

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

**(Stock Code: 002142)**

## 2016 Annual Report



## Chapter One Important Notes, Content and Interpretation

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

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

The 2nd meeting of the 6th Board of Directors of the Company approved the text and abstract of 2016 Annual Report on April 26, 2017. 16 out of 18 directors attended the meeting. Director Song Hanping authorized Director Lu Yuhua for voting and Director Ben Shenglin authorized Director Fu Jianhua for voting. Part of supervisors attended as a nonvoting delegates.

The Company's profit distribution plan was approved by the Board of Directors as follows: taking the total share capital of 3,899,794,081 shares as the base number, distribute RMB 3.5 Yuan (tax inclusive) as cash bonus per 10 shares to all shareholders and transfer capital reserve to 3 shares for each 10 shares for all shareholders. This plan will be submitted to 2016 general meeting of stockholders for further approval.

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

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

Ernst & Young Hua Ming LLP audited the 2016 Financial Statements of the Company in accordance with domestic accounting principles and published unqualified opinion.

The forward-looking statements in this annual report involving the future plans are not substantive commitments to the investors. Thus the investors and persons concerned shall keep sufficient risk awareness and

understand the differences between plan, forecast and commitment.

Investors shall read the full text of the annual report carefully. The company has described major risks and will adopt the measures to control risks. For details, please refer to relevant contents about risk management in Chapter Six Discussion and Analysis of Business Conditions.

## Content

Chapter One Important Notes, Content and Interpretation .....	1
Chapter Two Company Profile .....	5
Chapter Three Summary of Accounting Data and Financial Indicators .....	9
Chapter Four Address of the Chairman .....	13
Chapter Five Address of the President .....	16
Chapter Six Discussion and Analysis of Business Conditions .....	19
Chapter Seven Important Matters .....	94
Chapter Eight Changes in Share Capital and Shareholding .....	113
Chapter Nine Relevant Situation of Preferred Shares .....	119
Chapter Ten Directors, Supervisors, Senior Manager and Basic Information on Employees .....	121
Chapter Eleven Corporate Governance .....	139
Chapter Twelve Financial Statements .....	149
Chapter Thirteen Catalogue .....	149

## Interpretation

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

Bank of Ningbo, Company	refer to	Bank of Ningbo Co., Ltd.
Maxwealth Fund	refer to	Maxwealth Fund Management Co., Ltd.
Maxwealth Leasing	refer to	Maxwealth Financial Leasing Co., Ltd.
PBOC, central bank	refer to	People's Bank of China
CSRC	refer to	China Securities Regulatory Commission
CBRC	refer to	China Banking Regulatory Commission

## Chapter Two Company Profile

### I. Company Information

Abbreviation of Common Stock	Bank of Ningbo	Code of Common Stock	002142
Abbreviation of Preferred Stock	Bank of Ningbo Preferred 01	Code of Preferred Stock	140001
Stock Exchange Listed	Shenzhen Stock Exchange		
Chinese Name	Bank of Ningbo Co., Ltd.		
Chinese Abbreviation	Bank of Ningbo		
English Name (if any)	Lu Huayu		
English Abbreviation (if any)	No. 700, Ningnan South Road, Yinzhou District, Ningbo City, Zhejiang Province, China		
Legal Representative	315100		
Registered Address	No. 700, Ningnan South Road, Yinzhou District, Ningbo City, Zhejiang Province, China		
Post Code of Registered Address	315100		
Office Address	Bank of Ningbo Co., Ltd.		
Post Code of Office Address	Bank of Ningbo		
Website	<a href="http://WWW.NBCB.COM.CN">WWW.NBCB.COM.CN</a>		
e-mail	<a href="mailto:DSH@NBCB.COM.CN">DSH@NBCB.COM.CN</a>		

### II. Contact Information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Yang Chen	Xu Yandi
Contact Address	No. 700, Ningnan South Road, Yinzhou District, Ningbo City, Zhejiang Province	No. 700, Ningnan South Road, Yinzhou District, Ningbo City, Zhejiang Province
Telephone	0574-87050028	0574-87050028
Fax	0574-87050027	0574-87050027
E-mail	<a href="mailto:DSH@NBCB.COM.CN">DSH@NBCB.COM.CN</a>	<a href="mailto:DSH@NBCB.COM.CN">DSH@NBCB.COM.CN</a>

### III. Information Disclosure and Place for Inspection

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

#### IV. Registration Changes

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

#### V. Other Relevant Information

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

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

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

Name of the sponsor institution	Office address of the sponsor institution	Name of sponsor representatives	Period of continuous supervision
CITIC Securities Co., Ltd.	CITIC Securities Mansion, No.48, Liangmaqiao Road, Chaoyang District, Beijing	Jiang Ying, Wu	From Dec. 9, 2015 to the end of 2016 accounting year
	CITIC Securities Mansion, No.8, Central 3 <sup>rd</sup> Road, Futian District, Shenzhen City, Guangdong Province	Ling	

Note: Mr. Qiu Zhiqian, the former sponsor representative of the Company, is no longer responsible for the work of continuous supervision since April 14, 2016 due to job transfer, whose job would be taken over by Mr. Jiang Ying, the sponsor representative appointed by CITIC Securities to perform the duty of sponsor. The current sponsor representatives for continuous supervision of the Company are Mr. Jiang Ying and Mr. Wu Ling.

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

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

##### (I) Development Vision

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

##### (II) Corporate Culture

Honesty and Professionalism, Compliance and Efficiency, Integration and Innovation

##### (III) Investment Value and Core Competitiveness

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

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

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

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

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

6. Adhere to the development direction of “integration and innovation, transformation and upgrading”. Regarding science and technology as one of the most important production capacity for banks, strengthened



investment to improve the competence for a long time. Upon the persistence, the science and technology supporting capacity of the Company has achieved comparative advantage among the peers and is available for the sustainable expansion of all businesses of the Bank in next stage.

## VII. Major Awards and Rankings in 2016

(I) In the “GYROSCOPE evaluation system” of healthy development capability of commercial banks issued by China Banking Association, the Company was ranked the 2<sup>nd</sup> among China’s urban commercial banks.

(II) In the list of “2016 Top 100 Banks in China” issued by China Banking Association, the Company was ranked the 25<sup>th</sup> with its core tier one net capital.

(III) In the list of “2016 Top 1000 International Banks” issued by the Banker, the Company was ranked the 177<sup>th</sup> in the world and 23<sup>rd</sup> in China with its tier one capital.

(IV) In the list of “2016 Top 500 International Banking Brands” issued by the Banker, the Company was ranked the 215<sup>th</sup> with its brand value of 627 million dollars.

(V) In the list of “2016 Top 500 Listed Companies in China” issued by the Fortune (Chinese version), the Company was ranked the 275<sup>th</sup>.

(VI) In the evaluation of one hundred excellent financial products serving small and micro businesses and agriculture, country and farmers in 2015 organized by China Banking Association, the Company’s “shortcut card” product was selected to “2015 Top 50 Financial Products Serving Small and Micro Businesses”.

(VII) The Company won the “2015 UnionPay Credit Card Business Contribution Award” issued by China UnionPay.

(VIII) The Company won the “2015 Jinniu Money Management Banking Award” issued by China Securities Journal.

(IX) The Company was awarded the “2016 Outstanding Small and Medium Banks” in the annual evaluation of ‘Leading China’ organized by the financial industry.

(X) The Company was awarded as the “2016 Best Cash Management Bank” in the evaluation of the 9<sup>th</sup> China Asset Management “Jin Bei Award”.

(XI) The Company won the “2016 Community Financial Brand Award” in the evaluation of the 7<sup>th</sup> “Jin Ding Award” organized by National Business Daily.

(XII) The Company won the award of “2016 Best Urban Commercial Bank and Investment Bank in China” in the evaluation of excellent investment banks in China organized by Securities Times.

## Chapter Three Summary of Accounting Data and Financial Indicators

### I. Key Accounting Data and Financial Indicators

During the reporting period, the Company did not adjust retrospectively or restate previous accounting data due to changes in accounting policies or correction of accounting errors.

Operating Performance (RMB thousand Yuan)	Year 2016	Year 2015	Increase/Decrease by this year	Year 2014
Operating Income	23,645,017	19,516,224	21.16%	15,356,750
Operating Profit	9,653,332	8,018,030	20.40%	7,026,577
Total Profit	9,652,078	8,014,928	20.43%	7,006,892
Net Profit	7,822,742	6,566,991	19.12%	5,634,130
Net Profit Attributable to Shareholders of the Parent Company	7,810,417	6,544,333	19.35%	5,627,466
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	7,812,396	6,506,462	20.07%	5,645,248
Net Cash Flow from Operating Activities	109,411,852	19,560,541	459.35%	22,776,297
Per Share (RMB Yuan/share)				
Basic Earnings Per Share (EPS)	1.95	1.68	16.07%	1.58
Diluted Earnings Per Share (EPS)	1.95	1.68	16.07%	1.58
Basic EPS after Non-recurring Profit and Losses	1.95	1.67	16.77%	1.58
Net Cash Flow from Operating Activities per share	28.06	5.02	459.35%	5.84
Equity per share, Attributable to Common Stockholder of the Parent Company	11.66	10.30	13.20%	8.74
Financial Ratios				
Fully-diluted Return on Equity (ROE)	16.69%	16.29%	Increased by 0.40%	16.51%
Weighted Average ROE	17.74%	17.68%	Increased by 0.06%	19.45%
Fully-diluted ROE after Non-recurring Profits and Losses	16.70%	16.19%	Increased by 0.51%	16.56%
Weighted Average ROE after Non-recurring Profits and Losses	17.75%	17.58%	Increased by 0.17%	19.51%

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 and other business income.

2. The basic earnings per share and weighted average ROE are calculated in accordance with the provisions of *No. 9 of Information Disclosure and Compilation Rules for the Companies Issuing Securities Publicly: Calculation and Disclosure of ROE and Earnings Per Share* (revised in 2010).

3. The Company paid the first-phase dividend of the preferred stocks on Nov. 16, 2016, the total amount of which was RMB 223 million. The Company has considered the effect of the preference dividends when calculating the basic earnings per share and

weighted average ROE disclosed in this report.

Scale indicators (RMB thousand Yuan)	End of 2016	End of 2015	Increase/Decrease by this year	End of 2014
Total assets	885,020,411	716,464,653	23.53%	554,112,618
Client loans and advances	302,506,678	255,688,580	18.31%	210,062,182
— Personal loans and advances	95,877,504	85,201,948	12.53%	72,735,349
— Corporate loans and advances	186,304,796	141,852,708	31.34%	127,804,398
— Notes discounted	20,324,378	28,633,924	(29.02%)	9,522,435
Loan loss reserves	9,718,337	7,289,475	33.32%	5,312,304
Total liabilities	834,634,298	671,367,334	24.32%	519,948,406
Client deposits	511,404,984	371,373,450	37.71%	306,531,829
— Personal deposit	100,284,157	82,045,992	22.23%	74,206,208
— Corporate deposit	411,120,827	289,327,458	42.10%	232,325,621
Interbank borrowing	34,832,834	20,200,607	72.43%	14,071,981
stockholders' equity	50,386,113	45,097,319	11.73%	34,164,212
Including: equity attributable to shareholders of the Parent Company	50,278,002	45,001,448	11.73%	34,091,097
Net capital	64,783,567	58,822,834	10.13%	41,844,020
Including: Tier-I net capital	50,026,660	44,794,971	11.68%	33,994,546
Net risk-weighted assets	528,644,875	442,562,618	19.43%	337,552,562

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, 2016 was 564.483 billion Yuan, increasing 126.626 billion Yuan than the beginning of the year with a growth of 28.92%; the total loan is 308.831 billion Yuan, increasing 52.230 billion Yuan than the beginning of the year with a growth of 20.35%.

## II. Key Quarterly Financial Indicators

Unit: (RMB) Thousand Yuan

	1 <sup>st</sup> Quarter of 2016	2 <sup>nd</sup> Quarter of 2016	3 <sup>rd</sup> Quarter of 2016	4 <sup>th</sup> Quarter of 2016
Operating income	6,075,851	5,970,197	5,893,773	5,705,196
Net Profit Attributable to Shareholders of the Parent Company	2,030,235	2,108,618	2,204,525	1,467,039
Net Profit Attributable to the Parent Company Shareholders after Non-recurring Profit and Loss	2,032,033	2,102,817	2,212,723	1,464,823

Net Cash Flow from Operating Activities	81,272,721	11,309,329	(7,139,007)	23,968,809
---	------------	------------	-------------	------------

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

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

Unit: (RMB) Thousand Yuan

ITEM	Year 2016	Year 2015	Year 2014
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	227	338	100
Government compensations included in current profits and losses	-	-	-
Profit and loss from changes in the fair value of investment real estate with the fair value mode for follow-up measurement	39	(37)	(13)
Profit and loss from the the reversion of provision for impairment of receivables under the individual impairment test	-	54,755	-
Other non-operating incomes and expenditures except for the above items	(1,482)	(3,440)	(19,785)
Impacts by income tax	(763)	(13,745)	1,916
Total	(1,979)	37,871	(17,782)

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

### IV. Supplementary Financial Indicators

Item	Regulatory Standard	Year 2016	Year 2015	Year 2014	
According to the <i>Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trail)</i>	Capital adequacy ratio (%)	≥10.5	12.25	13.29	12.40
	Tier-I Capital adequacy ratio (%)	≥8.5	9.46	10.12	10.07
	Core Tier-I Capital adequacy ratio (%)	≥7.5	8.55	9.03	10.07
Liquidity ratio (RMB and foreign currencies) (%)	≥25	44.95	42.44	54.61	
Liquidity coverage ratio (%)	≥80	83.80	100.34	101.48	
Ratio of deposits and loans (domestic and foreign currencies) (%)		53.68	63.73	64.12	
Ratio of non-performing loans (%)	≤5	0.91	0.92	0.89	
Provision coverage (%)	≥150	351.42	308.67	285.17	
Loan provisioning rate (%)		3.21	2.85	2.53	
Loan proportion for the largest single client (%)	≤10	1.72	2.07	2.56	
Loan proportion for the ten largest single clients (%)	≤50	13.23	12.57	12.70	
Credit proportion for the largest single group client (%)	≤15	1.90	4.36	4.40	
Normal loan migration rate (%)	Migration rate of normal loans	1.95	3.38	4.50	
	Migration rate of special-mentioned loans	45.09	34.77	42.56	
Migration rate of non-performing loans	Migration rate of subprime loans	53.20	64.06	54.99	

(%)	Migration rate of doubtful loans	25.90	18.81	49.65
Return on total assets (%)		0.98	1.03	1.11
Cost-income ratio (%)		34.26	34.03	32.07
Asset-liability ratio (%)		94.31	93.71	93.83
Net interest spread (%)		1.95	2.40	2.50
Net interest margin (%)		1.95	2.38	2.51

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

## Chapter Four Address of the Chairman

2016 was an extraordinary year during which the internal and external business environment of the banking industry was undergoing profound changes. All trades and professions were affected by frequent global political and economic Black Swan events, weak international investment and trade, sluggish recovery of major economies; though the domestic economy operated steadily, its slower growth compressed the profit space of the banking industry; the effective promotion of the supply-side structural reform, the accelerated adjustment of economic structure, significantly accelerated differentiation of regions, industries and individuals and the pressure that credit risks bear set higher requirements for the development and transformation of the banking industry; the deepen financial market reform, continuously increased proportion of direct financing, rapid development of Internet finance, and the increase of private banks and listed banks made the industry more competitive and presented severe challenges to the traditional operational mode.

Facing the new normal of the industrial business environment in 2016, the Company, under the leadership of the Board of Directors, focused closely on “holding the bottom line, professional management, and ensuring profit-making”, thus ensuring overall business of our Company in good condition. By the end of the reporting period, the total asset of the Company reached 885.020 billion Yuan, increasing by 23.53% over the beginning of the year; the net profits attributable to shareholders of our parent company reached 7.810 billion Yuan, increasing by 19.35% from the previous year; earnings per share was 1.95 Yuan, increasing by 0.27 Yuan compared with that of last year; earning per share attributable to the ordinary shareholders of our parent company was 11.66 Yuan, increasing by 1.36 Yuan compared with that at the beginning of this year; the weighted average ROE was 17.74%, increasing by 0.06% from the previous year. In 2016, thanks to the support from all circles of society and the hard work of all the employees, the Company completed all the targets set by the Board of Directors at the beginning of this year successfully and ranked the 177th in the list of “Top 1000 International Banks” issued by the British magazine *The Banker* with continuously improved reputation and brand influence, as well as strengthened sustainability of development. Looking back on the last year, achievements accomplished in the following aspects are gratifying:

First of all, deepening of construction for our diversified profit centers. The relative advantages of Corporate banking, retail banking, personal banking, monetary market, credit business, investment bank, custodian banking and asset management and other businesses in the market segmentation have been further presented, our two non-banking subsidiaries, Maxwealth Fund Management Co., Ltd and Maxwealth Finance Leasing Co., Ltd, has gone well in operation, investment in the large retail business has been increased, the product system has been improved, the proportion of intermediate business income continues to grow, the asset-liability structure has been further optimized, and the foundation for the Company's sustainable development has been continuously consolidated.

Secondly, the Company has grasped the pulse of the times. In 2016, the Company has closely followed the political orientation of the state deepening the supply-side structural reform, promoted the credit business list system in an orderly manner, upgraded the marketing mode, carefully selected high-quality customers during the process of industrial polarization, and pushed forward the transformation and upgrading of entity economy; the Company has seized the historic opportunity of the upgrading of household consumption, precisely grasped the new demand, new scene and new mode of consumption, and continued to implement inclusive finance; the Company has conformed to the trend of direct financing, built a comprehensive "Investment Bank +" product system, improved its capital-market business, and become the first bank qualified as the independent main underwriter among the second group of Class-B underwriters; the Company has also positively embraced the age of Internet finance, upgraded and optimized e-banking channels, deepened the integration of science and technology and businesses, and gradually realized its relative advantages in the business segmentation.

Thirdly, the Company's ability of risk management has continued to improve. In 2016, the transition between new and old economic engines and the conversion between new and old economic modes sped up, and various risks were interwoven. Under the fact that the Company's main business was significantly affected by this round of economic structural adjustment, the Company has adhered to the purpose of steady management, promptly examined and adjusted its credit granting policy, strictly checked on entity access, ensured risk control, upgraded the early-warning system and improved the risk management level. As of the end of the reporting period, the Company's non-performing loan ratio was 0.91%, decreasing by 0.01% compared with that at the beginning of this year. Moreover, the Company's provision coverage and loan ratio were both in sound condition, which reflected our good ability to resist against risks and operate the Company.

Fourthly, the customer-focused concept has been further implemented. The optimization and upgrading of

financial services are an important component of the supply-side reform. In 2016, under the situation of more competitive industry, the Company has continuously strengthened the customer-focused operating concept, enriched the product system, and satisfied customers' diversified financial demands; further enhanced the construction of channels, especially the e-banking channel, and improved the user experience; continued to improve workforce capability, and promoted the level of specialized operation and services. The Board of Directors of the Company also set a consumer protection committee to protect consumers' rights and to fulfill social responsibilities.

Looking into 2017, the business condition of the banking industry will keep undergoing profound changes as the "13<sup>th</sup> Five-Year Plan" will enter the critical moment, maintaining steady growth, suppressing bubble and preventing risks will become priorities of the macro policy, more efforts will be made to promote the supply-side structural reform and science and technology and finance will integrate better. The Company will, under the leadership of the Board of Directors, focus on three main lines of "controlling risks, improving effect and ensuring profit-gaining", proceed with development of business strategies, seek breakthrough in management tactics, explore the distinctive path of "imperfect for large banks, impossible for small banks", accumulate professional relative competitiveness, consolidate the development foundation and enhance healthy and sustainable development of the Bank.

Chairman: Lu Huayu



## Chapter Five Address of the President

In 2016, management of the banking industry underwent profound changes and sustainability of the scale-driven profit pattern declined slightly. With deepening of the economic restructuring, the situation of the industrial risk management became more complicated. Faced with rapidly changed operational environment, the Company, under the leadership of the Board of Directors, adapted to the new normal of management positively and completed the annual operation targets successfully. Reviewing the operation management work of the Company in 2016, they have five characteristics:

Firstly, the profit and scale continued to maintain a steady growth and the development sustainability continued to increase. As of the end of the reporting period, the Company's total assets reached 885.020 billion Yuan, with an increase of 23.53% than the figure at the beginning of the year; the various deposits balance reached 511.405 billion Yuan, with an increase of 37.71%; the various loans balance reached 302.507 billion Yuan, with an increase of 18.31%. In 2016, the Company realized operating income of 23.645 billion Yuan, with a year-on-year increase of 21.16% and net profits attributable to shareholders of the parent company of 7.810 billion Yuan, with a year-on-year increase of 19.35%. The steady growth of profit and all the scale indexes reflects strong sustainable development capability of the Company.

Secondly, the Company continued to optimize its profit structure and strengthened its core competitiveness in various fields. In 2016, the business mode of the Company's profit centers became clearer and the comparative advantages of the Company in market segmentation were further deepened. The "List win", "Import and export win" and other comprehensive financial service schemes of the Company's corporate banking business provide enterprises with overall services, as a result of which, the Company's core customers have continuously increased and it has deepened its expert brands in trade finance and cross-border finance; the retail corporate business focused on the actual demands of small and medium-sized enterprises, sped up product and service innovation, and pushed forward transformation and upgrading of high-quality small and medium-sized enterprises; the Company continued to take personal banking business as its development focus, strengthened the customer hierarchical management concept, enlarged the basic customer group, improved its delicacy management level of wealth management, and satisfy customers' diversified asset allocation demand; the financial market business developed steadily as the Company formed an echeloned inter-bank cooperation network with continuously sound business qualification and improved development ability; the asset

management business accelerated its transformation in the product end, the proportion of open-type and net-value-type products continuously increased and the allocation layout of large assets became more pluralistic; the asset custody business became more competitive and its scale ranked the first among counterparts, and the “Easy-custody” product and service continuously brought forth the new through the old, constructing the business ecology chain constantly; the “investment bank +” product system centering on structural financing, bond financing, capital market, asset securitization and corporate financial service were improved and better satisfied customers’ diversified financing demands.

Thirdly, the risk management capability continued to improve and the Company sped up the tempo of adaptation to the new normal of banking operation. During the reporting period, the Company continued to strengthen the concept of “controlling the risk is exactly reducing the cost” and intensified the implementation of all risk control measures in every link of full-process risk management with overall risk management as the guidance. The Company strictly controlled access of high-risk industries such as with excess capacity, relying on credit granting list system management; pushed forward the process bank construction in all-around way, accelerated the centralized operation realization and controlled operational risks; effectively made use of innovative means including big data risk control and improved the effectiveness of risk alert; closely followed the monetary policy and market funds, realized daily automatic measuring of all monitoring indexes, improved the delicacy management level and realized better market risk indexes. By the end of the reporting period, the non-performing loan ratio of the Company was 0.91%, decreasing by 0.01% from the beginning of the year, which continued to keep at a low level.

Fourthly, the business scope and business qualification expanded continuously and the comprehensive financial service system were improved continuously. During the reporting period, the Company gained such qualifications as Class-B independent main underwriter of non-financial enterprise debt financing tools, gold import, gold account business, inter-bank deposit investor of Shanghai Pilot Free Trade Zone, personal agency business pilot run of Shanghai Gold Exchange and official market maker in gold inquiry transactions among banks. Maxwealth Fund realized steady profit-gaining under the background of fluctuating market; Maxwealth Leasing grasped the opportunity of corporate transformation and upgrading and promoted its scale and profit to a new high. Continuously enriched business qualifications and steady growth of subsidiaries’ businesses constantly increased the Company’s customer comprehensive service capability.

Fifthly, the integration of science and technology and business became closer and the supporting ability of

science and technology for business continued to strengthen. In 2016, the Company continued to innovate the construction of e-banking channels, enrich financial services and products, improved customer experience in all-around way and accelerated the transformation to “Light bank”. The Company enhanced innovation and optimization of mobile-banking, improved mobile financial service experience, perfected the construction of online banking special zone, and complied with the trend of customers’ financial demands; deepened analysis and excavation of big data, flexibly connected statistics from inside and outside of the Bank, and provided effective decision support in the fields of accurate customer acquiring, risk control and customer service; constantly promoted the construction of such projects as enterprise customer information factory (ECIF), risk mitigation, fund position, WeChat platform and lobby helper, and supported the business development. Through deep integration of science and technology and business, the Company gradually strengthened its comparative advantages in key businesses.

Over the past year, the Company’s development has been recognized by professional institutions and the public. For instance, the Company was ranked the 177th in the list of “Top 1000 World Banks” issued by the Banker, 275<sup>th</sup> in the list of “2016 Top 500 Listed Companies in China” issued by the Fortune, and 2<sup>nd</sup> among China’s urban commercial banks in the “GYROSCOPE evaluation system” of healthy development capability of commercial banks issued by China Banking Association.

In 2017, facing the uncertainty of external management environment, the Company will, under the leadership of the Board of Directors, implement and exercise all the operation management work. In terms of business expansion, the Company will better adapt to the market environment, seize opportunities in the market and continue to improve its comparative advantages in different business fields; in terms of risk management, the Company will improve the efficiency and pertinence of management under the new normal and take the initiative of overall risk management; in addition, the Company will accelerate the improvement of personnel ability and advance the application capability of electronic technology, to better satisfy various financial needs of the vast customers, to push forward sustainable development of the Bank and to strive for building the Company to a modern commercial bank that is respectful and has good reputation and core competitiveness.

President: Luo Mengbo

## Chapter Six Discussion and Analysis of Business Conditions

### I. Main Business of the Company during the Reporting Period

The main business scope of the Company approved by People's Bank of China and China Banking Regulatory Commission were listed as follows: absorbing public deposits; issuing short-term, medium-term and long-term loans; handling domestic settlements; discounting of bills of exchange; issuing financial bonds; agency issuing, cashing and underwriting government bonds; buying and selling government bonds; engaging in inter-bank lending; bank card business; providing guarantees; agency collection and payment; insurance agency business; offering safe deposit box service; entrusted loan business for local finance credit financial circulating funds; foreign exchange deposit, loan and remittance; foreign currency exchange; international settlement, sale and purchase of foreign exchange; inter-bank foreign currency lending; acceptance and discount of foreign currency bills; foreign exchange guarantee; other businesses approved by China Banking Regulatory Commission, People's Bank of China and State agency for foreign exchange.

### II. General Overview

In 2016, global economic situation was still complex and severe and faced numerous challenges on the road to recovery. Chinese economy also faced big tests despite that it has become more stable. With the more competitive banking industry, deepened financial reform, increasing proportion of direct financing and rapid development of Internet finance, the Bank faced severe challenges. Facing the new situation and challenges, the Company, under the guidance of the Board of Directors, persisted in the operation principle of “prudent operation and steady development”, adhered to the “hardworking” spirit, focused on three main lines of “holding the bottom line, professional management, and ensuring profit-making”, strengthened comprehensive risk management, which made its professional operation capability, business performance and sustainable development ability keep improving. Main performances were as follows:

#### (I) Coordinated development of all businesses and continuous growth of business scale

The Company actively adapted to the changes of marketing environment, continuously consolidated basic businesses and basic customer base, upgraded the marketing mode, aggressively marketed high-quality customers

and projects, and achieved steady growth of the asset-liability scale. As of the end of the reporting period, the total assets of the Company were 885.020 billion Yuan with an increase of 23.53% than the beginning of the year; the total deposits were 511.405 billion Yuan with an increase of 37.71% than the beginning of the year, and the total loans were 302.507 billion Yuan with an increase of 18.31% than the beginning of the year.

### **(II) Continuously optimized management structure and improved profitability**

In 2016, the Company continued to make rapid expansion on intermediate business and the profitability of profit centers such as investment bank, custody, assets management and credit card had been improved with a more diversified profit distribution. In 2016, the Company realized the operating income of 23.645 billion Yuan, increasing by 21.16% from the previous year; the net profit attributable to the shareholders of the Parent company was 7.810 billion Yuan at a year-on-year growth rate of 19.35%; the net fees and commissions income were 6.047 billion Yuan, increasing by 51.55% from the previous year and accounting for 25.57% of operating income, i.e. an increase of 5.13% from the previous year. At the same time, the branches of the Company outside Ningbo featured continuously enhanced regional profitability, covering a profit proportion over 65%, thus leading to a better balanced motivation for development.

### **(III) Steady upgrading of risk management and continuously stable asset quality**

Under the circumstances of rising period of the non-performing ratio for banking industry in 2016, the Company adhered to the philosophy of “controlling the risk is exactly reducing the cost” consistently, strengthened risk awareness of all the staff, made risk control management more professional and efficient and withstand the test. At the end of the reporting period, the NPL ratio of the Company was 0.91% , decreasing by 0.01% than the beginning of the year; the loan provisioning ratio of the Company was 3.21% with an increase of 0.36 percentage points than the beginning of the year and the provision coverage was 351.42%, 42.75 percentage points higher than the beginning of the year, still keeping in a good level among the industry. During the reporting period, the Company has increasingly improved comprehensive risk management measures and implemented credit granting list system, centralized return visit, 4+N early-warning and system map in succession; comprehensively upgraded risk management technologies, continued to push forward the construction of system and tool groups, perfected the construction of credit risk, operational risk and market risk systems during implementation of Basel II, and continuously deepened the application of relative project results in businesses.

### **(IV) Further deepened capital budgeting restriction, and continuously improved capital efficiency**

In 2016, the Company kept enlarge its basic businesses and strengthen its core businesses, persisted in

pushing forward the construction of diversified profit centers, increase multi-channel profit-making sources, effectively promoted the profit growth and realized the endogenous capital accumulation; on the premise of strengthening the capital budgeting restriction, the Company constantly optimized the asset structure, further coordinated economic capital allocation, and kept the capital efficiency at a healthy level. At the end of the reporting period, the capital adequacy ratio of the Company was 12.25%, the Tier-I capital adequacy and the Core Tier-I capital adequacy was 9.46% and 8.55% respectively.

### III. Analysis on Main Business

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

In 2016, facing the downturn of asset price, credit risk exposure pressure, further opening of industry access, and new normal of more competitive industry, the Company complied with the world trends, devoted to accumulate comparative advantage in the target market during the new round of development and reform in the banking industry, built differentiated core competitiveness in the horizontal competition, and persisted in compliance operation, steady development and continuously strengthened the sustainable development capability. All the profit centers of the Company were in steady progress, and high-efficiency joint action advantages between the head office, continuously optimized the management mode between the head office, branches and sub-branches, and reached a good trend of coordinated development between each region. In 2016, the Company realized a operating income of 23.645 billion Yuan, increasing by 21.16% from the previous year and a net profit attributable to the shareholders of the Parent company of 7.810 billion Yuan, increasing by 1.266 billion Yuan than the last year at a year-on-year growth rate of 19.35%.

In 2016, the Company achieved the net interest income of 17.060 billion Yuan, increasing by 9.24% from the previous year, and the non-interest income of 6.585 billion Yuan, increasing by 68.86% from the previous year. The Company kept advancing the intermediate business transformation and innovation, further optimized the income structure and achieved the net fees and commissions income of 6.047 with an increase of 51.55% from the previous year and accounting for 25.57% of operating income, compared to 20.44% in 2015.

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

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Increase/Decrease	Increase rate
Operating income	23,645,017	19,516,224	4,128,793	21.16%

Net interest income	17,060,419	15,616,714	1,443,705	9.24%
Interest income	33,753,534	31,831,062	1,922,472	6.04%
Interest expense	(16,693,115)	(16,214,348)	(478,767)	2.95%
Non-interest income	6,584,598	3,899,510	2,685,088	68.86%
Net fees and commissions income	6,046,615	3,989,790	2,056,825	51.55%
Other non-interest income	537,983	(90,280)	628,263	Negative at the same period last year
Operating expense	(13,991,685)	(11,498,194)	(2,493,491)	21.69%
Business tax and surcharges	(563,896)	(1,057,183)	493,287	(46.66%)
Operating and administrative expenses	(8,100,523)	(6,640,500)	(1,460,023)	21.99%
Assets impairment loss	(5,320,940)	(3,780,857)	(1,540,083)	40.73%
Other operating expenses	(6,326)	(19,654)	13,328	(67.81%)
Operating profit	9,653,332	8,018,030	1,635,302	20.40%
Net non-operating income	(1,254)	(3,102)	1,848	(59.57%)
Profit before tax	9,652,078	8,014,928	1,637,150	20.43%
Income tax expense	(1,829,336)	(1,447,937)	(381,399)	26.34%
Net profit	7,822,742	6,566,991	1,255,751	19.12%
Including: net profit attributable to shareholders of the Parent company	7,810,417	6,544,333	1,266,084	19.35%
Minority interest income	12,325	22,658	(10,333)	(45.60%)

## 1. Net Interest Income

In 2016, facing the industrial trend of interest rate liberalization and downward asset price, the Company actively adjusted the asset-liability structure, strove to improve the return on assets by reasonably arranging assets and accelerating asset turnover, controlled the cost of debt by actively adjusting the liability structure and optimizing debt sources, and realized the steady growth of net interest income. The Company's net interest income of the year was 17.060 billion Yuan with a growth of 1.444 billion Yuan, i.e. 9.24% over the previous year. The interest income was 33.754 billion Yuan with a growth of 1.922 billion Yuan, i.e. 6.04% over the previous year. The interest expense was 16.693 billion Yuan with a growth of 0.479 billion Yuan, i.e. 2.95% over the previous year.

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Increase/Decrease	Increase rate
<b>Interest income</b>	33,753,534	31,831,062	1,922,472	6.04%
Loans and advances	14,801,854	14,392,381	409,473	2.85%
Due from banks	394,643	1,067,188	(672,545)	(63.02%)
Deposit in the central bank	1,031,324	936,895	94,429	10.08%
Lending funds	165,023	138,920	26,103	18.79%
Buying back the sale of financial assets	314,900	358,184	(43,284)	(12.08%)
Bond investment	4,585,356	3,327,307	1,258,049	37.81%
Financial product and asset management plan	12,457,468	11,610,007	847,461	7.30%
Others	2,966	180	2,786	1547.78%
<b>Interest expense</b>	16,693,115	16,214,348	478,767	2.95%
Deposits from banks	2,176,968	3,157,613	(980,645)	(31.06%)
Borrowings from central bank	198,397	12,004	186,393	1552.76%
Borrowing funds	572,742	243,354	329,388	135.35%
Deposit from customers	8,133,684	7,978,026	155,658	1.95%
Financial assets sold for repurchase	850,768	651,762	199,006	30.53%
Bond issued	4,758,346	4,170,329	588,017	14.10%
Others	2,210	1,260	950	75.40%
<b>Net interest income</b>	17,060,419	15,616,714	1,443,705	9.24%

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

Unit: (RMB) Thousand Yuan

Item	Year 2016			Year 2015		
	Average balance	Interest income/expense	Average interest yield/cost rate	Average balance	Interest income/expense	Average interest yield/cost rate
<b>Assets</b>						
General loans	221,489,975	12,679,573	5.72%	185,907,744	12,526,556	6.74%
Securities investment	432,771,823	17,042,824	3.94%	284,056,219	14,937,314	5.26%



Deposit in People's Bank of China	72,496,897	1,031,324	1.42%	63,064,684	936,895	1.49%
Due from banks and other financial institutions	38,481,195	877,532	2.28%	45,571,488	1,564,472	3.43%
Total interest-bearing assets	765,239,890	31,631,253	4.13%	578,600,135	29,965,237	5.18%
<b>Liabilities</b>						
Deposits	474,281,461	8,133,684	1.71%	371,125,285	7,978,026	2.15%
Due to banks and other financial institutions	146,290,009	3,602,689	2.46%	118,787,713	4,053,989	3.41%
Bonds payable	136,985,390	4,758,346	3.47%	93,471,524	4,170,329	4.46%
Total interest-bearing liabilities	6,488,251	198,397	3.06%	410,410	12,004	2.92%
Net interest income	764,045,111	16,693,116	2.18%	583,794,932	16,214,348	2.78%
<b>Net interest spread (NIS)</b>		14,938,137			13,750,889	
<b>Net interest margin (NIM)</b>			1.95%			2.40%
Deposits			1.95%			2.38%

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

2. The general loans exclude discounts and advances.

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

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

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

Item	Year 2016 VS Year 2015		
	Increase (decrease) factor		Increase (decrease)
	scale	Interest rate	Net
<b>Assets</b>			
General loans	2,397,548	(2,244,531)	153,017
Securities investment	7,820,324	(5,714,814)	2,105,510
Deposit in People's Bank of China	140,126	(45,697)	94,429
Due from banks and other financial institutions	(243,410)	(443,530)	(686,940)
Changes on interest income	10,114,588	(8,448,572)	1,666,016
<b>Liabilities</b>			
Customer deposits	2,217,533	(2,061,875)	155,658

Unit: (RMB) Thousand Yuan

Due to banks and other financial institutions	938,599	(1,389,899)	(451,300)
Bonds payable	1,941,416	(1,353,399)	588,017
Borrowings from central bank	177,770	8,623	186,393
Changes on interest expense	5,275,318	(4,796,550)	478,768
Changes on net interest income	4,839,270	(3,652,022)	1,187,248

### Net interest spread and net interest margin

In 2016, upon the influence of factors such as 5 interest reduction in 2015, the Company's asset-liability repricing and price and tax separation due to the policy of "replacing the business tax with a value-added tax", the Company's net interest spread was 1.95% and the net interest margin was 1.95%, decreasing by 45 and 43 basic points respectively on year-on-year basis. Under the new situation of interest rate liberalization, the Company adjusted strategy and responded actively on the premise of controllable risks to control the liabilities cost expenditure and promote the assets income level based on the measure of accelerating the assets and liabilities layout, through deepening the customer operation, optimizing the product pricing mode and increasing the proportion of current deposit. Since the second half of 2016, with the influence of asset-liability repricing wearing off and the Company's strategy adjustment measures taking effect, the narrow trend of net interest spread and net interest margin of the Company slow down apparently.

#### (I) Interest income

In 2016, the Company achieved the interest income of 33.754 billion Yuan, increasing by 6.04% over the previous year. It was mainly due to the expansion of interest-bearing assets and optimization of structure.

#### Net loan interest income (excluding discounts and advances)

In 2016, facing the trend of acceleration of interest rate liberalization process and continuous narrowing of interest spreads of deposit and loan, the Company kept up the pace of change of macro policy situation, steadily improved the credit availability on the premise of controllable risks and achieved the interest income of general loans (excluding discounts and advances) as 12.680 billion Yuan, increasing by 0.153 billion Yuan than the previous year.

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

Unit: (RMB) Thousand Yuan

Item	Year 2016			Year 2015		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	163,058,505	8,778,196	5.38%	129,082,531	8,394,734	6.50%
Personal loans	58,431,470	3,901,377	6.68%	56,825,213	4,131,822	7.27%
Total loans	221,489,975	12,679,573	5.72%	185,907,744	12,526,556	6.74%

### Securities investment interest income

In 2016, the Company reached the interest income from securities investment of 17.043 billion Yuan, increasing by 2.106 billion Yuan from the previous year. Within the reporting period, upon the situation of satisfying and optimizing the liquidity management, the Company realized the steady and sustainable growth of the scale of bond investment. From the perspective of types of investment, the main increased investment is in available-for-sale national debt, bank financing and investment management planning.

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

In 2016, the Company achieved the interest income from due from banks and other financial institutions as 0.878 billion Yuan, decreasing by 0.687 billion Yuan from the previous year. It was mainly because the Company actively adjusted the structure of interest-bearing assets under the low interest rate environment and balancing the need of liquidity management and profit growth, and moderately reduced the scale of deposits and loans from banks and other financial institutions during the steady increase of the security investment.

### (2) Interest expense

In 2016, the interest expense of the Company was 16.693 billion Yuan, increasing by 0.479 billion Yuan from the previous year with a growth of 2.95%. It was mainly due to the expanded scale of liability with interest.

### Interest expense for customer deposits

In 2016, the interest expense for customer deposits of the Company was 8.134 billion Yuan, accounting for 48.72% of the total interest expense, increasing by 0.156 billion Yuan from the previous year at a growth rate of 1.95%. It was mainly due to the increase of 27.80% for the average daily balance of customer deposits from the previous year. While the Company promoted the steady growth of deposit scale, it constantly optimized the

structure of deposits and reached the proportion of average daily current deposit as 49.40% in the reporting period, increasing by 6.51 percentage points from the previous year. The cost rate of deposit during the reporting period of the Company was 1.71%, decreasing by 0.44 percentage points from the previous year.

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

Unit: (RMB) Thousand Yuan

Item	Year 2016			Year 2015		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
<b>Corporate deposits</b>						
Demand	206,208,574	1,930,424	0.94%	136,052,796	1,448,555	1.06%
Time	169,340,813	3,748,723	2.21%	150,106,951	4,170,540	2.78%
Subtotal	375,549,387	5,679,147	1.51%	286,159,747	5,619,095	1.96%
<b>Personal deposits</b>						
Demand	28,075,933	107,633	0.38%	23,131,889	97,642	0.42%
Time	70,656,141	2,346,904	3.32%	61,833,649	2,261,289	3.66%
Subtotal	98,732,074	2,454,537	2.49%	84,965,538	2,358,931	2.78%
<b>Subtotal</b>	<b>474,281,461</b>	<b>8,133,684</b>	<b>1.71%</b>	<b>371,125,285</b>	<b>7,978,026</b>	<b>2.15%</b>

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

In 2016, the interest expense for due to banks and other financial institutions of the Company reached 3.603 billion Yuan, decreasing by 0.451 billion Yuan over the previous year. It was mainly due to the falling interest rate of interbank funds. During the reporting period, the average interest cost rate for due to banks and other financial institutions of the Company was 2.46%, decreasing by 0.95 percentage points from the previous year.

