



专业创造价值

BANK OF NINGBO CO., LTD.

(Stock Code: 002142)

2022 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 2nd meeting of the 8th Board of Directors of the Company deliberated on and approved the text and abstract of 2022 Annual Report. 10 directors were expected to be present at the meeting in person out of the total of 10 directors required to attend the meeting, and part of supervisors attended as a nonvoting delegates.

The Chairman of the Company, Mr. Lu Huayu, the President of the Bank, Mr. Zhuang Lingjun, the person in charge of accounting, Mr. Luo Weikai, and the general manager of financial department, Ms. Sun Hongbo hereby declare to guarantee the authenticity, accuracy and integrity of financial statements in the Annual Report.

Financial data and indicators included in this Annual Report are following the criteria of Chinese Accounting Standard for Business Enterprises. Unless otherwise stated, all data in the Annual Report is subject to the unit of RMB.

PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership) audited the 2022 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 2022 general meeting of stockholders for further approval.

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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 Financial Leasing	Refer to	Maxwealth Financial Leasing Co., Ltd.
BNB Wealth Management	Refer to	BNB Wealth Management Co., Ltd.
BNB Consumer Finance	Refer to	BNB Consumer Finance Co., Ltd.
PBC, the central bank	Refer to	People's Bank of China
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.nbc.com.cn		
E-mail	dsh@nbc.com.cn		

II. Contact Information

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

III. Information Disclosure and Place for Inspection

The website of the stock exchange where the Company discloses the annual report	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 (unified social credit code)
Changes of Main Business after Listing	None
Changes of Controlling Shareholders in the Past	None

V. Other Relevant Information

(I) Accounting firm appointed by the Company

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

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

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 December 15, 2021 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	

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 the nine profit centers at the banking level, namely Cooperate Banking, Retail Banking, Wealth Management, Consumer Credit, Credit Card, Financial Market, Investment Banking, Asset Custody and Bill Business and continuously improve the sustainable development capability of Maxwealth Fund, Maxwealth Financial Leasing, BNB Wealth Management and BNB Consumer Finance, thus to form a more diversified profit growth layout and better adapt to

the 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 2022

(I) In the list of “2022 Top 1,000 International Banks” issued by the Banker, the Company ranked the 87th in the world in terms of tier one capital.

(II) In the list of “2022 Top 500 International Banking Brands” issued by the Banker, the Company ranked 76th in the world.

(III) In the activity carried out by the People's Bank of China Hangzhou Central Sub-branch and Zhejiang Federation of Industry and Commerce together, the Company was elected as “the Most Satisfactory Bank for Private Enterprises” of Zhejiang Province in 2021.

(IV) In the “Performance Evaluation of Secretaries of the Boards of Directors of Public Companies 2022” issued by China Association for Public Companies, the Secretary of the Board of Directors of the Company was rated as 5A.

(V) In "the 9th Comprehensive Selection of Banks 2021" by Sina, the Company was rated as "the Best Urban Commercial Bank of the Year".

(VI) In the selection of "the 13th Tianma Award for Investor Relations of Public Companies of China" and "the 4th Tianji Award of the Banking Industry of China" organized by Securities Times, the Company was granted the "Best Investor Relations Award for Public Companies of China" and Tianji Award for "High Quality Development Bank".

(VII) In the selection of "2022 Responsibility Typical Cases of 'CSR Competitiveness'" by Economic Observer, the Company was awarded the "Annual Social Responsibility Contribution Enterprise Award".

(VIII) In the selection of "List of Honor of 2022 Jin Bei Asset Management Competitiveness" issued by 21st Century Business Herald, the Company was awarded as "2022 Outstanding Inclusive Financial Service Bank".

(IX) In the election of "Jinxi Award" held by China Investment Network, the Company won the awards "2022 Outstanding Bank" and "2022 Outstanding Retail Bank".

(X) In the selection of the 4th Yinghua Award of China Public Offering Fund and the 4th Yinghua Award for Wealth Management of Banks of China held by China Fund, the Company won the titles "2022 Outstanding Fund Marketing Bank" and "2022 Outstanding Wealth Management Bank".

(XI) In the "2022 Most Valuable Leaders Ranking of the Financial Market" by CLS.CN, the Company won the "Best Financial Technology Innovation Award of the Year".

(XII) In the 2022 annual selection of "Capital Star" organized by The Paper, the Company won the "Outstanding Private Bank Award".

Chapter Three Summary of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

Operating Performance (RMB 1 million)	Year 2022	Year 2021	Increase/Decrease by this year	Year 2020
Operating Income	57,879	52,774	9.67%	41,111
Operating Profit	25,392	20,478	24.00%	16,500
Total Profit	25,280	20,445	23.65%	16,455
Net Profit	23,132	19,609	17.97%	15,136
Net Profit Attributable to Shareholders of the Parent Company	23,075	19,546	18.05%	15,050
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	23,143	19,511	18.62%	14,992
Net Cash Flow from Operating Activities	94,768	(44,549)	Not applicable	60,771
Per Share (RMB /share)				
Basic Earnings Per Share (EPS)	3.38	3.13	7.99%	2.43
Diluted Earnings Per Share (EPS)	3.38	3.13	7.99%	2.43
Basic EPS after Non-recurring Profit and Losses	3.39	3.12	8.65%	2.42
Net Cash Flow from Operating Activities per share	14.35	(6.75)	Not applicable	10.12
Equity per share, Attributable to Common Stockholder of the Parent Company	23.14	20.37	13.60%	17.26
Financial Ratios				
Fully-diluted Return on Equity (ROE)	14.60%	13.96%	Increased by 0.64%	13.79%
Weighted Average ROE	15.56%	16.64%	Decreased by 1.08%	14.90%
Fully-diluted ROE after Non-recurring Profits and Losses	14.65%	13.94%	Increased by 0.71%	13.73%
Weighted Average ROE after Non-recurring Profits and Losses	15.61%	16.60%	Decreased by 0.99%	14.84%

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 2022, the total amount of which was RMB 757 million. The Company has considered the effect of the preference dividends issuance and shares allocation when calculating the basic earnings per share and weighted average ROE disclosed in this report.

Scale indicators (RMB 1 million)	End of 2022	End of 2021	Increase / Decrease by this Year	End of 2020
Total assets	2,366,097	2,015,548	17.39%	1,626,749
Client loans and advances	1,046,002	862,709	21.25%	687,715
— Personal loans and advances	391,230	333,128	17.44%	261,653
— Corporate loans and advances	565,383	464,462	21.73%	369,881
— Notes discounted	89,389	65,119	37.27%	56,181
Loan loss reserves	39,616	34,783	13.89%	27,583
Including: loss reserves of loans and advances measured at fair value with	892	1,066	(16.32%)	647

changes included in other comprehensive income

Total liabilities	2,197,571	1,865,613	17.79%	1,507,756
Client deposits principal	1,297,085	1,052,887	23.19%	925,174
— Personal deposit principal	282,833	213,894	32.23%	201,379
— Corporate deposit principal	1,014,252	838,993	20.89%	723,795
Interbank borrowing	109,104	81,919	33.19%	68,434
Stockholders' equity	168,526	149,935	12.40%	118,993
Including: equity attributable to shareholders of the Parent Company	167,626	149,359	12.23%	118,480
Net capital	235,407	203,522	15.67%	160,958
Including: Tier-I net capital	166,112	148,781	11.65%	118,073
Net risk-weighted assets	1,551,141	1,318,873	17.61%	1,084,870

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, 2022 was RMB 1,545.297 billion, increasing by RMB 279.327 billion than the end of the previous year with a growth of 22.06%; the total client loans and advances was RMB 1,078.495 billion, increasing by RMB 192.684 billion than the end of the previous year with a growth of 21.75%.

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 2022	2 nd Quarter of 2022	3 rd Quarter of 2022	4 th Quarter of 2022
Operating income	15,263	14,149	15,380	13,087
Net Profit Attributable to Shareholders of the Parent Company	5,720	5,548	5,923	5,884
Net Profit Attributable to Shareholders of the Parent Company	5,726	5,553	5,947	5,917
Net Cash Flow from Operating Activities	151,057	(47,880)	(64,690)	56,281

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 2022	Year 2021	Year 2020
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	13	7	72
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	(8)	(8)	-
Other non-operating incomes and expenditures except for the above items	(67)	68	19

Impacts by income tax	(4)	(28)	(29)
Total	(66)	39	62
Of which: non-recurring profit and loss attributable to shareholders of the parent company	(68)	35	58
non-recurring profit and loss attributable to minority shareholders	2	4	4

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 2022	Year 2021	Year 2020
Capital adequacy ratio (%)	≥10.75	15.18	15.43	14.84
Tier-I Capital adequacy ratio (%)	≥8.75	10.71	11.28	10.88
Core Tier-I Capital adequacy ratio (%)	≥7.75	9.75	10.16	9.52
Liquidity ratio (RMB and foreign currencies) (%)	≥25	73.21	64.25	56.04
Liquidity coverage ratio (%)	≥100	179.11	279.06	136.67
Ratio of deposits and loans (domestic and foreign currencies) (%)		79.79	79.75	71.85
Ratio of non-performing loans (%)	≤5	0.75	0.77	0.79
Provision coverage (%)	≥150	504.90	525.52	505.59
Loan provisioning rate (%)		3.79	4.03	4.01
Migration rate of normal loans (%)		1.65	1.24	1.50
Migration rate of special-mentioned loans (%)		54.95	69.05	71.94
Migration rate of subprime loans (%)		84.15	63.58	41.26
Migration rate of doubtful loans (%)		30.81	44.01	33.03
Return on total assets (%)		1.05	1.07	1.02
Cost-income ratio (%)		37.29	36.95	37.96
Asset-liability ratio (%)		92.88	92.56	92.69
Net interest spread (%)		2.20	2.46	2.54
Net interest margin (%)		2.02	2.21	2.30

Chapter Four Address of the Chairman

Facing the complicated and changeable macro-environment and both internal and external situation in 2022, the operation of the banking industry has undertaken more uncertainties, enabling us to have a more profound understanding of the accelerating industrial differentiation and increasingly intense market competition. Nothing is difficult if you dare to act. In 2022, the Company continued to strengthen the leadership of the Party, implemented the business strategy of "imperfect for large banks, impossible for small banks" based on the development strategy formulated by the Board of Directors, maintained its strategic focus and confidence in development, adhered to the principle of customer first, constantly promote the iteration and upgrading of various business models, and consolidated the foundation of risk management, realizing a stable and sustainable development of the Company.

It is our unwavering pursuit of value creation that drives the stable and sustainable development of the Bank. We always believe that "value creation" is the primary principle of banking operations, and finance can only flourish if it is deeply rooted in the soil of the era of real economic development; and a bank can only expand by creating values for their customers. In 2022, we have closely adhered to the primary principle of "value creation", persisted in the resonance with the real economy and the needs of the people, creating more values for our customers.

Take finance for people as the core and adhere to value creation as the foundation. The successful convening of the 20th National Congress of CPC has mapped out a grand blueprint for building a socialist modern country in an all-round way and comprehensively promoting the great rejuvenation of the Chinese nation with Chinese path to modernization, providing a fundamental basis for doing a good job in financial work in the new era. Facing the navigation chart of the new journey, we will take our original intention as our navigation mark, deeply understand the development idea of people centered, taken finance for people as the core of value creation, and contribute to the Chinese path to modernization.

Finance for people is the essence of finance, which is also the value coordinate system of financial work. As a national systemically important bank, we firmly adhere to the political, people-oriented, and professional nature of financial work, stay true to the mission of contributing to the country through finance, serve and integrate into the new development pattern more actively, so as to meet the financial needs of the people and the real economy, and facilitate the high-quality development of the economy and society. In 2022, we adhered to the integration of national strategies and the needs of the people, actively implemented the national strategic deployment, supported the transformation and development of the real economy, leveraged our professional advantages, and increased our support and investment in key areas such as private small and micro enterprises, manufacturing enterprises, import and export enterprises, and resident wealth management; promoted ESG construction, explored the integration of

ESG concepts with bank development strategies and business management, built and promoted the endogenous power for the high-quality development of the Bank, creating higher values for our customers, employees, shareholders and the society.

Take expertise and technology as the two wings and adhere to the long-term principle of value creation. The starting point of any business model of a bank is the customer, and only by putting customers at the center and growing with them can we continuously build a strong relationship with the customers. We believe that creating value for customers with a long-term determination is not only an endogenous demand for banking development, but also an active choice for the operations of the banking industry. In 2022, we closely adhered to the concept of "value creation", took customers as the center, shook off the single product supply with the help of the two wings, namely the expertise and technology, continuously moved towards comprehensive services throughout the entire lifecycle, further enhancing our capability to create values for the customers.

Professional oriented, focusing on financial services. Relying on the industry-leading exchange rate management service system, we helped the entity enterprises effectively cope with exchange rate fluctuations, avoid exchange rate risks, creating values for the customers in the rapidly changing market; relying on our professional judgment on interest rate trends and efficient and convenient financing services, we continuously expanded the financing channels and helped customers reduce financing costs through multiple product portfolios, multiple platform linkage and multi-dimensional services; in order to build a professional wealth management service system, we maintained a stable strategic focus, continued to increase resource investment, reshaped our professional teams to improve our expertise, contributing to common prosperity on the road to wealth management.

Technology empowerment, gathering innovation momentum. We adhered to the concept of open banking, and continuously accelerated the integration and promotion of finance and technology. By means of the comprehensive financial service solution, we have helped the customers solve demand pain points, process bottlenecks, and management difficulties, leveraged the multiplier effect of financial technology portfolio innovation, and injected new momentum into customer transformation and development; we have adopted data as value discovery basis, depended on big data computing power, algorithmic rules, and hierarchical risk control models, launched multiple active credit extension products targeting different customers, achieving precise customer contact, accurate identification of needs, and meticulous service provision, and continuously improving the financial accessibility of small and micro enterprises and residents.

Take prudent operation as foundation and build a safe barrier for value creation. In order to prevent systemic risks and maintain the bottom line of financial security, we adhered to understand the financial risks from the overall national security perspective and improve our risk control work. In 2022, we continued to uphold the concept of respecting the market and risks, persisted in the bottom line thinking concept, enhanced our awareness of risks, adhered to a cautious risk control culture in compliance with the comprehensive risk control requirements, implemented a matrix management

system, accelerated the promotion of intelligent and data-driven risk control, and built a solid barrier for risk prevention and control. We firmly believe that risk control is creating value, and the inherent certainty of the risk control system is the most powerful weapon to deal with uncertainty. In the future, we will continue to promote the stable operation of the Bank, safeguard our financial resources and achieve our targeted value creation.

Finance is like water, which can boost economic development can create joys and values for customers, and can benefit all if properly used. We will continue to be committed to becoming the coupling agent for integrating social resources and a driving force for the development of the real economy, so that every number in the operation and development of the Bank can reflect the actual service cases, and every resource in the operation and management can create higher values.

Only by following the trend of the times and adapting to the situation can we achieve success. The banking operation is currently facing significant pressure and challenges. There is no track where you can always win, but there is always a winner in every track. Standing at the new starting point, we are practical, active and confident, and will continue to upgrade the business logic of the business model, constantly improve our capability to create values, and will take practical actions to promote the steady and high-quality development of the Bank, so as to contribute more to the construction of Chinese path to modernization!

Chairman: Lu Huayu

Chapter Five Address of the President

Progress and hard work are witnessed by time. In 2022, under the leadership of the Board of Directors, the Company adhered to the work keynote of seeking progress while maintaining stability, firmly grasped the core of operation and management, created value for customers with professionalism by centering on the "Technology + Profession" empowerment system, and provided high-quality services to the real economy. By the end of the reporting period, the total assets was RMB 2,366.097 billion, increased by 17.39% from the end of last year; the deposit balance was RMB 1,297.085 billion, increased by 23.19% from the end of last year; the loan balance was RMB 1,046,002 billion, increased by 21.25% from the end of last year; an operating income amounted to RMB 57.879 billion was realized, with a year-on-year growth rate of 9.67%; a net profit attributable to shareholders of the parent Company amounted to RMB 23.075 billion was realized as well, with a year-on-year growth of 18.05%. The operating and management work in 2022 have the following four outstanding features:

Serve the real economy, improve quality and enhance efficiency to make new achievement. In 2022, the Company kept in mind its mission of serving the real economy, conscientiously implemented the decisions and deployments of governments at all levels and financial regulatory departments, firmly mastered the "time, degree and effect" of serving the real economy policies, actively practiced inclusive finance by focusing on customers' demands, and proactively provided customers with comprehensive financial services in a fast and efficient manner. In terms of supply, the Company continued to increase credit investment and actively adjusted its credit structure, and focused on serving national strategies and key areas, especially the private, manufacturing, import and export enterprises. In terms of quality and efficiency, the Company concentrated on customers' demands and continuously optimized the product matrix of national debts, financial bonds and central bank bill investments, as well as Steward series and Intelligent + series, thus reducing financing costs of customers, improving service accuracy, and enhancing the service level for the real economy.

Upgrade business model and conduct comprehensive operation. Facing the increasingly fierce market competition and accelerating industry differentiation, the Company adhered to the main business line, seized market opportunities, actively explored comprehensive business models, and achieved the vision of "owning an asset size of 2 trillion, a new profit of 20 billion and becoming a Top 100 bank" in advance. In 2022, the Company focused on the entire lifecycle of customer operations, utilized financial technology to continuously deepen the construction of a diversified profit center, and met the growing demand for high-quality financial services from customers. During the reporting period, the Company focused on promoting the integration of various business forms, enhanced collaboration between the front, middle, and back ends, strengthened business linkage and collaboration, broke down barriers among projects, products and sales, established and improved the multi-level product-market

matchmaking system, and empowered the growth of enterprises throughout their entire lifecycle. In terms of various profit centers, the Company seized the significant opportunities of digital reform, provided customers with comprehensive financial services by relying on internet business platforms, thus achieving the local incubation of data, scenario, and customer group, and upgrading the professional operation system continuously.

Lay a solid foundation for risk prevention, and achieve prudent operation and sustainable development. In 2022, by adhering to the concept of "market-oriented and risk-oriented", the Company stuck to the risk management culture of prudent operation, enhanced the comprehensive risk management capacity continuously, thus promoting the coordinated and united business development and risk control, maintaining the assets at a satisfactory level, and supporting the prudent operation of the whole Bank. In terms of credit granting, the Bank strengthened the transmission and execution of credit granting policies by making use of the digital model, thus leading the front-end business accurately. In terms of risk pre-warning, the Bank formed a risk control supporting mechanism covering all processes, thus making early warning and handling risks in a timely manner. With the support of financial technologies, the Company strengthened the digital and intelligent level of risk management continuously, and constructed and improved the comprehensive risk management system covering all processes, thus holding the bottom line of the operation of the Bank.

Construct digital ecology, and form competitiveness with the help of financial technologies. With the deepening development of financial technology, customers' demands for financial service have been changing day by day, requiring the Bank to continuously adjust its service and mindset mode covering every link of customers' life, and the constant development of model based on digitization and ecologicalization. In 2022, the Company continued to adopt financial technology as an important productivity, promoted the development of digital architecture of financial technology, empowered the upgrading of product and service models, and promoted the expansion of customer coverage. In addition, it continuously implemented the smart banking strategy, promoted the optimization and upgrading of business models, development models, and management models of the Bank, strengthened financial technology governance, enhanced the supporting function of data analysis, and consolidated the application of digital financial technology, thus providing customers with a comprehensive digital financial service platform featuring quick response, good experience and strong service capacity.

New patterns give birth to new opportunities, and new power emerges at the new stage. We should seize unprecedented opportunities while meeting new challenges. In 2023, by indentifying, handling and seeking changes, the Bank will stick to the concept of "customer-oriented", adhere to the operating strategy of "imperfect for large banks, impossible for small banks", improve the operating capacity based on its professionalization, digitalization and platforms, and continue to do the right things with efforts, thus providing better services for the real economy, and creating more value for the investors, customers and the society.

President: Zhuang Lingjun

Chapter Six Management Discussion and Analysis

I. Industry trends of the Company during the reporting period

During the reporting period, in the face of multiple uncertainties such as accelerated global changes and domestic economic downturn, as well as the development trend featuring technicalization, marketization and internationalization, the Company, under the leadership of the Board of Directors, held an open heart with awe, focused on segmented markets and customer groups in accordance with the requirements of "focusing on the main business and serving the entity", persisted in serving the real economy, created value for customers with professionalism, maintained stable development of various businesses, and improved the operation quality continuously.

As a national systemically important bank, the Company ranked the 87th among the "2022 Top 1,000 Global Banks" announced by the Banker (an UK magazine), making it one of the Top 100 Banks in the world.

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 customers, 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, 9 profit centers have been formed, including corporate banking, retail company, wealth management, consumption credit, credit card, financial market, investment banking, asset custody and bill business. In terms of subsidiaries, four profit centers, namely the Maxwealth Fund

Management, Maxwealth Financial Leasing, BNB Wealth Management and BNB Consumer Finance, have been formed. Thanks to the coordinated promotion by the Company, all profit centers achieved sound development. The profit proportion of large retail and light capital business has continued to 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, thus accelerate the digital and intelligent transformation of risk management, continuously improving the effectiveness of control measures, and responding to the business cycle and industrial restructuring in a better way.

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, made full use of the advantages of open banking financial service solutions, continued to strengthen the investment, established a "Ten Centers" financial technology organizational structure and a "Three in One" R & D center system, promoted the integrated development of finance and technology, assisted the iteration and upgrading of business model with the support of financial technology, and achieved the goal of energizing businesses and customers.

Fourth, solid talents reserve and continuous enhancement of employees' quality. The Company has continuously strengthened the construction of professional team. Relying on the NBCB Knowledge Base, mapping knowledge domain, staff teaching, full visitor system and other carriers of Bank of Ningbo, the Company has continuously improved the hierarchical 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 customers with their expertise, thus lay a solid foundation for the Company to cope with fierce competition and ensure sustainable development.

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

First, the Company will deepen the construction of diversified profit center. On the basis of strengthening the differentiated competitive advantage of the existing profit centers, the Company will actively explore and cultivate more profit growth points, continue to promote the transformation and upgrading of the business model of each profit center, actively explore the comprehensive business model, establish diversified profit channels and improve the comprehensive financial service ability.

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

Third, the Company will promote the operation management through energizing of financial technology. It will actively 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 customers, and provide support for upgrading of business model of the Bank.

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

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, steadily implemented the business strategy of "imperfect for large banks, impossible for small banks", persisted in creating value for customers through professionalism in the process of serving the real economy, continuously accumulated differentiated comparative advantages, and promoted the continuous improvement of the core competitiveness of the Bank.

(I) Consolidate the steady development of main businesses, and promote the continuous upgrading of operation quality

In 2022, centering on the requirements of "Focusing on the main business and serving the real economy", the Company actively practiced inclusive finance, continuously strengthened support for the transformation and upgrading of small and medium-sized enterprises, and give full play to the value of finance in serving the entities. By committing to the continuous expansion of basic customer base, deep operation of core customers and professional services for key customer groups, the coverage of financial services was expanded continuously. By the end of 2022, the total assets of the Company were RMB 2,366.097 billion, with an increase of 17.39% over the beginning of the year; the amount of various deposits reached to RMB 1,297.085 billion, with an increase of 23.19% over the beginning of the year; the amount of various loans reached RMB 1,046.002 billion, with an increase of 21.25% over the end of the previous year.

(II) Transformation and upgrading of business model energize the sustainable development

In 2022, the Company continued to improve the "professional + technology" empowerment system for profit centers, actively explored open, innovative, and win-win customer business models by centering on the business logic for the entire lifecycle of customers, thus meeting diversified financial demands, promoting the upgrading of business models in various business sectors, consolidating the sustainable development, and optimizing the profit structure. In 2022, the Company achieved a revenue of RMB 57.879 billion, with a year-on-year increase of 9.67%; a net profit attributable to the shareholders of the parent company of RMB 23.075 billion, with a year-on-year increase of 18.05%; a non-interest income of RMB 20.358 billion, accounting for 35.17% of operating revenue, of which the net income from handling fees and commissions was RMB 7.466 billion, accounting for 12.90% of operating revenue.

(III) Continuous improvement of assets quality due to the solid foundation for risk management and control

In 2022, in the face of external changes such as macro business cycle fluctuations and intensified industrial competition, the Company upheld the concept of "Focusing on market and risks", adhered to vertical risk management, and continued to improve the comprehensive, all-staff, and whole-process risk management system, thus achieving a steady and benign development of assets quality. By the end of 2022, the balance of the non-performing loan of the Company was RMB 7.846 billion, with a non-performing loan ratio of 0.75%, decreased by 0.02% from the end of the previous year, which was still a relatively low level in the industry. The balance of loans overdue for more than 90 days was RMB 5.321 billion, decreased by 0.03% from the end of the previous year accounting for 0.51% of the total loan. The provision coverage rate was 504.90%. Good assets quality and solid risk-resistance capacity provided a guarantee for the Company to provide high-quality services to the real economy.

(IV) Improve the operating efficiency steadily by accelerating the construction of digital ecology

In 2022, the Company insisted on integration and innovation, promoted digital operation in depth, actively constructed the new ecology of the open bank, promoted the upgrading of efficiency in four aspects, namely the marketing, risk control, operation and management, accelerated the transformation of various business segments, improved the overall operation quality and efficiency, thus maintaining the comprehensive indicators such as capital adequacy ratio and rate of capital return at a satisfactory level in the industry. By the end of 2022, the Company's capital adequacy ratio was 15.18%, the tier I capital adequacy ratio was 10.71%, and the core tier I capital adequacy ratio was 9.75%; the weighted average net return on assets of the Company was 15.56%, and the total return on assets was 1.05%.

V. Financial statements analysis

(I) Analysis on items in the Income Statement

In 2022, the Company achieved the operating revenue of RMB 57.879 billion, with a year-on-year

increase of 9.67%; the net profit attributable to the shareholders of the parent company was RMB 23.075 billion, with a year-on-year increase of 18.05%.

Changes of Key Items in the Income Statement

Unit: in RMB 1 million

Item	2022	2021	Increase/Decrease	Increase rate
Operating income	57,879	52,774	5,105	9.67%
Net interest income	37,521	32,697	4,824	14.75%
Interest income	78,731	67,762	10,969	16.19%
Interest expense	(41,210)	(35,065)	(6,145)	17.52%
Non-interest income	20,358	20,077	281	1.40%
Net fees and commissions income	7,466	8,262	(796)	(9.63%)
Other non-interest income	12,892	11,815	1,077	9.12%
Operating expense	(32,487)	(32,296)	(191)	0.59%
Business tax and surcharges	(467)	(413)	(54)	13.08%
Operating and administrative expenses	(21,582)	(19,500)	(2,082)	10.68%
Impairment of credit	(10,431)	(12,354)	1,923	(15.57%)
Impairment loss of other assets	-	(23)	23	(100.00%)
Other operating expenses	(7)	(6)	(1)	16.67%
Operating profit	25,392	20,478	4,914	24.00%
Net non-operating income	(112)	(33)	(79)	239.39%
Profit before tax	25,280	20,445	4,835	23.65%
Income tax expense	(2,148)	(836)	(1,312)	156.94%
Net profit	23,132	19,609	3,523	17.97%
Including: net profit attributable to shareholders of the Parent company	23,075	19,546	3,529	18.05%
Minority interest income	57	63	(6)	(9.52%)

1. Net Interest Income

In 2022, the Company achieved a net interest income of RMB 37.521 billion, with a year-on-year increase of 14.75%. Firstly, the Company adhered to the policy orientation of benefiting the real economy, and continued to increase credit support in key areas. In 2022, the daily average balance of loans and advances issued was RMB 976.489 billion, with a year-on-year increase of 23.92%. The average interest rate of loans and advances issued was 5.34%, with a year-on-year decrease of 41 basis points; secondly, the Company adjusted its asset liability layout in a timely manner, strengthened deposit classification management, and promoted the optimization of debt structure. In 2022, the average interest rate for deposits absorbed was 1.77%, with a year-on-year decrease of 6 basis points.

Unit: in RMB 1 million

Item	2022	2021	Increase/Decrease	Increase rate
Interest income	78,731	67,762	10,969	16.19%
Loans and advances	52,164	45,346	6,818	15.04%
Due from banks	164	189	(25)	(13.23%)
Deposit in the central bank	1,441	1,352	89	6.58%
Lending funds	757	319	438	137.30%
Redemptory monetary capital for sale	577	659	(82)	(12.44%)

Bond investment	17,566	13,206	4,360	33.02%
Asset management plan and trust plan	6,062	6,691	(629)	(9.40%)
Interest expense	41,210	35,065	6,145	17.52%
Deposits from banks	2,698	2,259	439	19.43%
Borrowings from central bank	2,330	2,304	26	1.13%
Borrowing funds	2,706	2,084	622	29.85%
Deposit from customers	21,632	19,060	2,572	13.49%
Financial assets sold for repurchase	1,132	1,349	(217)	(16.09%)
Bond issued	10,601	7,895	2,706	34.27%
Lease liability	111	114	(3)	(2.63%)
Net interest income	37,521	32,697	4,824	14.75%

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	2022			2021		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
Assets						
Loans and advances	976,489	52,164	5.34%	788,031	45,346	5.75%
Securities investment	683,061	23,628	3.46%	519,969	19,897	3.83%
Due from Central Bank	106,947	1,441	1.35%	99,186	1,352	1.36%
Due from banks and other financial institutions	87,680	1,498	1.71%	70,165	1,167	1.66%
Total interest-bearing assets	1,854,177	78,731	4.25%	1,477,351	67,762	4.59%
Liabilities						
Deposits	1,222,510	21,632	1.77%	1,043,720	19,060	1.83%
Due to banks and other financial institutions	318,085	6,536	2.05%	264,425	5,692	2.15%
Bonds payable	384,210	10,601	2.76%	254,402	7,895	3.10%
Borrowings from central bank	83,405	2,330	2.79%	83,664	2,304	2.75%
Lease liability	3,014	111	3.67%	2,991	114	3.82%
Total interest-bearing liabilities	2,011,224	41,210	2.05%	1,649,202	35,065	2.13%
Net interest income		37,521			32,697	
Net interest spread (NIS)			2.20%			2.46%
Net interest margin (NIM)			2.02%			2.21%

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 2022 VS Year 2021		
	Increase (decrease) factor		Increase (decrease)
	Scale	Interest rate	Net
Assets			
Loans and advances	10,843	(4,025)	6,818
Securities investment	6,241	(2,510)	3,731
Due from Central Bank	107	(18)	89
Due from banks and other financial institutions	292	39	331
Changes on interest income	17,483	(6,514)	10,969
Liabilities			
Customer deposits	3,264	(692)	2,572
Due to banks and other financial institutions	1,156	(312)	844
Bonds payable	4,028	(1,322)	2,706
Borrowings from central bank	(7)	33	26
Lease liability	2	(5)	(3)
Changes on interest expense	8,443	(2,298)	6,145
Changes on net interest income	9,040	(4,216)	4,824

Net interest margin

In 2022, the Company's net interest margin was 2.02%, decreased by 19 base points from the previous year; the Company's Net interest spread was 2.20%, a year-on-year decrease of 26 basis points. The main reasons are: during the reporting period, the Company took the initiative to optimize the debt structure and reduce the debt cost; in terms of assets, the Company continued to reduce the financing costs of the real economy and support customer development. At the same time, due to the impact of decrease of market interest rates, 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 2022, the Company achieved the interest income of RMB 78.731 billion, increased by 16.19% over the previous year. It was mainly due to the steady expansion of interest-bearing assets and continuous optimization of assets structure.

Loan interest income

In 2022, the interest income from loans and advances of the Company was RMB 52.164 billion, accounting for 66.26% of the total interest income, with a year-on-year increase of 15.04%, as mainly due to the increase in loan scale.

During the reporting period, the Company increased its investment in credit loan, continuously optimized its financing product portfolio, upgraded financing services, and met the diversified financing needs of enterprises, leading to a year-on-year increase of 28.26% in the average daily scale of corporate loans. The Company adhered to the service concept of "Creating Value for Customers" and was committed to providing full-cycle and multi-dimensional services for customers, leading to a

year-on-year growth of 17.00% in the average daily scale of personal loans.

At the same time, the Company actively practiced social responsibility, fully utilized interest-free loans and inclusive loan subsidies to carry out profit sharing activities, thus giving full play to the value of financial support for the real economy. In 2022, the average interest rate of the corporate loans of the Company was 4.44%, with a year-on-year decrease of 40 basis points; the average interest rate on personal loans was 6.92%, with a year-on-year decrease of 29 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	2022			2021		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	620,644	27,535	4.44%	483,884	23,429	4.84%
Personal loans	355,845	24,629	6.92%	304,147	21,917	7.21%
Total loans	976,489	52,164	5.34%	788,031	45,346	5.75%

Interest income from securities investment

In 2022, the Company's interest income from securities investment was RMB 23.628 billion, with an increase of RMB 18.75% 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 2022, the interest income from due from banks and other financial institutions of the Company was RMB 1.498 billion, increased by RMB 331 million from the previous year, mainly due to the increase in daily average scale and interest rates of such assets.

(2) Interest expense

In 2022, the interest expense of the Company was RMB 41.21 billion, increased by 17.52% from the previous year. It was mainly due to the expansion of interest-paying liabilities.

Interest expense for customer deposits

In 2022, the interest expense for customer deposits of the Company was RMB 21.632 billion, accounting for 52.49% of the total interest expense, with a year-on-year growth of 13.49%. It was mainly due to the increase in customer deposit scale.

During the reporting period, the Company focused on market opportunities, built an advantageous product ecosystem with the support of digital operations, made efforts to promote customer account and fund flows, and promoted the growth of deposit in a diversified manner. In 2022, the average daily deposit scale of corporate customers was RMB 984.431 billion, with a year-on-year increase of 19.22%; the average daily deposit size for private customers was RMB 238.079 billion, with a year-on-year increase of 9.21%.

With the continuous advancement of the marketization of interest rate, the Company adhered to the principle of equilibrium price and quantity, and controlled deposit costs by implementing deposit classification management. In 2022, the average interest rate for customer deposits was 1.77%, with a year-on-year decrease of 6 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	2022			2021		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	391,007	3,398	0.87%	384,489	4,026	1.05%
Time	593,424	12,944	2.18%	441,224	9,331	2.11%
Subtotal	984,431	16,342	1.66%	825,713	13,357	1.62%
Personal deposits						
Demand	77,066	225	0.29%	77,415	354	0.46%
Time	161,013	5,065	3.15%	140,592	5,349	3.80%
Subtotal	238,079	5,290	2.22%	218,007	5,703	2.62%
Total	1,222,510	21,632	1.77%	1,043,720	19,060	1.83%

Interest expense for due to banks and other financial institutions

In 2022, the interest expense for due to banks and other financial institutions of the Company reached RMB 6.536 billion, increased by 14.83% over the previous year. It was mainly due to the increase of liabilities scale.

Interest expense for issued liabilities

In 2022, the interest expense for issued liabilities of the Company was RMB 10.601 billion, increased by 34.27% over the previous year, which can be attributed to the following reasons: first, during the reporting period, the Company appropriately increased the issuance scale of interbank certificates of deposit based on changes in market supply and demand and the needs of asset liability management; second, in order to support the development of medium and long-term asset business and increase the source of medium and long-term liabilities, the Company issued financial bonds amount to RMB 40 billion.

2. Non-interest income

In 2022, the non-interest income of the Company reached RMB 20.358 billion, with a year-on-year growth of 1.40%.

Main composition of non-interest income

Unit: in RMB 1 million

Item	2022	2021	Increase/decrease	Increase rate
Fees and commissions income	8,680	9,425	(745)	(7.90%)
Less: fees and commission expense	1,214	1,163	51	4.39%
Net fees and commissions income	7,466	8,262	(796)	(9.63%)

Other non-interest income	12,892	11,815	1,077	9.12%
Total	20,358	20,077	281	1.40%

Net fees and commissions income

Unit: in RMB 1 million

Item	2022	2021	Increase/decrease	Increase rate
Settlement business	273	264	9	3.41%
Bank cards business	163	118	45	38.14%
Agency services business	7,036	7,839	(803)	(10.24%)
Guarantees business	674	624	50	8.01%
Custody business	473	482	(9)	(1.87%)
Consulting business	48	87	(39)	(44.83%)
Others	13	11	2	18.18%
Fees and commissions income	8,680	9,425	(745)	(7.90%)
Less: fees and commissions expense	1,214	1,163	51	4.39%
Net fees and commissions income	7,466	8,262	(796)	(9.63%)

During the reporting period, the Company achieved a net fees and commissions income of RMB 7.466 billion, with a year-on-year decrease of 9.63%. The reason is that, the Income from wealth business decreased year-on-year due to fluctuations in the bond market and the impact of the capital market.

3. Business and administrative expenses

In 2022, the business and administrative expenses of the Company were RMB 21.582 billion, with a year-on-year increase of 10.68%, as mainly due to the increase of investment in personnel allocation and science & technology. In order to deepen the implementation of large retail strategy, the Company increased the staffing for inclusive microenterprises and wealth management positions, lead to the increase in personnel expenses. Meanwhile, the Company increased the investment in financial technology, thus enhancing the digital operation capability. In the next stage, with the gradual strengthening of constraint mechanism for cost reduction and efficiency enhancement, and the continuous promotion of technological innovation, it is expected that continuous transformation of technological investment will be achieved, thus empowering the operation management and accurate marketing, and enhance the efficiency of expense allocation steadily.

Unit: in RMB 1 million

Item	2022	2021	Increase/decrease	Increase rate
Staff costs	13,648	12,602	1,046	8.30%
Business expenses	5,751	4,850	901	18.58%
Depreciation of fixed assets	797	718	79	11.00%
Depreciation of right-of-use assets	770	691	79	11.43%
Amortization of long-term deferred expenses	273	251	22	8.76%
Amortization of intangible assets	249	246	3	1.22%
Short-term leases and low-value asset leases	94	142	(48)	(33.80%)
Total	21,582	19,500	2,082	10.68%

4. Assets impairment loss

In 2022, the Company accrued credit and asset impairment losses of RMB 10.431 billion, with a year-on-year decrease of 15.72%. Due to the adjustment of financial investment structure, the investment scale of asset management plans and trust plans decreased, and the provision for financial investment losses decreased by RMB 2.572 billion on year-on-year basis.

Unit: in RMB 1 million

Item	2022	2021	Increase/decrease	Increase rate
Loan impairment loss	10,660	9,681	979	10.11%
Financial investment	(1,125)	1,447	(2,572)	(177.75%)
Receivables from banks and other financial institutions	(77)	79	(156)	(197.47%)
Impairment loss of other assets	319	(54)	373	N/A
Impairment loss of off-sheet businesses	654	1,201	(547)	(45.55%)
Impairment loss of debt-repaid assets	-	23	(23)	(100.00%)
Total	10,431	12,377	(1,946)	(15.72%)

Loan impairment loss is the largest component of credit and asset impairment loss of the Company. In 2022, the loan impairment loss of the Company was RMB 10.66 billion, with a year-on-year growth of 10.11%. It is mainly due to the growth of the loan scale of the Company.

5. Income tax

In 2021, the income tax expense of the Company was RMB 2.148 billion, increased by RMB 1.312 billion from the previous year. It was mainly due to the increase of total profit of the Company.

