledge asset content	Pledge application	Pledge amount
Debt investment	Sales with recourse	6,278
Debt investment	Borrowing from the central bank	36,880
Debt investment	Integrated into bonds	700
Debt investment	Treasury time deposit	19,923
Other debt investment	Sales with recourse	72,968
Other debt investment	Borrowing from the central bank	55,796
Other debt investment	Treasury time deposit	16,524
Trading financial assets	Treasury	4,919
Trading financial assets	Treasury	77
Trading financial assets	Treasury	38
Loans and advances	Interbank loan	2,867

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

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

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

During the reporting period, there is no change to the consolidated statement scope.

VI. Situation of appointing and dismissing accounting firm

(I) Current appointed accounting firm

Name of domestic accounting firm	Ernst & Young (special general partnership)
Reward of domestic accounting firm	RMB 3.6 million, including RMB 2.65 million for audit of financial statements and RMB 0.95 for audit of internal control.
Continuous service year of domestic accounting firm	13 years
Name of registered accountant of domestic accounting firm	Yan Shengwei, Chen Lijing

Within the report period, the Company did not change employment of the accounting firm.

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

During the report period, Ernst & Young is employed as an internal auditing firm of the Company, and the company shall pay RMB 950, 000 to it for the 2021 internal audit.

During the report period, the Company employs CITIC Securities Co., Ltd. and Yongxing Securities Co., Ltd. as sponsors of the Company.

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

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, 2021, the Company, as a defendant or respondent, had a total object amount of RMB 1.634 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

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

Internal natural person statistics involves directors, supervisors, senior management, and other staff having right to decide or participate in commercial credit and asset transfer and their close relatives. By the end of the year 2021, among the related natural person credit business of the Company, total exposure was RMB 33,360,800, all of which were the credit business, without issuing credit loans to related natural persons of the Company, which complied to related credit control objectives and requirements of the Company in 2021.

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

In 2021, there was no transactions higher than RMB 300,000 between the related natural persons and the Company.

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

1. General credit granting business

According to the control requirements of the Company on the credit exposure, bond investment exposure and bond underwriting line of the related parties of corporate shareholders (including the persons acting in concert) in 2021, the total credit exposure and bond investment exposure shall not exceed RMB 14 billion, of which, the total limit of the credit exposure and the total limit of the credit

exposure shall not exceed RMB 4.5 billion and bond underwriting for single shareholder related party shall not exceed RMB 3 billion; and the total limit of the credit exposure and bond investment exposure for single shareholder related group (including persons acting in concert) shall not exceed RMB 7 billion, and bond underwriting shall not exceed RMB 5 billion.

No.	Related legal person	Limit in 2021
1	Ningbo Development & Investment Group Co., Ltd. and related party (including the persons acting in concert)	For single related party, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion.
		For single related group, max general credit exposure is RMB 5 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
2	Youngor Group Co., Ltd. and related party	For single related party, max general credit exposure is RMB 2 billion, max bond underwriting limit is RMB 3 billion and max bond investment exposure is RMB 1.5 billion.
		For single related group, max general credit exposure is RMB 3 billion, max bond underwriting limit is RMB 5 billion and max bond investment exposure is RMB 2 billion.
3	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	For single related party, max general credit exposure is RMB 300 million, max bond underwriting limit is RMB 300 million and max bond investment exposure is RMB 100 million.
		For single related group, max general credit exposure is RMB 500 million, max bond underwriting limit is RMB 500 million and max bond investment exposure is RMB 300 million.

By the end of December 2021, the credit extension of related legal persons of corporate shareholders of the Company is as follows:

Unit: (RMB) 1 million

No.	Related legal person	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment
1	Ningbo Development & Investment Group Co., Ltd. and related party	157,111.15	95,000	0
2	Youngor Group Co., Ltd. and related party	73,056.57	0	0
3	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	0.00	0	0
Total		230,167.72	95,000	0

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

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

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment
1	Ningbo Development & Investment Group Co., Ltd.	300,000	/	/	95,000	0
		30,000	Liquidity loans 5,000	5,000	/	/
2	Ningbo Mingzhou Biomass Power Generation Co., Ltd.	5,000	Liquidity loans 1,000	1,000	0	0

3	Ningbo Ningdian New Energy Development Co., Ltd.	6,000	Liquidity loans 4,000 Bank acceptance 1,577.63	4,996.79	0	0
4	Ningbo Kingtong Financial Leasing Co., Ltd.	0	Liquidity loans 18,278.07	18,278.07	0	0
5	Ningbo Ningdian Shipping Co., Ltd.	5,000	Discount 610.55	0	0	0
6	Ningbo Energy Group Material Distribution Co., Ltd.	5,000	Bank acceptance 951.29 Discount 603.21	951.29	0	0
7	Ningbo Kaitong International Trade Co., Ltd.	43,000	Capital business 500	500	0	0
8	Ningbo University of Finance & Economics	33,000	Liquidity loans 12,000	12,000	0	0
9	Ningbo Guangyao Thermal Power Co., Ltd.	5,000	Liquidity loans 4,135	4,135	0	0
10	Ningbo Kefeng Gas Turbine Pyroelectricity Co., Ltd.	5,000	Liquidity loans 5,000	5,000	0	0
11	Ningbo Energy Industrial Co., Ltd.	10,000	Bank acceptance 7,000	5,250	0	0
12	Yuyao Kaitou Lancheng Investment and Development Co., Ltd.	100,000	Project loans 60,000 Non-banking asset management 40,000	100,000	0	0
Total				157,111.15	95,000	0

② Youngor Group Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Credit limit	Actual business balance	Actual business balance after deducting deposit	Balance of bond underwriting business	Balance of bond investment
1	China-Base Ningbo Resources Co., Ltd.	30,000	Bank acceptance 22,999.06 Discount 600	3,499.35	0	0
2	Ningbo Youngor Co., Ltd.	30,000	Bank acceptance 30,000	30,000	0	0
3	China-Base Ningbo Group Stock Co., Ltd.	130,000	Liquidity loans 88,331.60 Bank acceptance 101,319.42 Discount 700 L/C 14,488.35 Domestic L/C 355.63 Capital business 800	36,044.62	0	0
4	Ningbo China-Base Import &	15,000	L/C 2,344.57	3,431.86	0	0

	Export Co., Ltd.				Capital business 1,070			
5	Ningbo Youngor International Trade Transport Co., Ltd.		5,000		Discount 1,209.02 L/C80.15	80.74	0	0
6	Ningbo China-Base Huitong Group Co., Ltd.		0		Bank acceptance 128.40	0	0	0
	Total				264,426.20	73,056.57	0	0

2. Interbank credit business

The Company's control requirements for Yongxing Securities Co., Ltd. of Ningbo Development & Investment Group Co., Ltd. and its related parties are as follows: the interbank credit line of a single related party is up to RMB 1 billion, and the interbank credit line of a related group is up to RMB 2 billion. By the end of 2021, the balance of interbank credit business between the Company and Yongxing Securities Co., Ltd. and its affiliates was 0.

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

1. Non-credit extension implementation of garments purchasing, etc.

In 2021, the Company has engaged in the garments purchasing business with 1 related party, that is, Ningbo Youngor Co., Ltd., with a total amount of RMB 6,301,400. The Company strictly implements the management of procurement fees in accordance with the relevant provisions of the *Regulations on Centralized Procurement Management of Bank of Ningbo*. After verification, it is confirmed that Ningbo Youngor Co., Ltd. is a controlled subsidiary of Youngor Group Co., Ltd., which has entered our centralized purchasing system directory through the bidding procedures. The related transactions and purchasing prices mentioned above are both reasonable without any unallowed situations concerning unfair pricing of the related party transactions.

2. Non-credit extension implementation with Yongxing Securities Co., Ltd. and its related parties

By the end of 2021, the cumulative amount of non-credit business between the Company and Yongxing Securities Co., Ltd. of Ningbo Development and Investment Group Co., Ltd. and its subsidiaries was RMB 5.490 billion, including cash bond transaction of RMB 70 million, distribution business of RMB 900 million, special account cooperation business of RMB 4.519 billion and underwriting fees and other investment banking services of RMB 1 million. The above transactions meet the control requirements of the Company's related party transactions.

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

In accordance with *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.26 – Specific Provisions on Information Disclosure by Commercial Banks* formulated by CSRC and *Implementation Method of Related Transactions of Bank of Ningbo Co., Ltd.*:

General related transactions is a transaction that the single batch of transaction amount between the

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

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

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

According to the above definitions, in 2021, the situation of the above three related transactions between the Company and Ningbo Development & Investment Co., Ltd., Youngor Group Co., Ltd. and Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and their related parties are as follows:

1. Statics shows that, there was no general related transaction that transaction amounts accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year of 2021;
2. There's no major related transaction occurred in the year of 2021;
3. There's no particularly major related transaction occurred in the year of 2021.

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

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

By the end of the year 2021, the Company has provided Overseas-Chinese Bank Corporation with credit limit amount to RMB 3.7 billion a risk exposure amounted to RMB 0 billion; bond investment amounted to RMB 0.3 billion and bond investment balance amounted RMB 0 billion; The Company has provided Overseas-Chinese Bank (China) Co., Ltd. with credit limit amounted to RMB 2.8 billion, and the actual risk exposure of the bank is RMB 237 million, including an estimated settlement of RMB 15 million and bills of RMB 222 million; bond investment credit limit RMB 4 billion, bond investment balance of RMB 1.47 billion; bond investment line of RMB 1.2 billion and bond investment balance of RMB 420 million. By the end of the year 2021, the accumulated amount of non-credit business between the Company and Overseas-Chinese Bank Corporation and its related parties was RMB 3.719 billion, of which the cash transaction amount was RMB 2.582 billion, and distribution business of RMB 750 million, interbank lending (borrowing) of RMB 387 million, which all complied with the control requirement of the Company for the related transactions.

In 2021, the implementations of general related transactions, major related transactions and particularly major related transactions of the Company with Overseas-Chinese Bank Corporation and its

related parties are as follows:

1. Statistics show that there was 1 general related transaction with a transaction amount accounting for more than 0.5% of recent audited net capital of the commercial bank in the whole year as follows:

Unit: (RMB) 10,000

Business type	Product	Enterprise name	Amount	Term	Interest rate	Business date	Due date
Non-credit business	Bond transaction	Overseas-Chinese Bank Corporation Hong Kong Company	60,862	-	3.20%	2021/10/12	-

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

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

(VII) Pricing method of related transactions

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

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

(III) Situation of entrusted cash asset management

1. Entrusted wealth management

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

2. Entrusted loan

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

(IV) Other significant contracts

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

XIV. Description on Other Major Issues

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.

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

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

(I) Company's outward guarantee business is one of conventional banking businesses approved by the People's Bank of China and China Banking and Insurance Regulatory Commission. By the end of 2020, guarantee business balance of the Company was RMB 43.828 billion. The Company pays attention to risk management of the business, and strictly implements related operation procedure and approval program, so that the risk of outward guarantee business has been effectively controlled. Within the report period, the business of the Company operated normally and there was no illegal guarantee.

(II) By the end of 2021, the Company is free from situation when the controlling shareholders or other related parties occupy the company's capital.

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
I. Limited sale condition share	79,758,842	1.33%	390,375	0	0	0	390,375	80,149,217	1.21%
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	3,939,786	0.07%	390,375	0	0	0	390,375	4,330,161	0.07%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	3,939,786	0.07%	390,375	0	0	0	390,375	4,330,161	0.07%
4. Foreign holding	75,819,056	1.26%	0	0	0	0	0	75,819,056	1.15%
wherein: foreign legal person holding	75,819,056	1.26%	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%
II. Limit-free condition share	5,928,257,444	98.67%	595,184,131	0	0	0	595,184,131	6,523,441,575	98.79%
1. RMB ordinary share	5,928,257,444	98.67%	595,184,131	0	0	0	595,184,131	6,523,441,575	98.79%
2. Domestically listed foreign-invested stock	0	0.00%	0	0	0	0	0	0	0.00%
3. Aboard listed foreign-invested stock	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	6,008,016,286	100%	595,574,506	0	0	0	595,574,506	6,603,590,792	100.00%

During the report period, the Company allotted 595,574,506 shares to the original A-share shareholders, of which 595,184,131 shares were lifted on December 15, 2021, and the 520,500 shares subscribed by directors, supervisors and senior management were automatically locked at 75%, i.e. 390,375 shares.

II. Sheet on Limited Sale Share Change

Name of shareholder	Unit: share					
	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	3,903,750	0	390,375	4,294,125	Locked shares and restricted shares before IPO by directors, supervisors	In-office directors, supervisors and senior management shall transfer 25% of shares

					and senior management	to the greatest extent within 1 year
Shares to be confirmed before IPO	36,036	0	0	36,036	Pre-IPO limited shares	-
Total	79,758,842	0	390,375	80,149,217		

III. Situation on Security Issuing and Listing

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

Name of stock and derivative security	Issue date	Issue price	Issue quantity	Listing date	Quantity of the acquired listing transaction
Allotted shares to original A-share holders	December 1, 2021	RMB 19.97/share	595,574,506 shares	December 15, 2021	595,574,506 shares

For details of the Company's allotment to the original A-share holders, please refer to the *Announcement on the Issuance of Allotted Shares of the Bank of Ningbo Co., Ltd.* published on the website <http://www.cninfo.com.cn>.

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

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

During the report period, due to the additional allotment of 595,574,506 shares to the original A-share holders of the Company, the total shares of Company has increased from 6,008,016,286 shares to 6,603,590,792 shares.

(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)	108,946	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report	105,330	Total quantity of preferred stockholders recovering voting power at the end of reporting period (Account)	0	Total quantity of preferred stockholders recovering voting power at the end of the previous month before disclosure date of the annual report	0
Situation on shareholders holding more than 50% of shares or top ten shareholders							
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing
							Share state Share state
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	18.74%	1,237,489,845	112,499,077	0	1,237,489,845	
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.69%	1,233,993,375	112,181,216	75,819,056	1,158,174,319	
Youngor Group Co., Ltd.	Domestic	8.33%	549,902,524	49,991,138	0	549,902,524	

	non-state-owned legal person					
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	5.73%	378,101,993	170,122,074	0	378,101,993
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	2.66%	175,770,294	(6,882,727)	0	175,770,294
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	1.83%	121,143,290	1,820,901	0	121,143,290
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.33%	87,770,208	7,979,110	0	87,770,208
Ningxing (Ningbo) Property Management Co., Ltd.	State-owned legal person	1.29%	85,348,203	7,758,927	0	85,348,203
Ningbo Rail Transit Group Co., Ltd.	State-owned legal person	1.19%	78,310,394	7,119,127	0	78,310,394
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.14%	75,496,366	5,677,006	0	75,496,366

Description on related relations, persons acting in concert, controlling shareholders, actual controller and final beneficiaries above mentioned

Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Property Management Co., Ltd. are persons acting in concert and the controlling shareholder is State-owned Assets Supervision and Administration Commission of Ningbo Municipal Government; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institutional investor of OCBC Bank Singapore, which neither has controlling shareholders nor actual controllers; the controlling shareholder of Youngor Group Co., Ltd. is Ningbo Youngor Holding Co., Ltd. and the actual controller is Mr. Li Rucheng; And according to the *Interim Measures for the Equity Management of Commercial Banks of China Banking and Insurance Regulatory Commission* (CBRC 2018 No. 1 directive), the controlling shareholder of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd., the another major shareholder of the Company, is Beijing Renyin Tech-trading Co., Ltd.

Situation on share holding of the top ten shareholders without limited sale condition

Name of shareholder	Share quantity without limited sale condition to the end of year	Share class	
		Share class	Share class
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 Group Co., Ltd.	549,902,524	RMB ordinary share	549,902,524
Hong Kong Securities Clearing Company Ltd.	378,101,993	RMB ordinary share	378,101,993
Huamao Group Co., Ltd.	175,770,294	RMB ordinary share	175,770,294
Ningbo Fubang (Holdings) Limited	121,143,290	RMB ordinary share	121,143,290
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

Description on relationship or consistent activities among top ten circulating shareholders without limited sale as well as top ten circulating shareholders without limited sale and among top ten shareholders

Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.

Description on shareholders attending securities margin trading

Huamao Group Co., Ltd. as a shareholder of the Company, holds 77,000,000 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 ten shareholders without limited sale and top ten shareholders.

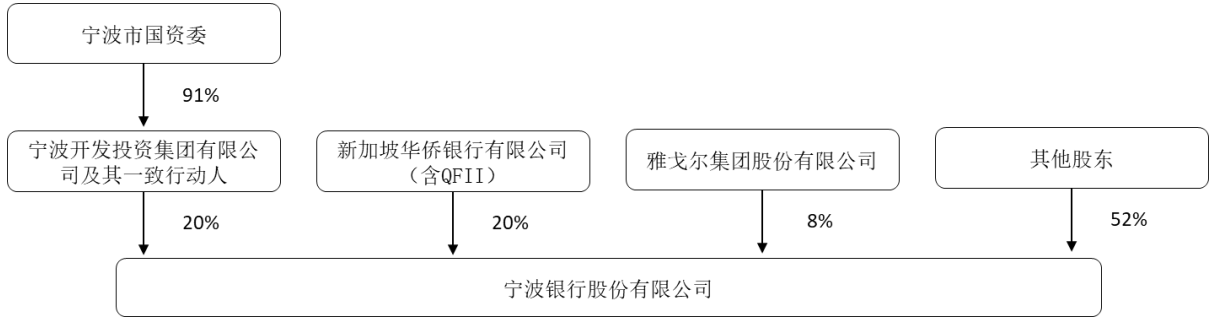
(II) Situation on Company's holding shareholder

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

(III) Situation on Company's actual controller

The Company has no actual controller within the report period.

(IV) Company's shareholding structure chart



宁波市国资委	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)
雅戈尔集团股份有限公司	Youngor Group 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.	Li Bao	Nov. 12, 1992	9133020014407480X5	Project investment, assets management, real estate development, property management and so on
Singapore Overseas-Chinese Banking Co., Ltd.	Huang Sanguang	Oct. 31, 1932	Not applicable	Financial service industry
Equity of other domestic and foreign listed companies controlled by shareholders during the report period	Ningbo Development & Investment Co., Ltd. holds 50.89% of the shares of Ningbo Energy Group Co., Ltd., a company listed on Shanghai Stock Exchange, and Singapore Overseas-Chinese Banking Co., Ltd. holds 87.91% of the shares of Greater Oriental Holdings Co., Ltd., a company listed on Singapore Stock Exchange, and 85.1% 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, 201	100	4.68%	48,500,000	Dec. 9, 2015	48,500,000	None
Ning Hang Preferred 02	140007	Non-public	Nov. 7, 201	100	5.30%	100,000,000	Nov. 28, 2018	100,000,000	None

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

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

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

Unit: share

Total quantity of preferred shares shareholders to the end of report period (account)	7		Total quantity of preferred shares shareholders to the end of report period (account)	7				
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders								
Name of shareholder	Share holder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment / decrement change within report period	Share quantity with limited sale condition	Pledge or freezing condition		
						Share quantity without sale condition	Share status	Share status
CITIC Securities Co., Ltd	Others	22.06%	10,700,000	10,700,000	0	10,700,000		
BOCOM Schrodgers Asset Management Co., Ltd.	Others	19.79%	9,600,000	9,600,000	0	9,600,000		
Huabao Trust Co., Ltd.	Others	17.88%	8,670,000	8,670,000	0	8,670,000		
Bosera Fund Management Co., Ltd.	Others	16.06%	7,790,000	0	0	7,790,000		
TruValue Asset Management Co., Ltd.	Others	10.31%	5,000,000	5,000,000	0	5,000,000		
Postal Savings Bank of China Co., Ltd.	Others	8.25%	4,000,000	0	0	4,000,000		
JSITC Co., Ltd.	Others	5.65%	2,740,000	2,740,000	0	2,740,000		
Preferred shares have different explanations in terms other than dividend distribution and residual property distribution.			None					
Instructions on the related relations or persons acting in concert among the top 10 preferred shareholders and between the top 10 preferred shareholders and top 10 general shareholders			None					

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

Unit: share

Total quantity of preferred shares shareholders to the end of report period (account)	11		Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual	11	
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report (account)							Pledge or freezing condition	
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders								
Name of shareholder	Share holder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment / decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Share status	Share status
Huabao Trust Co., Ltd.	Others	22.78%	22,780,000	22,780,000	0	22,780,000		
CCB TRUST CO., LTD.	Others	15.00%	15,000,000	0	0	15,000,000		
Ping An Life Insurance of China	Others	14.04%	14,040,000	0	0	14,040,000		
Ping An Assets Management Co., Ltd.	Others	14.04%	14,040,000	0	0	14,040,000		
China Zheshang Bank	Others	10.00%	10,000,000	0	0	10,000,000		
JSITC Co., Ltd.	Others	7.22%	7,220,000	7,220,000	0	7,220,000		
Postal Savings Bank of China Co., Ltd.	Others	6.10%	6,100,000	0	0	6,100,000		
GYB Co., Ltd.	Others	5.00%	5,000,000	0	0	5,000,000		
Foresea Life Insurance Co., Ltd.	Others	3.00%	3,000,000	0	0	3,000,000		
Ping An Endowment Insurance Co., Ltd.	Others	2.02%	2,020,000	0	0	2,020,000		
Preferred shares have different explanations in terms other than dividend distribution and residual property distribution.			None					
Instructions on the related relations or persons acting in concert among the top 10 preferred shareholders and between the top 10 preferred shareholders and top 10 general shareholders			None					

III. Profit Distribution of Company's Preferred Shares

Profit distribution of preferred shares within reporting period

Preferred share abbreviation	Preferred share code	Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	In compliance with distribution condition and relative procedure	Payment of dividend	Dividend accumulated	Join in residual profit distribution
Ning Hang Preferred 01	140001	Nov. 16, 2020	4.68%	226,980,000	Yes	Cash payment once a year	No	No
Ning Hang Preferred 02	140007	Nov. 9, 2020	5.30%	530,000,000	Yes	Cash payment once a year	No	No

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

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.