### Interest expense for issued liabilities

In 2016, the interest expense for issued liabilities of the Company was 4.758 billion Yuan, increasing by 0.588 billion Yuan over the previous year at a growth rate of 14.10%. It was mainly due to the expanded issuing scale of the interbank deposit.

## 2. Non-interest Income

During the reporting period, the non-interest income of the Company reached 6.585 billion Yuan at a growth rate of 68.86% over the previous year, including the net fees and commission income as 6.047 billion Yuan at a

growth rate of 51.55% over the previous year.

### Main composition of non-interest income

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Increase/decrease	Increase rate
Fees and commissions income	6,709,155	4,400,491	2,308,664	52.46%
Less: fees and commission expense	662,540	410,701	251,839	61.32%
Net fees and commissions income	6,046,615	3,989,790	2,056,825	51.55%
Other non-interest income	537,983	(90,280)	628,263	Negative at the same period last year
Total	6,584,598	3,899,510	2,685,088	68.86%

### Net fees and commissions income

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Increase/decrease	Increase rate
Settlement business	211,612	218,406	(6,794)	(3.11%)
Bank cards business	2,314,652	2,218,047	96,605	4.36%
Agency services business	3,503,288	1,390,125	2,113,163	152.01%
Guarantees business	189,056	205,540	(16,484)	(8.02%)
Commitment business	45,663	57,391	(11,728)	(20.44%)
Custody business	401,026	248,393	152,633	61.45%
Consulting business	40,238	57,406	(17,168)	(29.91%)
Others	3,620	5,183	(1,563)	(30.16%)
<b>Fees and commissions income</b>	<b>6,709,155</b>	<b>4,400,491</b>	<b>2,308,664</b>	<b>52.46%</b>
Less: fees and commissions expense	662,540	410,701	251,839	61.32%
<b>Net fees and commissions income</b>	<b>6,046,615</b>	<b>3,989,790</b>	<b>2,056,825</b>	<b>51.55%</b>

In 2016, the transformation and innovation of the Company's intermediate businesses advanced together. Firstly, the personal product system and service innovation have been promoted. Secondly, the overall wealth management business has been improved gradually. During the reporting period, the Company's businesses such as funds, insurance and gold sales maintained fast growth. Thirdly, the Company has accelerated the transformation and upgrading of its asset management business, further promoted the transition of fixed-term financial products to open-type products, continuously optimized the product structure and improved the product system. Fourthly, the Company has fully upgraded the custody business, deepened the product line expansion,

pushed forward the development of outsourcing and third-party business, and continuously enhanced the brand influence of “Easy-custody” by means of system optimization. Fifthly, the Company has sped up the investment bank business layout. In 2016, the Company passed the evaluation of independent Class-B main underwriter qualified by National Association of Financial Market Institutional Investors and became the first bank with such qualification among the second group of Class B underwriters. By the end of 2016, the Company has issued 40 non-financial enterprise debt financing tools totally with a total amount of 14.6 billion Yuan, taking the lead in main underwriting the most times among 16 Class-B main underwriters.

In 2016, the fees and commissions income of the Company was 6.709 billion Yuan, increasing by 2.309 billion Yuan over the previous year at a growth rate of 52.46%, of which, the business income from asset management, e-banking and custody achieved rapid growth. The fees and commissions expense was 0.663 billion Yuan, increasing by 0.252 billion Yuan over the previous year. It was mainly due to the increase on trading service charges of financial markets.

The income of agency services business reached 3.503 billion Yuan, increasing by 152.01% from the previous year. It was mainly because the Company further promoted the light capital strategy and realized rapid growth of its asset management, e-banking, precious metal leasing and other businesses.

The income of custody business reached 0.401 billion Yuan with a year-on-year increase of 61.45%. It was mainly because the Company pushed forward the development of custody business comprehensively and realized effective growth of custody scale and customer group scale. As of Dec. 31, 2016, the total amount of the Company's assets under custody reached 2,775.2 billion Yuan, increasing by 1,035.3 billion Yuan over the beginning of the year at a growth rate of 59.5%. The number of customers under custody reached 428, among whom 200 were core customers with custody balance of over 2 billion Yuan.

### **3. Business and Administrative Expenses**

In 2016, the business and administrative expense of the Company was 8.101 billion Yuan with a year-on-year growth of 21.99% and the cost-income ratio was 34.26%. The increase of expenses was mainly due to the influence of strategic resources investment and business scale growth. The resource allocation of expenses are featured as follows:

Firstly, reinforced the investment in large-scale retailing. For the support of community finance, network finance and small & micro finance, there was a year-on-year growth of 26% in the investment on large-scale retailing;

Secondly, reinforced the investment in informatization construction. To promote information technology and E-channel construction, the Company increased the investment in IT talents and other resources, with a year-on-year growth of 34% in the investment on science and technology in 2016;

Thirdly, actively opened new branches and network and promoted the expansion of business scale. By the end of 2016, the Company had 314 institutions under it (including subsidiaries), increasing by 29 over the previous year, meanwhile the rent and decoration fees were in a year-on-year growth of 15%.

In 2016, the Company constantly strengthened the refined expense management, rationally controlled the business expense and supported the steady development of business in the manners of optimizing the expense control mode, improving the expense approval mechanism and reinforcing the expense monitoring. The table below shows the main compositions of business and administrative expense during the reporting period.

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Increase/decrease	Increase rate
Staff costs	4,725,226	3,635,687	1,089,539	29.97%
Business expenses	2,797,660	2,455,893	341,767	13.92%
Depreciation of fixed assets	343,192	332,382	10,810	3.25%
Amortization of long-term deferred expenses	148,413	115,636	32,777	28.34%
Amortization of intangible assets	57,752	50,696	7,056	13.92%
Taxes	28,280	50,206	(21,926)	(43.67%)
<b>Total</b>	<b>8,100,523</b>	<b>6,640,500</b>	<b>1,460,023</b>	<b>21.99%</b>

#### 4. Assets Impairment Loss

In 2016, the assets impairment loss of the Company was 5.321 billion Yuan, increasing by 1.540 billion Yuan than the previous year at a growth rate of 40.73%. Main reasons were as follows: 1. The total loans grew stably, and the Company kept withdrawing the provision with the principle of steadiness; 2. Based on the consideration of the increase in various business assets, structure adjustment and own business development strategy, the Company withdrew provision and allowances for assets impairment with the principle of prudence and further enhances the risk resisting ability.

Item	Year 2016	Year 2015	Increase/decrease	Increase rate
Loan impairment loss	5,041,742	3,835,612	1,206,130	31.45%
Investment impairment loss of receivables	240,000	(54,755)	294,755	Negative at the same period last year
Held-to-maturity investment impairment loss	37,500	-	37,500	-
Financial assets available for sale impairment loss	1,698	-	1,698	-

<b>Total</b>	5,320,940	3,780,857	1,540,083	40.73%
--------------	-----------	-----------	-----------	--------

## (II) Analysis of the Balance Sheet

### 1. Assets

As of Dec. 31, 2016, the total assets of the Company reached 885.020 billion Yuan, increasing by 23.53% than the end of 2015. The increase of total assets was due to the growth of security investment, loan issuing and deposit in the central bank of the Company.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2016		Dec. 31, 2015		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (Percentage points)
Cash and balances in the central bank	93,376,715	10.55%	66,189,440	9.24%	27,187,275	1.31
Due from other banks	17,027,924	1.92%	14,199,976	1.98%	2,827,948	(0.06)
Previous metals	269,586	0.03%	1,540,475	0.22%	(1,270,889)	(0.19)
Lending funds	6,702,519	0.76%	1,381,143	0.19%	5,321,376	0.57
Financial assets at fair value through profit and loss	8,276,310	0.94%	7,039,891	0.98%	1,236,419	(0.04)
Derivative financial assets	13,939,542	1.58%	3,537,564	0.49%	10,401,978	1.09
Redemptory monetary capital for sale	19,731,604	2.23%	10,980,600	1.53%	8,751,004	0.70
Interest receivable	3,963,301	0.45%	2,765,145	0.39%	1,198,156	0.06
Loans and advances	292,788,341	33.08%	248,399,105	34.68%	44,389,236	(1.60)
Available-for-sale financial assets	280,551,719	31.70%	249,257,941	34.80%	31,293,778	(3.10)
Held-to-maturity investment	39,370,701	4.45%	32,671,512	4.56%	6,699,189	(0.11)
Investment receivables	99,576,315	11.25%	71,231,132	9.94%	28,345,183	1.31
Investment real estate	16,598	0.00%	16,559	0.00%	39	0.00
Fixed assets	3,517,820	0.40%	3,420,258	0.48%	97,562	(0.08)
Intangible assets	287,903	0.03%	244,245	0.03%	43,658	0.00
Construction in progress	2,241,204	0.25%	1,598,042	0.22%	643,162	0.03
Deferred income tax assets	1,166,125	0.13%	751,245	0.10%	414,880	0.03
Other assets	2,216,184	0.25%	1,240,380	0.17%	975,804	0.08
<b>Total assets</b>	<b>885,020,411</b>	<b>100.00%</b>	<b>716,464,653</b>	<b>100.00%</b>	<b>168,555,758</b>	<b>0.00</b>

### (1) Loans and advances

As of Dec. 31, 2016, the total loans and advances of the Company reached 302.507 billion Yuan and the net



amount was 292.788 billion Yuan after deducting the loan loss reserves of 9.718 billion Yuan, increasing by 17.87% than the end of the previous year.

### Corporate loan

As of Dec 31, 2016 the total corporate loan of the Company was 186.305 billion Yuan with an increase of 44.452 billion Yuan over the end of the previous year and accounting for 61.59% of the total loans and advances. In 2016, under the background of the supply-side reform being pushed forward, the Company actively responded to the changed effective credit demands and kept steady increase of corporate loans based on the principle of prudent credit extension.

### Discount for bills

As of Dec. 31, 2016, the discount for bills was 20.324 billion Yuan, accounting for 6.72% of the total loans and advances and decreasing by 4.48 percentage points than the end of the previous year.

### Personal loan

As of Dec. 31, 2016, the discount for bills was 95.878 billion Yuan, accounting for 31.69% of the total loans and advances.

Unit: (RMB) Thousand Yuan

Item	Year 2016		Year 2015	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	186,304,796	61.59%	141,852,708	55.48%
Loans	182,533,502	60.34%	137,630,122	53.83%
Trading financing	3,771,294	1.25%	4,222,586	1.65%
Bill discounting	20,324,378	6.72%	28,633,924	11.20%
Personal loans and advances	95,877,504	31.69%	85,201,948	33.32%
Personal consumption loan	86,407,106	28.56%	80,282,796	31.39%
Personal operation loan	8,175,108	2.70%	3,416,714	1.34%
Personal housing loan	1,295,290	0.43%	1,502,438	0.59%
Total amount	302,506,678	100.00%	255,688,580	100.00%

### (2) Security investment

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

**Investment structure divided upon purpose**

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2016		Dec. 31, 2015	
	Amount	Proportion	Amount	Proportion
Financial assets at fair value through profit and loss	8,276,310	1.93%	7,039,891	1.95%
Financial assets available for sale	280,551,719	65.58%	249,257,941	69.20%
Held-to-maturity investments	39,370,701	9.20%	32,671,512	9.07%
Investment receivables	99,576,315	23.28%	71,231,132	19.78%
Total	427,775,045	100.00%	360,200,476	100.00%

**Financial assets at fair value through profit and loss**

As of Dec. 31, 2016, the financial assets at fair value through profit and loss of the Company was 8.276 billion Yuan, increasing by 1.236 billion Yuan than the end of the previous year. In 2016, with intricate and complex economic situation at home and abroad and fluctuating bond yields, the Company seized transaction opportunities from fluctuations in the market and increase or reduce positions appropriately.

**Financial assets available for sale**

As of Dec. 31, 2016, the financial assets available for sale of the Company was 280.552 billion Yuan, increasing by 31.294 billion Yuan over the end of 2015. It was mainly due to the increase of investment in government bonds and corporate bonds.

In 2016, facing more complex economic and financial situation at home and abroad, frequent Black Swan events like Brexit and more oscillating bond market, the Company met the asset-liability structural adjustment need, actively grasped opportunities from fluctuation in the market and appropriately increased investment in government bonds and corporate bonds.

**Held-to-maturity investments**

As of Dec. 31, 2016, the total face value of the held-to-maturity bond of the Company was 39.371 billion Yuan, increasing by 6.699 billion Yuan over the end of the previous year. For the consideration of interest rate risk management and liquidity management demand, the Company appropriately increased held-to-maturity bonds during the fluctuation of bond yields, thus the investment balance of such asset increased compared to that at the beginning of the year.

### Investment receivables

Investment receivables refer to the various bond investment held by the Company without open market price in domestic or overseas market. As of Dec. 31, 2016, the balance of investment receivables was 99.576 billion Yuan, increasing by 28.345 billion Yuan over the end of 2015, which was mainly due to the increase of investment in financial product and asset management plan.

#### Situation of ten financial bonds held with the highest face value

Unit: (RMB) Thousand Yuan

Category	Balance of face value	Interest rate%	Date of maturity	Depreciation reserve
Financial bond of 2016	3,900,000	3.18	2026/4/5	-
Financial bond of 2016	900,000	2.96	2021/2/18	-
Financial bond of 2014	580,000	5.70	2017/1/14	-
Financial bond of 2016	380,000	3.05	2026/8/25	-
Financial bond of 2016	370,000	2.79	2019/7/27	-
Financial bond of 2014	320,000	4.33	2017/10/17	-
Financial bond of 2015	250,000	3.59	2018/7/17	-
Financial bond of 2014	230,000	5.75	2019/1/14	-
Financial bond of 2016	230,000	2.72	2019/3/3	-
Financial bond of 2014	199,000	5.3	2017/7/24	-

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, 2016, the total face value of the ten largest financial bonds was 7.359 billion Yuan, mainly of which was financial bond of policy banks with the average yield of 3.51% and the major holding period as 5-10 years.

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

Unit: (RMB) Thousand Yuan

Derivative financial instruments	Dec. 31, 2016		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	11,350,261	60,383	(244,205)
Foreign exchange swap	540,833,666	8,797,412	(6,615,722)
Interest rate swap	744,569,871	4,175,709	(4,206,695)
Option contract	17,772,391	262,093	(240,741)
Precious metal forward/swap	47,607,656	643,945	(856,904)
Total	1,362,133,845	13,939,542	(12,164,267)

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

transactions:

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

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

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

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

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

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

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

In 2016, the RMB and foreign currency interest rate in the money market fluctuated widely while remaining basically stable, which made the interest rate swap and foreign exchange swap prices fluctuate in ranges. The

Company made positive use of derivative products such as interest rate and exchange rate to for hedging and directional trade with the transaction scale under stable expansion and the trading strategy getting more diversified. On the one hand, the Company actively seized the band trading opportunity of the interest rate swap and foreign exchange swap to do band trading and make sure steady profit growth; on the other hand, the Company made positive use of interest rate swap and foreign exchange swap to provide interest rate and exchange rate hedging for proprietary investment, which effectively locked the market risks and brought derivative products into full play.

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

As of Dec. 31, 2016, the total interest receivables on- and off-balance sheet was 4.397 billion Yuan, including 3.963 billion Yuan of on-balance sheet interest receivables and 0.434 billion Yuan as off-balance sheet.

Unit: (RMB) Thousand Yuan

Item	Beginning balance	Current increase and decrease	Ending balance	Balance of bad debt reserve	Withdrawal method
Interest receivables on the balance sheet	2,765,145	1,198,156	3,963,301	-	Individually determined
Interest receivables off the balance sheet	414,492	19,123	433,615	-	-

#### (5) Debt assets and provision for impairment

As of Dec. 31, 2016, the total amount of debt assets of the Company was 0.254 billion Yuan, the provision for impairment was 0 and the net debt assets was 0.254 billion Yuan.

Unit: (RMB) Thousand Yuan

Land, housing and buildings	195,850
Equity	58,010
Subtotal	253,860
Provision for debt assets impairment loss	-
Net value of debt assets	253,860

## 2. Liabilities

As of Dec. 31, 2016, the total liabilities of the Company was 834.634 billion Yuan, increasing by 163.267 billion Yuan than the end of the previous year at a growth rate of 24.32%. It was mainly due to the increase of deposits, borrowings from central bank, loans from other banks and other liabilities.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2016		Dec. 31, 2015		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Borrowings from central bank	26,000,000	3.12%	1,700,000	0.25%	24,300,000	2.87
Due to other banks and financial institutions	44,584,064	5.34%	68,632,509	10.22%	(24,048,445)	(4.88)
Loans from other banks	34,832,834	4.17%	20,200,607	3.01%	14,632,227	1.16
Financial assets at fair value through profit and loss	6,230,918	0.75%	182,682	0.03%	6,048,236	0.72
Derivative financial liabilities	12,164,267	1.46%	3,355,296	0.50%	8,808,971	0.96
Financial assets sold for repurchase	62,451,215	7.48%	46,497,690	6.93%	15,953,525	0.55
Deposit taking	511,404,984	61.27%	371,373,450	55.32%	140,031,534	5.95
Wages and salaries payable	1,863,053	0.22%	1,495,977	0.22%	367,076	0.00
Tax payable	1,260,189	0.15%	899,812	0.13%	360,377	0.02
Interest payable	7,160,302	0.86%	6,195,876	0.92%	964,426	(0.06)
Bond payable	112,984,659	13.54%	144,056,767	21.46%	(31,072,108)	(7.92)
Deferred income	300,609	0.04%	283,081	0.04%	17,528	0.00
Deferred income tax liabilities	0	0.00%	6,122	0.00%	(6,122)	(0.00)
Other liabilities	13,397,204	1.61%	6,487,465	0.97%	6,909,739	0.64
Total liabilities	834,634,298	100.00%	671,367,334	100.00%	163,266,964	0.00

### Customer deposits

During the reporting period, the Company continued to consolidate basic position of customer deposits, expand fund sources at lower cost and of better stability, actively compete for all kinds of high-quality deposits, upgrade the customer marketing mode and improve the deposit interest rate differentiation pricing mechanism, and achieved the rapid growth of customer deposits. As of Dec. 31, 2016, the total customer deposits of the Company was 511.405 billion Yuan, increasing by 140.032 billion Yuan than the end of the previous year at a growth rate of 37.71% and accounting for 61.27% of the total liabilities of the Company.

The table below shows the customer deposits categorized upon product types and customer types at the end

of Dec. 31, 2016.

Unit: (RMB) Thousand Yuan

Item	Year 2016		Year 2015	
	Balance	Proportion	Balance	Proportion
Corporate deposits				
Demand	232,395,561	45.44%	139,347,474	37.52%
Time	178,725,266	34.95%	149,979,984	40.39%
Subtotal	411,120,827	80.39%	289,327,458	77.91%
Personal deposits				
Demand	28,815,639	5.64%	25,241,411	6.80%
Time	71,468,518	13.97%	56,804,581	15.30%
Subtotal	100,284,157	19.61%	82,045,992	22.09%
Total	511,404,984	100.00%	371,373,450	100.00%

During the reporting period, in addition to the promotion of steady growth of deposit scale, the Company actively optimized the deposit structure and further enhanced the proportion of current deposit through measures of marketing new customers and promoting products for the retention of settlement funds. As of Dec. 31, 2016, the proportion of the Company's demand deposits in the total customer deposits was 51.08%, increasing by 6.76 percentage points over the end of the previous year.

### 3. Shareholders' Equity

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2016		Dec. 31, 2015		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)
Share capital	3,899,794	7.74%	3,899,794	8.65%	-	(0.91)
Other equity instruments	4,824,691	9.58%	4,824,691	10.70%	-	(1.12)
Capital reserve	9,948,236	19.74%	9,948,236	22.06%	-	(2.32)
Other comprehensive income	757,027	1.50%	1,312,883	2.91%	(555,856)	(1.41)
Earned surplus	3,946,749	7.83%	3,181,124	7.05%	765,625	0.78
General risk reserve	6,686,969	13.27%	5,055,801	11.21%	1,631,168	2.06
Undistributed	20,214,536	40.12%	16,778,919	37.21%	3,435,617	2.91

profit						
Equity attributable to shareholders of the Parent company	50,278,002	99.79%	45,001,448	99.79%	5,276,554	(0.00)
Minority equity	108,111	0.21%	95,871	0.21%	12,240	0.00
Total shareholders' equity	50,386,113	100.00%	45,097,319	100.00%	5,288,794	0.00

### (III) Analysis of assets quality

During the reporting period, the credit assets scale of the Company was in a stable growth and the non-performing loans were in general control. As of Dec. 31, 2016, the total loans of the Company was 302.507 billion Yuan, increasing by 18.31% over the end of the previous year; the ratio of non-performing loan was 0.91%, increasing by 0.01% than the beginning of the year, which was relatively low.

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

Unit: (RMB) Thousand Yuan

Five-class classification	Dec. 31, 2016		Dec. 31, 2015		Changes	
	Loans & advances	Proportion	Loans & advances	Proportion	Increase/decrease	Proportion (percentage point)
Subtotal of performing loans:	299,741,209	99.09%	253,326,969	99.08%	46,414,240	0.01
Normal	295,710,612	97.75%	248,799,232	97.31%	46,911,380	0.44
Special mention	4,030,597	1.33%	4,527,737	1.77%	(497,140)	(0.44)
Subtotal of non-performing loans:	2,765,469	0.91%	2,361,611	0.92%	403,858	(0.01)
Substandard	1,551,499	0.51%	1,062,020	0.41%	489,479	0.10
Doubtful	885,237	0.29%	894,656	0.35%	(9,419)	(0.06)
Loss	328,733	0.11%	404,935	0.16%	(76,202)	(0.05)
Total customer loans	302,506,678	100.00%	255,688,580	100.00%	46,818,098	0.00

Under the loan supervision system of five-class classification, the non-performing loans of the Company was classified as substandard, doubtful and loss loans. As of the end of the reporting period, the total non-performing loans of the Company was 2.765 billion Yuan with the ratio of non-performing loan as 0.91%, decreasing by 0.01 percentage point than the previous year. The ratio of non-performing loan was relatively stable. The increase of



non-performing loans was mainly the substandard loans, of which the proportion rose by 0.10 percentage points to 0.51%; the loss loans decreased by 0.05 percentage points over the end of the previous year through recovering and canceling after verification.

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

Unit: (RMB) Thousand Yuan

Industry	Year 2016	
	Amount	Proportion
Agriculture, forestry, animal husbandry, fishing	1,474,389	0.50%
Mining	475,174	0.16%
Manufacturing	43,564,886	14.40%
Production and supply of electricity, gas and water	4,389,006	1.45%
Construction	15,476,029	5.12%
Transportation, storage, mailing	4,782,064	1.58%
Information transfer, computer service and software	3,510,125	1.16%
Commerce	30,664,937	10.14%
Hotel, restaurant	1,361,253	0.45%
Finance	760,331	0.25%
Operating property loan	8,657,369	2.86%
Leasing and commercial service	43,380,234	14.34%
Scientific research, technology service and geological exploitation	1,086,924	0.36%
Water resource, environment and public facilities management and investment	24,508,714	8.10%
Real estate development	12,752,811	4.22%
Loans for urban construction	2,255,033	0.74%
Resident service and other services	1,036,054	0.34%
Education	1,107,030	0.37%
Health, social security and welfare	463,440	0.15%
Culture, sports and entertainment	3,187,621	1.05%
Public management and social organization	1,735,750	0.57%
Personal loans	95,877,504	31.69%
Total	302,506,678	100.00%

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

industries with excessive capacity and uncertain future and further improved the anti-risk capability of credit assets.

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

Unit: (RMB) Thousand Yuan

Region	Year-end balance	
	Amount	Proportion
Zhejiang Province	185,501,604	61.32%
Including: Ningbo	130,872,894	43.26%
Shanghai	22,160,517	7.33%
Jiangsu Province	70,624,894	23.35%
Guangdong Province	14,518,012	4.80%
Beijing	9,701,651	3.20%
Total amount of loans and advances	302,506,678	100.00%

The credit policy of the Company includes asset quota strategy, quality control objective, concentration ratio objective and credit orientation policy, customer access policy, etc and formulated regional credit extension enforcement regulation combining with the local conditions to highlight the differentiation between credit policies for different regions and made the policy closer to the local market. At the end of the reporting period, the loans of the Company were mainly in Zhejiang, Jiangsu and Shanghai.

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

Unit: (RMB) Thousand Yuan

Guarantee type	Year-end balance	
	Amount	Proportion
Credit Loan	89,748,222	29.67%
Guarantee loan	103,107,862	34.08%
Mortgage loan	83,384,178	27.56%
Pledge loan	26,266,416	8.68%
Total amount of loans and advances	302,506,678	100.00%

During the economic downturn, the Company consolidated the basis of risk prevention by risk mitigation measures such as increasing the mortgage and pledged goods. As of the end of the reporting period, the maximum proportion of mortgage and pledge loans was 36.24%.

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

Unit: (RMB) Thousand Yuan

Industry	Loan balance	Proportion to net capital
Water resource, environment and public facilities management	1,114,600	1.72%
Construction	1,000,000	1.54%
Water resource, environment and public facilities management	1,000,000	1.54%
Culture, sports and entertainment	1,000,000	1.54%
Leasing and commercial service	996,000	1.54%
Construction	800,000	1.23%
Water resource, environment and public facilities management	800,000	1.23%
Real estate development	665,000	1.03%
Real estate development	600,000	0.93%
Operating property loan	594,166	0.92%
Total	8,569,766	13.23%
Net capital		64,783,567

As of the end of the reporting period, the loan balance for the largest single client was 1,114.60 million Yuan, accounting for 1.72% of the net capital. The loan balance of the top 10 customers was 8,569.77 million Yuan, accounting for 13.23% of the net capital and 2.83% of the total loans of the Company.

#### Loans divided upon overdue limit

Unit: (RMB) Thousand Yuan

Overdue limit	Dec. 31, 2016		Dec. 31, 2015	
	Amount	Proportion to the total loans	Amount	Proportion to the total loans
Overdue within 3 months	1,206,504	0.40%	1,654,532	0.65%
Overdue for 3 months to 1 year	1,461,479	0.48%	1,869,337	0.73%
Overdue for more than 1 year and within 3 years	771,821	0.26%	876,096	0.34%
Overdue for more than 3 years	46,473	0.02%	28,741	0.01%
Total overdue loans	3,486,277	1.15%	4,428,706	1.73%

As of the end of the reporting period, the overdue loans of the Company was 3.486 billion Yuan, decreasing by 0.942 billion Yuan than the end of the previous year and the proportion of overdue loan was 1.15%, decreasing by 0.58 percentage points than the end of the previous year.

#### Provision and written-off of bad debts

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Year 2014
Balance at the beginning of the year	7,289,475	5,312,304	3,887,496
Current provision	5,041,742	3,835,612	2,420,150
Current recovery	287,704	137,180	29,110
Including: recoveries of loans and advances written-off previously	287,704	137,180	29,110
Current written-off	(2,848,794)	(1,927,873)	(983,145)
Transferred in from decreased loan interests	(51,790)	(67,748)	(41,307)
Balance at the end of the year	9,718,337	7,289,475	5,312,304

During the reporting period, the total provision of loan loss reserves of the Company was 5.042 billion Yuan, the recovery of non-performing loan was 0.288 billion Yuan, the written-off of non-performing loan was 2.849 billion Yuan and the balance of the loan loss reserves at the end of the reporting period was 9.718 billion Yuan.

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

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

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

#### (IV) Analysis of the cash flow statement

The net cash inflow from operating activities was 109.412 billion Yuan, including the cash flow of 196.256 billion Yuan, increasing by 108.825 billion Yuan than the previous year. It was mainly due to the increase of customer deposits and borrowings from central bank. The cash outflow was 86.844 billion Yuan, increasing by 18.974 billion Yuan. It was mainly due to the increase of deposits in central bank and due from other banks.

The net cash inflow from investment activities was -46.579 billion Yuan, including the cash inflow as 3,752.210 billion Yuan, increasing by 1,895.648 billion Yuan than the previous year. It was mainly due to the increase of cash inflow from returns on investment. The cash outflow was 3,798.789 billion Yuan, increasing by 1,811.088 billion Yuan than the previous year. It was mainly due to the increase of cash outflow for investment

The net cash inflow from financing activities was -37.803 billion Yuan, including the cash inflow of 226.940

billion Yuan. It was mainly due to the cash inflow of interbank deposits issuing; the cash outflow was 264.743 billion Yuan. It was mainly due to the payment of principal and interest of issued matured inter-bank deposits.

Unit: (RMB) Thousand Yuan

Item	Year 2016	Year 2015	Changes
Subtotal of cash inflows from operating activities	196,256,393	87,431,613	108,824,780
Subtotal of cash outflows from operating activities	86,844,541	67,871,072	18,973,469
Net cash flow from operating activities	109,411,852	19,560,541	89,851,311
Subtotal of cash inflows from investment activities	3,752,209,762	1,856,561,558	1,895,648,204
Subtotal of cash outflows from investment activities	3,798,789,232	1,987,701,510	1,811,087,722
Net cash flow from investment activities	(46,579,470)	(131,139,952)	84,560,482
Subtotal of cash inflows from financing activities	226,940,000	137,899,529	89,040,471
Subtotal of cash outflows from financing activities	264,743,219	44,980,073	219,763,146
Net cash flow from financing activities	(37,803,219)	92,919,456	(130,722,675)
Net increase of cash and cash equivalents	24,802,346	(18,736,495)	43,538,841

#### (V) Segment analysis

The main business segments of the Company were corporate banking, personal banking, capital business and other banking business segments. The report data of segments were mainly from the management accounting system of the Company. The Company was in full implementation of internal funds transfer pricing to confirm the interest income and interest expense among segments, adopting term matching, re-pricing and other methods to calculate the income and expenses of transfer pricing among segments as per the account class trade by trade to accelerate the Company for optimizing the structure of assets and liabilities, rationalizing the product pricing, centralizing the interest rate risk management and achieving the comprehensive assessment of the performance level.

During the reporting period, the retail strategy implementation of the Company reached a significant achievement and went on the track of sound progress for profit and scale with profit proportion in continuous improvement. Up to Dec. 31, 2016, the total profit of personal banking was 3.056 billion Yuan, increasing by 21.06% than the previous year and accounted for 31.66% of the total profit before tax with a year-on-year growth of 0.16%.

<b>Year 2016</b>	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Capital business</b>	<b>Other business</b>	<b>Total</b>
Net external interest income	5,081,364	1,352,387	10,626,668	-	17,060,419
Net internal interest income	2,428,283	1,001,329	(3,429,612)	-	-
Net fees and commissions income	2,734,465	3,041,046	271,104	-	6,046,615
Investment income	-	-	942,832	-	942,832
Changes in fair value recognized in profit or loss	-	-	1,583,972	-	1,583,972
Exchange gain or loss	556,997	291,025	(2,860,710)	-	(2,012,688)
Other operating income/cost	(6,326)	-	-	23,867	17,541
Taxes and surcharges	(366,465)	(186,973)	(10,458)	-	(563,896)
Operation and administrative expense	(2,593,029)	(1,476,066)	(4,031,428)	-	(8,100,523)
Assets impairment loss	(4,074,903)	(966,838)	(279,199)	-	(5,320,940)
Operating profit	3,760,386	3,055,910	2,813,169	23,867	9,653,332
Net non-operating income	-	-	-	(1,254)	(1,254)
<b>Total profits</b>	<b>3,760,386</b>	<b>3,055,910</b>	<b>2,813,169</b>	<b>22,613</b>	<b>9,652,078</b>
<b>Total assets</b>	<b>200,771,507</b>	<b>95,710,163</b>	<b>588,522,070</b>	<b>16,671</b>	<b>885,020,411</b>
<b>Total liabilities</b>	<b>420,792,298</b>	<b>101,179,585</b>	<b>312,638,393</b>	<b>24,022</b>	<b>834,634,298</b>
<b>Supplementary information</b>					
Capital expenditure	332,562	158,535	974,833	28	1,465,958
Depreciation and amortization expense	251,867	146,610	423,831	-	822,308
<b>Year 2015</b>	<b>Corporate banking</b>	<b>Personal banking</b>	<b>Capital business</b>	<b>Other business</b>	<b>Total</b>
Net external interest income	4,179,587	2,163,162	9,273,965	-	15,616,714
Net internal interest income	3,017,690	464,834	(3,482,524)	-	-
Net fees and commissions income	1,501,503	2,244,249	244,038	-	3,989,790
Investment income	-	-	398,447	-	398,447
Changes in fair value through profit or loss	-	-	240,543	(37)	240,506
Exchange gain or loss	152,779	-	(928,953)	14,575	(761,599)

Other operating income/cost	-	-	120	12,592	12,712
Taxes and surcharges	(367,769)	(216,956)	(472,458)	-	(1,057,183)
Operation and administrative expense	(2,325,279)	(1,371,737)	(2,943,484)	-	(6,640,500)
Assets impairment loss	(3,012,755)	(758,850)	(9,252)	-	(3,780,857)
Operating profit	3,145,756	2,524,702	2,320,442	27,130	8,018,030
Net non-operating income	-	-	10,218	(13,320)	(3,102)
Total profits	3,145,756	2,524,702	2,330,660	13,810	8,014,928
Total assets	160,353,944	85,282,073	469,913,355	915,281	716,464,653
Total liabilities	295,080,548	84,860,609	291,230,300	195,877	671,367,334
<b>Supplementary information</b>					
Capital expenditure	224,604	119,453	652,780	11,142	1,007,979
Depreciation and amortization expense	260,105	153,442	320,448	-	733,995

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

As of Dec. 31, 2016, the main off-balance risk assets of the Company was 244.573 billion Yuan, increasing 21.488 billion Yuan than the previous year with a growth of 9.63%.

Unit: (RMB) Thousand Yuan

Item	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
1. Main off-balance risk assets			
L/C issued	10,153,614	11,570,259	15,629,215
Bank acceptance	65,582,884	69,716,782	50,545,875
L/G issued	17,405,318	18,052,693	13,480,670
Loan commitments	151,254,753	123,744,601	52,232,448
Import/export confirmation added	176,248	2,079,364	1,753,770
2. Capital expenditure commitment	250,979	501,318	393,977
3. Operating lease commitment	1,954,156	1,768,280	1,597,734
4. Pledge of external assets commitment	56,290,000	45,790,000	28,280,000

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

Unit: (RMB) Thousand Yuan

Item	Beginning amount	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Ending amount
Financial assets at fair value through profit and loss	7,039,891	(91,419)	-	-	8,276,310
Derivative financial assets	3,537,564	10,372,120	-	-	13,939,542

Available-for-sale financial assets	249,244,691	-	983,098	(1,698)	280,538,469
Precious metal	1,540,475	21,355	-	-	269,586
Investment properties	16,559	39	-	-	16,598
<b>Subtotal of financial assets</b>	<b>261,379,180</b>	<b>10,302,095</b>	<b>983,098</b>	<b>(1,698)</b>	<b>303,040,505</b>
Financial liabilities at fair value through profit and loss	(182,682)	25,475	-	-	(6,230,918)
Derivative financial liabilities	(3,355,296)	(8,743,598)	-	-	(12,164,267)
<b>Subtotal of financial liabilities</b>	<b>(3,537,978)</b>	<b>(8,718,123)</b>	<b>-</b>	<b>-</b>	<b>(18,395,185)</b>

Explanation on fair value measurement of the Company:

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

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

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

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



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

### Foreign currency financial assets and liabilities

As of Dec. 31, 2016, the total equivalent RMB balance of foreign currency financial assets of the Company was 25.659 billion Yuan with an increase of 10.785 billion Yuan than the end of the previous year.

Unit: (RMB) Thousand Yuan

Item	Beginning amount	Current changes in fair value through profit and loss	Accumulated fair value changes entered into equity	Current provision for impairment	Ending amount
<b>Financial assets:</b>					
Cash and deposits in central banks	1,291,473	-	-	-	4,068,216
Due from other banks	2,677,494	-	-	-	3,629,251
Lending funds	706,493	-	-	-	584,519
Derivative financial assets	2,364,084	6,490,600	-	-	8,854,684
Loans and advances	6,728,861	-	-	112,147	6,222,970
Available-for-sale financial assets	1,033,702	-	13,295	-	2,270,612
Investment receivables	52,273	-	-	-	-
Other financial assets	19,691	-	-	-	28,913
<b>Subtotal of financial assets:</b>	<b>14,874,071</b>	<b>6,490,600</b>	<b>13,295</b>	<b>112,147</b>	<b>25,659,165</b>
<b>Financial liabilities:</b>					
Due to banks and other financial institutions	5,221,999	-	-	-	21,519,627
Borrowings	5,712,607	-	-	-	23,436,834
Financial liabilities at fair value through profit and loss	-	-	-	-	5,969,934
Derivative financial liabilities	236,789	(185,771)	-	-	51,018
Deposit taking	18,861,871	-	-	-	21,523,085
Other financial liabilities	160,767	-	-	-	235,316
<b>Subtotal of financial liabilities</b>	<b>30,194,033</b>	<b>(185,771)</b>	<b>-</b>	<b>-</b>	<b>72,735,814</b>

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

Unit: (RMB) Thousand Yuan

Item	Jan.-Dec. 2016	Jan.-Dec. 2015	Increase/decrease	Main causes
Fees and commissions income	6,709,155	4,400,491	52.46%	Rapid development of intermediate business
Fees and commissions expense	662,540	410,701	61.32%	Increase of trading service charges in financial markets
Income from investment	942,832	398,447	136.63%	Sharp increase in precious metal earnings
Gains from fair value changes	1,583,972	240,506	558.60%	Increase in fair value in interest rate swap
Tax and surcharges	563,896	1,057,183	(46.66%)	Influence of replacing business tax with value-added tax
Assets impairment loss	5,320,940	3,780,857	40.73%	Increase in loan scale and provision withdrawal
Item	Jan.-Dec. 2016	Jan.-Dec. 2015	Increase/decrease	Main causes
Lending funds	6,702,519	1,381,143	385.29%	Increase in call loans to domestic non-bank financial institutions
Derivative financial assets	13,939,542	3,537,564	294.04%	Currency swap and changes in estimated fair value of interest rate swap
Redemptory monetary capital for sale	19,731,604	10,980,600	79.70%	Increase in purchase of resale bonds
Interest receivable	3,963,301	2,765,145	43.33%	Increase in bond interest receivable
Receivables investment	99,576,315	71,231,132	39.79%	Increase in purchase of financial products
Borrowings from central bank	26,000,000	1,700,000	1429.41%	Increase in medium-term lending facility
Due to banks and other financial institutions	44,584,064	68,632,509	(35.04%)	Decrease in deposit from other banks for other financial institutions
Borrowing funds	34,832,834	20,200,607	72.43%	Increase in interbank borrowing
Financial liabilities at fair value through profit and loss	6,230,918	182,682	3310.80%	Increase in trading financial liabilities
Derivative financial liabilities	12,164,267	3,355,296	262.54%	Currency swap and changes in estimated fair value of interest rate swap
Financial Assets sold for repurchase	62,451,215	46,497,690	34.31%	Increase in pledge-style Repo

Deposit taking	511,404,984	371,373,450	37.71%	Increase in individual and corporate deposits taking
Tax payable	1,260,189	899,812	40.05%	Increase in value added tax payable
Other comprehensive income	757,027	1,312,883	(42.34%)	Decrease in investment revaluation reserve of available-for-sale financial assets

#### IV. Investment Analysis

##### (I) Overall condition

Unit: (RMB) Thousand Yuan

Item	Ending amount	Beginning amount	Proportion of equity of invested companies held by the Company	Main business
China UnionPay Co., Ltd.	13,000	13,000	0.34%	Establishing and running a nationwide unified cross-bank network of information exchange for bankcards; providing advanced electronic payment technology and specialized services in regard to cross-bank information exchange for bankcards; conducting technology innovation in bankcard business; managing and operating the logo of "UnionPay"; stipulating business rules and technical standards on cross-bank transactions with bankcards; coordinating and arbitrating disputes occurred in bankcard cross-bank transactions; organizing training program and seminars and carry out international exchange; providing consulting and research services and other related services approved by the PBC.
Clearing Center for City Commercial Banks	250	250	0.83%	The Clearing Center for City Commercial Banks is a nonprofit membership organization which city commercial banks may join in or not of their own accord. It is mainly responsible for non-local clearing for city commercial banks.
Maxwealth Fund Management Co., Ltd.	135,000	135,000	67.50%	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.
Maxwealth Financial Leasing Co., Ltd.	1,000,000	1,000,000	100.00%	Financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off-shore borrowing; leasehold selling

off and disposal; economic consulting; business approved by CBRC.

Total	1,148,250	1,148,250
-------	-----------	-----------

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

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

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

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

## (IV) Investment on derivatives

### 1. Investment on Derivatives

Instructions on risk analysis and control measures of derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk, etc.)	Before launching new types of derivatives, the Company fully identified, analyzed and assessed different risks by the new product committee which adopted duration, limit control, risk value, stress test, credit line management to conduct risk measurement and control of derivatives.
Changes on the market price or the fair value of invested derivatives during the reporting period. The analysis on the fair value of derivatives shall disclose detailed methods and setting of related hypotheses and parameters.	The market price or the fair value of derivatives invested by the Company fluctuates with the changes of trading parameters during the reporting period. Estimated parameters of derivatives shall be set according to different products and in accordance with industry practice. For fair value measurement, it adopted the estimation model provided by the middle- and back- office estimation system.
Instructions on whether accounting policies and accounting of derivatives during the reporting period changed significantly compared with those in the previous reporting period.	None
Independent directors' opinions on investment and risk control of derivatives of the Company	Independent directors of the Company understood that trading of derivatives is one of regular banking business approved by CBRC. During the reporting period, the Company attached importance to risk management of this business and carried out efficient risk control over trading of derivatives.