(II) Analysis of the Balance Sheet

1. Assets

As of the end of 2022, the total assets of the Company amounted to RMB 2,366.097 billion, with an increase of 17.39% compared to the end of the previous year. The Company actively served the high-quality development of the real economy and continuously increased credit supply. The proportion of issued loans and advances to total assets is 42.72%, with an increase of 1.42 percentage points compared to the end of the previous year.

Unit: in RMB 1 million

Item	Dec. 31, 2022		Dec. 31, 2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	117,044	4.95%	97,596	4.84%	19,448	0.11
Due from other banks	21,396	0.90%	17,679	0.88%	3,717	0.02
Precious metals	3,803	0.16%	24,739	1.23%	(20,936)	(1.07)
Lending funds	30,337	1.28%	22,009	1.09%	8,328	0.19
Derivative financial assets	26,473	1.12%	19,110	0.95%	7,363	0.17
Redemptory monetary capital for sale	11,830	0.50%	9,567	0.47%	2,263	0.03
Loans and advances	1,010,817	42.72%	832,443	41.30%	178,374	1.42
Trading financial assets	361,750	15.29%	355,391	17.63%	6,359	(2.34)
Investment on creditors' rights	338,337	14.30%	259,722	12.89%	78,615	1.41
Other investment on	418,756	17.70%	352,151	17.47%	66,605	0.23

creditors' rights						
Investment on other equity instruments	169	0.01%	199	0.01%	(30)	-
Investment property	24	-	32	-	(8)	-
Fixed assets	7,685	0.32%	7,618	0.38%	67	(0.06)
Construction in progress	1,024	0.04%	676	0.03%	348	0.01
Right-of-use assets	3,083	0.13%	3,241	0.16%	(158)	(0.03)
Intangible assets	2,421	0.10%	1,302	0.06%	1,119	0.04
Goodwill	293	0.01%	-	-	293	0.01
Deferred income tax assets	6,941	0.29%	7,318	0.36%	(377)	(0.07)
Other assets	3,914	0.18%	4,755	0.25%	(841)	(0.07)
Total assets	2,366,097	100.00%	2,015,548	100.00%	350,549	-

(1) Loans and advances

In 2022, faced with the pressure of macroeconomic decrease, the Company followed policy guidance and regulatory requirements, continued to increase financial support for the real economy, and deepened inclusive finance to alleviate corporate difficulties; on the premise of effectively preventing risks, the Company actively responded to market changes, focused on cultivating high-quality customer groups, and promoted the steady growth of various loan scales. As of the end of 2022, the total loans and advances of the Company was RMB 1,046.002 billion, with an increase of 21.25% compared to the end of the previous year.

Corporate loan

In 2022, the Company actively responded to the policy for supporting small and medium-sized enterprises, strengthened support for key areas such as advanced manufacturing and scientific and technological innovation enterprises, effectively implemented cost reduction and profit sharing, and assisted in the transformation and upgrading of the real economy. As of the end of 2022, the total amount of corporate loans of the Company was RMB 565.383 billion, with an increase of 21.73% compared to the end of the previous year.

Discount for bills

In 2022, by adhering to the principle of "Serving the real economy and small and medium-sized enterprises", the Company continuously upgraded the functions of flagship products such as Bill Manager, optimized business service processes, and reduced financing costs of enterprises. As of the end of 2022, the balance of bills discount of the Company was RMB 89.389 billion, accounting for 8.55% of the total loans and advances.

Personal loan

In 2022, the Company continued to practice inclusive finance, continuously expanded the temporal and spatial coverage of customer operations through technology empowerment and online operations, thus providing high-quality and comprehensive financial services to individual customers, and promoting rapid growth of personal loans. As of the end of 2022, the total amount of personal loans was RMB 391.23 billion, with an increase of 17.44% compared to the end of the previous year.

Unit: in RMB 1 million

Item	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	565,383	54.05%	464,462	53.84%
Loans	552,283	52.80%	450,818	52.26%
Trading financing	13,100	1.25%	13,644	1.58%
Bill discounting	89,389	8.55%	65,119	7.55%
Personal loans and advances	391,230	37.40%	333,128	38.61%
Personal consumption loan	243,348	23.26%	219,847	25.47%
Personal operation loan	83,599	7.99%	75,968	8.81%
Personal housing loan	64,283	6.15%	37,313	4.33%
Total	1,046,002	100.00%	862,709	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, 2022		Dec. 31, 2021	
	Amount	Proportion	Amount	Proportion
Trading financial assets	361,750	32.33%	355,391	36.73%
Investment on creditors' rights	338,337	30.24%	259,722	26.85%
Other investment on creditors' rights	418,756	37.41%	352,151	36.40%
Investment on other equity instruments	169	0.02%	199	0.02%
Total	1,119,012	100.00%	967,463	100.00%

In 2022, 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 2022, the RMB bond yield showed a downward trend followed by an upward trend. By strengthening macro research and market analysis, the Company mastered the rhythm of fluctuation, and effectively improved the bond yield of trading account. By the end of 2022, the balance of the trading financial assets of the Company was RMB 361.75 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. The investment on creditors' rights of the Company is mainly Government Bonds of China and asset management plans, which were held for long term, aiming at strategic goals of assets and liabilities. By the end of 2022, the balance of investment on creditors' rights of the Company was RMB 338.337 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 2022, 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 2022, the balance of other investment on creditors' rights was RMB 418.756 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 2022, the balance of Company's investment on other equity instruments was RMB 169 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 2022	4,780	2.37	2024/6/23	-
Financial bond of 2022	4,510	2.27	2024/2/21	-
Financial bond of 2021	1,393	0.80	2023/12/3	-
Financial bond of 2020	430	3.70	2030/10/20	-
Financial bond of 2021	260	2.78	2024/7/21	-
Financial bond of 2022	210	2.09	2023/11/17	-
Financial bond of 2022	200	1.00	2024/5/30	-
Financial bond of 2018	145	4.72	2023/5/29	-
Financial bond of 2021	100	3.41	2031/6/7	-
Financial bond of 2022	100	3.70	2025/9/8	-

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, 2022, the total face value of the top ten financial bonds was RMB 12.128 billion, mainly of which was policy bank debt.

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

Unit: in RMB 1 million

Derivative financial instrument	Dec. 31, 2022		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	132,451	3,173	(1,064)
Foreign exchange swap	700,393	11,010	(7,911)
Interest rate swap	1,462,461	4,980	(4,996)
Currency swap	25,925	266	(942)

Option contract	298,187	5,776	(4,431)
Credit risk mitigation instruments	400	-	(12)
Precious metal forward/swap	40,416	1,268	(227)
Total	2,660,233	26,473	(19,583)

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 2022, the market interest rate showed a downward trend followed by an upward trend. The Company managed market risk and maintained a stable trading style through various strategies such as

interest rate swap hedging and curve trading.

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

By the end of 2022, the important construction in progress of the Company totaled RMB 347 million, with an increase of RMB 131 million over the beginning of the year.

Unit: in RMB 1 million

Project Name	Budget	Beg. Balance	Increase	Transfer into fixed assets	Other decrease	End balance	Fund source	Proportion of accumulated engineering investment to budget	Progress	Accumulated amount of capitalized interest	Including: capitalized interest of current period	Current interest capitalization rate
Data Center of Bank of Ningbo (Phase II)	530	137	77	-	-	214	Self-funded	40%	70%	-	-	-
Building of Huzhou Branch	167	79	54	-	-	133	Self-funded	80%	85%	-	-	-
Total	697	216	131	-	-	347						

(5) Withdrawal of debt assets and impairment provision

As of Dec. 31, 2022, the total debt assets of the Company was RMB 32 million, the impairment provision was RMB 24 million, and the net debt assets was RMB 8 million.

Unit: in RMB 1 million

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

2. Liabilities

As of Dec. 31, 2022, the total liabilities of the Company were RMB 2,197.571 billion, increased by 17.79% from the end of the previous year. It was mainly due to the increase of liabilities including customer deposits and bonds payable.

Unit: in RMB 1 million

Item	Dec. 31, 2022		Dec. 31, 2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Borrowings from central bank	65,435	2.98%	81,742	4.38%	(16,307)	(1.40)
Due to other banks and financial institutions	88,307	4.02%	94,714	5.08%	(6,407)	(1.06)
Loans from other banks	109,104	4.96%	81,919	4.39%	27,185	0.57
Trading financial liabilities	22,454	1.02%	20,882	1.12%	1,572	(0.10)
Derivative financial liabilities	19,583	0.89%	19,339	1.04%	244	(0.15)
Financial assets sold for repurchase	108,040	4.92%	92,595	4.96%	15,445	(0.04)
Deposit taking	1,310,305	59.63%	1,062,328	56.94%	247,977	2.69

Wages and salaries payable	4,112	0.19%	3,841	0.21%	271	(0.02)
Tax payable	1,420	0.06%	2,637	0.14%	(1,217)	(0.08)
Bonds payable	436,845	19.88%	382,364	20.50%	54,481	(0.62)
Lease liability	2,888	0.13%	3,002	0.16%	(114)	(0.03)
Estimated liabilities	3,047	0.14%	2,310	0.12%	737	0.02
Deferred income tax liabilities	-	-	30	-	(30)	-
Other liabilities	26,031	1.18%	17,910	0.96%	8,121	0.22
Total liabilities	2,197,571	100.00%	1,865,613	100.00%	331,958	-

Customer deposit

The Company has been recognizing the expanding of deposits as a basic resource for transformation and development over the years. In 2022, in the face of changes in the market environment, the Company adhered to the business philosophy of "Customer-oriented". On the one hand, it continued to expand the value chain of customer service through business model upgrading and digital transformation, thus promoting the stable accumulation of high-quality deposits; on the other hand, it actively expanded the sources of deposits and consolidated the foundation of deposits. By the end of 2022, the total deposit amount of the Company reached RMB 1,297.085 billion, with an increase of 23.19% over the end of the previous year. The deposit balance of corporate customers was RMB 1,014,252 billion, with an increase of 20.89% over the end of the previous year; the deposit balance of personal customers was RMB 282,833 billion, with an increase of 32.23% over the end of the previous year.

The table below shows the customer deposits categorized by product types and customer types at the end of Dec. 31, 2022.

Unit: in RMB 1 million

Item	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Proportion	Amount	Proportion
Corporate deposits				
Demand	396,859	30.60%	360,280	34.22%
Time	617,393	47.60%	478,713	45.46%
Subtotal	1,014,252	78.20%	838,993	79.68%
Individual deposits				
Demand	85,265	6.57%	73,357	6.97%
Time	197,568	15.23%	140,537	13.35%
Subtotal	282,833	21.80%	213,894	20.32%
Total	1,297,085	100.00%	1,052,887	100.00%

3. Shareholders' equity

By the end of 2022, the total shareholders' equity of the Company was RMB 168.526 billion, with an increase of 12.40% over the end of the previous year. The equity attributable to shareholders of the parent company was RMB 167.626 billion, with an increase of 12.23% over the end of the previous year. Among them, the undistributed profit was RMB 71.493 billion, with an increase of RMB 12.865 billion over the end of the previous year, as mainly due to the increase of profit; the other

comprehensive income was RMB 3.651 billion, with a decrease of RMB 720 million over the end of the previous year, as mainly due to the decrease in the fair value of other debt investments.

Unit: in RMB 1 million

Item	Dec. 31, 2022		Dec. 31, 2021		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	6,604	3.92%	6,604	4.40%	-	(0.48)
Other equity instruments	14,810	8.79%	14,810	9.88%	-	(1.09)
Capital reserve	37,666	22.35%	37,695	25.14%	(29)	(2.79)
Other comprehensive income	3,651	2.17%	4,371	2.92%	(720)	(0.75)
Earned surplus	12,458	7.39%	10,418	6.95%	2,040	0.44
General risk reserve	20,944	12.43%	16,833	11.23%	4,111	1.20
Undistributed profit	71,493	42.42%	58,628	39.10%	12,865	3.32
Equity attributable to shareholders of the Parent company	167,626	99.47%	149,359	99.62%	18,267	(0.15)
Minority equity	900	0.53%	576	0.38%	324	0.15
Total shareholders' equity	168,526	100.00%	149,935	100.00%	18,591	-

(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, 2022, the total loans of the Company were RMB 1,046.002 billion, increased by 21.25% over the end of the previous year; the balance of non-performing loan of the Company was RMB 7.846 billion, with a non-performing loan ratio of 0.75%, 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, 2022		Dec. 31, 2021		Change	
	Loan amount	Proportion	Loan amount	Proportion	Increase /decrease	Proportion
Subtotal of Non-NPL	1,038,156	99.25%	856,090	99.23%	182,066	0.02
Standard	1,032,112	98.67%	851,990	98.75%	180,122	(0.08)
Special mention	6,044	0.58%	4,100	0.48%	1,944	0.10
Subtotal of NPL	7,846	0.75%	6,619	0.77%	1,227	(0.02)
Substandard	2,546	0.24%	2,414	0.29%	132	(0.05)
Doubtful	3,553	0.34%	2,628	0.30%	925	0.04
Loss	1,747	0.17%	1,577	0.18%	170	(0.01)
Total customer loans	1,046,002	100.00%	862,709	100.00%	183,293	-

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

Unit: in RMB 1 million

Industry	Dec. 31, 2022			
	Loan amount	Proportion	NPL amount	NPL ratio
Agriculture, forestry, animal husbandry, fishing	5,010	0.48%	-	-

Mining	2,512	0.24%	-	-
Manufacturing	165,188	15.79%	636	0.39%
Production and supply of electricity, gas and water	15,924	1.52%	7	0.04%
Construction	37,840	3.62%	152	0.40%
Transportation, storage, mailing	18,059	1.73%	22	0.12%
Information transfer, computer service and software	12,305	1.18%	184	1.50%
Wholesale and retail trade	103,138	9.86%	665	0.64%
Hotel, restaurant	1,923	0.18%	-	-
Finance	4,636	0.44%	-	-
Real estate	84,231	8.05%	347	0.41%
Leasing and commercial service	143,418	13.71%	184	0.13%
Scientific research, technology service and geological exploitation	10,664	1.02%	57	0.53%
Water resource, environment and public facilities management and investment	43,101	4.12%	139	0.32%
Resident service and other services	1,684	0.16%	7	0.42%
Education	1,026	0.10%	7	0.68%
Health, social security and welfare	1,207	0.12%	5	0.41%
Culture, sports and entertainment	2,906	0.28%	3	0.10%
Personal loan	391,230	37.40%	5,431	1.39%
Total	1,046,002	100.00%	7,846	0.75%

During the reporting period, the Company's loans were mainly concentrated in manufacturing industry, leasing and business service industry, and wholesale and retail trade industry, accounting for 15.79%, 13.71% and 9.86% 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 wholesale & retail trade industry and manufacturing industry, and the amount was RMB 0.665 billion and RMB 0.636 billion, accounting for 8.48% and 8.11% of the total NPL of the Bank, with the NPL ratio of 0.64% and 0.39% respectively.

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

Unit: in RMB 1 million

Region	Dec. 31, 2022			
	Loan amount	Proportion	NPL amount	NPL ratio
Zhejiang Province	672,896	64.33%	4,880	0.73%
Including: Ningbo	369,977	35.37%	3,868	1.05%
Jiangsu Province	236,411	22.60%	1,639	0.69%
Shanghai	46,827	4.48%	465	0.99%
Beijing	37,978	3.63%	372	0.98%
Guangdong Province	37,586	3.59%	287	0.76%
Other provinces	14,304	1.37%	203	1.42%
Total	1,046,002	100.00%	7,846	0.75%

The credit policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, customer access policy, etc and formulated regional credit extension enforcement regulation combining with the local conditions to 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 64.33% and 22.60% of the total loan respectively. The NPL ratio in regions maintained steady. The NPL amount of Zhejiang, Jiangsu and Shanghai was RMB 4.88 billion, RMB 1.639 billion and RMB 0.465 billion, accounting for 62.20%, 20.89% and 5.93% 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, 2022			
	Loan amount	Proportion	NPL amount	NPL ratio
Credit Loan	380,989	36.43%	3,849	1.01%
Guarantee loan	280,550	26.82%	743	0.26%
Mortgage loan	287,987	27.53%	3,172	1.10%
Pledge loan	96,476	9.22%	82	0.08%
Total	1,046,002	100.00%	7,846	0.75%

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 36.75%.

Loans divided upon overdue limit

Unit: in RMB 1 million

Overdue limit	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	3,116	0.30%	1,836	0.22%
Overdue from 3 months to 1 year	3,318	0.32%	2,520	0.29%
Overdue from more than 1 year and within 3 years	1,574	0.15%	1,669	0.19%
Overdue for more than 3 years	429	0.04%	495	0.06%
Total	8,437	0.81%	6,520	0.76%

As of the end of the reporting period, the overdue loan of the Company was RMB 8.437 billion, accounting for 0.81% 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 3.116 billion and RMB 3.318 billion, accounting for 0.30% and 0.32% of the total loan respectively.

Restructured loan

Unit: in RMB 1 million

	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Restructured loan	1,355	0.13%	596	0.07%

By the end of the reporting period, the restructured loan of the Company was RMB 1.355 billion, accounting for 0.13% to the total loan, with a growth rate of 0.06% from the end of the previous year.

Provision and written-off of provision for loan loss

Unit: in RMB 1 million

Item	2022	2021	2020
Beginning balance	34,783	27,583	21,702
Other transfer-in	251	N/A	N/A
Current provision	10,660	9,681	7,671
Current write-off	(7,415)	(3,727)	(2,855)
Current recovery	1,383	1,268	1,114
Including: recoveries of loans and advances written-off previously	1,383	1,268	1,114
Transferred in from decreased loan interests	(46)	(22)	(49)
Ending balance	39,616	34,783	27,583

From January 1, 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 customer default rate and loss rate given default. During the reporting period, the total provision of loan loss reserves of the Company was RMB 10.66 billion, the recovery of non-performing loan was RMB 1.383 billion, the written-off of non-performing loan was RMB 7.415 billion and the balance of the loan loss reserves at the end of the reporting period was RMB 39.616 billion.

(IV) Analysis of the Cash Flow Statement

The net cash outflow from operating activities was RMB 94.768 billion, including the cash inflow of RMB 37.955 billion, increased by RMB 126.028 billion than the previous year. It was mainly due to the increase of customer deposit and deposit from other banks. The cash outflow was RMB 284.782 billion, decreased by RMB 13.289 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 126.945 billion, including the cash inflow of RMB 1,091.26 billion, decreased by RMB 21.269 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 1,218.205 billion, decreased by RMB 35.931 billion than the previous year, as mainly due to the decrease of cash outflow for bond investment.

The net cash inflow from financing activities was RMB 38.776 billion, including the cash inflow of RMB 612.747 billion, increased by RMB 17.122 billion than the previous year. It was mainly due to the decrease of interbank deposit certificate; the cash outflow was RMB 573.971 billion, increased by RMB 138.293 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	2022	2021	Change
Subtotal of cash inflows from operating activities	379,550	253,522	126,028
Subtotal of cash outflows from operating activities	284,782	298,071	(13,289)
Net cash flow generated/used in operating activities	94,768	(44,549)	139,317

Subtotal of cash inflows from investment activities	1,091,260	1,112,529	(21,269)
Subtotal of cash outflows from investment activities	1,218,205	1,254,136	(35,931)
Net cash flow from investment activities	(126,945)	(141,607)	14,662
Subtotal of cash inflows from financing activities	612,747	629,869	(17,122)
Subtotal of cash outflows from financing activities	573,971	435,678	138,293
Net cash flow from financing activities	38,776	194,191	(155,415)
Net increase of cash and cash equivalents	8,058	7,709	349

(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 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 2022, 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 1,297.085 billion, with an increase of 23.19% over the previous year; the proportion of net stable capital is 113.21%, and the liquidity coverage rate is 179.11%, all of which meet the requirements of the China Banking and Insurance Regulatory Commission; The Company's net interest margin was 2.02%, decreased by 19 basis points year-on-year; the average interest payment rate of interest bearing liabilities was 2.05%, with a year-on-year decrease of 8 basis point; the average interest payment rate of customer deposits was 1.77%, decreased by 6 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 interest incomes and expenses through the internal transfer pricing tool according to the product and term, optimized the structure of assets and liabilities and product pricing, effectively controlled the interest rate risk, and evaluated the performance results comprehensively.

During the reporting period, through the reasonable allocation of internal resources and the collaboration of all segments, the profitability of the Company has been improved continuously. By the end of 2022, the corporate business segment had achieved an operating income of RMB 19.787 billion, with a year-on-year increase of 8.1%; the personal business segment had achieved an operating income of RMB 21.586 billion, with a year-on-year increase of 11.35%; the capital business segment had achieved an operating income of RMB 16.16 billion, with a year-on-year increase of 9.51%.

Unit: in RMB 1 million

Item	2022		2021	
	Operating income	Total profit	Operating income	Total profit
Corporate business	19,787	9,098	18,304	7,293
Individual business	21,586	9,248	19,385	7,051
Capital business	16,160	6,729	14,757	5,812
Other businesses	346	205	328	289
Total	57,879	25,280	52,774	20,445

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

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

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

Unit: in RMB 1 million

Item	Jan. 1, 2022	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Dec. 31, 2022
Derivative financial assets	19,110	6,382	-	-	26,473
Loans and advances measured at fair value, with changes included in other comprehensive income	65,119	-	(124)	174	89,389
Trading financial assets	355,391	1,380	-	-	361,750
Investment on other creditors' right	352,151	-	(1,192)	(595)	418,756
Other investment on equity instrument	199	-	(29)	-	169
Precious metal	23,697	37	-	-	3,803
Investment properties	32	(8)	-	-	24
Subtotal of financial assets	815,699	7,791	(1,345)	(421)	900,364
Trading financial liabilities	(20,882)	(73)	-	-	(22,454)
Derivative financial liabilities	(19,339)	146	-	-	(19,583)
Subtotal of financial liabilities	(40,221)	73	-	-	(42,037)

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

Unit: in RMB 1 million

Item	2022	2021	Increase/	Main causes
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decrease				
Profits and losses from change of fair value	1,542	(105)	N/A	Increase in fair value changes of derivative financial instruments
Profit or loss on exchange	(304)	(939)	N/A	Increase in exchange gains and losses
Profits and losses from disposal of assets	13	7	85.71%	Increase in gains and losses on disposal of use rights assets
Non-operating income	81	57	42.11%	Increase in government subsidies
Non-operating income expense	193	90	114.44%	Increase in expenditure on public welfare donations
Income tax expense	2,148	836	156.94%	Increase in pre-tax profit

Item	Dec. 31, 2022	Dec. 31, 2021	Increase/decrease	Main causes
Noble metal	3,803	24,739	(84.63%)	Decrease in noble metal
Lending funds	30,337	22,009	37.84%	Increase in lending funds
Derivative financial assets	26,473	19,110	38.53%	Increase in fair value changes of foreign exchange swaps
Investment in creditor's rights	338,337	259,722	30.27%	Increase in bond investment
Construction in progress	1,024	676	51.48%	Increase in construction in progress of business buildings
Intangible assets	2,421	1,302	85.94%	Increase in software
Loans from other banks and financial institutions	109,104	81,919	33.19%	Increase in loans from other banks and financial institutions
Taxes payable	1,420	2,637	(46.15%)	Decrease in corporate income tax provision for the current period
Estimated liabilities	3,047	2,310	31.90%	Increase in provision for off-sheet expected credit losses
Other liabilities	26,031	17,910	45.34%	Increase in clearing funds for agency business
Minority stockholder's interest	900	576	56.25%	Absorption and merging of BNB Consumer Finance

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%	Licensed project: Bank card clearing service; category I value-added telecommunications services; category II of value-added telecommunications services. General project: provide electronic payment technology and related professional services centering on bank card clearing business.
Service Center for City Commercial Banks	0.25	0.25	0.81%	Provide conference training, consulting and management services for small and medium-sized financial institutions such as city commercial banks.

Maxwealth Fund Management Co., Ltd.		647.20	647.20	71.49%	Fund raising, fund sales, specific customer asset management, asset management.
Maxwealth Financial Leasing Co., Ltd.		5,000.00	5,000.00	100.00%	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling off and disposal; economic consulting; asset securitization;
BNB Wealth Management Co., Ltd.		1,500.00	1,500.00	100.00%	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.
Zhejiang BNB Consumer Finance Co., Ltd.		1,194.94	-	76.67%	Grant personal consumption loans; receive deposits from domestic subsidiaries of shareholders and domestic shareholders; borrow money from domestic financial institutions; approved issuance of financial bonds; domestic interbank lending; consulting and agency services related to consumer finance; act as agent to sell insurance products related to consumer loans; fixed income securities investment business.
Ningbo Donghai Bank Co., Ltd.		52.79	52.79	4.99%	Absorb public deposits; issue short-term, medium-term and long-term loans; domestic settlement; bill acceptance and discount; Acting as an agent for issuing, cashing and underwriting government bonds; purchase and sale of government bonds and financial bonds; engage in bank card (debit card) business; act as an agent for collection, payment and insurance business.
Total		8,408.18	7,213.24		

Note: The first meeting of the eighth Board of Directors of the Company approved the *Proposal on Increasing the Capital of Maxwealth Financial Leasing Co., Ltd.* In February 2023, Maxwealth Financial Leasing Co., Ltd. completed the registration procedures for industrial and commercial changes of registered capital, and the Company's investment in Maxwealth Financial Leasing Co., Ltd. increased from RMB 5 billion to RMB 6 billion.

(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
Zhejiang BNB Consumer Finance Co., Ltd.	Granting personal consumption loans	Acquisition	1,194.94	76.67%	Self-owned fund	None	N/A	N/A	Industrial and commercial registration of changes completed	N/A	N/A	N/A	May 7, 2022, July 27, 2022	(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): Before conducting new types of derivatives business, the Company fully identified, analyzed and evaluated all types of

not limited to market risk	risks through the New Product Committee, and used duration, limit control, VAR, stress testing, credit line management and other methods to measure and control the risks of derivatives.
Instructions on risk analysis and control measures of derivatives during the reporting period (including but not limited to market risk)	During the reporting period, the market price or fair value of the derivatives invested by the Company fluctuated with the change of market transaction parameters. The derivatives valuation parameters were set according to specific products, and were consistent with industry practices. The fair value measurement was carried out using the model method provided by the middle-and-back-end valuation system.
Explanation of whether there have been significant changes in the accounting policies and accounting principles relating to the derivatives of the Company during the reporting period compared to the previous reporting period	None
Special opinions of independent directors on the derivative investment and risk control situation of the Company	Independent directors of the Company understood that trading of derivatives is a regular banking business approved by 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	128,254	132,451	776	79.02%
Foreign exchange swap	860,719	700,393	(327)	417.83%
Interest rate swap	1,727,426	1,462,461	7	872.45%
Currency swap	20,718	25,925	361	15.47%
Option contract	223,106	298,187	372	177.89%
Credit risk mitigation tools	830	400	(4)	0.24%
Precious metal forwards/swap	32,027	40,416	(1,076)	24.11%
Total	2,993,080	2,660,233	109	1587.00%

In 2022, major overseas economies were affected by high inflation, leading to a tightening of monetary policy. China's overall macroeconomic situation is generally good, the foreign exchange market is operating smoothly, and the RMB exchange rate maintains two-way fluctuations at a reasonable and balanced level. In terms of foreign exchange swaps, the interest rate spread between China and the United States was expanded 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

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

(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, specific customer asset management, asset management.	900	2,817	2,203	873	235	182
Maxwealth Financial Leasing Co., Ltd.	Subsidiary	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling off and disposal; economic consulting; asset securitization;	6,000	95,983	9,413	3,688	2,155	1,612
BNB Wealth Management Co., Ltd.	Subsidiary	Public issuance of financial products to unspecified public, as well as investment and management of entrusted investors' property; private issuance of financial products to qualified investors, as well as investment and management of entrusted investors' property; financial advisory and consulting services; other businesses approved by the CBRC under the State Council.	1,500	3,478	3,148	1,506	1,207	914
Zhejiang BNB Consumer Finance Co., Ltd.	Subsidiary	Grant personal consumption loans; receive deposits from domestic subsidiaries of shareholders and domestic shareholders; borrow money from domestic financial institutions; approved issuance of financial bonds; domestic interbank lending; consulting and agency services related to consumer finance; act as agent to sell insurance products related to consumer loans; fixed income securities investment business.	900	8,145	1,167	613	24	26

2. Information of major holding companies and joint stock companies

Maxwealth Fund Management Co., Ltd., established on November 7, 2013, has a registered capital of RMB 900 million, with 71.49% of its shares held by the Company. As of the end of 2022, Maxwealth Fund Management had a total asset of RMB 2.817 billion, a net asset of RMB 2.203 billion, a total public offering scale of RMB 271.3 billion, and a non-monetary scale of RMB 208.1 billion. During the reporting period, it achieved a net profit of RMB 182 million.

Maxwealth Financial Leasing Co., Ltd., established on May 26, 2015, has a registered capital of RMB 6 billion, with 100% of its shares held by the Company. As of the end of 2022, Maxwealth Financial Leasing had a total asset of RMB 95.983 billion, a net asset of RMB 9.413 billion, and a non-performing ratio of 0.08%. During the reporting period, it achieved a net profit of RMB 1.612 billion.

BNB Wealth Management Co., Ltd., established on Dec. 24, 2019, has a registered capital of RMB 1.5 billion, with 100% of its shares held by the Company. As of the end of 2022, BNB Wealth Management had a total asset of RMB 3.478 billion, a net asset of RMB 3.148 billion, and managed a wealth management product amounting to RMB 396.7 billion. During the reporting period, it achieved a net profit of RMB 914 million.

Zhejiang BNB Consumer Finance Co., Ltd., opened at the new address of Ningbo on January 19, 2023, has a registered capital of RMB 900 million, with 76.67% of its shares held by the Company. As of the end of 2022, BNB Consumer Finance had a total asset of RMB 8.145 billion, a net asset of RMB 1.167 billion, and a net profit of RMB 26 million according to the consolidated financial statement.

(VIII) Information on structured entities controlled by the Company

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

VII. Risk Management

By adhering to the concept of "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, the Company maintained strategic focus, strengthened risk assessment, and carried out orderly identification, measurement, monitoring, and control of various risks, thus continuously improving the professionalism and pertinence of risk management, and ensuring the stable development of the Bank.

(I) Credit risk

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

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

First, the Company focused on high-quality assets and laid a solid foundation in customer group. The Company implemented a prudent, steady, pragmatic, and efficient credit granting policy, closely focused on the development strategy of the whole bank, clarifying the credit policy to promote business development, and refined the list to promote customer group construction. At the same time, it

continued to deepen the research on the industrial chain, coordinated credit resources, gave priority to supporting inclusive microenterprises, private enterprises, manufacturing, green finance, scientific and technological innovation and other key areas, and continued to expand the breadth and depth of service to the real economy.

Second, the Company deepened the management mechanism and held the bottom line of risk control. The Company comprehensively upgraded the early warning system. In terms of earning warning for corporate business, the former single-rule system was upgraded towards multidimensional model monitoring, thus strictly preventing large credit risks; in terms of early warning for retail business, the Company established an industrial cluster monitoring mechanism to prevent small batch risks; in terms of early warning for personal business, the Company introduced correlation graph technology for customer profiling analysis to enhance risk mining capabilities. At the same time, the one-stop big data intelligent analysis platform integrating BI, AI and mapping was constructed to enhance the early warning capability.

Third, the Company upgraded the risk control system and strengthened the scientific and technological empowerment. The Company successfully promoted the online application of the phase I project of the new generation credit risk management system group, supporting the processing of tens of thousands of transactions per second, providing standardized services such as credit limit service and post-loan service, and enhancing the risk control capabilities at the group level. It actively explored new models for ultra-huge project construction, led the demand design, implemented a credit research and development platform, conducted trial operation of automatic testing, thus consolidating the technological foundation of the system, accumulating experience in project management, and laying a solid foundation for the construction of the phase II project.

(III) Liquidity risk

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

According to the regulatory requirements and changes in macroeconomic situation, the Company continued to strengthen the construction of its liquidity risk system, improved its liquidity risk management technology, thus ensuring that the liquidity risk management system matches with the business strategy, business characteristics, financial strength, financing ability, overall risk preference and market influence of the Company. During the reporting period, the maturity of assets and liabilities of the Company matched each other well, and all supervision indexes met the supervision requirement. Meanwhile, the light, medium and heavy stress tests were applied to the domestic and foreign currencies of the Company, and the outcome indicated that the Company achieved the minimum

survival period of not less than 30 days. Therefore, the emergency buffer capacity of domestic and foreign currencies was good.

In 2022, 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. During the reporting period, the Company continued to strengthen liquidity risk control. First, it improved the liquidity risk management system, collated documented policies relating to liquidity risk management, and implemented annual re-inspection and retrospective analysis of the limit management system; second, it strengthened intraday liquidity risk management and enhanced the efficiency of position management; third, it continued to promote the improvement of basic deposit scale and debt stability; fourth, it improved the liquidity risk emergency management system and strengthened the emergency response capability.

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

1. Liquidity ratio

As of Dec. 31, 2022, the balance of the liquidity assets of the Company was RMB 677.859 billion, and the balance of the liquidity liabilities of the Company was RMB 925.959 billion, the liquidity ratio was 73.21%, met the requirement of CBRC as no more than 25%.

2. Liquidity coverage ratio

As of Dec. 31, 2022, the balance of high-quality liquid assets of the Company was RMB 321.366 billion and the net cash outflow within 30 days was RMB 179.427 billion with the liquidity coverage ratio of 179.11% and met the requirement of no less than 100% as specified by CBRC.

3. Net stable funding ratio

By the end of 2022, the balance of stable funding available to the Company was RMB 1,298.468 billion, the balance of stable funding needed by the Company was RMB 1,146.997 billion, and the net stable funding ratio was 113.21%, met the requirement of CBRC as no less than 100%.

Unit: in RMB 1 million

Item	Dec. 31, 2022	Sep. 30, 2022
Stable funding available	1,298,468	1,276,985
Stable funding in need	1,146,997	1,148,426
Net stable funding ratio	113.21%	111.19%

(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 relatively perfect transaction account market risk management system that adapted to the nature, scale and complexity of the business, clarified the responsibilities and reporting requirement of the Board of

Directors, special committees, senior management and departments concerned under the market risk governance structure, specified the policy of market risk management, as well as the identification, measurement, monitoring and control procedures, defined the program and requirements for market risk report, information disclosure, emergency disposal and market risk capital measurement, and delivered clear demands on market risk internal control, internal & external audit and information system construction.

1. Market risk of transaction account

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

During the reporting period, the Company closely followed the regulatory requirements and the trend of the financial market, continuously improved the market risk management system of transaction accounts, and continuously strengthened the effectiveness of market risk identification, measurement and monitoring. First, the Company comprehensively upgraded its market risk measurement and management system, completed the adjustment and optimization of the risk-free interest rate pricing system, and adapted to the change of the international benchmark interest rate system; it completed the reconstruction of the new generation measurement engine and data mart for market risk, improved the quality of market risk data and the efficiency of measurement analysis. Second, the Company continued to strengthen market risk verification management, completed market risk valuation models, capital measurement, stress testing, and valuation verification of derivative business on behalf of customers, thus ensuring the stability and reliability of the market risk management system. Third, the Company conducted the comprehensive assessment and scenario update of market risk stress testing scenarios based on changes in the financial market, thus improving sensitivity to extreme scenario impact.

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

2. Market risk of bank account

The Company established a bank account interest rate risk management system that matches with the nature, scale, and complexity of its business, clarified the main responsibilities of the Board of Directors, senior management, and relevant departments. The Company mainly adopted methods such as re-pricing gap analysis, duration analysis, net interest income analysis, economic value analysis, and stress testing to measure the interest rate risk of bank accounts for different currencies and sources of

interest rate risk in different bank accounts, set management goals for indicators of economic value changes, and monitored the level of indicators continuously, thus ensuring that the interest rate risk of the Company were under control.

During the reporting period, the Company paid close attention to the changes in the external interest rate environment and the exposure structure of internal interest rate risk, continued to improve the interest rate risk management system of the bank account, optimized the interest rate risk measurement model of the bank account, and improved the interest rate risk measurement level of the bank account and the supporting capability of the information system. At the same time, it continued to proactively adjust its asset liability structure and optimize its internal and external pricing strategies, thus maintaining a stable net interest margin and achieving a stable growth in net interest income.

(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 continuously strengthened the evaluation and management of country risk according to the regulatory requirements, regularly monitored and timely adjusted country risk exposure, and strictly implemented country risk prevention and control. First, it timely adjusted the country risk grade, constructed internal evaluation system for country risk according to the guidance of the regulatory authorities, comprehensively determined the risk level of each country on the basis of change in macroeconomic development of the country and external rating information, divided the country risk level into five categories, namely low, comparatively low, medium, comparatively high and high country risk, and calculated the corresponding country risk limit. At the same time, the Company continuously strengthened its research and analysis of the global macro market, maintained attention to major international events and their impacts, and dynamically adjusted country risk levels based on the analysis results in a timely manner. Second, the Company continued to carry out country risk limit management. The relevant business departments of the head office dynamically identified the country risk of relevant countries or regions in the process of business operation. The risk management department of the head office reasonably allocated the country risk limit according to the business needs of relevant business departments, regularly monitored the implementation of limit management, identified potential risks at early stage, and ensured that the risk exposure of each country and region was under control.

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

(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 promoted the full-cycle management of product compliance, conducted legal compliance reviews from multiple perspectives such as product structure, institutional processes, and contract texts to ensure legality and compliance of products. Fourth, the data compliance management was deepened. The Company formulated a data compliance review template and unified data compliance review standards based on external regulations related to personal information protection; it optimized the cooperative data review process and enhanced the convenience of cooperative data review; it introduced privacy computing technology, strengthened the supporting function of big data for management, and promote compliance implementation of data cooperation and applications. Fifth, the quality and efficiency of compliance inspection was improved. Centering on regulatory priorities, the Company conducted dynamic monitoring of compliance risks supported by changes in compliance risk points; it strengthened project quality control and conducted quality assessments throughout the entire process of the front, middle and back ends. By adhering to the business philosophy of "Compliance Oriented", the Company improved the compliance awareness of new employees by publicizing the compliance management requirements and analyzing violation cases; it carried out business compliance publicity and popularize business compliance knowledge throughout the Bank; it organized daily study and research on compliance subjects, and issued legal compliance report on a bimonthly basis, thus improving the professional ability of compliance personnel; it organized special activities related to compliance culture, so as to create a good atmosphere of compliance culture, and held thematic challenges, compliance essay solicitation, knowledge and skills competitions, etc., thus creating a good atmosphere for compliance culture.

(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 adopted the *Measures for Reputation Risk Management of Banking and Insurance Institutions (Trial)* as the institutional guidance, and enhanced the foresight, matching ability, 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, and continued to improve the governance structure, full 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, attached great importance to handling various complaints and strengthened the research and judgment of different risks. Third, in terms of full coverage, the Company vigorously explored the transmission form of convergence media, and continued to create a bank image characterized by "professional value creation". 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 service, as supported by various media transmission platforms.