Audited Financial Statements

Year 2021

Contents

	Page
Audit Report	1 – 8
Audited Financial Statements	
Consolidated Balance Sheet	9 – 10
Consolidated Income Statement	11 – 12
Consolidated Statement of Changes in Shareholders' Equity	13 – 14
Consolidated Statement of Cash Flow	15 – 16
Balance Sheet	17 – 18
Income Statement	19
Statement of Changes in Shareholders' Equity	20 – 21
Cash Flow Statement	22 – 23
Notes to the Financial Statements	24 – 149
Supplementary Information of the Financial Statements	
1. Statement of Non-recurring Profit and Loss	150
2. ROE (Return on Equity) and Earnings per Share	150

Audit Report

Audit Report (2022) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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

I. Opinion

We have audited the attached financial statements of Bank of Ningbo Co., Ltd. and its subsidiaries (hereinafter referred to as the "Group"), including the Consolidated Balance Sheet, Consolidated Income Statement and the Consolidated Statement of Changes in Shareholders' Equity and Cash Flow Statement of 2021, as well as Balance Sheet at 31 December 2021, Income Statement for the year of 2021, Statement of Changes in Shareholders' Equity and Cash Flow Statement as well as Notes to the Financial Statements.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended.

II. Basis for Opinion

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

III. Key Audit Matters

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

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

Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment provision for investments in loans and receivables</i>	
<p>The Group has used multiple models and assumptions in the measurement of expected credit loss, such as:</p> <p>Significant increase in credit risk - the selection of recognition criteria for significant increase in credit risk is highly dependent on judgment, and may have a significant impact on the expected credit losses of loans, advances and debt investments with a long duration;</p> <p>Model and parameters - the model used to measure expected credit loss itself has high complexity, a large number of parameters and data, involving more judgments and assumptions;</p> <p>Forward-looking information: prediction of the macro economy to consider the impact on the expected credit loss under the weight of different economic scenarios;</p> <p>Definition of credit impairment incurred - multiple factors need to be considered to determine whether credit impairment has occurred.</p> <p>As the impairment assessment of loans, advances and debt investment involves many significant judgments and assumptions, and due to the importance of its amount (as of December 31, 2021, the total amount of loans, advances and debt investment was RMB 1,129.728 billion, accounting for 56.05% of total assets; the total amount of provision for impairment of loans, advances and debt</p>	<p>We have evaluated and tested the effectiveness of the design and implementation of key controls related to the issuance of loans and advances and expected credit loss of bond investment, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling method, selected samples to perform review procedures for loans, advances and debt investment, analyzed the debtor's repayment ability based on the post loan investment investigation report, the debtor's financial information, the collateral value evaluation report and other available information, and evaluated the judgment results of your Group on the rating of loans, advances and debt investment.</p> <p>With the assistance of the internal credit risk model experts, we have evaluated and tested the important parameters of the expected credit loss model, the significant judgments of the management and the application of relevant assumptions, mainly focusing on the following aspects:</p> <p>1. Expected credit loss model:</p> <ul style="list-style-type: none">• In combination with macroeconomic changes, considering the impact of the COVID-19 and various supportive policies provided by the government, evaluate the rationality of the methodology of the expected credit loss model and relevant parameters, including the probability of default, the loss rate of default, risk exposure, significant increase in credit risk, etc;

<p>investment was RMB 38.629 billion), we regard it as a key audit item.</p>	<ul style="list-style-type: none">• Evaluate the rationality of expected credit loss model methodology and related parameters, including default probability, default loss rate, risk exposure, significant increase of credit risk, etc;• Assess the rationality of the management's recognition of whether credit impairment has occurred.
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Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
<i>Impairment provision for investments in loans and receivables (continued)</i>	
<p>Relevant disclosures are included in Note III. 34, Note V. 6 and 7.2 and Note XII. 1 to the consolidated financial statements.</p>	<p>2. Effectiveness of the design and implementation of key controls:</p> <ul style="list-style-type: none">• Evaluate and test the data and process used to confirm the expected credit loss provision, including business data of the loans and advances, and equity investment, macroeconomic data, etc., as well as the calculation logic, data input, system interface, etc. of the impairment system;• Evaluate and test the key controls of the expected credit loss model, including model change approval, continuous monitoring of model performance, model validation and parameter calibration, etc; <p>We have evaluated and tested the effectiveness of the control design and implementation on the disclosures related to the credit risk exposure and expected credit loss of the Group.</p>

Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

III. Key Audit Matters (Continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
<i>Evaluation on consolidation of structured entities</i>	
<p>In the process of carrying out financial investment, asset management, credit asset transfer and other businesses, the Group has initiated the establishment or held many different structured subject interests, including financial products, funds, asset management plans, trust plans, etc.</p> <p>The Group shall determine whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgment on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis of these factors and the conclusion on whether it is controlled involve significant judgment and evaluation of management. Due to the significance of the consolidated structured entities and the complexity of judgment exercised by management, consolidation structured entities is considered a key audit matter.</p> <p>Relevant disclosures are included in Note III., 34, Note VI, 2 and 3.</p>	<p>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.</p> <p>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.</p> <p>We conducted a sampling inspection of the relevant contracts to analyze whether the Group has the legal or constructive obligation to bear the ultimate risk loss of the structured entities, and have also checked whether the Group has provided liquidity support or credit enhancement to structured entities.</p> <p>Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures structured entity that not included in the consolidated financial statements.</p>

Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01

Bank of Ningbo Co., Ltd.

IV. Other Information

The management of Bank of Ningbo Co., Ltd. is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our 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 the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view e, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01

Bank of Ningbo Co., Ltd.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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:

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

Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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

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

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

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

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

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Audit Report (Continued)

Audit Report (2022) S.Z. No. 60466992_B01
Bank of Ningbo Co., Ltd.

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Ernst & Young Certified Public Accountants
(Special general partnership)

CPA: Yan Shengwei
(Project partner)

CPA: Chen Lijing

Beijing, China

April 6, 2022

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet
For the Year Ended 31 December 2021

Unit: CNY One Million

Assets	Note V	31 Dec. 2021	31 Dec. 2020
Cash and balances at central banks	1	97,596	102,498
Due from banks	2	17,679	20,040
Precious metal		24,739	23,171
Loans to banks	3	22,009	3,300
Derivative financial assets	4	19,110	32,942
Hold for trading financial asset	5	9,567	626
Loans and advances	6	832,443	663,447
Financial investment:	7		
Trading financial assets		355,391	305,630
Investment on bonds		259,722	216,399
Other investment on bonds		352,151	236,712
Other equity investment		199	111
Investment real estate	8	32	39
Fixed assets	9	7,618	7,276
Construction in progress	10	676	317
Right-of-use assets	11	3,241	-
Intangible assets	12	1,302	1,199
Deferred income tax assets	13	7,377	7,393
Other assets	14	4,755	5,649
Total assets		<u>2,015,607</u>	<u>1,626,749</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet (Continued)
For the Year Ended 31 December 2021

Unit: CNY One Million

Liabilities	Note V	31 Dec. 2021	31 Dec. 2020
Due to Central Bank	16	81,742	83,623
Due to banks and other financial institutions	17	94,714	108,073
Loans from other banks	18	60,226	68,434
Trading financial liabilities	19	20,882	19,092
Derivative financial liabilities	4	19,339	36,257
Financial assets sold for repurchase	20	92,595	29,924
Deposit taking	21	1,062,328	933,164
Wages and salaries payable	22	3,841	2,545
Taxes payable	23	2,631	3,970
Bonds payable	24	382,364	187,443
Lease liabilities	25	3,002	-
Anticipation liabilities	26	2,310	2,822
Deferred income tax liabilities	13	30	-
Other liabilities	27	<u>39,603</u>	<u>32,409</u>
Total liabilities		<u>1,865,607</u>	<u>1,507,756</u>
Shareholders' equity			
Equity	28	6,604	6,008
Other equity tools	29	14,810	14,810
Including: preferred shares		14,810	14,810
Capital reserve	30	37,695	26,403
Other comprehensive income	31	4,371	1,100
Surplus reserve	32	10,418	8,632
General risk reserve	33	16,833	13,608
Undistributed profit	34	58,693	47,919
Equity attributable to shareholders of the parent Company		149,424	118,480
Minority shareholders' equity		<u>576</u>	<u>513</u>
Total shareholders' equity		<u>150,000</u>	<u>118,993</u>
Total liabilities and shareholders' equity		<u>2,015,607</u>	<u>1,626,749</u>

The Financial Statements are signed by:

	Financial work	Accounting institution	
Legal Representative:	principal:	principal:	Seal:

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 2021

Unit: CNY One Million

	Note V	2021	2020
I. Operating income		52,774	41,111
Net interest income	35	32,697	27,859
Interest income	35	67,762	56,789
Interest expense	35	(35,065)	(28,930)
Net fee and commission income	36	8,262	6,342
Fee and commission income	36	9,425	7,315
Fee and commission expense	36	(1,163)	(973)
Investment gains	37	12,531	9,180
Including: income from de-recognition of financial assets measured at amortized cost		289	(10)
Other income	38	303	121
Changes in fair value recognized in profit or loss	39	(105)	(1,303)
Exchange gain or loss	40	(939)	(1,184)
Other operating income		18	24
Assets disposal income		<u>7</u>	<u>72</u>
II. Operating expenditure		(32,296)	(24,611)
Tax and surcharges	41	(413)	(332)
Business and administration expenses	42	(19,500)	(15,609)
Credit impairment losses	43	(12,354)	(8,667)
Impairment loss of other assets		(23)	-
Other operating expenses		<u>(6)</u>	<u>(3)</u>
III. Operating profits		20,478	16,500
Non-operating income		57	33
Non-operating expenditure		<u>(90)</u>	<u>(78)</u>
IV. Total profits		20,445	16,455
Income tax	44	<u>(836)</u>	<u>(1,319)</u>
V. Net profits		<u>19,609</u>	<u>15,136</u>
Including: net profit attributable to the parent company		19,546	15,050
Minority shareholders' gain and loss		63	86

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 2021

Unit: CNY One Million

	Note V	2021	2020
VI. Net after-tax value for other comprehensive income		3,271	(1,120)
Net of tax for other comprehensive income attributable to shareholders of the parent company	31	3,271	(1,120)
Other comprehensive income that cannot be reclassified into profit and loss		26	10
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		26	10
Other comprehensive income will subsequently be reclassified into profit and loss		3,245	(1,130)
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		2,801	(1,022)
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		444	(108)
Net of other comprehensive income attributable to minority shareholders after tax		-	-
VII. Total comprehensive income		<u>22,880</u>	<u>14,016</u>
Including: attributable to shareholders of the parent company		22,817	13,930
attributable to minority shareholders		63	86
VIII. Earnings per share (RMB/share)			
Basic earnings per share	45	3.13	2.43
Diluted earnings per share	45	3.13	2.43

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 2021

Unit: CNY One Million

2021

Item	Equity attributable to shareholders of the parent company								Minority Shareholders' Equity	Total Shareholders' Equity
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Subtotal		
I. Beginning balance of the year	6,008	14,810	26,403	1,100	8,632	13,608	47,919	118,480	513	118,993
II. Increase/decrease in the year	596	-	11,292	3,271	1,786	3,225	10,774	30,944	63	31,007
(I) Total comprehensive income	-	-	-	3,271	-	-	19,546	22,817	63	22,880
(II) Capital invested and reduced	596	-	11,292	-	-	-	-	11,888	-	11,888
1. Shareholder invested capital	596	-	11,292	-	-	-	-	11,888	-	11,888
(III) Profit distribution	-	-	-	-	1,786	3,225	(8,772)	(3,761)	-	(3,761)
1. Withdrawal surplus reserves	-	-	-	-	1,786	-	(1,786)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	3,225	(3,225)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(3,761)	(3,761)	-	(3,761)
III. End balance of the year	6,604	14,810	37,695	4,371	10,418	16,833	58,693	149,424	576	150,000

Notes: including the general risk reserve by the subsidiary amounted to RMB 496,000,000.

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Year Ended 31 December 2021

Unit: CNY One Million

2020

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

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

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Cash Flow Statement
For the Year Ended 31 December 2021

Unit: CNY One Million

	Vote V	2021	2020
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		114,407	222,695
Net increase in loan from the central bank		-	53,203
Net increase in placements from other financial institutions		-	32,399
Net decrease in lending funds		-	900
Cash received from interest, fees and commission		71,534	54,545
Net increase of financial assets sold for repurchase		62,645	-
Other cash received relating to operating activities	47	<u>4,936</u>	<u>3,498</u>
Sub-total of cash inflow from operating activities		<u>253,522</u>	<u>367,240</u>
Net increase in loans and advance payments to customers		173,922	156,552
Net decrease in loan from the central bank		2,041	-
Net increase in deposits with the central bank and other banks		808	3,248
Net decrease in placements from other financial institutions		8,317	-
Net increase in purchase and resale of financial assets		97	-
Net decrease of financial assets sold for repurchase		-	32,770
Net increase in financial assets held for trading purposes		47,374	66,629
Net increase in lending funds		11,744	-
Cash paid to interest, fees and commission		27,570	23,518
Cash paid to and on behalf of employees		11,306	10,023
Taxes paid		6,579	5,658
Cash paid relating to other operating activities ⁴⁸		<u>8,313</u>	<u>8,071</u>
Sub-total of cash outflow from operating activities		<u>298,071</u>	<u>306,469</u>
Net cash flows generated from (used in) operating activities	49	<u>(44,549)</u>	<u>60,771</u>
II. Cash flow from investing activities			
Cash received from investment		1,097,172	2,030,308
Cash received from returns on investment		15,292	19,827
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		<u>65</u>	<u>81</u>
Sub-total of cash outflow from investing activities		<u>1,112,529</u>	<u>2,050,216</u>
Cash paid as investment		1,251,553	2,086,532
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>2,583</u>	<u>1,820</u>
Sub-total of cash outflow from investing activities		<u>1,254,136</u>	<u>2,088,352</u>
Net cash flow used in investing activities		<u>(141,607)</u>	<u>(38,136)</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Cash Flow Statement (Continued)
For the Year Ended 31 December 2021

Unit: CNY One Million

	Vote V	2021	2020
III. Cash flow from financing activities			
Cash received by absorbing investment		11,889	7,998
Cash received by bonds issuing		<u>617,980</u>	<u>315,931</u>
Sub-total of cash inflow from financing activities		<u>629,869</u>	<u>323,929</u>
Cash for payment of borrowing		424,995	344,060
Cash paid for distribution of dividends or profits, or cash paid for interests		9,720	7,735
Cash paid for other financing activities		<u>963</u>	<u>-</u>
Sub-total of cash outflow from financing activities		<u>435,678</u>	<u>351,795</u>
Net cash flow from (used in) financing activities		<u>194,191</u>	<u>(27,866)</u>
IV. Effect of foreign exchange rate change on cash		<u>(326)</u>	<u>(374)</u>
V. Net increase (decrease) in cash and cash equivalents		<u>7,709</u>	<u>(5,605)</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>36,447</u>	<u>42,052</u>
VI. Balance of cash and cash equivalents at the end of the year			
	46	<u>44,156</u>	<u>36,447</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Balance Sheet****For the Year Ended 31 December 2021****Unit: CNY One Million**

Assets	Note XIV	31 Dec. 2021	31 Dec. 2020
Cash and deposits at central banks		97,596	102,498
Due from other banks		13,685	16,530
Precious metal		24,739	23,171
Loans to other banks		23,207	4,195
Derivative financial assets		19,110	32,942
Hold for trading financial asset		9,542	587
Loans and advances	2	763,066	614,421
Financial investment:			
Trading financial assets		350,683	303,720
Investment on bonds		259,121	216,399
Other investment on bonds		352,052	236,712
Other equity investment		199	111
Long-term equity investment	1	7,147	6,147
Investment real estate		32	39
Fixed assets		7,564	7,240
Construction in progress		651	297
Right-of-use asset		3,188	-
Intangible assets		1,225	1,161
Deferred income tax assets		6,833	7,044
Other assets		3,754	5,230
Total assets		<u>1,943,394</u>	<u>1,578,444</u>

Attached notes to financial statements are components of the Financial Statements

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

For the Year Ended 31 December 2021

Unit: CNY One Million

Liabilities	Note XIV	31 Dec. 2021	31 Dec. 2020
Due to Central Banks		81,742	83,623
Deposits by banks and other financial institutions		96,631	108,789
Loan from other banks		9,896	33,126
Trading financial liabilities		20,789	18,995
Derivative financial liabilities		19,339	36,257
Financial assets sold for repurchase		89,701	29,924
Deposits taking		1,062,679	935,062
Wages and salaries payable		3,137	2,016
Taxes payable		2,141	3,623
Bonds payable		379,276	184,356
Lease liabilities		2,952	-
Anticipation liabilities		2,310	2,822
Other liabilities		<u>27,727</u>	<u>24,028</u>
Total liabilities		<u>1,798,320</u>	<u>1,462,621</u>
Shareholders' equity			
Equity		6,604	6,008
Other equity tools		14,810	14,810
Including: preferred shares		14,810	14,810
Capital reserve		37,695	26,403
Other comprehensive income		4,369	1,100
Surplus reserve		10,418	8,632
General risk reserve		15,501	12,772
Undistributed profits		<u>55,677</u>	<u>46,098</u>
Total shareholders' equity		<u>145,074</u>	<u>115,823</u>
Total liabilities and shareholders' equity		<u>1,943,394</u>	<u>1,578,444</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Income Statement****For the Year Ended 31 December 2021****Unit: CNY One Million**

	Note XIV	2021	2020
I. Operating income		48,356	37,662
Net interest income	3	30,660	26,391
Interest income	3	63,937	54,220
Interest expense	3	(33,277)	(27,829)
Net fee and commission income		6,135	4,660
Fee and commission income		7,421	6,016
Fee and commission expense		(1,286)	(1,356)
Investment gains		13,623	8,993
Including: income from de-recognition of financial assets measured at amortized cost		279	(11)
Other income		282	99
Changes in fair value recognized in profit or loss		(1,440)	(1,398)
Exchange gain or loss		(939)	(1,183)
Other operating income		28	28
Assets disposal income		7	72
II. Operating expenditure		(30,209)	(22,915)
Tax and surcharges		(375)	(313)
Business and administration expenses		(18,201)	(14,747)
Credit impairment losses		(11,604)	(7,852)
Other asset impairment losses		(23)	-
Other operating expenses		(6)	(3)
III. Operating profit		18,147	14,747
Non-operating income		57	32
Non-operating expenditure		(89)	(74)
IV. Total profits		18,115	14,705
Income tax		(260)	(881)
V. Net profits		17,855	13,824
VI. Net after-tax value of other comprehensive income		3,269	(1,120)
Other comprehensive income that cannot be reclassified into profit and loss		26	10
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		26	10
Other comprehensive income will subsequently be reclassified to the income statement		3,243	(1,130)
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		2,799	(1,022)
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		444	(108)
VII. Total comprehensive income		21,124	12,704

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 2021

Unit: CNY One Million

2021

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk reserve	Undistributed Profits	Total shareholder's equity
I. Beginning balance of the year	6,008	14,810	26,403	1,100	8,632	12,772	46,098	115,823
II. Increase/decrease in the year	596	-	11,292	3,269	1,786	2,729	9,579	29,251
(I) Total comprehensive income	-	-	-	3,269	-	-	17,855	21,124
(II) Capital invested and reduced	596	-	11,292	-	-	-	-	11,888
1. Shareholder invested capital	596	-	11,292	-	-	-	-	11,888
(III) Profit distribution	-	-	-	-	1,786	2,729	(8,276)	(3,761)
1. Withdrawal surplus reserves	-	-	-	-	1,786	-	(1,786)	-
2. Withdrawal general risk reserve	-	-	-	-	-	2,729	(2,729)	-
3. Dividend distribution	-	-	-	-	-	-	(3,761)	(3,761)
III. End balance of the year	<u>6,604</u>	<u>14,810</u>	<u>37,695</u>	<u>4,369</u>	<u>10,418</u>	<u>15,501</u>	<u>55,677</u>	<u>145,074</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Statement of Changes in Shareholders' Equity (Continued)
For the Year Ended 31 December 2021

Unit: CNY One Million

2020

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

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.**Cash Flow Statement****For the Year Ended 31 December 2021****Unit: CNY One Million**

	Note XIV	2021	2020
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		114,062	222,550
Net increase in loan from the central bank		-	53,203
Net increase in placements from other financial institutions		-	21,067
Net decrease in lending funds		-	900
Cash received from interest, fees and commission		63,707	51,029
Net increase of financial assets sold for repurchase		59,754	-
Other cash received relating to operating activities		<u>4,617</u>	<u>3,272</u>
Sub-total of cash inflow from operating activities		<u>242,140</u>	<u>352,021</u>
Net increase in loans and advance payments to customers		156,567	143,868
Net increase in borrowing from the central bank		2,041	-
Net increase in deposits with the central bank and other banks		344	3,192
Net decrease in placements from other financial institutions		23,214	-
Net increase in purchase and resale of financial assets		97	-
Net decrease of financial assets sold for repurchase		-	32,766
Net increase in financial assets held for trading purposes		44,965	66,599
Net increase in lending funds		11,744	-
Cash paid to interest, fees and commission		26,044	22,907
Cash paid to and on behalf of employees		10,538	9,637
Taxes paid		5,479	4,934
Cash paid relating to other operating activities		<u>6,387</u>	<u>7,457</u>
Sub-total of cash outflow from operating activities		<u>287,420</u>	<u>291,360</u>
Net cash flows generated from (used in) operating activities	4	<u>(45,280)</u>	<u>60,661</u>
II. Cash flow from investing activities			
Cash received from investment		1,097,172	2,030,203
Cash received from returns on investment		15,290	19,827
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		<u>65</u>	<u>81</u>
Sub-total of cash outflow from investing activities		<u>1,112,527</u>	<u>2,050,111</u>
Cash paid as investment		1,250,778	2,087,532
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		<u>2,451</u>	<u>1,758</u>
Sub-total of cash outflow from investing activities		<u>1,253,229</u>	<u>2,089,290</u>
Sub-total of cash outflow from investing activities		<u>(140,702)</u>	<u>(39,179)</u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Cash Flow Statement (Continued)
For the Year Ended 31 December 2021

Unit: CNY One Million

	Note XIV	2021	2020
III. Cash flow from financing activities			
Cash received by absorbing investment		11,889	7,998
Cash received by bonds issuing		<u>617,980</u>	<u>314,931</u>
Sub-total of cash inflow from financing activities		<u>629,869</u>	<u>322,929</u>
Cash for payment of borrowing		424,995	344,060
Cash paid for distribution of dividends or profits, or cash paid for interests		9,611	7,659
Cash paid for other financing activities		<u>945</u>	<u>-</u>
Sub-total of cash outflow from financing activities		<u>435,551</u>	<u>351,719</u>
Net cash flow from (used in) financing activities		<u>194,318</u>	<u>(28,790)</u>
IV. Effect of foreign exchange rate change on cash		<u>(326)</u>	<u>(373)</u>
V. Net increase (decrease) in cash and cash equivalents		<u>8,010</u>	<u>(7,681)</u>
Add: balance of cash and cash equivalents at the beginning of the year		<u>34,288</u>	<u>41,969</u>
VI. Balance of cash and cash equivalents at the end of the year		<u><u>42,298</u></u>	<u><u>34,288</u></u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Notes to Financial Statements
For the Year Ended 31 December 2021

I. Group Profile

1. Company History

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

The Bank holds the No. 00498103 Financial Business Operation Permit, as approved by CBIRC. The enterprise business license No. of the Bank is 91330200711192037M, as issued by Ningbo Administrative Bureau for Industry and Commerce. 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, 2021, 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, Jiaxing, 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 6, 2022. 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

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

These financial statements comply with the requirements of Accounting Standards for Business Enterprises and in all material respects truly and accurately present the financial condition of the Bank and the Group on 31 December 2021 and the operating results and cash flow for 2021.