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

Unit: (RMB) Thousand Yuan

Contract category	Contract sum at the beginning of the period	Contract sum at the end of the period	Profit and loss during the reporting period	Proportion of the contract sum to the net assets attributable to the shareholders' of the Parent company at the end of the reporting period
Foreign exchange	9,085,218	11,350,261	4,134,730	22.58%

forwards				
Foreign exchange swap	268,942,352	540,833,666	(244,334)	1075.69%
Interest rate swap	649,138,064	744,569,871	52,034	1480.89%
Currency swap	640,203	-	53,122	0.00%
Option contract	4,801,268	17,772,391	(58,873)	35.35%
Precious metal forwards/swap	16,474,917	47,607,656	(909,209)	94.69%
<b>Total</b>	<b>949,082,022</b>	<b>1,362,133,845</b>	<b>3,027,469</b>	<b>2709.20%</b>

At the end of the reporting period, the total derivative contract held by the Company was 13,62.134 billion Yuan, increasing 4,13.052 billion Yuan than the beginning of the period. In 2016, the Company kept to make positive use of derivative product such as interest rate and exchange rate for hedging and directional trades, steadily scaled up the trading, optimized the trading strategy and further improved the trading profits.

#### (V) Use of the raised fund

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

#### (VI) Major assets and right offering

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

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

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

Unit: (RMB) Thousand Yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Maxwealth Fund Management Co., Ltd.	Subsidiary	Fund raising, fund sales, assets management for special customers, assets management and other businesses approved by CSRC.	200,000	641,553	332,651	119,678	40,539	37,926
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	1,000,000	14,244,426	1,134,168	387,383	172,093	128,569

borrowing; borrowing from  
financial institutions; off shore  
borrowing; leasehold selling off  
and disposal; economic  
consulting; business approved by  
CBRC.

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

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

## **3. Information of major holding companies and joint stock companies**

A holding subsidiary of the Company---Maxwealth Fund Management Co., Ltd. was established on Nov. 7, 2013 with a registered capital of 0.15 billion Yuan. Maxwealth Fund Management Co., Ltd. increased in capital and share in August, 2014 and its registered capital was increased to 0.2 billion Yuan. The Company held 67.5% of the shares. Maxwealth Fund Management Co., Ltd. is mainly engaged in fund raising, fund sales, assets management for special customers, assets management and other business approved by CSRC.

A wholly-owned subsidiary of the Company--- Maxwealth Financial Leasing Co., Ltd. was established on May 26, 2015 with a registered capital of 1 billion Yuan. Maxwealth Financial Leasing Co., Ltd. is mainly engaged in financial leasing business; transferring and receiving financial leasing assets; fixed-income securities investment; acceptance of lessee and deposit from lease; inter-bank borrowing; borrowing from financial institutions; off shore borrowing; leasehold selling off the disposal; economic consulting and other business approved by CBRC. Maxwealth Financial Leasing Co., Ltd. persists in the management principle of steady operation, scientific management, characteristic development and high-efficiency service. Relying on the current outlets and customer advantages of the Parent company, Maxwealth Financial Leasing Co., Ltd. focused on the three major business areas of “intelligent leasing”, “green leasing” and “civil leasing”, actively expanded government public service and middle and small-sized enterprises customers with leasing demand, smoothly started various business and developed new source for stable profit growth.

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

Please refer to the “Note 6 to Financial Statement: Equity in other Entities” of “Chapter 12 Financial Report” for the information of structured entities controlled by the Company.

## V. Risk Management

The Company paid high attention to the construction of the overall risk management system, took initiative to meet the economic new normal on the base of original advantage heritage and solidification, deepened the risk management strategy, adopted the methods of qualitative and quantitative combination, recognized, measures, assessed, monitored, reported, controlled or mitigate the various confronting risks, properly set the operation target and business policy within the unified risk preference frame, efficiently allocated the resource and strived to create the overall risk management mode with core competitiveness. Main risks confronted by the Company during the operation are as follows:

### (I) Credit risk

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

The major mechanisms for credit risk management of the Company are as follows:

1. Prudent credit policy. In the aspect of credit assess, the Company actively adjusted the loan policies combining with the internal and external economic situation, selected high quality customers and strictly check the “source” of credit risk. Meanwhile, adjusted the credit structure, selected the superior and eliminated the inferior to improve the anti-risk capability of credit assets. Strictly controlled the total credit of group customers to prevent concentration risk; abided by supervision department’s “Three Red Lines” for government platform loans; restricted the credit investment in industries with excessive capacity and uncertain future; continuously focused on the risk in real estate industry, followed close to the credit policy for real estate and practically controlled the newly added loans of the real estate industry.

2. Independent review and approval mechanism. The Company established proper loan review and approval mechanism, and appointed independent review and approval personnel. After the business submittal, professional risk management personnel would go through comprehensive analysis on client’s information and give out independent risk review opinions. The Company enforced the centralized approval mechanism of loans, implemented credit approver system with approval authority centralized in the head office. Branches have approval centers with the approvers under the direct leadership of the head office in unified approval criterion.

The approver system guarantees the independence of approval and the implementation of credit policy on system. There are five titles and ten levels for approvers. Each level of approvers is endowed with different approval authority, giving consideration of the approval efficiency and effective risk control.

3. Overall post-loan management. (1) Forewarning management. The Company established a set of bidirectional risk forewarning system as “from top to bottom, from bottom to top”, developed the credit customer risk early warning operating procedures and defined the implementation of unified management to the customer risk information. And adjusted the risk early warning level and carried out dynamic and sustained tracking upon the change of forewarning customer risk. (2) Big data risk control. The Company established the big data risk control platform with broader coverage, more risk information sources and stronger forewarning pertinence via integration of business data in the industry and introduction of internet data and private net data. This platform prompted risks to front desk business personnel and all levels of reviewers through the potential risk signals detected by the risk control model during the pre-loan, in-loan and post loan steps, and greatly improved the risk identification capability and forewarning management efficiency. In the first half year of 2016, the Company focused on the four data as “tax paying, electricity utilization, customs, credit investigation”, supplemented with other peripheral information and established the top-to-bottom “4+N” risk early warning system. This early warning system took the quantitative risk signal as the starting point, went through implementation and investigation in the form of using the minority to bring along the majority to reach advance information access of changes of operation condition of the credit customer, performance of cooperative fulfillment and external guarantee, including if any excessive credit extension, involving of guarantee circle risks, any inter-bank breaching, etc. . (3) Post-loan inspection. The Company attached importance to the post-loan inspection on existing customers with the management covering post-loan purpose inspection, complete inspection and early-warning customer tracking inspection. After the loans are granted, the Company carried out inspection upon whether the practical use of the loans are complying with the agreed purpose and method specified in the loan contract, and collected relevant vouchers for filing; implemented complete inspection on crediting business in multi-channel and multi-measures ways upon the combination of on-site and off-site, made deep analysis on the business condition and financial situation to realize full risk announcement for crediting business; proceeded dynamic tracking inspection on crediting customers with effective early warning information. (4) Risk screening. The Company has established normalized risk checking and special checking mechanisms and reinforced the risk checking in risk-sensitive areas. In 2015, the Company organized and programmed risk checking in large-amount



crediting, guarantee circle and commercial real estate development, timely grasped risk situations for relevant areas, developed risk prevention requirements and measures and practically and effectively prevented credit risks.

The Company strictly executed the sort management method required by the supervision department. According to the documents such as “*Guidelines on Risk-Based Loan Classification*” and “*Classification Method of Small Business Loan Risk*” formulated by the supervision department, the Company worked out management method and operating procedures on loan classification, covering corporate banking, retailing banking, personal loan and credit card lines with the businesses including loans, discounts, advances, trade financing and credit card overdraft. Based on the five-class classification, the Company further implemented the ten-class classification system and divided the loans into normal (including normal+, normal and normal-), special mention (including special mention+, special mention and special mention-), substandard (including substandard+ and substandard-), doubtful and loss. The ten-class classification system quantitatively revealed the practical value and risk degree of loans. The Company made proportional provisions upon different classes to ensure effective defense against credit risk.

During the reporting period, the Company mainly took following measures to prevent credit risks of corporate loans: firstly, enhanced analysis and prediction of the market, researched changes in industries to which major loans were granted, stipulated 2016 credit business guidelines in time, and realized forward control of credit business. According to external environment changes, the Company properly adjusted credit policies and credit structure, and further clarified key industries and sectors for credit policies. The Company supported listed clients, import and export clients, investment bank clients and other high-quality clients; strictly controlled the credit extension for clients in real estate industry, construction industry, traditional manufacturing industry and automobile sales industry; actively avoided clients in sensitive fields with excessive capability, merging and reorganization and large amount guarantee circle. Secondly, sturdily performed the whole-process risk management. Upon the requirement of business development, the Company comprehensively organized all the risk units in credit business based on the further optimization of credit business process, formulated relevant standard for specific risk point and improved the standard during the business development. The Company periodically organized personnel to make special inspection and analysis on post-credit business to ensure the implementation of risk management work in each step of the credit business. Thirdly, strengthened the risk early warning and risk monitoring work. Integrating the internal risk information and combining the mass external data from the Internet, the Company perform early warning and detection on credit clients. The “4+N” risk

pre-warning system has been successfully built and operated, together with the stable running of the big data pre-warning platform. Conducted pre-loan risk detection to find if any negative information of the planned cooperative enterprise; continuously monitoring after the loan and gave early warning or prompt to notify the client administration institution once found any negative information or abnormal account change of the existing clients, combining with the early-warning system and management mechanism and performed follow-up tracking disposal. Fourth, to improve post-loan management. The Company carried out differential post-loan hierarchical management on customers as according to their corporate nature and guarantee situation; for retail banking clients, combined with the internal rating results of the clients and triggered the rules upon post-loan inspection. The Company took seriously of the existing client post-loan inspection, continuously promoted each risk checking work and conducted well client duration management, integrating the risk early warning and monitoring. Fifthly, took learning from the past and strict precautions against on the credit risk. In 2016, the Company made overall organization and cause analysis on the historical non-performing loan data, found out the generality and established follow-up solutions for the occurrence of non-performing loans. The Company carried out propagation and implement on risk causes in organizations at all level, asked the business and administrative staff to learn the experience and lessons, firmly implemented targeted risk control measures and strictly prevented the recurrence of same-type risks. Sixthly, applied the results of internal rating for new capital accord. Actively adopted the construction achievements of the internal rating project, provided data support in quantitative analysis of risk measurement, policy formulation, credit access, loan pricing, limit management and performance assessment, thus to improve the refined level of credit risk management work of the Company.

During the reporting period, the Company mainly took the following measures in the prevention of personal service credit risk: firstly, perfected the field return visit mechanism of personal business, extended the scale of visit business to cover all the customers for personal business except mortgage and hypothecated loan, verified the customer identification and authenticity of application willingness through field return visit and set up independent quality inspection system to ensure the quality of the return visit. Secondly, constantly improve the technological means of personal business risk monitoring, utilized the big data, quantified the personal business risk, monitored the risk state for major personal products and made dynamic adjustment of the credit-granting policy. thirdly, performed overall organization of the major business process risks to achieve the rigid control of the procedures and perfect the business risk control system upon continuous reevaluation of the risk points during each steps of the major business credit granting process.

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

1. Credit concentration level of the largest single customer

As of Dec. 31, 2016, the loan balance of the largest single customer of the Company was 1,114.60 million Yuan, accounting for 1.72% of the net capital and met the requirement of no more than 10% as specified by CBRC.

2. Credit concentration level of the largest group customer

As of Dec. 31, 2016, the loan balance of the largest group customer of the Company was 1,233.27 million Yuan, accounting for 1.90% of the net capital and met the requirement of no more than 15% as specified by CBRC.

2. Proportion of top 10 customers of loans

As of Dec. 31, 2016, the loan balance of the top customers of the Company was 8,569.77 million Yuan, accounting for 13.23% of the net capital.

4. Credit proportion of the single related party

As of Dec. 31, 2016, the credit exposure of the largest single related party of the Company was 1,011.69 million Yuan, accounting for 1.56% of the net capital.

5. Overall relevancy

As of Dec. 31, 2016, the utilized credit exposure of all related parties of the Company was 3,930.48 million Yuan, accounting for 6.06% of the net capital and met the requirement of no more than 50% as specified by CBRC.

## **(II) Liquidity risk**

Liquidity risk refers to the risk that failing to obtain adequate funds in a timely way at a reasonable cost to pay matured debts or satisfy other payment obligations for business development. The Company has established head office and branch two level management mode with the risk management department of the head office responsible for the overall management of liquidity risk and the financial marketing department of the head office responsible for the daily liquidity gap management of the Company.

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

in 2016, the People's Bank of China kept implementing the steady monetary policy and reasonably adjusted the banking system liquidity upon comprehensive application of various tools such as open market operation, medium-term lending facility and standing lending facility. In the first half year of 2016, the market liquidity kept neutral to easy and showed slight fluctuation for seasonal factors. In the later half year of 2016, the People's Bank of China successively increased the variety of 14-day and 28-day reverse repo, actively prolonged the period of open market operation and improved the terminal money market rate. For all the above macro-control policies and market fund, the Company kept close tracking and made deployment, dynamic liquidity adjustment management strategy ahead of schedule according to the liability business increase and liquidity gap of the Company to ensure the liquidity risk to be in the safety range. During the reporting period, the Company took the following measures to improve the liquidity risk control: firstly, comprehensively improved the policy, system and measurement method for liquidity risk management; secondly, strengthened risk monitoring, realized daily auto-metering of cash flow gap and liquidity risk index and supported multi-scenario liquidity risk stress test; thirdly, continued to increase the investment on treasury bonds and the reserve of high-quality liquid assets; fourthly, improved the liquidity emergency plan, conducted liquidity emergency exercise and enhanced the decision-making and handling capacity under the emergency state.

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

#### 1. Liquidity ratio

As of Dec. 31, 2016, the balance of liquid assets of the Company was 184,085.48 million Yuan and the balance of liquid liability was 409,557.65 million Yuan with the liquidity ratio as 44.95% and met the requirement of no less than 25% as specified by CBRC.

#### 2. Liquidity coverage ratio

As of Dec. 31, 2016, the balance of high-quality liquid assets of the Company was 91,209.04 million Yuan and the net cash outflow within 30 days was 108,843.20 million Yuan with the liquidity coverage ratio as 83.80%

and met the requirement of no less than 80% as specified by CBRC.

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

### **(III) Market risk**

Market risk refers to the risk of potential losses in future benefits or future cash flow arising from the value change of financial instruments due to the changes in interest rate, exchange rate and other market factors. The major market risks influencing the Company's business were interest rate risk and exchange rate risk, including the transaction account and bank account. Of which, the transaction account refers to the financial instrument account held for transaction or other items of hedging transactions account, and the bank account is for the on- and off- balance sheet items not credited into the transaction account.

#### **1. Transaction account**

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

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

The risk management department of the Company was responsible for the market risk management of transaction risk to make daily risk and profit & loss report, monitor the implementation of market risk index limit; periodically conduct stressing test of market risk and perform emergency scene stressing test and post early warning information upon emergency circumstances such as significant market fluctuations and policy changes.

During the reporting period, the Company continued to improve the risk management system for the transaction account market and optimize the method, process and tools for market risk measurement and monitoring upon the primary basis. Firstly is to carry out the internal model approach of market risk, construct the policy and measurement system required by the internal model approach and complete the establishment of measurement engine and data mart; secondly is to perfect the market risk index limit management to carry out exposure analysis, duration analysis, sensitivity analysis and scene analysis as per the account property and the transaction combination via different market risk measuring index and measuring method; thirdly is to develop the central clearing counterparty reform for market risk capital measurement and enhance the accuracy and rationality of market risk capital measurement.

The domestic bond market and RMB exchange rate performed greater two-way fluctuations under the quite a few impact and challenge confronted by the domestic and overseas economy and finance in 2016, especially the continuous increasing pressure in domestic economic downturn and FRB interest rates-rising policy influence. The Company intensively studies and constantly tracked the changes in macro economy and monetary policy, timely adjusted the trading strategy and created great profits for the transaction account business of the Company upon the market fluctuations and also realized normal performance of all the market risk indicators.

## 2. Market risk of bank account

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

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

and business adjustment strategy according to the monthly asset-liability management report and stressing testing report.

In 2016, the Company paid close attention to policy tendency and changes of external interest rate environment, actively and timely adjusted the business pricing and the strategy in structure of assets and liabilities, and achieved the stable growth on net interest income; meanwhile, also establish the interest rate risk monitoring module on bank account in the asset-liability management system, realized the automatic calculation of indexes such as fluctuation range of net interest income and fluctuation range of economic value and improved the refined management level.

#### **(IV) Operational risk**

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

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

shouldered the direct responsibility for the operational risk management of the unit, and the management responsibility for the operational risk of the line, and performed as the first defending line for the operational risk management; the compliance management departments at different levels were responsible for the design and promotion of the operational risk management methods, procedures and systems, as well as the monitoring, examining and reporting of the operational risk, and were the second defending line for the operational risk management; the auditing departments at different levels were the third defending line for the operational risk management, responsible for the regular inspection and assessment of the status of operational risk management and supervising the implementation of the operational risk management policies, and reported to the audit committee of the board of directors; departments of monitoring security, human resource, IT, legal affairs and risk management at different levels provided other departments or branches with relevant resources and support within their responsibility and professional range during the management of their own operational risk.

During the reporting period, the Company continued to strengthen the application of operational risk management instrument and major field operational risk governance in accordance with the latest supervision requirements and variation trend of the operational risk for banking industry, sustained to improve the business continuity construction and ceaselessly enhanced the level of operational risk management:

Firstly, kept upgrading the operational risk management instrument, achieved the line-wide coverage of process evaluation and index monitoring and laid a solid foundation of operational risk management. The Company had 34 incremental key risk indicators last year, sent 14 operational risk warnings or notifications and 89 forewarning information, effectively prompted the branches and sub-branches to strengthen the prevention of similar operational risks and timely eliminated the hidden danger of operational risks.

Secondly, reinforced the business continuity management, facilitated the business continuity construction, improved the special plans for major business, implemented emergency exercises and made overall generalization of the business continuity management in branches upon the basis of experimentation in Shanghai Branch to hold the risk bottom line of business business continuity.

Thirdly, intensified the operational risk training, organized to conduct the training and examination on “*Pervasive Operation Risks*” and “*Basic Knowledge of Seal Management*” for the personnel in the whole Bank; for the personnel of operational risk management, organized to carry out the activities such as training camp of operational risks and training base of operational risks to further improve the awareness and management



capability of operational risks for the personnel of the whole Bank.

#### **(V) Compliance risk**

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

During the reporting period, the Company actively carried out the compliance risk prevention work on the strength of support the target of legal compliance operating management. Firstly, continued to improve the internal control management. Tabled the suggestions of system optimization through measures such as multi-dimension review on the internal control system, system-atlas reminding mechanism for the relevant internal and external compliance system, analysis on external supervision rules and post-system evaluation on key business areas, combing with the perspectives of customer complaint and advice, Sci-tech development project and audit opinions, effectively solved the problems during the system implementation, strengthened the system operability and upgraded the quality of internal control system. Secondly, continued to arrange inspection on business compliance. The Company released the “*Business Inspection Guideline*” in the beginning of the year, intensified the inspection in high-risk areas, weak links and key business, raised quantitative requirements to the responsible investigation to reach more powerful pertinence and improve the actual effects; tracked the progress of the implementation for each inspections on a quarterly basis, summarized, analyzed and implemented to rectify the problems existed in each inspection to put the inspection results into practice. Thirdly, continued to enhance the employees’ consciousness of compliance risk. Organized to conduct case prevention knowledge learning and tests for the employees of the whole Bank, enhanced the training on financial crime knowledge to improve their compliance concept; monitored employees’ illegal behaviors, analyzed the illegal behaviors discovered during internal and external investigation, collected typical breaching cases for analysis and interpretation, notified those in the whole bank, continued to optimize the compliance evaluation and assessment in the meantime and practically improved the evaluation effectiveness. Fourthly, continued to strengthen the construction of compliance culture. Carried out hierarchical staff conversation and training on compliance to make sure they are familiar with the latest supervisory policy, basic legal knowledge and compliance risk management requirement of the Company; appraised excellent institutions, teams and individuals for the compliance culture construction to create the compliance atmosphere. Fifthly, constantly deepened the management of contract text standardization.

Published the “*Measures of Contract Text Management*”, defined the operating requirements for contract text management, organized to carry out contract review in the key business areas such as investment banks and bills to prevent the contract management risk.

#### **(VI) Reputation risk**

Reputation risk refers to the risk that the Company might be negatively evaluated by relevant interested parties due to the Company’s operations, management and other behaviors or external events. In 2016, the Company insisted on the principle of prevention first, being active, reporting timely and whole staff participation based on the regulatory requirements and the development trend of new media, and continuously improved the reputation risk management process and pre-arranged planning to make sure the bottom line of having no significant negative public opinions. Firstly, reinforced the organization of reputation risk management system, defined the responsibilities of the departments of head office and the branches, specified the reporting path and time effectiveness of the management and upgraded the reputation risk management level in prevention, rapid response and guaranteed effect. Secondly, integrated and standardized the compliant processing procedure. All compliant of the Bank should be dealt with by the department of procedure innovation and customer experience. Knotty problems were discussed between departments periodically. The monitoring and post-evaluation issues of the reputation risk events were supervised by the Office. Thirdly, tracked the whole procedure of compliant processing and result feedback through the compliant management system platform to improve the timeliness, resolution rate and satisfaction rate of compliant processing. Avoided the reputation risk due to improper response upon compliant. Fourthly, specific to bank hotspot public opinions, made active response and disposal pre-arranged planning on the mode of “internal discussion, scenario simulation and external assistance” as per the severity of the reputation risk cases to ensure the timely response under the new media environment. Fifthly, improved the staff capacity in common reputation risk scenario response by performing online promotion of “Standard Procedure of Reputation Risk Response” and regularly organizing “Reputation Risk Management Capability Enhancement” courses.

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

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

risk management level.

In 2016, the Company improved the internal control system of anti-money laundering, exerted the performance of the anti-money laundering leading group and promoted the implementation of major anti-money laundering policies; perfected the mechanism of anti-money laundering working report to ensure senior management's timely access to anti-money laundering results; earnestly fulfilled the legal duties for anti-money laundering, such as customer identity recognition, customer risk grade separation, retention of customer identity information and transaction records and submission of block and suspicious transaction reports; updated the customer risk information and reached the one-account-one-file dynamic management; established the concentration analysis mechanism for suspicious transactions, expanded and optimized the monitoring model and list, deeply delved, analyzed and submitted the critical suspicious transactions clues, and further improved the submission rate and quality thereof; regularized the management requirements and operation procedures for sensitivities involved business and agent banks entry and prevented from the transmission and diffusion of international money laundering risk; carried out various anti-money laundering campaigns and improved the public anti-money laundering awareness and self-protection ability; conducted anti-money laundering trainings for the staff, enhanced their anti-money laundering awareness and focused on the enhancement of the anti-money laundering awareness of anti-money laundering personnel; implemented internal supervision & inspection and examination & evaluation to ensure the link with the duty activities and performance of branches; organized the money laundering risk self-assessment for branches and gradually improved the weak points of money laundering risk management in all the institutions; highly valued and cooperated with various anti-money laundering administrative investigations and provided strong support to People's Bank and China and public security departments in fighting money laundering and other illegal criminal activities.

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

### **(VIII) Implementation of New Capital Accords**

In 2016, the Company completed the overall implementation of major projects of New Capital Accords, upgraded the risk quantitative instrument and technology and fully ensured the effective operation of the quantitative results through the circulation mode of "development, monitoring, verification and optimization"; meanwhile, continued to deepen the application of project achievements, gradually obtained the integration of

business management and the field construction in credit, market, operation and capital measurement and endeavored to improve the management and control level in operational risk recognition, prevention and avoidance.

In terms of credit risk management, firstly, established the internal rating verification system, conducted the overall verification after the operation and quarterly performed continuous monitoring on the running of internal rating; secondly, optimized the non-retail internal rating model system in consideration of the unhealthy characteristics existing in the current economic downwards path, optimized the statistic model as well as the index and weight of expert marking card, adjusted the interval range of each level for the main scale and improved the risk recognition capacity of the model; thirdly, regulated the implementation of the non-retail RAROC, sub-divided the pre-loan business access, post-loan return implementation and existing customers classification for the branches and improved the implementation standard in the three aspects; fourthly, extended the automatic retail approval application range and performed the differentiated automatic approval strategy upon the asset quality situation for each institutions.

In terms of market risk management, the Company perfected the market risk policy and measurement system, implemented the establishment of internal model approach data mart and completed the system development and operation.

In terms of operational risk management, the Company continued to carry out the operational risk management system construction, achieved the comprehensive implementation of the three tools for operational risks and established the management system for business continuity.

In terms of capital measurement, the Company completed the establishment of risk weighted assets system and realized the setup of credit risk method of weighting and internal rating approach, market risk standard approach and internal model approach, as well as the operational risk standard approach, and fulfilled the implementation of the information disclosure management system of the new capital accords.

During the reporting period, the Company made comprehensive preparation for the submission of implementation of the advanced approach to capital management to the CBRC, completing the works such as the fulfillment of internal audit, compliance self-assessment, capital quantitative measurement, as well as gap rectification for standard attainment. Meanwhile, the Company had finished the compiling of the compliance application documents and reported to the board of directors for approval.

## **(IX) Explanations on Completeness, Reasonability and Effectiveness of the Internal Control System**

The Company attaches great importance to the completeness of the internal control system. As of now, the internal control system published by the Company has covered business activities, management activities and supporting activities. Among them, systems of business activities account for 46.65% of the total number of the bank's systems and those of management and supporting activities account for 53.35%. In accordance with external laws and regulations, regulatory policies and internal management requirements, the Company promptly formulated and revised related internal control system, continued to optimize business and management processes and implemented risk management and control measures, to make the internal control system more complete and content of the system more reasonable and efficient.

### **1. Relatively perfect system**

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

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

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

banking system.

## 2. Prompt and reasonable system updating

The Company keeps an eye on external laws, regulations and regulatory policies and formulates and revises relevant systems in a timely manner in accordance with internal business need. The Company's compliance department collects opinions about system through technological demands analysis, business and management activity combing and daily communication, supervises and evaluates all business and management activities with external regulatory requirements to confirm whether there are systematic gaps or rectification needs related to business and management activities, cooperates with relevant departments to discuss revision, continues to push forward the establishment of internal system, ensures prompt system updating and satisfies actual demands of business development.

All the company systems feature clear attributive management department, external regulation basis, internal grouping and system leveling, constructed the categorical & hierarchical and internal-to-external whole-bank system map, and on this ground, realized the internal-internal and internal-external system linkage upon the system construction. Upon the internal system updating or the releasing of external regulations such as the external laws and rules, supervisory policies and self-discipline pacts, the system would automatically trigger the system modification prompting for relevant business departments, who would update the system according to the medication prompting and enhanced the timeliness and effectiveness of the system.

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

## **VI. 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 economical capital, accurately measure and cover all types of risks and optimize resource allocation and operational management mechanism to create the best returns for shareholders; (3) to apply various capital instruments properly, optimize the amount and structure of capital and improve the quality of capital. The Company's capital management mainly contains capital adequacy management, capital financing management and economic capital management.

Capital adequacy ratio management is the core of the Company's capital management. According to regulations of China Banking Regulatory Commission, the Company shall monitor capital adequacy ratio on a regular basis and submit required information to the commission every quarter. It shall predict capital adequacy ratio every month through stress test and other approaches to ensure the index complies with regulatory requirements. With the establishment of new capital accord, the Company further strengthened risk identification and appraisal abilities to make it measure risk-weighted assets more accurately according to business essence. Currently, the Company has realized credit risk-weighted assets under RWA system measurement weighting method and market risk-weighted assets under standard method and steadily advanced establishment of credit risk internal rating approach, market risk internal model approach and operational risk standard approach.

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, further reinforced the capital strength, optimized the capital structure, upgraded the level of capital adequacy ratio and greatly enhanced the anti-risk capability and the ability of substantial economy development supporting.

The economic capital management is dedicated to establishing concepts of capital constraints, optimizing corporate resource configuration and realizing intensive management of capital. In 2016, the Company steadily pushed forward economic capital limit management, formulated economic capital allocation plans, realized optimized configuration of capital in all business lines, regions, products and risk areas, made overall arrangements of risk-weighted asset scale of all business departments and business lines, promoted optimized and reasonable configuration of capital and endeavored to realize maximization of risk-weighted asset yields; further

displayed group comprehensive business advantages, gradually strengthened corporate capital management by perfecting group consolidated administration and other systems, and satisfied group and comprehensive business' demand for capital management.

### (I) Conditions of capital adequacy ratio

In compliance with the relevant regulations of “*Capital Management Measures for Commercial Banks (Trial)*” of CBRC, the scope of consolidated data covers the parent company, the affiliated fund company and financial leasing company. Up to Dec. 31, 2016, the consolidated and non-consolidated capital adequacy ratios, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the company are as follows:

Item	Unit: (RMB) Thousand Yuan			
	Dec. 31, 2016		Dec. 31, 2015	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
1. Net balance of core Tier one capital	45,201,969	43,849,778	39,970,280	38,762,631
2. Net balance of Tier one capital	50,026,660	48,674,469	44,794,971	43,587,322
3. Net balance of total capital	64,783,567	63,269,098	58,822,834	57,551,178
4. Total risk-weighted assets	528,644,875	514,863,021	442,562,618	437,713,081
Including: credit risk-weighted assets	482,509,417	469,364,977	405,532,405	400,883,602
Market risk-weighted assets	9,561,714	9,469,903	7,258,681	7,248,992
Operational risk-weight assets	36,573,744	36,028,141	29,771,532	29,580,487
5. Core Tier one capital adequacy ratio	8.55%	8.52%	9.03%	8.86%
6. Tier one capital adequacy	9.46%	9.45%	10.12%	9.96%
7. Capital adequacy ratio	12.25%	12.29%	13.29%	13.15%

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

### (II) Situation on leverage ratio

Item	Unit: (RMB) Thousand Yuan			
	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016
Leverage ratio	5.08%	5.27%	5.21%	5.05%



Net balance of Tier one capital	50,026,660	50,090,145	48,877,567	47,041,573
Adjusted on and off-balance assets balance	984,943,800	949,828,882	938,758,441	930,740,453

Note: indexes relevant to leverage ratio at the end of this reporting period, the third quarter of 2016, the second quarter of 2016 and the first quarter of 2016 are calculated in accordance with *Management Measures for Leverage Ratio of Commercial Banks (Revised)* (China Banking Regulatory Commission, No. 1, 2015) carried out since April 1, 2015. Please refer to the column of “Capital and Leverage Ratio” in IR of the Company’s official website for details.

## VII. Conditions of Organization Construction

No.	Organization name	Business address	Number of organizations	Number of employees	Asset scale
				(person)	(thousand yuan)
1	Head office	No. 700, South Ningnan Road, Yinzhou District, Ningbo City	1	2,251	369,192,560
2	Shanghai Branch	Floors 20, 21 22 of 21 <sup>st</sup> Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai City	16	818	63,659,426
3	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou City	18	803	40,351,079
4	Nanjing Branch	No. 120, Hanzhong Road, Gulou District, Nanjing City	15	680	43,012,896
5	Shenzhen Branch	D of 1F, whole floor of 2F and B of 3F, Times Fortune Tower, Southeast of Downtown District, No. 3 Fuhua Road, Futian District, Shenzhen City	13	672	54,911,204
6	Suzhou Branch	No. 129, Wangdun Road, Industrial Park, Suzhou City	20	820	48,699,398
7	Wenzhou Branch	No. 260, Nanpu Road, Lucheng District, Wenzhou City	9	485	10,647,596
8	Beijing Branch	1-2F, 11-15F, Glorious Oriental Center, No.100, 3 <sup>rd</sup> West Ring Road North, Haidian District, Beijing City	7	511	36,012,816
9	Wuxi Branch	No. 666, Zhongshan Road, Chong’an District, Wuxi	8	473	29,503,309
10	Jinhua Branch	No. 1133, Danxi Road, Jinhua	4	258	6,612,964
11	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing City	3	198	7,762,748

12	Taizhou Branch	No. 296-306, Donghuan Avenue, Taizhou	1	138	5,403,826
13	Jiaxing Branch	No. 1485, Qingfeng Road, No. 883, Gaungyi Road, Nanhu District, Jiaxing City	1	61	2,078,007
14	Haishu Sub-branch	No. 230, Liuting Street, Haishu District, Ningbo	9	223	8,691,926
15	Jiangdong Sub-branch	No. 466, East Zhongshan Road, Jiangdong District, Ningbo City	7	190	14,492,476
16	Jiangbei Sub-branch	No. 270, Renmin Road, Jiangbei District, Ningbo City	7	165	15,340,016
17	Hudong Sub-branch	No. 801, North Liyuan Road, Haishu District, Ningbo City	2	80	5,959,460
18	West Gate Sub-branch	No. 197, West Zhongshan Road, Haishu District, Ningbo City	5	125	5,132,420
19	East Gate Sub-branch	No. 868, East Beizhang Road, Jiangdong District, Ningbo City	9	204	7,314,062
20	National Hi-tech Zone Sub-branch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo City	6	160	5,801,966
21	Siming Sub-branch	No. 9, Lantian Road, Haishu District, Ningbo City	6	140	14,662,022
22	Mingzhou Sub-branch	No. 199, Middle Songjiang Road, Yinzhou District, Ningbo City	11	202	8,192,959
23	Beilun Sub-branch	No. 221, Mingzhou Road, Xinqi Town, Beilun District, Ningbo City	8	193	7,903,373
24	Zhenhai Sub-branch	No. 18, Station Road, Zhenhai District, Ningbo City	7	184	6,775,669
25	Yinzhou Sub-branch	No. 666, Middle Siming Road, Zhonggongmiao Sub-district, Yinzhou District, Ningbo City	12	254	10,744,160
26	Ninghai Sub-branch	No. 158, Times Avenue, Taoyuan Sub-district, Ninghai County, Ningbo City	9	187	4,516,124
27	Yuyao Sub-branch	No. 28, West Yangming Road, Yuyao City, Ningbo	11	225	8,492,240
28	Xinjian Sub-branch	No. 136-1-2, Yuli Road, No. 357-6-13, West Yangming Road, Yangming Sub-district, Yuyao, Ningbo	11	162	5,826,239
29	Cixi	No. 207, Ciyong Road, Cixi City, Ningbo	15	243	7,544,355

Sub-branch					
30	Chengdong Sub-branch	No. 1600, Xincheng Avenue, Gutang Sub-district, Cixi, Ningbo	12	199	4,758,321
31	Xiangshan Sub-branch	No. 503, Xiangshangang Road, Dandong Sub-district, Xiangshan County, Ningbo City	6	135	3,471,670
32	Fenghua Sub-branch	No. 16, Zhongshan Road, Fenghua District, Ningbo	8	161	6,667,145
33	Maxwealth Fund Management Co., Ltd.	27F, 21 <sup>st</sup> Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai City	1	58	641,553
34	Maxwealth Financial Leasing Co., Ltd.	7F, Block E, International Finance Center, No. 180, Heji Street, Jiangdong District, Ningbo City	1	48	14,244,426
Total: 314 (including 1 secondary sub-branch within the jurisdiction of Business Office of Head Office and 34 community sub-branches)				11,706	885,020,411

### VIII. Core Competitiveness Analysis

Confronting the recent industry trending of deepening of reform in interest rate liberalization, acceleration of disintermediation, continuous pressure-bearing of credit risk and slow profit growth, the Company has focused on the development line, under the leadership of the board of director, and constantly enhanced the operating capacity. Tough and complex industry business environment performs as opportunity more than challenge. Currently, the Company has had specific goals, been full of confidence and kept exploring a differential and specialized development road that “big banks cannot do well and small banks cannot do” and which has achieved initial results to the benefit of sustainable development. The core competitiveness of the Company mainly reflects in the following four aspects:

Firstly, solid implementation of business strategy. The Company formulated a “Three Three-Year” medium and long term development strategy under a good implementation currently. In the aspect of strategic layout for operating area, the Company formed the development pattern of “One Body with Two Wings” as taking the Yangtze River Delta as the main body and both Pearl River Delta and around Bohai gulf area as the two wings. By the end of the reporting period, the the profit proportion of the branch regions (excluding Ningbo area) has exceeded 60%. Under the trend of the current new-type urbanization development, the resource agglomeration effect of the first and second-tier cities has become even more prominent and the high-quality operating area of

the Company will be the powerful guarantee for the sustainable development. In the aspect of strategic layout for business development, the Company kept the concentration on the development of large-scale retail and various intermediate business, continuously improved the scale and profit proportion and ensured the sustainable development of the Company.

Secondly, continual optimization of profitability structure. The Company has been committed to the construction of diversified profit centers and constantly explore the comprehensive business strategy. Upon years of efforts and accumulation, the Company has formed the profit centers in corporate banking, personal banking, retail company, credit card, financial market, investment bank, asset custody and asset management, the profit proportion of non-traditional profit centers such as investment bank, asset custody and asset management has increased year by year and the structure has tended to be more reasonable. The Company has established two non-bank institutions, Maxwealth Fund Management Co., Ltd. and Maxwealth Financial Leasing Co., Ltd., both of which are in good developing state, forming great complementary relationship with the parent company in customer integrated business, product portfolio marketing and business interactive development and achieving more diversified profit source for the Company.

Thirdly, risk management escort. The main business area of the Company had great solutions for the influence of the economic structural adjustment, industry transformation and upgrading had achieved initial success, and the Company has formulated specific credit granting policies for all industries and the future regional risks would be controllable basically. Meanwhile, the Company persisted to implement the vertical and concentrated credit granting policies. By the end of the reporting period, the non-performing ratio has been in relatively low level of the industry, and the scale for relatively-low risk personal loans has constantly improved. And upon the crediting business list screening, the customers for corporate banking are mostly the high-quality customers in “bank-government winning”, “listing winning” and “import and export winning” and the integrated credit risks are controllable, and thus the Company can devote to business expansion wholeheartedly without any burden and perform guaranteed long-term steady development.

Fourthly, integrated innovation of technology and business. Internet finance has brought certain impact to the traditional banks and performed as opportunity more than challenge. For the past few years, the Company has been devoted to the Internet-enabled financial services, replying on the better scientific and technological development capacity among the similar banks and formed the stagger competition advantaged to traditional

banks and internet companies in market segment. Keeping up with the change of customers' using habit on financial services, the Company considered what customers concerning about, continued to increase the strategic supporting and resource investment on E-channel, especially the mobile banking, WeChat banking and other banking services with daily increased customer use ratio, deepened the big data analysis and mining to provide effective decision support for the fields such as accurate customer obtaining, risk control and customer service, and continuously improved the customer experience. After more than 10 years of continuous accumulation and effort, the current technological support level of the Company has taken the lead in the banking industry and formed a certain comparative advantage. At present, the Company is planning to establish a new data center. When the new data center is put into use, the technological support will reach a new height then, which will better support the sustainable growth of the Company's business in the next stage.

Fifthly, continuous enhancement of employees' quality. Under the new normal of banking business, the horizontal competition becomes more intensified and the customer demands get more diversified. Banks should establish their core competitiveness on the competitive power of the talents to stand out from the others. In recent years, the Company enhanced corporate culture construction, introduced outstanding employees to join, optimized the incentive and examination system and ensured a stable and energetic employee team to lay the foundation of rapid development for the business in the next stage. For another, the Company took the systematic employee ability enhancement as the foothold for professional management, and employees at different levels started to internalize the ability enhancement into the working practice. During the process of deepening market-oriented management, every single professional progress of each employee would become the powerful weight for future rapider and better development of the Company.

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

First, continue to deepen the construction of diversified profit centers. Strive to create more profit centers based on the stronger differentiation competitive advantage formed in each profit center. Keep exploring the integrated business model, establish diversified profit-making channel and provide the customers with more comprehensive financial service programs.

Second, improve the total risk management ability. Continue to improve the full flow risk management system, prevent the risk beforehand and minimize the risk cost through the construction of "4+N" risk early

warning system” and so on; keep the implementation of crediting business list management strategy, precisely localize the target customers and continuously improve the risk management and control competitiveness.

Third, continuously greet and forwardly embrace the internet era of finance. Constantly dock the Internet financial channel, further establish the core competitiveness in the e-channel through technical innovation, service innovation and integrated innovation, thus to perform better in customer obtaining, customer serving and customer operating and provide support to the comparative advantage for Company’s dislocation development.

Fourth, continue to perfect the IT system construction. Accelerate the establishment of technological system and new data center, basically form the technological support competitiveness, ensure of its leading position in the banking industry and of the business support of the technological system in the new normal of the banking industry.

Fifth, continue to perfect the long-term mechanism for human resource management. Establish a multi-level and systematic talent introduction, training & cultivation and management promotion mechanism, make sure to meet the requirements of business development and risk management and build a professional staff team that adapt to development demand of new normal of the banking industry.