(VIII) Anti-money laundering management

By adhering to the anti-money laundering management principle of "risk-oriented", the Company continued to fulfill social responsibilities and legal obligations in accordance with relevant laws, regulations, and regulatory requirements, restructured the institutional money laundering risk assessment system, deepened the empowerment function of anti-money laundering technology, and improved the level of money laundering and terrorist financing risk management.

First, the Company accelerated the online governance of customers' information. Relying on the new system, it comprehensively integrated all customer information from various business lines, accelerated the online intelligent management of customer information quality. Second, the Company completed its first institutional risk self-assessment. According to the Guidelines for Self-Assessment of Money Laundering and Terrorist Financing Risks of Legal Person Financial Institutions issued by the People's Bank of China, the Company collated and rebuilt a "risk-oriented" three-dimensional indicator system, revised and improved the self-assessment management measures, and completed the first self assessment. Third, the Company perfected the intelligent suspicious monitoring system. On the basis of continuously adding and optimizing traditional rule-based models for transaction monitoring, and covering all common types of money laundering and high-risk businesses required by regulations, the Company comprehensively promoted the application of AI intelligent models and graph analysis tools, thus further perfecting the monitoring coverage and improving analysis efficiency.

(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 post evaluation for systems. The Company regularly conducted comprehensive post evaluation for the system, focusing on evaluating whether the internal and external regulations of the existing effective system have changed, whether the system is consistent with its basis, or whether the system needs to be revised or abolished, identified whether there are incomplete or incomplete system management issues such as system deficiencies, system conflicts, and system lag, and improved the system problems in a timely manner, thus ensuring the effectiveness of compliance risk control from the institutional level. Third, the Company established the policy correlation mechanism throughout the Bank, and realized policy linkage on this ground. Upon the updating of a certain policy, the competent department would be reminded by the system automatically for modification of local policies. As soon as the system of the Head Office is updated, the system will automatically remind the branch to localize the system in time. The Legal Compliance Department would follow up the implementation to ensure the effectiveness of system.

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

VIII. Capital management

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

Capital adequacy ratio management is the core of the Company's capital management. In September, 2022, the people's Bank of China and the China Banking and Insurance Regulatory Commission jointly released the 2022 List of Banks of Systematic Importance to China. The Company was listed among the first group, making it be subject to additional capital requirements such as an additional capital ratio of 0.25% and an additional leverage ratio of 0.125%. The Company monitored capital adequacy ratio on a regular basis and submits required information to the 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 2022, the Company redeemed secondary capital bonds issued in 2017 amounted to RMB 10 billion, and issued secondary capital bonds amounted to RMB 22 billion, thus improving its ability to resist risks and support the real economy.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2022, the Company steadily pushed forward economic capital limit management, formulated economic capital allocation plans, realized optimized configuration of capital in all business lines, regions, products and risk areas, made overall arrangements of risk-weighted asset scale of all business departments and business lines, and promoted optimized and reasonable configuration of capital; it further leveraged its comprehensive operating advantages, improved consolidation management and other systems, and gradually strengthened the capital management of subsidiaries, thus meeting the capital management demands of the collectivized and comprehensive operations.

(I) Information on capital adequacy ratio

According to the relevant provisions of the *Capital Management Measures for Commercial Banks (Trial)*, the scope of consolidated data of the Company covers the parent company and affiliated fund companies, financial leasing companies, wealth management subsidiaries, and consumer finance companies. By the end of 2022, the capital adequacy ratio, tier I capital adequacy ratio and core tier I capital adequacy ratio of the Company's consolidated and non-consolidated statements are as follows:

Unit: in RMB 1 million

Item	Dec. 31, 2022		Dec. 31, 2021	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	151,288	136,697	133,971	122,302
2. Net balance of Tier one capital	166,112	151,507	148,781	137,112
3. Net balance of total capital	235,407	219,570	203,522	191,002
4. Total risk-weighted assets	1,551,141	1,443,082	1,318,873	1,243,392
Including: credit risk-weighted assets	1,439,096	1,341,623	1,210,160	1,141,283
Market risk-weighted assets	17,206	15,678	28,398	26,626
Operational risk-weight assets	94,839	85,781	80,315	75,483
5. Core Tier one capital adequacy ratio	9.75%	9.47%	10.16%	9.84%
6. Tier one capital adequacy	10.71%	10.50%	11.28%	11.03%
7. Capital adequacy ratio	15.18%	15.22%	15.43%	15.36%

Note: In accordance with relevant regulations specified in Capital Management Measures for Commercial Banks (Trial) (China Banking Regulatory Commission No.1, 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, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Leverage ratio	5.79%	5.74%	5.73%	5.77%
Net balance of Tier I capital	166,112	163,802	160,002	154,748
Balance of assets on and off the balance sheet after adjustment	2,870,559	2,853,091	2,792,764	2,684,213

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 business, the Company adhered to the service concept of "creating value for customers", committed to cultivating and operating core customers, continuously promoted products innovation, function optimization, experience improvement, and service upgrading through financial technology empowerment, thus creating business comparative advantages, and providing customers with all-around and comprehensive financial services. The Company implemented a storied, classified and professional corporate customer management system. On the basis of promoting the list system and grid marketing, it had an insight into the financial demands of the entire lifecycle of the enterprises from the perspective of maximizing customer value, and deeply promoted the efficient introduction and deep operation of strategic and key customers. During the reporting period, the Company insisted on taking root in the regional market, continuously improved the quality and efficiency of services, and comprehensively enhanced the stickiness of corporate business via network operation methods such as live broadcast and short video, thus ensuring the steady growth of all businesses. At the end of the reporting period, the total number of corporate customers of the Company reached 135,300, with an increase of 18,100 compared with the end of the previous year.

In terms of deposits, the Company focused on the business funding opportunities in the market, utilized financial technology empowerment to continuously upgrade various system functions and optimize service processes, and improved service systems and marketing plans based on the complete lifecycle of customers in different dimensions such as industry types and segmented fields, thus providing customers with specialized, online, and mobile services with high quality and quantity, and effectively promoting the improvement of deposits settlement. At the end of the reporting period, the balance of corporate banking deposit reached RMB 814.4 billion (including institutional deposits), increased by RMB 120.3 billion over the end of the previous year, with a growth rate of 17.33%.

In terms of loans, The Company adhered to the tenet of serving the real economy through financial services, and was committed to serving physical enterprises within its operating area. It strengthened credit support for key areas such as manufacturing enterprises, science-and-technology enterprises, and

emerging industries of strategic importance, and provided customers with various financing products including local and foreign currency loans, commercial bills, bank notes, domestic letters of credit, as well as flexible combinations of comprehensive financing solutions, thus helping enterprises reduce financing costs. By adhering to the concept of "Make offline business online, and make online business mobile", the Company continued to improve the online process, mobile operation, and intelligent risk control of asset businesses such as loans, bills, letters of guarantee, and supply chain, thus continuously improving customer experience. At the end of the reporting period, the balance of RMB loans from corporate banking business reached RMB 335.7 billion, increased by RMB 51 billion over the end of the previous year, with a growth rate of 17.91%.

(II) Institutional business

Centering on the management demands and service scenarios for the digital transformation of institutional customers, the Company gave full play to its financial technology advantages, continuously upgraded its intelligent financial ecosystem service solutions, continued to strengthen the linkage between the head office, branches, and sub-branches, and deeply promoted the digitalization, specialization, and comprehensive operation of institutional business. At the same time, the Company expanded its personal business cooperation scenarios through online operations, providing high-quality, convenient, and efficient financial services to government agencies, enterprises, and individuals at all levels. During the reporting period, the Company implemented 435 digital projects of various types, obtained multiple business qualifications and conducted cooperation with key customers at the provincial, municipal, and district levels, thus effectively promoting the improvement of capital flow of institutional customer and supporting the stable growth of the liability business of the Bank. At the end of the reporting period, the deposits from institutional business of the Company reached RMB 191.1 billion.

(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 was committed to the continuous expansion of basic customers from small and medium-sized enterprises, in-depth operation of core customers, and professional services for key customer groups, thus providing customers with "more professional, convenient, and flexible" financial products and comprehensive service solutions. During the reporting, the Company, with the assistance of channel matchmaking, actively promoted the full-coverage visit, high-quality and efficient access and batch services for middle and small-sized enterprises within its operating area, and provided personalized, diversified and integrated financial services solutions concentrating on the operating cycle and upstream and downstream industry chain of enterprises, thus further meeting the all-around financial and pan-financial demands of customers. At the end of the reporting period, there were 417,100 retail corporate customers, increased by 47,100 compared to the end of the previous year.

In terms of deposits, The Company adhered to the concept of comprehensive operation, focused on

customer groups from segmented industry, continuously optimized cash management products and systems. By centering on the industry characteristics and business cycle, the Company gave full play to the products portfolio, and comprehensively upgraded its settlement service level and cash management capability. At the end of the reporting period, the balance of deposits from retail corporate business reached RMB 199.9 billion, increased by RMB 55 billion from the end of previous year, with a growth rate of 37.96%.

In terms of loans, the Company actively implemented the work requirements of inclusive finance, adhered to the preference of credit resources, established a dedicated team for inclusive loan disbursement, continuously implemented exclusive preferential policies, supported special activities to promote inclusive loan disbursement, actively served inclusive customers, expanded the number of new loan customers, cooperated in the construction of banks in small and micro parks, and continuously enhanced the proportion of inclusive credit loans. At the end of reporting period, the number of inclusive small and micro enterprises reached 186,200, increased by 125.11% from the end of previous year; the balance of loan from inclusive small and micro enterprises reached RMB 153.8, increased by 25.86% from the end of previous year; the average interest rate of new loans to inclusive small and micro enterprises was 6.10%, decreased by 7 basis points year-on-year.

(IV) Investment banking business

In terms of investment banking business in 2022, the Company actively played the role of financial intermediary, reached customers through a diversified product portfolio, provided professional online business services, empowered operations with financial technology, continuously upgraded comprehensive financial service solutions, and continuously improved the ecosystem of investment banking business. During the reporting period, the finance product aggregate (FPA) of the Company reached RMB 597.3 billion, and a total number of over 2,500 customers were served; in terms of principal bond underwriting, the Company has issued non-financial enterprise debt financing instruments with a total scale of RMB 313.2 billion, ranking the 11th among the all principal underwriters in the country; in terms of non-bank financing, the Company continuously upgraded its business operation model, gradually transitioned from financing planning to project planning, and contributed to the FPA business by over RMB 200 billion via the product portfolio and service support for corporate bonds, leasing, insurance debt plans, and special bonds.

(V) Bill business

The Company actively responded to changes in the bill market with the support financial technology empowerment and direct transfer linkage, continued to promote bill product innovation and service upgrading, and provided convenient and efficient discount services for physical enterprise customers, especially small and micro enterprise customers. During the reporting period, the APP of BNB Bills Home was launched, thus continuously improving customer experience through online operation, and providing timely and accurate market information and business advice to corporate customers. During the reporting period, the Company had over 20,000 discounted customers, and 96%

of them were small and medium-sized enterprise customers.

(VI) Asset custody business

During the reporting period, the asset custody market was generally sluggish and there was little room for industry growth. Centering on the transformation direction of custody business, the Company made arrangement in advance and interconnected it with the marketing. The Company increased its investment in financial technology, enhanced its support and responsiveness to innovative businesses, and entered a normalized implementation stage for FOF, MOM, asset service trusts, insurance asset custody portfolio products, and various asset securitization businesses. The first QFII business custody and the first insurance asset support plan custody were successfully implemented; it collaborated with securities companies and public fund managers to promote the development of bond-based publicly offered funds, thus jointly providing investors with more professional asset management services. At the end of the reporting period, the Company had a total of 646 customers of asset custody business, with the CUM scale of asset custody business exceeding RMB 4 trillion, including a custodial scale of RMB 3.75 trillion and an outsourced business scale of RMB 381.5 billion.

(VII) Financial market business

During the reporting period, the Company adhered to the concept of "Creating value through professionalism", promoted the comprehensive development of business scale, efficiency, and quality of financial market business, thus enabling the financial market business to enter into a new stage. The Company strengthened market research and judgment, realized precise timing, flexibly adjusted positions, and improved asset investment efficiency; it increased the proportion of transaction, agency, forfaiting and other intermediary businesses; it actively expanded the space for interbank cooperation and strived to become one of the best partners for small and medium-sized interbank 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 14th in national debt underwriting and the 11th in comprehensive foreign exchange marketing.

During the reporting period, the Company won the "2022 Market Innovation Award" of China Foreign Exchange Trade System and the "Annual Market Influence Award" in terms of four 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 2022; it won the title of "Outstanding Underwriter of Financial Bond in Interbank Market" and "Financial Bond Market Expansion Award" by the China Development Bank in 2022; it won the title of "Core Underwriter of Financial Bonds" and "Social Responsibility Undertaking Award of Financial Bonds" of Export-Import Bank of China in 2022; and won the title of "Core Underwriter of Financial Bonds", "Best City Commercial Bank of Financial Bonds" and the "Best Financial Bonds Practitioner of Agriculture, Rural Areas, and Rural Residents" of Agricultural Development Bank of China. The achievement of various honors reflected the recognition of the financial market business of the Company by the industry.

(VIII) Wealth management business

During the reporting period, the Company adhered to the business philosophy of "Customer-oriented" and the operation principle of "Creating value through professionalism", continuously strengthened its professional service capabilities, deeply promoted digital empowerment of business capabilities, continuously optimized its business model, consolidated the foundation for sustainable development of wealth management business, and further upgraded the its product system and customer operating capabilities through "digital service platforms, standardized business models, and systematic empowerment tools". In terms of product system, the Company established a full range of product lines covering cash, fixed income, equity, security and alternative products. Through market-oriented screening and retrospective evaluation, it continued to introduce high-quality products from top institutions to meet comprehensive demands; in terms of customer management, the Company integrated a multidimensional equity system, deepened hierarchical and classified management, and continuously optimized customer service experience through rich content ecology. At the end of the reporting period, the total asset under management (AUM) of the individual customers of the Company reached RMB 805.6 billion, increased by RMB 149.4 billion from the end of last year, with a growth rate of 22.77%. Thanks to its outstanding performance in the field of wealth management, the Company won awards such as the "2022 Excellent Fund Sales Bank" of the Fourth Yinghua Award for Publicly Offered Funds in China and the "2022 Excellent Wealth Management Bank" of the Fourth Yinghua Award for Wealth Management Banks in China.

(IX) Private banking business

By adhering to the service tenet of "Professional, Customized and Exclusive" and the core concept of "Maintaining sustainable economic growth", and by centering on the comprehensive demands of private banking customers in terms of personal, household, corporate, and social responsibility, the Company established a professional product system, a stable business model, and comprehensive exclusive services to provide high-quality companionship for private banking customers in all aspects. By utilizing its own resource advantages, the Company continued to deepen the transformation and upgrading of its private banking business, further strengthened interdepartmental business linkage, strengthened business collaboration with subsidiaries and cooperating institutions, strengthened product lifecycle management, optimized big data operation empowerment, deepened online service capabilities, created value with professionalism, and support the steady growth of wealth of customers. At the end of the reporting period, the Company had 17,902 private banking customers, increased by 4,928 compared to the end of the previous year with a growth rate of 37.98%; the AUM of private banking customers reached RMB 217.4 billion, increased by RMB 71 billion compared to the end of the previous year with a growth rate of 48.50%.

(X) Personal credit business

During the reporting period, the Company further optimized its personal credit business with the help of technological empowerment and network operation, continuously enriched its products system,

enhanced the service efficiency, and constructed a more digital, vertical and intensive operating system, thus providing customers with more professional, accurate and comprehensive financial services, and achieving considerate operation covering multiple dimensions and complete period. The Company actively responded to the development requirements of inclusive finance, continued to increase the investment in operating loans for small & micro businesses and individual businesses, thus meeting the diversified demands of the market. The Company continuously optimized the loan structure, perfected the agile management mechanism of risk control, and held the bottom line of risk control, thus achieving good assets structure and quality. At the end of the reporting period, the balance of personal credit loans was RMB 196.1 billion, with an increase of 21.12% compared to the end of the previous year.

(XI) Credit card business

During the reporting period, the Company adhered to the source of consumption, further enriched its products and services from the customer perspective, upgraded its business model, and deeply promoted the transformation of credit card business. The Company had a thorough insight into the diverse needs of segmented customer groups, focusing on high-frequency consumption scenarios such as catering, business districts, and travel, as well as large-scale installment scenarios such as home decoration, automobiles, and 3C. It also promoted the lightweight, efficient, and large-scale acquisition of customers of the credit card business, while strengthening the construction of big data and business platforms. The Company has innovated the market activities and matched with customers' needs around key nodes in the customer lifecycle, driven by technology. By means of network management methods such as APPs, short videos, and WeChat groups, the Company has achieved more refined hierarchical classification management and more intelligent service response, effectively improving customer stickiness and the scale of interest bearing assets. The Company adhered to the principle of prudence, refined the customer portraits, iterated approval models, effectively enhancing the initiative and foresight of risk prevention and control. By continuously adjusting the customer group structure and asset structure, the Company has realized a balanced development in the quality and quantity of the credit card business. As of the end of the reporting period, the Company has issued a total of 4,850,000 credit cards, an increase of 30.38% compared with the end of the previous year.

(XII) Maxwealth Fund

During the reporting period, Maxwealth Fund further improved its investment and research capabilities, focused on the market, deepened customer operations, enriched product layout, and strengthened its risk control, achieving a steady growth in various business scales. By the end of the reporting period, the total public offering scale of Maxwealth Fund has reached RMB 271.3 billion, increasing by RMB 29.4 billion over the end of the previous year. The non-monetary scale was RMB 208.1 billion, increasing by RMB 22.4 billion over the end of the previous year. There were 114 public offering products, including 77 fixed income public offering fund products, 11 of which were newly established in the reporting period; there were 37 equity public fund products in total, with 11 newly

established in the reporting period; there were 48 special account products, further enhancing its capability to meet the investment demands of different customers from multiple levels. During the reporting period, Maxwealth Fund has realized a net profit of RMB 182 million.

(XIII) Maxwealth Financial Leasing

During the reporting period, Maxwealth Financial Leasing continued to maintain an upward development trend, adhered to the integration of industry and finance in deepening professional operations, and continued to deepen the three major business sectors of "small and micro leasing, intelligent manufacturing, and public utilities", actively adapted to the financial technology and explored data and platform operations, and solidly transformed to the image of "online, lightweight, and intelligent". At the end of the reporting period, the total assets of Maxwealth Leasing reached RMB 90.168 billion and the non-performing rate was 0.08%; during the reporting period, Maxwealth Financial Leasing realized a net profit of RMB 1.612 billion, a net return on assets of 18.73%, with its main operating indicators among the top in the financial leasing industry and its brand awareness and market influence further improved.

(XIV) BNB Wealth Management

During the reporting period, BNB Wealth Management fully adapted to the new regulations and requirements of various wealth management businesses, adhered to a prudent and proactive management approach, continuously expanded the depth and breadth of the product system, formed a full shelf product system covering cash management, fixed income, fixed income enhancement, hybrid, and equity, and fully covered the product period, meeting the diverse wealth management needs of customers. During the reporting period, BNB Wealth Management actively performed its social responsibilities, achieved the landing of Yangtze River Delta themed wealth management products, and contributed to the high-quality development of the real economy; created characteristic investment and education columns such as "Financial Focus Talk" and "Little Whale Talk Market" to provide long-term customer companionship with warmth; received more than ten important awards such as the "China Banking Financial Bull Award" organized by China Securities Journal, gaining the market recognition. By the end of the reporting period, the balance of financial products managed by BNB Wealth Management was RMB 396.7 billion, an increase of RMB 64.5 billion over the end of the previous year; realized a net profit of RMB 914 million.

(XV) BNB Consumer Finance

During the reporting period, BNB Consumer Finance actively responded to the national call to promote consumption, focusing on the differentiated characteristics of customers and fully meeting the consumer finance needs of different customer groups; and meanwhile, the Bank continuously strengthened the application and empowerment of technology, promoted product innovation and process optimization, constantly improving its ability to acquire customers independently and level of risk control. By the end of the reporting period, the balance of loans of BNB Consumer Finance was RMB

7,183 million; during the reporting period, BNB Consumer Finance achieved a net profit of RMB 26 million after consolidation.

(XVI) Electronic channels

In 2022, in order to further promote the digital transformation and improve the digital business capability of the Company, the Company continued to expand the breadth and depth of financial services and improve the quality and efficiency of comprehensive financial services with the APP, online banking and Wechat banking as the contact points.

APP platform. During the reporting period, the Company adhered to the implementation of the smart bank strategy and continued to update and iterate the APP of Bank of Ningbo based on the orientation of "create value with expertise". In terms of individual functions, in response to the national pension policy, the Company launched the first batch of personal pension services at the APP end and the full cycle services from account opening, payment and deposit, investment to withdrawal; upgraded the wealth open platform to provide customers with intelligent, personalized and intimate wealth accompanying services; strengthened the platform performance, optimized the business processes, and enhanced user experience. In terms of corporate functions, the Company continued to promote the online transaction mobility process, achieving over 90% of the transaction mobility; further promoted the upgrading of core functions such as collection and payment, bills, foreign exchange, investment and financing; launched the member center and branch zones, etc. to promote the operational capabilities of the platform. By the end of the reporting period, APP users of Bank of Ningbo has reached 7.38 million, an increase of 29% over the beginning of the year, and the monthly active users increased by 29% compared to the same period.

Online banking service. During the reporting period, the Company adhered to the development strategy of both product construction and customer operation, continued to promote the upgrading of online banking products, expand the service scenarios and improve the service level. The Company was connected to the fixed bill system to continuously improve the business processing experience; launched the exchange rate management cockpit and single window remittance functions based on the full lifecycle management of foreign exchange; upgraded the corporate customer unified marketing center, enriched the activity template and equity library, and upgraded the membership system. By the end of the reporting period, there were 459,700 customers in the Company's public electronic channels, with a year-on-year increase of 16%; there were 31.32 million transactions in the Company's public electronic channels, with a year-on-year increase of 9%; and the transaction amount was RMB 205,000 billion, with a year-on-year increase 13%.

WeChat banking. During the reporting period, the Company was committed to improving the customer experience, continued to promote the operational capability of the platform, and gave full play to the connection advantage of the WeChat platform, providing all-round financial services for the customers. As of the end of the reporting period, there were 4,150,000 followers of the official account of the Bank of Ningbo, which was 33% higher than the end of the previous year.

(XVII) Financial technology

During the reporting period, the Company further enriched its strategic connotation of smart banking, closely focused on the digital transformation trend in the industry, comprehensively deepened the integration and innovation of financial technology from the top-level design, and further promoted the transformation and development of the whole Bank to digital operation and financial science and technology operation relying on the technology to drive the transformation of business model. The Company adhered to the concept of "create value with expertise", continuously optimized the structure of technology resource investment guided by the integration of business technology, and increased the density of technology investment in key fields, achieving an efficient resource conversion; gradually promoted the transformation of basic research and development to product-based management by upgrading the research and development management model, boosted product iteration, and promoted research and development efficiency, assisting the Company in rapid iteration of key products and the launch of dual foundation projects; encouraged the entire Bank to carry out financial technology innovation, implemented innovation incubation in key areas through innovation funds, and empowered business management. The Company has also strengthened the technological advancement, promoted the introduction of technological talents, built integrated and collaborative agile organizations, and continuously improved the digital operational capabilities, providing strong support for sustainable business development and the vision of becoming a fintech bank.

(XVIII) Consumer rights and interests protection

The Company persisted in the development concept of "Customer First", never forgot its original intention, attached great importance to the protection of consumer rights and interests as always, integrated the protection of consumer rights and interests into the corporate governance, corporate culture construction and business development strategy, gave overall consideration to the development of the Company and social responsibilities and continuously improved the construction of the management system and working system of consumer rights protection and mechanism. In addition, the Company has integrated the protection requirements of consumer rights and interests into all links of the business process, strengthened the important measures for consumer protection, constantly improved the management and services, legally protect the legitimate rights and interests of financial consumers, and continuously improved the recognition and satisfaction of financial consumers. During the reporting period, the Company has further improved the work system and operation mechanism for the protection of financial consumers' rights and interests, formulated a comprehensive work system for the protection of consumer rights and interests, further enriched the force of the protection of consumer rights and interests, supplemented and revised 11 rules and regulations for the protection of consumer rights and interests, and further improved the consumer rights protection review, consumer suitability management, cooperation agency control, consumer information security protection, internal evaluation and other working mechanisms; further improved the compliant management mechanism system, strengthened mechanism system, strengthened to customers' demands, actively solved the problems reported by

customers, improved customers' satisfaction with the products and services of the Bank, actively assumed the main responsibilities, and strengthened the prevention and resolution of complaints. During the reporting period, the Company received 1,244 complaints transferred by the supervision, and the complaint response rate and feedback rate were 100%. In terms of business category, loan business accounted for 49.4%, credit card business accounted for 17.8%, wealth management business accounted for 17%, other business accounted for 15.8%; in terms of regional distribution, Jiangsu Province accounted for 16.7%, Shanghai 9.6%, Guangdong 5.2%, Beijing 4.7%, Zhejiang 63.8%, among which Ningbo accounted for 47.4%.

And meanwhile, the Company has actively fulfilled its social obligation of financial consumer rights protection and education, so as to improve the consumers' financial literacy and people's yearning for a better life. By means of the combination of online and offline education mode, the Company focused on consumers' concerns and needs, and continuously promoted the financial education in multiple levels and multiple dimensions, aiming to realize both warmth, depth and breadth of its activities. During the reporting period, the Company carried out a total of 2,680 educational activities, 416 media campaigns, and sent 13.3 million risk warning messages, reaching more than 29.8 million consumers. The original video "Sharing Digital Finance, Promoting Consumption Equity" was released for 3 months through mobile TV in all subways and buses in Ningbo. The original video "Anti-Fraud Storm" and the long picture "Crack the Myth of Creating Wealth" won the second prize and the Excellence Award in the selection of financial education digital works by Ningbo Financial Consumer Rights Protection Association in 2022 respectively. In 2022, the Company was selected as the Annual Excellent Service Station of bank consumer rights protection by Ningbo Banking Association; It was selected as an "A-level Bank for Financial Consumption Rights Protection" in 2021 by the People's Bank of Ningbo Central Branch.

X. Outlook of future development

(I) Business development planning in 2023

The central economic work conference pointed out that at present, China's economic development is facing severe triple pressures of shrinking demand, supply shock and weakening expectation, while the external environment is in turmoil and the changes in the world are accelerating. In 2023, economic work of the Company should be stable and seek progress while maintaining stability. And meanwhile, the Company will start the implementation cycle of a new three-year plan from 2023 to 2025. Under the leadership of the Board of directors, the Company will actively adapt to changes in the business environment, continuously accumulate differentiated comparative advantages, and promote high-quality development of the Bank.

Firstly, deepen the main line of business and promote sustainable development. The Company will continue to implement the business strategy of "imperfect for large banks, impossible for small banks", stay true to its original intention of development, adhere to the finance for the people, persist in the customer-centered principle, take private enterprises, small and micro enterprises, manufacturing and

import and export enterprises as the focus, continue to focus on key areas, segmented industries, capital ports, so as to serve the needs of the real economy and solve the difficult and right thing deeply, expand its customer groups and promote the high-quality and sustainable development of the Bank.

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

Thirdly, accelerate the technological transformation and empower operation and management of the Company. The Company will adhere to the development strategy of smart bank, deepen the core advantages of open bank, make full use of the empowerment role of financial technology in operation and management of the banking industry, improve the service efficiency with digital means, solve financial pain points with intelligent solutions, focus on data, algorithm and computing power, consolidate the underlying science and technology foundation of digital application, strengthen the capabilities of technology center and data center, accelerate the system iteration and upgrade, and strive for more development space.

Fourthly, hold the bottom line of risks firmly and ensure a stable operation. Facing the complex and changeable internal and external environment, the Company will continue to strengthen the overall risk management, further broaden the horizon of risk management, constantly optimize the effective measures of risk management, anticipate in advance and effectively avoid risks, accelerate the digitized and intelligent application of risk management, and continue to improve all links of the whole process of risk management, strictly adhere to the three operating bottom lines, namely no large adverse risks, no cases and no major system failures, so as to ensure the long-term development of the Bank.

(II) Key issues in operation

1. About net interest rate of return

Looking forward to 2023, the Company's net interest rate is expected to remain under pressure. On the asset side, affected by the re-pricing effect of LPR and changes in market interest rates, the asset side yield is expected to continue to be in the declining channel. On the one hand, the Company will continue to implement the policy orientation of benefiting the real economy, increase support for key areas, and reduce corporate financing costs. On the other hand, the Company will continue to optimize the structure of credit assets and further improve the risk pricing level; and meanwhile, the Company will strengthen the forward-looking study and judgment of market interest rates, increase the allocation of high-quality assets, and improve the efficiency of the use of funds. On the liability side, with the increasingly prominent wealth management attribute of deposits and fierce deposit competition, the Company will continue to devote itself to the cultivation and management of core customers, promote

the stable accumulation of high-quality deposits by upgrading settlement services and cash management capabilities, and actively optimize the structure of interbank liabilities, seize market opportunities to supplement interbank funds, and promote the cost of liabilities to remain stable.

2. About net non-interest rate of return

Looking forward to 2023, 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 realized a leapfrog upgrade in terms of product system and customer operation capability after years of development, with the customer group layout and asset structure further optimized while the number of customers and total AUM have achieved a rapid growth, and the profitability will continue to improve; the second is that the Company's international settlement and financial market business will continue to accumulate comparative advantages in the market segment, enhance the differentiation competitiveness, and further expand the business advantage; the third is that the profit centers will seize market development opportunities, strengthen technological capabilities and professional leadership, and steadily develop capital-light businesses such as bond underwriting, non-bank financing and asset custody; and the fourth is that Maxwealth Fund and BNB Wealth Management will accelerate their business layout and gradually mature their customer management capabilities and exhibition system, injecting new momentum into the growth of the non-interest income of the Company.

3. About asset quality

In the face of economic cycle fluctuations and changes in internal and external economic situation, the Bank will still face certain challenges in asset quality control. In 2023, the Company will adhere to the prudent risk management culture and promote a more refined, intelligent and efficient risk management system. First, strictly control incremental risks. On the basis of adhering to the unified credit policy and independent credit approval, the Company will continue to improve the industry and industrial chain research system to form a more accurate customer positioning; second, control the existing risks. The Company will constantly enrich the model of customer risk management through fintech capabilities, anticipate the risk trend in advance through big data early warning, key field investigation, continuous return visit efficiency and other measures to improve the pertinency and effectiveness of risk management. 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 capital management

Looking forward to 2023, 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 2023, constantly meeting various regulatory requirements. The Company will strengthen research, prediction and monitoring, raise capital sources through multiple channels, continue to integrate the concept of capital conservation into all links of operation and management, constantly optimize capital allocation and continuously

improve the level of capital return.

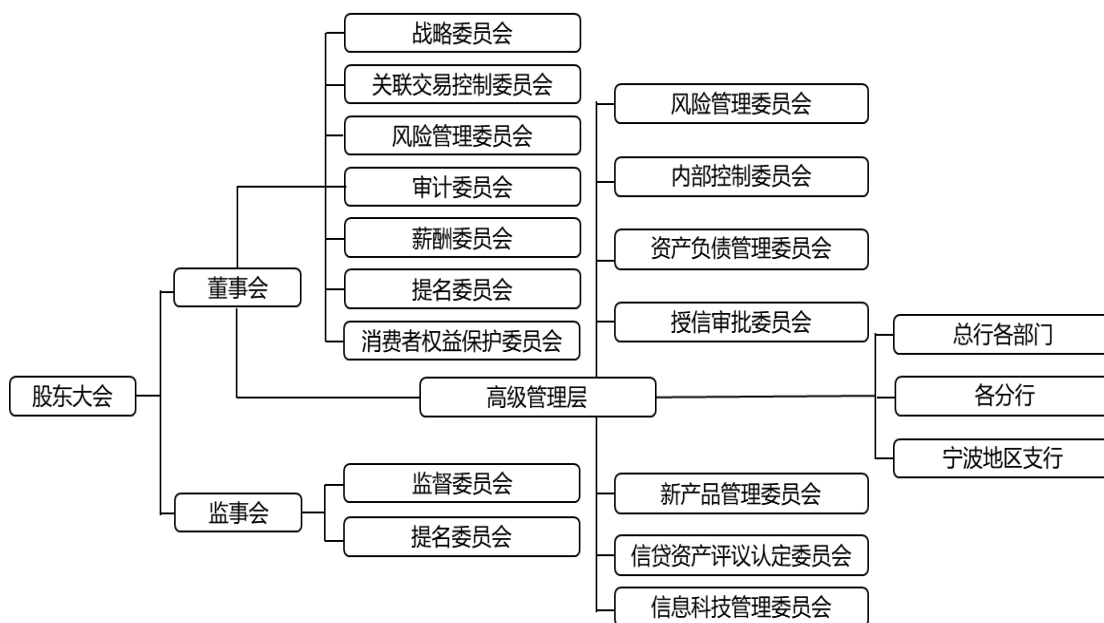
XI. Activities of receiving investigation, communication and interview, etc. during the report period

Reception time	Reception mode	Reception object type	Index of research basic situation
Jan. 4, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jan. 10, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jan. 13, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jan. 14, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Mar. 3, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Apr. 18, 2022	quanjing.com	Others	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
May. 12, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
May. 31, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun. 2, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun.6, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun.15, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Jun.27, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Sep. 8, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Sep.22, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Nov. 1, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company
Nov. 16, 2022	Telephone communication	Institutions	www.cninfo.com.cn <i>Investor Relation Activities Record Chart</i> of the Company

Chapter Seven Corporate Governance

I. Basic conditions of the corporate governance

The Company has constantly improved its corporate governance system in strict accordance with the requirements of *the Company Law*, *Governance Criteria of Listed Companies* and other laws and regulations and the regulatory requirements. During the reporting period, the Company held 1 annual general meeting of the shareholders and 1 extraordinary meetings of the shareholders; 4 regular meetings and 2 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 信贷资产评审议定委员会：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
2021 Annual General Meeting of Shareholders	61.40%	May 18, 2022	May 19, 2022	For details (http://www.cninfo.com.cn)
The 1 st Session of 2022 Extraordinary General Meeting of Shareholders	59.48%	September 13, 2022	September 14, 2022	

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	58	Jan. 15, 2005	Feb. 9, 2026	1,374,350	0	0	1,374,350
Zhuang Lingjun	Vice chairman, president	Incumbent	Male	43	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0
Zhou Jianhua	Director	Proposed	Male	50	-	Feb. 9, 2026	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	47	May. 18, 2015	Feb. 9, 2026	0	0	0	0

Chen Delong	Director	Proposed	Male	53	-	Feb. 9, 2026	0	0	0	0
Qiu Qinghe	Director	Proposed	Male	60	-	Feb. 9, 2026	0	0	0	0
Liu Xinyu	Director	Incumbent	Female	48	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0
Bei Duoguang	Independent director	Incumbent	Male	65	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0
Li Hao	Independent director	Incumbent	Male	64	Apr. 9, 2020	Feb. 9, 2026	165,000	0	0	165,000
Hong Peili	Independent director	Incumbent	Female	59	Apr. 9, 2020	Feb. 9, 2026	0	0	0	0
Wang Wei'an	Independent director	Incumbent	Male	57	Apr. 3, 2020	Feb. 9, 2026	0	0	0	0
Li Renjie	Independent director	Incumbent	Male	68	-	Feb. 9, 2026	0	0	0	0
Hong Lifeng	Supervisory, employees' supervisor	Incumbent	Male	58	Oct. 9, 2015	Feb. 9, 2026	1,808,524	0	0	1,808,524
Zhou Shijie	Supervisor	Incumbent	Male	33	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0
Ding Yuanyao	External supervisor	Incumbent	Male	57	Feb. 10, 2020	Feb. 9, 2026	0	0	0	0
Bao Mingwei	External supervisor	Incumbent	Male	50	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0
Yu Dechang	External supervisor	Incumbent	Male	47	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0
Zhuang Ye	Employees' supervisor	Incumbent	Female	45	Feb. 10, 2017	Feb. 9, 2026	0	0	0	0
Yu Qing	Employees' supervisor	Incumbent	Female	46	Feb. 10, 2023	Feb. 9, 2026	0	0	0	0
Luo Weikai	Director, vice president, Financial officer, CIO	Incumbent	Male	57	May. 10, 2022	Feb. 9, 2026	0	0	0	0
Fu Wensheng	Vice president	Incumbent	Male	50	Aug. 27, 2012	Feb. 9, 2026	0	0	0	0
Wang Yongjie	Vice president	Incumbent	Male	50	Aug. 27, 2012	Feb. 9, 2026	265,980	0	0	265,980
Feng Peijiong	Director, former vice president	Incumbent	Male	48	Feb. 3, 2016	Feb. 9, 2026	0	0	0	0
Zhang Ningning	Vice president	Incumbent	Female	39	Mar. 24, 2021	Feb. 9, 2026	0	0	0	0
Yu Gang	Secretary to the board of directors	Incumbent	Male	46	Jan. 25, 2018	Feb. 9, 2026	0	0	0	0
Luo Mengbo	Former vice chairman, president	Resigned	Male	52	Feb. 10, 2014	Jan. 7, 2022	2,111,646	0	427,912	1,683,734
Shi Tingjun	Former director	Resigned	Male	52	Apr. 3, 2020	Feb. 9, 2023	0	0	0	0
Chen Shouping	Former director	Resigned	Male	52	Jun. 5, 2020	Feb. 9, 2023	0	0	0	0
Zhu Nianhui	Former director	Resigned	Male	60	Sep. 23, 2021	Feb. 9, 2023	0	0	0	0

Hu Pingxi	Former independent director	Resigned	Male	69	Mar. 8, 2018	Feb. 9, 2023	0	0	0	0
Liu Jianguang	Former supervisor	Resigned	Male	51	Sep. 16, 2019	Feb. 9, 2023	0	0	0	0
Shu Guoping	Former external supervisor	Resigned	Male	58	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Hu Songsong	Former external supervisor	Resigned	Male	42	Feb. 10, 2017	Feb. 9, 2023	0	0	0	0
Lu Xiaosu	Former employees' supervisor	Resigned	Female	53	Feb. 10, 2020	Feb. 9, 2023	0	0	0	0

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

Name	Position	Type	Date	Reason
Zhuang Lingjun	President	Appointed	Apr. 8, 2022	Work demand
	Former vice chairman	Elected	May. 24, 2022	Work demand
Luo Weikai	Vice president	Appointed	May. 10, 2022	Work demand
	Director	Elected	Jul. 12, 2022	Work demand
Zhou Shijie	Supervisor	Elected	Feb. 10, 2023	Work demand
Bao Mingwei	External supervisor	Elected	Feb. 10, 2023	Work demand
Yu Dechang	External supervisor	Elected	Feb. 10, 2023	Work demand
Yu Qing	Employees' supervisor	Elected	Feb. 10, 2023	Work demand
Luo Mengbo	Former vice chairman, president	Resigned	Jan. 7, 2022	Private reason
Shi Tingjun	Former director	Resigned	Feb. 9, 2023	Expiration of term of office
Chen Shouping	Former director	Resigned	Feb. 9, 2023	Expiration of term of office
Zhu Nianhui	Former director	Resigned	Feb. 9, 2023	Expiration of term of office
Hu Pingxi	Former independent director	Resigned	Feb. 9, 2023	Expiration of term of office
Liu Jianguang	Former supervisor	Resigned	Feb. 9, 2023	Expiration of term of office
Shu Guoping	Former external supervisor	Resigned	Feb. 9, 2023	Expiration of term of office
Hu Songsong	Former external supervisor	Resigned	Feb. 9, 2023	Expiration of term of office
Lu Xiaosu	Former external supervisor	Resigned	Feb. 9, 2023	Expiration of term of office

Notes:

1. The Company elected Hong Lifeng, Zhuang Ye and Yu Qing as the employees' supervisors of the eighth Board of Supervisors of the Company through the staff meeting, with a term of three years. Due to the expiration of the term, Lu Xiaosu no longer serves as the employees' supervisor of the Company.