2. Accounting period

Calendar year from 1 January to 31 December.

3. Recording currency

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

4. Business combination

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

III. Critical Accounting Policies and Estimates (continued)

4. Business combination (continued)

Business Combination under the Common Control

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

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

Business Combination under the Non-common Control

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

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

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

the acquiree before the acquisition date. After the reexamination, if the sum of the fair value of the paid balances (or the fair value of the issued equities securities) and the fair value of equity held by the acquiree before the acquisition date is still less than the fair value of the identifiable net assets obtained from the acquiree in the combination, the balance between them shall be recorded into the profits and losses of the current period.

III. Critical Accounting Policies and Estimates (continued)

5. Consolidated Financial Statements

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

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

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

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

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

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.

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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.

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.

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

Other financial liabilities

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

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. For financial instruments with low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

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

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

Financial guarantee contracts

A financial guarantee contract refers to a contract whereby the issuer pays a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay its debts in accordance with the terms of the debt instrument. Financial guarantee contracts are measured at fair value upon initial recognition. Except for financial guarantee contracts designated as financial liabilities measured at fair value with

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

changes included in current profits and losses, the remaining financial guarantee contracts are will be subsequently measured by deducting the accumulated amortization determined in accordance with the income recognition principle from the expected credit loss reserve and initial recognition amount determined on the balance sheet date after initial recognition, which shall be carried out for the highest balance after cancellation.

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%

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	5-10 years
Land-use rights	40 years
Membership right	10 years

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

Intangible assets with limited service life shall be 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.

16. 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.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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.

III. Critical Accounting Policies and Estimates (continued)

17. Impairment of assets

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

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

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

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

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

18. Long-term deferred expenses

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

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

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

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

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.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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.

III. Critical Accounting Policies and Estimates (continued)

19. Debt assets

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

20. 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)

21. 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.

22. 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)

23. 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.

24. 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.

25. Income

Revenue is recognized according to the amount of consideration expected to be entitled to receive when the customer obtains the control of relevant goods or services and meets other recognition conditions of the following different types of revenue.

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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)

25. 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 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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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)

26. 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.

27. 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)

28. Income tax

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

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

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

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

- (1) that are generated in the following trade: the deferred income tax liabilities occurred at the initial recognition of goodwill, or at the initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) for the taxable temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, the reversed time can be controllable and the temporary differences are unlikely to be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) the deferred income tax asset, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) the deferred income tax asset is recognized for the deductible temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, which at the same time meet the following 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.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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)

28. 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.

29. 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 Company, 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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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)

29. Lease (continued)

As a lessee

For the general accounting treatment of the Group as a lessee, please refer to Notes III, 16 and Notes III, 21.

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) The lease change expands the lease scope by increasing the use right of one or more leased assets;
- (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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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)

29. 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.

30. 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)

31. 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.

32. 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.

33. Segmental report

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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)

34. Significant accounting judgments and estimates

As required for the preparation of financial statements, the management makes judgments estimates and assumption that would affect reporting amounts of income, expense, assets and liabilities as well as the disclosure of contingent liabilities at the balance sheet date. However, the uncertainty of these estimates may result in significant adjustments on the carrying amount of affected future assets and liabilities.

Judgments

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

Business model

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

Characteristics of contractual cash flows

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

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

only consider the laws, regulations and arrangement according to the contract, but also other possible losses that the group may suffer from the structured bodies.

The Group shall re-evaluate whether it is in control of the structured bodies when there's any change in related facts or conditions that may result in the change of concept of control.

III. Critical Accounting Policies and Estimates (continued)

34. Significant accounting judgments and estimates (continued)

Uncertainty of accounting estimates

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

Impairment of financial instruments

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

Impairment of non-financial assets

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

Estimated liabilities

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

Fair value of financial instruments

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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

available, management needs to make estimates on credit risk, market fluctuation and pertinency of the Group and its counterparties. Changes on these assumptions would affect the fair value of financial instruments.

Deferred income tax assets

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

III. Critical Accounting Policies and Estimates (continued)

35. Changes in accounting policies and estimates

Changes in accounting policies

New Lease Standards

In 2018, the Ministry of Finance issued the revised *Accounting Standards for Enterprises No. 21 - Leases* (hereinafter referred to as "New Lease Standards"). The New Lease Standards adopt a single model similar to the current financial lease accounting treatment, requiring the lessee to recognize the right of use assets and lease liabilities for all leases except short-term leases and low value asset leases, and to recognize depreciation and interest expenses respectively. Since January 1, 2021, the Group has carried out accounting treatment in accordance with the New Lease Standards. For contracts existing before the first execution date, the Group chooses not to reassess whether they are leases or include leases, and does not adjust the information of comparable periods according to the connection provisions:

- (1) For the financial lease before the first execution date, the Group measures the right to use assets and lease liabilities respectively according to the original book value of the financial lease in assets and the financial lease payable;
- (2) The Group conducts impairment test on the right to use assets in accordance with Notes III, 17 and carries out corresponding accounting treatment.

The Group adopts simplified treatment for operating leases where the leased assets before the first execution date are low-value assets or operating leases to be completed within 12 months, and the right to use assets and lease liabilities are not recognized. In addition, the Group adopts the following simplified treatment for operating leases before the first execution date:

- (1) When measuring lease liabilities, leases with similar characteristics can adopt the same discount rate; the measurement of right of use assets may not include initial direct expenses;
- (2) If there is an option to renew or terminate the lease, the Group determines the lease term according to the actual exercise of the option before the first execution date and other latest conditions.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

III. Critical Accounting Policies and Estimates (continued)

35. Changes in accounting policies and estimates (continued)

Changes in accounting policies (continued)

New Lease Standards (continued)

For the unpaid minimum lease payments of major operating leases disclosed in the financial statements of 2020, the current value of the Group discounted at the incremental loan interest rate of the Group as the lessee on January 1, 2021 and the difference between the lease liabilities included in the balance sheet on January 1, 2021 are adjusted as follows:

Minimum lease payments for major operating leases as of Dec.31, 2020	3,729
Less: low value asset lease and short-term lease (including VAT)	(20)
Less: VAT	<u>(190)</u>
Weighted average incremental borrowing rate	<u>3.71%</u>
Present value of operating lease payments on Jan. 1, 2021	3,519
Less: the impact of discount by using the incremental loan interest rate on Jan. 1, 2021	(413)
Lease liabilities as of Jan. 1, 2021	<u><u>3,106</u></u>
Use right assets on Jan. 1, 2021	<u><u>3,371</u></u>

As a lessor

According to the transitional provisions of the new lease standards, on the first execution date, the Group does not need to adjust the lease of the Group s the lessor on the first execution date and the comparative information does not need to be restated.

IV. Taxation

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

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

Note 1: Bank of Ningbo Co., Ltd. and its subsidiaries Maxwealth Financial Leasing Co., Ltd., Maxwealth Fund Management Co., Ltd. and Ningyin 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 2021

V. Notes to Items in the Consolidated Financial Statements

1. Cash and balances with central banks

	Dec. 31, 2021	Dec. 31, 2020
Cash on hand	1,487	1,506
Statutory deposit reserve (Note 1)	88,089	86,841
Excess deposit reserve (Note 2)	7,627	13,880
Fiscal deposit	<u>361</u>	<u>232</u>
Subtotal	97,564	102,459
Interest accrued	<u>32</u>	<u>39</u>
	<u><u>97,596</u></u>	<u><u>102,498</u></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, 2021, 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 8% (December 31, 2020: 9%); the deposit ratio of foreign currency deposit reserve was 9% (December 31, 2020: 5%).

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, 2021	Dec. 31, 2020
Due from domestic banks	9,680	10,814
Due from other domestic financial institutions	2,801	2,569
Due from foreign banks	<u>5,197</u>	<u>6,627</u>
Subtotal	17,678	20,010
Interest accrued	47	84
Less: provision for depreciation (Note V, 15)	<u>(46)</u>	<u>(54)</u>
	<u><u>17,679</u></u>	<u><u>20,040</u></u>

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

3. Loans to other banks

	Dec. 31, 2021	Dec. 31, 2020
Banks	10,146	1,305
Other financial institutions	<u>11,800</u>	<u>2,000</u>
Subtotal	21,946	3,305
Interest accrued	154	1
Less: provision for depreciation (Note V, 15)	<u>(91)</u>	<u>(6)</u>
	<u><u>22,009</u></u>	<u><u>3,300</u></u>

4. Derivative financial instruments

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

	Nominal amount	Dec. 31, 2021	
		Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
-Currency forward	128,254	354	(2,296)
-Currency swap	860,719	7,608	(5,493)
-Currency exchange	20,718	213	(76)
-Foreign currency option	221,686	2,385	(2,369)
Interest rate derivatives			
-Interest rate swap	1,727,426	8,164	(8,343)
-Interest rate option	102	-	-
Other derivatives			
-Equity option	1,318	251	(251)
-Credit risk mitigation instrument	830	10	(18)
-Nobel metal forward/swap	<u>32,027</u>	<u>125</u>	<u>(493)</u>
	<u><u>2,993,080</u></u>	<u><u>19,110</u></u>	<u><u>(19,339)</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

4. Derivative financial instruments (continued)

	Nominal amount	Dec. 31, 2020	
		Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
-Currency forward	76,550	271	(2,024)
-Currency swap	1,054,198	21,928	(23,144)
-Currency exchange	5,074	111	(88)
-Foreign currency option	124,763	1,483	(2,238)
Interest rate derivatives			
-Interest rate swap	1,959,258	8,434	(8,373)
-Interest rate option	19	-	-
Other derivatives			
-Equity option	800	112	(112)
-Credit risk mitigation instrument	830	-	(6)
-Nobel metal forward/swap	<u>22,577</u>	<u>603</u>	<u>(272)</u>
	<u>3,244,069</u>	<u>32,942</u>	<u>(36,257)</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 2021

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

5. Hold for trading financial assets

	Dec. 31, 2021	Dec. 31, 2020
Classified by pledges:		
Bonds	<u>9,567</u>	<u>626</u>
Interest accrued	2	-
Less: provision for impairment (Note V, 15)	<u>(2)</u>	<u>-</u>
	<u>9,567</u>	<u>626</u>
Classified by counter parties:		
Banks	-	593
Other financial institutions	<u>9,567</u>	<u>33</u>
Subtotal	9,567	626
Interest accrued	2	-
Less: provision for impairment (Note V, 15)	<u>(2)</u>	<u>-</u>
	<u>9,567</u>	<u>626</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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, 2021	Dec. 31, 2020
Measured at amortized cost		
Corporate loans and advances	464,462	369,881
Loan	450,818	363,069
Trade financing	13,644	6,812
Individual loans	333,128	261,653
Individual consumption loan	219,847	178,378
Individual operating loan	75,968	60,013
Individual housing loan	37,313	23,262
Measured at fair value with changes through other comprehensive income		
Discount	<u>65,119</u>	<u>56,181</u>
Subtotal	862,709	687,715
Interest accrued	3,451	2,668
Less: loan impairment provision measured at amortized cost	<u>(33,717)</u>	<u>(26,936)</u>
Book value of loans and advances	<u><u>832,443</u></u>	<u><u>663,447</u></u>

The first, second and third stages of the total loans and advances issued by the Group are RMB 838,605,000,000, RMB 20,909,000,000 and RMB 6,646,000,000 respectively (December 31, 2020: first, second and third stages were RMB 660,773,000,000, RMB 23,943,000,000 and RMB 5,667,000,000).

As of December 31, 2021, 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 1,066,000,000 (December 31, 2020: RMB 647,000,000), which is included in other comprehensive income.

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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, 2021	Dec. 31, 2020
Credit loan	303,969	241,041
Guarantee loan	234,276	184,528
Mortgage loan	248,749	198,499
Pledge loan	<u>75,715</u>	<u>63,647</u>
Total loans and advances	862,709	687,715
Interest accrued	3,451	2,668
Less: loan loss provision	<u>(33,717)</u>	<u>(26,936)</u>
Net value of loans and advances	<u><u>832,443</u></u>	<u><u>663,447</u></u>

6.3 Overdue loans

	Dec. 31, 2021				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 year (included)	over 3 years	
Credit loan	976	1,688	506	49	3,219
Guarantee loan	126	156	401	79	762
Mortgage and pledge loan	<u>734</u>	<u>676</u>	<u>762</u>	<u>367</u>	<u>2,539</u>
	<u><u>1,836</u></u>	<u><u>2,520</u></u>	<u><u>1,669</u></u>	<u><u>495</u></u>	<u><u>6,520</u></u>
	Dec. 31, 2020				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 year (included)	over 3 years	
Credit loan	599	1,224	348	40	2,211
Guarantee loan	79	421	366	37	903
Mortgage and pledge loan	<u>292</u>	<u>1,020</u>	<u>940</u>	<u>118</u>	<u>2,370</u>
	<u><u>970</u></u>	<u><u>2,665</u></u>	<u><u>1,654</u></u>	<u><u>195</u></u>	<u><u>5,484</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

6. Loans and advances (continued)

6.4 Provision for loan losses

Changes to the provisions for loans and advances of the year 2021 are as follows:

Provision for loans measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total Note V (15)
Beginning balance	18,130	3,846	4,960	26,936
Drawing in the year	4,529	1,362	3,371	9,262
Transferred to stage I	924	(916)	(8)	-
Transferred to stage II	(280)	282	(2)	-
Transferred to stage III	(50)	(83)	133	-
Write-off and transfer	-	-	(3,727)	(3,727)
Received from loans for sale and reconciliation from advance payment	-	-	1,268	1,268
Transfer by write-down of impaired loan and advance interest	-	-	(22)	(22)
End balance	<u>23,253</u>	<u>4,491</u>	<u>5,973</u>	<u>33,717</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 (15)
Beginning balance	644	3	-	647
Drawing in the year	<u>406</u>	<u>11</u>	<u>2</u>	<u>419</u>
End balance	<u>1,050</u>	<u>14</u>	<u>2</u>	<u>1,066</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

6. Loans and advances (continued)

6.4 Provision for loan losses (continued)

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

Provision for loans measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total Note V (15)
Beginning balance	7,945	9,938	3,229	21,112
Drawing / (return) in the year	5,332	(1,156)	3,438	7,614
Transferred to stage I	4,988	(4,981)	(7)	-
Transferred to stage II	(115)	157	(42)	-
Transferred to stage III	(20)	(112)	132	-
Write-off and transfer	-	-	(2,855)	(2,855)
Received from loans for sale and reconciliation from advance payment	-	-	1,114	1,114
Transfer by write-down of impaired loan and advance interest	-	-	(49)	(49)
End balance	<u>18,130</u>	<u>3,846</u>	<u>4,960</u>	<u>26,936</u>

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

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total Note V (15)
Beginning balance	514	76	-	590
Drawing / (return) in the year	<u>130</u>	<u>(73)</u>	-	<u>57</u>
End balance	<u>644</u>	<u>3</u>	-	<u>647</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

7. Financial investment

7.1 Trading financial assets

	Dec. 31, 2021	Dec. 31, 2020
Financial assets measured at fair value with changes through current profit and loss		
Debt instruments		
Government bond	15,295	13,833
Policy based financial bond	11,524	3,026
Due from other banks	5,393	2,653
Corporate bond	6,819	6,147
Financial bond	929	4,771
Asset management plan	57,908	55,519
Trust plan	30,185	31,718
Financial products	10	-
Fund investment	227,023	187,911
Equity instruments		
Equity investment	<u>305</u>	<u>52</u>
	<u>355,391</u>	<u>305,630</u>

7.2 Lending investment

	Dec. 31, 2021	Dec. 31, 2020
Government bond	145,559	101,297
Asset management plan	97,021	86,719
Trust plan	<u>18,238</u>	<u>28,554</u>
Subtotal	260,818	216,570
Interest accrued	2,750	2,165
Less: impairment provision (Note V, 15)	<u>(3,846)</u>	<u>(2,336)</u>
	<u>259,722</u>	<u>216,399</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.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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:

2021:

	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	2,220	-	116	2,336
Withdrawing / provision of the year	1,410	20	(153)	1,277
Transferred from recovery of original investment	-	-	233	233
End balance	<u>3,630</u>	<u>20</u>	<u>196</u>	<u>3,846</u>

2020:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	1,590	672	20	2,282
Withdrawing / provision of the year	130	(170)	72	32
Transferred to stage I	502	(502)	-	-
Transferred to stage III	(2)	-	2	-
Write-off the year	-	-	(6)	(6)
Transferred from recovery of original investment	-	-	28	28
End balance	<u>2,220</u>	<u>-</u>	<u>116</u>	<u>2,336</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

7. Financial investment (continued)

7.3 Other lending investments

	Dec. 31, 2021	Dec. 31, 2020
Government bond	289,958	183,615
Policy based financial bond	2,540	2,380
Corporate bond	23,167	12,611
Due from other banks	199	10,456
Other financial bonds	83	220
Trust plan	<u>32,435</u>	<u>25,115</u>
Subtotal	348,382	234,397
Interest accrued	<u>3,769</u>	<u>2,315</u>
	<u><u>352,151</u></u>	<u><u>236,712</u></u>

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

2021:

	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	291	34	64	389
Withdrawing / provision of the year	194	(17)	(4)	173
Transferred to stage I	14	(14)	-	-
Transferred to stage II	<u>(4)</u>	<u>4</u>	<u>-</u>	<u>-</u>
End balance	<u><u>495</u></u>	<u><u>7</u></u>	<u><u>60</u></u>	<u><u>562</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

7. Financial investment (continued)

7.3 Other lending investments (continued)

2020:

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

7.4 Other equity instrument investment

2021:

	Accumulative changes of fair value Cost through other comprehensive income	Fair value	Shareholding ratio (%)	2021 cash dividend
China Union Co., Ltd.	13	131	0.34	3
Clearing Center for City Commercial Bank-		5	0.83	-
Lushan Tourism Development Stock Co., Ltd.	15	-	1.50	-
Ningbo Donghai Bank Co., Ltd.	53	(18)	4.99	-
	<u>81</u>	<u>118</u>	<u>199</u>	<u>3</u>

2020:

	Accumulative changes of fair value Cost through other comprehensive income	Fair value	Shareholding ratio (%)	2021 cash dividend
China Union Co., Ltd.	13	85	0.34	2
Clearing Center for City Commercial Bank-		5	0.83	-
Lushan Tourism Development Stock Co., Ltd.	15	(7)	8	1.50
	<u>28</u>	<u>83</u>	<u>111</u>	<u>2</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

8. Investing real estate

Continuing measurement on fair value:

Houses and buildings

	Dec. 31, 2021	Dec. 31, 2020
Beginning balance	39	39
Changes of fair value	<u>(7)</u>	<u>-</u>
End balance	<u><u>32</u></u>	<u><u>39</u></u>

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

9. Fixed assets

2021	House and construction	Transportation tool	Electronic equipment	Machinery equipment	Total
Original price:					
Dec. 31, 2020	8,630	200	1,724	289	10,843
Purchase in the year	655	21	320	80	1,076
Transfer from construction in progress	11	-	2	-	13
Disposal/scrapping	<u>(47)</u>	<u>(10)</u>	<u>(10)</u>	<u>(3)</u>	<u>(70)</u>
Dec. 31, 2021	<u>9,249</u>	<u>211</u>	<u>2,036</u>	<u>366</u>	<u>11,862</u>
Accumulated depreciation:					
Dec. 31, 2020	2,275	137	1,012	138	3,562
Drawing	430	19	220	49	718
Disposal / scrapping	<u>(19)</u>	<u>(10)</u>	<u>(9)</u>	<u>(3)</u>	<u>(41)</u>
Dec. 31, 2021	<u>2,686</u>	<u>146</u>	<u>1,223</u>	<u>184</u>	<u>4,239</u>
Depreciation Provision:					
Dec. 31, 2020	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>5</u>
Dec. 31, 2021	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>5</u>
Book value:					
Dec. 31, 2021	<u>6,561</u>	<u>65</u>	<u>811</u>	<u>181</u>	<u>7,618</u>
Dec. 31, 2020	<u>6,353</u>	<u>63</u>	<u>710</u>	<u>150</u>	<u>7,276</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

9. Fixed assets (continued)

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

As of December 31, 2021 and December 31, 2020, all the houses and buildings of the Group have obtained the property certificate.

As of 31 Dec. 2021 and as of 31 Dec. 2020, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 1,251 million and RMB 1,075 million. The net book value was RMB 37 million and RMB 31 million respectively.