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

## **IX. Business Review**

### **(I) Corporate banking business**

The Company’s corporate banking business closed focused on the customer-centered operation principle and, relying on the upgrading of service and experience, provided all-around comprehensive financial service to medium-sized customers through production innovation and process optimization. During the reporting period, facing the new normal of interest rate liberalization, the Company actively adopted to the change of business environment, effectively facilitated the development of basic business, and also focused on the transfer of the customer demands, continued to upgrade the marketing mode, constantly optimized the product portfolio and

realized steady growth of the corporate banking business.

Corporate banking customers. During the reporting period, the Company persisted in the operation principles of continuing expanding the basic settlement accounts, deeply found core costumers and actively developed key customer groups, relied on the list system marketing promotion based on the original mature level-to-level marketing system to rich the customer introduction channel and continued to bring in new customers; upgraded the comprehensive financial service programs of “List win”, “Import win” and “Export win” to improve the customer satisfaction; increased the product portfolio marketing, enhanced the customer value, launched new bank-government winning service program and spared no effort to create the financial service program for key customers. Up to the end of the reporting period, the Company reached 54,900 basic corporate banking customers, with a year-on-year growth of 18.7%, of which there were 11453 core customers, accounting for 20.9% and 5993 key customers, accounting for 10.9%.

Corporate banking deposit. During the reporting period, the deposit scale of corporate banking was in rapid growth with the structure constantly optimized. In term of scale, the Company intensified the product portfolio marketing, initially adapted to market variations, actively grasped the market hotspot funds such as IPO, directional add-issuance and bond issuing and continuously introduced new customers and new funds. Up to the end of reporting period, the corporate banking deposit balance of the Company was 347.2 billion Yuan, increasing 108 billion Yuan from the end of 2015 at a growth rate of 45%. In term of structure, continued to put forward the deposit delicacy management, strengthened the assessment orientation, exerted dominant system functions, promoted the deposit growth upon the products, constantly improved the settlement deposit and current deposit proportions. Up to the end of 2016, the proportion of current deposit of the corporate banking customer had reached 61.15%, increasing 6.27 percent points than the beginning of the year.

Corporate banking assets delivery. Closely following the national strategic deployment of “13th Five-Year Plan”, carried forward priority support on the development of structure upgrading industries, strategic emerging industries and modern service industry, and reached the bank-enterprise double win while the facilitation of real economy transformation and upgrading. By the end of the reporting period, loan balance in the industries in lease and commercial service industry, water conservancy environment and communal facilities management industry, public management and social insurance organizations had reached 58.24 billion Yuan with an increase of 21.06 billion Yuan than the beginning of the year, and the proportion of new bank loans exceeded 65%. Focused on the

creation of national trade financing product system, introduced high-quality costumers upon the advantages such as speedy financing, supporting supply chain and reducing financing cost. Up to the end of the reporting period, the corporate banking loan balance was 147.84 billion Yuan, increasing by 32.19 billion Yuan by the beginning of the year with a growth of 27.83%.

Corporate banking bill business. The Company took the giving bill financing service to middle and small-sized enterprises as the purpose, constantly consolidated the basis of basic customer group for straight up. Conformed to the general trend of electronic draft development, actively promoted the electronic draft discount and improved the profit contribution of electronic draft. The Company achieved a notes straight up amount as 216.8 billion Yuan for the whole year of 2016, including 109.4 billion Yuan of electronic draft discount with a year-on-year growth of 59.6%, accounting for 50.5% of the total discount. The bill trading platform of the electronic draft discount came into effect for trial operation in December, 2016. And the Company became one of the first batch of the 35 experimental banks. In the meantime of the improvement of business processing efficiency and risk management & control effectiveness, the Company further broadened the channel of bill business. Relied on the professional service team, high-efficiency business process and flattening head office-branch interaction, the Company constantly consolidated the basis of basic customer group for discounting. In 2016, the Company had 6286 customers of bill discount, of which there was 2961 customers for electronic draft with a year-on-year growth of 72%.

Corporate bank cash management. The Company continued the brand building of cash management and has constructed the three core product systems of e-banking, investment and financing, as well as group treasury management, provides corporate customers with comprehensive cash management service integrating payment settlement, wealth increment and capital management to improve customer stickiness, and meanwhile, effectively acquires low-cost settlement fund and stimulates growth of light capital business revenue. The Company continued to innovate product systems and services, developed the new type Starlight current, optional fixed term and new type net value financial products and improved the product system; launched the corporate WeChat bank, provided the customers with functions such as micro inquiry, micro account checking and micro notification to optimize customer experience. Up to the end of the reporting period, the Company reached 47,000 customers in corporate banking cash management, increasing by 38% from the end of the last year; the settlement amount of e-bank reached 4900 billion Yuan, increasing by 14% from the end of the last year; and the balance of financial products reached 54.6 billion Yuan, increasing by 5% from the end of the last year.



## (II) Retail enterprise business

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

Retail enterprise clients. In 2016, the Company further deepened operation of small enterprise clients, and expanded the customer base of small enterprises. By deepening “tax-banking interaction” and based on the taxpayer list and corporate tax payment statistics, the Company utilized big data and Internet technology to effectively select high-quality small and micro enterprises in the industries, and rapidly attract new customers by precise marketing promotion with the list and overall product portfolio marketing. At the end of the reporting period, the Company had 153292 retail enterprise clients, up by 41% from the previous year. It included 27494 settlement customers, up by 12%; 9947 international business clients, up by 14%; 4372 finance customers, up by 105%; and 80249 e-banking customers, up by 4%.

Deposits of retail enterprises. When stably increasing the deposits, the Company also focused on optimizing the deposit structure. At the end of the reporting period, the deposit balance of the retail enterprise line was RMB 47.6b, up by RMB 11.1m and 30% from the previous year. By creating and optimizing the settlement instrument “Jiesuan Card” for small enterprises, the Company sped up increasing effective e-banking customers, expanded upstream and downstream marketing towards core enterprises, improving the ratio of retained credit fund, and further raising the proportion of settlement deposits and demand deposits. At the end of the reporting period, the demand deposits of retail enterprises amounted to RMB 25.4b, up by 47% from the previous year. The demand deposits accounted for 53% of all the deposits, up by 6 percentage points from the previous year.

Loans of retail enterprises. In 2016, based on the original financing brand of “Golden Pond”, the Company further improved the financing products system for small enterprises, and enhanced the financing service level for small enterprises. The Company actively promoted products of “quick approval & quick loan-granting”, and accelerated the financing efficiency for small enterprises. By the end of the reporting period, the balance of “quick

approval & quick loan-granting” had reached RMB 4.7b. The Company greatly advanced tax-banking cooperation, successfully launched “Shuiwudai” credit products, addressed small enterprises’ problems on difficulty and high cost in financing, achieved win-win between tax-enterprise-bank, and assisted honest corporate taxpayers in quick financing and better development. The Company launched the tax rebates credit product, providing fast and convenient financing services for export companies. At the end of the reporting period, the loan balance of retail enterprises amounted to RMB 33b, up by RMB 9.3b and 39% from the previous year.

Special businesses of retail enterprises. During the reporting period, the Company continuously enhanced special businesses of retail enterprises. I. Continuously enriched cash management products and services. During the reporting period, the Company launched open-end net-value products, optional term finance product and other products for small enterprises. It improved search and limit functions of Jiesuan card. At the end of the reporting period, the income from finance of small enterprises was RMB 80.2m, up by 67% compared to that in 2015. The Company issued 56101 Jiesuan cards in total, up by 19136 from the year 2015. II. Innovated international business services for small enterprises. The Company improved the e-banking settlement function, added functional modules of direct remittance and mobile documents, and accelerated promotion of financial market products such as Jihuitong, forward FX sales and purchase, and options. During the reporting period, the amount of international business settlement for retail enterprises was USD 14.4b, up by 5% year-on-year. III. Improved the micro-finance product system. By customer segments, the Company promoted a variety of micro-finance products including micro-loan, Touyirong and Fenqirong, and gradually developed the micro-finance product system covering different credit limits and ways of repayment. IV. Accelerated development of e-finance services for small enterprises. The Company improved a range of Internet service channels for small enterprises including retail area in e-banking, mobile version of Jiesuan card, and micro-finance WeChat official account. During the reporting period, there were 5.06m online banking transactions by retail enterprises, up by 24% from the year 2015.

### **(3) Personal banking business**

The Company always took personal banking as one of key development areas, and persisted in the operating principle of “distinctive & localized” businesses. It centered on customer operation, further deepened core businesses such as saving deposits, wealth management and consumer credit, actively explored emerging fields such as direct banking, further optimized team arrangement, improved the business structure and operating level,

and further consolidated the Company's competitiveness in the personal banking segment.

Personal deposit business. The Company made efforts to expand the customer base and stably improved the deposit scale. I. Focused on driving by products and attracted customers to take the Company as the key bank for business so as to expand the basic customer scale with products such as Xinfubao, third-party custody and withholding and payment; II. Persisted in community marketing, took root in the neighborhood, stabilize sources of deposits, and strived to be the mainstream bank in operating areas; III. Enhanced cooperation with external institutions, insisted on attracting customers by channels including marketing new consumer capital such as agency of going-abroad services and deposits for travel, as well as reduced the cost of paying interests on deposits and marketing and management costs. At the end of the reporting period, the deposit balance of personal banking reached RMB 100.316b, up by RMB 19.455b from the previous year.

Personal loan business. The Company focused on key customer segments as well as credit and mortgage products, further innovated and optimized the business mode, and improved the level of professional services. I. Utilized big data, Internet and other new technology to optimize business processes and improve business efficiency, and made efforts to provide customers with high-quality experience. II. Actively contacted with external institutions such as the provident fund center to expand customer attraction channels and realize attraction of a number of customers, developed towards "retail business as wholesale" and improved marketing efficiency. III. Focused on key customer segments, controlled entry of customer objects, strictly standardized the whole process operation system, and kept the low level of NPL in personal loan business. At the end of the reporting period, the balance of personal loans was RMB 80.5b, up by RMB 8.786b from the previous year. There were 159778 new personal loan customers. The NPL of personal loans was 0.44%, down by 0.05 percentage points from the previous year.

Wealth management business. The Company sped up developing the wealth management business, improved the level of fine management, centered on customer operation, built the layered customer maintenance structure and established the private banking system. I. Continued improving the wealth management system to meet diversified demands on assets allocation from customers. Further optimized the structure of finance business and raised the proportion of open-end products to 50%; enriched types of products on consignment, innovated the marketing mode, launched the gold store and the online business hall, and increased customer touchpoints. II. Created the professional service teams, enhanced market survey and judgements, grasped market trends, improved

the level of wealth management services, set up special professional wealth management business teams in each outlet, and established three-level private banking teams in the headquarters, branches and sub-branches. III. Further improved standard service procedures before, during and after product sales, and strengthened compliance management for sales. At the end of the reporting period, the wealth management income reached RMB 810m, up by 47% year-on-year.

#### **(VI) Credit card business**

In 2016, the Company held the guideline of “stabilizing the assets scale, improving service experience, and enhancing risk control” in the credit card business, and continued to provide customers with distinctive financial services with the strategy of market segmentation, precision marketing and intensive cultivation. I. Enhanced innovation on products, launched the global credit card, improved service experience for customers going abroad and immigrating customers, launched new payment functions such as Apple Pay and Visa Checkout, and enriched attributes of products. II. Strengthened innovation on processes, improved Wanlijin customers’ user experience with new functions of independent loan-granting, real-time transfer and application by SMS, integrated and optimized terminal functions of mobile sales, improved employees’ marketing efficiency, and reduced the management and marketing cost. III. Focused on risk control, tried multi-platform cooperation with UnionPay Data in collection alliance platform, UnionPay Data in early warning custody platform, and China Life Insurance in unauthorized access insurance, improved capabilities of early warning and recovery, and ensured good quality of credit card assets in the industry. By the end of the reporting period, the credit card center had issued 1.28m cards in total, and achieved the amount of transactions by credit card of RMB 21b yearly and the balance of advance payments of RMB 25.2b.

#### **(V) Financial market business**

In 2016, the Company seized market opportunities, improved the capability of operation, and realized stable growth of profitability of the financial market business. By actively making reference to advanced business modes and development experience of domestic and foreign financial markets, the Company continued expanding the business chain, enhanced product development, extended construction of channels, and tapped into domestic and foreign interest rate markets, FX markets, precious metal and commodity markets, covering bonds business, FX business, precious metal and commodity business, financing and debts business, financial derivatives, etc.

Starting from “improving the profitability structure, improving the profitability mode, and improving the

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

In 2016, the Company had fast-growing transactions concerning a variety of financial market business. It underwrote CDB bonds of RMB 129.4b, up by 37% year-on-year, and debenture bonds of RMB 270b, up by 125% year-on-year. It achieved the amount of bond transactions of RMB 3665.6b, up by 230% year-on-year, and the amount of precious metal transactions of RMB 120b, up by 54% year-on-year. The Bank ranked top in the market in terms of underwriting CDB bonds, no. 7 in terms of market maker for bonds, no. 5 in terms of bond transactions, and no. 9 in terms of FX market maker.

During the reporting period, the Company gained a number of qualifications including B-type independent lead manager, gold import, gold account business, NCD investors in Shanghai Free Trade Zone, personal agency business pilot in Shanghai Gold Exchange, and formal market maker for inter-bank gold bilateral transaction, laying a solid foundation for healthy, stable and sustainable development of the financial market business. The Company won “Award of Excellent Underwriting Institution” and “Award of Excellent Self-sustaining Institution” in the selection of excellent bond market players of China in 2016 by China Government Securities Depository Trust & Clearing Co. Ltd..

#### **(VI) Assets management business**

The assets management of the Company focused on corporate customers and personal customers, attached great importance to market trends and customer demands, and promoted stable and sustainable business development. In respect of product optimization, the Company actively promoted assets management transformation, enriched product modes, launched a variety of open-end and net-value finance products; in respect

of investment capability, the assets allocation tended to be diversified mainly with fixed income types. The Company actively expanded the capital market business. It constructed the investment research team, effectively utilized the debenture bond risk assessment system, set up the linked after-investment management system, and achieved capabilities of grasping risks more precisely and effectively. During the reporting period, the Company had many awards including “Taurus Award of Finance Banking”, “Chinese Banking Finance Institution (Award of Best Risk, Award of Best Innovation, Award of Best Integrated Finance Capability, Award of Best Social Contributions, Award of Best Compliance)”, “Annual Top 10 Banks with Finance Services and Excellent Competitive Assets Management”, and “Top 10 City Commercial Banks with Excellent Competitiveness”.

In 2016, the Company focused on improving the capability of assets management. I. Further improved the capability of assets allocation, expanded allocation of highly liquid assets, enhanced stability of the portfolio, and meanwhile actively planned investment in the capital market. II. Continued improving the capability of operation and management, set up and improved the liquidity management system and transaction procedures, and proactively participated in inter-bank and exchanges’ repo market. In March 2016, the Company successfully signed NAFMII agreement for 13 financial products, and registered in the National Association of Financial Market Institutional Investors, having one of the first group of financial products into the inter-bank interest rate swap market in the Chinese banking industry. III. Continued improving the risk management capability, expanded and deepened risk management instruments for financial products, fully utilized the linked assets and liabilities system, reasonably planned the assets and liabilities structure, and gradually realized coordination and dynamic balance of cadence and structure of finance business allocation.

During the reporting period, the Company had slightly growing financial business, and achieved stable growth in scale and structure indicators such as launch of financial products and amount of fund-raising. The balance of accessible fund of financial products was RMB 211.6b, up by 23.5% year-on-year. The financial structure continued being optimized. By the end of the reporting period, the Company had the open-end and net-value products of RMB 110.4b, up by 62% from the previous year.

#### **(VII) Assets custody business**

In 2016, the Company further built the highly efficient and safe assets custody service, and realized effective growth in custody scale, custody income and customer base. It continued to deepen the first independent assets custody business service brand in the industry—Yituoguan, made innovation in custody products and services,

completed development of Yizhilian, Yituoguan client version and the new generation of core systems, and accomplished upgrading of Yituogun 2.0 version. In respect of risk management of the business, the Company introduced external audit, and enhanced security of the systems. In March 2016, the Company became the first institution which had obtained an outsourcing service due diligence report in the industry and also “ISAE NO. 3402--Assurance Reports on Controls at a Service Organization” (ISAE3402) provided by Ernst & Young Hua Ming, being the only city commercial bank with this kind of assurance report in China. In December 2016, the Company was awarded “2016 Excellent Assets Custody Bank” issued by *The Economic Observer*.

By the end of the reporting period, the Company had the assets under custody of RMB 2.78 trillion, up by 44% from the year 2015. It ranked no. 14 in the industry and no. 1 among all city commercial banks by scale. The Company had 4761 custody projects, up by 1234 from the previous year. The Company directly partnered with more than 500 clients, covering nearly 80% of fund companies, fund branches and securities companies. It had up to 200 core clients with the custody balance of more than RMB 2b each and the income from custody reached RMB 410m.

#### **(VIII) Investment bank business**

In 2016, the investment bank business of the Company built “IB +” brand, and formed the investment bank product system focusing on structured financing, bond finance, capital market, asset securitization and corporate financial service. The income from investment bank was RMB 1b for the whole year.

In 2016, the Company obtained the independent lead manager qualification for B-type non-financial institution debt financing instrument from NASD. During the reporting period, the Company registered the non-financial institution debt financing instrument of RMB 17.35b, up by 21.33% year-on-year; the issued amount of RMB 9.55b, up by 89.1% year-on-year. It was awarded 2016 “Excellent Underwriter” in Chinese bond market by China Bond. In respect of asset securitization, during the reporting period, the Company issued two phases of credit assets securitization projects with the total amount of RMB 6.36b, respectively Yongsheng 2016 1<sup>st</sup> phase credit assets supporting securities and Yongsheng 2016 2<sup>nd</sup> phase credit assets supporting securities. It further promoted normal development of credit assets securitization. The Company was awarded 2016 “Excellent ABS Origination Institution” in Chinese bond market by China Bond.

#### **(IX) International business**

In 2016, facing changes and challenges of the business environment, the Company timely optimized the international business strategy, seized business opportunities in trade financing, foreign debts for Chinese companies and FX derivatives, further focused on supporting the regional real economy and incubating high-quality private companies, and put emphasis on expanding and consolidating its product and service strength in trade finance and cross-border finance. I. Dedicated itself in creating the highly efficient trade finance service for high-quality export and import companies, promoted the “linked international business & financial market” system of the business portfolio marketing, and actively satisfied customers’ diversified demands according to market changes. II. Relying on the strategic investor OCBC Bank Singapore, built the integrated cross-border financial service brand, and provided diversified investment and financing services for companies around key projects of the Belt and Road and foreign debts for Chinese companies, including overseas loan under domestic guarantee, domestic loan under domestic guarantee, cross-border direct loan, joint loan, and M&A loan. III. Upgraded the online international business service, launched WeChat service functions of WeChat butler, WeChat expert and WeChat customer service, and first piloted the e-document business. IV. Strictly set up the international business development system, enhanced FX business compliance management, promoted centralized document work, improved the construction of the international business process bank, and established a relatively complete international business risk control system.

During the reporting period, under the background of globalization slow-down, the Company had rising shares of the international business settlement market, and achieved a higher rank in the region. It had 11959 international business clients, up by 16% year-on-year, and the annual income from international business of RMB 600m, up by 10% year-on-year.

### **(X) Electronic channels**

In 2016, the Company kept up with the Internet trend, considered changes of customers’ habits of using financial services from the perspective of customers, and further expanded strategic support and resource investment in electronic channels, especially those with rising proportion in customer use such as mobile banking and WeChat banking. By innovating the construction of e-banking channels, enriching financial services and products, and improving customer experience, the Company created electronic channels to be a powerful weapon for accumulating basic customers and deeply exploring core customers.

Online banking. In 2016, the Company focused on creating the individualized financial service platform for



personal e-banking, enriched diversified investment products such as finance and fund, further optimized operational experience, launched online and offline linked services including reservation for queueing and pre-application for account, and reduced customers' dependence on physical outlets. The Company further upgraded the corporate e-banking, launched smart redemption, smart payment and other services, and realized 24/7 "star bank" services for international business e-banking.

Mobile banking. In 2016, the Company met customer demands, made deployment in advance, further innovated and optimized mobile banking, and launched the new mobile financial experience of five "easy". I. Easy special experience. With brand-new layout, the Company provided more convenient operation experience; II. Easy financial management. The Company directly displayed distribution of assets, and realized one-stop inquiry and management of personal assets; III. Easy online loan. The Company realized the complete online loan process service; IV. Easy life service. The Company launched life services such as mobile phone top-up, water/electric/natural gas payment, and property fee payment, which satisfied daily life needs; V. Easy interactive operation. The Company introduced advanced technology of fingerprint identification and face recognition, providing customers with convenient and safe financial services.

WeChat banking. In 2016, based on use cases, the Company utilized functions of user-friendly and social of WeChat, constructed the entry of highly frequent transactions of account inquiry, investment/financing, and cash withdrawal without card, launched the online loan application service such as E-house loan and tax loan, carried out distinctive marketing activities, further optimized experience, and fully improved customer stickiness.

Self-service banking. The Company kept up with the trend of outlet transformation, increased investment and upgrading of self-service banking equipment, launched services of self-service card issuance, e-channel signing and card change without number change, improved customer experience, release counters' stress and laid solid foundation for transformation of tellers. By effectively utilizing new technology of face recognition and others, the Company improved accuracy of identification, helped explore remote banking service, reduced the operating cost, and controlled financial risks.

Telephone banking. In 2016, the telephone banking of the Company focused on improving efficiency, and further enhanced capabilities of service. The Company optimized self-services, added self-service transactions of purchase of financial products and signing by SMS, and increased the utilization rate of IVR by 6%. It launched smart voice navigation, realized 31 types and 77 items of business handling and consulting, achieved the accuracy

rate of voice recognition of 87.31%, deepened seamless connection between the telephone banking and WeChat banking, mobile banking and online banking, and sped up manual handling by 4.3%.

### **(XI) Science and technology support**

Information technology (IT) is not only the foundation for stable operation of banks, but also the most important support for banks to realize accurate and innovative marketing. . In 2016, the company continuously promoted integrated innovation of science & technology and business and enhanced the technological support for business. First, deepen big data analysis and mining. Establish enterprise-level customer tag portrait system, have a comprehensive understanding of the use of customer channels, product purchasing and other information, flexibly interchange internal and external data, provide effective decision support for key business areas such as accurate customer winning, risk control and customer service, etc., continuously optimize integrated solution for big data platform, enhance application performance and reduce the construction cost. Then, comprehensively promote business innovation. Spare no effort to accelerate the construction of marketing system, prepare battle map, effectively help list marketing, build new teams, significantly improve the quick response ability of special services such as investment bank, asset trusteeship, international business and direct bank, etc., continuously accelerate the construction of customer information plant (ECIF), risk mitigation, fund position, mobile banking 5.0, WeChat platform and lobby assistant, and support business development.

During the report period, the company's information system ran efficiently and stably, the information system architecture was further optimized, the security level of system operation and maintenance was continuously enhanced and business continuity was effectively improved. Focus on the construction of operation and maintenance automation system, continuously strengthen the guarantee of infrastructure, complete core upgrading and reconstruction, strengthen performance and high availability of core systems, build BPC application monitoring system, effectively reduce the cost of operation and maintenance, promote the construction of infrastructure library, strengthen the analysis and disposal capability of operation and maintenance, accelerate the infrastructure construction of new data center and enhance reliability of the information system.

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

Directed by customer-oriented management idea, the company paid high attention to consumer rights and interests protection. In 2016, the board of directors established "consumer rights and interests protection committee" and "consumer rights and interests protection" department in the head office, which made overall

planning, organized and practices consumer rights and interests protection. Implant systems and rules for consumer rights and interests protection before, during and after sales of products and services, and ensure effective protection of financial consumer's rights and interests. Realize customer complaint whole-process management, ensure quick response and effective treatment of complaints, carry out optimization timely and enhance customer experience.

The company actively organized 3.15 financial consumer rights and interests day, popularized thematic activities such as spreading financial knowledge, financial knowledge walking into thousands of families and financial knowledge popularization month, etc., and obtained many honors from the government and supervision departments such as "advanced member unit of Financial Consumer Rights and Interests Protection Association of Ningbo City", "advanced collective of Ningbo Financial System Financial Cultural Sharing Annual Thematic Activity" etc.

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

### **( I ) Industry competition pattern and development trend**

In 2017, supply-side structural reform will be gradually "deepened", old and new economic energies and modes will be further switched, economic operation will remain stable, domestic and overseas development environment and conditions will become complex and changeable, and the pressure on economic slowdown still exists. Particularly, further promotion of "de-levering, cost reduction and improvement of weak links" will accelerate industry differentiation and industry transformation and upgrading, restrict the development of policies on foam and risk prevention and have great effect on the development of banking industry. Other than the increasingly complex external operating environment, traditional banking industries will still be challenged by acceleration of financial disintermediation, deepening of interest rate liberalization and converging attack of private banks and Internet finance, and industry competition will be further intensified.

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

### **( II ) Development strategy**

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

Presently, the first and the second three years’ targets have been completed. “One center and two wings” development pattern with Yangtze River Delta as the center and with Pearl River Delta and Around Bohai Gulf Area as the wings has taken into shape, the profitability and scale has exceeded the expected plan and certain comparative advantages have been accumulated in the segmented market, and differentiation core competitiveness has been formed among horizontal competition. The company will continue to make efforts in the coming three years and strive to develop into a respected modern commercial bank with good reputation and core competitiveness.

### **(III) Business development planning in 2017**

Confronted with the new normal of slow profit increase of the banking industry and the pressure on risk management, and under the leadership of the board, the company will actively adapt to environmental changes and seize market opportunities in 2017 for the purpose of business expansion. For the purpose of risk management, it will take risk control measures, master the initiative of risk management in the new period, further strengthen specialized management idea, enhance operating effectiveness of employees and organizations, continuously accumulate differentiation comparative advantages and promote sustainable development of banks.

First of all, optimize the profitability structure. The company will focus on synchronous operation of assets and liabilities, strengthen investment, enrich the variety of assets, enhance public assets, strengthen benefit-oriented, give play to comparative advantages, concentrate on the development of featured business, build featured sub-branches and teams, deepen the construction of diversified profit center and ensure sustainability of profit source.

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

Thirdly, strengthen specialized management. Directed by scientific assessment method, the company will give top priority to resource allocation, actively arouse the enthusiasm of employees, enhance their specialized advantages in all business areas, form comparative advantages in all segmented markets, continuously improve

the operating efficiency and ensure steady and sustainable development under new circumstances.

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

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

Reception hours	Reception mode	Reception type	object	Index of research basic situation
January 21, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
March 1, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
March 3, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
March 16, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
June 1, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
June 20, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
June 24, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
October 26, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
November 10, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
November 24, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
December 21, 2016	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>

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

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

January 25, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
February 22nd, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
March 9, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>
March 17, 2017	Field research	Institutions	www.cninfo.com.cn	<i>Investor Relation Activities Record Chart of the company</i>

## Chapter Seven Important Matters

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

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

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

The company deliberated and passed *Bank of Ningbo Co., Ltd. Shareholder Return Next Three-Year Plan (2014-2016)* in the first extraordinary general meeting of 2014 on February 10, 2014 and mentioned explicitly that, the company will preferentially make profit distribution using cash dividend during 2014 and 2016, and the annual profit distributed using cash dividend was no less than 10% of the distributive profit made throughout the year. The company will carry out active profit distribution scheme on the condition that profitability and capital adequacy ratio satisfy the requirements on continuous operation and long-term development.

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

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

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

###### 1. Profit distribution scheme of 2016 is as below:

Legal accumulation fund valued RMB 765,625,000 Yuan was withdrawn as per 10% of the net profit in 2016; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of

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

2. Profit distribution scheme of 2015 is as below: legal accumulation fund valued RMB 649,167,000 Yuan was withdrawn as per 10% of the net profit in 2015; as stipulated by *Administrative Measures for Withdrawing Of Financial Enterprises Reserve Funds* (CJ [2012] No. 20) of the Ministry of Finance, general reserve valued RMB 1,518,173,000 Yuan was withdrawn as per 1.5% of the ending balance of risk assets in 2016; based on 3,899,794,081 shares in the end of 2015, cash dividend valued RMB 4.5 Yuan (tax-inclusive) per 10 shares was issued and cash dividends valued RMB 1,754,907,000 Yuan were distributed; no shares were donated or converted into share capital in 2015.

3. Profit distribution scheme of 2014 is as below: legal accumulation fund valued RMB 561,113,000 Yuan was withdrawn as per 10% of the net profit in 2014; 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 998,683,000 Yuan was withdrawn as per 1.5% of the ending balance of risk assets in 2016; based on 3,249,828,401 shares in the end of 2014, cash dividend valued RMB 4.5 Yuan (tax-inclusive) per 10 shares was issued and cash dividends valued RMB 1,462,423,000 Yuan were distributed; capital reserve equivalent to 10 shares was converted into two shares of capital.

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

Unit: (RMB) Thousand Yuan

Dividend distribution year	Amount of cash dividend (Tax-inclusive)	Net profit contained in annual profit distribution consolidated statement and vested in common stockholders of the parent company	Ratio of net profit contained in the consolidated statement and vested in common stockholders of the parent company	Cash dividends in other ways	Proportion of cash dividends in other ways
2016	1,364,928	7,587,317	17.99%	-	-
2015	1,754,907	6,544,333	26.82%	-	-
2014	1,462,423	5,627,466	25.99%	-	-



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

Bonus shares (shares) every 10 shares	-
Dividends per 10 shares (RMB) (including tax)	3.5
Increased number (shares) every 10 shares	3
Equity base (share) of distribution plan	3,899,794,081
Amount of cash dividend (Thousand Yuan) (tax-inclusive)	1,364,928
Distributive profit (Thousand Yuan)	20,870,832
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 (2014-2016)* disclosed on <http://www.cninfo.com.cn> on January 14, 2014 for details.

### Details of profit distribution scheme

According to the annual financial statement of 2016 audited by Ernst & Young Hua Ming Accounting Firm (special general partnership), the company realized net profit value RMB 7,656,248,000 Yuan in 2016, and the profit available for distribution in the end of 2016 was valued RMB 20,870,832,000 Yuan after plus the profit available for distribution in the end of 2015 valued RMB 16,710,764,000 Yuan, minus dividends of preferred shares in 2015 valued RMB 223,100,000 Yuan, common stock dividends payable in 2015 valued RMB 1,754,907,000 Yuan and general risk provisions deducted valued RMB 1,518,173,000 Yuan.

The company issued preferred shares valued RMB 4.85 billion Yuan in November, 2015 and distributed the dividends of preferred shares for the first time on November 16, 2016. With normal and orderly business operation as well as standard and steady financial operation, the company believes the ability to pay off the dividends of preferred shares of the second year. The company will hold the board meeting on matters concerning dividend payout no later than ten workdays before the second interest payment date (November 16, 2017) and will make an announcement to shareholders of preferred shares.

Based on the above situation, the profit distribution scheme in 2016 is as below:

- I. Legal accumulation fund valued RMB 765,625,000 Yuan was withdrawn as per 10% of the net profit in 2016;
- 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 1,157,411,000 Yuan was withdrawn as per 1.5% of the ending balance of risk assets in 2016;
- III. Based on 3,899,794,081 shares in 2016, cash dividend valued RMB 3.5 Yuan (tax-inclusive) per 10 shares was issued; capital reserve equivalent to 10 shares was converted into three shares of capital; cash dividends value RMB 1,364,928,000 Yuan was distributed;

After the above profit distribution scheme was executed, the balance of undistributed profit was RMB 17,582,868,000 Yuan.

This scheme will be deliberated in the annual general meeting of shareholders in 2016.

## III. Commitment Item Implementation

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

Commitment Issues	Commitment party	Commitment type	Commitment content	Commitment time	Commitment deadline	Performance situation
Commitment of share reform	-	-	-	-	-	-
Commitment in purchase report or	-	-	-	-	-	-

equity change report						
Commitment made in asset reformation						
Commitment of non-public development bank	Singapore Overseas-Chinese Banking Co., Ltd., Ningbo Development Investment Group Co., Ltd.	Share limited sale commitment	Since the date of ending issuance, do not transfer the subscribed shares within 60 months	Oct. 8, 2014	60 months	Strictly performed
Other commitments on company's middle and small shareholders	Corporate	Commitment made during refinancing	Various measures shall be adopted to guarantee the effective use of raised funds, to effectively prevent diluted risk of return on demand and improve return capacity in the future	July 16, 2014	Long term	Strictly performed
Other commitments on company's middle and small shareholders	Corporate	Commitment made during refinancing	In order to protect interests of common stock shareholders and make up decrease of return on demand that may be caused by the issuance of preferred shares, various measures shall be adopted to guarantee the effective use of raised funds, to effectively prevent diluted risk of return on demand and improve return capacity in the future.	Nov. 26, 2015	Long term	Strictly performed
Whether commitment performed in real time	Yes					
If commitment is overdue and unperformed, specific reasons and next plan should be provided	Not applicable					

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

## (II) Capital expenditure commitment

Unit: (RMB) 1,000

Item	December 31, 2016	December 31, 2015
Signed but not withdrawn	250,979	501,318

## (III) Business rent commitment

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

Unit: (RMB) 1,000

Items	December 31, 2016	December 31, 2015
Within 1 year (including)	374,525	321,710
1-2 years (including)	337,452	294,820
2-3 years (including)	291,137	262,959

Longer than 3 years	951,042	888,791
Total	1,954,156	1,768,280

#### (IV) Asset pledge commitment

Unit: (RMB) 1,000

Pledge asset content	Pledge asset face value	Pledge application	Pledge amount	Pledge expiring date
Financial asset-bonds for sale	48,908,487	Sell purchased financial asset amount-bond	47,418,327	Jan 2, 2017- Jan 20, 2017
Expiring investment-government bond	7,381,513	Sell purchased financial asset amount-bond	7,086,273	Jan 3, 2017- Jan 13, 2017

#### IV. Non-business Capital Occupation of Controlling Shareholder and Related Party Thereof Occurred in Listed Company

Within the report period, the company is free from the situation when controlling shareholders and other related parties occupy the company's capital.

#### V. statement of Board of Directors, Board of Supervisors and independent directors (if any) on the unstandard audit reports by the accounting firm

Ernst & Young (special general partnership) issued standard audit report for the 2016 Financial Statement of the Company without reservation, so there's no statement of Board of Directors, Board of Supervisors and independent directors (if any) on the unstandard audit reports by the accounting firm

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

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

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

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

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

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

## IX. Situation of Appointing and Dismissing Accounting Firm

### (I) Current appointed accounting firm

Name of domestic accounting firm	Ernst & Young (special general partnership)
Reward of domestic accounting firm	3,000,000 yuan, including 2,200,000 yuan of financial report audit and 800,000 yuan of internal control audit
Continuous service year of domestic accounting firm	8 years
Name of registered accountant of domestic accounting firm	Guo Hangxiang, Chen Sheng

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

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

During the report period, Ernst & Young is employed as an internal auditing firm of the Company, and the company shall pay 800,000 yuan to it for the 2016 internal auditing.

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

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

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

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

## XI. Related Issues of Bankruptcy Reorganization

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

## **XII. Significant Arbitration or Lawsuit Issues**

The Company was involved in several lawsuits due to recovery of loans in daily business process. The Company forecasted that such lawsuits would have no significant adverse effect on the financial and operation results. Up to December 31, 2016, the Company, as a plaintiff, has a total object amount of 2,911,000,000 yuan for pending lawsuits; and, as a defendant, has a total object amount of 2,505,000,000 yuan for pending lawsuits.

## **VIII. Punishment and Rectification**

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

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

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

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

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

## **XVI. Major Related Transaction**

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

Internal natural person statistics involves the board of directors, the board of supervisors, senior management, and other staff having right to decide or participate in commercial credit and asset transfer. Depending on statistical data of Bank related natural person credit business at the end of December 2016, credit business exposure balance under mortgage loan is RMB 164,060,900, RMB 3,941,200 under the pledge and RMB 3,377,500 under warranty; for businesses under no credit, the principle of not issuing credit loan for the board of directors, the board of supervisors, senior management, and other staff having right to decide or participate in credit and asset transfer of the commercial bank as well as near relatives thereof is insisted.

<b>Guarantee way</b>	<b>Approved limit business (VIP, Daiyitong, Bailingtong, etc.)</b>	<b>Unused rate of approved limit business</b>	<b>Current exposure balance of loan business in the bank (including business under limit item)</b>
Mortgage	12,341	4, 823.85	16,406.09
Pledge	0	0	394.12
Guarantee	0	0	337.75
Credit	0	0	0
<b>In total</b>	<b>12,341</b>	<b>4, 823.85</b>	<b>17,137.97</b>

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

According to the regulation by CSRC on information disclosure of commercial bank, the total number of transactions with the related person that over RMB 300,000 (including) in 2016 is 468, the total business balance is RMB 464,688,000, and the exposure at the end of December is 229,457,900 yuan.

### **(III) Credit extension implementation of relevant legal shareholders**

According to the objective and requirement of the board of directors on related credit control in 2016, the single-family maximum credit limit for related Ningbo Development & Investment Group Co., Ltd., Youngor Group Co., Ltd., Huamao Group Co., Ltd., Ningbo Shanshan Co., Ltd. and Ningbo Fubon Holding Group Co., Ltd. shall not exceed 2 billion yuan, the maximum single-family bond underwriting limit shall not exceed 3 billion yuan, the maximum credit limits for shareholder related bodies shall not exceed 3 billion yuan, and the maximum bond underwriting for shareholder related bodies shall not exceed 5 billion yuan. The total credit balance and bond underwriting limit of above five non-natural person shareholders shall not exceed 14 billion yuan, among which the total single-family credit exposure and bond underwriting limit shall not exceed 3.5 billion yuan and the total credit exposure and bond underwriting limit for shareholder related bodies shall not exceed 5 billion yuan.

Implementation: by the end of December 2016, actual business balance of Ningbo Development & Investment Group Co., Ltd. and related party in the bank after deducting deposit is 355,753,900 yuan and the bond underwriting balance in the bank is 400,000,000 yuan; actual business balance of Youngor Group Co., Ltd. and related party in the bank after deducting deposit is 946,213,000 yuan; actual business balance of Huamao Group Co., Ltd. and related party in the bank after deducting deposit is 933,356,300 yuan; actual business balance of Ningbo Shanshan Co., Ltd. and related party in the bank after deducting deposit is 447,189,500 yuan; actual

business balance of Ningbo Fubon Holding Group Co., Ltd. and related party in the bank after deducting deposit is 792,483,700 yuan and the bond underwriting balance in the bank is 560,000,000 yuan; the total credit balances of the above five shareholder related parties is 3,474,996,400yuan and the total bond underwriting balance in the bank is 960,000,000 yuan. From the above statistical data, the credit of the above five shareholder related parties complies with the objective and requirement of the board of directors on related credit control in 2016.