2. On February 10, 2023, the Company held the first interim general meeting of shareholders in 2023, and elected Lu Huayu, Zhuang Lingjun, Luo Weikai, Feng Peijiong, Zhou Jianhua, Wei Xuemei, Chen Delong, Qiu Qinghe and Liu Xinyu as non-independent directors of the eighth Board of Directors of the Company; Bei Duoguang, Li Hao, Hong Peili, Wang Wei'an and Li Renjie were elected as independent directors of the eighth Board of Directors of the Company; Zhou Shijie was elected as the shareholder supervisor of the eighth Board of Supervisors of the Company; Ding Yuanyao, Yu Dechang and Bao Mingwei were elected as external supervisors of the eighth Board of Supervisors of the Company. Due to the expiration of their terms, Shi Tingjun, Chen Shouping, Zhu Nianhui and Hu Pingxi no longer serve as directors of the Company, and Liu Jianguang, Shu Guoping and Hu Songsong no longer serve as supervisors of the Company.

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

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

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

Mr. Chen Delong, born in November 1969, Singapore, obtained MBA from University of Manchester, UK, Chartered Financial Analyst, Certified Public Accountant of Singapore. He is currently serving as the Executive Vice President and Head of Global Corporate and Investment

Banking at OCBC. Mr. Chen Delong has successively served as Chief Risk Officer, Head of Corporate and Institutional Banking at DBS Bank Limited in Singapore, and Supervisor at DBS Bank (China) Limited.

Mr. Qiu Qinghe, born in March 1963, Singapore, obtained Ph.D. from the University of Melbourne, is a member of Institute of Certified Public Accountants Australia. He is currently serving as a Director, the Chairman of the Nominating Committee, Member of the Executive Committee and Member of the Remuneration Committee of OCBC, and Chairman of the Board of Directors of OCBC Wing Hang Banking Corporation Limited. Mr. Qiu Qinghe has successfully served as the Deputy Managing Director of the Monetary Authority of Singapore and a Member of the Competition and Consumer Commission of Singapore; Director of the National Environment Agency of Singapore from April 2020 to present; Director of OCBC Wing Hang Banking Corporation Limited since August 2021 (Chairman of the Board since January 2023).

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. 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 Director, Vice President, Financial Officer and CIO of the Company. Mr. Luo Weikai used to work as the section chief and the assistant to the director of ICBC Ningbo Branch. After serving in the Company, he acted as the Vice President of Tianyuan Sub-branch, then held the position of the General Manager of Finance & Accounting Department and concurrently served as the Director of the Banking Department of the Headquarters and the General Manager of E-banking Department of the Bank. Mr. Luo was the Assistant President of the Bank from May 2005 to December 2007, has been the Vice President of the Company from December 2007 to February 2020, the Director of the Company from August 2006 to October 2011 and from April 2017 to February 2020, the full-time Deputy Secretary of the Party Committee of the Company since February 2020, Vice President of the Company since May 2022 and Director of the Company since July 2022.

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

Company since February 2016.

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

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

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

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

Mr. Li Renjie, born in March 1955, bachelor's degree, has successfully served as the Director of the Planning Department of People's Bank of China Fujian Branch, Executive Director of Jiangnan Group (Hong Kong) Co., Limited, Chairman of the Board of Directors of Great Wall Securities,

President of Industrial Bank Co., Ltd. Shenzhen Branch and Vice President, Director and President of the Head Office of Industrial Bank Co., Ltd., and Chairman of the Board of Directors of Lufax Holding Ltd.

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. Zhou Shijie, born in October 1989, obtained a master's degree, is now serving as the Deputy General Manager of Ningbo Haishu Industrial Investment Co., Ltd. Mr. Zhou Shijie has successfully served as the Deputy Business Director of the of Investment Bank Department III of Caitong Securities, namely the Private Equity Investment Department, from 2014 to 2020; the Deputy General Manager of Ningbo Haishu Industrial Investment Co., Ltd. from 2020 to present; the Shareholder Supervisor of the Company from February 2023 to present.

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

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

and Supervisor of L&H Law Firm (Ningbo) from February 2023 to present. Mr. Bao Mingwei has served as an External Supervisor of the Company since February 2023.

Mr. Yu Dechang, born in July 1975, holds a bachelor's degree and is a Certified Public Accountant, Certified Tax Agent, Certified Appraiser, and Senior Accountant, who is currently serving as a Partner of Lixin Zhonglian CPAS and Director of the Hangzhou Branch. Mr. Yu Dechang has successfully served as the Accountant of Ningbo Communications Engineering Construction Group Co., Ltd. from August 1996 to September 1999, Project Manager and Partner of Ningbo Guoxin United Accounting Firm from September 1999 to December 2013, the Head of the Zhejiang Branch of Lixin Zhonglian CPAS from January 2014 to January 2018, and the Head of the Hangzhou Branch of Lixin Zhonglian CPAS since January 2018. Mr. Yu Dechang has served as an External Supervisor of the Company since February 2023.

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

Ms. Yu Qing, born in August 1976 with a bachelor's degree, is now serving as the Deputy General Manager of the Audit Department of the Company. From 2011, Ms. Yu Qing has successfully served as the Senior Deputy Manager of the Personal Bank Audit Department, Senior Deputy Manager of Corporate Bank Audit Department, Senior Deputy Manager of Business Audit Department, Deputy General Manager of the Audit Department of Shanghai Branch (in charge of work), General Manager of Shanghai Audit Branch of the Head Office Audit Department, and Assistant General Manager of the Audit Department of the Head Office, and the Deputy General Manager of the Audit Department of the Head Office (presided over from December 2021 to December 2022) from November 2018 to present. Ms. Yu Qing has been the Employees' Supervisor of the Company since February 2023.

Senior Management

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

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

Mr. 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 Company. 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 Manager 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
Wei Xuemei	Ningbo Development & Investment Co., Ltd.	Deputy General Manager	From May 2015 to the present	Yes
Chen Delong	Singapore Overseas-Chinese Banking Co., Ltd.	Executive Vice President and Head of Global Corporate and Investment Banking Department	From March 2022 to the present	Yes
Qiu Qinghe	Singapore Overseas-Chinese Banking Co., Ltd.	Director	From March 2021 to the present	Yes
Liu Xinyu	Youngor Group Co., Ltd.	Deputy General	From May 2017 to	Yes

		Manager and Board	the present	
		Secretary		
Zhou Shijie	Ningbo Haishu Industrial Investment Co., Ltd.	Deputy General Manager	From June 2020 to the present	Yes

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

Name of Members	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Zhou Jianhua	Yongxing Securities Co., Ltd.	Director	From November 2021 to the present	No
Wei Xuemei	Ningbo Maritime Industrial Fund Management Co., Ltd.	Director	From July 2018 to the present	No
	Ningbo Dahongying Education Group	Chairman of Board of Directors	From May 2021 to the present	No
Chen Delong	Maxwealth Fund Management Co., Ltd.	Director	From November 2022 to the present	No
Qiu Qinghe	National Environment Agency Singapore	Director	From April 2020 to the present	Yes
	OCBC Wing Hang Bank Limited	Chairman of Board of Directors	From January 2023 to the present	Yes
Liu Xinyu	Ningbo Youngor Health and Pension Management Co. Ltd.	Chairman of Board of Directors	From February 2021 to the present	No
	Xinjiang Gelaixue Glacier Water Manufacturing Co., Ltd.	Director	From February 2023 to the present	No
	Kuafu Technology Co., Ltd.	Director	From February 2023 to the present	No
	Youngor Fashion (Shanghai) Technology Co., Ltd.	Director	From March 2023 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 Counselors' Office of the State Council	Researcher	From November 2020 to the present	No
	Zhejiang Mybank Co., Ltd.	Independent Director	From December 2021 to the present	Yes
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
	HSBC Bank (China) Limited	Independent Director	From December 2022 to the present	Yes

Hong Peili	Bangkok Bank (China) Company Limited	Independent Director	From September 2021 to the present	Yes
	Shanghai Fubanghua - Public Welfare Foundation	Council Member	From February 2022 to the present	No
	Xingyin Fund Co., Ltd.	Independent Director	From October 2022 to the present	Yes
	Fujian Haixi Financial Leasing	External Supervisor	From July 2022 to the present	Yes
Wang Wei'an	Zhejiang University	Professor and Doctoral Supervisor	From September 1999 to the present	Yes
	Zhejiang Financial Forum	Council Member	From July 1997 to the present	No
	China Financial Forum	Council Member	From July 2003 to the present	No
	China Urban Financial Society	Council Member	From July 2005 to the present	No
	Zhejiang Huiju Investment Management Co., Ltd.	Director	From February 2011 to the present	No
	Zhejiang Financial Education Foundation	Council Member	From July 2012 to the present	No
	Hangzhou Central Branch of the People's Bank of China	Currency Policy Consultant	From July 2014 to the present	No
	Zhejin Trust Co., Ltd.	Independent Director	From May 2017 to the present	Yes
	Zhejiang Chunhui Environmental Energy Limited	Independent Director	From May 2017 to December 2022	Yes
	Zhejiang Yasha Decoration Co., Ltd.	Independent Director	From August 2019 to the present	Yes
Li Renjie	Xiaoshan Rural Commercial Bank	Independent Director	From September 2021 to the present	Yes
	Guotai Junan Securities	Independent Director	From April 2021 to the present	Yes
	Huaneng Guicheng Trust	Independent Director	From April 2021 to the present	Yes
Ding Yuanyao	Xiamen International Bank	Independent Director	From December 2021 to the present	Yes
	Ningbo University	Professor and Doctoral Supervisor	From December 2003 to the present	Yes
Bao Mingwei	Ningbo Hongwei Software Technology Co., Ltd.	Supervisor	From March 2004 to April 2022	Yes
Yu Dechang	L&H Law Firm (Ningbo)	Associate and Chief Supervisor	From January 2022 to the present	Yes
Zhou Shijie	Lixin Zhonglian Realignment Firm	Associate and Director of Hangzhou Branch	From January 2018 to the present	Yes
	Ningbo Zhenhai Tongbao Paper Co., Ltd.	Executive Director	From August 2012 to the present	No
	Ningbo Haishu State Capital Investment Management Group Co., Ltd.	Director	From January 2020 to the present	No
	Ningbo Lanhai Private Equity Fund Management Co., Ltd.	Executive Director and Manger	From May 2020 to the present	No
	Sunny Loantop	Director	From May 2020 to the present	No
	Ningbo Haishu Guangju Asset Management Co., Ltd.	Director	From May 2021 to the present	No

	Ningbo Hudu Energy Technology Co., Ltd.	Director	From June 2021 to the present	No
	Ningbo Shuxia Trading Co., Ltd.	Executive Director and General Manger	From February 2023 to the present	No
Yu Qing	BNB Wealth Management Co., Ltd.	Supervisor	From January 2023 to the present	No

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

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

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

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

Decision-making process for the remuneration of directors, supervisors and senior management personnel	Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd are drawn up by Remuneration Committee of the Board of Directors. Among of which, Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd and Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd will be submitted to the general meeting of shareholders for approval after being consented by Board of Directors; and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd will be examined and approved by Board of Directors.
Determination basis for the remuneration of directors, supervisors and senior management personnel	The annual remuneration of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be determined in accordance with Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd and their results of appraisal; remuneration of other directors and supervisors will be determined in accordance with Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd.
Actual payment of the remuneration of directors, supervisors and senior management personnel	The basic wages of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be paid in accordance with the salary management system, and their performance pay will be determined in accordance with the annual performance evaluation; remuneration of other directors and supervisors (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	58	Incumbent	295	No
Zhuang Lingjun	Vice chairman and president	Male	43	Incumbent	295	No
Zhou Jianhua	Director	Male	50	Proposed	0	No

Wei Xuemei	Director	Female	47	Incumbent	10	Yes
Chen Delong	Director	Male	53	Proposed	0	Yes
Qiu Qinghe	Director	Male	60	Proposed	0	Yes
Liu Xinyu	Director	Female	48	Incumbent	10	Yes
Bei Duoguang	Independent director	Male	65	Incumbent	35	No
Li Hao	Independent director	Male	64	Incumbent	35	No
Hong Peili	Independent director	Female	59	Incumbent	35	No
Wang Wei'an	Independent director	Male	57	Incumbent	35	No
Li Renjie	Independent director	Male	68	Proposed	0	No
Hong Lifeng	Chief supervisor, employees' supervisor	Male	58	Incumbent	280.3	No
Zhou Shijie	Supervisor	Male	33	Incumbent	0	Yes
Ding Yuanyao	External supervisor	Male	57	Incumbent	30	No
Bao Mingwei	External supervisor	Male	50	Incumbent	0	No
Yu Dechang	External supervisor	Male	47	Incumbent	0	No
Zhuang Ye	Employees' supervisor	Female	45	Incumbent	115	No
Yu Qing	Employees' supervisor	Female	46	Incumbent	130	No
Luo Weikai	Director, vice president, financial officer, and CIO	Male	57	Incumbent	265.5	No
Fu Wensheng	Vice president	Male	50	Incumbent	265.5	No
Wang Yongjie	Vice president	Male	50	Incumbent	265.5	No
Feng Peijiong	Director, vice president	Male	48	Incumbent	265.5	No
Zhang Ningning	Vice president	Female	39	Incumbent	265.5	No
Yu Gang	Secretary to the board of directors	Male	46	Incumbent	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 2022 is RMB 9,357,900, which will be paid and deferred in three years. In 2022, Mr. Luo Mengbo, the former Vice Chairman and President of the Company, received a remuneration of RMB 2,655,000 during his tenure, Mr. Shi Tingjun, the former Director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Chen Shouping, the former Director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Zhu Nianhui, the former Director of the Company, received a remuneration of RMB 100,000 during his tenure, Mr. Hu Pingxi, the former Independent Director of the Company, did not receive a remuneration during his tenure, Mr. Liu Jianguang, the former Shareholders' Supervisor of the Company, received a remuneration of RMB 60,000 during his tenure, Mr. Shu Guoping, the former External Supervisor of the Company, received a remuneration of RMB 300,000 during his tenure, Mr. Hu Songsong, the former External Supervisor of the Company, received a remuneration of RMB 300,000 during his tenure, and Ms. Lu Xiaosu, the former Employees' Supervisor of the Company, received a remuneration of RMB 1,250,000 during her tenure. The Company has paid the deferred payable remuneration of 2019, including RMB 837,600 for Lu Huayu, Chairman of the Company, RMB 96,100 for Zhuang Lingjun, President of the Company, RMB 646,200 for Hong Lifeng, Supervisor of the Company, RMB 719,500 for Luo Mengbo, the former Vice Chairman and President of the Company, RMB 612,200 for Luo Weikai, Director, Vice President, Financial Officer and CIO of the Company, RMB 576,800 for Fu Wensheng, Vice President of the Company, RMB 576,800 for Wang Yongjie, Vice President of the Company, RMB 576,800 for Feng Peijiong, Vice President of the Company, and RMB 578,200 for Yu Gang, Board Secretary 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 9 th meeting of the 7 th Board of Directors	March 24, 2022	March 26, 2022	http://www.cninfo.com.cn

The 10 th meeting of the 7 th Board of Directors	April 6, 2022	April 8, 2022
The 1 st extraordinary meeting 2022 of the 7 th Board of Directors	April 25, 2022	April 27, 2022
The 11 th meeting of the 7 th Board of Directors	August 25, 2022	August 27, 2022
The 2 nd extraordinary meeting 2022 of the 7 th Board of Directors	October 26, 2022	October 28, 2022
The 12 th meeting of the 7 th Board of Directors	December 15, 2022	December 17, 2022

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

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

(III) Objections raised by directors to related items

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

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

During the report period, all directors of the Company actively performed their duties, attended the general meeting of shareholders, the meeting of the actively performed their duties, attended the general meeting of shareholders, the meeting of the Board of Directors and its special committees, carefully considered various proposals, listened to the work report of the senior management, understood the operation of the Company, expressed professional opinions and suggestions on the Company's strategic

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

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

The Board of Directors of the Company consists of seven special committees, that are Strategic Committee, Audit Committee, Related Party Transaction Control Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Consumer Protection Committee. There is a clear division of labor, rights and responsibilities between each committee to ensure the effective operation of all committees. In 2022, special committees of the Board of Directors of the Company organized 21 meetings in total as follows.

Name of Committee	Members	Number of Meetings	Date of Meetings	Content of Meetings	Important Comments and Suggestions Proposed	Other Performance of Duties
Strategic Committee	Lu Huayu, Chen Shouping, Shi Tingjun, Liu Xinyu, Hu Pingxi	3	2022/3/24 2022/8/12 2022/12/2	Strategic planning, capital supplement and other related proposals	-	Briefing
Related Party Transaction Control Committee	Hong Peili, Li Hao, Wang Wei'an	4	2022/3/14 2022/3/24 2022/8/12 2022/12/2	Related proposals for related transactions	-	Briefing, report on related party transactions
Risk Management Committee	Hu Pingxi, Wang Wei'an, Zhu Nianhui	4	2022/3/14 2022/3/24 2022/8/12 2022/12/2	Related proposals for overall risk management	-	Briefing, report on risk monitoring
Audit Committee	Li Hao, Hu Pingxi, Luo Weikai	5	2022/3/14 2022/3/24 2022/4/21 2022/8/12 2022/12/2	Related proposals for financial audit and internal audit	-	Briefing
Remuneration Committee	Bei Duoguang, Hong Peili, Chen Shouping	1	2022/3/24	Related proposals for remunerations of directors, supervisors and senior management	-	Briefing
Nomination Committee	Wang Wei'an, Bei Duoguang, Zhu Nianhui	2	2022/3/14 2022/8/12	Related proposals for nominations of directors, supervisors and senior management	-	Briefing
Consumer Protection Committee	Wei Xuemei, Bei Duoguang, Feng Peijiong	2	2022/3/24 2022/8/12	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, 2022, there were 27,066 employees in the Company, amongst which, 24,275 employees are of the parent company and 2,791 are of the subsidiaries. For the parent company, 7,624 employees are engaged in the corporate banking, 7,077 in personal banking, 4,396 are operation management staffs, 1,761 are risk and compliance management staffs, 1,727 are information technology staffs, 266 are other financial business staffs and 1,424 are comprehensive management staffs; among the employees of the parent company, employees with bachelor degree or above account for 98.5%.

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

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

employee. During the report period, the Company has not applied the medium and long-term motivations in the way of shareholding and other forms of shareholding and the remunerations of the employees are paid in cash.

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

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

X. Profit distribution of the Company's ordinary shares and capitalization of capital reserve

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

The Company deliberated and passed *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2022-2024)* in the 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
2022	3,302	22,318	14.80%	-	-
2021	3,302	18,789	17.57%	-	-
2020	3,004	14,297	21.01%	-	-

(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)	68,801
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 2022 audited by PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership), the Company realized net profit value RMB 20,398 million in 2022, and the profit available for distribution in the end of 2022 was valued 68,801 million after plus the profit available for distribution in the end of 2021 valued RMB 55,612 million, minus dividends of preferred shares in 2021 valued RMB 757 million, common stock dividends payable in 2021 valued RMB 3,302 million and general risk provisions deducted valued RMB 3,150 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 2022 in the future.

Based on the above situation, the profit distribution scheme in 2022 is as below:

- I. Legal accumulation fund valued RMB 2,040 million was withdrawn as per 10% of the net profit in 2022;
- II. As stipulated by *Administrative Measures for Withdrawing of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 2,993 million was withdrawn as per 1.5% of the ending balance of risk assets in 2022;
- 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 2022.

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 6, 2023	
Index for disclosure of evaluation reports of internal control	http://www.cninfo.com.cn	
Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100.00%	
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100.00%	
Standards for recognition of defects		
Category	Financial statements	Non-financial statements
Qualitative criteria	1. Material defects: Financial statements have received or are more likely to receive an adverse opinion or a disclaimer of opinion issued by certified public accountants; senior executives have been involved or are suspected of being involved in fraud; disclosed financial statements have material errors; the Company's financial control system or the system has important businesses are under no control or the system has been invalid; in financial statements of internal control have not been modified.	1. Material defects: Democratic decision-making procedures are incomplete and corresponding punishment is severely breached and senior executives and senior technicians are of higher mobility; its news is frequently broadcast by media, generating a wide range of impacts; important defects of internal control have not been corrected.
	2. Important defects: The Company's	2. Important defects: Democratic

	<p>financial system is deficient; important decision-making procedures exist but are defects in financial statements of internal not complete; the Company's internal control have not been modified; there are regulations are breached, causing great other defects of internal control that may losses; key personnel are of higher mobility; lead to material error of financial its negative news is broadcast by media, statements. radiating local areas; the important business</p> <p>3. General defects: Other defects in system is deficient; important defects of financial statements of internal control internal control have not been corrected.</p> <p>except those material and important defects 3. General defects: Decision-making mentioned above. procedures are less efficient; the Company's internal regulations are breached, without causing any losses;</p> <p>ordinary staff is of high mobility; its negative news is broadcast by media, generating less damages; general business system is deficient; general defects have not been corrected; other defects.</p>
Quantitative criterion	<p>1. Material defects: the amount of misstatement caused by defects of internal control: profits of misstatement $\geq 100\%$ of auditing importance level of financial statements</p> <p>1. Material defects: direct property losses caused by defects of internal control: direct property losses $\geq 100\%$ of auditing importance level of non-financial statements</p> <p>2. Important defects: the amount of misstatement caused by defects of internal control: 30% of auditing importance level of financial statements \leq profits of misstatement $< 100\%$ of auditing importance level of financial statements</p> <p>2. Important defects: direct property losses caused by defects of internal control: 30% of auditing importance level of non-financial statements \leq direct property losses $< 100\%$ of auditing importance level of non-financial statements</p> <p>3. General defects: the amount of misstatement caused by defects of internal control: profits of misstatement $< 30\%$ of auditing importance level of financial statements</p> <p>3. General defects: direct property losses caused by defects of internal control: direct property losses $< 30\%$ of auditing importance level of non-financial statements</p>
Number of material defects in financial statements	0
Number of material defects in non-financial statements	0
Number of important defects in financial statements	0
Number of important defects in non-financial statements	0

(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, 2022 in accordance with <i>Basic Standard for Enterprise Internal Control</i> and relevant regulations.	
Date of disclosure of audit reports of internal control	April 6, 2023
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. 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	4,893	560,210
2	Capital Operation Center	19F & 20F, No. 210, Century Avenue, Pudong New District, Shanghai	1	149	335,404
3	Shanghai Branch	No. 8, Yincheng Middle Road, Pudong New District, Shanghai	27	1,747	173,907
4	Beijin Branch	4-13F & 1F, Block B, No. 6, Jianguomenwai Street, Chaoyang District, Beijing	18	1,300	138,596
5	Shenzhen Branch	1F-5F, Podium Building of Huangting Center Building, Jintian Road, Fudian District, Shenzhen	20	1,189	132,419
6	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou	27	1,641	103,026
7	Nanjin Branch	No. 233, Middle Jiangdong Road, Jianye District, Nanjing	24	1,564	99,549
8	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou	26	1,392	110,303
9	Wuxi Branch	No. 6 Third Finance Street, Taihu New City, Wuxi, Jiangsu Province	15	1,150	75,900
10	Wenzhou Branch	No. 1258, Wenzhou Avenue, Lucheng District, Wenzhou	18	995	37,793
11	Jinhua Branch	No. 1028 South Shuanglong Street, Wucheng District, Jinhua	12	749	23,406
12	Shaoxing Branch	No. 653, Jiefang Avenue, Yuecheng District, Shaoxing	9	683	29,644
13	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	11	600	24,656
14	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing	10	632	37,391
15	Lishui Branch	No. 599 and No. 601 Renmin Street, Liandu District, Lishui	5	329	11,177
16	Huzhou Branch	No. 30, Taihu Road, Wuxing District, Huzhou	6	390	15,188
17	Quzhou Branch	No.10, Hehua Middle Road, Kecheng District, Quzhou	4	297	9,540
18	Zhoushan Branch	No. 158, Hexing Road, Dinghai District, Zhoushan	1	198	5,837
19	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	11	248	18,740
20	Midtown Yinzhou Sub-branch	No. 700, South Ningnan Road, Yinzhou District, Ningbo	10	243	23,304
21	Jiangbei Sub-branch	No. 155, Lane 280, Tongji Road, Jiangbei District, Ningbo	10	234	24,021
22	Jiangbei Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo	10	234	20,928
23	Sci-Tec Sub-branch	No. 868, East Baizhang Road, Jiangdong District, Ningbo	11	251	16,855
24	National Hi-Tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo	8	218	15,059
25	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo	8	174	26,759
26	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo	13	293	17,947
27	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Subdistrict, Beilun District, Ningbo	15	224	20,046
28	Zhenhai Sub-branch	No. 666, North Dongyi Road, Luotuo Sub-district, Zhenhai District, Ningbo	11	243	17,154
29	Yinzhou Sub-branch	No. 364 Middle Rili Street; No. 542 and No. 546 Xueshi Street, Yinzhou District, Ningbo	10	327	25,383

No.	Organization name	Business address	Number of organizations	Number of employees (person)	Asset scale (RMB 1 million)
30	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo	10	203	10,736
31	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	15	283	21,523
32	Midtown Yuyao Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming Sub-district, Yuyao City, Ningbo	14	243	13,058
33	Cixi Sub-branch	No. 207, Ciyong Road, Cixi City, Ningbo	18	316	20,703
34	Midtown Cixi Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	14	238	14,696
35	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo	9	183	9,057
36	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	11	222	15,759
37	Maxwealth Fund Management Co., Ltd.	21F, 22F & 27F, 21st Century Tower, No. 210, Century Avenue, Pudong New District, Shanghai	1	344	2,817
38	Maxwealth Financial Leasing Co., Ltd.	12F, 15F, 16F, 17F, No. 195, Dingtai Road, Yinzhou District, Ningbo City	1	1,113	95,983
39	BNB Wealth Management Co., Ltd.	30F & 32F, No. 318 Heyuan Road, Yinzhou District, Ningbo	1	193	3,478
40	BNB Consumer Finance Co., Ltd.	6F, Building 1, No. 155, Lane 280, Tongji Road, Jiangbei District, Ningbo	1	1,141	8,145
Total	484 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 36 community sub-branches)			27,066	2,366,097

Note: Statistical data by the end of 2022.

宁波银行: Bank of Ningbo 总行: Head Office 分行: Branches 支行: Sub-branches
董事会办公室: Board of Directors Office 监事会办公室: Board of Supervisors Office 办公室: the Office
人力资源部: Human Resource Department 公司银行总部: Corporate Banking Department 机构业务部:
Corporate Business Department 投资银行部: Investment Banking Department 票据业务部: Bill Business
Department 资产托管部: Assets Custody Department 国际业务部: International Business Department 公
司平台经营部: Corporate Platform Operation Department 资金营运中心: Capital Operation Center 金融市
场部: Financial Market Department 资产管理部: Assets Management Department 零售公司部: Retail
Company Department 零售公司大数据经营部: Retail Company Big Data Operation Department 个人银行
总部: Personal Banking Department 财富管理部: Wealth Management Department 私人银行部: Private
Banking Department 个人信贷部: Personal Credit Department 信用卡中心: Credit Card Center 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

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 2022 of the Bank of Ningbo Co., Ltd.* published on <http://www.cninfo.com.cn>.

II. Social Responsibilities

In 2022, 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", persisting in the concept of finance for the people, while achieving stable and sustainable development, promoting environmental, social, and governance practices, serving the real economy, and the people. Firstly, comprehensively strengthened party building, improved corporate governance, and strictly adhered to the bottom line of compliance; secondly, served the real economy, continuously contributed value, and supported the public welfare undertakings; thirdly, created values by means of technology, promoted digital transformation, and activated new momentum of development; fourthly, helped the construction of common prosperity demonstration areas, served rural revitalization, and practiced inclusive finance; fifthly, customer-centric, ensuring customer rights and improving service experience; sixthly, strengthened the platform for employee growth, carried out talent training and training, and provided a friendly workplace environment; seventhly, developed green finance; eighthly, advocated green office work, promoted green procurement and green operations.

Please review the *Annual Social Responsibility Report in 2022 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 effectively prevent diluted risk of return on demand	Jul. 16, 2014 Nov. 26, 2015 Nov. 20, 2018 Apr. 26, 2019 Jan. 23, 2021	Long term	Under normal performance
Whether commitment performed in real time				Yes		
Specific reasons for failure and next plan should be provided				Not applicable		

(II) Capital expenditure commitment

Unit: (RMB) 1 million

Item	December 31, 2022	December 31, 2021
Signed but not disbursed	2,282	2,048

(III) Asset pledge commitment

Unit: (RMB) 1 million

Pledge asset content	Pledge application	Pledge amount
Bonds	Used for repurchase agreement transactions	100,662
Bonds	Used for borrowing from the central bank	63,972
Bonds	Bond for integration	434
Bonds	For treasury fixed deposit	41,114
Loans and advances	Used as collateral for interbank loans	4,941

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 35 Significant Accounting Judgments and Estimates and Item 36 Changes 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 report period, content concerning "BNB Consumer Finance Co., Ltd." is added to the consolidated statement report.

VI. Situation of appointing and dismissing accounting firm

(I) Current appointed accounting firm

Name of domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership)
Reward of domestic accounting firm	RMB 3.2 million, including RMB 2.35 million for audit of financial statements and RMB 0.85 million for audit of internal control.
Continuous service year of domestic accounting firm	1 year
Name of registered accountant of domestic accounting firm	Hu Liang, Gu Ying

During the report period, the accounting firm hired by the Company was changed to PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership). For details, please refer to the *Notification of Bank of Ningbo Co., Ltd. on the Change of Accounting Firm*, which was disclosed by the Company on the website www.cninfo.com.cn on April 8, 2022 (Notification No.: 2022-013).

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

During the report period, PricewaterhouseCoopers Zhong Tian LLP Ningbo Branch (Special General Partnership) is employed as an internal auditing firm of the Company, and the company shall pay RMB 850,000 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, 2022, the Company, as a defendant or respondent, had a total object amount of RMB 1.575 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) Related transactions with related natural persons and their related legal persons

By the end of 2022, the total credit exposure for related natural persons of the Company was RMB 23.67 million, the total deposit balance was RMB 592.98 million and the total interest expense was RMB 2.41 million; the total credit exposure for related legal persons of the related natural persons was RMB 66,800, the total deposit balance was RMB 26.21 million, the total interest expense was RMB 460,000 and the total purchase fee was RMB 620,000.

In 2022, there was no transactions higher than RMB 300,000 between the related natural persons and the Company.

(II) Credit extension related transactions with related legal persons of corporate shareholders

1. General credit business

By the end of 2022, the total general credit exposure of the related legal persons of corporate shareholders of the Company was RMB 2,955.52 million, the balance of bond underwriting business was RMB 950 million, and the balance of bond investment was RMB 10 million as follows:

Unit: (RMB) 10,000

No.	Related legal person	General credit exposure	Bond underwriting balance	Bond investment balance
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1	Ningbo Development & Investment Group Co., Ltd. and related party	210,309	95,000	1,000
2	Youngor Group Co., Ltd. and related party	85,243	-	-
3	Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party	-	-	-
Total		295,552	95,000	1,000

2. Interbank credit business

By the end of 2022, the balance of interbank credit business between the Company and Yongxing Securities Co., Ltd. of Ningbo Development & Investment Group Co., Ltd. and its affiliates was 0.

Non-credit extension related transactions with related legal persons of corporate shareholders

1. Deposit, garments purchasing and other non-credit extension businesses

(1) Deposit business

By the end of 2022, the balance of deposits of related legal persons of corporate shareholders in the Company totaled RMB 1.913.14 million, and the interest expense totaled RMB 8.55 million. Among them, the deposit balance of Ningbo Development & Investment Group Co., Ltd. and its affiliates was RMB 681.75 million, and the interest expense was RMB 6.8 million; The balance of Youngor Group Co., Ltd. and its affiliates was RMB 1,199.96 million, and the interest expense was RMB 1.73 million; the deposit balance of Ningbo Jinxin Gold & Silver Jewelry Co., Ltd. and related party and its affiliates was RMB 31.42 million and the interest expense was RMB 20,000.

(2) Garments purchasing and other businesses

In 2022, non-credit business such as garments purchasing and heating fees incurred by the Company with the corporate shareholder affiliated legal persons totaled RMB 65.06 million, mainly including garments purchasing fees of RMB 60.27 million, heating fees of RMB 3.64 million and bidding service fees of RMB 370,000. The purchase price of the above related transactions was reasonable without any unfair pricing situations.

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

By the end of 2022, 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 36.398 billion, including cash bond transaction of RMB 380 million, distribution business of RMB 9.257 billion, special account cooperation business of RMB 26.761 billion and tripartite depository and trusteeship business of RMB 30,000.

(IV) Related transactions with Overseas-Chinese Bank Corporation and related party thereof

By the end of 2022, the interbank credit risk exposure of Overseas-Chinese Bank Corporation with the Company was RMB 16 million and the balance of bond investment was 0; the interbank credit risk exposure of OCBC Wing Hang Banking Corporation Limited with the Company was RMB 230 million, balance of bond underwriting was RMB 2,287 million and the balance of bond investment was RMB

700 million.

In 2022, the cumulative amount of non-credit business between the Company and Overseas-Chinese Bank Corporation and its affiliates was RMB 2,690 million, including cash bond transaction of RMB 1,420 million, distribution business of RMB 1,170 million and bond lending of RMB 100 million. By the end of 2022, the balance of deposit of Overseas-Chinese Bank Corporation and its affiliates with the Company was RMB 31.93 million and the interest expense was RMB 350,000.

(V) Implementation of related transactions

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.*, the Company has reasonably estimated the daily related transactions and has fulfilled the corresponding approval and disclosure procedures of the Board of Directors or the Shareholders' Meetings. As of the end of 2022, the Company's related transactions with all related parties were within the expected limits. Please refer to the Company's previously disclosed announcements for details of the estimated quota.

(VI) 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 45,902 million, and the outward guarantee business of the Company is a conventional bank businesses approved by People's Bank of China and China Banking Regulatory Commission.

(III) Situation of entrusted cash asset management

1. Entrusted wealth management

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

2. Entrusted loan

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

(IV) Other significant contracts

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

XIV. Description on Other Major Issues

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) The outward guarantee business of the Company is a conventional banking businesses approved by the People's Bank of China and China Banking and Insurance Regulatory Commission. By the end of 2022, guarantee business balance of the Company was RMB 45.902 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 2022, 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	80,149,217	1.21%	0	0	0	(1)	(1)	80,149,216	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	4,330,161	0.06%	0	0	0	(1)	(1)	4,330,160	0.06%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	4,330,161	0.06%	0	0	0	(1)	(1)	4,330,160	0.06%
4. Foreign holding	75,819,056	1.15%	0	0	0	0	0	75,819,056	1.15%
wherein: foreign legal person holding	75,819,056	1.15%	0	0	0	0	0	75,819,056	1.15%
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%
II. Limit-free condition share	6,523,441,575	98.79%	0	0	0	1	1	6,523,441,576	98.79%
1. RMB ordinary share	6,523,441,575	98.79%	0	0	0	1	1	6,523,441,576	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	6,603,590,792	100.00%	0	0	0	0	0	6,603,590,792	100.00%

II. Sheet on Limited Sale Share Change

Unit: share

Name of shareholder	Limited sale shares at the beginning of the year	Limited sale shares terminated in the year	Increased limited sale shares in the year	Limited sale shares in the end of the year	Reason for limited sale	Terminating date for limited sale
Singapore Overseas-Chinese Banking Co., Ltd.	75,819,056	0	0	75,819,056	Non-public offered subscription share limited sale	May 18, 2025
Company's directors, supervisors and senior management holding	4,294,125	1	0	4,294,124	Locked shares and restricted shares before IPO by directors, supervisors and senior management	In-office directors, supervisors and senior management shall transfer 25% of shares to the greatest extent within 1 year
Shares to be confirmed before IPO	36,036	0	0	36,036	Pre-IPO limited shares	-
Total	80,149,217	1	0	80,149,216		

III. Situation on Security Issuing and Listing

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

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

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

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

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

(III) Situation on existing internal staff shares

Within the report period, there are no internal staff shares.

IV. Situation on Shareholder and Actual Controller

(I) Situation on Company's shareholder quantity and share holding

Unit: share

Total quantity of shareholders to the end of report period (Account)	103,901	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report (Account)	156,853	Total quantity of preferred stockholders recovering voting power at the end of reporting period (Account)	0	Total quantity of preferred stockholders recovering voting power (at the end of the previous month before disclosure date of the annual report (Account)	0		
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	0	0	1,237,489,845	-	-	
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.69%	1,233,993,375	0	75,819,056	1,158,174,319	-	-	
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	8.33%	549,902,524	0	0	549,902,524	-	-	
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	6.36%	419,738,459	41,636,466	0	419,738,459	-	-	
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	2.47%	163,417,509	(12,352,785)	0	163,417,509	-	-	
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	1.82%	120,493,979	(649,311)	0	120,493,979	-	-	
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.33%	87,770,208	0	0	87,770,208	-	-	
Ningxing (Ningbo) Property Management Co., Ltd.	State-owned legal person	1.29%	85,348,203	0	0	85,348,203	-	-	
Ningbo Rail Transit Group Co., Ltd.	State-owned legal person	1.19%	78,310,394	0	0	78,310,394	-	-	
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.14%	75,496,366	0	0	75,496,366	-	-	
Description on related relations, persons acting in		Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Property Management							

concert, controlling shareholders, actual controller and final beneficiaries above mentioned	Co., Ltd. are persons acting in concert and the controlling shareholder is State-owned Assets Supervision and Administration Commission of Ningbo Municipal Government; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institutional investor of OCBC Bank Singapore, which neither has controlling shareholders nor actual controllers; the controlling shareholder of Youngor Group Co., Ltd. is Ningbo Youngor Holding Co., Ltd. and the actual controller is Mr. Li Rucheng; And according to <i>the Interim Measures for the Equity Management of Commercial Banks</i> of China Banking and Insurance Regulatory Commission, the controlling shareholder of Ningbo Haishu Industrial Investment Co., Ltd., the another major shareholder of the Company, is Ningbo Haishu State Capital Investment & Operation Group Co., Ltd.		
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	Amount
Ningbo Development Investment Group Co., Ltd.	1,237,489,845	RMB ordinary share	1,237,489,845
Singapore Overseas-Chinese Banking Co., Ltd.	1,158,174,319	RMB ordinary share	1,158,174,319
Youngor Group Co., Ltd.	549,902,524	RMB ordinary share	549,902,524
Hong Kong Securities Clearing Company Ltd.	419,738,459	RMB ordinary share	419,738,459
Huamao Group Co., Ltd.	163,417,509	RMB ordinary share	163,417,509
Ningbo Fubang (Holdings) Limited	120,493,979	RMB ordinary share	120,493,979
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	87,770,208	RMB ordinary share	87,770,208
Ningxing (Ningbo) Property Management Co., Ltd.	85,348,203	RMB ordinary share	85,348,203
Ningbo Rail Transit Group Co., Ltd.	78,310,394	RMB ordinary share	78,310,394
Central Huijin Asset Management Co., Ltd.	75,496,366	RMB ordinary share	75,496,366
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 91,933,500 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.