As of December 31, 2021, the group has idle houses and buildings with a net value of RMB 14 million. As of December 31, 2020, houses and buildings with a net value of RMB 26 million were idle.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

10. Construction in progress

2021						
	Dec. 31, 2020	Increase	Transfer into fixed assets	Other decreases	Dec. 31, 2021	Source of fund
Business occupancy	195	247	(11)	(22)		409Self
Others	<u>122</u>	<u>406</u>	<u>(2)</u>	<u>(259)</u>	<u>267</u>	Self
	<u>317</u>	<u>653</u>	<u>(13)</u>	<u>(281)</u>	<u>676</u>	
2020						
	Dec. 31, 2019	Increase	Transfer into fixed assets	Other decreases	Dec. 31, 2020	Source of fund
Business occupancy	1,243	491	(835)	(704)	195	Self
Others	<u>81</u>	<u>224</u>	<u>(1)</u>	<u>(182)</u>	<u>122</u>	Self
	<u>1,324</u>	<u>715</u>	<u>(836)</u>	<u>(886)</u>	<u>317</u>	

No interest capitalized expenses existed in the construction in progress.

No depreciation happened in the construction in progress of the Group, so no impairment provision of the construction in progress was accrued.

11. Right-of-use asset

2021		Houses and Buildings
Original value:		
Dec. 31, 2020		3,371
Increase in the period		648
Decrease in the period		<u>(104)</u>
Dec. 31, 2021		3,915
Accumulated depreciation		
Dec. 31, 2020		-
Increase in the period		691
Decrease in the period		<u>(17)</u>
Dec. 31, 2021		674
Book value		
Dec. 31, 2021		<u>3,241</u>
Dec. 31, 2020		<u>3,371</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

12. Intangible assets

2021	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2020	923	830	22	1,775
Increase	<u>327</u>	<u>22</u>	<u>-</u>	<u>349</u>
Dec. 31, 2021	<u>1,250</u>	<u>852</u>	<u>22</u>	<u>2,124</u>
Accumulated amortization:				
Dec. 31, 2020	516	38	22	576
Increase	<u>156</u>	<u>90</u>	<u>-</u>	<u>246</u>
Dec. 31, 2021	<u>672</u>	<u>128</u>	<u>22</u>	<u>822</u>
Book value:				
Dec. 31, 2021	<u>578</u>	<u>724</u>	<u>-</u>	<u>1,302</u>
Dec. 31, 2020	<u>407</u>	<u>792</u>	<u>-</u>	<u>1,199</u>
2020	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2019	697	100	22	819
Increase	<u>226</u>	<u>730</u>	<u>-</u>	<u>956</u>
Dec. 31, 2020	<u>923</u>	<u>830</u>	<u>22</u>	<u>1,775</u>
Accumulated amortization:				
Dec. 31, 2019	397	19	22	438
Increase	<u>119</u>	<u>19</u>	<u>-</u>	<u>138</u>
Dec. 31, 2020	<u>516</u>	<u>38</u>	<u>22</u>	<u>576</u>
Book value:				
Dec. 31, 2020	<u>407</u>	<u>792</u>	<u>-</u>	<u>1,199</u>
Dec. 31, 2019	<u>300</u>	<u>81</u>	<u>-</u>	<u>381</u>

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

13. Deferred income tax assets/liabilities

13.1. Deferred income tax assets and liabilities before offsetting each other

Deferred income tax assets and liabilities before offsetting each other:

	Dec. 31, 2021		Dec. 31, 2010	
	Deductible/ (taxable)	Deferred income tax	Deductible/ (taxable)	Deferred income tax
	Temporary difference assets /(liabilities)		Temporary difference assets /(liabilities)	
Deferred income tax assets	<u>51,177</u>	<u>12,794</u>	<u>63,148</u>	<u>15,787</u>
Deferred income tax liabilities	<u>(21,788)</u>	<u>(5,447)</u>	<u>(33,574)</u>	<u>(8,394)</u>

Temporary differences of the deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	Dec. 31, 2021		Dec. 31, 2020	
	Deductible Temporary difference	Deferred Income tax assets	Deductible Temporary difference	Deferred Income tax assets
Deferred income tax assets				
Provisions for asset depreciation	29,027	7,257	22,630	5,658
Changes in fair value of derivative financial liabilities	17,576	4,394	34,975	8,744
Changes in fair value of available-for-sale financial assets	-	-	445	111
Estimated liabilities	2,309	577	2,797	699
Deferred income	1,801	450	2,041	510
Others	<u>464</u>	<u>116</u>	<u>260</u>	<u>65</u>
	<u>51,177</u>	<u>12,794</u>	<u>63,148</u>	<u>15,787</u>

	Dec. 31, 2020		Dec. 31, 2019	
	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	(4,052)	(1,013)	(313)	(78)
Changes in fair value of other equity instruments	(118)	(30)	(83)	(21)
Changes in fair value of derivative financial assets	(17,129)	(4,282)	(31,701)	(7,925)
Changes in fair value of trading financial assets	(329)	(82)	(1,427)	(357)
Changes in fair value of trading financial liabilities	(129)	(32)	-	-

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

Others	<u>(12)</u>	<u>(3)</u>	<u>(31)</u>	<u>(8)</u>
	<u>(21,788)</u>	<u>(5,447)</u>	<u>(33,574)</u>	<u>(8,394)</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

13. Deferred income tax assets/liabilities (continued)

13.2. Deferred income tax assets and liabilities after offsetting

The Company's deferred income tax assets and liabilities after offsetting and the corresponding temporary differences are as follows:

	Dec. 31, 2021		Dec. 31, 2020	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>12,794</u>	<u>7,377</u>	<u>15,787</u>	<u>7,393</u>
Deferred income tax liabilities	<u>(5,447)</u>	<u>(30)</u>	<u>(8,394)</u>	<u>-</u>

14. Other assets

		Dec. 31, 2021	Dec. 31, 2020
Other receivables	14.1	2,005	1,536
Amount to be settled/liquidated		1,638	2,771
Long-term deferred expenses	14.2	912	761
Interest receivable		78	112
Pending deduct VAT on purchase		76	70
Debt assets	14.3	11	43
Others		<u>35</u>	<u>356</u>
		<u>4,755</u>	<u>5,649</u>

14.1. Other receivables

	Dec. 31, 2021				Total	Proportion	Provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years				
Deposit	14	20	5	7	46	2.21%	-	46
Others	<u>1,811</u>	<u>88</u>	<u>67</u>	<u>72</u>	<u>2,038</u>	<u>97.79%</u>	<u>(79)</u>	<u>1,959</u>
	<u>1,825</u>	<u>108</u>	<u>72</u>	<u>79</u>	<u>2,084</u>	<u>100.00%</u>	<u>(79)</u>	<u>2,005</u>

	Dec. 31, 2020				Total	Proportion	Provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years				
Deposit	39	5	3	4	51	3.08%	-	51
Others	<u>832</u>	<u>643</u>	<u>88</u>	<u>40</u>	<u>1,603</u>	<u>96.92%</u>	<u>(118)</u>	<u>1,485</u>
	<u>871</u>	<u>648</u>	<u>91</u>	<u>44</u>	<u>1,654</u>	<u>100.00%</u>	<u>(118)</u>	<u>1,536</u>

The balance of the account does not involve the arrearages to those shareholders' companies with 5% or over 5% shareholding of the Company till 31 December 2021 (31 Dec. 2020: none).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

14. Other assets (continued)

14.2. Long-term deferred expenses

2021	Improvement of fixed assets rented for operating purpose	Others	Total
Dec. 31, 2020	739	22	761
Increase	409	2	411
Decrease	-	(9)	(9)
Amortize	<u>(240)</u>	<u>(11)</u>	<u>(251)</u>
Dec. 31, 2021	<u>908</u>	<u>4</u>	<u>912</u>
2020	Improvement of fixed assets rented for operating purpose	Others	Total
Dec. 31, 2019	548	100	648
Increase	359	5	364
Decrease	-	(58)	(58)
Amortize	<u>(168)</u>	<u>(25)</u>	<u>(193)</u>
Dec. 31, 2020	<u>739</u>	<u>22</u>	<u>761</u>

14.3. Debt assets

The debt assets of the Group mainly included houses and buildings.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

15. Allowances for assets impairment

2021	Note	Dec. 31, 2020	Withdraw / Write-off/ (Back appropriation)	Withdrawal after verification	Dec. 31, 2021
Provision for impairment of deposits with banks	2	54	(8)	-	46
Provision for impairment of lending funds	3	6	85	-	91
Provision for loan impairment measured at amortized cost	6	26,936	9,262	(2,481)	33,717
Provision for impairment of loans other comprehensive income measured at fair value with changes included in other comprehensive income	6	647	419	-	1,066
Provision for impairment of investment on creditor's rights	7	2,336	1,277	233	3,846
Provision for impairment of other investment on creditor's rights	7	389	173	-	562
Provision for impairment of other assets		183	(31)	(4)	148
Provision for impairment of fixed assets	9	5	-	-	5
Provision for impairment of precious metal		13	(3)	-	10
Provision for impairment of resale financial assets	5	-	2	-	2
		<u>30,569</u>	<u>11,176</u>	<u>(2,252)</u>	<u>39,493</u>

2020	Note	Dec. 31, 2019	Withdraw / Write-off/ (Back appropriation)	Withdrawal after verification	Dec. 31, 2020
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Provision for impairment of deposits with banks	2	38	16	-	54
Provision for impairment of lending funds	3	9	(3)	-	6
Provision for loan impairment measured at amortized cost	6	21,112	7,614	(1,790)	26,936
Provision for impairment of loans other comprehensive income measured at fair value with changes included in other comprehensive income	6	590	57	-	647
Provision for impairment of investment on creditor's rights	7	2,282	32	22	2,336

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

Provision for impairment of other investment on creditor's rights	7	590	(201)	-	389
Provision for impairment of other assets		110	73	-	183
Provision for impairment of fixed assets	9	5	-	-	5
Provision for impairment of precious metal	8	5	-	-	13
		<u>24,744</u>	<u>7,593</u>	<u>(1,768)</u>	<u>30,569</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

16. Borrowing from the central bank

	Dec. 31, 2021	Dec. 31, 2020
Medium term loan	76,441	75,218
Epidemic special loan	-	6,000
Others	<u>4,786</u>	<u>2,050</u>
Subtotal	81,227	83,268
Accrued interest	<u>515</u>	<u>355</u>
	<u><u>81,742</u></u>	<u><u>83,623</u></u>

17. Deposit in other banks/financial institutions

	Dec. 31, 2021	Dec. 31, 2020
Deposit with domestic banks	922	5,386
Deposit with foreign banks	64	1
Other financial institutions	<u>93,561</u>	<u>102,465</u>
Subtotal	94,547	107,852
Accrued interest	<u>167</u>	<u>221</u>
	<u><u>94,714</u></u>	<u><u>108,073</u></u>

The interbank deposits of related parties of the Group at the end of the year are detailed in Note IX/ 2.5.

18. Deposit funds

	Dec. 31, 2021	Dec. 31, 2020
Banks	54,748	68,065
Other financial institutions	<u>5,000</u>	<u>-</u>
Subtotal	59,748	68,065
Accrued interest	<u>478</u>	<u>369</u>
	<u><u>60,226</u></u>	<u><u>68,434</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

19. Trading financial liabilities

	Dec. 31, 2021	Dec. 31, 2020
Precious metal	20,790	18,996
Financial liabilities measured at fair value through profit or loss	<u>92</u>	<u>96</u>
	<u>20,882</u>	<u>19,092</u>

20. Financial assets sold for repurchase

	Dec. 31, 2021	Dec. 31, 2020
Classified by pledges		
Bonds	87,056	21,549
Bills	<u>5,482</u>	<u>8,344</u>
Subtotal	92,538	29,893
Accrued interest	<u>57</u>	<u>31</u>
	<u>92,595</u>	<u>29,924</u>
Classified by counter party		
Banks	90,999	29,893
Other financial institutions	<u>1,539</u>	<u>-</u>
Subtotal	92,538	29,893
Accrued interest	<u>57</u>	<u>31</u>
	<u>92,595</u>	<u>29,924</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

21. Deposit

	Dec. 31, 2021	Dec. 31, 2020
Demand deposit		
Corporate	358,058	361,254
Personal	73,357	53,029
Fixed time deposit		
Corporate	433,533	323,626
Personal	140,537	148,350
Guarantee deposit	45,180	37,312
Others	<u>2,222</u>	<u>1,603</u>
Subtotal	1,052,887	925,174
Accrued interest	<u>9,441</u>	<u>7,990</u>
	<u><u>1,062,328</u></u>	<u><u>933,164</u></u>

See Note IX/2.3 for deposits of the related parties of the Company at the end of the year.

22. Payroll payable

2021	Dec. 31, 2020	Addition	Payment	Dec. 31, 2021
Short-term salary:				
Salary, bonus and allowance	2,544	10,356	9,062	3,838
Welfare	-	796	796	-
Social insurances				
Medical insurance	-	257	256	1
Work injury insurance	-	6	6	-
Maternity insurance	-	8	8	-
House funds	-	578	578	-
Labor union's funds and employee education funds	<u>-</u>	<u>44</u>	<u>44</u>	<u>-</u>
Contribution plan:				
Basic pension insurance	-	437	437	-
Unemployment insurance	-	14	14	-
Annuity plan	<u>1</u>	<u>106</u>	<u>105</u>	<u>2</u>
	<u><u>2,545</u></u>	<u><u>12,602</u></u>	<u><u>11,306</u></u>	<u><u>3,841</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

22. Payroll payable (continued)

2020	Dec. 31, 2019	Addition	Payment	Dec. 31, 2020
Short-term salary:				
Salary, bonus and allowance	2,429	8,609	8,494	2,544
Welfare	-	681	681	-
Social insurances				
Medical insurance	-	165	165	-
Work injury insurance	-	1	1	-
Maternity insurance	-	5	5	-
House funds	-	439	439	-
Labor union's funds and employee education funds	-	56	56	-
Contribution plan:				
Basic pension insurance	-	42	42	-
Annuity plan	1	140	140	1
	<u>2,430</u>	<u>10,138</u>	<u>10,023</u>	<u>2,545</u>

23. Tax payable

	Dec. 31, 2021	Dec. 31, 2020
Corporate income tax	1,443	2,902
Value-added tax	953	828
Individual income tax	74	66
City maintenance and construction tax	41	65
Educational surcharges	51	46
Taxes payable on behalf of entrusted loans	21	26
Others	48	37
	<u>2,631</u>	<u>3,970</u>

24. Bond payable

	Dec. 31, 2021	Dec. 31, 2020
Financial bond payable	41,997	63,982
Subordinated bond payable	2,996	2,996
Subordinated capital bond payable	39,488	29,989
Interbank deposit certificates payable	296,357	88,503
Subtotal	380,838	185,470
Accrued interest	1,526	1,973
	<u>382,364</u>	<u>187,443</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

24. Bond payable (continued)

Balance of bond payables to the date 31 December 2021 is as follows:

	Bond Date of issue	Bond period	Book value	Dec. 31, 2020	Issued in 2021	2021	Discount Amortize	Transfer shares/ Repayment	
						Accrued interest		Dec. 31, 2021	Dec. 31, 2021
12 Subordinated (1)11/22/2012	15 years		3,000	2,996	-	173	-	-	2,996
13 Financial bond(2)4/16/2013	10 years		3,000	2,998	-	154	1	-	2,999
17 Tier II capital									
Bonds (4)	12/6/2017	10 years	10,000	9,992	-	481	1	-	9,993
18 Financial bond (5)3/20/2018	3 years		10,000	9,995	-	118	5	(10,000)	-
18 Financial bond (5)5/21/2018	3 years		8,000	7,995	-	151	5	(8,000)	-
18 Financial bond (5)7/24/2018	3 years		6,000	5,996	-	149	4	(6,000)	-
18 Green									
Financial bond (6)10/24/2018	3 years		3,000	2,999	-	98	1	(3,000)	-
19 financial bond (7)1/14/2019	3 years		6,000	6,000	-	210	-	-	6,000
19 Tier II capital									
Bonds (8)	7/10/2019	10 years	10,000	10,000	-	440	-	-	10,000
19 Small and micro financial bonds									
(9)	8/8/2019	3 years	6,000	6,000	-	208	-	-	6,000
19 Small and micro financial bonds									
(9)	10/14/2019	3 years	6,000	6,000	-	208	-	-	6,000
19 Small and micro financial bonds									
(9)	10/14/2019	5 years	1,000	1,000	-	38	-	-	1,000
20 Small and micro financial bonds									
(10)	3/4/2020	3 years	5,500	5,500	-	161	-	-	5,500
20 Small and micro financial bonds									
(10)	3/4/2020	5 years	1,500	1,500	-	47	-	-	1,500
20 Financial bond (11)4/9/2020	3 years		5,000	5,000	-	120	-	-	5,000
20 Tier II capital									
Bonds (12)	8/6/2020	10 years	10,000	9,997	-	410	-	-	9,997
21 Financial bond (15)4/8/2021	3 years		5,000	-	5,000	125	(1)	-	4,999
21 Tier II capital									
Bonds (16)	6/3/2021	10 years	6,000	-	6,000	131	(1)	-	5,999
21 Tier II capital									
Bonds (16)	7/8/2021	10 years	3,500	-	3,500	60	(1)	-	3,499
19 Maxwealth financial									
Bond (13)	3/13/2019	3 years	2,000	1,999	-	76	-	-	1,999
20 Maxwealth financial									
Bond (14)	2/25/2020	3 years	1,000	1,000	-	32	-	-	1,000
		Term of bond			Actual interest rate	Book value		Balance at the end of year	
Deposit of other banks		from 1 month to 1 year			2.35%-2.96%		299,840		296,357

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

24. Bond payable (continued)

Balance of bond payables to the date 31 December 2020 is as follows:

	Bond Date of issue	Book value	Dec. 31, 2019	Issued in 2020	2020	Discount Amortize	Transfer shares/ Repayment	Dec. 31, 2020
					Accrued interest			
12 Subordinated (1)11/22/2012	15 years	3,000	2,995	-	173	1	-	2,996
13 Financial bond(2)4/16/2013	10 years	3,000	2,997	-	155	1	-	2,998
15 Tier II capital Bonds (3)	5/26/2015 10 years	7,000	6,992	-	154	8	(7,000)	-
17 Tier II capital Bonds (4)	12/6/2017 10 years	10,000	9,991	-	481	1	-	9,992
18 Financial bond(6)3/20/2018	3 years	10,000	9,994	-	517	1	-	9,995
18 Financial bond (6)5/21/2018	3 years	8,000	7,995	-	377	-	-	7,995
18 Financial bond(6)7/24/2018	3 years	6,000	5,996	-	259	-	-	5,996
18 Green Financial bond (8)10/24/2018	3 years	3,000	2,999	-	119	-	-	2,999
19 financial bond(8)1/14/2019	3 years	6,000	6,000	-	210	-	-	6,000
19 Tier II capital Bonds (9)	7/10/2019 10 years	10,000	10,000	-	441	-	-	10,000
19 Small and micro financial bonds (10)	8/8/2019 3 years	6,000	6,000	-	208	-	-	6,000
19 Small and micro financial bonds (10)	10/14/2019 3 years	6,000	6,000	-	208	-	-	6,000
19 Small and micro financial bonds (10)	10/14/2019 5 years	1,000	1,000	-	38	-	-	1,000
20 Small and micro financial bonds (11)	3/4/2020 3 years	5,500	-	5,500	132	-	-	5,500
20 Small and micro financial bonds (11)	3/4/2020 5 years	1,500	-	1,500	38	-	-	1,500
20 Financial bond(12)4/9/2020	3 years	5,000	-	5,000	86	-	-	5,000
20 Tier II capital Bonds (13)	8/6/2020 10 years	10,000	-	10,000	160	(3)	-	9,997
19 Maxwealth financial Bond (14)	3/13/2019 3 years	2,000	1,999	-	76	-	-	1,999
20 Maxwealth financial Bond (15)	2/25/2020 3 years	1,000	-	1,000	27	-	-	1,000
	Term of bond		Actual interest rate		Book value		Balance at the end of year	
Deposit of other banks	from 1 month to 1 year		2.16%-3.31%		88,760		88,503	

- (1) On 22 November 2012, the Company issued 15-year term subordinated bonds at the par value of RMB 3 billion in the national inter-bank bond market. The Company has the right of redemption of these subordinated bonds at the end of the 10th year of interest accrual. The annual interest rate for these subordinated bonds is 5.75%. The interest shall be paid annually and once it is in due, the principal shall be paid off at one time.
- (2) On 16 April 2013, the Company issued the term financial bonds at the par value of RMB 8 billion in the national inter-bank bond market, including: type 1 is the five-year bonds of fixed interest rate, RMB 5 billion, coupon rate 4.70%, and was matured during the reporting period; type 2 is the ten-year bonds of fixed interest rate, RMB 3 billion coupon rate 5.13%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.
- (3) On 26 May 2015, the Company issued the Tier II Capital bonds at the par value of RMB 7 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interest rate. Right of redemption with certain premise is attached. The nominal interest rate is 5.19%, with the interest paid annually. The principal will be repaid at the time of maturity all at once. On 27 May 2020, the Group exercised the right to redeem the notes in full.

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

24. Bond payable (continued)

- (4) On 6 December 2017, the Company issued the Tier II Capital bonds at the par value of RMB 10 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interested rate. Right of redemption with certain premise is attached. The nominal interest rate is 4.80%, with the interest paid annually. The principal will be repaid at the time of maturity all at once.
- (5) On 20 March 2018, 21 May 2018 and 24 July 2018, the Company issued the financial bonds at the par values of RMB 10 billion, RMB 8 billion and RMB 6 billion in the national inter-bank bond market respectively, including: type 1 is the three-year bonds of fixed interest rate, RMB 10 billion, coupon rate 5.15%; type 2 is the three-year bonds of fixed interest rate, RMB 8 billion, coupon rate 4.70%; type 3 is the three-year bonds of fixed interest rate, RMB 6 billion, coupon rate 4.30%. All of these three bonds need to pay interest annually and fully repay the principal at the time of maturity. The above bonds have been matured and cashed on March 22, 2021, May 23, 2021 and July 26, 2021 respectively.
- (6) On 24 October 2018, the Company issued the green financial bonds at the par value of RMB 3 billion in the national inter-bank bond market, which are the three-year bonds of fixed interest rate with a coupon rate of 3.97%. The interest is paid annually and the principal is fully repaid at the time of maturity. On October 26, 2021, the bonds have been matured and cashed.
- (7) On January 14, 2019, the Group publicly issued financial bonds with a total face value of RMB 6 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years, a scale of RMB 6 million, and a nominal interest rate of 3.50%. The interest will be paid by year, and the principal will be return upon maturity.
- (8) 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.
- (9) On August 8, 2019 and October 14, 2019, the Group issued special financial bonds with total face value of RMB 6 billion, RMB 6 billion and RMB 1 billion for small and micro enterprise loans in the national inter-bank bond market. Among which, the bonds of type I have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type II have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type III have fixed interest rate, with the maturity of 5 years, a scale of RMB 1 billion, and a nominal interest rate of 3.8%. The interest will be paid by year, and the principal will be return upon maturity.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

- (10) 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.