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

Unit: RMB 10,000

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Development & Investment Group Co., Ltd	20,000	Liquidity loans 10,000	10,000	
2	Ningbo Zhongning Construction Investment Co., Ltd.	1,000	L/C 1,097.80 Discount 85.13	875.39	
3	Ningbo Dahongying Education Group	28,000	Liquidity loans 18,000	18,000	
4	Ningbo International Logistics Development Co., Ltd	0	Letter of guarantee 159.00	0	
5	Ningbo Mingzhou Biomass Power Generation Co., Ltd.	5,000	Liquidity loans 5,000	5,000	
6	Ningbo Kefeng Thermo-powerCo., Ltd.	5,000	Liquidity loans 1,700	1,700	
<b>Total</b>			<b>36,041.93</b>	<b>35,575.39</b>	

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

Unit: RMB 10,000

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Zhongji Ningbo Group Stock Co., Ltd.	500	Liquidity loans 430	430	
2	Fusheng International Industry Co., Ltd.	13,102.47	L/C3,595.46 Pledge3,553.74	7,149.19	
3	Ningbo Honda Auto Sales Co., Ltd.	1,000	0	0	
4	Zhongji (Ningbo) Group Co., Ltd.	150,000	Liquidity loans 10,344.19	74,295.83	

				L/C61,810.33	
				Letter of guarantee3,438.91	
				Capital business	
				28,873.14	
				Domestic	
				L/C26,162.01	
5	Ningbo Zhongji Imp & Exp Co.,Ltd.	15,000		L/C12,442.28	
				Letter of guarantee120	12,559.57
6	Ningbo Youngor International Trade Transport Co., Ltd.	5,000		Pledge186.71	186.71
7	Ningbo Yahua Toyota Sales and Services Co., Ltd.	2,000	0		0
8	Ningbo Yayuan Garden Engineering Co., Ltd.	0		Letter of guarantee40	0
9	Ningbo Zhongji Dongben Auto Sales Service Co., Ltd.	1,000	0		0
	<b>Total</b>			<b>150,996.77</b>	<b>94,621.30</b>

### 3. Huamao Group Co., Ltd. and related party

Unit: RMB 10,000

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Huamao International Trade Co., Ltd.	30,000	Loan 4,000.00 L/C10,882.79	14,882.79	
2	Ningbo Huamao Science & Technology Co., Ltd.	20,000	Liquidity loans 9,500 Bank acceptance11,000	15,999.90	
3	Ningbo Maoxuan International Trade Co., Ltd.	40,000	Liquidity loans 17,028.69 Discount11,500.00 Pledge6,842.81 L/C17,004.18 Domestic L/C negotiated 2,315	51,480.29	
4	Huamao Group Co., Ltd.	11,000	Liquidity loans 1,000.00	1,000	



5	Ningbo Ziqiang Educational Devices Co., Ltd.	0	Discount	4,000	4,000
6	Zhejiang Huamao International Trade Co., Ltd.	5,000	Liquidity loans	3,943.17	3,943.17
7	Ningbo Shuxiang New Material Co., Ltd.	2,000	Liquidity loans 1,750 Bank acceptance	311.84	1,999.48
8	MAYKALOR INDUSTRIAL DEVELOPMENT LIMITED	0	Liquidity loans	6,980.00	30.00
<b>Total</b>				<b>108,058.48</b>	<b>93,335.63</b>

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

Unit: RMB 10,000

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Shanshan Group Co., Ltd.	50,000	0	0	
2	Ningbo Shanshan Industry Development Co., Ltd.	9,000	Bank acceptance Capital business	1,626.00 813.00	
3	Ningbo Shanshan Property Co., Ltd.	10,000	0	0	
4	Ningbo Hongxing International Trade Co., Ltd.	3,300	Domestic L/C	800.00	640.00
5	Shanghai Shanshan Science & Technology Co., Ltd.	2,800	0	0	
6	Ningbo Economic Technology Development Zone Huixing Trade Co., Ltd.	9,920	Loan L/C Capital business	490.00 276.77 232.73	1,000.79
7	Ningbo Daxie Development Zone Dehui Trade Co., Ltd.	10,000	Liquidity loans	10,000	10,000
8	Ningbo Xinmingda Knitting Co., Ltd.	4,000	Bank acceptance	4,813.97	2,357.68
9	Ningbo Beiersen Motherhood Supplies Co., Ltd.	0	Liquidity loans	400	400.00

10	Ningbo Shanshan New Material Science & Technology Co., Ltd.	2,000	0	0
11	Ningbo Shangong Structure Monitor & Control Engineering Center Co., Ltd.	0	Letter of guarantee41.02	0
12	Ningbo Ulica Solar Science & Technology Co., Ltd	25,000	Liquidity loans 5,000 Bank acceptance9,399.97 L/C 533.62 Letter of guarantee284.45 Capital business 10 Domestic L/C2,890.88	13,590.68
13	Ningbo Modun Garments Co., Ltd.	0	Liquidity loans 200	200
14	Ningbo Shanshan Hanxiang Trade Co., Ltd.	11,000	Pledge373.74 L/C4,951.00 Capital business 895.18	5,716.80
15	Shanghai Shanding International Trade Co., Ltd.	0	Negotiated 2,333.20	0
16	Ningbo Senqiong Trade Co., Ltd.	10,000	Liquidity loans 1,000 Bank acceptance12,900	10,000
<b>Total</b>			<b>65,680.74</b>	<b>44,718.95</b>

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

Unit: RMB 10,000

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Furnitures Co., Ltd.	3,000	Liquidity loans 3,000	3,000	
2	Ningbo Home Appliance Import and Export co., LTD	42,750	Liquidity loans 9,610.00 Discount4,000.00 Domestic L/C2,000.00	13,610	
3	Ningbo Fubon Wood Co., Ltd.	8,780	Liquidity loans 1,000 Pledge1,461.37 Bank	3,452.15	

				acceptance5,000.00 L/C235.49	
4	Ningbo Yujiang Special Adhesive Tape Co., Ltd.	2,500		Discount1,550.00 Bank acceptance282.00	1,691.00
5	Ningbo Fubang Greens Furniture Co., Ltd.	4,000		Discount4,000	0
6	Ningbo Hengrun Furniture Co., Ltd.	10,100		Discount9,800.00 Bank acceptance3,000.00	9,800.00
7	Ningbo Henrun Polymerization Co., Ltd.	9,900		Liquidity loans 7,500 Discount500.00 Bank acceptance263.20 开征 42.31 Domestic L/C negotiated 2,168.84	7,671.49
8	Ningbo Henrun Plastic Machine Co., Ltd.	5,000		0	0
9	Ningbo Fubon Holding Group Co., Ltd.	18,500		Liquidity loans 18,500	185,00
10	Ningbo Fubon Furnitures Co., Ltd.	5,800		Discount8,200.00 Bank acceptance4,000	5,200.00
11	Aluminum factory under Ningbo Fubon Jingye Group LLC	0		Bank acceptance4,044.33	0
12	Ningbo Fubon Plaza Investment Development Co., Ltd.	0		Liquidity loans 5,000.00	5,000.00
13	Ningbo Fubang Systex Trade Co., Ltd.	1,000		Bank acceptance1,000.00	600.00
14	Ningbo Fubon International Trade Co., Ltd.			Discount1,000.00	1,000.00
15	Ningbo Fubon E-Commerce Development Co., Ltd.	3,000		Liquidity loans 339.00 Pledge769.05 L/C0.03 Letter of guarantee658.00 Capital business 100	1,723.73
16	Amico Group Co., Ltd.	10,000		Liquidity loans 3,000 Bank acceptance5,000	8,000
	<b>Total</b>			<b>107,023.62</b>	<b>79,248.37</b>

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

**related transaction**

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

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

Major related transactions is a transaction that the single batch of transaction amount between the bank and the related party is higher than 30,000,000 yuan (not including) and bank capital net amount or the latest approved net asset is greater than 1% (not including), or the transaction balance of the bank and the related party after the transaction is higher than (not including) 5% of the bank capital net amount;

Particularly major related transactions is a transaction that the single batch of transaction amount between the bank and the related party is higher than (not including) 5% of the bank capital net amount or the latest approved net asset, or the transaction balance of the bank and the related party after the transaction is 10% of the bank capital net amount.

According to the above definitions, up to December 2016, the situation of the above three related transactions of Ningbo Development & Investment Co., Ltd., Youngor Group Co., Ltd., Huamao Group Co., Ltd., Ningbo Shanshan Co., Ltd., and Ningbo Fubon Holding Group Co., Ltd. are as follows:

(1) Statics shows that, there's 1 general related transaction that transaction amounts accounting for more than 0.2% of recent audited net capital of the Company in the whole year of 2016;

(2) Statics shows that, there're 93 major related transactions occurred in the whole year of 2016;

(3) There's no particularly major related transactions occurred in the whole year of 2016.

Depending on statistics of general related transaction, major related transaction and particularly major related transaction in 2016, the approval program of the related credit business is accordant with requirement of the board of directors on the related credit control

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

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

Up to December 31, 2016, we provide Overseas-Chinese Bank Corporation with credit limit to RMB 2.5 billion yuan; at present, risk exposure of the Bank is RMB 185 million yuan, and pre-settlement is RMB 86 million yuan, and external credit actual/standby letter of credit limit is 99 million yuan; we provide Overseas-Chinese Bank (China) Co., Ltd. with credit limit to 1.55 billion yuan; at present, risk exposure of the bank is RMB 142 million yuan, pre-settlement is 128 million yuan and interest exchange is 14 million yuan.

## **XVII. Major Contract and Implementation**

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

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

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

By the end of the report period, the balance of the company's guarantee business (letter of guarantee) is 17,405,320,000 yuan, and company's outward guarantee business is one of conventional bank businesses approved by People's Bank of China and China Banking Regulatory Commission.

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

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

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

During the report period, the Company issued 1795 financing products which caused the sale of RMB 344.137 billion. At the end of the report period, the balance of financing products managed by the Company was RMB 211.6 billion.

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

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

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

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

### **XVIII. Social responsibility**

#### **( I ) Performance of social responsibility for targeted poverty alleviation**

In 2016, the company earnestly implemented the national strategies “targeted poverty alleviation” and “targeted poverty relief”. On one hand, it gave play to advantages of the banking industry, perfected basic service networks, innovated financial products, carried out targeted poverty alleviation activities according to local conditions, and enriched and expanded the ways of poverty relief and development; on the other hand, it actively helped the Party Committee and local governments to carry out targeted poverty alleviation activities and form the complementary pattern of special poverty relief, industry poverty relief and social poverty relief.

1. Fixed point poverty alleviation: since 2009, the company has donated RMB 200,000 Yuan to Huchen Village, Ninghai County, Ningbo City every year in order to help the local government to improve traffic and drinking water conditions, support the development of local economic forest bases and improve the ability of economic development. Since 2013, Hangzhou Sub-branch has participated in fixed-point poverty alleviation of Jiukeng Village, Chun’ an County made by West Lake District, and Ningbo City and donated RMB 100,000 Yuan every year in order to help poor families due to illness and make contributions to cultivating tourism, home-stay, sports, e-commerce and other industries. In 2016, Wenzhou Sub-branch participated in poverty relief activity of Wenzhou City and donated RMB 50,000 Yuan to Yayang Town, Taishun County to repair Liuxi Bridge of Xuexi Village and improve local traffic conditions. In 2016, Ningbo Jiangdong Sub-branch donated RMB 600,000 Yuan for poverty alleviation in order to help the poor in study and medical service, etc. of Jiangdong District, Ningbo City.

2. Financial poverty alleviation: based on industrial differentiation among districts and counties of Ningbo City, the company promoted featured financial products in villages and towns, intensified the support for rural entrepreneurship, newly-rising small and micro businesses and rural youth startup, and provided financial support for the poor in the initial stage. For example, the company launched “Clipper card” micro-credit product in order to facilitate farmers to obtain credit aid and support economic development of villages. The company established Yunlong Sub-branch in Ningbo City and two financial service stations in Sanqi City, had a thorough understanding of farmer’s requirements on

financial service, helped peasant households to develop characteristic economy and cultivated characteristic industries.

3. Educational poverty alleviation: the company established an institutionalized, diversified and innovative system for educational donation, encouraged collective participation of sub-branches and individual participation of employees through self-developed platforms and external public service organizations, and advocated customers to participate in education poverty alleviation. Since March, 2010, Suzhou Sub-branch has officially launched “Do your dreams” activity to assist the impoverished students. It has subsidized more than 500 impoverished students and the total donation is valued nearly a million Yuan, of which RMB 298,700 Yuan was donated to the impoverished students in 2016. Since 2014, Hangzhou Yuquan Sub-branch has donated RMB 6200 Yuan to four senior high school students from Guiding No.1 High School , Qiannan Prefecture, Guizhou Province in their study and livelihood, of which a student was topped among students majored n science in the college entrance examination of Guiding County in 2016. In 2016, Yuyao Sub-branch donated RMB 70,000 Yuan to 68 impoverished students from Songyang County, Lishui City. The company also presented financial books, delivered lectures on finance, popularized financial knowledge and donated RMB 50,000 Yuan to Liangnong Town Middle Primary School of Siming Mountain Old Revolutionary Base Area in order to improve local financial service environment.

#### Statistical table of targeted poverty alleviation in 2016

<b>Index</b>	<b>Measurement unit</b>	<b>Quantity /Executive condition</b>
I . General situation		
Where: 1. Capital	10 thousand	139.35
2. Materials converted into cash	10 thousand	--
3. Number of people who get rid of poverty and help with filing and card opening	Person	--
II . Item investment		
9. Other items		
Where: 9.1. Number of items	Each	8
9.2. Investment amount	10 thousand	139.35
9.3. Number of people who get rid of poverty and help with filing and card opening	Person	--
III. Awards (content, class)		--

The company will continue to earnestly implement strategic deployment of the Party Central Committee and the

State Council on poverty alleviation, positively supported poverty alleviation of local Party committees and governments of all levels, intensify the leadership and executive force of targeted poverty alleviation, create good atmosphere of targeted poverty alleviation in the whole bank, actively explore and develop financial products for poverty alleviation of agriculture and forestry, tourism, e-commerce, assets income, science and technology and transfer employment, etc. through enhancing the “hemopoiesis” mechanism of poverty alleviation while carrying out fixed-point poverty alleviation and education poverty alleviation activities, and give play to the active role of banking industry in targeted poverty alleviation and targeted poverty relief.

## **(II) Performance of other social responsibilities**

In 2016, the company earnestly performed social responsibilities of commercial banks, adhered to the social responsibility outlook of “justice and integrity, be kind to customers, care for employees, be warmhearted in promoting public good, devoted to environmental protection and repay the society”, closely combined bank management and performance of social responsibilities, and strived to repay the society.

First of all, implemented national macroeconomic policies, promoted regional economic development and improved people’s livelihood; secondly, devoted to inclusive finance, provided services for small and micro enterprises and community residents; thirdly, innovated financial products, optimized business processes and enhanced customer experience; fourthly, energetically developed mobile finance, continuously perfected WeChat bank and e-bank and provide customers with convenient and fast financial series; fifthly, maintained legal interests of shareholders and investors and enhanced value-creating ability; sixthly, focused on enhancement of employee’s abilities, concerned employee’s development and enhanced their sense of belonging and happiness; seventhly, promoted green credit, optimized the credit structure and advocated green and low-carbon office; at last, took an active part in public welfare establishments, cared for the disadvantaged groups, highlighted the themes of the times and delivered positive energy.

Please view *Bank of Ningbo Co., Ltd. Annual Social Responsibility Report* in 2016 disclosed on <http://www.cninfo.com.cn> on April 28, 2017 for details.

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

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

## **XX. Major Events of the Company's Subsidiaries**

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



## **XXI. Relevant Situation of Corporate Bond**

The Company had no corporate bonds that were public offered and listed on the stock exchange, but cannot be paid fully on the date or before the date when the annual report is authorized for issue.

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

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

(I) Company's outward guarantee business is one of conventional banking businesses approved by China Securities Regulatory Commission and China People's Bank. Up to December 31, 2016, guarantee business balance of the company is 17,405,320,000 yuan. The company pays attention to risk management of the business, and strictly implements related operation procedure and approval program, so that the risk of outward guarantee business has been effectively controlled. To December 31, 2015, the company carefully obeys to related regulations of [2003] No. 56 document issued by China Securities Regulatory Commission, and is free from situation of guarantee against regulation.

(II) To December 31, 2016, the company is free from situation when the controlling shareholders or other related parties occupy the company's capital.

Independent directors: Yang Xiaoping, Fu Jianhua, Fu Jijun, Ben Shenglin, Zheng Jixiang, Geng Hong

## Chapter Eight Changes in Share Capital and Shareholding

### I. Conditions of Share Change

	Before current change		Increment/decrement of current change					After current change	
	Quantity	Proportion	New share issuing	Share donation	Accumulation on fund turn	Other	Subtotal	Quantity	Proportion
<b>I. Limited sale condition share</b>	<b>449,533,628</b>	<b>11.53%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,201,331</b>	<b>-2,201,331</b>	<b>447,332,297</b>	<b>11.48%</b>
1. National holding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person holding	190,154,630	4.88%	0	0	0	0	0	190,154,630	4.88%
3. Other domestic capital holding	10,324,182	0.26%	0	0	0	-2,201,331	-2,201,331	8,122,851	0.21%
wherein: domestic legal person holding	0	0.00%	0	0	0	0	0	0	0.00%
domestic natural person holding	10,324,182	0.26%	0	0	0	-2,201,331	-2,201,331	8,122,851	0.21%
4. Foreign holding	249,054,816	6.39%	0	0	0	0	0	249,054,816	6.39%
wherein: foreign legal person holding	249,054,816	6.39%	0	0	0	0	0	249,054,816	6.39%
foreign natural person holding	0	0.00%	0	0	0	0	0	0	0.00%
<b>II. Limit-free condition share</b>	<b>3,450,260,453</b>	<b>88.47%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,201,331</b>	<b>2,201,331</b>	<b>3,452,461,784</b>	<b>88.53%</b>
1. RMB ordinary share	3,450,260,453	88.47%	0	0	0	2,201,331	2,201,331	3,452,461,784	88.53%
2. Domestically listed foreign-invested stock	0	0.00%	0	0	0	0	0	0	0.00%
3. Aboard listed foreign-invested stock	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
<b>III. Total shares</b>	<b>3,899,794,081</b>	<b>100.00%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,899,794,081</b>	<b>100.00%</b>

During the reporting period, the total shares of the Company were not changed. Totally 2,201,331 limited

shares of the senior management were released. The aboved mentioned condition will not influence the financial indexes of the last year and the latest period, including the basic EPS, the diluted EPS, and the net asset value per share that belongs to the common shareholders of the Company.

## II. Sheet on Limited Sale Share Change

							Unit: share
Name of shareholder	Limited sale shares at the beginning of the year	Limited sale shares terminated in the year	Increased limited sale shares in the year	Limited sale shares in the end of the year	Reason for limited sale	Terminating date for limited sale	
Singapore Overseas-Chinese Banking Co., Ltd.	249,054,816	0	0	249,054,816	Non-public offered subscription share limited sale	Oct 8, 2019	
Ningbo Development Investment Group Co., Ltd.	190,154,630	0	0	190,154,630	Non-public offered subscription share limited sale	Oct 8, 2019	
Company's supervisors and senior managers holding	10,324,182	2,201,331	0	8,122,851	Senior management locked share	In-office directors, supervisors and senior managers shall transfer 25% of shares to the greatest extent within 1 year	
<b>Total</b>	<b>449,533,628</b>	<b>2,201,331</b>	<b>0</b>	<b>447,332,297</b>			

## III. Situation on Security Issuing and Listing

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

None.

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

The total share amount of the Company within the report period did not change.

In accordance with *the Approval of Merger of Ningbo Power Development Co., Ltd.* by State-owned Assets Supervision and Administration Commission of Ningbo (SASAC) (Y.G.Z.G. (2015) No. 49), Ningbo SASAC approved of the merger between Ningbo Development & Investment Co., Ltd and its wholly-owned subsidiary Ningbo Power Development Co., Ltd.; on January 25, 2016, Ningbo Power Development Co., Ltd. completed registration cancellation. On March 24, 2016, the Company's shares held by the original Ningbo Power

Development Co., Ltd. were all transferred and registered under the account of Ningbo Development & Investment Co., Ltd., after which, Ningbo Development & Investment Co., Ltd. hold 20% of the Company's shares.

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

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

## IV. Situation on Shareholder and Actual Controller

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

Unit: share

Total quantity of shareholders to the end of report period (Account)	74,650	Total quantity of shareholders to the end of the previous month before disclosure date of the annual report	68,595	Total quantity of preferred stockholders recovering voting power at the end of reporting period (Account)	0	Total quantity of preferred stockholders recovering voting power at the end of the previous month before disclosure date of the annual report	0
<b>Situation on shareholders holding more than 50% of shares or top ten shareholders</b>							
Share state	Quantity	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
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	20.00%	779,958,816	265,804,186	190,154,630	589,804,186	pledge 194,400,000
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.58%	724,639,451	0	249,054,816	475,584,635	
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	11.64%	453,765,161	2,520,000	0	453,765,161	
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	5.58%	217,568,780	-10,431,220	0	217,568,780	pledge 113,900,000
Ningbo Shanshan Co., Ltd.	Domestic non-state-owned legal person	3.91%	152,655,579	-3,300,956	0	152,655,579	
Ningbo Fubang (Holdings) Limited	Domestic non-state-owned legal person	3.38%	131,765,269	-15,558,731	0	131,765,269	pledge 120,820,000
National Social Security Funds	Funds, financial	1.63%	63,674,370	52,477,906	0	63,674,370	

101 Group	products, etc.						
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.42%	55,319,365	0	0	55,319,365	
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.38%	53,707,200	0	0	53,707,200	
Ningxing (Ningbo) Management Co., Ltd.	Property Domestic non-state-owned legal person	1.38%	53,700,000	0	0	53,700,000	
<b>Description on related relations or consistent activities of previous shareholders</b>		Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.					
<b>Situation on share holding of the top ten shareholders without limited sale condition</b>							
<b>Name of shareholder</b>		<b>Share quantity without limited sale condition to the end of year</b>			<b>Name of shareholder</b>		
Ningbo Development Investment Group Co., Ltd.		589,804,186			RMB ordinary share 589,804,186		
Singapore Overseas-Chinese Banking Co., Ltd.		475,584,635			RMB ordinary share 475,584,635		
Youngor Group Co., Ltd.		453,765,161			RMB ordinary share 453,765,161		
Huamao Group Co., Ltd.		217,568,780			RMB ordinary share 217,568,780		
Ningbo Shanshan Co., Ltd.		152,655,579			RMB ordinary share 152,655,579		
Ningbo Fubang (Holdings) Limited		131,765,269			RMB ordinary share 131,765,269		
National Social Security Funds 101 Group		63,674,370			RMB ordinary share 63,674,370		
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)		55,319,365			RMB ordinary share 55,319,365		
Central Huijin Asset Management Co., Ltd.		53,707,200			RMB ordinary share 53,707,200		
Ningxing (Ningbo) Property Management Co., Ltd.		53,700,000			RMB ordinary share 53,700,000		
<b>Description on relationship or consistent activities among top ten circulating shareholders without limited sale as well as top ten circulating shareholders without limited sale and among top ten shareholders</b>		Ningbo Development Investment Group Co., Ltd. and Ningxing (Ningbo) Assets Management Co., Ltd. are consistent acting persons; Singapore Overseas-Chinese Banking Co., Ltd. (QFII) is a qualified overseas institution investor of Singapore Overseas-Chinese Banking Co., Ltd.					
<b>Description on shareholders attending securities margin trading</b>		None					

Notes: In accordance with *the Approval of Merger of Ningbo Power Development Co., Ltd.* by State-owned Assets Supervision and Administration Commission of Ningbo (SASAC) (Y.G.Z.G. (2015) No. 49), Ningbo SASAC approved of the merger between Ningbo Development & Investment Co., Ltd and its wholly-owned subsidiary Ningbo Power Development Co., Ltd.; on January 25, 2016, Ningbo Power Development Co., Ltd. completed registration cancellation. On March 24, 2016, the Company's shares held by the original Ningbo Power Development Co., Ltd. were all transferred and registered under the account of Ningbo Development & Investment Co., Ltd., after which, Ningbo Development & Investment Co., Ltd. hold 20% of the Company's shares.

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

## (II) Situation on Company's holding shareholder

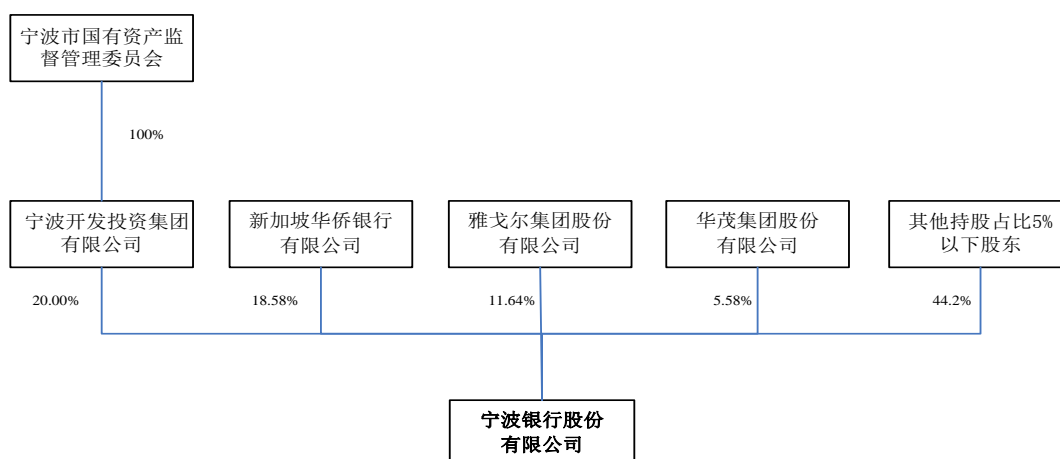
The Company is free from holding shareholder to the end of the report period.

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

The Company has no actual controller within the report period.

## (IV) Company's shareholding structure chart

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



宁波国有资产监督管理委员会	Ningbo State-owned Asset Supervision & Management Committee
宁波开发投资集团有限公司	Ningbo Development & Investment Co., Ltd.
新加坡华侨银行有限公司	Singapore Overseas-Chinese Banking Co., Ltd.
雅戈尔集团股份有限公司	Youngor Group Co., Ltd.
华茂集团股份有限公司	Huamao Group Co., Ltd.
其他持股占比 5%以下的股东	Other shareholders holding lower than 5% of shares
宁波银行股份有限公司	Ningbo Banking Co., Ltd.

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

Name of corporate shareholder	Legal representative/unit leader	Date of establishment	Registered capital	Major businesses or management activities
Ningbo Development & Investment Co., Ltd.	Li Bao	Nov. 12, 1992	RMB 5 billion	Project investment, assets management, real estate development, property

				management and so on
Singapore Overseas-Chinese Banking Co., Ltd.	Huang Sanguang	Oct. 31, 1932	Singapore Dollar 15.107 billion	Financial service industry
Youngor Group Co., Ltd.	Li Rucheng	June 25, 1993	RMB 2.558 billion	Garment production, real estate development, project investment and so on

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

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

## Chapter Nine Relevant Situation of Preferred Shares

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

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

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

Unit: share

Total quantity of preferred shares shareholders to the end of report period		7		Total quantity of preferred shares shareholders to the end of the last month before disclosure date of the annual report		7		
Situation on share holding of preferred shares shareholders								
Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period	Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing	
							Share status	Quantity
Cofco Trust Co., Ltd.	Others	23.53%	11,410,000	0	0	11,410,000		
Bank of Communications International Trust Co., Ltd.	Others	19.79%	9,600,000	0	0	9,600,000		
Bosera Fund Management Co., Ltd.	Others	16.06%	7,790,000	0	0	7,790,000		
China Merchants Wealth Asset Management Co., Ltd.	Others	11.75%	5,700,000	0	0	5,700,000		
HuaAn Future Asset Management (Shanghai) Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000		
AXA SPDB Investment Managers Co., Ltd.	Others	10.31%	5,000,000	0	0	5,000,000		
Postal Savings Bank of China Co., Ltd.	Others	8.25%	4,000,000	0	0	4,000,000		

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

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



Within the report period, according to the resolution of the third interim meeting 2016 of the fifth Board of Directors, the Company distributed cash dividends to all the shareholders enrolled before the close on November 15, 2016 with Bank of Ningbo Preferred 01 (stock code 140001) on the day of November 16, 2016. At the nominal capital dividend rate of 4.6%, each preferred share will be distributed with a cash dividend of RMB 4.6 (tax inclusive) and the total amount will be accumulated to RMB 223.1 million (tax inclusive).

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

#### **IV. Repurchase or Conversion of Preferred Shares**

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

#### **V. Voting Power Recovery of Preferred Shares within Report Period**

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

#### **VI. Accounting Policies Adopted by Preferred Shares and Reasons**

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

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

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

Name	Position	Status	Gender	Age	Term start date	Term ending date	Shares held at the beginning of the year (share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
Lu Huayu	Director, chairman	Incumbent	Male	52	Jan. 15, 2005	Feb. 9, 2020	1,708,594	0	427,149	1,281,445
Luo Mengbo	Director, vice chairman, president	Incumbent	Male	46	Feb. 10, 2014	Feb. 9, 2020	1,488,900	0	12,225	1,476,675
Yu Weiye	Director	Incumbent	Male	53	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Wei Xuemei	Director	Incumbent	Female	41	May. 18, 2015	Feb. 9, 2020	0	0	0	0
Sun Zequn	Director	Incumbent	Male	65	Aug. 15, 2006	Jul. 29, 2016	0	0	0	0
Zhu Nianhui	Director	Incumbent	Male	54	Feb. 7, 2017	Feb. 9, 2020	0	0	0	0
Chen Yongming	Director	Incumbent	Male	57	Jan. 14, 2011	Feb. 9, 2020	0	0	0	0
Li Rucheng	Director	Incumbent	Male	65	Apr. 7, 2017	Feb. 9, 2020	0	0	0	0
Song Hanping	Director	Incumbent	Male	53	Jan. 15, 2005	Feb. 9, 2020	0	0	0	0
Chen Guanghua	Director	Incumbent	Male	56	Apr. 12, 2010	Feb. 9, 2020	0	0	0	0
Xu Lixun	Director	Incumbent	Male	42	Jan. 10, 2013	Feb. 9, 2020	0	0	0	0
Yang Xiaoping	Independent director	Incumbent	Female	65	Jan. 31, 2012	Feb. 9, 2020	0	0	0	0
Fu Jianhua	Independent director	Incumbent	Male	65	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Fu Jijun	Independent director	Incumbent	Male	59	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0
Ben	Independent	Incumbent	Male	50	Sept. 11, 2014	Feb. 9, 2020	0	0	0	0

Shenglin	director									
Zhang Jixiang	Independent director	Incumbent	Male	63	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Geng Hong	Independent director	Incumbent	Female	60	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Hong Lifeng	Employees' representative, Supervisory	Incumbent	Male	52	Oct. 9, 2015	Feb. 9, 2020	1,775,951	0	100,000	1,675,951
Xu Liming	Supervisory	Incumbent	Male	54	Jan. 12, 2008	Feb. 9, 2020	0	0	0	0
Pu Yiwei	External supervisor	Incumbent	Female	46	Feb. 10, 2014	Feb. 9, 2020	0	0	0	0
Shu Guoping	External supervisor	Incumbent	Male	51	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Hu Songsong	External supervisor	Incumbent	Male	35	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Liu Rufen	Employees' representative, supervisor	Incumbent	Female	51	Feb. 10, 2014	Feb. 9, 2020	150,727	0	12,924	137,803
Zhuang Ye	Employees' representative, supervisor	Incumbent	Female	39	Feb. 10, 2017	Feb. 9, 2020	0	0	0	0
Luo Weikai	Director, vice president, financial principal	Incumbent	Male	51	Apr. 7, 2017	Feb. 9, 2020	2,064,000	0	200,000	1,864,000
Fu Wensheng	Vice president	Incumbent	Male	44	Aug. 27, 2012	Feb. 9, 2020	0	0	0	0
Wang Yongjie	Vice president	Incumbent	Male	44	Aug. 27, 2012	Feb. 9, 2020	186,000	0	0	186,000
Feng Peijiong	Director, vice president	Incumbent	Male	42	Feb. 3, 2016	Feb. 9, 2020	0	0	0	0
Ma Yuhui	Vice president	Incumbent	Male	35	Apr. 24, 2015	Feb. 9, 2020	0	0	0	0
Yang Chen	Board secretary	Incumbent	Male	55	Oct. 9, 2011	Feb. 9, 2020	1,337,019	0	0	1,337,019
Yu Fengying	Director, vice chairman	Resigned	Female	58	Sep. 4, 2006	Feb. 9, 2020	1,089,228	0	272,307	816,921
Sun Zequn	Director	Resigned	Male	65	Aug. 15, 2006	Jul. 29, 2016	0	0	0	0
Li Hanqiong	Director	Resigned	Female	39	Feb. 10, 2014	Feb. 9, 2017	0	0	0	0

Tang Sining	Independent director	Resigned	Male	68	Jan. 14, 2011	Apr. 6, 2017	0	0	0	0
Zhu Jiandi	Independent director	Resigned	Male	51	Jan. 14, 2011	Apr. 6, 2017	0	0	0	0
Liu Suying	External supervisor	Resigned	Female	71	Jan. 14, 2011	Feb. 9, 2017	0	0	0	0
Zhang Yingfang	External supervisor	Resigned	Female	65	Jan. 14, 2011	Feb. 9, 2017	0	0	0	0
Yu Ningning	Exemployees' representative, supervisor	Resigned	Male	40	Jan. 14, 2011	Feb. 9, 2017	0	0	0	0

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

Name	Position	Type	Date	Reason
Feng Peijiong	Director	Elected	Feb. 3, 2016	
Sun Zequn	Director	Resigned	Jul. 29, 2016	Personal reason
Zhu Nianhui	Director	Elected	Feb. 7, 2017	
Yu Fengying	Director, vice chairman	Resigned	Feb. 9, 2017	Expiration of term of office
Li Hanqiong	Director	Resigned	Feb. 9, 2017	Expiration of term of office
Tang Sining	Independent director	Resigned	Feb. 6, 2017	Expiration of term of office
Zhu Jiandi	Independent director	Resigned	Feb. 6, 2017	Expiration of term of office
Liu Suying	External supervisor	Resigned	Feb. 9, 2017	Expiration of term of office
Zhang Yingfang	External supervisor	Resigned	Feb. 9, 2017	Expiration of term of office
Yu Ningning	Employees' representative supervisor	Resigned	Feb. 9, 2017	Expiration of term of office
Li Rucheng	Director	Elected	Feb. 7, 2017	
Zhang Jixiang	Independent director	Elected	Feb. 7, 2017	
Geng Hong	Independent director	Elected	Feb. 7, 2017	
Luo Weikai	Director	Elected	Feb. 7, 2017	
Shu Guoping	External supervisor	Elected	Feb. 10, 2017	
Hu Songsong	External supervisor	Elected	Feb. 10, 2017	

Zhuang Ye	Employees' representative supervisor	Elected	Feb. 10, 2017
-----------	---	---------	---------------

Notice: 1. The Company convened 2016 first extraordinary general meeting of the shareholders on February 3, 2016, and elected Mr. Feng Peijiong as the director of the 5<sup>th</sup> board of directors.

2. Mr. Sun Zequn, former director of the Company, resigned from his post as a director on July 29, 2016 for his personal reasons.

3. The Company convened 2016 second extraordinary general meeting of the shareholders on September 14, 2016, and elected Mr. Zhu Nianhui as the director of the 5<sup>th</sup> board of directors, whose qualification as a director was approved by the supervisory organ on February 7, 2017.

4. Through the democratic election of the employees, Hong Lifeng, Liu Rucheng and Zhuang Ye were elected as the employees' supervisors of the 6<sup>th</sup> board of supervisors of the Company with a three-year term of office, which is the same as the shareholder supervisors and external supervisors of the 6<sup>th</sup> board of supervisors; as the expiration of the term of office, Yu Ningning is no longer the employees' supervisor of the Company.

5. The Company convened 2017 second extraordinary general meeting of the shareholders on February 10, 2017 and elected Lu Huayu, Luo Mengbo, Luo Weikai, Feng Peijiong, Yu Weiye, Wei Xuemei, Zhuang Nianhui, Chen Yongming, Li Rucheng, Song Hanping, Chen Guanghua and Xu Lixun as the directors of the 6<sup>th</sup> board of directors of the Company; elected Yang Xiaoping, Fu Jianhua, Fu Jijun, Ben Shenglin, Zhang Jixiang and Geng Hong as the independent directors of the 6<sup>th</sup> board of directors of the Company; elected Xu Liming as the shareholder supervisor of the 6<sup>th</sup> board of supervisors of the Company; elected Pu Yiwei, Shu Guoping and Hu Songsong as the external supervisors of the 6<sup>th</sup> board of supervisors of the Company. As the expiration of the term of office, Yu Fengying, Li Hanqiong, Tang Sining and Zhu Jiandi are no longer the directors of the Company and Liu Suying and Zhang Yingfang are no longer the supervisors of the Company.

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

### III. Employment Situation

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

##### 1. Directors

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

Mr. Luo Mengbo, currently the Director, Vice Chairman and President of the Bank of Ningbo Co., Ltd., born in November 1970, obtained a bachelor's degree and the title of Economist. Mr. Luo successively served as Business Inspector, Assistant General Manager and General Manager of the Corporate Department of the Bank,

General Manager of the Credit Management Department of the Bank, President of Beilun Sub-branch of the Bank and General Manager of the Corporate Department of the Bank. Mr. Luo was the Assistant President of the Bank from January 2008 to January 2009 and has been the Vice President of the Company from January 2009 to October 2011 and the Director. He was the director and president of the company from Oct , 2011 to Feb, 2014, and is the director, vice chairman and the president of the company from Feb, 2014 till now.

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

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

Mr. Zhu Nianhui, born in December 1962, Malaysian, obtained a master's degree, is currently the executive vice president and risk director of Overseas-Chinese Banking Corp. and a non-executive director of Bank of Singapore. Mr. Zhu used to be a treasury / foreign exchange trader of Standard Chartered Bank (Singapore) Corp; the second deputy president and chief auditor of ChaseBank (Singapore); vice president and derivative product control manager of Bankers Trust New York Corporation (Hong Kong); a director of Bankers Trust New York Corporation (Hong Kong) and the deputy director of the Asian regional company portfolio management; managing director and market risk managing (Asia Pacific) director of Deutsche Bank AG (Singapore); chief risk officer of Deutsche Bank AG Asia Pacific and also a member of the Asian Pacific Executive Committee, chairman of the Asian Pacific Risk Committee, non-independent non-executive director of Deutsche Bank AG (Malaysia) and non-executive director of Huaxia Bank; he has been a director of the Company since February 2017.

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

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

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

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

Shanshan Investment Holdings Co., Ltd. Mr. Chen has been the Director of the Company since April 2010.

Mr. Xu Lixun: born in August 1974 and holds a Master's degree. He is currently the Executive Director of the Board of Directors and President of Huamao Group Co., Ltd., and acts as Chairman of Ningbo Huamao Cultural and Education Ltd, Chairman of Ningbo Huamao International Trade Co., Ltd., Chairman of Zhejiang Quzhou Huamao Foreign Language School, Chairman of Zhejiang Longyou Huamao Foreign Language School and Chairman of Beijing Rainbow Flower Educational Technology Development Center. Mr. Xu Lixun served as Vice General Manager of American Huayuan Holding Company, General Manager of American Taier Star Computer Co., Ltd. and Vice General Manager of Beijing Rainbow Flower Educational Technology Development Center from August 1995 to June 1999; served as director of Huamao Group Co., Ltd. since June 1999; served as Assistant President and Vice President of Huamao Group Co., Ltd. from June 1999 to December 2001; and served as director of the Company since January 2012.

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

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

Ms. Yang Xiaoping, born in September 1951, is a senior economist with an educational background of postgraduate. Ms. Yang Xiaoping was the Deputy Secretary and Secretary of Youth League Committee of



Hangzhou Steam Turbine Plant in succession, Secretary of Youth League Working Committee of Hangzhou Administration of Machinery Industry, Deputy Secretary of Party Committee, Deputy Factory Director and Party Committee member of Hangzhou Steam Turbine Plant in succession, and Deputy Manager of Hangzhou Economic Development Corporation (work as chair); Deputy Director of Management Inspection Department of Zhejiang Branch, State Administration of Foreign Exchange, Deputy Director and Director of Foreign Investment and Foreign Debt Management Office in succession, Director of Foreign Exchange Swap Center and Director of Human Resources and Education Department and Director of Veteran Cadres Department of Zhejiang Branch, People's Bank of China from November 1990 to December 1998; member of Party Leadership Group, assistant commissioner and regulatory commissioner (cadre in vice bureau level) of Hangzhou Financial Regulatory Office, Shanghai Branch, People's Bank of China from December 1998 to July 2003; member of Preparatory Group of Zhejiang Regulatory Authority of China Banking Regulatory Commission and Vice Director and member of Party Committee of Zhejiang Regulatory Authority of China Banking Regulatory Commission from July 2003 to May 2006; Director and Secretary of the Party Committee of Fujian Regulatory Authority of China Banking Regulatory Commission from May 2006 to August 2008; and Director and Secretary of the Party Committee of Zhejiang Regulatory Authority of China Banking Regulatory Commission from August 2008 to September 2011; a member of Consulting Committee of Zhejiang Provincial People's Government since June, 2013; and the independent director of the Company from January 2012 to the present.

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

Mr. Fu Jijun: born in January 1957, is a doctor of economics, senior economist and international certified management consultant, currently serving as chairman of Chinese Financial Consulting Co., Ltd., first management accounting consulting expert of the Ministry of Finance, standing director of the board of governors of China Merger Union, vice chairman of Management Consulting Committee of China Association of Enterprises, guest professor of Tianjin University of Finance and Economics; independent director of ABC-CA

Fund Management Co., Ltd., Xiamen Tsinghua Unigroup Co., Ltd., Lingyun Industrial Corporation Limited and Guangdong Booxin Investment Holdings Co., Ltd.. Mr. Fu once worked as vice general manager, general manager and other posts of Chinese Financial Consulting Co., Ltd.; since September 2014, he has been an independent director of the Company.

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

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

Ms. Geng Hong, born in March 1956, received the bachelor's degree and the titles of Chinese non-practicing certified accountant and economist, is currently the chairman of Assets Valuation Standards Committee. From 1977 to 2016, Ms. Geng Hong worked in the Ministry of Finance and has taken positions in the department of industry, transportation and commerce, department of trade finance and the tax, finance and price inspection office of the state council, the supervision department, construction department, department of treaty and law and administrative department of politics and law of the ministry of finance. Ms. Geng Hong retired in May 2016 and has been an independent director of the Company since April 2017.

## 2. Supervisors

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

Mr. Xu Liming, born in December 1962, obtained an associate's degree and the qualifications of Accountant and Senior Economist. Mr. Xu currently is the Manager of Finance Department & CFO of Zhejiang Cuori Electrical Appliances (Group) Co., Ltd.. He was the Financial Director and Vice General Manager of Cixi Wooden Company from August, 1981 to December, 1996; the Vice General Manager of Cixi Engineering Consultation Construction Corporation from January 1997 to August 1999; the Manager of Finance Department of Ningbo Swell Auto Decoration Co., Ltd. from September 1999 to March 2001; the Manager of Finance Department & CFO of Zhejiang Cuori Electrical Appliances (Group) Co., Ltd. since April 2001 and he has been the Supervisor of Bank of Ningbo Co., Ltd. since January 2008.