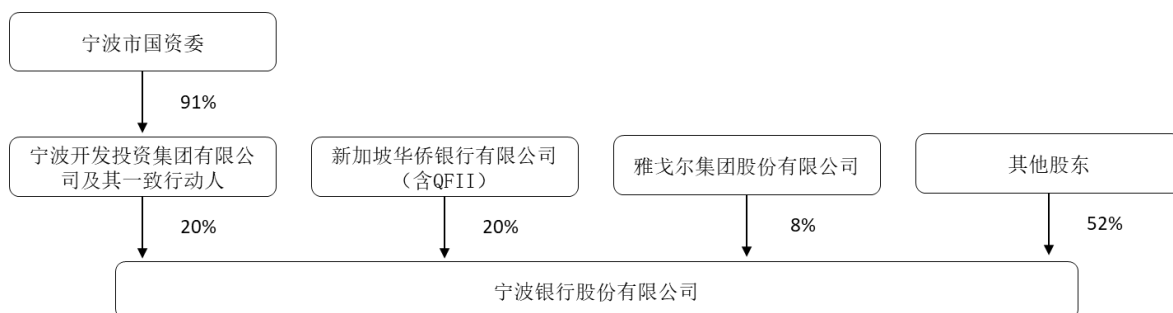
(II) Situation on Company's holding shareholder

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

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

行动人

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.	Li Guoqing	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 45.89% 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 85.08% of the shares of Bank OCBC NISP, a company listed on Indonesia stock exchange.			

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

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

Chapter Eleven Relevant Situation of Preferred Shares

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

Period

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

Unit: share

Total quantity of preferred shares shareholders to the end of report period (account)		27		Total quantity of preferred shares shareholders to the end of report period (account)		30			
Situation on shareholding of shareholders of over 5% preferred shares or top 10 preferred shareholders									
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment / decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Pledge or freezing condition		
							Share status	Share status	
Huabao Trust Co., Ltd.—Huabao Trust—Baofu Investment No. 1 Pooled Funds Trust Plan	Others	21.18%	31,450,000	0	0	31,450,000	-	-	
Ping An Life Insurance of China —equity fund	Others	9.45%	14,040,000	0	0	14,040,000	-	-	
Postal Savings Bank of China Co., Ltd.	Stated-owned legal person	6.80%	10,100,000	0	0	10,100,000	-	-	
JSITC Co., Ltd.—JSITC—He Heng Tian Li No. 1 Pooled Funds Trust Plan	Others	6.71%	9,960,000	0	0	9,960,000	-	-	
BOCOM Schroders Asset Management Co., Ltd.— Bank of Communications — BOCOM Schroders No. 1 Pooled Funds Trust Plan	Others	6.46%	9,600,000	0	0	9,600,000	-	-	
Bosera Fund—ICBC—Bosera—ICBC—No. 5 Specific Multi-client Asset Management Plan	Others	5.25%	7,790,000	0	0	7,790,000	-	-	
Ping An Assets Management Co., Ltd.— Universal—Universal Insurance	Others	4.73%	7,020,000	0	0	7,020,000	-	-	
Ping An Assets Management Co., Ltd.— Dividend—Personal Insurance Dividend	Others	4.73%	7,020,000	0	0	7,020,000	-	-	
Citic Securities—CCB—Citic Securities Xinghe No. 33 Pooled Funds Trust Plan	Others	4.04%	6,000,000	6,000,000	0	6,000,000	-	-	
Citic Securities — PSBC — Citic Securities Xinghe No. 28 Pooled Funds Trust Plan	Others	3.84%	5,700,000	0	0	5,700,000	-	-	
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

There are related relations among Ping An Life Insurance of China — equity fund, Ping An Assets Management Co., Ltd. — Universal — Universal Insurance and Ping An Assets Management Co., Ltd — Dividend — Personal Insurance Dividend, and between Citic Securities — CCB — Citic Securities Xinghe No. 33 Pooled Funds Trust Plan and Citic Securities — PSBC — Citic Securities Xinghe No. 28 Pooled Funds Trust Plan. Besides these, the Company does not know that there is a related relation or a concerted action relationship between the above shareholders.

III. Profit Distribution of Company's Preferred Shares

Profit distribution of preferred shares within reporting period

Preferred share abbreviation	Preferred share code	Time of distribution	Dividend yield	Amount of distribution (RMB) (tax inclusive)	In compliance with distribution condition and relative procedure	Payment of dividend	Dividend accumulated	Join in residual profit distribution
Ning Hang Preferred 01	140001	Nov. 16, 2022	4.68%	226,980,000	Yes	Cash payment once a year	No	No
Ning Hang Preferred 02	140007	Nov. 7, 2022	5.30%	530,000,000	Yes	Cash payment once a year	No	No

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

IV. Repurchase or Conversion of Preferred Shares

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

V. Voting Power Recovery of Preferred Shares within Report Period

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

VI. Accounting Policies Adopted by Preferred Shares and Reasons

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

Chapter Twelve Financial Statements

I. Audit Report

II. Financial statements

III. Notes to the financial statements

IV. Supplementary to financial statements

(see appendixes for above information)

Bank of Ningbo Co., Ltd.

Financial Statements and Audit Report
As of December 31, 2022

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Audit Report

Audit Report (2023) S.Z. No. 10123
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To Shareholders of Bank of Ningbo Co., Ltd.,

I. Opinion

(I) Contents We Audited

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

(II) Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Bank of Ningbo as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended.

II. Basis for Opinion

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

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

III. Key Audit Matters

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

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

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

(II) Evaluation of the combined structured subject.

III. Key Audit Matters (Continued)

Key audit matter	How did we address the key audit matter in audit
<i>Measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments</i>	
<p>Please refer to Note III 9 & 35, Note V 6, 7.2, 14, 24 & 41, Note XI 3 and Note XIII 1 to the Consolidated Financial Statements.</p> <p>As of December 31, 2022, the total book amount of loans and advances issued by Bank of Ningbo was RMB 1,049,541 million, and the reserve for estimated credit losses recognized by management was RMB 39,616 million; the total book amount of debt investments in financial investments was RMB 340,545 million, and the reserve for estimated credit losses recognized by management was RMB 2,208 million; the credit commitment was RMB 515,057 million, and the estimated liabilities confirmed by the management was RMB 2,952 million.</p> <p>The total estimated credit impairment losses on loans and advances, creditor's rights investment in financial investments and credit commitments recognized in the Consolidated Income Statement for 2022 amounted to RMB 9,604 million.</p> <p>Bank of Ningbo has evaluated whether the credit risk of loans and advances, creditor's rights investment in financial investments and credit commitments increase significantly or default after the initial recognition, adopted the three-stage impairment model to measure the estimated credit losses, and used the risk parameter model method that includes default probability, default loss rate and default risk exposure and other key parameters to evaluate the impairment reserve.</p>	<p>We have understood Bank of Ningbo's internal control and evaluation processes related to the measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments, and by taking into account inherent risk factors, including the degree of uncertainty in estimating impairment losses, the complexity of applying model estimates, and the subjectivity of significant management judgments and assumptions, and its susceptibility to management bias, we also have evaluated the inherent risk of material misstatement.</p> <p>We have evaluated and tested the internal control design and operation related to the estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments, mainly including as follows:</p> <ol style="list-style-type: none"> (1) Governance of estimated credit loss model, including selection, approval and application of model methodology, continuous model monitoring and optimization, and internal control related to model validation; (2) Internal control related to the significant judgments and assumptions of the management, including portfolio division, parameter estimation, judgment of significant increase in credit risk, default and credit impairment that has occurred, determination of economic indicators used in forward-looking measurement, determination of economic scenarios and their weights, and evaluation and approval of loss reserves for external circumstances not reflected by the model; (3) Internal control related to the accuracy and completeness of key data used in model metrology; (4) Internal control of information system related to the measurement of estimated credit losses.

III. Key Audit Matters (Continued)

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

III. Key Audit Matters (Continued)

Key audit matter (continued)	How did we address the key audit matter in audit (continued)
<p><i>Measurement of estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments (continued)</i></p>	<p>(4) For prospective measurement, we evaluated the methods and results used by the management to select economic indicators and determine economic scenarios and weights based on statistical analysis; by comparing the forecast value of the third party institution in the market, the rationality of the forecast value judgment of the economic index was evaluated; and meanwhile, the sensitivity test of economic scene weight was carried out.</p> <p>(5) For the stage 3 loans, we selected samples and checked the financial information of the borrower and the guarantor, the latest assessed value of the collateral and other obtained information, calculated the estimated future cash flow based on various possible factors in the future and calculated the loss reserve based on discount, and compared it with the results of the management;</p> <p>(6) For the loss reserve that was not reflected in the external environment and other circumstances, we evaluated the rationality of such loss reserve method based on the industry practice and checked the accuracy of its mathematical calculation.</p> <p>Based on the procedures we have implemented, the models used by management, the key parameters used, the significant judgments and assumptions involved, and the measurement results are acceptable in measuring the estimated credit losses in granting loans and advances, creditor's rights investment in financial investments and credit commitments.</p>

III. Key Audit Matters (Continued)

Key audit matter (continued)	How did we address the key audit matter in audit (continued)
<i>Evaluation on consolidation of structured entities</i>	
<p>Please refer to Note III to the Consolidated Financial Statements, 5 & 35, Note V, 7 and Note VII 2 & 3.</p> <p>Structured entities mainly include financial products issued, managed or invested by Bank of Ningbo, asset securitization products, funds, trust plans and asset management plans. As of December 31, 2022, the consolidated structured entities of Bank of Ningbo had an asset size of RMB 88,089 million. As of December 31, 2022, the unconsolidated financial products of Bank of Ningbo amounted to RMB 396,652 million, and the unconsolidated funds, asset management plans and other structured entities amounted to RMB 276,361 million; the book value of asset management plans and trust plans, funds and financial products directly initiated and set up by Bank of Ningbo in third-party financial institutions was RMB 339,206 million; the unconsolidated trust plans initiated by the third-party trust companies for the purpose of carrying out the asset securitization business was RMB 20,015 million.</p> <p>Bank of Ningbo determines whether to consolidate the structured entities based on the management's evaluation of the control of the structured entities, including the power of the structured entities; the variable returns enjoyed by participating in the related activities of the structured entities; and the ability to use the power of the structured entities</p>	<p>We have understood, evaluated and tested the design and execution effectiveness of the management's internal control over consolidated evaluation of the structured entities, including the management's evaluation of power and variable returns as well as the review and approval of the consolidated evaluation results. We have assessed the inherent risk of material misstatement by considering the degree of uncertainty in our estimates and the level of other inherent risk factors.</p> <p>We selected samples to assess whether Bank of Ningbo controls the structured entities by implementing the following substantive procedures:</p> <ol style="list-style-type: none"> (1) By examining the contract terms of the structured subject, understanding the purpose of its establishment, checking the transaction structure and identifying the decision-making mechanism of related activities, assessing whether Bank of Ningbo has the right to dominate the related activities of the structured subject; (2) we have checked the terms of variable return in the structured main contract, including the management rate related to the remuneration of Bank of Ningbo in the contract, and checked with the information used in the management evaluation; we recalculate the magnitude and variability of the variable returns obtained by Bank of Ningbo in the structured entities; (3) By analyzing the scope of decision-making power in the structured entities, the compensation level obtained for providing

<p>to influence the evaluation results of the return amount of Bank of Ningbo.</p> <p>Considering that the evaluation of structured entity control involves significant judgment and has significant inherent risks, and that the structured entity amount is material, we identified it as a key audit matter.</p>	<p>management services to the structured entities, the risk of variable return due to other interests held in the structured entities and the rights held by other parties of Bank of Ningbo, we evaluated whether the identity of Bank of Ningbo exercising decision-making power is "the main responsible person" or "agent", and compared the evaluation results with management's evaluation results.</p> <p>Based on the above work, the overall evaluation of the management of Bank of Ningbo on the consolidated structured entities is acceptable.</p>
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IV. Other Information

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Zhong Tian LLP Ningbo Branch
(Special General Partnership)

CPA:

Hu Liang (Project Partner)

Shanghai, China
April 3, 2023

CPA:

Gu Ying

Bank of Ningbo Co., Ltd.
Consolidated Balance Sheet
For the Year Ended 31 December 2022

Unit: CNY One Million

Assets	Note V	31 Dec. 2022	31 Dec. 2021
Cash and balances at central banks	1	117,044	97,596
Due from banks	2	21,396	17,679
Precious metal		3,803	24,739
Loans to banks	3	30,337	22,009
Derivative financial assets	4	26,473	19,110
Hold for trading financial asset	5	11,830	9,567
Loans and advances	6	1,010,817	832,443
Financial investment:	7		
Trading financial assets		361,750	355,391
Investment on bonds		338,337	259,722
Other investment on bonds		418,756	352,151
Other equity investment		169	199
Investment real estate		24	32
Fixed assets	8	7,685	7,618
Construction in progress	9	1,024	676
Right-of-use assets	10	3,083	3,241
Intangible assets	11	2,421	1,302
Goodwill		293	-
Deferred income tax assets	12	6,941	7,318
Other assets	13	3,914	4,755
Total assets		2,366,097	2,015,548

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 2022

Unit: CNY One Million

Liabilities	Note V	31 Dec. 2022	31 Dec. 2021
Due to Central Bank	15	65,435	81,742
Due to banks and other financial institutions	16	88,307	94,714
Loans from other banks	17	109,104	81,919
Trading financial liabilities		22,454	20,882
Derivative financial liabilities	4	19,583	19,339
Financial assets sold for repurchase	18	108,040	92,595
Deposit taking	19	1,310,305	1,062,328
Wages and salaries payable	20	4,112	3,841
Taxes payable	21	1,420	2,637
Bonds payable	22	436,845	382,364
Lease liabilities	23	2,888	3,002
Anticipation liabilities	24	3,047	2,310
Deferred income tax liabilities	12	-	30
Other liabilities	25	26,031	17,910
Total liabilities		2,197,571	1,865,613
Shareholders' equity			
Equity	26	6,604	6,604
Other equity tools	27	14,810	14,810
Including: preferred shares		14,810	14,810
Capital reserve	28	37,666	37,695
Other comprehensive income	29	3,651	4,371
Surplus reserve	30	12,458	10,418
General risk reserve	31	20,944	16,833
Undistributed profit	32	71,493	58,628
Equity attributable to shareholders of the parent Company		167,626	149,359
Minority shareholders' equity		900	576
Total shareholders' equity		168,526	149,935
Total liabilities and shareholders' equity		2,366,097	2,015,548

The Financial Statements are signed by:

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

Bank of Ningbo Co., Ltd.
Consolidated Income Statement
For the Year Ended 31 December 2022

Unit: CNY One Million

	Note V	2022	2021
I. Operating income		57,879	52,774
Net interest income	33	37,521	32,697
Interest income	33	78,731	67,762
Interest expense	33	(41,210)	(35,065)
Net fee and commission income	34	7,466	8,262
Fee and commission income	34	8,680	9,425
Fee and commission expense	34	(1,214)	(1,163)
Investment gains	35	11,301	12,531
Including: income from de-recognition of financial assets measured at amortized cost		139	289
Other income	36	323	303
Changes in fair value recognized in profit or loss	37	1,542	(105)
Exchange gain or loss	38	(304)	(939)
Other operating income		17	18
Assets disposal income		13	7
II. Operating expenditure		(32,487)	(32,296)
Tax and surcharges	39	(467)	(413)
Business and administration expenses	40	(21,582)	(19,500)
Credit impairment losses	41	(10,431)	(12,354)
Impairment loss of other assets		-	(23)
Other operating expenses		(7)	(6)
III. Operating profits		25,392	20,478
Non-operating income		81	57
Non-operating expenditure		(193)	(90)
IV. Total profits		25,280	20,445
Income tax	42	(2,148)	(836)
V. Net profits		23,132	19,609
Including: net profit attributable to the parent company		23,075	19,546
Minority shareholders' gain and loss		57	63

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 2022

Unit: CNY One Million

	Note V	2022	2021
VI.			
Net after-tax value for other comprehensive income		(720)	3,271
Net of tax for other comprehensive income attributable to shareholders of the parent company	29	(720)	3,271
Other comprehensive income that cannot be reclassified into profit and loss		(22)	26
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		(22)	26
Other comprehensive income will subsequently be reclassified into profit and loss		(698)	3,245
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		(1,014)	2,801
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		316	444
Net of other comprehensive income attributable to minority shareholders after tax		<u>-</u>	<u>-</u>
VII. Total comprehensive income		<u>22,412</u>	<u>22,880</u>
Including: attributable to shareholders of the parent company		22,355	22,817
attributable to minority shareholders		57	63
VIII. Earnings per share (RMB/share)			
Basic earnings per share	43	3.38	3.13
Diluted earnings per share	43	3.38	3.13

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 2022

Unit: CNY One Million

2022

Item	Equity attributable to shareholders of the parent company								Minority Shareholders' Equity	Total Shareholders' Equity
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Subtotal		
I.	Beginning balance of the year									
	6,604	14,810	37,695	4,371	10,418	16,833	58,628	149,359	576	149,935
II.	Increase/decrease in the year									
(I)	-	-	(29)	(720)	2,040	4,111	12,865	18,267	324	18,591
(I)	-	-	-	(720)	-	-	23,075	22,355	57	22,412
(II)	-	-	(29)	-	-	-	-	(29)	(75)	(104)
	-	-	-	-	-	-	-	-	-	-
	-	-	(29)	-	-	-	-	(29)	(75)	(104)
(III)	-	-	-	-	2,040	4,055	(10,154)	(4,059)	-	(4,059)
	-	-	-	-	2,040	-	(2,040)	-	-	-
	-	-	-	-	-	4,055	(4,055)	-	-	-
	-	-	-	-	-	-	(4,059)	(4,059)	-	(4,059)
(IV)	-	-	-	-	-	56	(56)	-	342	342
III.	End balance of the year									
	6,604	14,810	37,666	3,651	12,458	20,944	71,493	167,626	900	168,526

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

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the Year Ended 31 December 2022

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.	End balance of previous year	6,008	14,810	26,403	1,100	8,632	13,608	47,919	118,480	513	118,993
(I)	Changes in accounting policies	-	-	-	-	-	-	(65)	(65)	-	(65)
II.	Increase/decrease in the year	6,008	14,810	26,403	1,100	8,632	13,608	47,854	118,415	513	118,928
III.	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)
IV.	End balance of the year	6,604	14,810	37,695	4,371	10,418	16,833	58,628	149,359	576	149,935

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 Cash Flow Statement
For the Year Ended 31 December 2022

Unit: CNY One Million

	Vote V	2022	2021
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		236,944	114,407
Net increase in placements from other financial institutions		21,504	-
Net decrease of financial assets sold for repurchase		97	-
Net decrease in financial assets held for trading purposes		15,461	-
Cash received from interest, fees and commission		75,041	71,534
Net increase of financial assets sold for repurchase		15,454	62,645
Other cash received relating to operating activities	45	15,049	4,936
Sub-total of cash inflow from operating activities		379,550	253,522
Net increase in loans and advance payments to customers		181,999	173,922
Net decrease in loan from the central bank		16,394	2,041
Net increase in deposits with the central bank and other banks		9,221	808
Net decrease in placements from other financial institutions		-	8,317
Net increase in purchase and resale of financial assets		-	97
Net increase in financial assets held for trading purposes		-	47,374
Net increase in lending funds		16,299	11,744
Cash paid to interest, fees and commission		28,589	27,570
Cash paid to and on behalf of employees		13,389	11,306
Taxes paid		6,929	6,579
Cash paid relating to other operating activities	46	11,962	8,313
Sub-total of cash outflow from operating activities		284,782	298,071
Net cash flows generated from (used in) operating activities	47	94,768	(44,549)
II. Cash flow from investing activities			
Cash received from investment		1,075,701	1,097,172
Cash received from returns on investment		15,537	15,292
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		22	65
Sub-total of cash outflow from investing activities		1,091,260	1,112,529
Cash paid as investment		1,214,699	1,251,553
Net cash obtained from payment by subsidiaries and other business units		633	-
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		2,873	2,583
Sub-total of cash outflow from investing activities		1,218,205	1,254,136
Net cash flow used in investing activities		(126,945)	(141,607)

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 2022

Unit: CNY One Million

	Vote V	2022	2021
III. Cash flow from financing activities			
Cash received by absorbing investment		-	11,889
Cash received by bonds issuing		<u>612,747</u>	<u>617,980</u>
Sub-total of cash inflow from financing activities		<u>612,747</u>	<u>629,869</u>
Cash for payment of borrowing		562,222	424,995
Cash paid for distribution of dividends or profits, or cash paid for interests		10,703	9,720
Cash paid for other financing activities		<u>1,046</u>	<u>963</u>
Sub-total of cash outflow from financing activities		<u>573,971</u>	<u>435,678</u>
Net cash flow from financing activities		<u>38,776</u>	<u>194,191</u>
IV. Effect of foreign exchange rate change on cash and cash equivalents		<u>1,459</u>	<u>(326)</u>
V. Net increase in cash and cash equivalents		8,058	7,709
Add: balance of cash and cash equivalents at the beginning of the year		<u>44,156</u>	<u>36,447</u>
VI. Balance of cash and cash equivalents at the end of the year	44	<u><u>52,214</u></u>	<u><u>44,156</u></u>

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Balance Sheet
For the Year Ended 31 December 2022

Unit: CNY One Million

Assets	Note XV	31 Dec. 2022	31 Dec. 2021
Cash and deposits at central banks		117,044	97,596
Due from other banks		23,729	13,685
Precious metal		3,803	24,739
Loans to other banks		32,835	23,207
Derivative financial assets		26,473	19,110
Hold for trading financial asset		11,806	9,542
Loans and advances	2	916,099	763,066
Financial investment:			
Trading financial assets		331,078	350,683
Investment on bonds		338,337	259,121
Other investment on bonds		416,352	352,052
Other equity investment		169	199
Long-term equity investment	1	8,342	7,147
Investment real estate		24	32
Fixed assets		7,511	7,564
Construction in progress		992	651
Right-of-use asset		2,916	3,188
Intangible assets		1,815	1,225
Deferred income tax assets		6,190	6,774
Other assets		2,972	3,754
Total assets		2,248,487	1,943,335

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 2022

Unit: CNY One Million

Liabilities	Note XV	31 Dec. 2022	31 Dec. 2021
Due to Central Bank		65,435	81,742
Due to banks and other financial institutions		94,479	96,631
Loans from other banks		39,853	31,589
Trading financial liabilities		1,189	20,789
Derivative financial liabilities		19,583	19,339
Financial assets sold for repurchase		98,960	89,701
Deposit taking		1,310,500	1,062,679
Wages and salaries payable		3,355	3,137
Taxes payable		959	2,147
Bonds payable		435,818	379,276
Lease liabilities		2,727	2,952
Anticipation liabilities		3,047	2,310
Other liabilities		11,954	6,034
Total liabilities		2,087,859	1,798,326
Shareholders' equity			
Equity		6,604	6,604
Other equity tools		14,810	14,810
Including: preferred shares		14,810	14,810
Capital reserve		37,695	37,695
Other comprehensive income		3,649	4,369
Surplus reserve		12,458	10,418
General risk reserve		18,651	15,501
Undistributed profit		66,761	55,612
Total shareholders' equity		160,628	145,009
Total liabilities and shareholders' equity		2,248,487	1,943,335

Attached notes to financial statements are components of the Financial Statements

Bank of Ningbo Co., Ltd.
Income Statement
For the Year Ended 31 December 2022

Unit: CNY One Million

	Note XV	2022	2021
I. Operating income		51,252	48,356
Net interest income	3	33,861	30,660
Interest income	3	72,745	63,937
Interest expense	3	(38,884)	(33,277)
Net fee and commission income		4,548	6,135
Fee and commission income		5,727	7,421
Fee and commission expense		(1,179)	(1,286)
Investment gains		11,758	13,623
Including: income from de-recognition of financial assets measured at amortized cost		140	279
Other income		308	282
Changes in fair value recognized in profit or loss		1,044	(1,440)
Exchange gain or loss		(304)	(939)
Other operating income		24	28
Assets disposal income		13	7
II. Operating expenditure		(29,482)	(30,209)
Tax and surcharges		(410)	(375)
Business and administration expenses		(19,888)	(18,201)
Credit impairment losses		(9,177)	(11,604)
Impairment loss of other assets		-	(23)
Other operating expenses		(7)	(6)
III. Operating profits		21,770	18,147
Non-operating income		81	57
Non-operating expenditure		(189)	(89)
IV. Total profits		21,662	18,115
Income tax		(1,264)	(260)
V. Net profits		20,398	17,855
VI. Net after-tax value for other comprehensive income		(720)	3,269
Other comprehensive income that cannot be reclassified into profit and loss		(22)	26
Changes in fair value of equity instrument investment measured at fair value with changes included in other comprehensive income		(22)	26
Other comprehensive income will subsequently be reclassified into profit and loss		(698)	3,243
Changes in fair value of debt instrument investment measured at fair value with changes included in other comprehensive income		(1,014)	2,799
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income		316	444
VII. Total comprehensive income		19,678	21,124

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 2022

Unit: CNY One Million

2022

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

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 2022

Unit: CNY One Million

2021

Item	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Total Shareholders' Equity
I. End balance of previous year	6,008	14,810	26,403	1,100	8,632	12,772	46,098	115,823
(I) Changes in accounting policies	-	-	-	-	-	-	(65)	(65)
II. Beginning balance of the year	6,008	14,810	26,403	1,100	8,632	12,772	46,033	115,758
III. 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 reserves	-	-	-	-	-	2,729	(2,729)	-
3. Dividend distribution	-	-	-	-	-	-	(3,761)	(3,761)
IV. End balance of the year	6,604	14,810	37,695	4,369	10,418	15,501	55,612	145,009

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 2022

Unit: CNY One Million

	Note XV	2022	2021
I. Cash flow from operating activities			
Net increase in customer deposits and deposits with banks		241,943	114,062
Net increase in placements from other financial institutions		6,950	-
Net decrease in purchase and resale of financial assets		97	-
Net decrease in financial assets held for trading purposes		19,089	-
Cash received from interest, fees and commission		62,917	63,707
Net increase of financial assets sold for repurchase		9,274	59,754
Other cash received relating to operating activities		14,110	4,617
Sub-total of cash inflow from operating activities		354,380	242,140
Net increase in loans and advance payments to customers		162,928	156,567
Net decrease in loan from the central bank		16,394	2,041
Net increase in deposits with the central bank and other banks		15,901	344
Net decrease in placements from other financial institutions		-	23,214
Net increase in purchase and resale of financial assets		-	97
Net increase in financial assets held for trading purposes		-	44,965
Net increase in lending funds		16,299	11,744
Cash paid to interest, fees and commission		25,630	26,044
Cash paid to and on behalf of employees		12,252	10,538
Taxes paid		5,111	5,479
Cash paid relating to other operating activities		6,394	6,387
Sub-total of cash outflow from operating activities		260,909	287,420
Net cash flows generated from (used in) operating activities	4	93,471	(45,280)
II. Cash flow from investing activities			
Cash received from investment		1,069,453	1,097,172
Cash received from returns on investment		15,492	15,290
Cash paid for the treatment of fixed assets, intangible assets and other long-term assets		21	65
Sub-total of cash outflow from investing activities		1,084,966	1,112,527
Cash paid as investment		1,208,352	1,250,778
Net cash obtained from payment by subsidiaries and other business units		1,091	-
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		2,541	2,451
Sub-total of cash outflow from investing activities		1,211,984	1,253,229
Net cash flow used in investing activities		(127,018)	(140,702)

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 2022

Unit: CNY One Million

	Note XV	2022	2021
III. Cash flow from financing activities			
Cash received by absorbing investment		-	11,889
Cash received by bonds issuing		612,747	617,980
Sub-total of cash inflow from financing activities		612,747	629,869
Cash for payment of borrowing		560,222	424,995
Cash paid for distribution of dividends or profits, or cash paid for interests		10,595	9,611
Cash paid for other financing activities		894	945
Sub-total of cash outflow from financing activities		571,711	435,551
Net cash flow from financing activities		41,036	194,318
IV. Effect of foreign exchange rate change on cash and cash equivalents		1,458	(326)
V. Net increase in cash and cash equivalents		8,947	8,010
Add: balance of cash and cash equivalents at the beginning of the year		42,298	34,288
VI. Balance of cash and cash equivalents at the end of the year		51,245	42,298

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 2022

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, 2022, 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 3, 2023. 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 2022 and the operating results and cash flow for 2022.

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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

III. Critical Accounting Policies and Estimates (continued)

4. Business combination (continued)

Business Combination under the Common Control

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

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

Business Combination under the Non-common Control

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

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

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

III. Critical Accounting Policies and Estimates (continued)

5. Consolidated Financial Statements

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

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

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

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

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

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

6. Cash and cash equivalents

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

7. Precious metals

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

III. Critical Accounting Policies and Estimates (continued)

8. Foreign currency transactions

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

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

9. Financial instruments

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

Recognition and de-recognition of financial instruments

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

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

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

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

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets

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

Business model

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

Characteristics of contractual cash flows

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

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

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

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

Debt instrument investment measured at amortized cost

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

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

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

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

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

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

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

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

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

Classification and measurement of financial liabilities

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

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

Financial liabilities designated at fair value through profit or loss

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

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

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

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

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

Other financial liabilities

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial instruments

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

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

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

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

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

Financial guarantee contracts

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Modification of contractual cash flow

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

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

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

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

III. Critical Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Derivative financial instruments

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

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

Transfer of financial assets

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

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

10. Repurchase and reverse repurchase transactions

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

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

III. Critical Accounting Policies and Estimates (continued)

11. Long-term equity investments

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

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

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

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

12. Investment real estate

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

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

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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%
Appliance and furniture	5 years	3%	19.40%
Machinery	5-10 years	3%	9.70%-19.40%
Fixed assets for operating lease	3-15 years	0-30%	4.67%-33.33%

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

14. Construction in progress

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

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

III. Critical Accounting Policies and Estimates (continued)

15. Intangible assets

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

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

Useful life of each intangible asset is as follows:

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

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

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

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

16. Goodwill

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

III. Critical Accounting Policies and Estimates (continued)

17. Right-of-use assets

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

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

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

18. Impairment of assets

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

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

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

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

III. Critical Accounting Policies and Estimates (continued)

18. Impairment of assets (continued)

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

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

19. Long-term deferred expenses

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

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

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

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

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

20. Debt assets

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

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

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

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

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

III. Critical Accounting Policies and Estimates (continued)

21. Employee remuneration

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

Short-term Remuneration

During the accounting period when employees provide services, short-term remuneration incurred shall be regarded as liability and is calculated into current profits and losses or relevant asset cost.

Welfare and Defined Contribution Plans after Departure (defined contribution plans)

Pension insurance and unemployment insurance

The pension insurance and unemployment insurance of the Group's employees are managed by local government, corresponding expenditures incurred shall be regarded as relevant asset cost or current profits and losses.

Corporate annuity plan

Employees who sign formal labor contracts with the Group, participate in basic pension insurance and perform payment obligations according to law, and have served the Group for over a year can choose to participate in the corporate annuity plan of Bank of Ningbo Co., Ltd. (hereinafter referred to as "corporate annuity") set up by the Group. Expenses for the corporate annuity shall be undertaken by the Group and employees.

Termination Benefits

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

III. Critical Accounting Policies and Estimates (continued)

22. Lease liabilities

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

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

23. Estimated liabilities

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

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

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

III. Critical Accounting Policies and Estimates (continued)

24. Fiduciary activities

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

In fund custody, the Group, as approved by related authorities, acts as the trustee to carry out related business in accordance with the contract with client, as well as laws and regulations. The Group undertakes its obligations and charge accordingly on the basis of the custody contract, but it does not undertake the obligation for any risk and income arising from such custody. Therefore, it attributes to the off-balance item.

The Group grants entrusted loans on behalf of third-party lenders who fund these loans (entrusted deposits) and in accordance with terms covering loan object, application, amount, period and interest rate determined by the third-party lenders. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. All the risks are borne by the third-party lenders. The Group only charges a commission.

25. Other equity instruments --- preferred shares

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

26. Income

Interest income

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

III. Critical Accounting Policies and Estimates (continued)

26. Income (continued)

Interest income (continued)

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

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

Fee and commission income

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

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

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

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

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

Dividend income

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

Rental income

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

III. Critical Accounting Policies and Estimates (continued)

27. Expense

Interest expense

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

Other expenses

Other expenses are recognized on the accrual basis.

28. Government subsidies

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

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

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

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

III. Critical Accounting Policies and Estimates (continued)

29. Income tax

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

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

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

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

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

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

- (1) the deferred income tax asset, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.
- (2) the deferred income tax asset is recognized for the deductible temporary differences relevant to the investment of subsidiary companies, joint ventures and associates, which at the same time meet the following conditions: it is probable that the temporary differences will be reversed in the foreseeable future and the taxable profit will be available against the deductible temporary differences.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date and reflecting the corresponding tax effect.

III. Critical Accounting Policies and Estimates (continued)

29. Income tax (continued)

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

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

30. Lease

Identification of lease

At the beginning date of the contract, the Group evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period, the Group evaluates whether the customers in the contract have the right to obtain almost all the economic benefits arising from the use of the identified assets during the use period, and have the right to dominate the use of the identified assets during the use period.

Spin off of leased and non-leased parts

If the leased and non-leased parts are included in the contract, the 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 terminate the lease. If a major event or change occurs within the control of the Group and affects whether the Group reasonably determines that it will exercise the corresponding option, the Group will reassess whether it reasonably determines that it will exercise the renewal option, purchase option or not to exercise the termination option.

III. Critical Accounting Policies and Estimates (continued)

30. Lease (continued)

As a lessee

For the general accounting treatment of the Group as a lessee, please refer to Notes III, 17 and Notes III, 22.

Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the terms of the original contract, including increasing or terminating the use right of one or more leased assets, extending or shortening the lease term specified in the contract, etc.

If the lease changes and meets the following conditions at the same time, the Group will treat the lease change as a separate lease for accounting treatment:

- (1) If the lease changes and meets the following conditions at the same time, the Group will treat the lease change as a separate lease for accounting treatment:
- (2) The increased consideration is equivalent to the amount adjusted according to the conditions of the contract at the separate price for most of the expansion of the lease scope.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Group will re-determine the lease term and discount the changed lease payment at the revised discount rate to re measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease embedded interest rate during the remaining lease period as the discount rate; if the implicit interest rate of the lease for the remaining lease term cannot be determined, the Group's incremental loan interest rate on the effective date of the lease change shall be used as the discount rate.

With regard to the impact of the above lease liability adjustment, the Group makes accounting treatment according to the following circumstances:

- (1) If the lease scope is reduced or the lease term is shortened due to the change of lease, the Group reduces the book value of the right of use assets to reflect the partial or complete termination of the lease, and the relevant gains or losses of partial or complete termination of the lease are included in the current profit and loss;
- (2) For other lease changes, the Group adjusts the book value of the right of use assets accordingly.

Short term leases and low value asset lease

The Group recognizes leases with a lease term of no more than 12 months and excluding purchase options as short-term leases on the beginning date of the lease term; a lease with a value of no more than RMB 40,000 when a single leased asset is a new asset is recognized as a low value asset lease. Where the Group sublets or expects to sublet leased assets, the original lease is not recognized as a low value asset lease. The Group does not recognize the right to use assets and lease liabilities for short-term leases and low-value asset leases. In each period of the lease term, it shall be included in the relevant asset cost or current profit and loss according to the straight-line method.

III. Critical Accounting Policies and Estimates (continued)

30. Lease (continued)

As a lessor

Leases that have substantially transferred almost all the risks and rewards related to the ownership of the leased assets on the lease start date are finance leases, except for operating leases.

As a lessor under a finance lease

On the beginning date of the lease term, the Group recognizes the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets. When the Group initially measures the finance lease receivables, the net amount of the lease investment is taken as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted at the interest rate embedded in the lease.

The Group calculates and recognizes the interest income of each period within the lease term at a fixed periodic interest rate. The variable lease payments obtained by the Group that are not included in the measurement of net lease investment are included in the current profit and loss when they actually occur.

As a lessor under an operating lease

The rental income of operating lease is recognized as current profit and loss according to the straight-line method in each period of the lease term, and the variable lease payment not included in the lease receipt is included in current profit and loss when it actually occurs.

31. Profit distribution

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

III. Critical Accounting Policies and Estimates (continued)

32. Fair value measurement

Fair value, occurring in orderly transaction on measurement date, refers to the payment the market participant receives when an asset is sold, or the amount paid when a liability is transferred. In the case that asset selling or liability transference is dealt with in staple market of relevant assets or liabilities, the Group measures relevant assets or liabilities by fair value; for the cases where there is no staple market, the Group assumes that the transaction is dealt with in the most advantageous market of relevant assets or liabilities. Staple market (or the most advantageous market) is the trading market the Group can enter on measurement date. The Group adopts the same assumption that the market participant uses to maximize its economic benefit when pricing the assets or liabilities.

For non-financial assets measured by fair value, the capability for the market participant to best use the assets to generate economic benefit, or the capability for the market participant to sell the assets to other market participant to best use the assets to generate economic benefit is considered.

The Group adopts applicable valuation technique supported by adequate data and other information available, prioritizing relevant observable input value. Only when observable input value is unable or infeasible to be obtained, can unobservable input value be adopted.

In financial statement, assets or liabilities measured or disclosed by fair value are leveled according to the input value of the lowest level with significance for overall fair value measurement: input value of the first level is the unadjusted quoted price of the same assets or liabilities available in active market on measurement date; input value of the second level is the directly or indirectly observable input value of relevant assets or liabilities apart from input value of the first level; input value of the third level is the unobservable input value of relevant assets or liabilities.

On each balance sheet date, the Group reevaluates the assets or liabilities continuing to be measured by fair value recognized in financial statement, to confirm that whether there is any shift between different levels of fair value measurement.

33. Related parties

When financial or operating decisions are made, a party is considered to be related to another party if the party, directly or indirectly controls or jointly controls the other party, or gives its significant influence over the other party, and two or more parties are considered to be related if they are controlled by, jointly controlled by or significantly affected by one party.

Entities which are only controlled by the government without any other relations with other companies are not the related parties of the Group.