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

24. Bond payable (continued)

- (11) 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.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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.
- (16) 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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

25. Lease liabilities

Analysis by maturity - without discount analysis

	Dec. 31, 2021
Within 1 year (included)	718
1-2 years (included)	658
2-3 years (included)	559
3-5 years (included)	731
Over 5 years	<u>714</u>
Total undiscounted lease liabilities	<u>3,380</u>
Lease liabilities	<u><u>3,002</u></u>

In 2021, the total cash outflow related to leasing paid by the Group as the lessee was RMB 1,050 million, of which the amount paid to repay lease liabilities included in financing activities was RMB 962 million, and the other cash outflows were included in operating activities.

26. Estimated liabilities

2021	Beginning balance	Increase	Decrease	Ending balance
Provision for expected off-balance sheet credit losses	2,822	1,201	1,725	2,298
Others	<u>-</u>	<u>12</u>	<u>-</u>	<u>12</u>
	<u>2,822</u>	<u>1,213</u>	<u>1,725</u>	<u>2,310</u>
2020	Beginning balance	Increase	Decrease	Ending balance
Provision for expected off-balance sheet credit losses	<u>2,123</u>	<u>1,074</u>	<u>375</u>	<u>2,822</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

27. Other liabilities

	Dec. 31, 2021	Dec. 31, 2020
Lease of precious metal	21,626	19,285
Other payables 27.1	14,212	9,338
Settlement amount payable	2,948	3,117
Contractual liabilities	267	327
Output tax to be carried forward	73	88
Dividend payable	24	24
Others	<u>453</u>	<u>230</u>
	<u><u>39,603</u></u>	<u><u>32,409</u></u>

27.1. Other payables

	Dec. 31, 2021	Dec. 31, 2020
Bills payable	11,164	7,316
Security assets to be transferred	279	699
Unpaid of construction	263	320
Deposit received	215	161
Lease deposit	209	294
Unclaimed deposit account	181	93
Others	<u>1901</u>	<u>455</u>
	<u><u>14,212</u></u>	<u><u>9,338</u></u>

The balance of the account does not involve the arrearages to those shareholders' companies or affiliated parties with 5% or over 5% shareholding of the Group to the date 31 December 2021 (31 Dec. 2020: none).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

28. Share capital

2021	Dec. 31, 2020		Change		Dec. 31, 2021	
	Amount	Prop%	Desterilization	Newly issued	Amount	Prop%
I. Shares subject to restriction on sale						
1. State-owned shares	-	0.00%	-	-	-	0.00%
2. Shares held by state-owned legal persons	-	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	1.26%	-	-	76	1.15%
<i>Amongst: shares held by foreign legal person</i>	76	1.26%	-	-	76	1.15%
5. Shares held by senior management	4	0.07%	-	-	4	0.06%
Total of shares subject to restriction on sales	80	1.33%	-	-	80	1.21%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	5,928	98.67%	596	-	6,524	98.79%
Total of shares not subject to restriction on sales	5,928	98.67%	596	-	6,524	98.79%
III. Total shares	6,008	100.00%	596	-	6,604	100.00%
2020						
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%	304	(304)	-	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	304	(304)	-	0.00%
4. Shares held by foreign investors	-	0.00%	76	-	76	1.26%
<i>Amongst: shares held by foreign legal person</i>	-	0.00%	76	-	76	1.26%
5. Shares held by senior management	7	0.12%	-	(3)	4	0.07%
Total of shares subject to restriction on sales	7	0.12%	380	(307)	80	1.33%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	5,621	99.88%	-	307	5,928	98.67%
Total of shares not subject to restriction on sales	5,621	99.88%	-	307	5,928	98.67%
III. Total shares	5,628	100.00%	380	-	6,008	100.00%

The increase in capital stock in 2021 was caused by the Bank's private issuance of 595,574,506 new shares in December, 2021. The capital increase was verified by Ernst & Young Huaming Certified Public Accountants (special general partnership), with the capital verification reports A.Y.H.M. (2021) Y.Z. No. 60466992_B01 being issued.

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

The increase in capital stock in 2020 was caused by the Bank's private issuance of 379,686,758 new shares in April 2020. The capital increase was verified by Ernst & Young Huaming Certified Public Accountants (special general partnership), with the capital verification reports A.Y.H.M. (2020) Y.Z. No. 60466992_B01 and A.Y.H.M. (2020) Y.Z. No. 60466992_B02 being issued.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

29. Other equity instruments

As of Dec. 31, 2021, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Acc. classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y.01								
2015/11/16	Preferred share	4.68%	100.00	48.5 million shares	RMB 4.85 billion	N/A	Mandatory conversion under certain trigger events	N/A
N.H.Y.02								
2018/11/7	Preferred share	5.30%	100.00	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger events	N/A

As of Dec. 31, 2020, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Acc. classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y.01								
2015/11/16	Preferred share	4.60%	100.00	48.5 million shares	RMB 4.85 billion	N/A	Mandatory conversion under certain trigger events	N/A
N.H.Y.02								
2018/11/7	Preferred share	5.30%	100.00	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger events	N/A

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%. 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

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

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)
For the Year Ended 31 December 2021

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

29. Other equity instruments (continued)

The changes of preferred shares issued by the Group were as follows:

2021

	Jan 1, 2021		Increase		Decrease		Dec. 31, 2021	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2021 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>

2020

	Jan 1, 2020		Increase		Decrease		Dec. 31, 2020	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2020 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>

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

	Dec. 31, 2021	Dec. 31, 2020
Equity attributable to parent company	149,424	118,480
Equity attributable to ordinary shareholders of parent company	134,614	103,670
Equity attributable to other shareholders of parent company	14,810	14,810
Equity attributable to minority shareholder	576	513
Equity attributable to minority shareholder of ordinary shares	576	513

30. Capital reserve

2021	Dec. 31, 2020	Change	Dec. 31, 2021
Capital premium (note 1)	<u>26,403</u>	<u>11,292</u>	<u>37,695</u>
	<u>26,403</u>	<u>11,292</u>	<u>37,695</u>
2020	Dec. 31, 2019	Change	Dec. 31, 2020
Capital premium (note 1)	<u>18,785</u>	<u>7,618</u>	<u>26,403</u>
	<u>18,785</u>	<u>7,618</u>	<u>26,403</u>

Note 1: the change of capital reserve caused by the capital increase of the Company.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

31. Other comprehensive income

Other comprehensive income in the consolidated comprehensive income statement:

2021

	Jan. 1, 2021	Increase/decrease	Dec. 31, 2021
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of other equity instrument investments	62	26	88
Other comprehensive income expected to be reclassified into profit and loss			
Conversion of self use real estate to investment real estate measured by fair value	14	-	14
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	247	2,801	3,048
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	777	444	1,221
	<u>1,100</u>	<u>3,271</u>	<u>4,371</u>

2020

	Jan. 1, 2020	Increase/decrease	Dec. 31, 2020
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of other equity instrument investments	52	10	62
Other comprehensive income expected to be reclassified into profit and loss			
Conversion of self use real estate to investment real estate measured by fair value	14	-	14
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	1,269	(1,022)	247
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	885	(108)	777
	<u>2,220</u>	<u>(1,120)</u>	<u>1,100</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

31. Other comprehensive income (continued)

Current amount of other comprehensive income in the consolidated income statement:

2021

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minor shareholders
Other comprehensive income not expected to be reclassified into profit and loss					
Changes in fair value of other equity instrument investments	35	-	(9)	26	-
Changes in fair value of other equity instrument investments					
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	3,788	(53)	(934)	2,801	-
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	592	-	(148)	444	-
	<u>4,415</u>	<u>(53)</u>	<u>(1,091)</u>	<u>3,271</u>	<u>-</u>

2020

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minor shareholders
Other comprehensive income not expected to be reclassified into profit and loss					
Changes in fair value of other equity	13	-	(3)	10	-

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

instrument investments					
Other comprehensive income expected to be reclassified into profit and loss					
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income	(1,082)	(281)	341	(1,022)	-
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	(144)	-	36	(108)	-
	<u>(1,213)</u>	<u>(281)</u>	<u>374</u>	<u>(1,120)</u>	<u>-</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

32. Surplus reserve

2021	Dec. 31, 2020	Provision for this year	Dec. 31, 2021
Statutory surplus reserve	<u>8,632</u>	<u>1,786</u>	<u>10,418</u>
2020	Dec. 31, 2019	Provision for this year	Dec. 31, 2020
Statutory surplus reserve	<u>7,250</u>	<u>1,382</u>	<u>8,632</u>

The Company appropriated 10% of the net profit to the statutory surplus reserve as stipulated by Corporate Law and regulations of the Company. The accumulated statutory surplus reserve that more than 50% of the registered capital of the Group cannot be relieved from provisions.

33. Provision for general risks

2021	Dec. 31, 2020	Provision for this year	Dec. 31, 2021
Provision for general risks	<u>13,608</u>	<u>3,225</u>	<u>16,833</u>
2020	Dec. 31, 2019	Provision for this year	Dec. 31, 2020
Provision for general risks	<u>10,921</u>	<u>2,687</u>	<u>13,608</u>

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 2020 general meeting of shareholders of the Group on May 19, 2020, the provision for general risks amounted to RMB 2,729,000,000 was withdrawn from the undistributed profits of 2020 (2020: general risk reserve amounted to RMB 2,338,000,000 was withdrawn from the undistributed profits of 2019) . The general risk reserves of subsidiaries in 2021 were RMB 496,000,000 (2020: RMB 349,000,000).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

34. Undistributed profit

	2021	2020
Undistributed profit at the end of last year	47,919	40,695
Net profit attributable to shareholders of the parent company		
	19,546	15,050
Less: provision for accumulated statutory surplus reserve	1,786	1,382
Provision for general risks	3,225	2,687
Cash dividend payable for preferred shares	757	753
Cash dividend payable for ordinary shares	3,004	3,004
	<u>58,693</u>	<u>47,919</u>

See Note XIV for the predetermined 2021 distribution plan. The financial statement of the year 2021 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On April 10, 2021, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2020 net profit as the statutory surplus reserve and withdraw the amount of RMB 2,729,000,000 as general provision. Cash dividends were distributed to the registered ordinary shareholders after the close of the stock market on the equity distribution registration date, and the payment of cash dividend was RMB 5 (including tax) per 10 shares, with the total cash dividend of RMB 3,004,000,000 being distributed. This distribution decision has passed on the general meeting of shareholders on May 19, 2021.

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 28, 2021, which approved the start value date for the distribution of the dividend would be November 16, 2020. 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 28, 2021, which approved the start value date for the distribution of the dividend would be November 7, 2020. And according to the total amount of the shares of Bank of Ningbo Preferred 02 that is 100,000,000 with a nominal dividend rate of 5.30%, the cash dividend per share will be RMB 5.3 (tax included) and the total dividend value will be RMB 530,000,000.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

35. Net interest income

	2021	2020
Interest income		
Loans and advances (Note 1)	45,346	37,233
Including: corporate loans and advances	20,419	17,491
Personal loans and advances	21,917	16,304
Notes discounted	2,662	3,084
Trade financing	348	354
Due from other banks	189	361
Deposit in central bank	1,352	1,330
Loans to other banks	319	196
Redemptory monetary capital for sale	659	622
Bond investment	13,206	10,403
Financing product and credit management plan	6,691	6,644
	<u>67,762</u>	<u>56,789</u>
Interest expenses		
Due to other banks	(2,259)	(1,368)
Borrowing from central bank	(2,304)	(1,109)
Placements from other institutions	(2,084)	(1,477)
Deposit	(19,060)	(17,764)
Repurchase agreements financial assets	(1,349)	(907)
Bond issuance	(7,895)	(6,305)
Others	(114)	-
	<u>(35,065)</u>	<u>(28,930)</u>
Net interest income	<u><u>32,697</u></u>	<u><u>27,859</u></u>

Note 1: in 2021, the interest income generated by the impaired financial assets of the Group was RMB 22 million (2020: RMB 49 million).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

36. Net fee and commission income

	2021	2020
Fee and commission incomes		
Settlement and clearing business	264	255
Bank cards business	118	139
Intermediary commissions	7,839	5,890
Guarantees	624	577
Trusting business	482	371
Intermediary consultations	87	75
Others	<u>11</u>	<u>8</u>
	<u>9,425</u>	<u>7,315</u>
Fee and commission expenses		
Settlement and clearing business	(159)	(89)
Bank cards business	(95)	(81)
Intermediary commissions	(504)	(377)
Trusting business	(78)	(104)
Others	<u>(327)</u>	<u>(322)</u>
	<u>(1,163)</u>	<u>(973)</u>
Net fee and commission income	<u><u>8,262</u></u>	<u><u>6,342</u></u>

37. Investment income

	2021	2020
Investment income from disposal of trading financial assets	(82)	(440)
Investment income from disposal of debt instruments measured at fair value with changes included in other comprehensive income	1,034	(88)
Gains from trading financial assets during the holding period	11,438	8,613
Profit and loss of derivatives business	(88)	54
Profit and loss of precious metal business	(53)	1,053
Income from equity investment	6	2
Income from de-recognition of financial assets measured at amortized cost	289	(10)
Others	<u>(13)</u>	<u>(4)</u>
	<u><u>12,531</u></u>	<u><u>9,180</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

38. Other incomes

Government subsidies related to daily activities are as follows:

	2021	2020
Financial aid	67	51
Loan risk compensation	1	5
Government incentive	25	8
Refund of withholding personal income tax	27	31
Special fund for inclusive finance	<u>183</u>	<u>26</u>
	<u>303</u>	<u>121</u>

39. Gains and losses from fair value changes

	2021	2020
Fair value change of financial instrument measured by fair value and entered into the current income statement	817	(321)
Changes in fair value of investment real estate	(7)	-
Changes in fair value of derivative financial instruments	<u>(915)</u>	<u>(982)</u>
	<u>(105)</u>	<u>(1,303)</u>

40. Exchange gains or losses

	2021	2020
Gains and loss of foreign exchange derivatives investment	(4,529)	(1,204)
Gains and losses from changes in fair value of foreign exchange derivatives	3,745	(2,199)
Others	<u>(155)</u>	<u>2,219</u>
	<u>(939)</u>	<u>(1,184)</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

41. Business tax and surcharges

	2021	2020
City maintenance and construction tax	175	144
Educational surcharges	127	104
Stamp duty	29	29
Housing property tax	79	52
Other taxes	3	3
	<u>413</u>	<u>332</u>

42. Business and administrative expenses

	2021	2020
Staff costs	12,602	10,138
Business expenses	4,850	3,841
Depreciation of fixed assets	718	640
Depreciation of right-of-use assets	691	-
Amortization of long-term deferred expenses	251	193
Amortization of intangible assets	246	138
Short-term lease fee and lease fee of low value asset	142	-
Rental expense	-	659
	<u>19,500</u>	<u>15,609</u>

43. Credit impairment losses

	2021	2020
Impairment loss of loans and advances measured at amortized cost		
measured at amortized cost	9,262	7,614
Impairment loss of loans and advances measured at fair value		
with changes included in other comprehensive income	419	57
Impairment loss of deposit in banks	(8)	16
Impairment loss of due from banks	85	(3)
Impairment loss of debt investment	1,277	32
Impairment loss of other debt investment	173	(201)
Impairment loss of other assets	(54)	73
Impairment loss of off-sheet businesses	1,201	1,074
Impairment loss of precious metal失	(3)	5
Impairment loss of redemptory monetary capital for sale	<u>2</u>	<u>-</u>
	<u>12,354</u>	<u>8,667</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

44. Income tax

	2021	2020
Income tax of the current period	1,880	3,480
Deferred income tax	<u>(1,044)</u>	<u>(2,161)</u>
	<u>836</u>	<u>1,319</u>

Relationship between income tax and accounting profits as follows:

	2021	2020
Total profits	20,445	16,455
Tax rate	25%	25%
Tax amount at statutory tax rate	5,111	4,114
Adjustment of current tax items	(115)	(61)
Tax-free income	(4,641)	(3,235)
Non-deductible costs	<u>481</u>	<u>501</u>
	<u>836</u>	<u>1,319</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

45. 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:

	2021	2020
Net profit attributable to shareholders of the parent company	19,546	15,050
Less: current net profit of the other equity holders of the parent company	757	753
Current net profit of the shareholders of the parent company	18,789	14,297
Weighted average of ordinary shares in issue	6,008	5,881
Basic and diluted earnings per share attributable to common shareholders of the parent company (RMB / share)	3.13	2.43
Net profit attributable to common shareholders of the parent company after deducting non recurring profits and losses	18,754	14,239
Basic and diluted earnings per share attributable to common shareholders of the parent company after deducting non recurring profits and losses (RMB Yuan/share)	3.12	2.42

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 2021, the Company announced the issuance of preferred share dividends of RMB 757 million (in 2020, the Company announced the issuance of preferred stock dividends of RMB 753 million).

The characteristics of conversion of preferred shares make the Company owns or have the possibility to issue common shares. As of December 31, 2021 and December 31, 2020, 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 2021 and 2020.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

46. Cash and cash equivalents

	Dec. 31, 2021	Dec. 31, 2020
Cash	24,483	32,516
<i>Including : Cash</i>	<i>1,487</i>	<i>1,506</i>
<i>Current deposit in other banks</i>	<i>15,369</i>	<i>17,130</i>
<i>Payable balances with central banks</i>	<i>7,627</i>	<i>13,880</i>
Cash equivalent	19,673	3,931
<i>Including: Placements with other institutions</i>		
<i>due within 3 months</i>	<i>10,202</i>	<i>3,305</i>
<i>Reserve repurchase financial assets</i>		
<i>due within 3 months</i>	<u>9,471</u>	<u>626</u>
Balance of cash and cash equivalents at the end of the year	<u>44,156</u>	<u>36,447</u>

47. Other cash receivable relating to operating activities

	2021	2020
Pending settlement paid	3,284	3,280
Rent income	10	23
Other incomes	<u>1,642</u>	<u>195</u>
	<u>4,936</u>	<u>3,498</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

48. Cash paid for other operating related activities

	2021	2020
Pending settlement paid	3,585	3,383
Business promotion and advertising	602	433
Business entertainment expense	800	748
Office and administration expenses	<u>3,326</u>	<u>3,507</u>
	<u>8,313</u>	<u>8,071</u>

49. Cash flow of operating activities

	2021	2020
Net profit adjusted to operating activities cash flow		
Net profit	19,609	15,136
Add: loss of fixed assets impairment	12,354	8,667
Impairment loss of other assets	23	-
Depreciation of fixed assets	718	640
Depreciation of right-of-use assets	691	-
Amortization of intangible assets	246	138
Amortization of deferred expenses	384	632
Income from disposal of fixed assets, intangible assets and other long-term assets	(7)	(72)
Loss of fair value adjustment	105	1,303
Investment interest income and investment income	(22,365)	(19,194)
Interest expense of lease liabilities	114	-
Interest expense on bond issuance	7,895	6,305
Increase of deferred income tax assets	(1,044)	(2,161)
Decrease of operating receivable	(234,694)	(233,610)
Increase of operating payable	<u>171,422</u>	<u>282,987</u>
	<u>(44,549)</u>	<u>60,771</u>

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

50. 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, 2021, the book value of assets transferred by the Group and the Company in securities lending transactions was RMB 16.752 billion (December 31, 2020: RMB 3.801 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, 2021, all credit assets transferred by the Group in the securitization of credit assets have been derecognized. In 2021, 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 30.937 billion (2020: RMB 35 billion). In 2021, the Group did not provide financial support to unconsolidated financial products and asset management plans (2020: none).

Credit asset factoring without right of recourse

The underlying assets transferred by the Group in the credit asset factoring business without recourse have all been derecognized. In 2021, the book value of the underlying assets transferred by the group in the credit asset factoring business without recourse on the transfer date is RMB 278 million (2020: RMB 1 million).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

51. Collateral information

Assets used as security

The following assets of the Group are used as collateral for repurchase agreement transactions, inter-bank loans, central bank loans, bonds and treasury time deposits.

	2021	2020
For repurchase agreements transaction:		
- Trading financial assets	4,919	-
- Debt investment	6,278	3,539
- Other debt investment	<u>72,968</u>	<u>18,011</u>
	<u>84,165</u>	<u>21,550</u>
For interbank loan pledge:		
- Loans and advances	<u>2,867</u>	<u>200</u>
For borrowing from the central bank:		
- Trading financial assets	77	124
- Debt investment	36,880	37,570
- Other debt investment	<u>55,796</u>	<u>52,057</u>
	<u>92,753</u>	<u>89,751</u>
For incorporation into bonds:		
- Debt investment	700	934
- Other debt investment	<u>-</u>	<u>1,016</u>
	<u>700</u>	<u>1,950</u>
For treasury time deposits:		
- Trading financial assets	38	6
- Debt investment	19,923	9,688
- Other debt investment	<u>16,524</u>	<u>16,506</u>
	<u>36,485</u>	<u>26,200</u>
Total	<u><u>216,970</u></u>	<u><u>139,651</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

VI. Interests in Other Entities

1. Interests in the subsidiary

The subsidiaries of the Company as of Dec. 31, 2020 are as follows:

Subsidiary obtained through establishment	Major operation site	Place of registry	Business nature	Registered capital (RMB)	Shareholding ratio	
					Direct	Indirect
Maxwealth Finance Leasing Co. Ltd. (Note 1)	Ningbo	Ningbo	Finance leasing	RMB 5 billion	100%	
Maxwealth Fund Management Co., Ltd.	Shanghai	Zhejiang	Fund management	RMB 0.9 billion	71.49%	
Maxwealth Assets Management Co., Ltd.	Shanghai	Shanghai	Assets Management	RMB 0.8 billion	71.49%	
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets Management	RMB 20 million	71.49%	
Maxwealth International Asset Management Co., Ltd (Note 2)	Hongkong	Hongkong	Assets Management	HKD 100 million	71.49%	
Ningyin Financial Management Co., Ltd.	Ningbo	Ningbo	Financial services	RMB 1.5 billion	100%	

Neither of the above-mentioned subsidiaries is listed, so they are both included into the Consolidated Statements of the Company.