Ms. Pu Yiwei, born in April 1970, a doctor of laws, is currently a professor and master supervisor of the Law School of Ningbo University. Ms. Pu Yiwei received the PhD degree in civil law and commercial law from Tsinghua University School of Law in 2005 and became a visiting scholar from 2007 to 2008 in Law School of University of Toronto and East China University of Political Science and Law in 2012. She is currently a professor and master supervisor of the Law School of Ningbo University, primarily engaged in the teaching and research of civil law and civil procedure law. Besides, she is also a member of the party committee of Law School of Ningbo University, dean of the procedural law institute of Law School of Ningbo University, a part-time doctoral supervisor of Institute of Law of Chinese Academy of Social Sciences, a member of Civil Procedure Law Institute of China Law Society and a managing director of Procedural Law Research Institute of Zhejiang Province. Ms. Pu Yiwei has been an external supervisor of the Company since February 2014.

Mr. Shu Guoping, born in January 1965, received a bachelor's degree, is a certified public accountant and is

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

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

Ms. Liu Rufen, born in August 1965, obtained the bachelor's degree and the title of economist, is currently the employees' supervisor and director of the labor union office of the Company. Ms. Liu once served as chief accountant and president assistant of Mingzhou Branch of the Company; from January 2000 to December 2004, she worked as vice general manager of financial accounting department of the Company; since January 2005, she is the vice general manager of the Operation Department of the Company; since December, 2016, he has been the director of the labor union office of the Company; and she has been the employees' supervisor of the Company since February 2014.

Ms. Zhuang Ye, born in June 1977, received the bachelor's degree and lawyer's qualification certificate, is currently the vice general manager of the compliance department of Bank of Ningbo Co., Ltd.. Ms. Zhuang Ye was a senior assistant manager of the compliance department of the Company from August 2007 to February 2010; general manager of the compliance department and general manager of the audit department of Suzhou branch of the Company from February 2010 to February 2011; the vice general manager of the compliance department of

the Company since February 2011; the staff supervisor of the Company since February 2017.

### 3. Senior Management

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

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

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

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

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

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

Mr. Yang Chen, born in April 1961, obtained a bachelor's degree and the title of Senior Economist. He is currently the Secretary to the Board of Directors of Ningbo Co., Ltd.. Mr. Yang has successively served as a cadre of Wenzhou Government Office, Wenzhou Longwan District Party Committee Secretary Deputy Section Chief, a cadre of Wenzhou Government Office, the Office Director Clerk of Ningbo Foreign Capital, the Deputy Director of Ningbo Government Office. Mr. Yang was the Office Director of the Bank from January 1996 to September 2015. During this period, he was the Director and Secretary of the 2nd and 3rd Board of Directors from January 2005 to January 2011. He has been the Secretary of the Board of Directors since October 2011.

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

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

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

Name of Member	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Yu Weiye	Ningbo Thermal Power Co., Ltd.	Director	From December 2014 to the present	No
Wei Xuemei	Ningbo Cultural Plaza Investment & Development Co., Ltd.	Chairman of the board	From September 2013 to the present	No
Zhu Nianhui	Bank of Singapore Ltd.	Non-executive director	From November 2014 to the present	No
Chen Yongming	Shanghai Lijia Plate Making and Printing Co., Ltd.	Director	From March 1995 to the present	No
Chen Yongming	OCBC Management Services Private Limited	Manager	From January 2005 to the present	Yes
Chen Yongming	Eastern Holdings Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Capital Investment (Asia) Limited	Director	From September 2009 to the present	No
Chen Yongming	Bathurst Enterprises Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Nominees (Hong Kong) Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Advisors Limited	Director	From September 2009 to the present	No
Chen Yongming	OCBC Securities (HK) Limited	Director	From September 2009 to the present	No
Chen Yongming	Oversea-Chinese Banking (China) Corporation Ltd.	Supervisor	From October 2010 to July 2016	No
Chen Yongming	OCBC Wing Hang (China) Co., Ltd.	Supervisor	From July 2016 to the present	No
Li Rucheng	Ningbo Shengda Development Co., Ltd.	Executive director and general manager	From May 2013 to the present	No
Li Rucheng	Youngor Group Co., Ltd.	Chairman of the board	From May 2012 to the present	No
Song Hanping	Bayi Fubon (Ningbo) Basketball Club Co., Ltd	Chairman of the board	From December 2006 to the present	No
Chen Guanghua	Shanshan Holdings Limited	Executive vice chairman	From January 2015 to the present	Yes
Chen Guanghua	Shanshan Group Co., Ltd	Executive vice president	From January 2013 to the present	Yes
Xu Lixun	Ningbo Huamao Cultural and Educational Holdings Co., Ltd.	Chairman of the board	From January 2011 to the present	No
Xu Lixun	Zhejiang Huamao Real Estate Development Co., Ltd.	Director	From February 2002 to the present	No
Xu Lixun	Ningbo Huamao Educational and Cultural Investment Co., Ltd.	Supervisor	From June 2010 to the present	No
Xu Lixun	Beijing Qisehua Educational and Scientific Development Co., Ltd.	Chairman of the board	From November 2001 to the present	No
Xu Lixun	Zhejiang Huamao International Trade Co., Ltd.	Chairman of the board	From September 2005 to the present	No
Xu Lixun	Ningbo Maoxuan International Trade Co., Ltd.	Chairman of the board	From July 2008 to the present	No
Xu Lixun	Ningbo Huamao Education Group	Director	From October 2004 to the present	No
Xu Lixun	Ningbo Huamao Foreign Languages School	Director	From July 1998 to the present	No



Xu Lixun	Zhejiang Quzhou Huamao Foreign languages School	Chairman of the board	From November 1999 to the present	No
Xu Lixun	Zhejiang Longyou Huamao Foreign languages School	Chairman of the board	From August 2001 to the present	No
Xu Lixun	Ningbo Huamao Multi-culture Educational Center	Chairman of the board	From February 2006 to the present	No
Fu Jijun	Chinese Financial Consulting Co., Ltd.	Chairman of the board	From September 2000 to the present	Yes
Fu Jijun	Fulue Modern Consulting (Beijing) Co., Ltd.	Chairman of the board	From October 2004 to the present	No
Fu Jijun	Yuanhua Film Investment (Beijing) Co., Ltd.	Chairman of the board	From September 2014 to the present	No
Ben Shenglin	School of Management of Zhejiang University	Professor, doctoral supervisor, director of EMBA center	From May 2014 to the present	Yes
Ben Shenglin	Tsingtao Beer Co., Ltd.	Independent director	From June 2014 to the present	Yes
Ben Shenglin	China International Capital Corporation Limited	Independent director	From May 2015 to the present	Yes
Ben Shenglin	Material Zhongda Group Co., Ltd.	Independent director	From February 2016 to the present	Yes
Ben Shenglin	Sesame Credit Management Co., Ltd.	Independent director	From June 2016 to the present	Yes
Ben Shenglin	Industrial Bank Co., Ltd.	Supervisor	From December 2016 to the present	Yes
Pu Yiwei	Assets Management Company of Ningbo University	Supervisor	From April 2013 to the present	No

Notes: Oversea-Chinese Banking (China) Corporation Ltd. and Wing Hang Banking (China) Co., Ltd. were merged into OCBC Wing Hang (China) Co., Ltd. in July, 2016.

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

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

### **IV. Remuneration of Directors, Supervisors and Senior Management Personnel**

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

Decision-making process for the remuneration of directors, supervisors and senior management personnel	Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd and Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd are drawn up by Remuneration Committee of the Board of Directors. Among of which, Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd and Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd will be submitted to the general meeting of shareholders for approval after being consented by Board of Directors; and Remuneration of Senior
--	---



	Management Personnel of Bank of Ningbo Co., Ltd will be examined and approved by Board of Directors.
Determination basis for the remuneration of directors, supervisors and senior management personnel	The annual remuneration of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be determined in accordance with Remuneration of Chairman of the Board and Chief Supervisor of Bank of Ningbo Co., Ltd, Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd and their results of appraisal; remuneration of other directors and supervisors will be determined in accordance with Allowance of Directors and Supervisors of Bank of Ningbo Co., Ltd.
Actual payment of the remuneration of directors, supervisors and senior management personnel	The basic wages of Chairman of the Board, Vice Chairman, Chief Supervisor and Senior Management Personnel will be paid in accordance with the salary management system, and their performance pay will be determined in accordance with the annual performance evaluation; remuneration of other directors and supervisors will be paid monthly in accordance with their allowance standard.

## (II) Remuneration of Directors, Supervisors and Senior Manager during the Reporting Period

Unit: (RMB) 10,000

Name	Position	Gender	Age	Tenure Status	Total Pre-tax Remuneration Received from the Company	Whether be remunerated from Shareholders or other related methods
Lu Huayu	Director, chairman	Male	52	Incumbent	265	No
Luo Mengbo	Director, vice chairman, president	Male	46	Incumbent	251.75	No
Yu Weiye	Director	Male	53	Incumbent	6	Yes
Wei Xuemei	Director	Female	41	Incumbent	6	Yes
Chen Yongming	Director	Male	57	Incumbent	6	Yes
Song Hanping	Director	Male	53	Incumbent	6	Yes
Chen Guanghua	Director	Male	56	Incumbent	6	Yes
Xu Lixun	Director	Male	42	Incumbent	6	Yes
Yang Xiaoping	Independent director	Female	65	Incumbent	0	No
Fu Jianhua	Independent director	Male	65	Incumbent	0	No
Fu Jijun	Independent director	Male	59	Incumbent	25	No
Ben Shenglin	Independent director	Male	50	Incumbent	25	No
Hong Lifeng	Staff representative supervisor, supervising chairman	Male	52	Incumbent	238.50	No
Xu Liming	Supervisor	Male	54	Incumbent	5.40	Yes
Pu Yiwei	External supervisor	Female	46	Incumbent	22.50	No
Pu Yiwei	Staff representative supervisor	Female	51	Incumbent	94.09	No
Fu Wensheng	Vice president	Male	44	Incumbent	225.25	No
Wang Yongjie	Vice president	Male	44	Incumbent	225.25	No

Luo Weikai	Director, vice president, chief financial officer	Male	51	Incumbent	225.25	No
Feng Peijiong	Director, vice president	Male	42	Incumbent	225.25	No
Ma Yuhui	Vice president	Male	35	Incumbent	225.25	No
Yang Chen	Board secretary	Male	55	Incumbent	185.50	No

Notes: Performance annual salary of senior manager undergoes deferred payment; as specified within the sheet, deferred remuneration of senior management in 2016 is 7.5433 million yuan, not transferred to person temporarily; in 2016, the former vice chairman of the board of the Company Ms. Yu Fengying received a remuneration of 2,389,500 yuan during her tenure, the former director Mr. Sun Zequn received 35,000 yuan, former director Ms. Li Hanqiong 60,000 yuan, former independent director Ms. Tang Sining did not receive any remuneration from the Company during his tenure, former independent director Mr. Zhu Jiandi 250,000 yuan, former external supervisor Ms. Liu Suying did not receive any remuneration from the Company during her tenure, former external supervisor Ms. Sun Yingfang 225,000 yuan, former staff representative supervisor Ms. Yu Ningning 1,481,700 yuan; the Company has paid the deferred payable remuneration from 2006 to 2010, including 4,245,700 yuan for the board chairman Mr. Lu Huayu, 2,618,500 yuan for the vice board chairman and president Mr. Luo Mengbo, 3,754,000 yuan for chairman of the board of supervisors and 3,620,400 yuan the vice president Mr. Luo Weikai; the Company has also paid the deferred payable remuneration of year 2013, including 807,500 yuan for the board chairman Mr. Luo Huayu, 840,700 yuan for the vice board chairman and president Mr. Luo Mengbo, 695,900 yuan for the chairman of the board of supervisors Mr. Hong Lifeng, 695,900 yuan for the vice president Mr. Luo Weikai, 695,900 yuan for the vice president Mr. Fu Wensheng, 695,900 yuan for the vice president Mr. Wang Yongjie and 573,100 yuan for the secretary of the board of the directors Mr. Yang Chen.

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

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

### **V. Employees in the Company**

Up to Dec. 31, 2016, there are 11,600 employees in the Company, amongst which, 3,275 are corporate banking staffs, 2,371 are personal banking staffs, 3,130 are operation management staffs, 759 are risk and compliance management staffs, 344 are information technology staffs, 131 are other financial business staffs and 1,590 are comprehensive management staffs. Among the employees, employees with bachelor degree or above account for 94.77%, employees with college degree account for 4.70%, and employees with technical secondary education and below account for 0.53%.

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

Company.

The employees' remunerations are mainly composed of the basic remuneration and performance remuneration and the income gap is rationally reflected by the differences of the employees' posts, work responsibilities and obligations. The basic remuneration is determined by the class of positions of the employees and the performance remuneration is decided by the performances of the entire Company, the institution or department where the employee is belonged and the personal performance of the employee. During the report period, the Company has not applied the medium and long-term motivations in the way of shareholding and other forms of shareholding and the remunerations of the employees are paid in cash.

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

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

## Chapter Eleven Corporate Governance

### I. Basic Conditions of the Company Governance

During the reporting period, the Company enhanced its governance mechanism, established and improved its internal control system and further improved the level of corporate governance in strict compliance with the requirements of *Company Law*, *Securities Act*, *Governance Guidelines for Listed Companies*, *Listing Rules of Shenzhen Stock Exchange* and *Standardized Operation Guidelines for Small and Medium-sized Enterprise Board Listing Companies of Shenzhen Stock Exchange*. Up to Dec.31, 2015, the actual situation of the corporate governance are consistent with the requirements of related documents, and did not receive any documents about administrative supervision measures that required for rectification within a specified time from regulatory authorities. Main systems performed upon the examination and approval of the general meeting of shareholders or Board of Directors after the listing of the Company are as follows:

Systems that have been established by the Company	Latest disclosure time
Independent Directors Annual Report Working System	April 23, 2008
Management Measures for the Prevention of Application of Funds of Large Shareholders and Related Parties	July 22, 2008
Fund-raising Management System	December 30, 2009
Annual Report Working Procedures of Audit Committee of the Board of Directors (revised)	February 26, 2010
Annual Report Information Disclosure System of Accountability for Serious Mistakes	February 26, 2010
External Information Users Management System	February 26, 2010
Insider Information and Insiders Registration and Management System (revised)	November 25, 2011
Independent director working system	December 14, 2012
Stock right pledge management method	August 21, 2014
Consolidated management method	August 21, 2014
Articles of Association (revised)	November 11, 2014
Information Disclosure Management System (revised)	February 2, 2015
Information Disclosure Management System for New Capital Agreement	August 26, 2015

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

excise shareholders' rights.

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

**(III). Directors and Board of Directors.** the board of directors comprised 15 directors at the end of the reporting period, including 6 independent directors. Independent directors are assumed by professionals in the field of finance and law etc, which assure the quality and level of decision-making of the Board of Directors, safeguard the rights and interests of the Company and all shareholders and give full play to the central role of the Board of Directors in corporate governance. In compliance with the requirements of the relevant provisions, the Board of Directors of the Company consists of six special committees: Strategic Committee, Audit Committee, Related Party Transaction Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. There is a clear division of labor, rights and responsibilities between each committee to ensure the effective operation of all committees.

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

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

of which is borne by the head office.

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

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

During the reporting period, there's no significant difference between the actual corporate management and

the Normative documents for the listed company issued by CSRC.

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

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

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

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

**(III) Asset:** the company has independent premises and supporting facilities.

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

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

## III. Horizontal competition

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

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

Session and type of meeting	Ratio of participating investors	Date of meeting	Date of disclosure	Disclosure index
The 1 <sup>st</sup> Session of 2016 Extraordinary General Meeting of Shareholders	65.79%	February 3, 2016	February 4, 2016	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )

2015 Annual General Meeting of Shareholders	Common stock shareholders: 66.80%	May 16, 2016	May 17, 2016	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)
	Preferred stock shareholders: 45.59%			
The 2 <sup>nd</sup> Session of 2016 Extraordinary General Meeting of Shareholders	66.30%	September 14, 2016	September 19, 2016	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and cninfo (http://www.cninfo.com.cn)

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

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

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

Information on independent directors' attending of the board meeting						
Name of independent director	Times of attending the board meeting during this report term	Times of attending the board meeting in person	Times of attending the board meeting by communication	Times of attending the board meeting by entrusted representative	Absent	Did you attend the meeting by other means other than in person for 2 times in a row?
Tang Sining	7	5	2	0	0	No
Zhu Jiandi	7	4	2	1	0	No
Yang Xiaoping	7	4	2	1	0	No
Fu Jianhua	7	4	2	1	0	No
Fu Jijun	7	3	2	2	0	No
Ben Shenglin	7	4	2	1	0	No
<b>Number of times of independent directors' attending of the shareholders' meeting</b>				1		

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

### (II) Objections raised by independent directors to related items

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



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

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

Date of disclosure	Items	Opinions
January 19, 2016	Independent opinions on nomination of Mr. Feng Peijiong as the director candidate of the Company.	Agree
April 26, 2016	Independent opinions on 2015 annual profit distribution plan.	Agree
April 26, 2016	Independent opinions on 2016 annual estimated limit of daily connected transactions.	Agree
April 26, 2016	Independent opinions on hiring external audit institution.	Agree
April 26, 2016	Special opinions on storage and use of company's raised funds.	Agree
April 26, 2016	Independent opinions on self-assessment reports of internal control.	Agree
April 26, 2016	Independent opinions on derivatives trading and risk control.	Agree
April 26, 2016	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
April 26, 2016	Independent opinions on remuneration of directors, supervisors and senior executives.	Agree
April 26, 2016	Special opinions on the non-public issuing of the preferred stocks of the Company.	Agree
August 29, 2016	Special explanation and independent opinions on company's external guarantee and capital occupying of controlling shareholders and other related parties.	Agree
August 29, 2016	Independent opinions on nomination of Mr. Zhu Nianhui as the director candidate of the Company.	Agree
December 31, 2016	Independent opinions on general election of the board of directors.	Agree

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

The board of directors has 6 subordinate committees: Strategy Committee, Audit Committee, Related Transactions Control Committee, Risk Management Committee, Nominating Committee and Compensation Committee. All committees have well-defined rights and liabilities and effective operation. In 2016, special committees organized 20 meetings in total, including 3 by Strategy Committee, 4 by Audit Committee, 3 by Related Transactions Control Committee, 4 Risk Management Committee, 4 by Nominating Committee and 2 by Compensation Committee. Pursuant to the Articles of Association, Rules and Procedures for the Meeting of Board of Directors and Detailed Working Rules of the company, special committees shall fulfill respective responsibilities by law and convene a meeting regularly, at which respective representatives shall propose opinions and suggestions for major development strategies, financial statements, internal audit and control, compliance management, related transaction management, risk management and control, director nomination, remuneration and assessment.

## **VII. Performance of the board of supervisors**

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

## **VIII. Evaluation and incentive of senior executives**

Senior executives are directly responsible to the board of directors and are evaluated, rewarded or punished by the board of directors. The company's incentive and restraint mechanism is mainly reflected by the income distribution of senior executives, and policies and systems for distribution of company income are determined by the board of directors. The remuneration of senior executives is approved and granted according to Measures for Remuneration of Senior Executives of Bank of Ningbo and disclosed publicly in accordance with relevant regulations. During the report term, the company evaluated the annual performance of senior management according to methods for evaluation of performance of senior management and senior executives and requirements of related regulatory department. Upon assessment, the senior management achieved all targets that the board of directors set in 2015, bringing more benefits to shareholders.

## IX. Evaluation reports of internal control

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

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

### (II) Self-assessment reports of internal control

Date of disclosure of evaluation reports of internal control	April 28, 2016	
Index for disclosure of evaluation reports of internal control	cninfo (http://www.cninfo.com.cn)	
Proportion of total unit assets incorporated into range of assessment in company's total assets of consolidated financial statements	100.00%	
Proportion of operating revenue incorporated into range of assessment in company's operating revenue of consolidated financial statements	100.00%	
Standards for recognition of defects		
Category	Financial statements	Non-financial statements
Qualitative criteria	<p>1. Material defects: Financial statements have received or are more likely to receive an adverse opinion or a disclaimer of opinion incomplete; national laws and regulations are severely breached and executives have been involved or are corresponding punishment is received; suspected of being involved in fraud; senior executives and senior technicians disclosed financial statements have material errors; the company is lack of financial control system or the system has been invalid; material or important defects in financial statements of internal control have not been modified.</p> <p>2. Important defects: The company's financial system is deficient; important defects in financial statements of internal control have not been modified; there are not complete; the company's internal other defects of internal control that may lead to material error of financial statements. losses; key personnel are of higher mobility; its negative news is broadcast financial statements of internal control by media, radiating local areas; the except those material and important defects important business system is deficient;</p>	<p>1. Material defects: Democratic decision-making procedures are not complete; national laws and regulations are severely breached and executives have been involved or are corresponding punishment is received; suspected of being involved in fraud; senior executives and senior technicians disclosed financial statements have material errors; the company is frequently broadcast by media, generating a wide range of impacts; material or important defects of internal control or the system has been invalid; material or important defects of internal control have not been corrected.</p> <p>2. Important defects: Democratic decision-making procedures exist but are not complete; the company's internal other defects of internal control that may lead to material error of financial statements. losses; key personnel are of higher mobility; its negative news is broadcast financial statements of internal control by media, radiating local areas; the except those material and important defects important business system is deficient;</p>

	mentioned above.	important defects of internal control have not been corrected. 3. General defects: Decision-making procedures are less efficient; the company's internal regulations are breached, without causing any losses; ordinary staff is of high mobility; its negative news is broadcast by media, generating less damages; general business system is deficient; general defects have not been corrected; other defects.
Quantitative criterion	<p>1. Material defects: the amount of misstatement caused by defects of internal control: profits of misstatement <math>\geq 100\%</math> of auditing importance level of financial statements</p> <p>2. Important defects: the amount of misstatement caused by defects of internal control: 30% of auditing importance level of financial statements <math>\leq</math> profits of misstatement <math>&lt; 100\%</math> of auditing importance level of financial statements</p> <p>3. General defects: the amount of misstatement caused by defects of internal control: profits of misstatement <math>&lt; 30\%</math> of auditing importance level of financial statements</p>	<p>1. Material defects: direct property losses caused by defects of internal control: direct property losses <math>\geq 100\%</math> of auditing importance level of non-financial statements</p> <p>2. Important defects: direct property losses caused by defects of internal control: 30% of auditing importance level of non-financial statements <math>\leq</math> direct property losses <math>&lt; 100\%</math> of auditing importance level of non-financial statements</p> <p>3. General defects: direct property losses caused by defects of internal control: direct property losses <math>&lt; 30\%</math> 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

## X. Audit reports or verification reports of internal control

### Opinions on audit reports of internal control

We held that Bank of Ningbo remained effective internal control of financial reports regarding all important aspects as of

---

December 31, 2016 in accordance with Basic Standard for Enterprise Internal Control and relevant regulations.

---

Date of disclosure of audit reports of internal control	April 28, 2017
Index for disclosure of audit reports of internal control	cninfo ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Opinions on audit reports of internal control	Standard & unqualified opinion
Whether non-financial reports have material defects or not	No

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

## Chapter Twelve Financial Statements

I. Audit Report (see appendixes)

II. Unqualified Audit Report based on 2016 financial statements issued by Ernst & Young Hua Ming Certified Public Accountants.

III. Financial statements (see appendixes)

IV. Notes to the financial statements (see appendixes)

## Chapter Thirteen Catalogue

I . 2016 Annual Report with signature of Mr. Lu Huayu, Chairman of the Board of Directors.

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

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

**Bank of Ningbo Co., Ltd.**

**Audited Financial Statements**

**31 December 2016**

## Bank of Ningbo Co., Ltd.

---

### Contents

	<b>Page</b>
<b>I. Audit Report</b>	<b>1 - 3</b>
<b>II. Audited Financial Statements</b>	
<b>Consolidated Balance Sheet</b>	<b>4 – 6</b>
<b>Consolidated Income Statement</b>	<b>7 – 8</b>
<b>Consolidated Statement of Changes in Shareholders' Equity</b>	<b>9 – 10</b>
<b>Consolidated Statement of Cash Flow</b>	<b>11 – 12</b>
<b>Balance Sheet</b>	<b>13 – 14</b>
<b>Income Statement</b>	<b>15</b>
<b>Statement of Changes in Shareholders' Equity</b>	<b>16 – 17</b>
<b>Cash Flow Statement</b>	<b>18 – 19</b>
<b>Notes to the Financial Statements</b>	<b>20 – 172</b>
<b>Supplementary Information of the Financial Statements</b>	
<b>1. Statement of Non-recurring Profit and Loss</b>	<b>173</b>
<b>2. ROE (Return on Equity) and Earnings per Share</b>	<b>173</b>



## **Auditor's Report**

A.Y.H.M. (2017) S.Z. No. 60466992\_B01

### **Shareholders of Bank of Ningbo Co., Ltd.:**

We have audited the attached financial statements of Bank of Ningbo Co., Ltd. (hereinafter referred to as the "Bank"), including the Consolidated Balance Sheet, Consolidated Income Statement and the Consolidated Statement of Changes in Shareholders' Equity and Cash Flow Statement of 2016, as well as Balance Sheet at 31 December 2016, Income Statement for the year of 2016, Statement of Changes in Shareholders' Equity and Cash Flow Statement as well as Notes to the Financial Statements.

### **I. Management's Responsibility for the Financial Statements**

The management of the Bank is responsible for the preparation and fair presentation of the financial statements. These responsibilities include: (1) preparing the financial statements in accordance with the *Accounting Standards for Business Enterprises*, and ensuring to achieve a fair presentation; (2) designing, implementing and maintaining internal controls relevant to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **II. Responsibilities of CPA**

Our responsibility is to express an audit opinion on the financial statements based on our audit. We conducted audit in accordance with the *Auditing Standards for the Chinese Certified Public Accountants*, which requires us to comply with professional ethical requirements, to plan and to perform the audit, and to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends on the auditor's judgment, including the assessment of risks incurred by material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements and assurance of a fair presentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Auditor's Report (continued)**

A.Y.H.M. (2017) S.Z. No. 60466992\_B01

### **III. Audit Opinions**

In our opinion, the financial statements of Bank of Ningbo Co., Ltd. have been properly prepared in accordance with the *Accounting Standards for Business Enterprises* in all material respects, which gives a fair presentation of the financial position of the Bank as at 31 December 2016 and of the Bank's operation results and cash flows in the year then ended.

Ernst & Young Certified Public Accountants  
(Special General Partnership)

CPA, China: Guo Hangxiang

Beijing, China

CPA, China: Chen Sheng

26 April 2017

**Bank of Ningbo Co., Ltd.**  
**Consolidated Balance Sheet**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

Assets	Note V	31 Dec. 2016	31 Dec. 2015
Cash and balances at central banks	1	93,376,715	66,189,440
Due from banks	2	17,027,924	14,199,976
Precious metal	3	269,586	1,540,475
Loans to banks	4	6,702,519	1,381,143
Financial assets designated at fair value			
With its change enter into income statement	5	8,276,310	7,039,891
Derivative financial assets	6	13,939,542	3,537,564
Recoursable financial assets acquired	7	19,731,604	10,980,600
Interest receivable	8	3,963,301	2,765,145
Loans and advances	9	292,788,341	248,399,105
Available-for-sale financial assets	10	280,551,719	249,257,941
Held-to-maturity investment	11	39,370,701	32,671,512
Accounts receivable held for investment	12	99,576,315	71,231,132
Investment real estate	13	16,598	16,559
Fixed assets	14	3,517,820	3,420,258
Intangible assets	15	287,903	244,245
Construction in progress	16	2,241,204	1,598,042
Deferred income tax assets	17	1,166,125	751,245
Other assets	18	<u>2,216,184</u>	<u>1,240,380</u>
<b>Total assets</b>		<b><u>885,020,411</u></b>	<b><u>716,464,653</u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Consolidated Balance Sheet (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

<b>Liabilities</b>	<b>Note V</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
Due to Central Bank	20	26,000,000	1,700,000
Due to banks and other financial institutions	21	44,584,064	68,632,509
Loans from other banks	22	34,832,834	20,200,607
Financial liabilities designated at fair value			
With its change enter into income statement	23	6,230,918	182,682
Derivative financial liabilities	6	12,164,267	3,355,296
Financial assets sold for repurchase	24	62,451,215	46,497,690
Deposit taking	25	511,404,984	371,373,450
Wages and salaries payable	26	1,863,053	1,495,977
Taxes payable	27	1,260,189	899,812
Interests payable	28	7,160,302	6,195,876
Bonds payable	29	112,984,659	144,056,767
Deferred income	30	300,609	283,081
Deferred income tax liabilities	17	-	6,122
Other liabilities	31	<u>13,397,204</u>	<u>6,487,465</u>
<b>Total liabilities</b>		<b><u><u>834,634,298</u></u></b>	<b><u><u>671,367,334</u></u></b>
<b>Shareholders' equity</b>			
Equity	32	3,899,794	3,899,794
Other equity tools	33	4,824,691	4,824,691
Capital reserve	34	9,948,236	9,948,236
Other comprehensive income	35	757,027	1,312,883
Surplus reserve	36	3,946,749	3,181,124
General risk reserve	37	6,686,969	5,055,801
Undistributed profit	38	<u>20,214,536</u>	<u>16,778,919</u>
Equity attributable to shareholders of the parent company		50,278,002	45,001,448
Minority shareholders' equity		<u>108,111</u>	<u>95,871</u>
<b>Total shareholders' equity</b>		<b><u><u>50,386,113</u></u></b>	<b><u><u>45,097,319</u></u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u><u>885,020,411</u></u></b>	<b><u><u>716,464,653</u></u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Consolidated Balance Sheet (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

The Financial Statements are signed by:

Legal Representative:	President:	Accounting supervisor:	Accounting institution:
		Financial Principle:	Principle: Seal:

**Bank of Ningbo Co., Ltd.**  
**Consolidated Income Statement**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

	Note V	2016	2015
<b>I. Operating income</b>		<b>23,645,017</b>	<b>19,516,224</b>
Net interest income	39	17,060,419	15,616,714
Interest income	39	33,753,534	31,831,062
Interest expense	39	(16,693,115)	(16,214,348)
New fee and commission income	40	6,046,615	3,989,790
Fee and commission income	40	6,709,155	4,400,491
Fee and commission expense	40	(662,540)	(410,701)
Investment gains	41	942,832	398,447
Changes in fair value recognized in profit or loss	42	1,583,972	240,506
Exchange gain or loss		(2,012,688)	(761,599)
Other operating income	43	<u>23,867</u>	<u>32,366</u>
<b>II. Operating expenditure</b>		<b>(13,991,685)</b>	<b>(11,498,194)</b>
Tax and surcharges	44	(563,896)	(1,057,183)
Business and administration expenses	45	(8,100,523)	(6,640,500)
Assets impairment losses	46	(5,320,940)	(3,780,857)
Other operating expenses	43	<u>(6,326)</u>	<u>(19,654)</u>
<b>III. Operating profits</b>		<b>9,653,332</b>	<b>8,018,030</b>
Add: non-operating income	47	53,422	41,839
Including: incomes from disposal of non-current assets		490	582
Less: non-operating expenditure	48	(54,676)	(44,941)
Including: losses from disposal of non-current assets		<u>(263)</u>	<u>(244)</u>
<b>IV. Total profits</b>		<b>9,652,078</b>	<b>8,014,928</b>
Less: income tax	49	<u>(1,829,336)</u>	<u>(1,447,937)</u>
<b>V. Net profits</b>		<b><u>7,822,742</u></b>	<b><u>6,566,991</u></b>
Including: net profit attributable to the parent company		7,810,417	6,544,333
Minority shareholders' gain and loss		12,325	22,658
<b>VI. Net after-tax value for other comprehensive income</b>		<b>(555,941)</b>	<b>1,003,851</b>
<b>Net of tax for other comprehensive     income attributable to shareholders     of the parent company</b>	35	<b>(555,856)</b>	<b>1,003,753</b>
<b>Other comprehensive income will subsequently     be reclassified into profit and loss</b>		<b>(555,856)</b>	<b>1,003,753</b>
Fair value change on financial assets available for sale		<u>(555,856)</u>	<u>1,003,753</u>
<b>Net of tax for other comprehensive</b>			

**Bank of Ningbo Co., Ltd.**  
**Consolidated Income Statement**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

<b>income attributable to minority shareholders</b>	<b>(85)</b>	<b>98</b>
<b>VII. Total comprehensive income</b>	<b>7,266,801</b>	<b>7,570,842</b>
Including: attributable to shareholders		
of the parent company	7,254,561	7,548,086
attributable to minority shareholders	12,240	22,756
<b>VIII. Earnings per share (Yuan/share)</b>		
Basic earnings per share	50	1.95
Diluted earnings per share	50	1.68

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



**Bank of Ningbo Co., Ltd.**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**2016**

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Consolidated Statement of Changes in Shareholders' Equity (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**2015**

Item	Equity attributable to shareholders of the parent company								Minority Shareholders' Equity	Total Shareholders' Equity
	Share capital	Other equity tool	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profit	Subtotal		
<b>I. Beginning balance</b>	<b>3,249,829</b>	<b>-</b>	<b>10,598,201</b>	<b>309,130</b>	<b>2,531,957</b>	<b>4,054,719</b>	<b>13,347,261</b>	<b>34,091,097</b>	<b>73,115</b>	<b>34,164,212</b>
<b>II. Increase/decrease in the year</b>	<b>649,965</b>	<b>4,824,691</b>	<b>(649,965)</b>	<b>1,003,753</b>	<b>649,167</b>	<b>1,001,082</b>	<b>3,431,658</b>	<b>10,910,351</b>	<b>22,756</b>	<b>10,933,107</b>
(I) Total comprehensive income	-	-	-	1,003,753	-	-	6,544,333	7,548,086	22,756	7,570,842
(II) Capital invested and reduced by shareholders	-	4,824,691	-	-	-	-	-	4,824,691	-	4,824,691
1. Other equity tool										
Shareholders' investment	-	4,824,691	-	-	-	-	-	4,824,691	-	4,824,691
(III) Profit distribution	-	-	-	-	649,167	1,001,082	(3,112,675)	(1,462,426)	-	(1,462,426)
1. Withdrawal surplus reserves	-	-	-	-	649,167	-	(649,167)	-	-	-
2. Withdrawal general risk reserves (notes)	-	-	-	-	-	1,001,082	(1,001,082)	-	-	-
3. Dividend distribution	-	-	-	-	-	-	(1,462,426)	(1,462,426)	-	(1,462,426)
(IV) Transfers within the owners' equity	649,965	-	(649,965)	-	-	-	-	-	-	-
1. Capital transferred from capital surplus	649,965	-	(649,965)	-	-	-	-	-	-	-
<b>III. Balance at the end of the year</b>	<b><u>3,899,794</u></b>	<b><u>4,824,691</u></b>	<b><u>9,948,236</u></b>	<b><u>1,312,883</u></b>	<b><u>3,181,124</u></b>	<b><u>5,055,801</u></b>	<b><u>16,778,919</u></b>	<b><u>45,001,448</u></b>	<b><u>95,871</u></b>	<b><u>45,097,319</u></b>

Notes: including the general risk reserve by the subsidiary amounted to 2,399,000 Yuan.

*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 2016**  
**Unit: CNY Thousand**

	Note V	2016	2015
<b>I. Cash flow from operating activities</b>			
Net increase in deposits from customers		141,847,059	46,288,142
Net increase in loan from the central bank		24,300,000	1,700,000
Cash received from interest, fees and commission		23,080,931	22,144,156
Net increase in placements from other financial institutions		2,817,143	8,572,397
Net decrease in loan to the central bank and other financial institutions		-	7,742,535
Other cash received relating to operating activities	52	<u>4,211,260</u>	<u>984,383</u>
<b>Sub-total of cash inflow from operating activities</b>		<b><u>196,256,393</u></b>	<b><u>87,431,613</u></b>
Net increase in loans and advance payments to customers		49,491,661	48,008,934
Net increase in balances with central bank and due from other banks		14,723,161	-
Cash paid to interest, fees and commission		11,645,243	11,293,252
Cash paid to and on behalf of employees		4,358,150	3,238,478
Taxes paid		3,389,148	2,791,538
Cash paid relating to other operating activities	53	<u>3,237,178</u>	<u>2,538,870</u>
<b>Sub-total of cash outflow from operating activities</b>		<b><u>86,844,541</u></b>	<b><u>67,871,072</u></b>
<b>Net cash flows generated from operating activities</b>	<b>54</b>	<b><u>109,411,852</u></b>	<b><u>19,560,541</u></b>
<b>II. Cash flow from investing activities</b>			
Cash received from investment		3,714,977,795	1,841,489,805
Cash received from returns on investment		37,231,350	15,070,243
Other cash received relating to investing activities		<u>617</u>	<u>1,510</u>
<b>Sub-total of cash inflow from investing activities</b>		<b><u>3,752,209,762</u></b>	<b><u>1,856,561,558</u></b>
Cash paid as investment		3,797,323,274	1,986,626,267
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		1,465,958	1,007,979
Cash paid for other activities related to investment		<u>-</u>	<u>67,264</u>
<b>Sub-total of cash outflow from investing activities</b>		<b><u>3,798,789,232</u></b>	<b><u>1,987,701,510</u></b>
<b>Net cash flow from investing activities</b>		<b><u>(46,579,470)</u></b>	<b><u>(131,139,952)</u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Cash Flow Statement (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

	Note V	2016	2015
<b>III. Cash flow from financing activities</b>			
Cash received by absorbing investment		-	4,824,691
Including: cash received from subsidiary by absorption from minority of shareholders		-	-
Cash received by bonds issuing		<u>226,940,000</u>	<u>133,074,838</u>
<b>Sub-total of cash inflow from financing activities</b>		<b><u>226,940,000</u></b>	<b><u>137,899,529</u></b>
Cash for payment of borrowing		259,080,000	39,680,741
Cash paid for distribution of dividends or profits, or cash paid for interests		<u>5,663,219</u>	<u>5,299,332</u>
<b>Sub-total of cash outflow from financing activities</b>		<b><u>264,743,219</u></b>	<b><u>44,980,073</u></b>
<b>Net cash flow from financing activities</b>		<b><u>(37,803,219)</u></b>	<b><u>92,919,456</u></b>
<b>IV. Effect of foreign exchange rate change on cash</b>		<b><u>(226,817)</u></b>	<b><u>(76,540)</u></b>
<b>V. Net increase in cash and cash equivalents</b>		<b><u>24,802,346</u></b>	<b><u>(18,736,495)</u></b>
Add: balance of cash and cash equivalents at the beginning of the year		<u>26,933,522</u>	<u>45,670,017</u>
<b>VI. Balance of cash and cash equivalents at the end of the year</b>	<b>51</b>	<b><u><u>51,735,868</u></u></b>	<b><u><u>26,933,522</u></u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Company Balance Sheet**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

Assets	Note XIII	31 Dec. 2016	31 Dec. 2015
Cash and deposits at central banks		93,376,646	66,189,347
Due from other banks		16,983,326	14,148,384
Precious metal		269,586	1,540,475
Loans to other banks		6,722,519	1,406,143
Financial assets designated at fair value with its change enter into income statement		7,922,044	6,684,535
Derivative financial assets		13,939,542	3,537,564
Recoursable financial assets acquired		19,636,900	12,786,000
Interest receivable		3,857,450	2,733,908
Loans and advances		280,281,558	242,298,929
Available-for-sale financial assets		280,529,369	249,021,965
Held-to-maturity investments		39,370,701	32,671,512
Accounts receivable held for investment		99,576,315	71,231,132
Long-term equity investment	1	1,135,000	1,135,000
Investment real estate		16,598	16,559
Fixed assets	2	3,510,403	3,413,375
Intangible assets		281,520	238,625
Construction in progress		2,239,616	1,596,450
Deferred income tax assets		1,137,609	751,245
Other assets		<u>2,129,943</u>	<u>1,197,278</u>
<b>Total assets</b>		<b><u><u>872,916,645</u></u></b>	<b><u><u>712,598,426</u></u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Company Balance Sheet (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

<b>Liabilities</b>	<b>Note XIII</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
Due to Central Banks		26,000,000	1,700,000
Deposits by banks and other financial institutions		44,641,118	68,692,497
Loan from other banks		24,336,834	17,512,607
Financial liabilities designated at fair value with its change enter into income statement		5,969,934	53,455
Derivative financial liabilities		12,164,267	3,355,296
Financial assets sold for repurchase		62,451,215	46,466,690
Deposits taking		512,975,692	372,240,635
Wages and salaries payable		1,831,088	1,449,093
Taxes payable		1,226,065	875,472
Interests payable		7,109,308	6,190,640
Bonds payable		112,984,659	144,056,767
Deferred income		3,153	3,831
Other liabilities		<u>11,168,889</u>	<u>5,078,267</u>
<b>Total liabilities</b>		<b><u>822,862,222</u></b>	<b><u>667,675,250</u></b>
<b>Shareholders' equity</b>			
Equity		3,899,794	3,899,794
Other equity tool		4,824,691	4,824,691
Capital reserve		9,949,664	9,949,664
Other comprehensive income		756,836	1,303,830
Surplus reserve		3,946,749	3,181,124
General risk reserve		6,571,482	5,053,309
Undistributed profits		<u>20,105,207</u>	<u>16,710,764</u>
<b>Total shareholders' equity</b>		<b><u>50,054,423</u></b>	<b><u>44,923,176</u></b>
<b>Total liabilities and shareholder's equity</b>		<b><u>872,916,645</u></b>	<b><u>712,598,426</u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Company Income Statement**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