34. Segmental report

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

III. Critical Accounting Policies and Estimates (continued)

35. Significant accounting judgments and estimates

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

Combination of structured bodies

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

The realizable return obtained by the Group through the structured bodies includes the management fees and performance compensation, other kinds of interests, such as direct investment income, income and potential losses by providing credit upgrading of liquidity support, as well as realizable return from transaction with structured bodies. In judging whether in control of the structured bodies, the Group shall not only consider the laws, regulations and arrangement according to the contract, but also other possible losses that the group may suffer from the structured bodies.

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

Impairment of financial instrument

The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and basis information. For example, group businesses with similar credit risk characteristics into the same portfolio, select the appropriate model, and determine the key parameters related to measurement; judgment standard for significant increase in credit risk, default and credit impairment; the adoption of economic indicators, economic scenarios and their weights for prospective measurement; loss reserve for external circumstances not reflected by the model. Note XIII, 1 Credit Risks specifies the parameters, assumptions and estimation techniques used in the measurement of expected credit losses. When making such judgments and estimates, the Group infers the expected change of the debtor's credit risk according to the historical repayment data in combination with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment loss in the future.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on credit risk, market fluctuation and pertinency of the Group and its counterparties. Changes on these assumptions would affect the fair value of financial instruments.

III. Critical Accounting Policies and Estimates (continued)

35. Significant accounting judgments and estimates (continued)

Derecognition of financial assets

In the process of judging whether the transaction of loan transfer through packaging and asset securitization conforms to the derecognition of financial assets, the Group needs to evaluate whether the Group meets the criteria of financial asset transfer and whether almost all the risks and rewards of loan ownership are transferred. In the event that virtually all risks and rewards on the transferred loan ownership are neither transferred nor retained, the Group will further evaluate whether control of the transferred loan has been retained. In its evaluation and judgment, the Group takes into account a number of factors, such as whether there is a buy-back clause attached to the transaction arrangement. The Group sets scenario hypothesis and uses discounted future cash flow model to conduct risk and reward transfer test. The Group will only derecognize the loan if it has been transferred and almost all the risks and rewards of ownership have been transferred to another subject. To the extent that the Group retains virtually all risk and rewards in the ownership of the transferred loan, it shall continue to recognize the loan and recognize the proceeds received as a financial liability. Where the Group neither transfers nor retains virtually all risks and rewards in the ownership of the loan and does not relinquish control of the loan, the relevant financial assets are recognized in accordance with the degree of continued involvement in the transferred loan and the relevant liabilities are recognized accordingly.

Income tax

Determining income tax involves making judgments about the future tax treatment of certain transactions. The Group carefully evaluates the tax impact of all transactions and provides for the corresponding income tax. The Group periodically reassesses the tax implications of these transactions in accordance with tax legislation. Deferred income assets are recognized as deductible tax losses and deductible temporary differences. Deferred tax assets will only be recognized when future taxable income is likely to be used to offset the relevant deferred tax assets, so it is up to management to determine the likelihood of obtaining future taxable income. The Group continuously reviews the judgment of deferred income tax, and will recognize the corresponding deferred income tax assets if it is expected that it is likely to obtain future taxable income that can be utilized in the future.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

III. Critical Accounting Policies and Estimates (continued)

36. Changes in accounting policies

The Ministry of Finance issued the *Notification on Printing and Issuing of No. 15 Interpretation to the Accounting Standards for Enterprises* (hereinafter referred to as "Interpretation No. 15") in 2021 and the *Notification on Printing and Issuing of No. 16 Interpretation to the Accounting Standards for Enterprises* (hereinafter referred to as "Interpretation No. 16") in 2022 and 2023. The Group and the Company have adopted the above notifications and the implementation of the Q&A in the preparation of the 2022 annual financial statements and the above amendments have no material impact on the financial statements of the Group and the Company except as described below.

In preparing the 2022 annual financial statements, the Group and the Company have chosen to adopt the accounting treatment provision with effect from January 1, 2022 that the deferred income tax related to assets and liabilities arising from the individual transactions in Interpretation No. 16 is not subject to the initial recognition exemption and adopt the retroactive adjustment method. Retained earnings and other related financial statement items at the beginning of 2021 have been adjusted accordingly, and the comparative financial statements for 2021 have been restated accordingly. The specific impact is as follows:

Deferred income taxes related to assets and liabilities arising from individual transactions do not apply to the accounting treatment of initial recognition exemption

Contents and reasons of accounting policy changes	Name of the affected statement item	Amount affected	
		January 1, 2021	
		The Group	The Company
For the equivalent amount of taxable temporary differences and deductible temporary differences arising from the initial recognition of the lease liability on the beginning date of the lease term and included in the lease transaction of the use right assets, the Group and the Company accordingly recognize them as deferred income tax liabilities and deferred income tax assets.	Deferred tax assets / liabilities	(65)	(65)
	Undistributed profit	65	65
		December 31, 2021	
		The Group	The Company
	Deferred tax assets / liabilities	(59)	(59)
	Tax payable	(6)	(6)
	Undistributed profit	65	65

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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., BNB Wealth Management Co., Ltd. and BNB Consumer Finance Co., Ltd. are general VAT taxpayers. For various main taxable income, the output tax is calculated at the tax rate of 6% or 13%, and the value-added tax is paid according to the difference after deducting the input tax allowed to be deducted in the current period.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

V. Notes to Items in the Consolidated Financial Statements

1. Cash and balances with central banks

		Dec. 31, 2022	Dec. 31, 2021
Dec. 31, 2021		1,469	1,487
Statutory deposit reserve	(Note 1)	99,179	88,089
Excess deposit reserve	(Note 2)	16,039	7,627
Fiscal deposit		311	361
		<hr/>	<hr/>
Subtotal		116,998	97,564
Interest accrued		46	32
		<hr/>	<hr/>
		<u>117,044</u>	<u>97,596</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, 2022, the Group deposited the statutory deposit reserve with the People's Bank of China in accordance with the regulations, and the deposit ratio of RMB deposit reserve was 7.5% (December 31, 2021: 8%); the deposit ratio of foreign currency deposit reserve was 6% (December 31, 2021: 9%).

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, 2022	Dec. 31, 2021
Due from domestic banks		9,678	9,680
Due from other domestic financial institutions		7,066	2,801
Due from foreign banks		4,664	5,197
		<hr/>	<hr/>
Subtotal		21,408	17,678
Interest Accrued		12	47
Less: Reserve for Impairment	(Note V, 14)	(24)	(46)
		<hr/>	<hr/>
		<u>21,396</u>	<u>17,679</u>

Please refer to Note X, 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 2022

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

3. Loans to other banks

	Dec. 31, 2022	Dec. 31, 2021
Loans to foreign banks	27,893	10,102
Loans to domestic banks	-	44
Loans to other domestic financial institutions	<u>2,100</u>	<u>11,800</u>
Subtotal	29,993	21,946
Interest Accrued	371	154
Less: Reserve for Impairment (Note V, 14)	<u>(27)</u>	<u>(91)</u>
	<u><u>30,337</u></u>	<u><u>22,009</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, 2022	
		Assets	Liabilities
Foreign exchange derivatives			
-Currency forward	132,451	3,173	(1,064)
-Currency forward	700,393	11,010	(7,911)
-Currency exchange	25,925	266	(942)
-Foreign currency option	297,778	5,711	(4,366)
Interest rate derivatives			
-Interest rate swap	1,462,461	4,980	(4,996)
Other derivatives			
-Equity option	409	65	(65)
-Credit risk mitigation instrument	400	-	(12)
-Nobel metal forward/swap	<u>40,416</u>	<u>1,268</u>	<u>(227)</u>
	<u><u>2,660,233</u></u>	<u><u>26,473</u></u>	<u><u>(19,583)</u></u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

4. Derivative financial instruments (continued)

	Nominal amount	Dec. 31, 2021	
		Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
-Currency forward	128,254	354	(2,296)
-Currency forward	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	32,027	125	(493)
	<u>2,993,080</u>	<u>19,110</u>	<u>(19,339)</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 2022

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

5. Hold for trading financial assets

	Dec. 31, 2022	Dec. 31, 2021
Dec. 31, 2021		
Bonds	11,838	9,567
Interest accrued	3	2
Less: provision for impairment	(11)	(2)
	<u>11,830</u>	<u>9,567</u>
Classified by counter parties:		
Banks	323	-
Other financial institutions	11,515	9,567
Other financial institutions	11,838	9,567
Interest accrued	3	2
Less: provision for impairment	(11)	(2)
	<u>11,830</u>	<u>9,567</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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, 2022	Dec. 31, 2021
Measured at amortized cost		
Corporate loans and advances	565,383	464,462
Loan	552,283	450,818
Trade financing	13,100	13,644
Individual loans	391,230	333,128
Individual consumption loan	243,348	219,847
Individual operating loan	83,599	75,968
Individual housing loan	64,283	37,313
Measured at fair value with changes through other comprehensive income		
Discount and others	89,389	65,119
Subtotal	1,046,002	862,709
Interest accrued	3,539	3,451
Less: loan impairment provision measured at amortized cost	(38,724)	(33,717)
Book value of loans and advances	1,010,817	832,443

The first, second and third stages of the total loans and advances issued by the Group are RMB 1,022,260 million, RMB 18,608 million and RMB 8,673 million respectively (December 31, 2021: first, second and third stages were RMB 838,605 million, RMB 20,909 million and RMB 6,646 million).

As of December 31, 2022, 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 892 million (December 31, 2021: RMB 1,066 million), which is included in other comprehensive income. The reserve of the Group for expected credit losses for the above loans measured at amortized cost and loans measured at fair value and whose changes are included in other comprehensive income totals RMB 39,616 million (December 31, 2021: RMB 347,83 million).

Please refer to Note X, 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 2022

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, 2022	Dec. 31, 2021
Credit loan	380,989	303,969
Guarantee loan	280,550	234,276
Mortgage loan	287,987	248,749
Pledge loan	96,476	75,715
Total loans and advances	<u>1,046,002</u>	<u>862,709</u>
Interest accrued	3,539	3,451
Less: loan loss provision	<u>(38,724)</u>	<u>(33,717)</u>
Net value of loans and advances	<u>1,010,817</u>	<u>832,443</u>

6.3 Overdue loans

	Dec. 31, 2022				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	1,592	1,819	359	39	3,809
Guarantee loan	316	132	284	86	818
Mortgage and pledge loan	<u>1,208</u>	<u>1,367</u>	<u>931</u>	<u>304</u>	<u>3,810</u>
	<u>3,116</u>	<u>3,318</u>	<u>1,574</u>	<u>429</u>	<u>8,437</u>
	Dec. 31, 2021				Total
	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	Over 3 years	
Credit loan	976	1,688	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>1,836</u>	<u>2,520</u>	<u>1,669</u>	<u>495</u>	<u>6,520</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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 2022 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, 14)
Beginning balance	23,253	4,491	5,973	33,717
Other transfer-in	69	53	129	251
Drawing in the year	3,494	104	7,236	10,834
Transferred to stage I	944	(942)	(2)	-
Transferred to stage II	(293)	397	(104)	-
Transferred to stage III	(58)	(117)	175	-
Write-off and transfer	-	-	(7,415)	(7,415)
Received from loans for sale and reconciliation from advance payment	-	-	1,383	1,383
Transfer by write-down of impaired loan and advance interest	-	-	(46)	(46)
End balance	27,409	3,986	7,329	38,724

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

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total (Note V, 14)
Beginning balance	1,050	14	2	1,066
Drawing in the year	(164)	(8)	(2)	(174)
Transferred to stage II	(1)	1	-	-
End balance	885	7	-	892

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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 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, 14)
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 I	(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	23,253	4,491	5,973	33,717

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

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total (Note V, 14)
Beginning balance	644	3	-	647
Drawing in the year	406	11	2	419
End balance	1,050	14	2	1,066

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

7. Financial investment

7.1 Trading financial assets

	Dec. 31, 2022	Dec. 31, 2021
Financial assets measured at fair value with changes through current profit and loss		
Bonds		
Government bond	856	15,295
Policy based financial bond	25,875	11,524
Corporate bond	63,885	55,988
Financial bond	3,317	929
Due from other banks	546	5,393
Asset management plan and trust plan	43,482	38,924
Financial products	104	10
Fund investment	223,446	227,023
Equity instruments	239	305
	<u>361,750</u>	<u>355,391</u>

7.2 Lending investment

	Dec. 31, 2022	Dec. 31, 2021
Government bond	227,233	145,559
Debt financing plan	40,597	27,132
Asset management plan and trust plan	69,128	88,127
	<u>336,958</u>	<u>260,818</u>
Subtotal	336,958	260,818
Interest accrued	3,587	2,750
Less: impairment provision (Note V, 14)	(2,208)	(3,846)
	<u>338,337</u>	<u>259,722</u>

Please refer to Note X, 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 2022

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:

2022:

	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	3,630	20	196	3,846
Transferred to stage III	-	(20)	20	-
Withdrawing / provision of the year	(1,676)	-	(34)	(1,710)
Transferred from recovery of original investment	-	-	72	72
End balance	1,954	-	254	2,208

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	3,630	20	196	3,846

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

7. Financial investment (continued)

7.3 Other lending investments

	Dec. 31, 2022	Dec. 31, 2021
Bonds		
Government bond	316,487	289,958
Policy based financial bond	1,792	2,540
Corporate bond	41,982	23,167
Other financial bonds	941	83
Due from other banks	28,037	199
Asset management plan and trust plan	25,090	32,435
Subtotal	414,329	348,382
Interest accrued	4,427	3,769
	<u>418,756</u>	<u>352,151</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:

2022:	Stage I Estimated credit loss for the next 12 months	Stage II Estimated credit loss for whole duration	Stage III Financial assets of credit impairment (Estimated credit loss for whole duration)	Total
Beginning balance	495	7	60	562
Withdrawing / provision of the year	544	51	-	595
Transferred to stage II	(1)	1	-	-
End balance	<u>1,038</u>	<u>59</u>	<u>60</u>	<u>1,157</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

7. Financial investment (continued)

7.3 Other lending investments (continued)

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	(4)	4	-	-
Transferred to stage II	495	7	60	562

7.4 Other equity instrument investment

2022:

	Cost	Accumulative changes of fair value through other comprehensive income	Fair value
Unlisted equity	81	88	169

2021:

	Cost	Accumulative changes of fair value through other comprehensive income	Fair value
Unlisted equity	81	118	199

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

8. Fixed assets

2022	House and construction	Transport Tool	Electronic Equipment	Machinery equipment	Operating lease fixed assets	Total
Original price:						
Dec. 31, 2021	9,249	211	2,036	366	-	11,862
Purchase in the year	172	20	533	61	92	878
Transfer from construction in progress	-	-	1	-	-	1
Disposal/scraping	(4)	(11)	(16)	(17)	-	(48)
Other transfer in	-	2	13	1	-	16
Dec. 31, 2022	<u>9,417</u>	<u>222</u>	<u>2,567</u>	<u>411</u>	<u>92</u>	<u>12,709</u>
Accumulated depreciation:						
Dec. 31, 2021	2,686	146	1,223	184	-	4,239
Drawing	443	20	280	54	-	797
Disposal/scraping	(1)	(11)	(14)	(5)	-	(31)
Other transfer in	-	2	12	-	-	14
Dec. 31, 2022	<u>3,128</u>	<u>157</u>	<u>1,501</u>	<u>233</u>	<u>-</u>	<u>5,019</u>
Depreciation Provision:						
Dec. 31, 2021	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>5</u>
Dec. 31, 2022	<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>5</u>
Book value:						
Dec. 31, 2022	<u>6,287</u>	<u>65</u>	<u>1,064</u>	<u>177</u>	<u>92</u>	<u>7,685</u>
Dec. 31, 2021	<u>6,561</u>	<u>65</u>	<u>811</u>	<u>181</u>	<u>-</u>	<u>7,618</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

8. Fixed assets (continued)

2021	House and construction	Transport Tool	Electronic Equipment	Machinery equipment	Operating lease fixed assets
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	(47)	(10)	(10)	(3)	(70)
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	(19)	(10)	(9)	(3)	(41)
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>

As of December 31, 2022, all the houses and buildings of the Group have obtained the property certificate (Dec. 31, 2021: the same)

As of 31 Dec. 2022, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 1,479 million; the net book value was RMB 44 million (As of 31 Dec. 2021, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 1,251 million; the net book value was RMB 37 million).

As of December 31, 2022, the group has idle houses and buildings with a net value of RMB 14 million (As of December 31, 2021, houses and buildings with a net value of RMB 14 million were idle).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

9. Construction in progress

2022

	Dec. 31, 2021	Increase	Transfer into fixed assets	Other decrease	Dec. 31, 2022	Fund source
Business occupancy	409	661	-	(349)	721	Self
Others	<u>267</u>	<u>486</u>	<u>(1)</u>	<u>(449)</u>	<u>303</u>	Self
	<u>676</u>	<u>1,147</u>	<u>(1)</u>	<u>(798)</u>	<u>1,024</u>	

2021

	Dec. 31, 2020	Increase	Transfer into fixed assets	Other decrease	Dec. 31, 2021	Fund source
Business occupancy	195	247	(11)	(22)	409	Self
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>	

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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

10. Right-of-use assets

2022	Houses and Buildings
Original value:	
Dec. 31, 2021	3,915
Increase in the period	659
Decrease in the period	(91)
Other transfer in	21
	<hr/>
Dec. 31, 2022	4,504
	<hr/>
Accumulated depreciation:	
Dec. 31, 2021	674
Increase in the period	770
Decrease in the period	(38)
Other transfer in	15
	<hr/>
Dec. 31, 2022	1,421
	<hr/>
Book value:	
Dec. 31, 2022	3,083
	<hr/> <hr/>
Dec. 31, 2021	3,241
	<hr/> <hr/>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

10. Right-of-use assets (continued)

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

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

11. Intangible assets

2022	Software	Land use right	Membership right	Franchise rights (note)	Total
Original price:					
Dec. 31, 2021	1,250	852	22	-	2,124
Increase in the period	590	337	-	-	927
Decrease in the period	(3)	-	-	-	(3)
Other transfer in	25	-	-	440	465
Dec. 31, 2022	1,862	1,189	22	440	3,513
Accumulated depreciation:					
Dec. 31, 2021	672	128	22	-	822
Increase in the period	224	25	-	-	249
Decrease in the period	(1)	-	-	-	(1)
Other transfer in	22	-	-	-	22
Dec. 31, 2022	917	153	22	-	1,092
Book value:					
Dec. 31, 2022	945	1,036	-	440	2,421
Dec. 31, 2021	578	724	-	-	1,302

Note: For the franchise rights formed by the merger of enterprises not under the same control, please refer to Note VI. 3.

According to the impairment test results of the Group, as of December 31, 2022, the franchise rights did not experience impairment, and there were no signs of impairment for other intangible assets. Therefore, no provision for impairment of intangible assets was made.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

11. Intangible assets (continued)

2021	Software	Land use right	Membership right	Total
Original price:				
Dec. 31, 2020	923	830	22	1,775
Increase in the period	<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 depreciation:				
Dec. 31, 2020	516	38	22	576
Increase in the period	<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>

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 2022

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

12. Deferred income tax assets/liabilities

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

Deferred income tax assets and liabilities before offsetting each other:

	Dec. 31, 2022		Dec. 31, 2021	
	Deductible/ (taxable) Temporary difference	Deferred income tax assets /(liabilities)	Deductible/ (taxable) Temporary difference	Deferred income tax assets /(liabilities)
Deferred income tax assets	58,824	14,706	54,124	13,531
Deferred income tax liabilities	(31,060)	(7,765)	(24,973)	(6,243)

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

	Dec. 31, 2022		Dec. 31, 2021	
	Deductible/ Temporary difference	Deferred Income tax assets	Deductible/ Temporary difference	Deferred Income tax assets
Deferred income tax assets				
Provisions for asset depreciation	30,716	7,679	29,027	7,257
Changes in fair value of derivative financial liabilities	17,429	4,357	17,576	4,394
Changes in fair value of trading financial liabilities	1,359	340	-	-
Estimated liabilities	3,047	762	2,309	577
Lease liability	2,881	720	2,947	737
Deferred income	2,329	582	1,801	450
Others	1,063	266	464	116
	58,824	14,706	54,124	13,531

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

12. Deferred income tax assets/liabilities (continued)

12.1. Deferred income tax assets and liabilities before offsetting each other (continued)

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

	Dec. 31, 2022		Dec. 31, 2021	
	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	(2,826)	(707)	(4,052)	(1,013)
Changes in fair value of other equity instruments	(89)	(22)	(118)	(30)
Changes in fair value of derivative financial assets	(23,516)	(5,879)	(17,129)	(4,282)
Changes in fair value of trading financial assets	(1,097)	(274)	(329)	(82)
Changes in fair value of trading financial liabilities	-	-	(129)	(32)
Right-of-use asset	(3,073)	(768)	(3,185)	(796)
Difference between the fair value and book value of identifiable net assets formed by business combinations not under the same control	(440)	(110)	-	-
Others	-	-	(12)	(3)
	<u>(31,060)</u>	<u>(7,765)</u>	<u>(24,973)</u>	<u>(6,243)</u>

12.2. Deferred income tax assets and liabilities after offsetting

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

	Dec. 31, 2022		Dec. 31, 2021	
	Before offset	After offset	Before offset	After offset
Deferred income tax assets	<u>14,706</u>	<u>6,941</u>	<u>13,531</u>	<u>7,318</u>
Deferred income tax liabilities	<u>(7,765)</u>	<u>-</u>	<u>(6,243)</u>	<u>(30)</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

13. Other assets

		Dec. 31, 2022	Dec. 31, 2021
Other receivables	13.1	2,600	2,005
Amount to be settled/liquidated		35	1,638
Long-term deferred expenses	13.2	976	912
Interest receivable		49	78
Pending deduct VAT on purchase		208	76
Debt assets	13.3	8	11
Others		38	35
		<u>3,914</u>	<u>4,755</u>

13.1. Other receivables

	Dec. 31, 2022					Total	Proportion	Bad-debt provision	Net value
	Within 1 year	1-2 years	2-3 years	Over 3 years					
Deposit	14	14	22	52	102	3.74%	(18)	84	
Others	2,350	136	98	42	2,626	96.26%	(110)	2,516	
	<u>2,364</u>	<u>150</u>	<u>120</u>	<u>94</u>	<u>2,728</u>	<u>100.00%</u>	<u>(128)</u>	<u>2,600</u>	
	Dec. 31, 2021					Total	Proportion	Bad-debt 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	1,811	88	67	72	2,038	97.79%	(79)	1,959	
	<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>	

The balance of the account does not involve the arrearages to those shareholders' companies with 5% or over 5% shareholding of the Company till Dec. 31 2022 (Dec. 31. 2021: none).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

13. Other assets (continued)

13.2. Long-term deferred expenses

2022	Long-term deferred expenses rented for operating purpose	Others	Total
Dec. 31, 2021	908	4	912
Increase	323	14	337
Amortize	<u>(270)</u>	<u>(3)</u>	<u>(273)</u>
Dec. 31, 2022	<u>961</u>	<u>15</u>	<u>976</u>
2021	Long-term deferred expenses 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>

13.3. 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 2022

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

14. Allowances for assets impairment

2022	Note V	Dec. 31, 2021	Accrual/ (transfer bank)	Write-off/ Withdrawal after verification	Other changes	Dec. 31, 2022
Provision for impairment of deposits with banks	2	46	(22)	-	-	24
Provision for impairment of lending funds	3	91	(64)	-	-	27
Provision for loan impairment measured at amortized cost	6	33,717	10,834	(6,032)	205	38,724
Provision for impairment of loans other comprehensive income measured at fair value with changes included in other comprehensive income	6	1,066	(174)	-	-	892
Provision for impairment of investment on creditor's rights	7	3,846	(1,710)	72	-	2,208
Provision for impairment of other investment on creditor's rights	7	562	595	-	-	1,157
Provision for impairment of other assets		158	309	(2)	18	483
Provision for impairment of fixed assets	8	5	-	-	-	5
Provision for impairment of resale financial assets	5	2	9	-	-	11
		<u>39,493</u>	<u>9,777</u>	<u>(5,962)</u>	<u>223</u>	<u>43,531</u>

2021	Note V	Dec. 31, 2020	Accrual/ (transfer bank)	Write-off/ 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		196	(34)	(4)	158
Provision for impairment of fixed assets	8	5	-	-	5
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>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

15. Borrowing from the central bank

	Dec. 31, 2022	Dec. 31, 2021
Medium-term lending facility	64,833	76,441
Others	-	4,786
	<hr/>	<hr/>
Subtotal	64,833	81,227
Accrued interest	602	515
	<hr/>	<hr/>
	<u>65,435</u>	<u>81,742</u>

16. Deposit in other banks/financial institutions

	Dec. 31, 2022	Dec. 31, 2021
Deposit with domestic banks	939	922
Deposit with foreign banks	30	64
Other financial institutions	87,227	93,561
	<hr/>	<hr/>
Subtotal	88,196	94,547
Accrued interest	111	167
	<hr/>	<hr/>
	<u>88,307</u>	<u>94,714</u>

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

17. Deposit funds

	Dec. 31, 2022	Dec. 31, 2021
Deposit funds measured at amortized cost		
Bank	80,875	54,815
Other financial institutions	5,050	5,000
	<hr/>	<hr/>
Borrowing funds measured at fair value through profit or loss for the current period		
Bank	22,511	21,626
	<hr/>	<hr/>
Subtotal	108,436	81,441
Accrued interest	668	478
	<hr/>	<hr/>
	<u>109,104</u>	<u>81,919</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

18. Financial assets sold for repurchase

	Dec. 31, 2022	Dec. 31, 2021
Classified by pledges:		
Bonds	106,526	87,056
Bills	1,466	5,482
	<hr/>	<hr/>
Subtotal	107,992	92,538
Accrued interest	48	57
	<hr/>	<hr/>
	108,040	92,595
	<hr/>	<hr/>
Classified by counter party:		
Banks	107,231	90,999
Other financial institutions	761	1,539
	<hr/>	<hr/>
Subtotal	107,992	92,538
Accrued interest	48	57
	<hr/>	<hr/>
	108,040	92,595
	<hr/>	<hr/>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

19. Deposits

	Dec. 31, 2022	Dec. 31, 2021
Demand deposit		
Corporate	380,477	358,058
Personal	85,265	73,357
Fixed time deposit		
Corporate	563,703	433,533
Personal	197,568	140,537
Guarantee deposit	67,484	45,180
Others	2,588	2,222
	<u>1,297,085</u>	<u>1,052,887</u>
Subtotal	1,297,085	1,052,887
Accrued interest	13,220	9,441
	<u>1,310,305</u>	<u>1,062,328</u>

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

20. Payroll payable

2022	Dec. 31, 2021	Withdrawal	Payment	Merged and transferred in	Dec. 31, 2022
Short-term salary:					
Salaries, bonuses, allowances, and subsidies	3,838	10,896	10,640	8	4,102
Welfare	-	990	990	-	-
Social insurances					
Medical insurance	1	284	284	-	1
Work injury insurance	-	7	7	-	-
House funds	-	710	710	-	-
Labor union's funds and employee education funds	-	58	57	4	5
	<u>3,838</u>	<u>12,834</u>	<u>12,387</u>	<u>12</u>	<u>4,108</u>
Contribution plan:					
Basic pension insurance	-	553	553	-	-
Unemployment insurance	-	18	18	-	-
Annuity plan	2	132	130	-	4
	<u>2</u>	<u>703</u>	<u>701</u>	<u>-</u>	<u>4</u>
	<u>3,841</u>	<u>13,648</u>	<u>13,389</u>	<u>12</u>	<u>4,112</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

20. Payroll payable (continued)

2021	Dec. 31, 2020	Withdrawal	Payment	Dec. 31, 2021
Short-term salary				
Salaries, bonuses, allowances, and subsidies	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	-	44	44	-
Contribution plan:				
Basic pension insurance	-	437	437	-
Unemployment insurance	-	14	14	-
Annuity plan	1	106	105	2
	<u>2,545</u>	<u>12,602</u>	<u>11,306</u>	<u>3,841</u>

21. Tax payable

	Dec. 31, 2022	Dec. 31, 2021
Value-added tax	714	953
Corporate income tax	518	1,449
Individual income tax	76	74
Urban construction tax	25	41
Educational surcharges	17	51
Withholding and paying taxes on behalf of others	22	21
Others	48	48
	<u>1,420</u>	<u>2,637</u>

22. Bond payable

	Dec. 31, 2022	Dec. 31, 2021
Financial bond payable	61,993	41,997
Subordinated bond payable	-	2,996
Secondary capital bond payable	51,492	39,488
Interbank deposit certificates payable	<u>321,358</u>	<u>296,357</u>
Subtotal	434,843	380,838
Accrued interest	<u>2,002</u>	<u>1,526</u>
	<u>436,845</u>	<u>382,364</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

22. Bond payable (continued)

Balance of bond payables to the date 31 December 2022 is as follows:

	Date of issue	Bond period	Book value	Dec. 31, 2021	Issued in 2022	2022 Issued interest	Discount Amortize	Repayment	Dec. 31, 2022
12 Financial bond(1)	2012/11/22	15 years	3,000	2,996	-	156	4	(3,000)	-
13 Financial bond (2)	2013/4/16	10 years	3,000	2,999	-	154	(1)	-	2,998
17 Tier II capital Bond (3)	2017/12/6	10 years	10,000	9,993	-	450	7	(10,000)	-
19 Financial bond (6)	2019/1/14	3 years	6,000	6,000	-	9	-	(6,000)	-
19 Tier II capital Bond (7)	2019/7/10	10 years	10,000	10,000	-	440	-	-	10,000
19 Small and micro Financial bond (8)	2019/8/8	3 years	6,000	6,000	-	127	-	(6,000)	-
19 Small and micro Financial bond(8)	2019/10/14	3 years	6,000	6,000	-	164	-	(6,000)	-
19 Small and micro Financial bond (8)	2019/10/14	5 years	1,000	1,000	-	38	-	-	1,000
20 Small and micro Financial bond (9)	2020/3/4	3 years	5,500	5,500	-	161	-	-	5,500
20 Small and micro Financial bond (9)	2020/3/4	5 years	1,500	1,500	-	47	-	-	1,500
20 Financial bond (10)	2020/4/9	3 years	5,000	5,000	-	120	-	-	5,000
20 Tier II capital Bond (11)	2020/8/6	10 years	10,000	9,997	-	410	-	-	9,997
21 Financial bond (14)	2021/4/8	3 years	5,000	4,999	-	174	-	-	4,999
21 Tier II capital Bond (15)	2021/6/3	10 years	6,000	5,999	-	232	-	-	5,999
21 Tier II capital Bond (15)	2021/7/8	10 years	3,500	3,499	-	129	-	-	3,499
19 Maxwealth financia Bond (12)	2019/3/13	3 years	2,000	1,999	-	15	1	(2,000)	-
20 Maxwealth financia Bond (13)	2020/2/25	3 years	1,000	1,000	-	33	-	-	1,000
22 Financial bond (16)	2022/2/16	3 years	10,000	-	10,000	241	(1)	-	9,999
22 Financial bond (16)	2022/5/11	3 years	10,000	-	10,000	183	(1)	-	9,999
22 Financial bond (16)	2022/6/9	3 years	10,000	-	10,000	155	(2)	-	9,998
22 Financial bond (16)	2022/11/3	3 years	10,000	-	10,000	37	-	-	10,000
22 Tier II capital Bond (17)	2022/8/2	10 years	22,000	-	22,000	293	(3)	-	21,997
		Term of bond		Actual interest rate		Book value at the end of year		Balance at the end of year	
Deposit of other banks		1 month to 1 year		1.36%-3.11%		323,460		321,358	

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

22. Bond payable (continued)

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

	Date of issue	Bond period	Book value	Dec. 31, 2020	Issued in 2021	2021 Accrued interest	Discount Amortize	Repayment	Dec. 31, 2023
12 Subordinated (1)	2012/11/22	15 years	3,000	2,996	-	173	-	-	2,996
13 Financial bond (2)	2013/4/16	10 years	3,000	2,998	-	154	1	-	2,999
17 Tier II capital Bond (3)	2017/12/6	10 years	10,000	9,992	-	481	1	-	9,993
18 Financial bond (4)	2018/3/20	3 years	10,000	9,995	-	118	5	(10,000)	-
18 Financial bond (4)	2018/5/21	3 years	8,000	7,995	-	151	5	(8,000)	-
18 Financial bond (4)	2018/7/24	3 years	6,000	5,996	-	149	4	(6,000)	-
18 Green financial Bond (5)	2018/10/24	3 years	3,000	2,999	-	98	1	(3,000)	-
19 Financial bond (6)	2019/1/14	3 years	6,000	6,000	-	210	-	-	6,000
19 Tier II capital Bond (7)	2019/7/10	10 years	10,000	10,000	-	440	-	-	10,000
19 Small and micro Financial bond (8)	2019/8/8	3 years	6,000	6,000	-	208	-	-	6,000
19 Small and micro Financial bond (8)	2019/10/14	3 years	6,000	6,000	-	208	-	-	6,000
19 Small and micro Financial bond (8)	2019/10/14	5 years	1,000	1,000	-	38	-	-	1,000
20 Small and micro Financial bond (9)	2020/3/4	3 years	5,500	5,500	-	161	-	-	5,500
20 Small and micro Financial bond (9)	2020/3/4	5 years	1,500	1,500	-	47	-	-	1,500
20 Financial bond(10)	2020/4/9	3 years	5,000	5,000	-	120	-	-	5,000
20 Tier II capital Bond (11)	2020/8/6	10 years	10,000	9,997	-	410	-	-	9,997
21 Financial bond 14)	2021/4/8	3 years	5,000	-	5,000	125	(1)	-	4,999
21 Tier II capital Bond (15)	2021/6/3	10 years	6,000	-	6,000	131	(1)	-	5,999
21 Tier II capital Bond (15)	2021/7/8	10 years	3,500	-	3,500	60	(1)	-	3,499
19 Maxwealth financia Bond (12)	2019/3/13	3 years	2,000	1,999	-	76	-	-	1,999
20 Maxwealth financia Bond (13)	2020/2/25	3 years	1,000	1,000	-	32	-	-	1,000
		Term of bond		Actual interest rate		Book value at the end of year		Balance at the end of year	
Deposit of other banks		1 month to 1 year		2.35%-2.96%		299,840		296,357	

(1) On 22 November 2012, the Company issued 15-year term subordinated bonds at the par value of RMB 3 billion in the national inter-bank bond market. The Company has the right of redemption of these subordinated bonds at the end of the 10th year of interest accrual. The annual interest rate for these subordinated bonds is 5.75%. The interest shall be paid annually and once it is in due, the principal shall be paid off at one time. On November 23, 2022, the Group exercised its redemption right and fully redeemed the current bond.

(2) On 16 April 2013, the Company issued the term financial bonds at the par value of RMB 8 billion in the national inter-bank bond market, including: type 1 is the five-year bonds of fixed interest rate, RMB 5 billion, coupon rate 4.70%; type 2 is the ten-year bonds of fixed interest rate, RMB 3 billion coupon rate 5.13%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

22. Bond payable (continued)

- (3) On 6 December 2017, the Company issued the Tier II Capital bonds at the par value of RMB 10 billion in the national inter-bank bond market, it is the 10-year bonds of fixed 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. On December 7, 2022, the Group exercised its redemption right and fully redeemed the current bond.
- (4) 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.
- (5) 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.
- (6) On January 14, 2019, the Group publicly issued financial bonds with a total face value of RMB 6 billion in the national inter-bank bond market. They're fixed-rate financial bonds with a maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.50%. The interest will be paid by year, and the principal will be return upon maturity. On January 16, 2022, the bond was due for redemption.
- (7) 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.
- (8) On August 8, 2019, October 14, 2019 and October 14, 2019, the Group issued special financial bonds with total face value of RMB 6 billion, RMB 6 billion and RMB 1 billion for small and micro enterprise loans in the national inter-bank bond market. Among which, the bonds of type I have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type II have fixed interest rate, with the maturity of 3 years, a scale of RMB 6 billion, and a nominal interest rate of 3.46%; the bonds of type III have fixed interest rate, with the maturity of 5 years, a scale of RMB 1 billion, and a nominal interest rate of 3.8%. The interest will be paid by year, and the principal will be return upon maturity. On August 10, 2022 and October 16, 2022, the bonds of type I and type II have matured and been redeemed.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

22. Bond payable (continued)

- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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 2022

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

22. Bond payable (continued)

(16) On February 16, 2022, May 11, 2022, June 9, 2022 and November 3, 2022, the Group publicly issued four financial bonds with a total face value of RMB 10 billion respectively in the national inter-bank bond market, among which, the type I is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.78%, the interest is paid annually, and the principal is repaid at its maturity; type II is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.84%, the interest is paid annually, and the principal is repaid at its maturity; type III is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.81%, the interest is paid annually, and the principal is repaid at its maturity; type IV is three-year fixed rate bonds, with a scale of RMB 10 billion, a coupon rate of 2.48%, the interest is paid annually, and the principal is repaid at its maturity.

(17) On August 4, 2022, the Group publicly issued secondary capital bonds amounted to RMB 22 billion in the national interbank bond market. The bonds are a 10-year fixed interest rate variety, with a conditional issuer redemption option at the end of the fifth year. The coupon rate is 3.24%, with annual interest payments and a one-time principal repayment upon maturity.