In accordance with the enterprise accounting principles, it is required to disclose all the financial information abstracts of the subsidiary with material non-controlling interests. The Company evaluates the non-controlling interests of each subsidiary and comes to the conclusion that neither of them has material non-controlling interests with our Group. Thus we do not think it is necessary to disclose their financial information abstracts.

Note 1: Maxwealth Finance Leasing Co. Ltd. increased the registered capital by RMB 1 billion in 2021.

Note 2: Maxwealth Fund Management Co., Ltd. invested and established Maxwealth International Asset Management Co., Ltd. in Hong Kong in 2021, with a registered capital of HKD 100 million. Maxwealth Fund Management Co., Ltd. subscribed all its capital contributions. As of December 31, 2021, Maxwealth Fund Management Co., Ltd. has not actually contributed.

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 issued, managed and invested 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.

VI. Interests in Other Entities (continued)

3. Interests in the structured entities not included into the consolidated financial statement scope

3.1 Structured entities initiated by the group that are not included in the scope of consolidation

(1) Financial products

The structured entities managed by the Group but not included into the consolidated scope are mainly the financial products issued and managed by the Group as the administrator. On the basis of potential client group analysis and study, the Group designs and sells capital investment and management plan to target client groups, inputs the collected financial capital into related financial market or financial products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the Group obtains the commission including sales fee, fixed management fee, and floating management fee. The Group obtains the commission income as the asset manager. As of December 31, 2021, the scale balance of such unconsolidated bank financial products of the Group totaled RMB 322,270,000,000 (December 31, 2020: RMB 285,228,000,000).

As of December 31, 2021, the book value of the group's investment in the above financial products amounted to RMB 10 million (December 31, 2020: none). The maximum loss exposure of the investment in the above financial products was close to its book value.

In this year, the management fee income obtained by the Group from financial products issued and managed by it but not included in the scope of consolidated financial statements was RMB 2.582 billion (2020: RMB 1.285 billion).

(2) Asset securitization business

Another type of structured entity managed by the Group but not included into the consolidation scope is the trust of specific objective set by third trust company due to the Group's asset securitization business. The Group, as the loan service mechanism for this kind of trust with specific objective, manages the credits assets of transferred trust with specific objective, and charges corresponding commission as the loan assets administrator. The Group believes its variable return on such kind of structured entities is non-significant. The book value of the asset-backed securities investment held by the Group in such assets securitization business to the end of December 31, 2020 amounted to RMB 0.32 billion (December 31, 2020: RMB 0.15 billion), and the maximum loss exposure was close to the book value.

(3) Fund and asset management plan

Another type of structured entity managed by the Group but not included into the consolidation scope is the securities investment fund, asset management plan and partnership private equity fund managed by the Group. The nature and purpose of this

Bank of Ningbo Co., Ltd.

Notes to Financial Statements (Continued)

For the Year Ended 31 December 2021

kind of structured subject is mainly to manage investors' assets and earn management fee income. The Group has no control over this kind of structured subject, so does not consolidate this kind of structured subject. As of December 31, 2021, the scale balance of this category was RMB 263.356 billion (RMB 216.963 billion as of December 31, 2020).

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, 2021, 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 6.802 billion (RMB 15.538 billion as on December 31, 2020). 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 2021, 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 0.850 billion (2020: RMB 0.658 billion)

3.2 Interests in the structured entities in the third party financial institution

The Group invested in the structured entities not included into the consolidated financial statement scope in some other institutions, with their income being confirmed. Such structured entities include asset management plans, trust and investment plans and funds. The nature and purpose of these structured entities are to earn management fees through the management of investors' assets. It realizes the purpose of financing through launching the investment products towards investors. The Group provides no liquidity support for such structured entities in 2021 (year 2020: none).

By Dec. 31, 2021, the book value and max loss risk exposure (Excluding accrued interest) of the assets formed from the structured entities not included into the consolidations scope but held by the Group are as follows:

2021	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Trust plan	29,825	17,964	32,435	80,224	80,224
Assets management plan	512	96,211	-	96,723	96,723
Fund	215,082	-	-	215,082	215,082

By Dec. 31, 2020, the book value and max loss risk exposure (Excluding accrued interest) of the assets formed from the structured entities not included into the consolidations scope but held by the Group are as follows:

2020	Trading financial assets	Creditor's rights	Other creditor's	Total	Max loss
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Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

		investment	rights investment		exposure
Trust plan	31,228	28,430	25,115	84,773	84,773
Assets management plan	53,504	83,605	-	137,109	137,109
Fund	177,498	-	-	177,498	177,498

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 carried out capital adequacy information disclosure in accordance with the Measures for Capital Management of Commercial Banks (Trial) and continued to improve its information disclosure. According to the requirements of the CBRC, the core tier 1 capital adequacy ratio shall not be less than 7.5%, the tier 1 capital adequacy ratio shall not be less than 8.5%, and capital adequacy ratio shall not be less than 10.5%. During the reporting period, the Group complied with the capital requirements stipulated by the regulatory authorities.

The Group calculated the core capital and subordinate capital in compliance with *Measures for Management of Adequacy Ratio of Commercial Banks* issued by CBRC. The related core tier-I capital adequacy, tier-I capital adequacy ratio and capital adequacy ratio are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Core tier-I capital		
Including: paid-in capital entered	6,604	6,008
Capital reserve, other equity instruments and other comprehensive incomes entered	42,066	27,503
Surplus reserve	10,418	8,632
General risk reserve	16,833	13,608
Undistributed profit	58,693	47,919
Less: other intangible assets (excluding right to use land) (578)		(407)
Net value of core tier-I capital	134,036	103,263
Other tier-I capital		
Including: preferred share and premium	14,810	14,810
Net value of core tier-I capital	148,846	118,073
Tier-II capital		
Including: tier-II capital tools and premium	30,600	27,900
Provision for jumbo loan loss	14,941	12,285
Net capital value	203,587	160,958
Risk weighted capital	1,318,873	1,084,870
Core tier-I capital adequacy ratio	10.16%	9.52%
Tier-I capital adequacy ratio	11.29%	10.88%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

Capital adequacy ratio	15.44%	14.84%
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Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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.

2021	Corporate banking	Personal banking	Capital banking	others	Total
Net external interest income	7,176	17,245	8,276	-	32,697
Net internal interest income	6,611	(1,746)	(4,865)	-	-
Net fee and commission income	4,314	3,882	66	-	8,262
Investment income	-	-	12,531	-	12,531
Other income	-	-	-	303	303
Gains from fair value adjustment	-	-	(105)	-	(105)
Foreign exchange gains	203	4	(1,146)	-	(939)
Other operating income/expense	-	-	-	12	12
Gains from assets disposal	-	-	-	7	7
Tax and surcharge	(146)	(117)	(150)	-	(413)
Business/administrative fee	(6,455)	(5,692)	(7,353)	-	(19,500)
Impairment loss of other assets	(23)	-	-	-	(23)
Credit impairment loss	(4,387)	(6,525)	(1,442)	-	(12,354)
Operating profit	7,293	7,051	5,812	322	20,478
Net non-operating income	-	-	-	(33)	(33)
Total profits	<u>7,293</u>	<u>7,051</u>	<u>5,812</u>	<u>289</u>	<u>20,445</u>
Total assets	<u>525,332</u>	<u>321,418</u>	<u>1,168,825</u>	<u>32</u>	<u>2,015,607</u>
Total liabilities	<u>851,162</u>	<u>218,151</u>	<u>796,215</u>	<u>79</u>	<u>1,865,607</u>
Supplementary information:					
Capital expenditure	860	808	915	-	2,583
Depreciation and amortization expenses	679	638	722	-	2,039

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

VIII. Segmental Report (continued)

2020	Corporate banking	Personal banking	Capital banking	others	Total
Net external interest income	5,665	8,878	13,316	-	27,859
Net internal interest income	5,055	4,003	(9,058)	-	-
Net fee and commission income	3,684	2,592	66	-	6,342
Investment gains	-	-	9,180	-	9,180
Gains from fair value adjustment	-	-	(1,303)	-	(1,303)
Foreign exchange gains	142	4	(1,330)	-	(1,184)
Other operating income/expense	-	-	-	21	21
Gains from assets disposal	-	-	-	72	72
Other gains	-	-	-	121	121
Tax and surcharge	(108)	(92)	(132)	-	(332)
Business/administrative fee	(4,760)	(4,350)	(6,499)	-	(15,609)
Credit impairment loss	(3,803)	(5,233)	369	-	(8,667)
Operating profit	5,875	5,802	4,609	214	16,500
Net non-Operating Income	-	-	-	(45)	(45)
Total profits	<u>5,875</u>	<u>5,802</u>	<u>4,609</u>	<u>169</u>	<u>16,455</u>
Total assets	<u>425,208</u>	<u>252,141</u>	<u>949,360</u>	<u>40</u>	<u>1,626,749</u>
Total liabilities	<u>737,341</u>	<u>205,384</u>	<u>565,007</u>	<u>24</u>	<u>1,507,756</u>
Supplementary information:					
Capital expenditure	562	543	736	-	1,841
Depreciation and amortization expenses	431	416	563	-	1,410

IX. Related Parties Relationships and Transactions

1. Identification of related parties

Related parties of the Group consist of parties listed below:

1) Primary shareholders:

Primary shareholders of the Bank are the shareholders and shareholder groups with 5% shares or more of the Bank, or those shareholders and shareholder groups who have assigned directors within the Bank.

Name of related party	Dec. 31, 2021		Dec. 31, 2020	
	Related party or not	Prop	Related party or not	Prop
Ningbo Development & Investment Group Co., Ltd.	Yes	18.74%	Yes	18.72%
Singapore Overseas-Chinese Banking Co., Ltd.	Yes	18.69%	Yes	18.67%
Ningbo Youngor (Group) Co., Ltd.	Yes	8.33%	Yes	8.32%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

IX. Related Parties Relationships and Transactions

1. Identification of related parties (continued)

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

2) Subsidiaries

See note VI/1 for basic and related information of the subsidiaries

3) Key management staff and their close family members of the Group.

4) Other entities bearing major influences from the key management staff and their close family members of the Group.

2. Major transactions between the Group and the related parties

2.1 Loans and advances

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Development & Investment Group Co., Ltd.	1,106	1,274
Ningbo Youngor (Group) Co., Ltd.	908	425
Key management staff of the Group and their close family members	<u>9</u>	<u>9</u>
	<u>2,023</u>	<u>1,708</u>

2.2 Creditor's rights investment

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Development & Investment Group Co., Ltd.	<u>400</u>	<u>400</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

IX.Related Parties Relationships and Transactions (continued)

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

2.3 Deposit

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Development & Investment Group Co., Ltd.	337	626
Ningbo Youngor (Group) Co., Ltd.	522	305
Other enterprises under the significant influence of key managers or their close family members	2	-
Key management staff of the Group and their close family members	<u>20</u>	<u>42</u>
	<u>881</u>	<u>973</u>

2.4 Deposit due from banks

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Singapore Overseas-Chinese Banking Co., Ltd.	<u>30</u>	<u>27</u>

2.5 Deposit due to the Bank

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Singapore Overseas-Chinese Banking Co., Ltd.	<u>18</u>	<u>-</u>

2.6 Off-sheet events

1) L/C issuance

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Youngor (Group) Co., Ltd.	<u>173</u>	<u>62</u>

2) Draft issuance

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Development & Investment Group Co., Ltd.	95	103
Ningbo Youngor (Group) Co., Ltd.	<u>1,544</u>	<u>1,566</u>
	<u>1,639</u>	<u>1,669</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

IX. Related Parties Relationships and Transactions (continued)

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

2.7 Derivative transaction

On 31st Dec. 2021, the balance of long-term foreign exchange trading of the Group with Singapore Overseas-Chinese Banking Co., Ltd. and its subsidiaries, as well as Ningbo Development & Investment Group Co., Ltd. and its subsidiaries, was RMB 1,057,000,000 (On 31st Dec. 2020, 73,000,000); the balance of long-term foreign exchange swap was RMB 11,265,000,000 and the balance of long-term installment was RMB 11,262,000,000 (On 31st Dec. 2020, the balance of long-term foreign exchange swap was RMB 867,000,000 and the balance of long-term installment was RMB 864,000,000). Interest rate swap long-term was RMB 18,000,000,000 (On 31st Dec. 2020, the interest rate swap long-term was RMB 13,885,000,000). Option contract was RMB 0 (On 31st Dec. 2020, option contract was RMB 644,000,000). Net expense of derivative transactions of 2020 was RMB 3 million (2020: RMB 2 million).

2.8 Loan interest income

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Development & Investment Group Co., Ltd.	63	74
Ningbo Youngor (Group) Co., Ltd.	<u>1</u>	<u>1</u>
	<u>64</u>	<u>75</u>

2.9 Deposit interest expenses

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Ningbo Development & Investment Group Co., Ltd.	6	1
Ningbo Youngor (Group) Co., Ltd.	4	3
Key management staff of the Group and their close family members	<u>-</u>	<u>1</u>
	<u>10</u>	<u>5</u>

2.10 Interbank deposit interest expense

Name of related party	Dec. 31, 2021	Dec. 31, 2020
Singapore Overseas-Chinese Banking Co., Ltd.	<u>-</u>	<u>1</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

IX. Related Parties Relationships and Transactions (continued)

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

2.11 Transactions with other related parties

Name of related party	2021	2020
Remuneration of key management staff	<u>30</u>	<u>41</u>

The Management Team of the Group thought the transactions with above-mentioned related parties have been proceeded in compliance with the regular business transaction terms and conditions and the normal business procedures with the general market price as the pricing fundamentals.

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, 2021	Dec. 31, 2020
Lending funds	1,200	900
Other assets	45	28
Deposit	351	1,898
Deposits from banks and other financial institutions	1,890	715
Other liabilities	1	2
	2021	2020
Interest income	33	6
Fees and commissions	20	61
Other operating incomes	9	5
Interest expense	21	38
Service charges and commission expenses	160	398

On December 31, 2021, the bank acceptance bill issued by the subsidiaries of the company was RMB 3,877 million (December 31, 2020: RMB 2,188 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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

X. Contingent Items, Commitment Items and Main Off-balance Sheet Items

1. Capital expenditure commitments

	Dec. 31, 2021	Dec. 31, 2020
Contracts signed but proceeds not yet be withdrawn	<u>2,048</u>	<u>1,396</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, 2021	Dec. 31, 2020
Within 1 year	12	720
1-2 years	-	642
2-3 years	-	583
Over 3 years	<u>-</u>	<u>1,784</u>
	<u>12</u>	<u>3,729</u>

The Group adopted the new leasing standards on January 1, 2021. As of December 31, 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, 2021, 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, 2021	Dec. 31, 2020
Within 1 year	17	18
1-2 years	7	15
2-3 years	3	7
Over 3 years	<u>7</u>	<u>550</u>
	<u>34</u>	<u>590</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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

3. Credit commitment

	Dec. 31, 2021	Dec. 31, 2020
L/C issuance	39,199	17,233
Bank acceptance bill	219,167	155,618
L/G issuance	43,828	40,313
Irrevocable loan commitment	<u>84,675</u>	<u>64,567</u>
	<u>386,869</u>	<u>277,731</u>

The issuance of Letter of Credit refers to credit operation that the Group acting at the request and on the instruction of applicant, make a documentary credit with a certain amount to the beneficiary and to pay at a certain place under the complying presentation of required documents within a certain period.

Bank Acceptance Bill refers to such credit business that a draft or a bill of exchange drawn upon a payee or a drawee (applicant) is examined and agreed to accept by the Company from applicant's application for acceptance.

Letter of Guarantee is a written undertaking made by the Group at the request of the applicant to the beneficiary, guaranteeing that the applicant will perform obligations under the contract signed between the applicant and the beneficiary, or the Company will take the responsibility.

Irrevocable loan commitments include the loan limit and credit card issuance commitments provided by the group to customers.

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

4. Commitment on acceptance of national debt

Treasury Bill Redemption Commitment and Savings Bond Redemption Commitment refer to that the Company is entrusted by the Ministry of Finance to issue certain treasury bills and savings bonds (electronic). Investors of treasury bills and savings bonds have a right to ask for redemption of the bills and bonds (electronic) at any time prior to maturity and the Company is committed to redeem those bills and bonds. The redemption price is principal value of the bills and bonds plus the interests payable at that day.

As of 31 Dec. 2021, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 2,822,000,000 (31 Dec. 2020 RMB 3,020,000,000). The Ministry of Finance is not to redeem the principal and interest of the bills and bonds (electronic) until the maturity. The Management of the Company considers that the amount for redemption of the treasury bills and savings bonds (electronic) prior to the maturity is not significant.

5. Lawsuit

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, 2021, the total subject amount of the Group for the pending lawsuits was RMB 1,634,000,000 (Dec. 31, 2020: RMB 2,797,000,000). According to the court ruling and opinions of the internal and external legal counsels, the compensation is negligible in possibility, therefore it's no need to estimate the liabilities (Dec. 31, 2020: 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	2021	2020
Entrusted loan	<u>12,325</u>	<u>11,640</u>
Entrusted deposit	<u>12,325</u>	<u>11,640</u>

XII. Financial Instruments and Risk Analysis

According to the disclosure requirements stipulated in *Accounting Standards for Enterprises No.37–Presentation of Financial Instruments*, the Group discloses the relative quantitative information of credit risk, liquidity risk and market risk in the year 2020 and 2019.

The financial risk management mainly reveals the risks taken by the Group and its management and controlling conditions of the risks, particularly the risks confronted in the using of the financial instruments.

- Credit risk: it means the risks the Company may take when the clients or transaction counter-parties of the Company fail to fulfill their obligations agreed, including the credit exposure and settlement risk.
- Market risk: it means the exposures influenced by the observable economic parameters of the market, including the fluctuations of interest rate, exchange rate and prices of shares and commodities.
- Liquidity risk: it means the risks brought by the Company's failure to pay the matured debts under normal or depressed market environment.
- Operational risk: it means the economical or credit losses resulting from incompliance with the systems and procedures or for the fraudulences.

The Group has stipulated corresponding policies and procedures for recognition and analysis of above mentioned risks, and also appropriate risk limits and controlling mechanisms. The Group has Risk Management Committee and its specific department, The Risk Management Department being responsible for the management of risks. The risk management department has its own clear responsibilities and is somehow independent from the business department bearing risks, and would submit its independent risk reports to the Board of Directors and the Management. The Risk Management Committee is responsible for formulating the policies and procedures for management of the risks, and also regulating the risk limits and management mechanisms. Besides, the Risk Management Committee shall at regular intervals host risk management conferences and meetings in compliance with the market conditions to improve those risk policies and procedures.

1. Credit risk

Credit risk means that clients or transaction counter-parties who may be incapable or unwilling to honor the obligations agreed with the Group. Once all of the transaction-parties are in one industry or region, the credit risks would rise for their ability to pay the accounts are affected by the same influence of economical development.

Concentration of credit risks: when a certain amount of clients do the same operations or are in the same geographic region, or share the similar economic characteristics in their trades, their ability to fulfill the obligations regulated in the agreements would be simultaneously influenced by the same economic changes. The concentration level of the credit risks reveals the sensitivity of the Company's achievements to the specific trade or geographic area.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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:

- Criteria used to judge a significant increase in credit risk
- Definition of assets with credit impairment
- Parameters for the measurement of expected credit loss
- Forward-looking information

Criteria used to judge a significant increase in credit risk

On each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers that it can obtain reasonable and reliable information, including qualitative and quantitative analysis, external credit risk rating and forward-looking information based on the Group's historical data and without paying extra cost or effort. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group determines the change of default risk during the expected duration of financial instruments by comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

The Group believes that the credit risk of financial instruments has increased significantly when one or more of the following quantitative, qualitative criterion or bottom-line constraint indicator 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.

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)

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Criteria used to judge a significant increase in credit risk (continued)

Bottom-line constraint indicator

- The time of payment of the debtor according to the contract (including principal and interest) has been overdue for more than 30 days.

Definition of assets with credit impairment

In order to determine whether there is credit impairment under the new financial instrument standard, the Group adopts the definition standard that is consistent with the internal credit risk management objectives for relevant financial instruments, and considers quantitative and qualitative indicators at the same time. When assessing whether the debtor has credit impairment, the Group mainly considers the following factors:

- Significant financial difficulties of the issuer or debtor;
- The debtor's breach of contract, such as default or overdue payment of interest or principal;
- The creditor gives the debtor concessions that will not be made in any other circumstances due to economic or contractual considerations related to the financial difficulties of the debtor;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The active market of the financial asset disappears due to the financial difficulties of the issuer or debtor;
- Purchase or originate a financial asset at a substantial discount reflecting the fact that a credit loss has occurred

The credit impairment of financial assets may be caused by the joint action of multiple events rather than the events that can be identified separately.

Parameters for the measurement of expected credit loss

The Group measures the provision for impairment of different assets based on the expected credit loss of 12 months or the whole duration by taking into consideration whether the credit risk has increased significantly and whether the credit impairment has occurred. The key parameters of expected credit loss measurement include probability of default, loss rate of default and exposure to default. By taking the Basel New Capital Accord system used in current risk management system as the basis, and by adhering to the requirements of the new financial instrument standards, the Group has established a model integrating factors of default probability, default loss rate and default risk exposure, taking into account the quantitative analysis and forward-looking information of historical statistical data (such as counterparty rating, guarantee method, collateral type, repayment method, etc.).

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Criteria used to judge a significant increase in credit risk (continued)

Related definitions are as follows

- Probability of default is the probability that the debtor will not be able to perform its payment obligations in the next 12 months or the whole duration. The default probability of the Group is adjusted according to the results of the internal evaluation model of the new capital accord, introducing forward-looking information and removing prudent adjustment, thus reflect the default probability of the debtor under the current macroeconomic environment;
- Default loss rate refers to the Group's expectation on the loss degree of default risk exposure. Default loss rate varies with the type of counterparty, the way and priority of recourse, and the type of collateral. Default loss rate is the percentage of exposure loss at the time of default, as calculated on the basis of the next 12 months or the whole duration;
- Default exposure is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the duration.

Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit loss involve forward-looking information. By analyzing the historical data, the Group identifies key economic indicators that affecting credit risk and expected credit loss of various business types, such as the growth rate of broad money supply, the growth rate of industrial added value, CPI and PPI, etc..

Under the benchmark scenario, the Group preferentially refers to the predicted value issued by the external authority. If there is no external predicted value, the Group will refer to the prediction results of the professional team and relevant models in the Bank, and the rest scenarios are analyzed and predicted with reference to the historical data. Taking the growth rate of broad money supply and industrial added value as examples, the specific values are listed as follows:

Item	Predicted value under benchmark scenario
Growth rate of broad money supply	8.71%
Growth rate of industrial added value	6.89%

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Forward-looking information (continued)

Based on the principle of taking the benchmark scenario as the main scenario and the other scenarios as the auxiliary, combined with expert judgment and setting, the benchmark scenario weight of the Group as of December 31, 2021 is equal to the sum of other scenario weights. According to sensitivity calculation, when the weight of optimistic scenario increases by 10% and the weight of benchmark scenario decreases by 10%, the amount of expected credit loss will be reduced by about RMB 1,238.14 million compared with the current results. When the weight of pessimistic scenario increases by 10% and the weight of benchmark scenario decreases by 10%, the amount of expected credit loss is about RMB 2,227.36 million higher than the current result (December 31, 2020: when the weight of optimistic scenario increases by 10% and the weight of benchmark scenario decreases by 10%, the amount of expected credit loss is about RMB 1,297.40 million lower than the current result. When the weight of pessimistic scenario increases by 10% and the weight of benchmark scenario decreases by 10%, the amount of expected credit loss is about RMB 1,687.89 million higher than 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 impairment provision of expected credit loss (stage I) or the expected credit loss with the 12-month for the whole duration (stage II and stage III).

The expected credit loss assessment of the Group on December 31, 2021 has fully reflected the impact of the COVID-19 epidemic on the macroeconomic environment through timely updating of external data and other model optimization measures.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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:

	<u>Dec. 31, 2021</u>		<u>Dec. 31, 2020</u>	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	4,559	0.53	3,157	0.46
Mining	846	0.10	1,236	0.18
Manufacturing	137,351	15.92	104,147	15.14
Production and supply of electricity, gas and water	11,924	1.38	11,188	1.63
Construction	33,016	3.83	27,870	4.05
Transportation, storage and mailing	14,558	1.69	11,026	1.60
Information transfer, pc service and software	9,580	1.11	7,615	1.11
Commerce and trade	83,154	9.64	59,397	8.64
Hotel and restaurant	2,412	0.28	1,263	0.18
Finance	5,026	0.58	4,832	0.70
Real estate	36,618	4.24	36,522	5.31
Leasing and commercial service	146,779	17.03	122,059	17.74
Scientific research, technological service and geological reconnaissance	7,669	0.89	5,194	0.76
Management and investment of water resource, environmental and public facilities	30,920	3.58	26,862	3.91
Residential and other services	457	0.05	379	0.06
Education	1,236	0.14	954	0.14
Sanitation, social security and welfare	970	0.11	911	0.13
Culture, sports and entertainment	2,506	0.29	1,380	0.20
Public management and social organization	-	-	70	0.01
Subtotal of corporate loans and advances	<u>529,581</u>	<u>61.39</u>	<u>426,062</u>	<u>61.95</u>
Personal loans and advances	<u>333,128</u>	<u>38.61</u>	<u>261,653</u>	<u>38.05</u>
Total	<u>862,709</u>	<u>100.00</u>	<u>687,715</u>	<u>100.00</u>

Loans and advances by region are listed as follows:

	<u>Dec. 31, 2021</u>		<u>Dec. 31, 2020</u>	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	573,780	66.50	460,564	66.98
<i>including: Ningbo</i>	377,486	43.76	313,035	45.52
Jiangsu Province	183,915	21.32	143,693	20.89
Shanghai	44,092	5.11	37,971	5.52
Beijing	30,511	3.54	25,063	3.64
Guangdong Province	<u>30,411</u>	<u>3.53</u>	<u>20,424</u>	<u>2.97</u>
	<u>862,709</u>	<u>100.00</u>	<u>687,715</u>	<u>100.00</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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 X.3. Maximum credit risk exposure refers to the total credit risk exposure without considering the available collateral or other credit enhancement.

	Dec. 31, 2021				Total
	Phase I	Phase II	Phase III	N/A	
Assets					
Due from Central Bank	96,109	-	-	-	96,109
Deposits in other banks	17,679	-	-	-	17,679
Lending funds	22,009	-	-	-	22,009
Redemptory monetary capital for sale	9,567	-	-	-	9,567
Loans and advances	815,352	16,418	673	-	832,443
Financial investment:					
trading financial assets	-	-	-	355,086	355,086
Creditor's rights investment	259,670	50	2	-	259,722
Creditor's rights investment	351,890	261	-	-	352,151
Others (note)	<u>4,615</u>	<u>3</u>	<u>147</u>	<u>42,807</u>	<u>47,572</u>
Total	<u>1,576,891</u>	<u>16,732</u>	<u>822</u>	<u>397,893</u>	<u>1,992,338</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2 Credit risk exposure (continued)

	Dec. 31, 2020				Total
	Phase I	Phase II	Phase III	N/A	
Assets					
Due from Central Bank	100,992	-	-	-	100,992
Deposits in other banks	20,040	-	-	-	20,040
Lending funds	3,300	-	-	-	3,300
Redemptory monetary capital for sale	626	-	-	-	626
Loans and advances	642,643	20,097	707	-	663,447
Financial investment:					
Trading financial assets	-	-	-	305,578	305,578
Creditor's rights investment	216,317	-	82	-	216,399
Other Creditor's rights investment	236,178	501	33	-	236,712
Others (note)	<u>5,160</u>	<u>1</u>	<u>165</u>	<u>55,209</u>	<u>60,535</u>
Total	<u>1,225,256</u>	<u>20,599</u>	<u>987</u>	<u>360,787</u>	<u>1,607,629</u>

Note: others include precious metals, 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) Accounts receivable hold for investment: real estate, deposit receipt, equity, land-use right, etc.

The Management shall check pledge value periodically and ask client to increase the amount of pledge when necessary according to the agreement.

1.4 Credit quality analysis of financial assets in compliance with credit rating system of the Group

If objective evidences of depreciation can prove that there is one or more than one circumstance have happened after the original confirmation of loans and advance payments issuance and these circumstances can be reliably assessed with influences on the anticipation of the future cash flows, these loans and advance payments are considered as the depreciated ones.

On December 31, 2021, the amount of impaired corporate loans and advances was RMB 6,619,000,000 (December 31, 2020: RMB 5,456,000,000). The fair value of the impaired corporate loans and advances is RMB 7,324,000,000 (December 31, 2020: RMB 2,928,000,000). The pledge includes machinery and equipment, real estate, land deposit and stock right, 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, 2021, the book balance of restructured loans of the Company was RMB 596,000,000 (December 31, 2020: RMB 219,000,000).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

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, 2021			Total
	Stage I (Expected credit loss (in the next 12 months))	Stage II (Expected credit over the duration)	Stage III (Financial assets with credit impairment occurred - expected credit loss for the whole duration)	
Not rated	25,652	2	-	25,654
Above A (included)	430,537	-	-	430,537
Below A	<u>5,057</u>	<u>258</u>	-	<u>5,315</u>
Total	<u>461,246</u>	<u>260</u>	-	<u>461,506</u>

	Dec. 31, 2020			Total
	Stage I (Expected credit loss (in the next 12 months))	Stage II (Expected credit over the duration)	Stage III (Financial assets with credit impairment occurred - expected credit loss for the whole duration)	
Not rated	208,340	154	-	208,494
Above A (included)	99,217	336	-	99,553
Below A	<u>2,501</u>	-	<u>31</u>	<u>2,532</u>
Total	<u>310,058</u>	<u>490</u>	<u>31</u>	<u>310,579</u>

2. Liquidity risk

Liquidity risk is the risk of incapable to meet the repayment obligations at the maturity, which can be resulted by the mismatches of terms or amounts of the assets and liabilities. The management of liquidity risks of the Group covers the prior plans, current management, afterward-adjustment and emergency plans. According to supervision authority's administration index system for the liquidity risks, the Company has also designed a series of daily liquidity risk supervision system in compliance with applicability and the actual conditions of the Company so as to control the executions of limitations on specific indexes daily, and also classify the system in accordance with supervision and adjustment rates.

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2021	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	88,089	9,507	-	-	-	-	-	97,596
Due from other banks	-	16,346	85	348	777	158	30	17,744
Loans to other banks	-	-	16,320	4,034	1,934	-	-	22,288
Redemptory monetary capital for sale	-	-	9,476	97	-	-	-	9,573
Loans and advance payments	5,573	947	54,777	97,769	454,804	269,292	157,787	1,040,949
Financial investment:								
Trading financial assets	160	282,222	2,381	5,165	26,421	37,348	7,502	361,199
Investment on creditor's rights	269	-	9,061	5,952	46,782	171,483	86,677	320,224
Other investment on creditor's rights	-	-	645	4,847	45,244	221,408	95,861	368,005
Other equity instrument investment	199	-	-	-	-	-	-	199
Other financial assets	121	1,621	639	113	1,079	215	40	3,828
Total assets	<u>94,411</u>	<u>310,643</u>	<u>93,384</u>	<u>118,325</u>	<u>577,041</u>	<u>699,904</u>	<u>347,897</u>	<u>2,241,605</u>

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:
(continued)

Dec. 31, 2021	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	-	-	3,106	4,333	75,954	-	-	83,393
Due from other banks and financial institutions	-	83,805	1,513	5,548	4,030	-	-	94,896
Placements from other institutions	-	-	7,347	8,359	43,854	1,471	-	61,031
Trading financial liabilities	-	639	3,643	5,738	10,862	-	-	20,882
Financial Assets sold for repurchase	-	-	87,900	2,529	2,202	-	-	92,631
Deposits	-	572,306	53,733	76,907	300,948	137,445	5,261	1,146,600
Bonds payable	-	-	45,305	114,676	163,150	30,485	47,917	401,533
Other financial liabilities	-	4,908	1,235	2,339	8,382	164	42	17,070
Total liabilities	-	661,658	203,782	220,429	609,382	169,565	53,220	1,918,036
Net amount of balance sheet liquidity	94,411	(351,015)	(110,398)	(102,104)	(32,341)	530,339	294,677	323,569
Off-balance sheet commitments	20,711	90,138	37,471	60,403	168,492	9,540	114	386,869

XII. Financial Instruments and Risk Analysis (continued)**2. Liquidity risk (continued)****2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)**

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2020	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of assets								
Cash and balances with central banks	86,841	15,657	-	-	-	-	-	102,498
Due from other banks	-	17,193	1,501	313	711	373	34	20,125
Loans to other banks	-	-	3,308	-	-	-	-	3,308
Redemptory monetary capital for sale	-	-	627	-	-	-	-	627
Loans and advance payments	5,046	438	37,309	77,136	363,514	219,131	119,711	822,285
Financial investment:								
Trading financial assets	218	241,351	4,474	5,016	27,627	26,395	4,386	309,467
Investment on creditor's rights	198	-	3,786	8,247	49,811	142,801	58,499	263,342
Other investment on creditor's rights	-	-	2,895	11,825	35,923	135,372	80,655	266,670
Other equity instrument investment	111	-	-	-	-	-	-	111
Other financial assets	170	2,765	1,061	60	350	99	86	4,591
Total assets	<u>92,584</u>	<u>277,404</u>	<u>54,961</u>	<u>102,597</u>	<u>477,936</u>	<u>524,171</u>	<u>263,371</u>	<u>1,793,024</u>

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1 Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity (continued)

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2020	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Cash and balances with central banks	-	-	1,018	10,114	74,423	-	-	85,555
Due from other banks and financial institutions	-	89,319	3,204	13,629	1,873	1,334	-	109,359
Placements from other institutions	-	-	27,437	36,473	5,367	-	-	69,277
Trading financial liabilities	-	18,996	25	-	71	-	-	19,092
Financial Assets sold for repurchase	-	-	22,847	2,945	4,161	-	-	29,953
Deposits	-	516,581	52,002	82,810	181,762	122,001	20	955,176
Bonds payable	-	-	45,155	54,497	20,132	44,945	38,115	202,844
Other financial liabilities	-	<u>3,820</u>	<u>637</u>	<u>896</u>	<u>6,553</u>	<u>480</u>	<u>43</u>	<u>12,429</u>
Total liabilities	-	<u>628,716</u>	<u>152,325</u>	<u>201,364</u>	<u>294,342</u>	<u>168,760</u>	<u>38,178</u>	<u>1,483,685</u>
Net amount of balance sheet liquidity	<u>92,584</u>	<u>(351,312)</u>	<u>(97,364)</u>	<u>(98,767)</u>	<u>183,594</u>	<u>355,411</u>	<u>225,193</u>	<u>309,339</u>
Off-balance sheet commitments	<u>9,214</u>	<u>67,860</u>	<u>29,385</u>	<u>58,444</u>	<u>105,417</u>	<u>7,376</u>	<u>35</u>	<u>277,731</u>

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2 Cash flow analysis of derivative financial instruments

Derivative financial instruments at close-out netting

Derivative financial instruments at close-out netting include interest rate swap and interest rate option.

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, 2021	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>(1)</u>	<u>(22)</u>	<u>(157)</u>	<u>1</u>	<u>(179)</u>
Interest rate option	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dec. 31, 2020	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>10</u>	<u>(12)</u>	<u>58</u>	<u>5</u>	<u>61</u>
Interest rate option	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

Dec. 31, 2021	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Foreign exchange forwards					
Cash outflow	(56,501)	(73,723)	(1,266)	-	(131,490)
Cash inflow	55,521	71,528	1,205	-	128,254
Credit risk mitigation instrument					
Cash outflow	-	(300)	(400)	-	(700)
Cash inflow	30	100	-	-	130
Currency swap					
Cash outflow	(415,927)	(442,322)	(661)	-	(858,910)
Cash inflow	417,257	442,797	665	-	860,719
Currency exchange					
Cash outflow	(14,145)	(6,109)	(407)	-	(20,661)
Cash inflow	14,163	6,168	387	-	20,718
Share option					
Cash inflow	(71,432)	(148,956)	(1,277)	-	(221,665)
Cash inflow	71,215	149,146	1,310	-	221,671

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

Precious metal contract					
Cash outflow	(6,157)	(932)	-	-	(7,089)
Cash inflow	15,783	11,427	-	-	27,210

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2 Cash flow analysis of derivative financial instruments

Derivative financial instruments settled at full amount (continued)

Dec. 31, 2020	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Foreign exchange forwards					
Cash outflow	(36,502)	(40,680)	(1,805)	-	(78,987)
Cash inflow	35,400	39,393	1,757	-	76,550
Credit risk mitigation instrument					
Cash outflow	(180)	-	(520)	-	(700)
Cash inflow	-	-	-	130	130
Currency swap					
Cash outflow	(511,399)	(531,176)	(13,605)	-	(1,056,180)
Cash inflow	513,117	526,823	14,258	-	1,054,198
Currency exchange					
Cash outflow	(1,781)	(2,737)	(540)	-	(5,058)
Cash inflow	1,780	2,761	533	-	5,074
Share option					
Cash outflow	(43,360)	(81,084)	(89)	-	(124,533)
Cash inflow	43,131	81,097	85	-	124,313
Precious metal contract					
Cash outflow	(1,918)	(697)	-	-	(2,615)
Cash inflow	6,660	13,810	-	-	20,470

3. Market risk

Market risk can exist within non-transaction business, as well as transaction business.

The Group established market risk management institutions and teams with the Market Risk Department observing the market risk exposures of the trade, which is also responsible for preparing the relative market risk management policies and submitting them to the Risk Management Committee. Under the current risk management structure, the Market Risk Department is mainly responsible for managing the risks arising from transaction business market and foreign exchange. And the risks of the transaction business market of the Company mainly comes from the market maker business, client-investment business and some short-term market investment profit chances.

The Group in compliance with the established standard and current management capability measures the market risks through sensitivity analysis. Before releasing new products or business, its market risks shall be identified according to corresponding regulations and rules.

3.1 Interest rate risk

The interest rate risk of the Group arises from the mismatch of the agreed maturity of interest-bearing assets and interest-paying liabilities and the re-pricing date. And the interest-bearing assets and interest-paying liabilities of the Group are mainly counted in the unit of RMB.

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec. 31, 2021	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	83,118	-	-	-	-	14,478	97,596
Due from other banks	16,380	338	748	141	25	47	17,679
Loans to other banks	16,016	3,940	1,899	-	-	154	22,009
Derivative financial assets	-	-	-	-	-	19,110	19,110
Redemptory monetary capital for sale	9,469	96	-	-	-	2	9,567
Loans and advance payments	56,242	84,596	463,722	144,276	72,239	11,368	832,443
Financial investments:							
Trading financial assets	3,681	4,064	24,089	34,423	7,098	282,036	355,391
Investment on creditor's rights	8,381	3,748	37,949	145,550	61,293	2,801	259,722
Other investment on creditor's rights	25,007	3,298	37,804	190,581	91,692	3,769	352,151
Other equity instrument investment	-	-	-	-	-	199	199
Other financial assets	-	-	-	-	-	3,721	3,721
Total assets	<u>218,294</u>	<u>100,080</u>	<u>566,211</u>	<u>514,971</u>	<u>232,347</u>	<u>337,685</u>	<u>1,969,588</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date: (continued)

Dec. 31, 2021	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	2,841	3,948	74,438	-	-	515	81,742
Due to banks and other financial institutions	87,028	3,543	3,976	-	-	167	94,714
Placements from other institutions	7,223	7,774	42,001	2,750	-	478	60,226
Derivative financial liabilities	-	-	-	-	-	20,882	20,882
Trading financial liabilities	-	-	-	-	-	19,339	19,339
Financial assets sold for repurchase	87,839	2,515	2,184	-	-	57	92,595
Deposits	613,985	71,510	239,789	122,368	5,235	9,441	1,062,328
Bond payable	44,442	113,487	158,427	21,998	42,484	1,526	382,364
Other financial liabilities	<u>1,100</u>	<u>2,239</u>	<u>7,821</u>	<u>-</u>	<u>-</u>	<u>5,842</u>	<u>17,002</u>
Total liabilities	<u>844,458</u>	<u>205,016</u>	<u>528,636</u>	<u>147,116</u>	<u>47,719</u>	<u>58,247</u>	<u>1,831,192</u>
Interest sensitive gap	<u>(626,164)</u>	<u>(104,936)</u>	<u>37,575</u>	<u>367,855</u>	<u>184,628</u>	<u>279,438</u>	<u>138,396</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date: (continued)

Dec. 31, 2020	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	93,537	-	-	-	-	8,961	102,498
Due from other banks	18,597	303	691	337	28	84	20,040
Loans to other banks	3,299	-	-	-	-	1	3,300
Derivative financial assets	-	-	-	-	-	32,942	32,942
Redemptory monetary capital for sale	626	-	-	-	-	-	626
Loans and advance payments	45,999	66,671	378,798	107,400	56,128	8,451	663,447
Financial investments:							
Trading financial assets	4,394	4,894	26,920	23,249	3,658	242,515	305,630
Investment on creditor's rights	3,374	6,190	42,415	122,851	39,321	2,248	216,399
Other investment on creditor's rights	22,049	11,207	29,588	101,052	70,501	2,315	236,712
Other equity instrument investment	-	-	-	-	-	111	111
Other financial assets	-	-	-	-	-	4,419	4,419
Total assets	<u>191,875</u>	<u>89,265</u>	<u>478,412</u>	<u>354,889</u>	<u>169,636</u>	<u>302,047</u>	<u>1,586,124</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date: (continued)

Dec. 31, 2020	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	800	9,600	72,868	-	-	355	83,623
Due to banks and other financial institutions	89,157	9,908	559	1,100	7,128	221	108,073
Placements from other institutions	22,192	16,513	27,609	1,751	-	369	68,434
Derivative financial liabilities	-	-	-	-	-	19,092	19,092
Trading financial liabilities	-	-	-	-	-	36,257	36,257
Financial assets sold for repurchase	22,832	2,929	4,132	-	-	31	29,924
Deposits	558,325	80,972	176,687	108,218	20	8,942	933,164
Bond payable	44,774	53,574	17,140	36,997	32,985	1,973	187,443
Other financial liabilities	554	533	6,204	-	-	5,042	12,333
Total liabilities	<u>738,634</u>	<u>174,029</u>	<u>305,199</u>	<u>148,066</u>	<u>40,133</u>	<u>72,282</u>	<u>1,478,343</u>
Interest sensitive gap	<u>(546,759)</u>	<u>(84,764)</u>	<u>173,213</u>	<u>206,823</u>	<u>129,503</u>	<u>229,765</u>	<u>107,781</u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Sensitivity analysis is the primary instrument for measuring and controlling the risks in the transaction business market, of which the duration analysis is to evaluate the potential influences of the market price fluctuation of the fixed-profit financial instruments to the Company's benefits and equity. And the gap analysis is mainly used by the Company to control the risks in the non-transaction business market.

Duration analysis is also called as persistent period analysis or duration elastic analysis, which is a method to measure the influences on the economic values of the banks caused by the fluctuations of interest rate, and also one of the methods to evaluate the sensitivity of interest rate's fluctuation.

Gap analysis is used to predicate the cash flow conditions in the future by calculating the balance between assets and liabilities in a specific duration in the future.

The Group primarily adopts sensitivity analysis to measure and control the interest rate risks. For the portfolio of available-for-sale bond investment, the Group uses duration analysis to evaluate the potential influences of the market price fluctuation of this kind of financial instrument market to the benefits and equity of the Group. And for the non-transaction financial assets and liabilities with Held-to-maturity bond investment, clients' loans and deposits as the primary content, the Company uses gap analysis to measure and control the interest rate risks of this kind of financial instruments.