	Note XIII	2016	2015
<b>I. Operating income</b>		<b>23,139,859</b>	<b>19,210,550</b>
Net interest income	3	16,854,471	15,547,506
Interest income	3	33,318,375	31,748,347
Interest expense	3	(16,463,904)	(16,200,841)
Net fee and commission income		5,743,942	3,824,362
Fee and commission income		6,405,455	4,235,063
Fee and commission expense		(661,513)	(410,701)
Investment gains		911,400	314,707
Changes in fair value recognized in profit or loss		1,619,522	253,887
Exchange gain or loss		(2,013,335)	(762,157)
Other operating income		<u>23,859</u>	<u>32,245</u>
<b>II. Operating expenditure</b>		<b>(13,699,158)</b>	<b>(11,282,384)</b>
Tax and surcharges		(547,888)	(1,030,484)
Business and administration expenses		(7,990,538)	(6,515,396)
Assets impairment losses		(5,154,406)	(3,716,850)
Other operating expenses		<u>(6,326)</u>	<u>(19,654)</u>
<b>III. Operating profits</b>		<b>9,440,701</b>	<b>7,928,166</b>
Add: non-operating income		49,671	31,255
including: income from disposal of non-current assets		490	582
Less: non-operating expenditure		(54,223)	(44,574)
including: loss from disposal of non-current assets		<u>(160)</u>	<u>(244)</u>
<b>IV. Total profits</b>		<b>9,436,149</b>	<b>7,914,847</b>
Less: income tax		<u>(1,779,901)</u>	<u>(1,423,176)</u>
<b>V. Net profits</b>		<b><u>7,656,248</u></b>	<b><u>6,491,671</u></b>
<b>VI. Net after-tax value of other comprehensive income</b>		(546,994)	<b>994,870</b>
<b>Other comprehensive income will subsequently Be reclassified to the income statement</b>		<b>(546,994)</b>	<b>994,870</b>
Fair value changes on financial assets available for sale		<u>(546,994)</u>	<u>994,870</u>
<b>VII. Total comprehensive income</b>		<b><u>7,109,254</u></b>	<b><u>7,486,541</u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Statement of Changes in Shareholders' Equity**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**2016**

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

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



**Bank of Ningbo Co., Ltd.**  
**Statement of Changes in Shareholders' Equity (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

2015

Item	Share Capital	Other equity tool	Capital Reserve	Other comprehensive income	Surplus Reserve	General Risk Reserve	Undistributed Profits	Total shareholder's equity
<b>I. Balance at the beginning of the year</b>	<b>3,249,829</b>	-	<b>10,599,629</b>	<b>308,960</b>	<b>2,531,957</b>	<b>4,054,626</b>	<b>13,329,369</b>	<b>34,074,370</b>
<b>II. Increase/decrease in the year</b>	<b>649,965</b>	<b>4,824,691</b>	<b>(649,965)</b>	<b>994,870</b>	<b>649,167</b>	<b>998,683</b>	<b>3,381,395</b>	<b>10,848,806</b>
(I) Comprehensive income	-	-	-	994,870	-	-	6,491,671	7,486,541
(II) Capital invested and reduced by shareholders	-	4,824,691	-	-	-	-	-	4,824,691
1. Other equity tool	-	4,824,691	-	-	-	-	-	4,824,691
Shareholders' investment	-	4,824,691	-	-	-	-	-	4,824,691
(III) Profit distribution	-	-	-	-	649,167	998,683	(3,110,276)	(1,462,426)
1. Withdrawal surplus reserves	-	-	-	-	649,167	-	(649,167)	-
2. Withdrawal general risk reserves	-	-	-	-	-	998,683	(998,683)	-
3. Dividend distribution	-	-	-	-	-	-	(1,462,426)	(1,462,426)
(IV) Transfers within the owners' equity	649,965	-	(649,965)	-	-	-	-	-
1. Capital transferred from capital surplus	649,965	-	(649,965)	-	-	-	-	-
2. Others	-	-	-	-	-	-	-	-
<b>III. Balance at the end of the year</b>	<b><u>3,899,794</u></b>	<b><u>4,824,691</u></b>	<b><u>9,949,664</u></b>	<b><u>1,303,830</u></b>	<b><u>3,181,124</u></b>	<b><u>5,053,309</u></b>	<b><u>16,710,764</u></b>	<b><u>44,923,176</u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Cash Flow Statement**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

	Note XIII	2016	2015
<b>I. Cash flow from operating activities</b>			
Net increase in deposits from customers		142,550,583	47,155,453
Net increase in loan from the central bank		24,300,000	1,700,000
Cash received from interest, fees and commission		22,340,837	21,648,610
Net increase in placements from other financial institutions		-	5,926,710
Net decrease in loan to the central bank and other financial institutions		-	7,742,535
Other cash received relating to operating activities		<u>3,999,527</u>	<u>393,750</u>
<b>Sub-total of cash inflow from operating activities</b>		<b><u>193,190,947</u></b>	<b><u>84,567,058</u></b>
Net increase in loans and advance payments to customers		42,851,994	41,884,465
Net decrease in loans from other financial institutions		5,688,910	-
Net increase in balances with central bank and due from other banks		14,723,161	-
Cash paid to interest, fees and commission		11,457,138	12,155,895
Cash paid to and on behalf of employees		4,273,163	3,190,213
Taxes paid		3,264,776	2,743,229
Cash paid relating to other operating activities		<u>3,177,592</u>	<u>2,500,991</u>
<b>Sub-total of cash outflow from operating activities</b>		<b><u>85,436,734</u></b>	<b><u>62,474,793</u></b>
<b>Net cash flows generated from operating activities</b>	<b>4</b>	<b><u>107,754,213</u></b>	<b><u>22,092,265</u></b>
<b>II. Cash flow from investing activities</b>			
Cash received from investment		3,714,686,305	1,841,529,383
Cash received from returns on investment		37,215,345	15,065,209
Other cash received relating to investing activities		<u>612</u>	<u>1,510</u>
<b>Sub-total of cash inflow from investing activities</b>		<b><u>3,751,902,262</u></b>	<b><u>1,856,596,102</u></b>
Cash paid as investment		3,797,147,535	1,987,319,506
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets		1,458,198	998,120
Cash paid for other activities related to investment		<u>-</u>	<u>67,264</u>
<b>Sub-total of cash outflow from investing activities</b>		<b><u>3,798,605,733</u></b>	<b><u>1,988,384,890</u></b>
<b>Net cash flow from investing activities</b>		<b><u>(46,703,471)</u></b>	<b><u>(131,788,788)</u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Cash Flow Statement (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

	Note XIII	2016	2015
<b>III. Cash flow from financing activities</b>			
Cash received by absorbing investment		-	4,824,691
Cash received by bonds issuing		<u>226,940,000</u>	<u>133,074,838</u>
<b>Sub-total of cash inflow from financing activities</b>		<b><u>226,940,000</u></b>	<b><u>137,899,529</u></b>
Cash for payment of borrowing		259,080,000	39,680,741
Cash paid for distribution of dividends or profits, or cash paid for interests		<u>5,663,219</u>	<u>5,299,332</u>
<b>Sub-total of cash outflow from financing activities</b>		<b><u>264,743,219</u></b>	<b><u>44,980,073</u></b>
<b>Net cash flow from financing activities</b>		<b><u>(37,803,219)</u></b>	<b><u>92,919,456</u></b>
<b>IV. Effect of foreign exchange rate change on cash</b>		<b><u>(227,447)</u></b>	<b><u>(77,099)</u></b>
<b>V. Net increase in cash and cash equivalents</b>		<b><u>23,020,076</u></b>	<b><u>(16,854,166)</u></b>
Add: balance of cash and cash equivalents at the beginning of the year		<u>28,728,754</u>	<u>45,582,920</u>
<b>VI. Balance of cash and cash equivalents at the end of the year</b>		<b><u><u>51,748,830</u></u></b>	<b><u><u>28,728,754</u></u></b>

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**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 CBRC. On 19 July 2007, the Bank was listed on the Shenzhen Stock Exchange, with the stock code of 002142.

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

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

The business address of the Bank is No. 700, Ningnan South Road, Ningbo, Zhejiang, China. The Bank operates within the People's Republic of China ("China").

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**2. Structure**

As of December 31, 2016, the Bank has established 12 branches and 20 primary sub-branches with its sales department of head office and sub-branch located in downtown, suburb and county (county-level city) of Ningbo, Zhejiang Province, and branches located in Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua, Shaoxing, Taizhou and Jiaying. The consolidation scope of consolidated financial statements is determined on the basis of control.

This Financial Statement was submitted and approved by the board of director of the Company on April, 26, 2017. According to the Articles of Association of the Company, the Financial Statement will be submitted to the shareholders' meeting for approval.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**II. Basis for Preparation of the Financial Statement**

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

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

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

**III. Critical Accounting Policies and Estimates**

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

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

These financial statements comply with the requirements of Accounting Standards for Business Enterprises and in all material respects truly and accurately present the financial condition of the Bank and the Group on 31 December 2016 and the operating results and cash flow for 2016.

**2. Accounting period**

Calendar year from 1 January to 31 December.

**3. Recording currency**

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

**4. Business combination**

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**4. Business combination (continued)**

*Business Combination under the Common Control*

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

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

*Business Combination under the Non-common Control*

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

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

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



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**5. Consolidated Financial Statements**

The consolidated scope of the consolidated financial statements is on the basis of control, including the consolidated financial statements of the Company and all of its subsidiary companies up to 31 December, 2016. A subsidiary company refers to the entity controlled by the Company (including divisible part in the enterprise or invested unit, as well as the structured entity controlled by the Company).

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

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

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**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. Cash equivalents include the non-limiting balances in the Central Bank those with less than three months' original maturity date, due from other banks, loans to other banks, redemptory monetary capital for sale as well as bond investment that are readily convertible to known amounts of cash in short notice and which are subject to and insignificant risk of change in value, with less than three months' maturity from the date of acquisition.

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

**7. Precious Metals**

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

**8. Accounting Method of Foreign Currency Transactions**

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments**

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

Recognition and derecognition of financial instruments

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Recognition and derecognition of financial instruments (continued)

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

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

Classification and measurement of financial assets

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

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

*Financial assets designated at fair value through profit or loss*

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Classification and measurement of financial assets (continued)

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

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

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

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

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

*Held-to-maturity investments*

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

*Loans and receivables*

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Classification and measurement of financial assets (continued)

*Loans and receivables (continued)*

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

*Available-for-sale financial assets*

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

mentioned above shall remain in the owner's equity and recorded into the income statement when the said financial asset is transferred out at its disposal.

Classification and measurement of financial liabilities

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Classification and measurement of financial liabilities (continued)

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

*Financial liabilities designated at fair value through profit or loss*

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

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Classification and measurement of financial liabilities (continued)

*Other financial liabilities*

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

Offset of financial instrument

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

Financial guarantee contracts

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

Derivative financial instruments

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Impairment of financial assets

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

*Financial assets measured at amortized cost*

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Impairment of financial assets (continued)

*Financial assets measured at amortized cost (continued)*

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

*Financial assets measured at cost*

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

*Available-for-sale financial assets*

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

When defining “serious” or “non-transient”, the Group shall make judgment according to the degree or length of period that fair value is lower than cost , combined with other factors.

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**9. Financial Instruments (continued)**

Transfer of financial assets

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

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

**10. Repurchase and Reverse Repurchase Transactions**

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

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

**11. Long-term Equity Investments**

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

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

#### **11. Long-term equity investments (continued)**

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

#### **12. Investment real estate**

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

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

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

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

#### **13. Fixed assets**

Fixed assets are recognized when the related economic benefits are likely to flow into the Group and the cost can be measured reliably. If the above requirement is satisfied, the follow-up expenses involved are carried as cost of

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**13. Fixed assets (continued)**

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

<u>Category</u>	<u>Expected Useful Life</u>	<u>Expected Net Salvage Value</u>	<u>Annual Depreciation Rate</u>
Housing & buildings	20 years	3%	4.85%
Transportation vehicles	5 years	3%	19.40%
Electronic equipments	5 years	3%	19.40%
Machinery	5-10 years	3%	9.70%-19.40%
Decoration for Self-owned house	5 years	0%	20.00%

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

**14. Construction in progress**

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

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

**15. Intangible assets**

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

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

Useful life of each intangible asset is as follows:

<u>Category</u>	<u>Useful Life</u>
Software	5 years

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Land-use rights	40 years
Membership right	10 years

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**15. Intangible assets (continued)**

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

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

**16. Long-term deferred expenses**

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

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

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

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

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

In the case that the long-term deferred expenses are not beneficial for following accounting years, the am

**17. Debt assets**

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



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**18. Impairment of assets**

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

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

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

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

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

**19. Contingent liabilities**

A contingent liability is a potential obligation that arises from past transactions or events and whose existence would only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events that is not recognized because it is unlikely to give rise to an outflow of economic resources or the amount under such obligation cannot be measured reliably.

**20. Anticipated liabilities**

The Group recognizes anticipated liabilities when obligations related to contingencies satisfy all following requirements:

- 1) present obligations undertaken by the Group;

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

- 2) the performance of obligations is likely to result in an outflow of economic resources;
- 3) the amount under obligations can be measured reliably.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**20. Anticipated liabilities (continued)**

Anticipated liabilities are initially measured based on the best expenditure estimates for the implementation of present obligations, considering risks, uncertainty and time value of money pertinent to contingencies. The carrying value of participated liabilities are reviewed at the date of balance sheet. If there is substantial evidences showing that the carrying value can not reflect the best estimates, such carrying value shall be adjusted based on the present best estimates.

**21. Share-based payment**

The share-based payment can further divided into 2 kinds: the equity-settled share-based payment and the cash-settled share-based payment. Under the equity-settled share-based payment, the group obtains service through its equity or other equity tools.

The equity-settled share-based payment is measured by the fair value of the equity authorized to the employee. In case it can be executed after authorization, it shall enter into the cost or fees by it fair value upon the authorization day, with the capital reserve being increased; in case it shall be executed after certain services or performances is achieved, then, on every balance date in the pending period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of granted.

During this period, the costs or expenses of the equity-settled share-based payment shall be confirmed, with the capital reserve being increased. The best evaluation on the mature part of the equity-settled share-based payment and the final amount of the vesting equity instruments shall be made on the balance day prior to the executing day

For the share-based payment that are not exercised, and the costs or expenses are not confirmed, no matter whether the market condition or unexercised condition is met, it can be exercised if the other performance condition and/or the service condition is achieved. If the article related to the equity-settled share-based payment is amended, the service shall be confirmed at least according to the original article. Moreover, any change related to the increase of fair value of the granted equity instruments or any change on behalf of the employees shall result in the increased of the services obtained.

In case the equity-settled share-based payment is cancelled, the execution shall be accelerated upon the date of cancellation, and the unconfirmed amount shall be confirmed at once. For any non-vesting condition that can be selected by the employees or other parties but not achieved during the pending period, it will be recognized as the cancellation of the equity-settled share-based payment.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

However, if new equity instruments is granted, and in case it is confirmed that the new equity instruments will be used to replace the cancelled equity instrument on the granted date, then the new equity instrument shall be treated as the same as the former one.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**21. Share-based payment (continued)**

A cash-settled share-based payment instruments shall be measured in accordance with the fair value of the liabilities calculated and confirmed based on the shares or other equity instruments undertaken by the group. The fair value on the granting day shall be used as the initial value, by taking into consideration the articles and conditions of the granted equity instrument. As to a cash-settled share-based payment, if the right may exercised immediately after the grant, the fair value of the liabilities undertaken by the group shall, on the date of grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liabilities undertaken by the group. The fair value of the liabilities shall be re-measured on each balance and settlement day prior to the final settlement of such liabilities, with its change enter in into the current income statement.

**22. Fiduciary activities**

Where the Group acts in a fiduciary capacity such as assignee, custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

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

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

**23. Principle and methods for income confirmation**

Interest income and expense

Interest income or expense is recorded at the time of occurrence using the

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

Fee and commission income

Fee and commission income are recognized on accrual basis after services are provided and received payments are reasonably estimated.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**23. Principle and methods for income confirmation (continued)**

Dividend income

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

Rental income

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

**24. Employee remuneration**

Employee remuneration refers to all forms of remuneration or compensatory payment paid by the Group to employees for their service or termination of labor relationship. Employee compensation mainly includes short-term remuneration and welfare after departure. Other welfares the Group provides to spouse, children, dependents, members of deceased's family and other beneficiaries, etc of employees shall also be regarded as employee compensation.

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)

The endowment 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.

**25. Income tax**

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

Current income tax is the expected tax payable on the taxable income for the year, calculated using tax rates enacted and any adjustment to pre-tax accounting

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

profit.

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

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.



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**25. Income taxes (continued)**

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**25. Income taxes (continued)**

In the case of the legal right of calculating the current income tax assets and the current income tax liabilities as net value, and the deferred income tax involving the same taxpayer and the same tax department, the deferred income tax assets and the deferred income tax liabilities shall be recorded as net value after offset.

**26. Leases**

Leases which transfer substantially all the risks and rewards associated with ownership of the assets are classified as finance leases. All leases other than finance leases are classified as operating leases.

As a lessee under an operating lease,

rental expenses are charged in related cost or in the income statement on a straight-line basis over the periods of the lease and contingent rental is taken into the income statement when actually incurred.

As a lessor under an operating lease,

Rental income is recognized in the income statement on a straight-line basis over the periods of the lease and contingent rental is taken into the income statement when actually incurred.

**27. Fair Value Measurement**

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

27. Measurement of Fair Value (Continued)

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.

**28. Related parties**

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

Related parties to a company are as follows:

- 1) parent company;
- 2) subsidiaries;
- 3) other entities controlled by the same parent company;
- 4) investors which have joint control;
- 5) investors which give significant influence;
- 6) joint ventures;
- 7) associated companies;
- 8) key investors and close members of their families;
- 9) key management personnel of the company or its parent company, and their close family members;
- 10) other entities that are controlled, jointly controlled or significantly influenced directly or indirectly by key investors, key management personnel or their close family members.◦

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

#### **29. Significant accounting judgments and estimates**

As required for the preparation of financial statements, the management makes judgements 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

##### Judgements

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

##### *Classification of financial assets*

The management have to make significant adjustments on the classification of financial assets which would affect accounting methods and financial position of the Bank.

##### *Merge of Structured Bodies*

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

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

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**29. Significant accounting judgments and estimates (continued)**

Uncertainty of accounting estimates (continued)

*Impairment of available-for-sale financial assets*

The Group classifies some assets as available-for-sale assets and records their changes on fair value into the shareholders' equity. Where the fair value declines, the management makes assumptions to determine whether impairment losses shall be recognized in the income statement.

*Impairment of non-current assets except the financial assets*

The Group assesses whether there is any evidence of impairment in non-current assets except the financial assets. If there is any evidence showing the carrying amount of a non-current asset except for financial assets is unrecoverable, an impairment assessment would be carried out. The management has to estimate the expected future cash flow of the asset or the asset group to determine the present value of the expected future cash flow using the appropriate discount rate.

*Fair value of 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.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**29. Significant accounting judgements and estimates (continued)**

Uncertainty of accounting estimates (continued)

*Deferred income tax assets*

For all deductible losses which have not been utilized, deferred income tax assets are recognized to the extent that it is probable that the sufficient taxable income is available to cover the deductible losses. This requires significant amount of estimation on the acquisition time and amount of future taxable income with the tax payment strategy, to determine the amount of deferred income tax assets to be recognized.

**30. Change in accounting policy and accounting estimate**

Change in accounting policy

In 2016, as required by the Accounting Rules for VAT (C.K 2016 No. 22), the Company replaced the Business Taxes and Surcharges in the Income Statement by the Taxes and Surcharges; the real estate tax, land use tax, vehicle and vessel use tax, as well as the stamp tax arise due to operation activities after May 1, 2016 were entered into the item of Taxes and Surcharges instead of Administrative Expenses; those arise before May 1, 2016 (excluding those that had already entered into the Business Taxes and Surcharges, and those real estate tax and land use tax related to investing real estate) were still entered into the Administrative Expenses. The debit balance of VAT Payable, Unpaid VAT, Pending Deduct VAT on Purchase and VAT on Purchase to be confirmed under the item of Taxes Payable were included in the Other Assets instead of Taxes Payable in the Balance Sheet since the end of the 2016; Input tax amount to be transferred under Taxes Payable was included in the Other Liabilities instead of Taxes Liabilities in the Balance Sheet since the end of 2016. As a result of the above mentioned requirement, the Taxes and Surcharges and the Administrative Expenses in 2015 and 2016, as well as the Taxes Payable, Other Assets and Other Current Liabilities at the end of 2016 and 2015 is different from the previous report. However, it will not influence the Consolidated Financial Statements of 2015 and 2016, the net profit, as well as the shareholders' equity of the Company.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**IV. Taxation**

The group principal taxes and their tax rates are listed as below:

<u>Category</u>	<u>Tax basis</u>	<u>Rate</u>
VAT	Taxable interests income(note1)	6%
Business tax	Business income (note 2)	5%
Construction tax	Business tax, VAT	5%、7%
Educational surcharges	Business tax, VAT	5%
Business income tax	Taxable income	25%

Note 1: The Maxwealth Leasing Co., Ltd. and Maxwealth Fund Management Co., Ltd. under the Group is the general taxpayer of VAT, and adopt 6% as the tax rate for its output tax, and pays the VAT after deducted the input tax of the same period.

Note 2: Business income originates from loan interest, transfer of financial products, fees and commissions and other businesses except for inter-bank income. Since May 1, 2016, the payment of business tax is replaced by the payment of VAT.



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**V. Notes to Items in the Consolidated Financial Statements**

**1. Cash and balances with central banks**

	Dec 31, 2016	Dec 31, 2015
Cash on hand	1,325,341	1,201,025
Statutory deposit reserve in the central bank	65,705,444	54,392,803
Foreign exchange risk reserve In the central bank	2,805,278	173,376
Provision in the central bank	23,292,277	9,762,460
Public Finance-cash In Bank in the central banks	<u>248,375</u>	<u>659,776</u>
	<u>93,376,715</u>	<u>66,189,440</u>

By 31 December 2016, the group's statutory deposit reserve in the central bank is calculated according to the regulations of the people's bank of China that yuan renminbi reserve balances shall be no less than 13.5% of the RMB deposit at the end of the early month (31 Dec. 2015: 15%). While those denominated in foreign currencies was 5% (31 Dec. 2015: 5%) of the previous month regulated by the People's Bank of China. From Oct 2015, according to the requirement by the People's Bank of China, the group deposit the foreign exchange risk reserve on a monthly basis. 20% of the forward exchange contract amount of the preceding month is deposited as the foreign exchange risk reserve.

**2. Due from other banks**

	Dec 31, 2016	Dec 31, 2015
Due from domestic banks	12,959,409	11,502,679
Due from other domestic Financial institutions	1,431,634	657,274
Due from foreign banks	<u>2,637,075</u>	<u>2,040,217</u>
	17,028,118	14,200,170
Provision for depreciation(note V. 19)	<u>(194)</u>	<u>(194)</u>
	<u>17,027,924</u>	<u>14,199,976</u>

**3. Noble metal**

	Dec 31, 2016	Dec 31, 2015
Noble metal - gold	181,447	1,540,475
Noble metal - silver	<u>88,139</u>	<u>-</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

269,586

1,540,475

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**4. Loans to other banks**

	Dec 31, 2016	Dec 31, 2015
Banks	462,935	493,506
Other financial institutions	<u>6,239,584</u>	<u>887,637</u>
	<u>6,702,519</u>	<u>1,381,143</u>

**5. Financial assets measured by fair value and enter the current income statement**

	Dec 31, 2016	Dec 31, 2015
<i>Trading financial assets</i>		
Debt instrument		
Government bonds	1	1,167,923
Policy financial bonds	1,088,312	4,037,613
Deposit from other banks	6,487,093	1,091,756
Corporate bonds	467,303	455,917
Assets management plan	2,358	42,946
Equity instrument		
Capital investment	206,734	181,376
Stock investment	21,509	60,360
<i>For Financial assets measured by fair value and enter the current profit and loss statement</i>		
Equity instruments	<u>3,000</u>	<u>2,000</u>
	<u>8,276,310</u>	<u>7,039,891</u>

**6. Derivative financial instruments**

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

	Nominal amount	Dec 31, 2016	
		Fair value	
		Assets	Liabilities
Currency forward	11,350,261	60,383	(244,205)
Currency swap	540,833,666	8,797,412	(6,615,722)
Interest rate swap	744,569,871	4,175,709	(4,206,695)
Option	17,772,391	262,093	(240,741)

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Nobel metal forward/swap	<u>47,607,656</u>	<u>643,945</u>	<u>(856,904)</u>
	<u>1,362,133,845</u>	<u>13,939,542</u>	<u>(12,164,267)</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**6. Derivative financial instruments (continued)**

	Nominal amount	Dec 31, 2015	
		Fair value	
		Assets	Liabilities
Currency forward	9,085,218	139,241	(31,211)
Currency swap	268,942,352	2,237,256	(2,244,235)
Interest rate swap	649,138,064	922,607	(993,116)
Currency exchange	640,203	3,756	(24,027)
Option	4,801,268	188,631	(62,707)
Nobel metal forward/swap	<u>16,474,917</u>	<u>46,073</u>	-
	<u>949,082,022</u>	<u>3,537,564</u>	<u>(3,355,296)</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 can not directly reflect the market or credit risk.

**7. Buying back the sale of financial assets**

	Dec 31, 2016	Dec 31, 2015
Classified by pledges:		
Bonds	<u>19,731,604</u>	<u>10,980,600</u>
	<u>19,731,604</u>	<u>10,980,600</u>
Classified by counter party:		
Banks	19,671,604	10,980,000
Other financial institutions	<u>60,000</u>	<u>600</u>
	<u>19,731,604</u>	<u>10,980,600</u>

**8. Interest receivable**

2016	Amount	Proportion	bad debt provision	Net value
Financial assets investment				
Interest receivable	2,501,406	63.12%	-	2,501,406
Interest receivable from				
Financial institutions	248,343	6.27%	-	248,343

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**

**Unit: CNY Thousand**

Interest receivable on loans	772,218	19.48%	-	772,218
Interest receivable on swap	129,395	3.26%	-	129,395
Interest receivable from redemptory monetary capital for sale	213,516	5.39%	-	213,516
Other interest receivables	<u>98,423</u>	<u>2.48%</u>	-	<u>98,423</u>
	<u>3,963,301</u>	<u>100.00%</u>	-	<u>3,963,301</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**8. Interest receivable (continued)**

2015	Amount	Proportion	bad debt provision	Net value
Interest receivable on bond	1,735,745	62.77%	-	1,735,745
Interest receivable from financial institutions	262,170	9.48%	-	262,170
Interest receivable on loans	630,023	22.78%	-	630,023
Interest receivable on swap	122,923	4.45%	-	122,923
Interest receivable from redemptory monetary capital for sale	8,565	0.31%	-	8,565
Other interest receivables	<u>5,719</u>	<u>0.21%</u>	<u>-</u>	<u>5,719</u>
	<u>2,765,145</u>	<u>100.00%</u>	<u>-</u>	<u>2,765,145</u>

**9. Loans and advance payments**

**9.1. Classified by corporation and individual**

	Dec 31, 2016	Dec 31, 2015
Individual loans and advances		
Individual consumption loan	86,407,106	80,282,796
Individual operating loan	8,175,108	3,416,714
Individual housing loan	<u>1,295,290</u>	<u>1,502,438</u>
Total individual loans and advance	95,877,504	85,201,948
Less: allowance for impairment losses for individual	<u>(1,061,738)</u>	<u>(1,091,786)</u>
	94,815,766	84,110,162
Corporate loans and advances		
Loan	182,533,502	137,630,122
Discount	20,324,378	28,633,924
Trade finance	<u>3,771,294</u>	<u>4,222,586</u>
Total corporate loan and advance	206,629,174	170,486,632
Less: impairment provision for corporate	<u>(8,656,599)</u>	<u>(6,197,689)</u>
	197,972,575	164,288,943
Net value of corporate loan and advance	<u>292,788,341</u>	<u>248,399,105</u>

See Note XI/2.1 for loans of shareholders with 5% or more than 5% shareholding.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**9. Loans and advance payments (continued)**

**9.2. Classification of guarantees for loans and advance payments**

	Dec 31, 2016	Dec 31, 2015
Credit	89,748,222	78,113,812
Guarantee	103,107,862	68,687,701
Mortgage	83,384,178	76,565,130
Pledge	<u>26,266,416</u>	<u>32,321,937</u>
Total	302,506,678	255,688,580
Less: impairment provision	<u>(9,718,337)</u>	<u>(7,289,475)</u>
Net value of loans and advances	<u><u>292,788,341</u></u>	<u><u>248,399,105</u></u>

**9.3. Overdue loans**

	Dec 31, 2016				Total (included)
	1-90 days (included)	90-360 days	360 days to 3 years (included)	over 3 years	
Credit	209,032	214,144	80,327	467	503,970
Guarantee	354,532	184,691	198,807	-	738,030
Mortgage/pledge	<u>642,940</u>	<u>1,062,644</u>	<u>492,687</u>	<u>46,006</u>	<u>2,244,277</u>
	<u><u>1,206,504</u></u>	<u><u>1,461,479</u></u>	<u><u>771,821</u></u>	<u><u>46,473</u></u>	<u><u>3,486,277</u></u>

	Dec 31, 2015				Total (included)
	1-90 days (included)	90-360 days	360 days to 3 years (included)	over 3 years	
Credit	190,415	227,942	86,454	15,914	520,725
Guarantee	477,694	440,164	301,459	-	1,219,317
Mortgage/pledge	<u>986,423</u>	<u>1,201,231</u>	<u>488,183</u>	<u>12,827</u>	<u>2,688,664</u>
	<u><u>1,654,532</u></u>	<u><u>1,869,337</u></u>	<u><u>876,096</u></u>	<u><u>28,741</u></u>	<u><u>4,428,706</u></u>



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**9. Loans and advance payments (continued)**

**9.4 Allowance for impairment losses**

	Dec 31, 2016		
	Individual item	Portfolio	Total
Balance at the beginning of the year	899,854	6,389,621	7,289,475
Drawing in the year	2,192,934	2,848,808	5,041,742
Write-off	(2,216,646)	(632,148)	(2,848,794)
Transfer in	197,037	90,667	287,704
<i>Including: received from loans for sale and reconciliation from advance payment</i>	<i>197,037</i>	<i>90,667</i>	<i>287,704</i>
Transfer in of back of depreciated loan interest	(299)	(51,491)	(51,790)
Balance at the end of the year	<u>1,072,880</u>	<u>8,645,457</u>	<u>9,718,337</u>
	Dec 31, 2015		
	Individual item	Portfolio	Total
Balance at the beginning of the year	785,665	4,526,639	5,312,304
Drawing in the year	1,531,507	2,304,105	3,835,612
Write-off	(1,503,016)	(424,857)	(1,927,873)
Transfer in	123,136	14,044	137,180
<i>Including: received from loans for sale and reconciliation from advance payment</i>	<i>123,136</i>	<i>14,044</i>	<i>137,180</i>
Transfer in of back of depreciated loan interest	(37,438)	(30,310)	(67,748)
Balance at the end of the year	<u>899,854</u>	<u>6,389,621</u>	<u>7,289,475</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**10. Available-for-sale financial assets**

	Dec 31, 2016	Dec 31, 2015
Available for sale debt instrument		
Measured by fair value		
Government bond	94,059,513	55,645,711
Policy based financial bond	7,721,701	1,805,663
Corporate bond	11,877,506	4,528,136
Due from other banks	4,327,319	5,643,419
Other financial bonds	892,722	1,426,688
Wealth management products and trust plan	<u>148,771,660</u>	<u>162,545,101</u>
Equity instrument available for sale		
Measured by fair value		
Capital investment	<u>12,889,746</u>	<u>17,649,973</u>
Depreciation reserves (Note V: 19)	<u>(1,698)</u>	<u>-</u>
Subtotal	<u>280,538,469</u>	<u>249,244,691</u>
Measured by cost		
Stock right investment	<u>13,250</u>	<u>13,250</u>
	<u>280,551,719</u>	<u>249,257,941</u>

**Available for sale financial assets measured by fair value:**

	<u>2016</u>		
	Available for sale	Available for sale	Total
	Equity instrument	debt instrument	
Equity instrument cost/debt instrument			
amortized cost	12,221,787	267,333,584	279,555,371
Fair value	12,888,048	267,650,421	280,538,469
Total fair value changes enter into other			
Comprehensive income	666,261	316,837	983,098
Provision for impairment	<u>(1,698)</u>	<u>-</u>	<u>(1,698)</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**10. Available-for-sale financial assets (continued)**

**Available for sale financial assets measured by fair value**

	2015		Total
	Available for sale Equity instrument	Available for sale debt instrument	
Equity instrument cost/debt instrument			
amortized cost	17,598,088	229,922,250	247,520,338
Fair value	17,649,973	231,594,718	249,244,691
Total fair value changes enter into other			
Comprehensive income	51,885	1,672,468	1,724,353

**Available for sale financial assets measured by cost**

**2016**

	Account balance		Impairment	shareholding	propor	2016
	Year begin	year end	year begin			
China Union Co., Ltd.	13,000	13,000	-	-	0.34	650
Clearing Center for City Commercial Bank	250	250	-	-	0.83	355
	13,250	13,250	-	-		1,005

**2015**

	Account balance		Impairment	shareholding	propor	2015
	Year begin	year end	year begin			
China Union Co., Ltd.	13,000	13,000	-	-	0.34	550
Clearing Center for City Commercial Bank	250	250	-	-	0.83	-
	13,250	13,250	-	-		550

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**10. Available-for-sale financial assets (continued)**

**Details of pledges in available-for-sale investments as follows**

Dec 31, 2016

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 2, 2017
Available-for-sale investment - bond	48,908,487	bond	47,418,327	-Jan 20, 2017

Dec 31, 2015

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 4, 2016
Available-for-sale investment - bond	34,024,919	bonds	33,664,199	-Jun 3, 2016

**11. Held-to-maturity investments**

	Dec 31, 2016	Dec 31, 2015
Government bond	38,799,673	32,159,130
Corporate bond	50,000	-
Bond of other financial institution	<u>558,528</u>	<u>512,382</u>
Depreciation reserves (Note V: 19)	<u>(37,500)</u>	<u>-</u>
Total	<u><u>39,370,701</u></u>	<u><u>32,671,512</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**11. Held-to-maturity investments (continued)**

Details of pledges in held-to-maturity investments as follows:

Dec 31, 2016

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 3, 2017
Available-for-sale investment – government bond	7,381,513	bond	7,086,273	-Jan 13, 2017

Dec 31, 2015

Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
		Repurchase agreement		Jan 4, 2016
Available-for-sale investment – government bond	11,765,081	Bonds	11,625,801	-Jun 3, 2016

**12.Account receivable held for investments**

	Dec 31, 2016	Dec 31, 2015
Government bond	12,072	10,637
Bond of other financial institution	-	1,000,000
Corporate bond	120,000	-
Financing products, assets management plan and trusted plan	<u>99,879,488</u>	<u>70,415,740</u>
Depreciation reserves (Note V.19)	<u>(435,245)</u>	<u>(195,245)</u>
	<u><u>99,576,315</u></u>	<u><u>71,231,132</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**13. Investing real estate**

Continuing measurement on fair value:

Houses and buildings

	2016	2015
Balance at the beginning of the year	16,559	16,596
Fair value change	<u>39</u>	<u>(37)</u>
Balance at the end of year	<u><u>16,598</u></u>	<u><u>16,559</u></u>

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

**14. Fixed assets**

2016	house and construction	transportation Tool	Electronic Equipment	Machinery equipment	Decoration for self-owned house	Total
Original price:						
31 Dec. 2015	3,772,544	148,898	738,824	90,510	197,214	4,947,990
Purchase	193,741	16,418	114,706	16,778	35,913	377,556
transfer from construction in progress	62,917	-	-	671	-	63,588
Write-off	<u>-</u>	<u>(5,789)</u>	<u>(5,662)</u>	<u>(1,416)</u>	<u>-</u>	<u>(12,867)</u>
Dec 31, 2016	<u>4,029,202</u>	<u>159,527</u>	<u>847,868</u>	<u>106,543</u>	<u>233,127</u>	<u>5,376,267</u>
Accumulated depreciation:						
31 Dec. 2015	828,461	90,947	416,881	54,192	132,446	1,522,927
Drawing	189,833	18,132	112,450	11,538	11,239	343,192
Write-off	<u>-</u>	<u>(5,620)</u>	<u>(5,613)</u>	<u>(1,244)</u>	<u>-</u>	<u>(12,477)</u>
Dec 31, 2016	<u>1,018,294</u>	<u>103,459</u>	<u>523,718</u>	<u>64,486</u>	<u>143,685</u>	<u>1,853,642</u>
Depreciation Provision						
31 Dec. 2015	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
31 Dec. 2016	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
Book value:						
31 Dec, 2016	<u>3,009,246</u>	<u>55,359</u>	<u>322,441</u>	<u>41,332</u>	<u>89,442</u>	<u>3,517,820</u>
31 Dec. 2015	<u>2,942,421</u>	<u>57,242</u>	<u>320,234</u>	<u>35,593</u>	<u>64,768</u>	<u>3,420,258</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**14. Fixed assets (continued)**

2015	house and construction	transportation Tool	Electronic Equipment	Machinery equipment	Decoration for self-owned house	Total
Original price:						
31 Dec. 2014	3,556,791	132,773	634,910	79,793	174,247	4,578,514
Purchase	41,169	24,133	126,605	12,172	18,671	222,750
transfer from construction in progress	175,364	-	-	-	4,296	179,660
Write-off	(780)	(8,008)	(22,691)	(1,455)	-	(32,934)
Dec 31, 2015	<u>3,772,544</u>	<u>148,898</u>	<u>738,824</u>	<u>90,510</u>	<u>197,214</u>	<u>4,947,990</u>
Accumulated depreciation						
31 Dec. 2014	643,045	81,604	336,321	44,683	116,037	1,221,690
Drawing	185,477	17,019	102,559	10,918	16,409	332,382
Write-off	(61)	(7,676)	(21,999)	(1,409)	-	(31,145)
Dec 31, 2015	<u>828,461</u>	<u>90,947</u>	<u>416,881</u>	<u>54,192</u>	<u>132,446</u>	<u>1,522,927</u>
Provision:						
31 Dec. 2014	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
31 Dec, 2015	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
Book value						
31 Dec, 2015	<u>2,942,421</u>	<u>57,242</u>	<u>320,234</u>	<u>35,593</u>	<u>64,768</u>	<u>3,420,258</u>
31 Dec, 2014	<u>2,912,084</u>	<u>50,460</u>	<u>296,880</u>	<u>34,385</u>	<u>58,210</u>	<u>3,352,019</u>

As of 31 Dec. 2016 and as of 31 Dec. 2015, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB 8,050,000 yuan and RMB 176,890,000 yuan. The management believed that no significant obstacles would be affected by the application of property ownership certificates of houses and buildings, and above issues had no serious negative effects on the overall financial position of the Group.

As of 31 Dec. 2016 and as of 31 Dec. 2015, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 506,410,000 yuan and RMB 396,113,000 yuan. The net book value was RMB14,681,000 yuan and RMB 11,432,000 yuan respectively.

As of 31 Dec. 2016 and as of 31 Dec. 2015, there were no temporarily idle fixed assets.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**15. Intangible assets**

2016	Software	Land use right	Membership right	Total
Original price:				
31 Dec. 2015	274,578	48,271	22,000	344,849
Increase	101,410	-	-	101,410
Decrease	<u>(115)</u>	<u>-</u>	<u>-</u>	<u>(115)</u>
31 Dec. 2016	<u>375,873</u>	<u>48,271</u>	<u>22,000</u>	<u>446,144</u>
Accumulated amortization:				
31 Dec. 2015	86,251	10,503	3,850	100,604
Increase	54,345	1,207	2,200	57,752
Decrease	<u>(115)</u>	<u>-</u>	<u>-</u>	<u>(115)</u>
31 Dec. 2016	<u>140,481</u>	<u>11,710</u>	<u>6,050</u>	<u>158,241</u>
Book value:				
31 Dec. 2016	<u>235,392</u>	<u>36,561</u>	<u>15,950</u>	<u>287,903</u>
31 Dec. 2015	<u>188,327</u>	<u>37,768</u>	<u>18,150</u>	<u>244,245</u>
2015	Software	Land use right	Membership right	Total
Original price:				
31 Dec. 2014	188,279	48,271	22,000	258,550
Increase	86,299	-	-	86,299
Decrease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 Dec. 2015	<u>274,578</u>	<u>48,271</u>	<u>22,000</u>	<u>344,849</u>
Accumulated amortization:				
31 Dec. 2014	38,963	9,295	1,650	49,908
Increase	47,288	1,208	2,200	50,696
Decrease	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 Dec. 2015	<u>86,251</u>	<u>10,503</u>	<u>3,850</u>	<u>100,604</u>
Book value:				
31 Dec. 2015	<u>188,327</u>	<u>37,768</u>	<u>18,150</u>	<u>244,245</u>
31 Dec. 2014	<u>149,316</u>	<u>38,976</u>	<u>20,350</u>	<u>208,642</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 the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**16. Construction in progress**

	2016				Dec 31, 2016	Source of fund
	Dec 31, 2015	increase	transfer into Fixed assets	Other decrease		
Business occupancy	1,562,140	683,655	(28,387)	-	2,217,408	Self financing
Other	<u>35,902</u>	<u>120,303</u>	<u>(35,201)</u>	<u>(97,208)</u>	<u>23,796</u>	Self financing
	<u>1,598,042</u>	<u>803,958</u>	<u>(63,588)</u>	<u>(97,208)</u>	<u>2,241,204</u>	
	2015					
	Dec 31, 2014	increase	transfer into Fixed assets	Other decrease	Dec 31, 2015	Source of fund
Business occupancy	1,301,700	512,189	(179,660)	(72,089)	1,562,140	Self financing
Other	<u>20,420</u>	<u>100,773</u>	<u>-</u>	<u>(85,291)</u>	<u>35,902</u>	self financing
	<u>1,322,120</u>	<u>612,962</u>	<u>(179,660)</u>	<u>(157,380)</u>	<u>1,598,042</u>	

No interest capitalized expenses existed in the construction in progress.