23. Lease liabilities

Analysis by maturity - without discount analysis

	Dec. 31, 2022	Dec. 31, 2021
Within 1 year (included)	729	718
1-2 years (included)	639	658
2-3 years (included)	515	559
3-5 years (included)	789	731
Over 5 years	522	714
	<hr/>	<hr/>
Total undiscounted lease liabilities	3,194	3,380
	<hr/>	<hr/>
Lease liabilities	2,888	3,002
	<hr/>	<hr/>

In 2022, the total cash outflow related to leasing paid by the Group as the lessee was RMB 1,138 million, of which the amount paid to repay lease liabilities included in financing activities was RMB 1,046 million, and the other cash outflows were included in operating activities.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

24. Estimated liabilities

2022	Beginning balance	Increase	Decrease	Ending balance
Expected credit loss provision for credit commitments	2,298	654	-	2,952
Others	12	83	-	95
	<u>2,310</u>	<u>737</u>	<u>-</u>	<u>3,047</u>
2021	Beginning balance	Increase	Decrease	Ending balance
Expected credit loss provision for credit commitments	2,822	1,201	(1,725)	2,298
Others	-	12	-	12
	<u>2,822</u>	<u>1,213</u>	<u>(1,725)</u>	<u>2,310</u>

25. Other liabilities

	Dec. 31, 2022	Dec. 31, 2021
Other payables	16,715	14,212
Settlement amount payable	7,126	2,948
Contractual liabilities	454	267
Output tax to be carried forward	125	73
Dividend payable	24	24
Others	1,587	386
	<u>26,031</u>	<u>17,910</u>

25.1. Other payables

	Dec. 31, 2022	Dec. 31, 2021
Bills payable	13,485	11,164
Security assets to be transferred	362	279
Unpaid of construction	250	263
Deposit received	-	215
Lease deposit	243	209
Unclaimed deposit account	207	181
Others	2,168	1,901
	<u>16,715</u>	<u>14,212</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 2022 (31 Dec. 2021: none).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

26. Share capital

2022	Dec. 31, 2021		Change		Dec. 31, 2022		
	Amount	Prop%	Newly issued	Desterilization	Amount	Prop%	
I. Shares subject to restriction on sale							
1. State-owned shares	-	0.00%	-	-	-	0.00%	
2. Shares held by state-owned legal persons	-	0.00%	-	-	-	0.00%	
3. Shares held by other domestic investors	-	0.00%	-	-	-	0.00%	
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%	
4. Shares held by foreign investors	76	1.15%	-	-	76	1.15%	
<i>Amongst: shares held by foreign legal person</i>	76	1.15%	-	-	76	1.15%	
5. Shares held by senior management	4	0.06%	-	-	4	0.06%	
Total of shares subject to restriction on sales	80	1.21%	-	-	80	1.21%	
II. Shares not subject to restriction on sales							
RMB-denominated ordinary shares	6,524	98.79%	-	-	6,524	98.79%	
Total of shares not subject to restriction on sales	6,524	98.79%	-	-	6,524	98.79%	
III. Total shares	6,604	100.00%	-	-	6,604	100.00%	
	2021	Dec. 31, 2020	Change		Dec. 31, 2021		
		Amount	Prop%	Newly issued	Desterilization	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%	

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 2022

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

27. Other equity instruments

As of Dec. 31, 2022, the preferred stock and convertible bonds issued by the Group are as follows:

Date of issue	Accounting classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y. 01:								
2015/11/16	Preferred share	4.68%	100	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	0.1 billion shares	RMB 10 billion	N/A	Mandatory conversion under certain trigger events	N/A

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

Date of issue	Accounting classification	Stock interest rate or interest rate	Issue price	Quantity	Amount	Expiration or renewal	Convertible conditions	Conversion
N.H.Y. 01:								
2015/11/16	Preferred share	4.68%	100	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	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 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 2022

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

27. Other equity instruments (continued)

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

2022

	Jan. 1, 2022		Increase		Decrease		Dec. 31, 2022	
	Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
2022 domestic		RMB 14.81 billion						RMB 14.81 billion
Preferred share	148.5 million		-	-	-	-	148.5 million	
		RMB 14.81 billion		-		-		RMB 14.81 billion

2021

	Jan. 1, 2021		Increase		Decrease		Dec. 31, 2021	
	Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
2021 domestic		RMB 14.81 billion						RMB 14.81 billion
Preferred share	148.5 million		-	-	-	-	148.5 million	
		RMB 14.81 billion		-		-		RMB 14.81 billion

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

	Dec. 31, 2022	Dec. 31, 2021
Equity attributable to parent company	167,626	149,359
Equity attributable to ordinary shareholders of parent company	152,816	134,549
Equity attributable to other shareholders of parent company	14,810	14,810
Equity attributable to minority shareholder	900	576
Equity attributable to minority shareholder of ordinary shares	900	576

28. Capital reserve

2022	Dec. 31, 2021	Change	Dec. 31, 2022
Capital reserve	37,695	(29)	37,666
	37,695	(29)	37,666
2021	Dec. 31, 2020	Change	Dec. 31, 2021
Capital reserve (note 1)	26,403	11,292	37,695
	26,403	11,292	37,695

Note 1: Changes in capital reserves due to capital increase of the Company.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

29. Other comprehensive income

Other comprehensive income in the consolidated comprehensive income statement:

2022

	Jan. 1, 2022	Change	Dec. 31, 2022
Other comprehensive income not expected to be reclassified into profit and loss			
Changes in fair value of other equity instrument investments	88	(22)	66
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	3,048	(1,014)	2,034
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	1,221	316	1,537
	<u>4,371</u>	<u>(720)</u>	<u>3,651</u>

2021

	Jan. 1, 2021	Change	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>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

29. Other comprehensive income (continued)

Current amount of other comprehensive income:

2022

	Pretax amount	Less: included in other comprehensive income in the previous period and transferred into profit and loss in the current period	Less: income tax	Attributable to the shareholders of the parent company	Attributable to minority shareholder
Other comprehensive income not expected to be reclassified into profit and loss					
Changes in fair value of other equity instrument investments	(30)	-	8	(22)	-
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	(1,145)	(206)	337	(1,014)	-
Provision for credit loss of debt instrument investment measured at fair value with changes included in other comprehensive income	421	-	(105)	316	-
	(754)	(206)	240	(720)	-

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 minority shareholder
Other comprehensive income not expected to be reclassified into profit and loss					
Changes in fair value of other equity instrument investments	35	-	(9)	26	-
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	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	-
	4,415	(53)	(1,091)	3,271	-

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

30. Surplus reserve

2022	Jan. 1, 2022	Provision in the year	Dec. 31, 2022
Statutory surplus reserve	<u>10,418</u>	<u>2,040</u>	<u>12,458</u>
2021	Jan. 1, 2021	Provision in the year	Dec. 31, 2021
Statutory surplus reserve	<u>8,632</u>	<u>1,786</u>	<u>10,418</u>

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

31. Provision for general risks

2022	Jan. 1, 2022	Provision in the year	Others	Dec. 31, 2022
Provision for general risks	<u>16,833</u>	<u>4,055</u>	<u>56</u>	<u>20,944</u>
2021	Jan. 1, 2021	Provision in the year	Others	Dec. 31, 2021
Provision for general risks	<u>13,608</u>	<u>3,225</u>	<u>-</u>	<u>16,833</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 2021 general meeting of shareholders of the Group on May 18, 2022, the provision for general risks amounted to RMB 3,150,000,000 was withdrawn from the undistributed profits of 2021 (2021: general risk reserve amounted to RMB 2,729,000,000 was withdrawn from the undistributed profits of 2020) . The general risk reserves of subsidiaries in 2022 were RMB 905,000,000 (2021: RMB 496,000,000).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

32. Undistributed profit

	2022	2021
Undistributed profit at the end of last year	58,628	47,919
Changes in accounting policies	-	(65)
Undistributed profit at the end of last year (adjusted)	58,628	47,854
Net profit attributable to shareholders of the parent company	23,075	19,546
Less: provision for accumulated statutory surplus reserve 1	2,040	1,786
Provision for general risks	4,055	3,225
Cash dividend payable for preferred shares	757	757
Cash dividend payable for ordinary shares	3,302	3,004
Others	56	-
	71,493	58,628

See Note XIV for the predetermined 2022 distribution plan. The financial statement of the year 2022 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On April 6, 2022, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2021 net profit as the statutory surplus reserve and withdraw the amount of RMB 3,150,000,000 as general provision. Cash dividends were distributed to the registered ordinary shareholders after the close of the stock market on the equity distribution registration date, and the payment of cash dividend was RMB 5 (including tax) per 10 shares, with the total cash dividend of RMB 3,302,000,000 being distributed. This distribution decision has passed on the general meeting of shareholders on May 18, 2022.

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 26, 2022, which approved the start value date for the distribution of the dividend would be November 16, 2021. 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 26, 2022, which approved the start value date for the distribution of the dividend would be November 7, 2021. 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 2022

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

33. Net interest income

	2022	2021
Interest incomes		
Loans and advances (Note 1)	52,164	45,346
<i>Including: corporate loans and advances</i>	<i>24,249</i>	<i>20,419</i>
<i>Personal loans and advances</i>	<i>24,629</i>	<i>21,917</i>
<i>Notes discounted</i>	<i>2,782</i>	<i>2,662</i>
<i>Trade financing</i>	<i>504</i>	<i>348</i>
Due from other banks	164	189
Deposit in central bank	1,441	1,352
Loans to other banks	757	319
Redemptory monetary capital for sale	577	659
Bond investment	17,566	13,206
Assets custody plan and credit management plan	6,062	6,691
	<u>78,731</u>	<u>67,762</u>
Interest expenses		
Due to other banks	(2,698)	(2,259)
Borrowing from central bank	(2,330)	(2,304)
Placements from other institutions	(2,706)	(2,084)
Deposit	(21,632)	(19,060)
Repurchase agreements financial assets	(1,132)	(1,349)
Bonds payable	(10,601)	(7,895)
Lease liability	(111)	(114)
	<u>(41,210)</u>	<u>(35,065)</u>
Net interest income	<u>37,521</u>	<u>32,697</u>

Note 1: in 2022, the interest income generated by the impaired financial assets of the Group was RMB 46 million (2021: RMB 22 million).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

34. Net fee and commission income

	2022	2021
Fee and commission incomes		
Settlement and clearing business	273	264
Bank cards business	163	118
Agency business	7,036	7,839
Guarantee business	674	624
Custody business	473	482
Consulting business	48	87
Others	13	11
	<u>8,680</u>	<u>9,425</u>
Fee and commission expenses		
Settlement and clearing business	(228)	(159)
Bank cards business	(122)	(95)
Agency business	(369)	(504)
Custody business	(65)	(78)
Others	(430)	(327)
	<u>(1,214)</u>	<u>(1,163)</u>
Net fee and commission incomes	<u><u>7,466</u></u>	<u><u>8,262</u></u>

35. Investment income

	2022	2021
Investment income from disposal of trading financial assets	(597)	(82)
Investment income from disposal of debt instruments measured at fair value with changes included in other comprehensive income	2,550	1,034
Gains from trading financial assets during the holding period	9,770	11,438
Profit and loss of derivatives business	(388)	(88)
Profit and loss of precious metal business	(204)	(53)
Income from equity investment	22	6
Income from de-recognition of financial assets measured at amortized cost	139	289
Others	9	(13)
	<u>11,301</u>	<u>12,531</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

36. Other incomes

Government subsidies related to daily activities are as follows:

	2022	2021
Financial aid	45	67
Loan risk compensation	-	1
Government incentive	-	25
Refund of withholding personal income tax	25	27
Special fund for inclusive finance	253	183
	<u>323</u>	<u>303</u>

37. Gains and losses from fair value changes

	2022	2021
Fair value change of financial instrument measured by fair value and entered into the current income statement	51	817
Changes in fair value of investment real estate	(8)	(7)
Changes in fair value of derivative financial instruments	1,499	(915)
	<u>1,542</u>	<u>(105)</u>

38. Exchange gains and losses

	2022	2021
Gains and losses from changes in fair value of foreign exchange derivatives	5,030	3,745
Other exchange gains and losses	(5,334)	(4,684)
	<u>(304)</u>	<u>(939)</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

39. Taxes and surcharges

	2022	2021
City maintenance and construction tax	211	175
Educational surcharges	150	127
Stamp duty	38	29
Housing property tax	64	79
Other taxes	4	3
	467	413
	467	413

40. Business and administrative expenses

	2022	2021
Staff costs	13,648	12,602
Business expenses	5,751	4,850
Depreciation of fixed assets	797	718
Depreciation of right-of-use assets	770	691
Amortization of long-term deferred expenses	273	251
Amortization of intangible assets	249	246
Short-term lease fee and lease fee of low value asset	94	142
	21,582	19,500
	21,582	19,500

41. Credit impairment losses

	2022	2021
Impairment loss of loans and advances measured at amortized	10,834	9,262
Impairment loss of loans and advances measured at fair value with changes included in other comprehensive income	(174)	419
Impairment loss of deposit in banks	(22)	(8)
Impairment loss of due from banks	(64)	85
Impairment loss of debt investment	(1,710)	1,277
Impairment loss of other debt investment	595	173
Impairment loss of other assets	309	(57)
Impairment loss of credit commitment	654	1,201
Impairment loss of redemptory monetary capital for sale	9	2
	10,431	12,354
	10,431	12,354

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

42. Income tax

	2022	2021
Income tax of the current period	1,536	1,886
Deferred income tax	612	(1,050)
	<u>2,148</u>	<u>836</u>

Relationship between income tax and accounting profits as follows:

	2022	2021
Total profits	25,280	20,445
Tax rate	25%	25%
Tax amount at statutory tax rate	6,320	5,111
Adjustment of current tax items	(23)	(115)
Tax-free income	(5,172)	(4,641)
Non-deductible costs	1,023	481
	<u>2,148</u>	<u>836</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

43. Earnings per share

Ordinary shareholders' net profit of the current period divided by the weighted average of the outstanding common stock equal to basic earnings per share. Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the reporting period by the adjusted weighted average number of ordinary shares in issue.

Calculation of basic earnings per share is as follows:

	2022	2021
Net profit attributable to shareholders of the parent company	23,075	19,546
Less: current net profit of the other equity holders of the parent company	757	757
Current net profit of the shareholders of the parent company	22,318	18,789
Weighted average of ordinary shares in issue	6,604	6,008
Basic and diluted earnings per share attributable to common shareholders of the parent company (RMB / share)	3.38	3.13
Net profit attributable to common shareholders of the parent company after deducting non recurring profits and losses	22,386	18,754
Basic and diluted earnings per share attributable to common shareholders of the parent company after deducting non recurring profits and losses (RMB Yuan/share)	3.39	3.12

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 2022, the Company announced the issuance of preferred share dividends of RMB 757 million (in 2021, the Company announced the issuance of preferred stock dividends of RMB 753 million).

The characteristics of conversion of preferred shares make the Company own or have the possibility to issue common shares. As of December 31, 2022 (Dec 31, 2021: the same), the trigger event of share conversion has not occurred, and the characteristics of share conversion of preferred shares have no impact on the calculation of basic and diluted earnings per share in 2022 (2021: the same).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

44. Cash and cash equivalents

	Dec. 31, 2022	Dec. 31, 2021
Cash	38,426	24,483
<i>Including: Cash</i>	<i>1,469</i>	<i>1,487</i>
<i>Current deposit in other banks</i>	<i>20,918</i>	<i>15,369</i>
<i>Payable balances with central banks</i>	<i>16,039</i>	<i>7,627</i>
Cash equivalent	13,788	19,673
<i>Including: Placements with other Institutions due within 3 months</i>	<i>1,950</i>	<i>10,202</i>
<i>Reserve repurchase financial assets due within 3 months</i>	<i>11,838</i>	<i>9,471</i>
	<hr/>	<hr/>
Balance of cash and cash equivalents at the end of the year	<u>52,214</u>	<u>44,156</u>

45. Other cash received relating to operating activities

	2022	2021
Pending settlement paid	12,662	3,284
Rent income	16	10
Other incomes	2,371	1,642
	<hr/>	<hr/>
	<u>15,049</u>	<u>4,936</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

46. Cash paid for other operating related activities

	2022	2021
Pending settlement paid	5,904	3,585
Business promotion and advertising	1,422	602
Business entertainment expense	360	800
Office and administration expenses	4,276	3,326
	<u>11,962</u>	<u>8,313</u>

47. Cash flow of operating activities

	2022	2021
Net profit	23,132	19,609
Add: loss of fixed assets impairment	10,431	12,354
Impairment loss of other assets	-	23
Depreciation of fixed assets	797	718
Depreciation of right-of-use assets	770	691
Amortization of intangible assets	249	246
Amortization of deferred expenses	292	384
Income from disposal of fixed assets, intangible assets and other long-term assets	(13)	(7)
Loss of fair value adjustment	(1,542)	105
Investment interest income and investment income	(23,631)	(22,365)
Interest expense of lease liabilities	111	114
Interest expense of bond payable	10,601	7,895
Decrease/(increase) in deferred income tax assets	612	(1,050)
Increase in operational receivables	(237,108)	(234,688)
Increase in operating payables	310,067	171,422
	<u>94,768</u>	<u>(44,549)</u>

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

48. Transfer of financial assets

The Company enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases where these transferred financial assets qualify for de-recognition, the transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Company has retained substantially all the risks and rewards of these assets, the Company continued to recognize the transferred assets.

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, 2022, the book value of assets transferred by the Group and the Company in securities lending transactions was RMB 26.02 billion (December 31, 2021: RMB 16.752 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, 2022, all credit assets transferred by the Group in the securitization of credit assets have been derecognized. In 2022, 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 24.415 billion (2021: RMB 30.937 billion).

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 2022, the Group did not engage in non-recourse leasing factoring business (in 2021, the book value of the underlying assets transferred by the Group in the non-recourse leasing factoring business was RMB 278 million on the transfer date).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

49. Collateral information

Assets used as security

The following assets of the Group are used as collateral for repurchase agreement transactions, inter-bank loans, central bank loans, bonds and treasury time deposits.

	Dec. 31, 2022	Dec. 31, 2021
Bond		
-For repurchase agreements transaction	100,662	84,165
-For borrowing from the central bank	63,972	92,753
-For financing of bonds	434	700
-For treasury time deposits	41,114	36,485
	<u>206,182</u>	<u>214,103</u>
Loans and advances		
-Pledge for interbank loans	4,941	2,867
	<u>4,941</u>	<u>2,867</u>
Total	<u>211,123</u>	<u>216,970</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

V. Changes in the Scope of Combination

1. Combination of enterprises not under common control that occurred this year

Acquiree	Time of acquisition	acquisition cost	Proportion of equity obtained	Acquisition method	Acquisition date	Basis for determining the acquisition date	Income of the acquiree from the purchase date to the end of the period	Net profit of the acquiree from the purchase date to the end of the period	Cash flow from operating activities of the acquiree from the purchase date to the end of the period	Net cash flow of the acquiree from the purchase date to the end of the period
BNB Consumer Finance	May 6, 2022	RMB 1.091 billion	70%	Stock right transfer	May 6, 2022	settlement day	613	26	(75)	(131)

2. Confirmation of combination costs and goodwill

Combination cost - cash consideration payment	1,091
Share of fair value of identifiable net assets obtained	(798)
	<hr/>
Goodwill	293
	<hr/> <hr/>

3. Assets and liabilities of the acquiree on the acquisition date

	Fair value at acquisition date	Book value at acquisition date	Dec. 31, 2021 Book value
Deposits in other banks	458	458	535
Loans and advances	5,393	5,393	6,275
Fixed assets	1	1	1
Right-of-use asset	18	18	8
Intangible assets	444	4	4
Deferred income tax assets	135	135	135
Other assets	60	60	82
Deposits from other banks and financial institutions	(945)	(945)	(4,491)
Loans from other banks and other financial institutions	(4,289)	(4,289)	(1,690)
Payroll payable	(11)	(11)	(26)
Tax payable	(2)	(2)	(9)
Lease liabilities	(5)	(5)	(8)
Deferred income tax liabilities	(110)	-	-
Other liabilities	(6)	(6)	(6)
	<hr/>	<hr/>	<hr/>
Net assets	1,141	811	810
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

VI. Changes in the Scope of Combination (continued)

3. Assets and liabilities of the acquiree on the acquisition date (continued)

Consideration paid in cash	1,091
Cash and cash equivalents obtained from acquired subsidiaries	<u>(458)</u>
Net cash paid for acquiring subsidiaries	<u><u>633</u></u>

Except for intangible assets, most of the assets and liabilities of BNB Consumer Finance were measured at fair value or items with little difference between fair value and book value.

The Group adopts the income method to determine the fair value of identifiable intangible assets of the acquiree on the purchase date, and the key assumptions are listed as follows:

The Group assumed that all types of franchise rights owned by BNB Consumer Finance can be renewed and approved by relevant regulatory authorities upon expiration, there will be no future events that may affect the development and revenue realization of the Company, and the current business management model and customer service continuous operation can be maintained.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

VII. Interests in Other Entities

1. Interests in the subsidiaries

The subsidiaries of the Company as of Dec. 31, 2022 were as follows:

	Major Operation site	Registration place	Business nature	Registered capital	Shareholding ratio
Maxwealth Finance Leasing Co. Ltd.	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 0.4 billion	71.49%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	RMB 20 million	71.49%
Maxwealth International Assets Management Co., Ltd.	Hong Kong	Hong Kong	Assets management	HDK 0.1 billion	71.49%
BNB Financial Management Co., Ltd.	Ningbo	Ningbo	Financial service	RMB 1.5 billion	100%
Zhejiang BNB Consumer Finance Co., Ltd. (note)	Ningbo	Ningbo	Consumer finance	RMB 0.9 billion	76.67%

Note: Zhejiang BNB Consumer Finance Co., Ltd. was opened on January 19, 2023 at the new address in Ningbo.

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.

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

The structured entities included in the consolidation scope of the group include asset management plans issued, managed and invested by the group, securities investment funds and limited partnerships managed by the group as general partners. In addition, the asset management plans and trust plans issued and managed by a third-party institution entrusted by the Group were also included in the consolidation scope. As the group has power over such structured entities, enjoys variable returns by participating in relevant activities, and has the ability to use its power over the investee to affect its variable returns, the Group has control over such structured entities. As of December 31, 2022, the asset size of the structured entities included in the consolidation scope of the group was RMB 88,089 million (December 31, 2021: RMB 61.673 billion).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

VII. 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 initiated and managed by the Group but not included into the consolidated scope are mainly the financial products issued and managed by the Group as the administrator. On the basis of potential customer group analysis and study, the Group designs and sells capital investment and management plan to target customer groups, inputs the collected financial capital into related financial market or financial products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the Group obtains the commission including sales fee, fixed management fee, and floating management fee. The Group obtains the commission income as the asset manager. As of December 31, 2022, the balance of such unconsolidated bank financial products of the Group totaled RMB 369.625 billion (December 31, 2021: RMB 322.270 billion).

As of December 31, 2022, the book value of the group's investment in the above financial products amounted to RMB 104 million (December 31, 2021: RMB 10 million). The maximum loss exposure of the investment in the above financial products was close to its book value.

In 2022, 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 1.532 billion (2021: RMB 2.582 billion).

(2) Asset securitization business

The structured entities initiated by the Group that are not included in the scope of consolidation are special purpose trusts established by third-party trust companies due to the Group's asset securitization business. As a loan service institution for this specific purpose trust, the Group charges corresponding handling fee income. The Group believes that the variable returns related to these structured entities are not significant. As of December 31, 2022, the total size of the above-mentioned special purpose trusts not included in the consolidation scope was RMB 20.015 billion (December 31, 2021: RMB 18.246 billion). The book value of the asset-backed security investment held by the Group in such credit asset securitization transactions on December 31, 2022 was RMB 548 million (December 31, 2021: RMB 320 million), and its maximum loss exposure was similar to the book value.

(3) Fund and asset management plan

Another type of structured entity initiated and managed by the Group that is not included in the consolidation scope is the securities investment fund, asset management plan, and partnership private equity fund managed by the Group. The nature and purpose of this type of structured entity is mainly to manage investors' assets and earn management fee income. The Group does not have control over this type of structured entity, thus it has not been consolidated. As of December 31, 2022, the balance of such unconsolidated structured entities of the Group was RMB 276.361 billion (December 31, 2021: RMB 262.356 billion).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

VII. 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, 2022, the book value of the Group's investments in the above-mentioned securities investment funds, asset management plans and partnership private equity funds totaled RMB 3.306 billion (RMB 6.802 billion as on December 31, 2021). 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 2022, 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 0.932 billion (2021: RMB 0.85 billion).

In 2022, the Group did not provide financial support to unconsolidated wealth management products or asset management plans (2021: none).

3.2. Interests in structured entities initiated by third-party financial institutions

The Group invested in structured entities issued or managed by some other institutions that are not included in the consolidation scope, and recognized the investment income generated from them. These structured entities mainly include asset management plans, trust investment plans, and funds. The nature and purpose of these structured entities are mainly to manage investors' assets and earn management fees. In 2022, the Group did not provide liquidity support for such structured entities (2021: none).

By Dec. 31, 2022, the book value and max loss risk exposure (Excluding accrued interest) of the assets formed from the structured entities not included into the consolidation scope but held by the Group are as follows:

2022	Trading financial assets	Creditor's rights investment	Other creditor's rights investment	Total	Max loss exposure
Asset Management Plans and Trust Plans	22,981	67,585	25,090	115,656	115,656
Funds	223,446	-	-	223,446	223,446
Wealth management product	104	-	-	104	104

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 consolidation 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
Asset Management Plans and Trust Plans	30,337	85,096	32,435	147,868	147,868
Funds	215,082	-	-	215,082	215,082
Wealth management product	10	-	-	10	10

VIII. Capital Management

The Group adopts a capital management method that is able to prevent inherent risks of the operating business of the Company in compliance with the relative requirements of the regulatory authority. The capital management is not only to meet the requirements of the regulatory authority but also to guarantee a capital adequacy ratio and a maximum shareholders' equity. Depending on the economical environment changes and risks confronted with, the Company would actively adjust the capital structure including regulating the dividend distribution, transferring capitals and issuing new bonds. The targets and methods of the capital management are the same as the previous year.

Since 2013, the Group has made capital adequacy ratio information disclosure and continuously improved the content of information disclosure in accordance with the Capital Management Measures of Commercial Banks (for Trial Implementation). In September 2022, the People's Bank of China and the Bank of China Insurance Regulatory Commission jointly released the list of national systemically important banks in 2022. The Group was in the first group of the list and faced additional capital requirements such as 0.25% additional capital and 0.125% additional leverage ratio. According to the above requirements, its core tier I Capital adequacy ratio shall not be less than 7.75%, tier I capital adequacy ratio shall not be less than 8.75%, and capital adequacy ratio shall not be less than 10.75%. During the reporting period, the Group complied with the capital requirements set by regulatory authorities.

The core tier I capital adequacy ratio, tier one capital adequacy ratio and capital adequacy ratio calculated by the Group in accordance with the Capital Management Measures for Commercial Banks (for Trial Implementation) of the CBRC and other relevant regulations are as follows:

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

VIII. Capital Management (continued)

	Dec. 31, 2022	Dec. 31, 2021
Core tier I capital		
Including: paid-in capital entered	6,604	6,604
Capital reserve, other equity instruments and other comprehensive incomes entered	41,317	42,066
Surplus reserve	12,458	10,418
General risk reserve	20,944	16,833
Undistributed profit	71,493	58,628
The portion of minority shareholder capital that can be included	107	-
Deduction	(1,635)	(578)
Including: goodwill	(293)	-
Other intangible assets (excluding land use rights)	(1,275)	(578)
Net deferred tax assets arising from operating losses	(67)	-
Net value of core tier I capital	151,288	133,971
Other tier I capital		
Including: preferred share and premium	14,810	14,810
The portion of minority shareholder capital that can be included	14	-
Net value of core tier I capital	166,112	148,781
Tier II capital		
Including: tier-II capital tools and premium	51,500	39,800
Provision for jumbo loan loss	17,767	14,941
The portion of minority shareholder capital that can be included	28	-
Net capital value	235,407	203,522
Risk weighted capital	1,551,141	1,318,873
Core tier I capital adequacy ratio	9.75%	10.16%
Tier I capital adequacy ratio	10.71%	11.28%
Capital adequacy ratio	15.18%	15.43%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

IX. 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 customers, including deposits, loans, settlements, trade related products and other services;
- (2) Personal banking refers to banking services for individual customers, 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.

2022	Corporate business	Personal business	Capital business	Other businesses	Total
Net external interest income	9,080	19,122	9,319	-	37,521
Net internal interest income	5,871	309	(6,180)	-	-
Net fee and commission income	4,627	2,152	687	-	7,466
Investment income	-	-	11,301	-	11,301
Other income	-	-	-	323	323
Gains from fair value adjustment	(3)	-	1,552	(7)	1,542
Foreign exchange gains	212	3	(519)	-	(304)
Other operating income/expense	-	-	-	10	10
Gains from assets disposal	-	-	-	13	13
Tax and surcharge	(155)	(176)	(136)	-	(467)
Business/administrative fee	(7,592)	(4,134)	(9,847)	(9)	(21,582)
Credit impairment loss	(2,942)	(8,028)	552	(13)	(10,431)
Operating profit	9,098	9,248	6,729	317	25,392
Net amount of non-operating incomes and expenses	-	-	-	(112)	(112)
Total profits	9,098	9,248	6,729	205	25,280
Total assets	648,726	379,281	1,337,942	148	2,366,097
Total liabilities	1,108,807	297,052	791,586	126	2,197,571
Supplementary information:					
Capital expenditure	787	461	1,625	-	2,873
Depreciation and amortization expenses	573	335	1,181	-	2,089

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

IX. Segmental Report (continued)

2021	Corporate business	Personal business	Capital business	Other businesses	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 losses on 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 amount of non-operating incomes and expenses	-	-	-	(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>321,359</u>	<u>1,168,825</u>	<u>32</u>	<u>2,015,548</u>
Total liabilities	<u>851,162</u>	<u>218,157</u>	<u>796,215</u>	<u>79</u>	<u>1,865,613</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 2022

X. 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, 2022		Dec. 31, 2021	
	Related party or not	Shareholding ratio	Related party or not	Shareholding ratio
Ningbo Development & Investment Group Co., Ltd.	Yes	18.74%	Yes	18.74%
Singapore Overseas-Chinese Banking Co., Ltd.	Yes	18.69%	Yes	18.69%
Ningbo Youngor (Group) Co., Ltd.	Yes	8.33%	Yes	8.33%

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

X. Related Parties Relationships and Transactions (continued)

1. Identification of related parties (continued)

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

2) Subsidiaries

See note VII/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, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	1,035	1,106
Ningbo Youngor (Group) Co., Ltd.	208	908
Key management staff of the Group and their close family members	-	9
	<u>1,243</u>	<u>2,023</u>

2.2. Financial investment

1) Trading financial assets

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	<u>10</u>	<u>-</u>

2) Creditor's rights investment

Name of related party	Dec. 31, 2022	Dec. 31, 2021
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 2022

X. 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, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	651	337
Ningbo Youngor (Group) Co., Ltd.	1,200	522
Singapore Overseas-Chinese Banking Co., Ltd.	2	-
Other enterprises under the significant influence of key managers or their close family members	58	2
Key management staff of the Group and their close family members	23	20
	<u>1,934</u>	<u>881</u>

2.4. Deposit due from other banks

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Singapore Overseas-Chinese Banking Co., Ltd.	<u>32</u>	<u>30</u>

2.5. Deposit due from the Bank

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Financial institution subordinated to Ningbo Development & Investment Group Co., Ltd.	31	-
Singapore Overseas-Chinese Banking Co., Ltd.	<u>30</u>	<u>18</u>

2.6. Off-sheet events

1) 1)L/C issuance

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	550	-
Ningbo Youngor (Group) Co., Ltd.	<u>895</u>	<u>173</u>
	<u>1,445</u>	<u>173</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

X. Related Parties Relationships and Transactions (continued)

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

2.6. Off-sheet events (continued)

2) Draft issuance

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	139	95
Ningbo Youngor (Group) Co., Ltd.	<u>1,974</u>	<u>1,544</u>
	<u>2,113</u>	<u>1,639</u>

3) L/G issuance

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	<u>4</u>	<u>-</u>

2.7. Derivative transaction

As of December 31, 2022, the balance of the nominal amount of forward foreign exchange transactions between the Group and Singapore Overseas-Chinese Banking Co., Ltd. and its subsidiaries, Ningbo Development & Investment Group Co., Ltd. and its subsidiaries, Ningbo Youngor (Group) Co., Ltd. and its subsidiaries was RMB 125 million (December 31, 2021: RMB 1057 million); The balance of the nominal amount of the foreign exchange swap received and forward is RMB 21,913 million, and the balance of the nominal amount of the forward payment is RMB 21,702 million (as of December 31, 2021: RMB 11,265 million and RMB 11,262 million respectively); the nominal principal balance of interest rate swaps is RMB 21,370 million (as of December 31, 2021: RMB 18,000 million); no option trading (December 31, 2021: none); the net expenditure on derivative transactions for the entire year of 2022 is equivalent to RMB 46 million (2021: equivalent to RMB 3 million).

2.8. Loan interest income

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	47	63
Ningbo Youngor (Group) Co., Ltd.	<u>1</u>	<u>1</u>
	<u>48</u>	<u>64</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

X. Related Parties Relationships and Transactions (continued)

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

2.9. Deposit interest expenses

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	7	6
Ningbo Youngor (Group) Co., Ltd.	<u>2</u>	<u>4</u>
	<u>9</u>	<u>10</u>

2.10. Interest income from debt investment

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Development & Investment Group Co., Ltd.	<u>24</u>	<u>26</u>

2.11. Commission income from banker's acceptance

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Ningbo Youngor (Group) Co., Ltd.	<u>1</u>	<u>-</u>

2.12. Transactions with other related parties

Name of related party	Dec. 31, 2022	Dec. 31, 2021
Remuneration of key management staff	<u>34</u>	<u>30</u>

The Management Team of the Group thought the transactions with above-mentioned related parties have been conducted in compliance with the regular business transaction terms and conditions and the normal business procedures with the general market price as the pricing fundamentals.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

X. Related Parties Relationships and Transactions (continued)

3. Major transactions between the Company and its holding subsidiaries

The current balance and major transactions between the Company and its holding subsidiaries have been offset in the consolidated financial statements. Details of the major transactions are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Lending funds	2,500	1,200
Due from banks	6,058	-
Other assets	29	45
Deposit	195	351
Deposits from banks and other financial institutions	4,730	1,890
Other liabilities	-	1
	Dec. 31, 2022	Dec. 31, 2021
Interest income	88	33
Fees and commissions	91	20
Other operating incomes	8	9
Interest expense	21	21
Service charges and commission expenses	32	160

As of December 31, 2022, the bank acceptance bill issued by the subsidiaries in the Company was RMB 5,634 million (December 31, 2021: RMB 3,877 million). The letter of credit opened was RMB 3 million (December 31, 2021: none).

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 2022

XI. Contingent Items, Commitment Items and Main Off-balance Sheet Items

1. Capital expenditure commitments

	Dec. 31, 2022	Dec. 31, 2021
Contracts signed but proceeds not yet be withdrawn	2,282	2,048
	<u>2,282</u>	<u>2,048</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, 2022	Dec. 31, 2021
Within 1 year	2	12
1 to 2 years	-	-
2 to 3 years	-	-
Over 3 years	-	-
	<u>2</u>	<u>12</u>

The Group adopted the new leasing standards on January 1, 2021. The future minimum lease payment only includes operating lease contracts that meet the exemption conditions of short-term lease or low value lease. As of December 31, 2022, 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, 2022	Dec. 31, 2021
Within 1 year	31	17
1 to 2 years	21	7
2 to 3 years	12	3
Over 3 years	31	7
	<u>95</u>	<u>34</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XI. Contingent Items, Commitment Items and Main Off-balance Sheet Items

3. Credit commitment

	Dec. 31, 2022	Dec. 31, 2021
L/C issuance	95,898	39,199
Bank acceptance bill	287,457	219,167
L/G issuance	45,902	43,828
Irrevocable loan commitment	85,800	84,675
	515,057	386,869

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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

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

4. Commitment on acceptance of national debt

Treasury Bill Redemption Commitment and Savings Bond Redemption Commitment refer to that the Company is entrusted by the Ministry of Finance to issue certain treasury bills and savings bonds (electronic). Investors of treasury bills and savings bonds have a right to ask for redemption of the bills and bonds (electronic) at any time prior to maturity and the Company is committed to redeem those bills and bonds. The redemption price is principal value of the bills and bonds plus the interest payable at that day.

As of 31 Dec. 2022, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 2,373,000,000 (31 Dec. 2021: RMB 2,822,000,000). 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, 2022, the total subject amount of the Group for the pending lawsuits was RMB 1,575,000,000 (Dec. 31, 2021: RMB 1,634,000,000). 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, 2021: no need to estimate the liabilities).

XII. 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 customer, 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	2022	2021
Entrusted loan	<u>10,855</u>	<u>12,325</u>
Entrusted deposit	<u>10,855</u>	<u>12,325</u>

XIII. Financial Instruments and Risk Analysis

The Group disclosed qualitative and quantitative information related to credit risk, liquidity risk, and market risk for the years 2022 and 2021 in accordance with the disclosure requirements of *Accounting Standards for Enterprises No.37– Presentation of Financial Instruments*.

The financial risk management mainly reveals the risks taken by the Group and its management and controlling conditions of the risks, particularly the risks confronted in the using of the financial instruments.

- Credit risk: it means the risks the Company may take when the customers or transaction counter-parties of the Company fail to fulfill their obligations agreed, including the credit exposure and settlement risk;
- Market risk: it means the exposures influenced by the observable economic parameters of the market, including the fluctuations of interest rate, exchange rate and prices of shares and commodities;
- Liquidity risk: it means the risks brought by the Company's failure to pay the matured debts under normal or depressed market environment.

The Group has stipulated corresponding policies and procedures for recognition and analysis of above mentioned risks, and also appropriate risk limits and controlling mechanisms. The Group has Risk Management Committee and its specific department, The Risk Management Department being responsible for the management of risks. The risk management department has its own clear responsibilities and is somehow independent from the business department bearing risks, and would submit its independent risk reports to the Board of Directors and the Management. The Risk Management Committee is responsible for formulating the policies and procedures for management of the risks, and also regulating the risk limits and management mechanisms. Besides, the Risk Management Committee shall at regular intervals host risk management conferences and meetings in compliance with the market conditions to improve those risk policies and procedures.

1. Credit risk

Credit risk means that customers 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 customers do the same operations or are in the same geographic region, or share the similar economic characteristics in their trades, their ability to fulfill the obligations regulated in the agreements would be simultaneously influenced by the same economic changes. The concentration level of the credit risks reveals the sensitivity of the Company's achievements to the specific trade or geographic area.

Before approving credit for customers, 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.

XIII. 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).

XIII. 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 customers and the corresponding losses). The Group uses judgments, assumptions and estimates in the measurement of expected credit loss according to the requirements of accounting standards, such as:

- Measure expected credit losses in a combination based on credit risk characteristics;
- Criteria used to judge a significant increase in credit risk
- Definition of default and credit impairment assets that have occurred;
- Parameters for measuring expected credit losses;
- Forward-looking information
- Provision for losses incurred in response to external circumstances not reflected by the model.

Measure expected credit losses in a combination based on credit risk characteristics;

When measuring expected credit losses using a combination approach, the Group has classified exposures with similar risk characteristics. During classification, the Group obtained sufficient information to ensure its statistical reliability. Among them, the Group uses credit rating intervals, product types, and customer types to measure retail loans in a portfolio.

Criteria used to judge a significant increase in credit risk

On each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers that it can obtain reasonable and reliable information, including qualitative and quantitative analysis, external credit risk rating and forward-looking information based on the Group's historical data and without paying extra cost or effort. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group determines the change of default risk during the expected duration of financial instruments by comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

The Group believes that the credit risk of financial instruments has increased significantly when one or more of the following quantitative, qualitative criterion or bottom-line constraint indicator is triggered:

Quantitative criterion:

- The rating / default probability of financial instruments at the reporting date has risen to a certain threshold, as compared with the value at its initial recognition.

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Qualitative criterion:

- The debtor has a credit risk event and is likely to cause a significant adverse effect;
- The debtor faces cash flow or liquidity problems, such as the delay of repayment;
- Deterioration of willingness for repayment, such as malicious debt evasion, fraud, etc;
- Default of debtor outside the Group, for example, non-performing asset of the debtor is found in the Credit Reference Center of the People's Bank of China;
- A significant increase in credit spreads;
- Changes in the value of collateral that may increase the risk of default (for mortgage and pledge loans).

Bottom-line constraint indicator

- The time of payment of the debtor according to the contract (including principal and interest) has been overdue for more than 30 days.