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows:

1) Duration analysis

Duration analysis results in compliance with transaction bond investment on the Balance Sheet date are as follows:

	Dec. 31, 2021	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss due to interest rate risk	873	(873)
	Dec. 31, 2020	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss due to interest rate risk	214	(214)

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

1) Duration analysis (continued)

The following table shows the results of duration analysis based on other debt investments at that time as of the balance sheet date:

	Dec. 31, 2021	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss due to interest rate risk	12,583	(12,583)
	Dec. 31, 2020	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss due to interest rate risk	8,570	(8,570)

The Group adopts Macaulay duration analysis. Macaulay duration of the transaction bond investment and available-for-sale bond investment is received from specialty software by the Group and analyzed and calculated with Summit system to get an accurate understanding of the influences of interest rate risks to the Group.

2) Gap analysis

The following table shows the results of gap analysis based on current non-trading financial assets and liabilities as of the balance sheet date:

	Dec. 31, 2021	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss due to interest rate risk	6,894	(6,894)
	Dec. 31, 2020	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss due to interest rate risk	5,480	(5,480)

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1 Interest rate risk (continued)

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

2) Gap analysis (continued)

The above gap analysis is proceed on the presumption that non-transaction financial assets and liabilities have static interest rate risks. And the analysis only measures the fluctuations of interest rate within one year, reflecting the influences on the gain and loss of the Group in a year by the re-pricing of the non-transaction financial assets and liabilities. The analysis is based on the presumptions that: (1) the incurred amounts of various non-transaction financial instruments don't change; (2) the income curve moves in parallel according to the changes of interests; (3) the portfolio of non-transaction financial assets and liabilities are released from other changes. Based on the above analysis, the real changes of the gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3) Summit system analysis

The Company adopts Summit system analysis to measure and manage the risks of derivative financial instruments. This system is mainly designed to comprehensively weigh the influences of factors like interest rate, exchange rate and stock price on the fair values of derivative financial instruments. The cash positions of derivative financial instruments held by the Company are mainly effected by interest rate.

Summit system analysis results in compliance with cash positions of derivative financial instruments at that time to the Balance Sheet date as follows:

	Dec. 31, 2021	
Alteration (base point) of interest rate	(100)	100
Changes in fair value of financial derivatives due to interest rate risk	1,000	(1,000)
	Dec. 31, 2020	
Alteration (base point) of interest rate	(100)	100
Changes in fair value of financial derivatives due to interest rate risk	53	(53)

3.2 Foreign exchange risk

The Group is established in the territory of the People's Republic of China and operates within and mainly deals with RMB businesses, along with USD business for the foreign exchange.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2 Foreign exchange risk (continued)

From July 21, 2005 on, People's Bank of China started to implement the floating exchange regime based on the supply and demand of the market and adjust in reference to the principle of "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, 2021	RMB	USA	Other currencies	Total
	Converted to RMB		Converted to RMB	
Items of assets				
Cash and balances with central bank	84,581	12,945	70	97,596
Due from other banks	10,853	4,717	2,109	17,679
Loans to other banks	11,944	10,065	-	22,009
Derivative financial assets	18,522	573	15	19,110
Redemptory monetary capital for sale	9,567	-	-	9,567
Loans and advance payments	801,242	26,304	4,897	832,443
Financial investment:				
Trading financial asset	343,239	12,152	-	355,391
Investment on creditor's rights	259,722	-	-	259,722
Other investment on creditor's rights	332,132	19,809	210	352,151
Other equity instrument investment	199	-	-	199
Other financial assets	<u>3,721</u>	<u>-</u>	<u>-</u>	<u>3,721</u>
Total assets	<u>1,875,722</u>	<u>86,565</u>	<u>7,301</u>	<u>1,969,588</u>
Dec. 31, 2021	RMB	USA	Other currencies	Total
	Converted to RMB		Converted to RMB	
Items of liabilities				
Due to central bank	81,742	-	-	81,742
Due to banks and other financial				
Institutions	92,548	2,166	-	94,714
Loans from other banks	58,838	1,313	75	60,226
Trading financial liabilities	20,882	-	-	20,882
Derivative financial liabilities	11,459	7,238	642	19,339
Financial assets sold for repurchase	92,595	-	-	92,595
Deposits	921,137	137,324	3,867	1,062,328
Bonds payable	382,364	-	-	382,364
Other financial liabilities	<u>16,981</u>	<u>20</u>	<u>1</u>	<u>17,002</u>
Total liabilities	<u>1,678,546</u>	<u>148,061</u>	<u>4,585</u>	<u>1,831,192</u>
In-balance-sheet net position	<u>197,176</u>	<u>(61,496)</u>	<u>2,716</u>	<u>138,396</u>
Off-balance-sheet position	<u>350,525</u>	<u>14,631</u>	<u>21,713</u>	<u>386,869</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2 Foreign exchange risk (continued)

Assets and liabilities in compliance with currencies are as follows: (continued)

Dec. 31, 2020	RMB	USA	Other currencies	Total
	Converted to RMB		Converted to RMB	
Items of assets				
Cash and balances with central bank	95,017	7,396	85	102,498
Due from other banks	10,506	8,772	762	20,040
Loans to other banks	1,998	1,302	-	3,300
Derivative financial assets	32,625	99	218	32,942
Redemptory monetary capital for sale	626	-	-	626
Loans and advance payments	649,714	10,076	3,657	663,447
Financial investment:				
Trading financial asset	295,097	10,533	-	305,630
Investment on creditor's rights	216,399	-	-	216,399
Other investment on creditor's rights	227,982	8,578	152	236,712
Other equity instrument investment	111	-	-	111
Other financial assets	4,419	-	-	4,419
Total assets	1,534,494	46,756	4,874	1,586,124
Dec. 31, 2020	RMB	USA	Other currencies	Total
	Converted to RMB		Converted to RMB	
Items of liabilities				
Due to central bank	83,623	-	-	83,623
Due to banks and other financial				
Institutions	107,779	294	-	108,073
Loans from other banks	45,332	23,102	-	68,434
Trading financial liabilities	19,092	-	-	19,092
Derivative financial liabilities	11,003	25,101	153	36,257
Financial assets sold for repurchase	29,924	-	-	29,924
Deposits	828,672	101,882	2,610	933,164
Bonds payable	187,443	-	-	187,443
Other financial liabilities	12,267	39	27	12,333
Total liabilities	1,325,135	150,418	2,790	1,478,343
In-balance-sheet net position	209,359	(103,662)	2,084	107,781
Off-balance-sheet position	248,474	9,827	19,430	277,731

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.2 Foreign exchange 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, 2021 and December 31, 2020.

	Dec. 31, 2021	
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax due to exchange rate risk	588	(588)
	Dec. 31, 2020	
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax due to exchange rate risk	1,016	(1,016)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and also calculates the influences of the rational changes of foreign currencies exchange rate against Renminbi on the net profits and equities when all the other factors remain stable. The analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 1% (absolute) against closing price on the balance sheet date (middle price); (2) currency rates fluctuate against Renminbi simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure. Based on the above analysis, the real changes of the net exchange gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3.3 Disclosure of fair value

Financial assets and liabilities measured by fair value

Fair value is the price the market participant receives when selling an asset or pays when transferring a liability in the orderly transaction on the date of measurement. The fair value measured and disclosed in the financial statement is determined on this basis price that is either observable or estimated using a valuation technique.

The financial assets and financial liabilities measured by fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.com.

Level 3: the unobservable inputs of the related assets or liabilities.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

As of Dec. 31, 2020, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv.1)	Valuation technique-- Observable market variable (Lv.2)	Valuation technique-- Unobservable market variable (Lv.3)	Total
Continues fair value measurement				
Nobel metal	23,697	-	-	23,697
Derivative financial assets	-	19,110	-	19,110
Loans and advances	-	65,119	-	65,119
Trading financial assets	227,272	128,101	18	355,391
Other investment on creditor's rights	-	352,151	-	352,151
Other equity instrument investment	-	-	199	199
Total financial assets	<u>250,969</u>	<u>564,481</u>	<u>217</u>	<u>815,667</u>
Trading financial liabilities	20,882	-	-	20,882
Derivative financial liabilities	-	19,339	-	19,339
Total financial liabilities	<u>20,882</u>	<u>19,339</u>	<u>-</u>	<u>40,221</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

As of Dec. 31, 2020, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv.1)	Valuation technique- Observable market variable (Lv.2)	Valuation technique-- Unobservable market variable (Lv.3)	Total
Continues fair value measurement				
Nobel metal	22,267	-	-	22,267
Derivative financial assets	-	32,942	-	32,942
Loans and advances	-	56,181	-	56,181
Trading financial assets	187,961	117,667	2	305,630
Other investment on creditor's rights	-	236,712	-	236,712
Other equity instrument investment	-	-	111	111
Total financial assets	<u>210,228</u>	<u>443,502</u>	<u>113</u>	<u>653,843</u>
Trading financial liabilities	19,092	-	-	19,092
Derivative financial liabilities	-	36,257	-	36,257
Total financial liabilities	<u>19,092</u>	<u>36,257</u>	<u>-</u>	<u>55,349</u>

In 2021 and 2020, the Group has neither transferred the financial instrument fair value's levels from 1 and 2 to level 3, nor switched the fair values between level 1 and level 2.

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities measured by fair value (continued)

For the financial instruments that are traded in the active market, the Group determines their fair values in compliance with the quotation of the active market; for the financial instruments that are not traded in the active market, the Group determines their fair values in compliance with the valuation technique. The primary valuation model adopted is the discount cash flow method. The level 2 financial instruments of the Group mainly include the bond investment and derivative financial instruments. The fair value of Renminbi bond is determined in compliance with the valuation results of China Government Securities Depository Trust & Clearing Co., Ltd., Interbank Clearing House Co., Ltd and China Securities Index Co. Ltd., and the derivative financial instruments are valued complying with discount cash flow method and Black-Scholes Model. All the major valuation parameters adopt the valuation method that can observe the market information. Except some investment adopts the latest transaction price of similar or same financial instruments, the unlisted equity investment held by the Group mainly adopts comparative company valuation multiplier method and is adjusted appropriately, such as in terms of liquidity shortage. Such fair value may be measured by unobservable parameters that have significant influence in the valuation, so the Group classifies these assets and liabilities as level 3. The unobservable parameters that may have influence in the valuation include discount for lack of liquidity. As of Dec. 31, 2020, fair value changes caused by the change of the above unobservable parameters are not significant. The management has evaluated the influence of macroeconomic changes, evaluation of external assessors, loss coverage and other parameters, to determine whether to adjust the fair value of level 3 financial instruments. The Group has set up a relevant internal control procedure to monitor the exposure of the Group to such financial instruments.

Adjustment of fair value measurement

Continuous adjustment of L3 fair value measurements is as follows:

2021

	Trading financial assets	Investment in other equity instruments
Beginning balance	2	111
Include in other comprehensive income	-	35
Purchase	17	53
Sale	(1)	-
Ending balance	<u>18</u>	<u>199</u>

2020

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

	Trading financial assets	Investment in other equity instruments
Beginning balance	1	98
Include in other comprehensive income	-	13
Purchase	<u>1</u>	<u>-</u>
Ending balance	<u><u>2</u></u>	<u><u>111</u></u>

XII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3 Disclosure of fair value (continued)

Financial assets and liabilities not measured by fair value (continued)

Financial assets and liabilities not measured by fair value include: cash and balances in the central bank, due from other banks, lending, reverse repurchase agreements, loans and advance payment, creditor's rights investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, borrowing funds, selling repurchase financial liabilities, deposits and bonds payable.

For the investment in debt and bonds payable that are not reflected or disclosed by fair value, their book values and fair values are as follows:

	Dec. 31, 2021		Dec. 31, 2019	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Investment on creditors' right	<u>259,722</u>	<u>261,748</u>	<u>216,399</u>	<u>219,262</u>
Financial liabilities:				
Bond payable	<u>382,364</u>	<u>383,778</u>	<u>187,443</u>	<u>187,895</u>

Besides the above financial assets and liabilities, the fair values of the other financial assets and liabilities of the balance sheet not measured by fair value are determined in compliance with future discount cash flow method and their book values are similar to their fair values:

Assets		Liabilities
Cash and deposit of central bank		Borrowings from central bank
Deposits in other banks	Deposits from banks	and other financial institutions
Loans to other banks		Loans from other banks
Reverse repurchase agreement	Proceeds generated from repurchase agreements	
Loans and advances		Deposit
Other financial assets		Other financial liabilities

XIII. Other items after balance sheet day

Through the resolution of the board of directors of the company on December 24, 2021, the Proposal on External Equity Investment of Bank of Ningbo Co., Ltd. was passed, and the Company was agreed to accept the transfer of 70% equity of Huarong Consumer Finance Co., Ltd. with a total amount of RMB 1.091 billion. The equity transfer has yet to be approved by relevant regulatory authorities.

According to the resolution of the Board of Directors held on April 6, 2022, the profit distribution plan (predetermined) of the year 2021 is listed as follow:

- 1) Distribute 10% of 2021 net profit amounted to RMB 1,786,000,000 as statutory welfare reserve;
- 2) According to Administrative Measures for the Withdrawal of Reserves of Financial Enterprises (C.J. [2012] No. 20), The Company withdraw 1.5% of risk assets value as at the end of 2021 amounted to RMB 3,150,000,000 as general provision;
- 3) Distribute cash dividends to the shareholders of 6.604 billion shares by RMB 5 per 10 shares (including tax), and the distribution plan is to be approved by the general meeting of shareholders.

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 2021

XIV. Notes to Main Items of the Financial Statement (continued)

1. Long-term equity investment

Year 2021		Changes during the year					End	End
Subsidiary	Beginning Balance Investment	Increased investment	Gains & losses under equity method	Other comprehensive income	Other declared dividend	cash	book value	impairment provision
Maxwealth Fund Management Co., Ltd.	647	-	-	-	-	-	647	-
Maxwealth Financial Leasing Co., Ltd.	4,000	1,000	-	-	-	-	5,000	-
Ningyin Financial Management Co., Ltd.	<u>1,500</u>	-	-	-	-	-	<u>1,500</u>	-
	<u>6,147</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,147</u>	<u>-</u>
Year 2021		Changes during the year					End	End
Subsidiary	Beginning Balance Investment	Increased investment	Gains & losses under equity method	Other comprehensive income	Other declared dividend	cash	book value	impairment provision
Maxwealth Fund Management Co., Ltd.	647	-	-	-	-	-	647	-
Maxwealth Financial Leasing Co., Ltd.	3,000	1,000	-	-	-	-	4,000	-
Ningyin Financial Management Co., Ltd.	<u>1,500</u>	-	-	-	-	-	<u>1,500</u>	-
	<u>5,147</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,147</u>	<u>-</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments

2.1 Loans and advances classified by corporation and individual

	Dec. 31, 2021	Dec. 31, 2020
Measured at amortized cost		
Corporate loans and advances	393,351	319,662
Loans	379,707	312,850
Trade financing	13,644	6,812
Individual loans	333,128	261,652
Individual consumption loan	219,847	178,377
Individual operating loan	75,968	60,013
Individual housing loan	37,313	23,262
Measured at fair value with changes included in other comprehensive income		
Discount	<u>65,119</u>	<u>56,181</u>
Subtotal	791,598	637,495
Accrued interest	2,657	2,095
Less: Provision for loan impairment measured at amortized cost	<u>(31,189)</u>	<u>(25,169)</u>
Book value of loans and advances	<u><u>763,066</u></u>	<u><u>614,421</u></u>

The total amount of loans and advances issued by the company in the first, second and third phases are RMB 766,766 million, RMB 20,893 million and RMB 6,596 million respectively (December 31, 2020: the amounts in the first, second and third phases are RMB 610,016 million, RMB 23,911 million and RMB 5,663 million respectively).

On December 31, 2021, the loans measured at fair value with changes included in other comprehensive income are generated from discount business, and their impairment provision is RMB 1,066,000,000 (December 31, 2020: RMB 647,000,000), which is included in other comprehensive income.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.2 Loans and advances classified by guarantee method

	Dec. 31, 2021	Dec. 31, 2020
Credit loan	300,078	238,020
Guarantee loan	168,411	138,508
Mortgage loan	248,362	197,923
Pledge loan	<u>74,747</u>	<u>63,044</u>
Total loans and advances	791,598	637,495
Accrued interest	2,657	2,095
Less: provision for loan impairment	<u>(31,189)</u>	<u>(25,169)</u>
Book value of loans and advances	<u><u>763,066</u></u>	<u><u>614,421</u></u>

2.3 Overdue loans

	Dec. 31, 2021				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	976	1,680	506	49	3,211
Guarantee loan	87	126	401	79	693
Mortgage/pledge loan	<u>734</u>	<u>676</u>	<u>762</u>	<u>367</u>	<u>2,539</u>
	<u><u>1,797</u></u>	<u><u>2,482</u></u>	<u><u>1,669</u></u>	<u><u>495</u></u>	<u><u>6,443</u></u>
	Dec. 31, 2020				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	599	1,224	348	40	2,211
Guarantee loan	77	418	366	37	898
Mortgage/pledge loan	<u>292</u>	<u>1,020</u>	<u>940</u>	<u>118</u>	<u>2,370</u>
	<u><u>968</u></u>	<u><u>2,662</u></u>	<u><u>1,654</u></u>	<u><u>195</u></u>	<u><u>5,479</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.4 Provision for loan impairment

The changes in the provision for impairment of loans and advances issued in 2021 are as follows::

Provision for loan impairment measured at amortized cost:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	16,369	3,843	4,957	25,169
Accrual in the year	3,802	1,358	3,323	8,483
Transferred to stage I	924	(916)	(8)	-
Transferred to stage II	(279)	284	(5)	-
Transferred to stage III	(50)	(83)	133	-
Write-off and transfer	-	-	(3,709)	(3,709)
Received from loans for sale and reconciliation from advance payment	-	-	1,268	1,268
Transfer by write-down of impaired Loan and advance interest	-	-	(22)	(22)
Ending balance	<u>20,766</u>	<u>4,486</u>	<u>5,937</u>	<u>31,189</u>

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

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	644	3	-	647
Accrual in the year	<u>406</u>	<u>11</u>	<u>2</u>	<u>419</u>
Ending balance	<u>1,050</u>	<u>14</u>	<u>2</u>	<u>1,066</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XIV. Notes to Main Items of the Financial Statement (continued)

2. Loans and advance payments (continued)

2.4 Provision for loan impairment (continued)

The changes in the provision for impairment of loans and advances issued in 2020 are as follows:

Provision for loan impairment measured at amortized cost

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets with credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	6,970	9,938	3,229	20,137
Accrual (callback) in the year	4,544	(1,157)	3,435	6,822
Transferred to stage I	4,988	(4,981)	(7)	-
Transferred to stage II	(113)	155	(42)	-
Transferred to stage III	(20)	(112)	132	-
Write-off and transfer	-	-	(2,855)	(2,855)
Received from loans for sale and reconciliation from advance payment	-	-	1,114	1,114
Transfer by write-down of impaired loan and advance interest	-	-	(49)	(49)
Ending balance	<u>16,369</u>	<u>3,843</u>	<u>4,957</u>	<u>25,169</u>

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

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XIV. Notes to Main Items of the Financial Statement (continued)

3. Net interest income

	2021	2020
Interest income		
Loans and advances (note 1)	41,590	34,683
<i>Including: corporate loans and advances</i>	<i>16,632</i>	<i>14,940</i>
<i>Personal loans and advances</i>	<i>21,917</i>	<i>16,303</i>
<i>Notes discounted</i>	<i>2,693</i>	<i>3,086</i>
<i>Trade financing</i>	<i>348</i>	<i>354</i>
Due from other banks	123	337
Balance with central banks	1,352	1,330
Placements to other financial institutions	321	201
Redemptory monetary capital for sale	658	622
Bond investment	13,202	10,403
Financing product and credit plan	<u>6,691</u>	<u>6,644</u>
	<u>63,937</u>	<u>54,220</u>
Interest expense		
Due to other banks	(2,273)	(1,384)
Borrowing from central bank	(2,304)	(1,109)
Placements from other institutions	(424)	(442)
Deposit	(19,066)	(17,786)
Financial assets sold for repurchase	(1,311)	(907)
Bond issuance	(7,786)	(6,201)
Others	<u>(113)</u>	<u>-</u>
	<u>(33,277)</u>	<u>(27,829)</u>
Net interest income	<u><u>30,660</u></u>	<u><u>26,391</u></u>

Note 1: in 2021, the interest income generated by the company's impaired financial assets was RMB 22 million (2020: RMB 49 million).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2021

XIV. Notes to Main Items of the Financial Statement (continued)

4. Cash flow of operating activities

	2021	2020
Adjusting net profit to cash flow from operating activities		
Net profit	17,855	13,824
Add: credit impairment loss	11,603	7,852
Impairment loss of other assets	23	-
Depreciation of fixed assets	707	634
Depreciation of right-of-use assets	673	-
Amortization of intangible assets	234	131
Amortization of deferred expenses	359	625
Income from disposal of fixed assets, intangible assets and other long-term assets	(8)	(72)
Loss from changes in fair value	1,440	1,398
Investment interest income and investment income	(22,276)	(18,986)
Interest expense of lease liabilities	113	-
Interest expense on bond issuance	7,786	6,201
Increase in deferred income tax assets	(879)	(2,032)
Decrease in operating receivables	(212,899)	(216,093)
Increase in operating payables	<u>149,989</u>	<u>267,179</u>
	<u>(45,280)</u>	<u>60,661</u>

XV. Comparative Data

Certain comparative data have been reclassified and rearranged to conform to the presentation of the financial statements.

Supplementary to Financial Statements:

1. List of non-recurring incomes and losses

	2021	2020
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	7	72
Changes in fair value of investment real estate	(8)	-
Other non-operating income and expense besides the above items	<u>68</u>	<u>19</u>
Affected amount of income tax	<u>(28)</u>	<u>(29)</u>
Affected amount of minority equity(after tax)	<u>(4)</u>	<u>(4)</u>
Non recurring profit and loss attributable to common shareholders of the parent company	<u>35</u>	<u>58</u>

The confirmation on the items of non-operating gains and loss of the Group is reported in compliance with CSRC Notice [2008] No. 43 *the Explanatory Announcement Concerning the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit & Loss.*

2. ROE (return on equity) and earnings per share

2021	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	16.63	3.13	3.13
Net profit attributable to common shareholders after deducting incidental profit and loss	16.60	3.12	3.12
2020	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	14.90	2.43	2.43
Net profit attributable to common shareholders after deducting incidental profit and loss	14.84	2.42	2.42