Definition of default and assets with credit impairment

When a financial asset experiences credit impairment, the Group defines it as having defaulted. Under the new financial instrument standards, the definition standards adopted by the Group to determine whether credit impairment has occurred are consistent with the internal credit risk management objectives for relevant financial instruments, while considering quantitative and qualitative indicators. When evaluating whether a debtor has experienced credit impairment, the Group mainly takes into consideration the following factors:

- Significant financial difficulties of the issuer or debtor;
- The debtor's breach of contract, such as default or overdue payment of interest or principal;
- The creditor gives the debtor concessions that will not be made in any other circumstances due to economic or contractual considerations related to the financial difficulties of the debtor;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The active market of the financial asset disappears due to the financial difficulties of the issuer or debtor;
- Purchase or originate a financial asset at a substantial discount reflecting the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events rather than the events that can be identified separately.

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.).

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Parameters for the measurement of expected credit loss (continued)

The relevant definitions are as follows:

- Probability of default is the probability that the debtor will not be able to perform its payment obligations in the next 12 months or the whole duration. The default probability of the Group is adjusted according to the results of the internal evaluation model of the new capital accord, introducing forward-looking information and removing prudent adjustment, thus reflect the default probability of the debtor under the current macroeconomic environment;
- Default loss rate refers to the Group's expectation on the loss degree of default risk exposure. Default loss rate varies with the type of counterparty, the way and priority of recourse, and the type of collateral. Default loss rate is the percentage of exposure loss at the time of default, as calculated on the basis of the next 12 months or the whole duration;
- Default exposure is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the duration.

Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit loss involve forward-looking information. By analyzing the historical data, the Group identifies key economic indicators that affecting credit risk and expected credit loss of various business types, such as the per capita disposable income of urban residents compared to the same period last year, and the consumer price index compared to the same period last year.

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

Forward-looking information (continued)

The weight of multiple scenes is set based on the principle of benchmark scenes as the main focus and supplemented by other scenes, combined with expert judgment. As of December 31, 2022, the Group set four scenarios applicable to all portfolios, with the benchmark scenario having the highest weight and the remaining scenario having weights less than 20%. According to sensitivity calculations, in case the weight of the optimistic scenario increases by 10% and the weight of the benchmark scenario decreases by 10%, the expected credit loss amount decreases by approximately RMB 956.72 million compared to the current result. In case the pessimistic scenario weight increases by 10% and the benchmark scenario weight decreases by 10%, the expected credit loss amount increases by approximately RMB 2,181.50 million compared to the current result. In case the weight of extremely pessimistic scenarios increases by 10% and the weight of benchmark scenarios decreases by 10%, The expected credit loss amount increased by approximately RMB 7,482.84 million compared to the current result (December 31, 2021: in case the optimistic scenario weight increased by 10% and the benchmark scenario weight decreased by 10%, the expected credit loss amount decreased by approximately RMB 1,238.14 million compared to the current result; in case the pessimistic scenario weight increased by 10% and the benchmark scenario weight decreased by 10%, the expected credit loss amount increased by approximately RMB 2,227.36 million compared to the current result).

The impact of these economic indicators on the probability of default and the loss rate of default varies with the type of business. In this process, the Group mainly uses external data, which is supplemented by judgment of internal expert. The Group determines the relationship between these economic indicators and default probability and default loss rate through regression analysis.

The Group regularly updates the forecast value of macroeconomic indicators, and measures the relevant weighted 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).

Under the benchmark scenario, the Group prioritized referencing the predicted values published by external authoritative institutions. In case such external predicted values are not available, the prediction results of professional teams and relevant models within the industry will be referred to. For other scenarios, historical actual data will be used for analysis and prediction.

As of December 31, 2022, the Group considered different macroeconomic scenarios and listed the important macroeconomic assumptions used to estimate expected credit losses as follows:

Item	Scope
Per capita disposable income of urban residents compared to the same period last year	-0.10 – 6.97
Consumer price index compared to the same period last year	0.49 – 3.40

In 2022, the management of the Group has also considered and provisioned for losses due to external environmental factors that were not reflected through the model. The proportion of this provision to the expected credit loss provision is not significant.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.1. In-balance-sheet assets

Loans and advances by industry are listed as follows: :

	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Prop (%)	Amount	Prop (%)
Agriculture/forestry/animal/fishing	5,010	0.48	4,859	0.56
Mining	2,512	0.24	1,405	0.16
Manufacturing	165,188	15.79	136,428	15.82
Production and supply of electricity, gas and water	15,924	1.52	11,791	1.37
Construction	37,840	3.62	32,219	3.73
Transportation, storage and mailing	18,059	1.73	14,796	1.72
Information transfer, pc service and software	12,305	1.18	9,021	1.05
Wholesale and retail	103,138	9.86	84,776	9.83
Hotel and restaurant	1,923	0.18	2,022	0.23
Finance	4,636	0.44	5,149	0.60
Real estate	84,231	8.05	55,574	6.44
Leasing and commercial service	143,418	13.71	122,954	14.25
Scientific research, technological service and geological reconnaissance	10,664	1.02	6,408	0.74
Management and investment of water resource, environmental and public facilities	43,101	4.12	37,008	4.29
Residential and other services	1,684	0.16	681	0.08
Education	1,026	0.10	1,270	0.15
Sanitation, social security and welfare	1,207	0.12	948	0.11
Culture, sports and entertainment	2,906	0.28	2,272	0.26
Subtotal of corporate loans and advances	<u>654,772</u>	<u>62.60</u>	<u>529,581</u>	<u>61.39</u>
Personal loans and advances	<u>391,230</u>	<u>37.40</u>	<u>333,128</u>	<u>38.61</u>
Total	<u>1,046,002</u>	<u>100.00</u>	<u>862,709</u>	<u>100.00</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.1. In-balance-sheet assets (continued)

Loans and advances by region are listed as follows:

	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Prop (%)	Amount	Prop (%)
Zhejiang Province	672,896	64.33	573,780	66.50
<i>Including: Ningbo</i>	<i>369,977</i>	<i>35.37</i>	<i>377,486</i>	<i>43.76</i>
Jiangsu Province	236,411	22.60	183,915	21.32
Shanghai	46,827	4.48	44,092	5.11
Beijing	37,978	3.63	30,511	3.54
Guangdong Province	37,586	3.59	30,411	3.53
Other provinces and cities	14,304	1.37	-	-
	<u>1,046,002</u>	<u>100.00</u>	<u>862,709</u>	<u>100.00</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2. Credit risk exposure

The maximum credit risk exposure borne by the Group is the book value of each financial asset (including derivative financial instruments) in the balance sheet. On the balance sheet day, the maximum credit risk exposure of off balance sheet credit business has been disclosed in note XI. 3. Maximum credit risk exposure refers to the total credit risk exposure without considering the available collateral or other credit enhancement.

	Dec. 31, 2022				Total
	Phase I	Phase II	Phase III	N/A	
Assets					
Due from Central Bank	115,575	-	-	-	115,575
Deposits in other banks	21,396	-	-	-	21,396
Lending funds	30,337	-	-	-	30,337
Redemptory monetary capital for sale	11,830	-	-	-	11,830
Loans and advances	994,851	14,622	1,344	-	1,010,817
Financial investment:					
Trading financial assets (Note 1)	-	-	-	361,511	361,511
Creditor's rights investment (note 2)	338,323	-	14	-	338,337
Other creditor's rights investment	417,956	800	-	-	418,756
Others (note 3)	2,451	19	214	30,276	32,960
Total	1,932,719	15,441	1,572	391,787	2,341,519

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.2. Credit risk exposure (continued)

	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 (Note 1)	-	-	-	355,086	355,086
Creditor's rights investment (note 2)	259,670	50	2	-	259,722
Other creditor's rights investment	351,890	261	-	-	352,151
Others (note 3)	4,615	3	147	42,807	47,572
Total	1,576,891	16,732	822	397,893	1,992,338

Note 1: Among the above financial investment - trading financial assets, the balance of asset management plans and trust plans is RMB 43,482 million (December 31, 2021: RMB 38,924 million), as mainly managed and operated by third-party trust plan trustees or asset managers. As of December 31, 2022, the Group's fund trust and asset management plan included RMB 26616 million (December 31, 2021: RMB 8661 million), which was ultimately invested in credit assets.

Note 2: In the above financial investment - debt investment, the balance of asset management plans and trust plans is RMB 69,128 million (December 31, 2021: RMB 88127 million), as mainly managed and operated by third-party trust plan trustees or asset managers, and ultimately invested in credit assets. The impairment provision is RMB 1,542 million (December 31, 2021: RMB 3,031 million), and the balance of credit assets in the third stage is RMB 268 million, with an impairment provision of RMB 254 million (December 31, 2021: the balance of credit assets in the third stage is RMB 198 million, with an impairment provision of RMB 196 million).

Note 3: Others include derivative financial assets and other financial assets.

The maximum credit risk exposure of financial assets measured at fair value listed in the above table only represents the current maximum credit risk exposure, rather than the maximum credit risk exposure after future changes in fair value.

XIII. Financial Instruments and Risk Analysis (continued)

1. Credit risk (continued)

1.3. Collateral and other credit enhancement

The type and amount of collateral depend on the credit risk assessment of the counterparty. The Group takes the acceptable type of collateral and its value as the specific implementation standard.

The collateral accepted by the Group mainly includes the following types:

- (i) Reverse repurchase agreements: bills and bonds, etc;
- (ii) Corporate loan: real estate, machinery facilities, land use right, deposit receipt, equity, etc;
- (iii) Personal loan: real estate and deposit receipt, etc;
- (iv) Debt investment: real estate, certificates of deposit, equity, land use rights, etc.

The Management will check pledge value periodically and ask customer 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

As of December 31, 2022, the principal amount of impaired loans and advances was RMB 8,615 million (December 31, 2021: RMB 6,619 million). The fair value of the collateral for impaired loans and advances was RMB 10,692 million (December 31, 2021: RMB 7,324 million). The collateral includes machinery and equipment, real estate, land, equity, etc.

1.5. Restructured loans

Restructured loans represent the loans whose original repayment terms have been modified as a result of the deterioration of borrower's financial conditions or inability to repay the loans according to the contractual terms. Expressive forms of restructured loans: loan extension, borrowing for repaying, interest deduction, deduction of partial principal, adjustment of payment method, improvement of collateral and change guarantee conditions. By December 31, 2022, the book balance of restructured loans of the Company was RMB 1,355 million (December 31, 2021: RMB 596 million).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. 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, 2022			Total
	Stage I	Stage II	Stage III	
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	Financial assets with credit impairment (expected credit loss for the entire duration)	
Not rated	62,155	677	-	62,832
Above A (included)	545,243	100	-	545,343
Below A	8,716	-	-	8,716
Total	616,114	777		616,891

	Dec. 31, 2021			Total
	Stage I	Stage II	Stage III	
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	Financial assets with credit impairment (expected credit loss for the entire duration)	
Not rated	25,652	2	-	25,654
Above A (included)	430,537	-	-	430,537
Below A	5,057	258	-	5,315
Total	461,246	260		461,506

2. Liquidity risk

Liquidity risk is the risk of incapable to meet the repayment obligations at the maturity, which can be resulted by the mismatches of terms or amounts of the assets and liabilities. The management of liquidity risks of the Group covers the prior plans, current management, afterward-adjustment and emergency plans. According to supervision authority's administration index system for the liquidity risks, the Company has also designed a series of daily liquidity risk supervision system in compliance with applicability and the actual conditions of the Company so as to control the executions of limitations on specific indexes daily, and also classify the system in accordance with supervision and adjustment rates.

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Notes to Financial Statements (Continued)
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Unit: CNY One Million

XIII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.1. Undiscounted contract cash flow of non-derivative financial instruments divided as of maturity

Dec. 31, 2022	Overdue	No Maturity	On demand	Within 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Total
Items of assets									
Cash and balances with central banks	-	99,179	17,865	-	-	-	-	-	117,044
Due from other banks	-	-	21,057	92	57	229	-	-	21,435
Loans to other banks	-	-	-	1,964	17,553	11,168	-	-	30,685
Redemptory monetary capital for sale	-	-	-	11,843	-	-	-	-	11,843
Loans and advances	8,462	-	-	69,533	111,216	523,941	293,877	206,124	1,213,153
Financial investment:									
Trading financial assets	189	-	225,635	3,732	10,063	61,096	57,906	13,533	372,154
Investment on creditor's rights	268	-	-	5,392	7,159	43,784	180,643	183,812	421,058
Other investment on creditor's rights	-	-	-	1,498	7,234	70,274	275,002	101,349	455,357
Other equity instrument investment	-	169	-	-	-	-	-	-	169
Other financial assets	213	28	397	586	254	917	391	26	2,812
Total assets	9,132	99,376	264,954	94,640	153,536	711,409	807,819	504,844	2,645,710

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

Unit: CNY One Million

XIII. 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)

Dec. 31, 2022	Overdue	No Maturity	On demand	Within 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Total
Items of liabilities									
Cash and balances with central banks	-	-	-	6,070	10,782	49,727	-	-	66,579
Due from other banks and financial institutions	-	-	79,884	570	5,246	2,389	318	-	88,407
Placements from other institutions	-	-	-	19,564	16,596	56,263	18,889	-	111,312
Trading financial liabilities	-	-	1,284	1,808	1,481	17,204	1,248	-	23,025
Financial assets sold for repurchase	-	-	-	105,787	1,979	305	-	-	108,071
Deposits	-	-	604,110	45,532	248,246	251,551	344,422	627	1,494,488
Bonds payable	-	-	-	66,220	135,048	140,433	88,821	22,110	452,632
Other financial liabilities	-	-	7,294	1,791	2,672	13,440	40	2	25,239
Total liabilities	-	-	692,572	247,342	422,050	531,312	453,738	22,739	2,369,753
Net amount of balance sheet liquidity	9,132	99,376	(427,618)	(152,702)	(268,514)	180,097	354,081	482,105	275,957
Off-balance sheet commitments	3,722	-	84,867	47,904	78,050	277,685	21,462	1,367	515,057

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

Unit: CNY One Million

XIII. 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)

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 advances	6,520	-	-	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	154	-	1,560	639	113	1,079	215	40	3,800
Total assets	<u>7,103</u>	<u>88,288</u>	<u>309,635</u>	<u>93,384</u>	<u>118,325</u>	<u>577,041</u>	<u>699,904</u>	<u>347,897</u>	<u>2,241,577</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

Unit: CNY One Million

XIII. 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)

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	-	-	-	11,127	14,712	55,599	1,471	-	82,909
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	207,562	226,782	621,127	169,565	53,220	1,939,914
Net amount of balance sheet liquidity	7,103	88,288	(352,023)	(114,178)	(108,457)	(44,086)	530,339	294,677	301,663
Off-balance sheet commitments	3,609	-	86,554	39,240	62,246	185,511	9,595	114	386,869

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2. Cash flow analysis of derivative financial instruments

Derivative financial instruments settled on a net basis

The derivative financial instruments settled on a net basis by the Group are interest rate swaps and interest rate option derivative financial instruments.

The table below represented cash flow distribution of derivative financial instruments at close-out netting with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments under specified periods is the cash flow that has not been converted into cash.

Dec. 31, 2022	Within 3 month	3 months - 1 year	1 - 5 years	Over 5 years	Total
Interest rate swap	(1)	39	(55)	1	(16)
Interest rate option	-	-	-	-	-
Dec. 31, 2021	Within 3 month	3 months - 1 year	1 - 5 years	Over 5 years	Total
Interest rate swap	(1)	(22)	(157)	1	(179)
Interest rate option	-	-	-	-	-

Derivative financial instruments settled at full amount

Derivative financial instruments settled at full amount include foreign exchange forwards, credit risk mitigation instruments, currency swaps, currency exchange, foreign exchange options, equity options and precious metal contract.

The table below represented cash flow distribution of derivative financial settled at full amount with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments in specified periods is the contract cash flow, which has not been converted into cash.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2. Cash flow analysis of derivative financial instruments (continued)

Derivative financial instruments settled at full amount (continued)

Dec. 31, 2022	Within 3 month	3 months - 1 year	1 - 5 years	Over 5 years	Total
Foreign exchange forwards					
Cash outflow	(64,828)	(64,377)	(407)	-	(129,612)
Cash inflow	66,431	65,597	423	-	132,451
Credit risk mitigation instrument					
Cash outflow	-	(400)	-	-	(400)
Cash inflow	-	-	-	-	-
Currency swap					
Cash outflow	(369,018)	(322,320)	(7,025)	-	(698,363)
Cash inflow	371,973	321,373	7,047	-	700,393
Currency exchange					
Cash outflow	(9,726)	(16,922)	(206)	-	(26,854)
Cash inflow	9,265	16,451	209	-	25,925
Share option					
Cash outflow	(116,777)	(178,453)	(172)	-	(295,402)
Cash inflow	117,088	179,888	164	-	297,140
Precious metal contract					
Cash outflow	(6,643)	(3,917)	-	-	(10,560)
Cash inflow	16,756	14,562	-	-	31,318

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

2. Liquidity risk (continued)

2.2. Cash flow analysis of derivative financial instruments (continued)

Derivative financial instruments settled at full amount (continued)

Dec. 31, 2021	Within 3 month	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 outflow	(71,432)	(148,956)	(1,277)	-	(221,665)
Cash inflow	71,215	149,146	1,310	-	221,671
Precious metal contract					
Cash outflow	(6,157)	(932)	-	-	(7,089)
Cash inflow	15,783	11,427	-	-	27,210

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, customer-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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

Unit: CNY One Million

XIII. 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, 2022	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	109,172	-	-	-	-	7,872	117,044
Due from other banks	21,126	56	202	-	-	12	21,396
Loans to other banks	1,949	17,267	10,750	-	-	371	30,337
Derivative financial assets	-	-	-	-	-	26,473	26,473
Redemptory monetary capital for sale	11,827	-	-	-	-	3	11,830
Loans and advance payments	71,454	129,572	553,153	173,319	55,358	27,961	1,010,817
Financial investments:							
Trading financial assets	3,438	9,445	56,257	52,907	12,073	227,630	361,750
Investment on creditor's rights	4,319	4,957	33,620	148,155	143,685	3,601	338,337
Other investment on creditor's rights	953	6,000	61,702	249,870	95,804	4,427	418,756
Other equity instrument investment	-	-	-	-	-	169	169
Other financial assets	-	-	-	-	-	2,684	2,684
Total assets	224,238	167,297	715,684	624,251	306,920	301,203	2,339,593

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

Unit: CNY One Million

XIII. 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, 2022	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	5,900	10,500	48,433	-	-	602	65,435
Due to banks and other financial institutions	80,440	5,200	2,257	299	-	111	88,307
Placements from other institutions	19,378	16,430	55,418	17,218	-	660	109,104
Trading financial liabilities	-	-	-	-	-	22,454	22,454
Derivative financial liabilities	-	-	-	-	-	19,583	19,583
Financial assets sold for repurchase	105,730	1,970	301	-	-	39	108,040
Deposits	649,596	69,561	247,936	329,365	627	13,220	1,310,305
Bond payable	66,157	134,034	135,665	78,990	19,997	2,002	436,845
Other financial liabilities	1,481	2,552	9,679	7	-	11,476	25,195
Total liabilities	928,682	240,247	499,689	425,879	20,624	70,147	2,185,268
Interest rate sensitivity gap	(704,444)	(72,950)	215,995	198,372	286,296	231,056	154,325

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
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Unit: CNY One Million

XIII. 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
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	218,294	100,080	566,211	514,971	232,347	337,685	1,969,588

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

Unit: CNY One Million

XIII. 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	10,962	14,061	53,601	2,750	-	545	81,919
Trading financial liabilities	-	-	-	-	-	20,882	20,882
Derivative 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	1,100	2,239	7,821	-	-	5,842	17,002
Total liabilities	848,197	211,303	540,236	147,116	47,719	58,314	1,852,885
Interest rate sensitivity gap	(629,903)	(111,223)	25,975	367,855	184,628	279,371	116,703

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.1. Interest rate risk (continued)

The Group uses sensitivity analysis to measure the potential impact of changes in interest rates on the net interest income and equity of the Group. The following table presents the results of interest rate sensitivity analysis by assets and liabilities on the balance sheet date.

	Dec. 31, 2022		Dec. 31, 2021	
	Interest rate changes (basis point)		Interest rate changes (basis points)	
	-100	+100	-100	+100
Net interest income (decrease)/increase	6,871	(6,871)	7,025	(7,025)
Increase/(decrease) in other comprehensive income in equity	13,559	(12,759)	12,583	(12,583)

The above sensitivity analysis is based on the static interest rate risk structure of assets and liabilities.

The sensitivity analysis of net interest income is based on the financial assets and liabilities held by the Group at the end of the year (excluding financial assets and liabilities measured at fair value through profit or loss), and the expected impact of interest rate changes within one year on net interest income. The sensitivity analysis of equity is based on the revaluation of other debt investments held at fixed interest rates at the end of the year measured at fair value with changes recognized in other comprehensive income, and the expected impact of changes in interest rates on their corresponding equity.

The above analysis is based on the following assumptions: all assets and liabilities that are re-priced or matured within three months or three months to one year are assumed to be re-priced or matured in the middle of the relevant period; and the yield curve moves in parallel with the change of interest rate.

Due to the above assumptions, the actual changes in the net interest income and equity of the Group caused by interest rate increases or decreases may differ from the results of this sensitivity analysis.

3.2. Foreign exchange risk

The Group is established and operates within the territory of the People's Republic of China, mainly engaged in RMB business, with foreign currency business mainly conducted in USD.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. 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, 2022	RMB	USD converted to RMB	Other currency converted to RMB	Total
Items of assets				
Cash and balances with central bank	110,544	6,434	66	117,044
Due from other banks	14,413	5,638	1,345	21,396
Loans to other banks	2,108	28,229	-	30,337
Derivative financial assets	26,463	12	(2)	26,473
Redemptory monetary capital for sale	11,830	-	-	11,830
Loans and advance payments	981,567	25,367	3,883	1,010,817
Financial investment:				
Trading financial asset	359,944	1,806	-	361,750
Investment on creditor's rights	337,047	1,290	-	338,337
Other investment on creditor's rights	380,796	37,603	357	418,756
Other equity instrument investment	169	-	-	169
Other financial assets	2,684	-	-	2,684
Total assets	2,227,565	106,379	5,649	2,339,593
Items of liabilities				
Due to central bank	65,435	-	-	65,435
Due to banks and other financial institutions	88,217	38	52	88,307
Loans from other banks	104,660	4,444	-	109,104
Trading financial liabilities	22,454	-	-	22,454
Derivative financial liabilities	19,565	21	(3)	19,583
Financial assets sold for repurchase	108,040	-	-	108,040
Deposits	1,227,660	74,414	8,231	1,310,305
Bonds payable	436,845	-	-	436,845
Other financial liabilities	25,154	5	36	25,195
Total liabilities	2,098,030	78,922	8,316	2,185,268
In-balance-sheet net position	129,535	27,457	(2,667)	154,325
Off-balance-sheet position	477,293	20,709	17,055	515,057

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. 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, 2021	RMB	USD converted to RMB	Other currency converted to RMB	Total
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	3,721	-	-	3,721
Total assets	1,875,722	86,565	7,301	1,969,588
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	80,531	1,313	75	81,919
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	16,981	20	1	17,002
Total liabilities	1,700,239	148,061	4,585	1,852,885
In-balance-sheet net position	175,483	(61,496)	2,716	116,703
Off-balance-sheet position	350,525	14,631	21,713	386,869

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. 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, 2022 and December 31, 2021.

		Dec. 31, 2022
Alteration of exchange rate	-1%	1%
Alteration of profit before tax due to exchange rate risk	113	(113)
		Dec. 31, 2021
Alteration of exchange rate	-1%	1%
Alteration of profit before tax due to exchange rate risk	588	(588)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and also calculates the influences of the rational changes of foreign currencies exchange rate against Renminbi on the pretax profit when all the other factors remain stable. The analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 1% (absolute) against closing price on the balance sheet date (middle price); (2) currency rates fluctuate against Renminbi simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure. Based on the above analysis, the real changes of the net exchange gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3.3. Disclosure of fair value

Financial assets and liabilities measured at fair value

Fair value is the price the market participant receives when selling an asset or pays when transferring a liability in the orderly transaction on the date of measurement. The fair value measured and disclosed in the financial statement is determined on this basis price that is either observable or estimated using a valuation technique.

The financial assets and financial liabilities measured at fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.com.

Level 3: the unobservable inputs of the related assets or liabilities.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Financial assets and liabilities measured at fair value (continued)

As of Dec. 31, 2022, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open market price (Lv. 1)	Valuation technique-observable market variable (Lv. 2)	Valuation technique-unobservable market variable (Lv. 3)	Total
Continues fair value measurement				
Derivative financial assets	-	26,473	-	26,473
Loans and advances	-	89,389	-	89,389
Trading financial assets	223,641	111,448	26,661	361,750
Other investment on creditor's rights	-	418,756	-	418,756
Other equity instrument investment	-	-	169	169
Total financial assets	223,641	646,066	26,830	896,537
Trading financial liabilities	95	-	21,170	21,265
Derivative financial liabilities	-	19,583	-	19,583
Total financial liabilities	95	19,583	21,170	40,848

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Financial assets and liabilities measured at fair value (continued)

As of Dec. 31, 2021, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open market price (Lv. 1)	Valuation technique-observable market variable (Lv. 2)	Valuation technique-unobservable market variable (Lv. 3)	Total
Continues fair value measurement				
Derivative financial assets	-	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>227,272</u>	<u>564,481</u>	<u>217</u>	<u>791,970</u>
Trading financial liabilities	93	-	-	93
Derivative financial liabilities	-	19,339	-	19,339
Total financial liabilities	<u>93</u>	<u>19,339</u>	<u>-</u>	<u>19,432</u>

In 2022 and 2021, 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.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Financial assets and liabilities measured at fair value (continued)

For the financial instruments that are traded in the active market, the Group determines their fair values in compliance with the quotation of the active market; for the financial instruments that are not traded in the active market, the Group determines their fair values in compliance with the valuation technique. The primary valuation model adopted is the discount cash flow method.

The level 2 financial instruments of the Group mainly include the bond investment and derivative financial instruments. The fair value of Renminbi bond is determined in compliance with the valuation results of China Government Securities Depository Trust & Clearing Co., Ltd., Interbank Clearing House Co., Ltd and China Securities Index Co. Ltd., and the derivative financial instruments are valued complying with discount cash flow method and Black-Scholes Model. All the major valuation parameters adopt the valuation method that can observe the market information.

For the unlisted equity investments held by the Group, except for some investments that refer to the latest transaction prices of similar or identical financial instruments, the valuation multiplier method of comparable companies is mainly used and appropriate adjustments are made, such as adjustments for lack of liquidity. The measurement of their fair value may adopt unobservable parameters that have a significant impact on valuation. Therefore, the Group classifies these assets into a Level 3, and unobservable parameters that may have an impact on valuation mainly include liquidity allowances. For the asset management plan and trust plan investment held by the Group, the cash flow discount model is mainly used for valuation. Unobservable parameters involved in the valuation model include risk-adjusted discount rate, etc. As of December 31, 2022, the amount of fair value changes caused by the above unobservable parameter changes was not significant. The management has evaluated the impact of macroeconomic changes and loss coverage parameters to determine whether necessary adjustments should be made to the fair value of Level 3 financial instruments. The Group has established relevant internal control procedures to monitor its exposure to such financial instruments.

Adjustment of fair value measurement

Continuous adjustment of Lv. 3 fair value measurements is as follows:

2022

	Trading financial assets	Investment in other equity instruments	Trading financial liabilities
Beginning balance	18	199	-
Include in other comprehensive income	-	(30)	-
Increase	26,643	-	21,170
Sale	-	-	-
Ending balance	26,661	169	21,170

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIII. Financial Instruments and Risk Analysis (continued)

3. Market risk (continued)

3.3. Disclosure of fair value (continued)

Adjustment of fair value measurement (continued)

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>

Financial assets and liabilities not measured by fair value

Financial assets and liabilities not measured by fair value include: cash and balances in the central bank, due from other banks, lending, reverse repurchase agreements, loans and advance payment, creditor's rights investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, borrowing funds, selling repurchase financial liabilities, deposits and bonds payable.

For the investment in debt and bonds payable that are not reflected or disclosed by fair value, their book values and fair values are as follows:

	Dec. 31, 2022		Dec. 31, 2021	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Investment on creditors' right	<u>338,337</u>	<u>340,921</u>	<u>259,722</u>	<u>261,748</u>
Financial liabilities				
Bonds payable	<u>436,845</u>	<u>434,320</u>	<u>382,364</u>	<u>383,778</u>

Except for the above financial assets and liabilities, the fair values of the other financial assets and liabilities of the balance sheet not measured by fair value are determined in compliance with future discount cash flow method and their book values are similar to their fair values:

Assets	Liabilities
Cash and deposits with central bank	Borrowings from central bank
Deposits in other banks	Deposits from banks and other financial institutions
Loans to other banks	Loans from other banks
Redemptory monetary capital for sale	Financial assets sold for repurchase
Loans and advances	Deposit
Other financial assets	Other financial liabilities

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XIV. Other items after balance sheet day

According to the resolution of the Board of Directors held on April 3, 2023, the profit distribution plan (predetermined) of the year 2022 is listed as follow:

- 1) Distribute 10% of 2022 net profit amounted to RMB 2,040 million 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 2022 amounted to RMB 2,933 million as general risk 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.

XV. Notes to Main Items of the Financial Statement

1. Long-term equity investment

2022

Subsidiary	Beginning Balance Investment	Changes during the year					Ending Book Value	Ending impairment provision
		Increased by	equity method Gains & losses	comprehensive Income	Other changes In equity	Declared cash Dividend		
Maxwealth Management Co., Ltd.	647	-	-	-	-	-	647	-
Maxwealth Leasing Co., Ltd.	5,000	-	-	-	-	-	5,000	-
BNB Management Co., Ltd.	1,500	-	-	-	-	-	1,500	-
Zhejiang BNB Consumer Finance Co., Ltd.	-	1,195	-	-	-	-	1,195	-
	7,147	1,195	-	-	-	-	8,342	-

2021

Subsidiary	Beginning Balance Investment	Changes during the year					Ending Book Value	Ending impairment provision
		Increased by	equity method Gains & losses	comprehensive Income	Other changes In equity	Declared cash Dividend		
Maxwealth Management Co., Ltd.	647	-	-	-	-	-	647	-
Maxwealth Leasing Co., Ltd.	4,000	1,000	-	-	-	-	5,000	-
BNB Management Co., Ltd.	1,500	-	-	-	-	-	1,500	-
	6,147	1,000	-	-	-	-	7,147	-

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XV. 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, 2022	Dec. 31, 2021
Measured at amortized cost		
Corporate loans and advances	475,309	393,351
Loans	462,212	379,707
Trade financing	13,097	13,644
Personal loan	384,042	333,128
Personal consumption loan	236,164	219,847
Personal operating loan	83,595	75,968
Personal housing loan	64,283	37,313
Measured at fair value with changes included in other comprehensive income		
Discount and others	89,389	65,119
Subtotal	948,740	791,598
Accrued interest	2,483	2,657
Less: Provision for loan impairment measured at amortized cost	(35,124)	(31,189)
Book value of loans and advances	<u>916,099</u>	<u>763,066</u>

The total amount of loans and advances issued by the company in the first, second and third phases were RMB 924,395 million, RMB 18,416 million and RMB 8,412 million respectively (December 31, 2021: the amounts in the first, second and third phases were RMB 766,766 million, RMB 20,893 million and RMB 6,596 million respectively).

On December 31, 2022, the loans measured at fair value with changes included in other comprehensive income were generated from discount business, and their impairment provision was RMB 892 million (December 31, 2021: RMB 1,066 million), which was included in other comprehensive income.

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XV. 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, 2022	Dec. 31, 2021
Credit loan	365,999	300,078
Guarantee loan	199,307	168,411
Mortgage loan	287,780	248,362
Pledge loan	95,654	74,747
Total loans and advances	<u>948,740</u>	<u>791,598</u>
Accrued interest	2,483	2,657
Less: provision for loan impairment	<u>(35,124)</u>	<u>(31,189)</u>
Book value of loans and advances	<u><u>916,099</u></u>	<u><u>763,066</u></u>

2.3. Overdue loans

	Dec. 31, 2022				Total
	Overdue for 1-90 days (included)	Overdue for 90-360 days (included)	Overdue for 360 days - 3 years (included)	Overdue for over 3 years	
Credit loan	1,532	1,691	355	39	3,617
Guarantee loan	107	78	280	86	551
Mortgage/pledge loan	1,207	1,364	931	304	3,806
	<u>2,846</u>	<u>3,133</u>	<u>1,566</u>	<u>429</u>	<u>7,974</u>
	Dec. 31, 2021				Total
	Overdue for 1-90 days (included)	Overdue for 90-360 days (included)	Overdue for 360 days - 3 years (included)	Overdue for over 3 years	
Credit loan	976	1,680	506	49	3,211
Guarantee loan	87	126	401	79	693
Mortgage/pledge loan	734	676	762	367	2,539
	<u>1,797</u>	<u>2,482</u>	<u>1,669</u>	<u>495</u>	<u>6,443</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XV. 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 2022 are as follows:

Provision for loan impairment measured at amortized cost:

	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	Financial assets with credit impairment (expected credit loss for the entire duration)	
Beginning balance	20,766	4,486	5,937	31,189
Accrual in the year	2,728	81	6,787	9,596
Transferred to stage I	944	(942)	(2)	-
Transferred to stage II	(291)	395	(104)	-
Transferred to stage III	(53)	(115)	168	-
Write-off and transfer out	-	-	(6,917)	(6,917)
Received from loans for sale and reconciliation from advance payment	-	-	1,302	1,302
Transfer by write-down of impaired loan and advance interest	-	-	(46)	(46)
Ending balance	<u>24,094</u>	<u>3,905</u>	<u>7,125</u>	<u>35,124</u>

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

	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	Financial assets with credit impairment (expected credit loss for the entire duration)	
Beginning balance	1,050	14	2	1,066
Accrual in the year	(164)	(8)	(2)	(174)
Transferred to stage I	(1)	1	-	-
Ending balance	<u>885</u>	<u>7</u>	<u>-</u>	<u>892</u>

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XV. 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 2021 are as follows:

Provision for loan impairment measured at amortized cost:

	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	Financial assets with credit impairment (expected credit loss for the entire duration)	
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 out	-	-	(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	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration	Financial assets with credit impairment (expected credit loss for the entire duration)	
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 2022

XV. Notes to Main Items of the Financial Statement (continued)

3. Net interest income

	2022	2021
Interest income		
Loans and advances (note 1)	46,195	41,590
<i>Including: corporate loans and advances</i>		16,632
<i>Personal loans and advances</i>	18,867	
<i>Notes discounted</i>	24,038	21,917
<i>Trade financing</i>	2,786	2,693
Due from other banks	504	348
Balance with central banks	168	123
Placements to other financial institutions	1,441	1,352
Redemptory monetary capital for sale	776	321
Bond investment	576	658
Financing product and credit plan	17,527	13,202
	6,062	6,691
	<u>72,745</u>	<u>63,937</u>
Interest expense		
Due to other banks	(2,715)	(2,273)
Borrowing from central bank	(2,330)	(2,304)
Placements from other institutions	(522)	(424)
Deposit	(21,636)	(19,066)
Financial assets sold for repurchase	(1,021)	(1,311)
Bonds payable	(10,553)	(7,786)
Lease liabilities	(107)	(113)
	<u>(38,884)</u>	<u>(33,277)</u>
Net interest income	<u>33,861</u>	<u>30,660</u>

Note 1: in 2022, the interest income generated by the company's impaired financial assets was RMB 46 million (2021: RMB 22 million).

Bank of Ningbo Co., Ltd.
Notes to Financial Statements (Continued)
For the Year Ended 31 December 2022

XV. Notes to Main Items of the Financial Statement (continued)

4. Cash flow of operating activities

	2022	2021
Adjusting net profit to cash flow from operating activities		
Net profit	20,398	17,855
Add: credit impairment loss	9,177	11,603
Impairment loss of other assets	-	23
Depreciation of fixed assets	781	707
Depreciation of right-of-use assets	731	673
Amortization of intangible assets	227	234
Amortization of deferred expenses	280	359
Income from disposal of fixed assets, intangible assets and other long-term assets	(13)	(8)
Loss/(gain) from changes in fair value	(1,044)	1,440
Investment interest income and investment income	(23,464)	(22,276)
Interest expense on lease liabilities	107	113
Interest expense on bonds payable	10,553	7,786
Decrease/(increase) in deferred income tax assets	824	(886)
Decrease in operating receivables	(176,506)	(212,892)
Increase in operating payables	251,420	149,989
	<u>93,471</u>	<u>(45,280)</u>

XVI. Comparative Data

Certain comparative data have been reclassified and rearranged to conform to the presentation of the financial statements.

Supplementary Information:

I. Detailed Statement of Non-recurring Incomes and Losses

	2022	2021
Incomes and losses on disposal of non-current assets, including the offsetting portion of the provision for asset impairment	13	7
Changes in fair value of investment real estate	(8)	(8)
Other non-recurring profit and loss items other than the above	<u>(67)</u>	<u>68</u>
Affected amount of income tax	<u>(4)</u>	<u>(28)</u>
Affected amount of minority equity (after tax)	<u>(2)</u>	<u>(4)</u>
Non-recurring profit and loss attributable to common shareholders of the parent company	<u><u>(68)</u></u>	<u><u>35</u></u>

The confirmation on the items of non-operating gains and loss of the Group is reported in compliance with CSRC Notice [2008] No. 43 the *Explanatory Announcement Concerning the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit & Loss*.

II. ROE (Return on Equity) and Earnings Per Share

2022	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	15.56	3.38	3.38
Net profit attributable to common shareholders after deducting incidental profit and loss	15.61	3.39	3.39
2021	<u>Weighted average ROE (%)</u>	<u>Earnings per share (RMB)</u>	
		Basic	Diluted
Net profit attributable to common shareholders of the Company	16.64	3.13	3.13
Net profit attributable to common shareholders after deducting incidental profit and loss	16.60	3.12	3.12

The calculation of earnings per share and return on equity of the Group is carried out in accordance with the provisions of the CSRC Rules for Information Disclosure and Reporting of Companies that Offer Securities to the Public No. 9 - Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010).

III. Unaudited Supplementary Information

Evaluation Indexes for National Systemically Important Bank

The Company calculated and disclosed the evaluation indexes for 2021 national systemically important bank according to the requirements of *Evaluation Method for Systemically Important Bank* issued by PBC and CBRC, as well as *Notice on Data Filling for Evaluation of Systemically Important Bank* issued by CBRC.

Unit: in RMB 10 thousand, number

Index	2021
Adjusted balance of assets on and off the balance sheet	238,928,784
Assets among financial institutions	50,337,171
Liabilities among financial institutions	50,804,081
Issuance of securities and other financing tools	77,612,520
Payment amount settled through payment system or agent bank	5,305,196,010
Assets in custody	353,228,885
Agency and consignment businesses	210,271,372
Corporate customers (number)	464,261
Personal customers (number)	27,821,986
Domestic business institutions (number)	460
Derivative products	294,510,059
Securities measured at fair value	53,488,327
Assets of non-bank subsidiaries	7,997,483
Financial services	3,449,093
Balance of financial products issued by financial subsidiaries	29,777,888
Overseas credit and debt	6,599,000