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

**17. Deferred income tax assets/liabilities**

**17.1. Deferred income tax assets and deferred income tax liabilities are listed on net basis**

Deferred income tax assets and deferred income tax liabilities before offsetting are listed as follows:

	2016		2015	
	deductible/(taxable)	deferred income tax	deductible/(taxable)	deferred income tax
Temporary differences assets/(liabilities)				
Deferred income tax assets	<u>19,584,048</u>	<u>4,896,012</u>	<u>8,318,464</u>	<u>2,079,616</u>
Deferred income tax liabilities	<u>(14,919,548)</u>	<u>(3,729,887)</u>	<u>(5,337,976)</u>	<u>(1,334,493)</u>

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

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**17. Deferred income tax assets/liabilities**

**17.1. Deferred income tax assets and deferred income tax liabilities are listed on net basis (continued)**

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

	<u>2016</u>		<u>2015</u>	
	deductible	deferred	deductible	deferred
Income tax assets with temporary differences				
<b>Deferred income tax assets</b>				
Provisions for asset depreciation	7,115,860	1,778,965	4,927,416	1,231,854
Changes in fair value of derivative financial liabilities	12,090,260	3,022,565	3,346,660	836,665
Others	<u>377,928</u>	<u>94,482</u>	<u>44,388</u>	<u>11,097</u>
	<u>19,584,048</u>	<u>4,896,012</u>	<u>8,318,464</u>	<u>2,079,616</u>
	<u>2016</u>		<u>2015</u>	
	taxable	deferred	taxable	deferred
Income tax liabilities with temporary differences				
<b>Deferred income tax liabilities</b>				
Fair value changes in investing real estate	9,812	2,453	9,772	2,443
Changes in fair value from transaction financial assets				
Into investing real estate	26,064	6,516	26,064	6,516
Changes in fair value of available-for-sale financial assets	983,100	245,775	1,724,352	431,088
Changes in fair value of derivative financial assets	13,826,248	3,456,562	3,453,584	863,396
Changes in fair value of trading financial assets	10,948	2,737	91,772	22,943
Changes in fair value of trading financial liabilities	39,548	9,887	4,932	1,233
Others	<u>23,828</u>	<u>5,957</u>	<u>27,496</u>	<u>6,874</u>
	<u>14,919,548</u>	<u>3,729,887</u>	<u>5,337,972</u>	<u>1,334,493</u>

As of Dec 31, 2016, the Group had no temporary differences in deferred income tax assets/liabilities that had not been confirmed.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**17. Deferred income tax assets/liabilities**

**17.2. Deferred income tax assets and liabilities after offsetting are listed as follows:**

The deferred income tax assets and liabilities can only be offset when the Group has the corresponding legal right and such deferred income tax is related to the same tax collection and administration authority. The temporary difference of deferred income tax assets and liabilities after offset is as follows:

	Dec 31, 2016		Dec 31, 2015	
	Before offset	after offset	Before offset	after offset
Deferred income tax assets	<u>4,896,012</u>	<u>1,166,125</u>	<u>2,079,616</u>	<u>751,245</u>
Deferred income tax liabilities	<u>(3,729,887)</u>	<u>-</u>	<u>(1,334,493)</u>	<u>(6,122)</u>

**17.3. Change of deferred income tax assets and liabilities**

Change of deferred income tax assets and liabilities is as follows:

2016	Dec 31, 2015	enter into		Dec 31, 2016
		income statement	equity	
<b>Deferred income tax assets</b>				
Assets depreciation reserves	1,231,854	547,111	-	1,778,965
Fair value change of Derivative financial liabilities	836,665	2,185,900	-	3,022,565
Others	<u>11,097</u>	<u>83,385</u>	<u>-</u>	<u>94,482</u>
Subtotal	<u>2,079,616</u>	<u>2,816,396</u>	<u>-</u>	<u>4,896,012</u>
<b>Deferred income tax liabilities</b>				
Fair value changes in investing real estate	2,443	10	-	2,453
Changes in fair value from transaction financial assets				
Into investing real estate	6,516	-	-	6,516
Changes in fair value of available-for-sale financial assets	431,088	-	(185,313)	245,775
Changes in fair value of derivative financial assets	863,396	2,593,166	-	3,456,562
Change in fair value of financial assets				
measured by fair value in the income statement	22,943	(20,206)	-	
	2,737			
Change in fair value of financial liabilities				
measured by fair value in the income statement	1,233	8,654	-	9,887
others	<u>6,874</u>	<u>(917)</u>	<u>-</u>	<u>5,957</u>
subtotal	<u>1,334,493</u>	<u>2,580,707</u>	<u>(185,313)</u>	<u>3,729,887</u>
Net amount	<u>745,123</u>	<u>235,689</u>	<u>185,313</u>	<u>1,166,125</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**17. Deferred income tax assets/liabilities (continued)**

**17.3. Change of deferred income tax assets and liabilities (continued)**

2015	Dec 31, 2014	Accounted into profit or loss	Accounted into equity	Dec 31, 2015
<b>Deferred income tax assets</b>				
Assets depreciation reserves	862,380	369,474	-	1,231,854
Changes in fair value of derivative financial liabilities	325,272	511,393	-	836,665
Other	<u>4,580</u>	<u>6,517</u>	<u>-</u>	<u>11,097</u>
Subtotal	<u>1,192,232</u>	<u>887,384</u>	<u>-</u>	<u>2,079,616</u>
2015	Dec 31, 2014	Accounted into profit or loss	Accounted into equity	Dec 31, 2015
<b>Deferred income tax liabilities</b>				
Fair value changes in investing real estate	2,452	(9)	-	2,443
Changes in fair value from transaction financial assets				
Into investing real estate	6,516	-	-	6,516
Changes in fair value of available-for-sale financial assets	96,471	-	334,617	431,088
Changes in fair value of derivative financial assets	298,765	564,631	-	863,396
Change in fair value of Financial liabilities measured by fair value in the income statement	12,091	10,852	-	22,943
Change in fair value of Financial assets measured by fair value in the income statement	3,873	(2,640)	-	1,233
Other	<u>6,690</u>	<u>184</u>	<u>-</u>	<u>6,874</u>
Subtotal	<u>426,858</u>	<u>573,018</u>	<u>334,617</u>	<u>1,334,493</u>
Net Value	<u>765,374</u>	<u>314,366</u>	<u>(334,617)</u>	<u>745,123</u>

**18. Other assets**

		Dec 31, 2016	Dec 31, 2015
Deferred expenses	18.1	135,719	119,715
Other receivables	18.2	1,178,372	296,856
Debt Assets	18.3	253,860	279,740
Long-term deferred expenses	18.4	623,400	544,069
Pending deduct VAT on purchase		<u>24,833</u>	<u>-</u>
		<u>2,216,184</u>	<u>1,240,380</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**18. Other assets (continued)**

**18.1. Deferred expenses**

	Dec 31, 2016	Dec 31, 2015
Renting	129,940	110,414
Others	<u>5,779</u>	<u>9,301</u>
	<u>135,719</u>	<u>119,715</u>

**18.2. Other receivables**

	Dec 31, 2016				Total	Proportion	Provision For bad debts	Net value
	Within 1 year	1-2 years	2-3 years	3 years				
Settlement receivable and other liquidates	1,041,873	32,061	70,786	19,747	1,164,467	97.71%	(13,337)	1,151,130
Deposit	<u>10,142</u>	<u>2,784</u>	<u>4,391</u>	<u>9,925</u>	<u>27,242</u>	<u>2.29%</u>	<u>-</u>	<u>27,242</u>
	<u>1,052,015</u>	<u>34,845</u>	<u>75,177</u>	<u>29,672</u>	<u>1,191,709</u>	<u>100.00%</u>	<u>(13,337)</u>	<u>1,178,372</u>

	Dec 31, 2015				Total	Proportion	Provision For bad debts	Net value
	Within 1 year	1-2 years	2-3 years	3 years				
Refundable deposits	9	-	-	1,121	1,130	0.36%	-	1,130
Settlement receivable and other liquidates	164,351	105,393	11,996	8,817	290,557	93.67%	(13,355)	277,202
Deposit	<u>4,129</u>	<u>4,407</u>	<u>3,208</u>	<u>6,780</u>	<u>18,524</u>	<u>5.97%</u>	<u>-</u>	<u>18,524</u>
	<u>168,489</u>	<u>109,800</u>	<u>15,204</u>	<u>16,718</u>	<u>310,211</u>	<u>100.00%</u>	<u>(13,355)</u>	<u>296,856</u>

The balance of the account does not involve the arrearages to those shareholders' companies with 5% or over 5% shareholding of the Company till 31 December 2016 (31 Dec. 2015: none).

**18.3. Debt assets**

	31 Dec. 2016		31 Dec. 2015	
	Original value	impairment provision Net value	Original value	impairment provision Net value
Real estate	195,850	-	195,850	-
Stock rights	<u>58,010</u>	<u>-</u>	<u>58,010</u>	<u>-</u>
	<u>253,860</u>	<u>-</u>	<u>253,860</u>	<u>-</u>

The original value of debt assets disposed by the Group is 2016 is RMB 70,130,000 (by the end of 2015: no). The Group disposed the debt assets through transfer on agreement and transfer to own use.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**18. Other assets (continued)**

**18.4. Long-term deferred expenses**

2016	Supplementary Endowment insurance	Renting of fixed assets	Improvements rent	Other	Total
Dec 31, 2015	158,294	42,597	325,873	17,305	544,069
Increase	53,687	14,684	159,273	100	227,744
Amortize	<u>(21,800)</u>	<u>(18,229)</u>	<u>(102,575)</u>	<u>(5,809)</u>	<u>(148,413)</u>
Dec 31, 2016	<u>190,181</u>	<u>39,052</u>	<u>382,571</u>	<u>11,596</u>	<u>623,400</u>
2015	Supplementary Endowment insurance	Renting of fixed assets	Improvements rent	Other	Total
Dec 31, 2014	126,669	54,490	263,021	508	444,688
Increase	49,212	8,845	156,960	-	215,017
Amortize	<u>(17,587)</u>	<u>(17,649)</u>	<u>(80,239)</u>	<u>(161)</u>	<u>(115,636)</u>
Dec 31, 2015	<u>158,294</u>	<u>45,686</u>	<u>339,742</u>	<u>347</u>	<u>544,069</u>

**19. Allowances for Assets Impairment**

2016	Dec 31, 2015	Increase	Decrease	Dec 31, 2016
Provision for bad loans of other receivables	13,355	-	(18)	13,337
Provision for bad loans of due from other banks	194	-	-	194
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for depreciation of held-to-maturity investment	-	37,500	-	37,500
Provision for depreciation of available-for-sale financial assets	-	1,698	-	1,698
Provision for depreciation of receivables	<u>195,245</u>	<u>240,000</u>	<u>-</u>	<u>435,245</u>
	<u>213,599</u>	<u>279,198</u>	<u>(18)</u>	<u>492,779</u>
2015	Dec 31, 2014	Increase	Decrease	Dec 31, 2015
Provision for bad loans of other receivables	13,816	-	(461)	13,355
Provision for bad loans of due from other banks	194	-	-	194
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for depreciation of receivables	<u>250,000</u>	<u>-</u>	<u>(54,755)</u>	<u>195,245</u>
	<u>268,815</u>	<u>-</u>	<u>(55,216)</u>	<u>213,599</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

The above sheets do not include provision for loan loss; please see Note V/9.4 for detailed changes.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**20. Borrowing from the central bank**

	Dec 31, 2016	Dec 31, 2015
Credit policy supported loan	-	1,000,000
Medium term loan	<u>26,000,000</u>	<u>700,000</u>
	<u>26,000,000</u>	<u>1,700,000</u>

**21. Deposit in other banks/financial institutions**

	Dec 31, 2016	Dec 31, 2015
Banks	23,280,267	31,866,422
Other financial institutions	<u>21,303,797</u>	<u>36,766,087</u>
	<u>44,584,064</u>	<u>68,632,509</u>

**22. Deposit funds**

	Dec 31, 2016	Dec 31, 2015
Banks	34,693,881	16,212,607
Other financial institutions	<u>138,953</u>	<u>3,988,000</u>
	<u>34,832,834</u>	<u>20,200,607</u>

**23. Financial liabilities measured by fair value with its changes enter into current income statement**

	Dec 31, 2016	Dec 31, 2015
Noble metal (nominal)	5,969,934	53,455
Financial liabilities that measured by its fair value with its change enter into the income statement	<u>260,984</u>	<u>129,227</u>
	<u>6,230,918</u>	<u>182,682</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**24. Proceeds generated from repurchase agreements**

Classified by pledges	Dec 31, 2016	Dec 31, 2015
Bonds	61,996,450	45,321,000
Bills	<u>454,765</u>	<u>1,176,690</u>
	<u>62,451,215</u>	<u>46,497,690</u>
Classified by counter party	Dec 31, 2016	Dec 31, 2015
Banks	61,953,595	45,846,690
Other financial institutions	<u>497,620</u>	<u>651,000</u>
	<u>62,451,215</u>	<u>46,497,690</u>

**25. Deposit**

	Dec 31, 2016	Dec 31, 2015
Demand deposit		
Company	230,709,364	138,855,836
Personal	28,815,639	25,241,411
Fixed time deposit		
Company	154,048,421	127,385,095
Personal	71,468,518	56,804,581
Guarantee deposit	24,676,845	22,594,889
Others	<u>1,686,197</u>	<u>491,638</u>
	<u>511,404,984</u>	<u>371,373,450</u>

See Note IX/2.2 for deposits of the related parties of the Company at the end of the year.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**26. Accrued payroll**

2015	Dec 31, 2015	Addition	Payment	Dec 31, 2016
Short-term salary:				
Salary, bonus and allowance	1,495,972	3,989,956	3,622,887	1,863,041
Welfare	-	229,678	229,678	-
Social insurances				
Medical insurance	2	87,444	87,440	6
Work injury insurance	-	2,577	2,577	-
Maternity insurance	-	3,163	3,163	-
Disability insurance	-	41	40	1
House funds	-	208,539	208,539	-
Labor union's funds and employee education funds	-	<u>38,045</u>	<u>38,045</u>	-
Contribution plan:				
Basic pension insurance	3	155,538	155,537	4
Unemployment insurance	-	<u>10,245</u>	<u>10,244</u>	<u>1</u>
	<u>1,495,977</u>	<u>4,725,226</u>	<u>4,358,150</u>	<u>1,863,053</u>
2015	Dec 31, 2014	Addition	Payment	Dec 31, 2015
Short-term salary:				
Salary, bonus and allowance	1,098,763	3,048,161	2,650,952	1,495,972
Welfare	-	142,954	142,954	-
Social insurances				
Medical insurance	2	81,528	81,528	2
Work injury insurance	-	4,275	4,275	-
Maternity insurance	-	2,412	2,412	-
Disability insurance	-	27	27	-
House funds	-	172,399	172,399	-
Labor union's funds and employee education funds	-	<u>48,095</u>	<u>48,095</u>	-
Contribution plan:				
Basic pension insurance	3	125,172	125,172	3
Unemployment insurance	-	<u>10,664</u>	<u>10,664</u>	-
	<u>1,098,768</u>	<u>3,635,687</u>	<u>3,238,478</u>	<u>1,495,977</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**27. Tax payable**

	Dec 31, 2016	Dec 31, 2015
Value-added tax	447,356	-
Business tax	-	310,547
City maintenance and construction tax	33,803	19,381
Educational surcharges	21,309	12,500
Corporate income tax	725,264	526,863
Individual income tax	27,142	19,831
Taxes payable on behalf of entrusted loans	2,363	6,871
Others	<u>2,952</u>	<u>3,819</u>
	<u><u>1,260,189</u></u>	<u><u>899,812</u></u>

**28. Interest payable**

	Dec 31, 2016	Dec 31, 2015
Interest on deposit	5,774,308	4,827,904
Interest on repurchase financial assets	19,635	9,839
Interest on inter-bank deposit and borrowings	429,769	516,504
Interest on bond	641,750	636,507
Interest on rate exchange	142,828	148,012
Interest on structural deposit	46,687	29,959
Other interest payable	<u>105,325</u>	<u>27,151</u>
	<u><u>7,160,302</u></u>	<u><u>6,195,876</u></u>

**29. Bond payable**

	Dec 31, 2016	Dec 31, 2015
Financial bond payable	17,982,764	17,976,174
Subordinated bond payable	2,994,346	2,994,009
Subordinated capital bond payable	6,989,062	6,988,246
Deposit of other banks	<u>85,018,487</u>	<u>116,098,338</u>
	<u><u>112,984,659</u></u>	<u><u>144,056,767</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**29. Bond payable (continued)**

Balance of bond payables to the date 31 December 2016 is as follows:

	Date of issue	Bond period	Book value	Dec 31, 2015	2016		Premium discount Amortize	Repayment	Dec 31, 2016
					Issued in 2015	Accrued interest			
12 Subordinated (1)11/22/201215 years			3,000,000	2,994,009	-	172,884	337	-	2,994,346
13 Financial bond (2)4/16/20135 years			5,000,000	4,994,749	-	237,201	1,747	-	4,996,496
13 Financial bond (2)4/16/201310 years			3,000,000	2,995,260	-	154,659	462	-	2,995,722
15 Tier II capital									
Bonds (3)	5/27/2015	10 years	7,000,000	6,988,246	-	364,712	816	-	6,989,062
15 Financial bond (4)7/3/2015 3 years			500,000	499,326	-	20,849	221	-	499,547
15 Financial bond (4)9/9/2015 3 years			9,500,000	9,486,839	-	382,582	4,160	-	9,490,999
		Term of bond			Actual interest rate	Book value			Balance at the end of year
Deposit of other banks		3 months – 1 year			2.81%-4.40%	85,540,000			85,018,487

Balance of bond payables to the date 31 December 2015 is as follows:

	Date of issue	Bond period	Book value	Dec 31, 2014	2015		Premium discount Amortize	Repayment	Dec 31, 2015
					Issued in 2014	Accrued interest			
10 Subordinated 11/10/2010 10 years			2,500,000	2,493,039	-	123,252	6,961	(2,500,000)	-
12 Subordinated (1)11/22/201215 years			3,000,000	2,993,688	-	172,774	321	-	2,994,009
13 Financial bond (2)4/16/20135 years			5,000,000	4,993,095	-	236,200	1,654	-	4,994,749
13 Financial bond (2)4/16/201310 years			3,000,000	2,994,828	-	154,034	432	-	2,995,260
15 Tier II capital									
Bonds (3)	5/27/2015	10 years	7,000,000	-	7,000,000	215,631	(11,754)	-	6,988,246
15 Financial bond (4)7/3/2015 3 years			500,000	-	500,000	10,245	(674)	-	499,326
15 Financial bond (4)9/9/2015 3 years			9,500,000	-	9,500,000	117,433	(13,161)	-	9,486,839
		Term of bond			Actual interest rate	Book value			Balance at the end of year
Deposit of other banks		3 months – 1 year			3.04%-5.09%	117,680,000			116,098,338

- (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 10<sup>th</sup> year of interest accrual. The annual interest rate for these subordinated bonds is 5.75%. The interest shall be paid annually and once it is in due, the principal shall be paid off at one time.
- (2) On 16 April 2013, the Company issued the term financial bonds at the par value of RMB 8 billion in the national inter-bank bond market, including: type 1 is the five-year bonds of fixed interest rate, RMB 5 billion, coupon rate 4.70%; type 2 is the ten-year bonds of fixed interest rate, RMB 3 billion coupon rate 5.13%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.
- (3) On 27 May 2015, the Company issued the Tier II Capital bonds at the par value of RMB 7 billion in the national inter-bank bond market, it is the 10-year bonds of fixed interested rate. Right of redemption with certain premise is attached. The

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

nominal interest rate is 5.19%, with the interest paid annually. The principal will be repaid at the time of maturity all at once.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**29. Bond payable (continued)**

(4) On 3 July 2015 and 9 Sep 2015, the Company issued the financial bonds at the par value of RMB 0.5 billion and RMB 9.5 billion in the national inter-bank bond market respectively, including: type 1 is the three-year bonds of fixed interest rate, RMB 0.5 billion, coupon rate 4.12%; type 2 is the three-year bonds of fixed interest rate, RMB 9.5 billion, coupon rate 3.98%. These two bonds need to pay interest annually and repay the principal at the time of maturity without guarantee.

**30. Deferred income**

2016				
	Dec 31, 2015	increase	decrease	Dec 31, 2016
Financial leasing project				
Commission charge	279,250	199,019	180,813	297,456
Custodian fee income	<u>3,831</u>	<u>3,153</u>	<u>3,831</u>	<u>3,153</u>
	<u>283,081</u>	<u>202,172</u>	<u>184,644</u>	<u>300,609</u>
2015				
	Dec 31, 2014	increase	decrease	Dec 31, 2015
Financial leasing project				
Commission charge	-	309,329	30,079	279,250
Custodian fee income	<u>29,496</u>	<u>3,831</u>	<u>29,496</u>	<u>3,831</u>
	<u>29,496</u>	<u>313,160</u>	<u>59,575</u>	<u>283,081</u>

**31. Other liabilities**

		Dec 31, 2016	Dec 31, 2015
Dividend payable	31.1	23,811	23,811
Other payables	31.2	7,137,733	2,836,737
Settlement amount payable	31.3	1,247,056	440,882
Financial capital pool balance		4,868,659	3,071,504
Output tax to be carried over		37,575	-
Others		<u>82,370</u>	<u>114,531</u>
		<u>13,397,204</u>	<u>6,487,465</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**31.1 Dividend payable**

	Dec 31, 2016	Dec 31, 2015
Dividend of shareholders (note)	<u>23,811</u>	<u>23,811</u>

Note: Dividend of shareholder is not paid because the shareholder of the non-tradable share has not come to draw it yet.

**31.2 Other payables**

	Dec 31, 2016	Dec 31, 2015
Security deposit	2,971,614	243,159
Security assets to be transferred	1,729,289	979,068
Bills payable	1,550,596	893,149
Bills payable	650,496	492,623
Unclaimed deposit account	31,399	25,974
Unpaid of construction	22,879	23,348
Others	<u>181,460</u>	<u>179,416</u>
	<u>7,137,733</u>	<u>2,836,737</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 2016 (31 Dec. 2015: none).

**31.3 Settlement amount payable**

	Dec 31, 2016	Dec 31, 2015
Settlement amount payable to Unionpay	168,812	214,542
Financial payment to be settled	52,853	24,728
Payment to be transferred	918,605	100,138
Online payment settlement	<u>106,786</u>	<u>101,474</u>
	<u>1,247,056</u>	<u>440,882</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**32. Share capital**

2016	Dec 31, 2015		Change		Dec 31, 2016	
	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	190,155	4.88%	-	-	190,155	4.88%
3. Shares held by other domestic investors	-	0.00%	-	-	-	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
4. Shares held by foreign investors	249,055	6.39%	-	-	249,055	6.39%
<i>Amongst: shares held by overseas legal persons</i>	249,055	6.39%	-	-	249,055	6.39%
5. Shares held by senior management	10,324	0.26%	-	(2,201)	8,123	0.20%
Total of shares subject to restriction on sales	449,534	11.53%	-	(2,201)	447,333	11.47%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	3,450,260	88.47%	-	2,201	3,452,461	88.53%
Total of shares not subject to restriction on sales	3,450,260	88.47%	-	2,201	3,452,461	88.53%
III. Total shares	3,899,794	100.00%	-	-	3,899,794	100.00%
2015	Dec 31, 2014		Change		Dec 31, 2015	
	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	158,462	4.88%	31,693	-	190,155	4.88%
3. Shares held by other domestic investors	-	0.00%	-	-	-	0.00%
<i>Amongst: shares held by domestic legal person</i>	-	0.00%	-	-	-	0.00%
4. Shares held by foreign investors	207,546	6.39%	41,509	-	249,055	6.39%
<i>Amongst: shares held by overseas legal persons</i>	207,546	6.39%	41,509	-	249,055	6.39%
5. Shares held by senior management	11,304	0.35%	2,261	(3,241)	10,324	0.26%



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Total of shares subject to restriction on sales	<u>377,312</u>	11.62%	<u>75,463</u>	(3,241)	<u>449,534</u>	11.53%
II. Shares not subject to restriction on sales						
RMB-denominated ordinary shares	<u>2,872,517</u>	88.38%	<u>574,502</u>	<u>3,241</u>	<u>3,450,260</u>	88.47%
Total of shares not subject to restriction on sales	<u>2,872,517</u>	88.38%	<u>574,502</u>	<u>3,241</u>	<u>3,450,260</u>	88.47%
III. Total shares	<u>3,249,829</u>	100.00%	<u>649,965</u>	-	<u>3,899,794</u>	100.00%

The increase of share capital in 2015 is a result of capital reserve capitalization by offer 2 shares per every 10 shares on a basis of 3249829000 shares, as approved by the resolution of the 2014 Shareholders; Meeting. The capital increase was verified by Ernst & Young Public Accountants, with the capital verification report (2015) No. 60466992\_B02 being issued.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**33. Other equity tools**

Change on other equity tools of the group in 2016 is as follows:

	Jan 1, 2016		Increase		Decrease		Dec 31, 2016	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2016 domestic preferred share	<u>48,500,000</u>	<u>4,825 billion</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,500,000</u>	<u>4,825 billion</u>

Change on other equity tools of the group in 2015 is as follows:

	Jan 1, 2015		Increase		Decrease		Dec 31, 2015	
	Amount	Book Value	Amount	Book value	Amount	Book value	Amount	Book value
2015 domestic preferred share	<u>-</u>	<u>-</u>	<u>48,500,000</u>	<u>4,825 billion</u>	<u>-</u>	<u>-</u>	<u>48,500,000</u>	<u>4,825 billion</u>

As approved by related authorities, the group completed issuance of the preference shares of non-public basis. The total book value is RMB 4.85 billion, with the par value of RMB 100. Totally 48,500,000 shares were issued.

The shareholders, after received the preference shares according to the coupon dividend yield, will not participate in the surplus profit distribution with other ordinary shareholder. The above mentioned preference shares adopted non-cumulative dividend payment methods, that is, the undistributed of insufficient dividends of the previous year will not cumulated in the next year. In case of mandatory transferring and as required by CBRC, the above mentioned preference shares will be changed into ordinary shares .

The funds obtained through the issuance of the above mentioned preference shares, after deducting the issuance costs, will be used as the supplement of the other tier one capital of the group, thus to enhance the capital adequacy ratio of the group.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**34. Capital reserve**

2016	Dec 31, 2015	Change	Dec 31, 2016
Capital premium	9,949,664	-	9,949,664
Others (note)	<u>(1,428)</u>	<u>-</u>	<u>(1,428)</u>
	<u>9,948,236</u>	<u>-</u>	<u>9,948,236</u>
2015	Dec 31, 2014	Change	Dec 31, 2015
Capital premium	10,599,629	(649,965)	9,949,664
Others (note)	<u>(1,428)</u>	<u>-</u>	<u>(1,428)</u>
	<u>10,598,201</u>	<u>(649,965)</u>	<u>9,948,236</u>

Note: due to capital increase of subsidiary, capital reserves changed.

**35. Other comprehensive income**

Balance of other comprehensive income in the balance sheet belonged to the mother company:

	2015 Jan 1	Change	2015 Dec 31	Change	2016 Dec 31
Change of fair value of financial assets available for sale	289,581	1,003,753	1,293,334	(555,856)	737,478
Investment real estate transferred from self-owned real estate on fair vale basis	<u>19,549</u>	<u>-</u>	<u>19,549</u>	<u>-</u>	<u>19,549</u>
	<u>309,130</u>	<u>1,003,753</u>	<u>1,312,883</u>	<u>(555,856)</u>	<u>757,027</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**35. Other comprehensive income (continued)**

Other comprehensive income in the consolidated comprehensive income statement :

2016

	Amount Before tax	Less: transfer of other comprehensive Income that formerly Enter into other comprehensive income	Less: Income tax	belong to mother company	belong to minority equity
Other comprehensive income to be enter into income statement after reclassified	(624,702)	(116,552)	185,313	(555,856)	(85)

2015

	Amount Before tax	Less: transfer of other comprehensive Income that formerly Enter into other comprehensive income	Less: Income tax	belong to mother company	belong to minority equity
Other comprehensive income to be enter into income statement after reclassified	1,340,129	(1,661)	(334,617)	1,003,753	98

**36. Surplus reserve**

	Dec 31, 2015	Provision for this year	Dec 31, 2016
Statutory surplus reserve	<u>3,181,124</u>	<u>765,625</u>	<u>3,946,749</u>
2015	Dec 31, 2014	Provision for this year	Dec 31, 2015
Statutory surplus reserve	<u>2,531,957</u>	<u>649,167</u>	<u>3,181,124</u>

The Group appropriated 10% of the net profit for the year of 2014 to the statutory surplus reserve as stipulated by Corporate Law and regulations of the Group. The accumulated statutory surplus reserve that more than 50% of the registered capital of the Group can not be relieved from provisions.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**37. Provision for general risks**

2016	Dec 31, 2015	Provision for this year	Dec 31, 2016
Provision for general risks	<u>5,055,801</u>	<u>1,631,168</u>	<u>6,686,969</u>
2015	Dec 31, 2014	Provision for this year	Dec 31, 2015
Provision for general risks	<u>4,054,719</u>	<u>1,001,082</u>	<u>5,055,801</u>

According to the C.J. [2012] No. 20 on Management Methods of Provisions of Financial Enterprise and on the basis of assets impairment provision, the Group set up provision for general risk in order to avoid the possible risks have not yet been identified. The provision for general risk will be treated as the profit distribution, and is a part of the owner's equity. It shall be at least 1.5% of the risk assets balance, and can be separated into a maximum of 5 years.

According to Resolution of 2015 Shareholders' General Meeting on May 17, 2016, the Group accrued general provision of RMB 1,518,173,000 from undistributed profit of the year 2015. The subsidiaries accrued RMB 112,995,000 as the 2015 provision for general risk (2015: RMB 2,399,000).

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

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

**38. Undistributed profit**

	Dec 31, 2016	Dec 31, 2015
Undistributed profit at the end of 2015	16,778,919	13,347,261
Net profit belongs to the mother company	7,810,417	6,544,333
Less: provision for accumulated statutory surplus reserve		
	765,625	649,167
Provision for general risks	1,631,168	1,001,082
Cash dividend payable for preferred shares	223,100	-
Cash dividend payable for ordinary shares		
	1,754,907	1,462,426
	20,214,536	16,778,919

See Note XII for the predetermined 2016 distribution plan. The financial statement of the year 2016 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On Apr 24, 2016, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2015 net profit as the statutory surplus reserve and withdraw the amount of RMB 1,518,173, 000 as general provision. And based on the total 3.8998 billion shares at the end of the year, the payment of cash dividend is RMB 4.5 (including tax) per 10 shares. This distribution decision has passed on the general meeting of shareholders on May 16, 2016.

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 November 8, 2016, which approved the start value date for the distribution of the dividend would be November 16, 2015. And according to the total amount of the shares of Bank of Ningbo Preferred 01 that is 48,500,000 with a nominal dividend rate of 4.60%, the cash dividend per share will be RMB 4.6 (tax included) and the total dividend value will be RMB 223,100,000.

On Apr 24, 2015, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2014 net profit as the statutory surplus reserve and withdraw the amount of RMB 998,683,000 as general provision. And based on the total 3.25 billion shares at the end of the year, the payment of cash dividend is RMB 4.5 (including tax) per 10 shares. In addition, through capital reserve capitalization, 2 shares were provided per each 10 shares. This distribution decision has passed on the general meeting of shareholders on May 18, 2015.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**39. Net interest income**

	2016	2015
Interest income		
Loans and advances	14,801,854	14,392,381
<i>Including: corporate loans and advances</i>	8,604,038	8,200,652
<i>Personal loans and advances</i>	4,150,609	4,428,532
<i>Personal loans and advances</i>	1,855,056	1,550,906
<i>Trade financing</i>	192,151	212,291
Due from other banks	394,643	1,067,188
Balance with central banks	1,031,324	936,895
Placements to other financial institutions	165,023	138,920
Placements to other financial institutions	314,900	358,184
Bond investment	4,585,356	3,327,307
<i>Including: financial assets held for trading</i>	227,111	380,619
Financing product and credit plan	12,457,468	11,610,007
Others	<u>2,966</u>	<u>180</u>
	<u>33,753,534</u>	<u>31,831,062</u>
Interest expenses		
Due to other banks	(2,176,968)	(3,157,613)
Borrowing from central bank	(198,397)	(12,004)
Placements from other institutions	(572,742)	(243,354)
Deposit	(8,133,684)	(7,978,026)
Repurchase agreements financial assets	(850,768)	(651,762)
Bond issuance	(4,758,346)	(4,170,329)
Others	<u>(2,210)</u>	<u>(1,260)</u>
	<u>(16,693,115)</u>	<u>(16,214,348)</u>
Net interest income	<u>17,060,419</u>	<u>15,616,714</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**40. Net fee and commission income**

	2016	2015
Fee and commission incomes		
Settlement and clearing expenses	211,612	218,406
Bank cards	2,314,652	2,218,047
Intermediary commissions	3,503,288	1,390,125
Guarantees	189,056	205,540
Intermediary acceptances	45,663	57,391
Trusting business	401,026	248,393
Intermediary consultations	40,238	57,406
Others	<u>3,620</u>	<u>5,183</u>
	<u>6,709,155</u>	<u>4,400,491</u>
Fee and commission expense		
Settlement and clearing expenses	(48,200)	(50,972)
Bank cards	(80,830)	(92,876)
Intermediary commissions	(476,796)	(216,623)
Entrust	(44,175)	(41,910)
Others	<u>(12,539)</u>	<u>(8,320)</u>
	<u>(662,540)</u>	<u>(410,701)</u>
Net fee and commission income	<u><u>6,046,615</u></u>	<u><u>3,989,790</u></u>

**41. Investment gains**

	2016	2015
Differences of financial assets investments	506,789	327,332
Gains from equity investment	1,005	550
Realized gains and losses from interests exchange		
	12,519	12,607
Gains and losses on noble metal	431,620	84,125
Others	<u>(9,101)</u>	<u>(26,167)</u>
	<u>942,832</u>	<u>398,447</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**42. Gains and losses from fair value changes**

	2016	2015
Fair value change of financial instrument measured by fair value		
And entered into the current income statement	(44,590)	27,591
Fair value changes on investment real estate	39	(37)
Fair value changes on derivative instrument	<u>1,628,523</u>	<u>212,952</u>
	<u><u>1,583,972</u></u>	<u><u>240,506</u></u>

**43. Other operating incomes/expenses**

	2016	2015
Other operating incomes		
Rent income	23,577	29,029
Others	<u>290</u>	<u>3,337</u>
	<u><u>23,867</u></u>	<u><u>32,366</u></u>
Other operating expenses		
Losses on asset based securitization	(5,946)	(17,913)
Others	<u>(380)</u>	<u>(1,741)</u>
	<u><u>(6,326)</u></u>	<u><u>(19,654)</u></u>

In the year 2016, the bank deals with no investment property (In the year 2015 the bank dealt with no investment property).

**44. Business tax and surcharges**

	2016	2015
Business Tax	362,173	943,840
City Maintenance and Construction Tax	99,457	65,707
Educational surcharges	71,270	47,546
Stamp Duty	10,557	-
Housing Property Tax	19,478	-
Other taxes	<u>961</u>	<u>90</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

563,896

1,057,183

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**45. Business and administrative expenses**

	2016	2015
Staff costs	4,725,226	3,635,687
Business expenses	2,797,660	2,455,893
Depreciation of fixed assets	343,192	332,382
Depreciation of long-term deferred expenses	148,413	115,636
Depreciation of intangible assets	57,752	50,696
Taxes	<u>28,280</u>	<u>50,206</u>
	<u><u>8,100,523</u></u>	<u><u>6,640,500</u></u>

**46. Asset impairment losses**

	2016	2015
Loan impairment losses	5,041,742	3,835,612
Losses on investment of receivables	240,000	(54,755)
Losses on held-to-maturity investment	37,500	-
Losses on investment of available-for-sale financial assets	<u>1,698</u>	<u>-</u>
	<u><u>5,320,940</u></u>	<u><u>3,780,857</u></u>

**47. Non-operating incomes**

	2016	2015	Enter into 2016 Non-recurrent Gains and losses
Gains from the disposal of fixed assets	490	582	490
Reward funds	16,144	30,960	16,144
Unclaimed deposit account	21,923	-	21,923
Others	<u>14,865</u>	<u>10,297</u>	<u>14,865</u>
	<u><u>53,422</u></u>	<u><u>41,839</u></u>	<u><u>53,422</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**48. Non-operating expenses**

	2016	2015	Enter into 2016 Non-recurrent Gains and losses
Loss from the disposal of fixed assets and mortgage assets	263	244	263
Donation and sponsorship	36,631	25,152	36,631
<i>Including: charitable donation expenses</i>	<i>33,717</i>	<i>23,599</i>	<i>33,717</i>
Penalty and overdue fine	1,353	1,813	1,353
Water conservancy fund	7,293	8,896	7,293
Others	<u>9,136</u>	<u>8,836</u>	<u>9,136</u>
	<u><u>54,676</u></u>	<u><u>44,941</u></u>	<u><u>54,676</u></u>

**49. Income tax**

	2016	2015
Income tax	2,065,025	1,762,303
Deferred income tax	<u>(235,689)</u>	<u>(314,366)</u>
	<u><u>1,829,336</u></u>	<u><u>1,447,937</u></u>

Relationship between income tax and accounting profits as follows:

	2016	2015
Total profits	9,652,078	8,014,928
Tax rate	25%	25%
Tax amount at statutory tax rate	2,413,020	2,003,732
Adjustment of current tax items	8,875	(1,094)
Tax-free income	(981,255)	(632,022)
Non-deductible costs	388,694	77,430
Effect on deferred income tax	-	(110)
by Unconfirmed redeemable losses	<u>2</u>	<u>1</u>
	<u><u>1,829,336</u></u>	<u><u>1,447,937</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

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

**50. 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.

The Company has no dilutive potential ordinary shares.

Basic earnings per share as follows:

	2016	2015
Current net profit of the shareholders of the parent company	7,810,417	6,544,333
Less: current net profit of the other equity holders of the parent company	223,100	-
Current net profit of the ordinary shareholders of the parent company	7,587,317	6,544,333
Weighted average of issuing ordinary shares of the Company	3,899,794	3,899,794
Earning per share (RMB Yuan)	1.95	1.68

**51. Cash and cash equivalents**

	2016	2015
Cash	30,357,171	15,086,821
<i>including: cash</i>	<i>1,325,341</i>	<i>1,201,025</i>
<i>Current deposit in other banks</i>	<i>5,739,553</i>	<i>4,123,336</i>
<i>Payable balances with central banks</i>	<i>23,292,277</i>	<i>9,762,460</i>
Cash equivalent	21,378,697	11,846,701
<i>Including: Placements with other institutions</i>		
<i>due within 3 months</i>	<i>1,741,797</i>	<i>866,701</i>
<i>Reserve repurchase securities</i>		
<i>due within 3 months</i>	<u><i>19,636,900</i></u>	<u><i>10,980,000</i></u>
Balance of cash and cash equivalents at the end of the year	<u><u>51,735,868</u></u>	<u><u>26,933,522</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

<b>V.</b>	<b>Notes to Items in the Consolidated Financial Statements (continued)</b>		
<b>52.</b>	<b>Other cash receivable relating to operating activities</b>		
	2016	2015	
	Pending settlement paid	3,976,040	421,474
	Leasing risk deposit	157,873	492,623
	Rent income	24,321	29,029
	Other income	53,026	41,257
		4,211,260	984,383
<b>53.</b>	<b>Cash paid to other operating related activities</b>		
	2016	2015	
	Pending settlement paid	681,375	338,241
	Advertising	118,667	140,771
	Entertainment expense	441,108	382,408
	Office and administration expenses	1,996,028	1,677,450
		3,237,178	2,538,870
<b>54.</b>	<b>Operating activities cash flow</b>		
	2016	2015	
	Net profit adjusted to operating activities cash flow		
	Net profit	7,822,742	6,566,991
	Add: loss for fixed assets impairment	5,320,940	3,780,857
	Depreciation of fixed assets	343,192	332,382
	Amortization of intangible assets	57,752	50,696
	Amortization of deferred expenses	421,364	350,917
	Income from disposal of fixed assets, intangible assets and other long-term assets	(227)	(338)
	Income of fair value adjustment	(1,583,972)	(240,506)
	Investment income	(16,923,653)	(14,465,502)
	Increase of deferred income tax assets	(229,567)	18,000
	Increase/(decrease)of deferred income tax liabilities	(6,122)	(332,366)
	Increase of operating receivable	(65,949,971)	(33,317,474)
	Increase of operating payable	180,139,374	56,816,884
		109,411,852	19,560,541

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**VI. Interests in Other Entities**

**1. Interests in the subsidiary**

The subsidiaries of the Company as of Dec. 31, 2016 are as follows:

Subsidiary obtained through establishment	Major operation site	place of registry	Business nature	Registered capital (RMB)	Shareholding ratio	Direct	Indirect
Maxwealth Finance Leasing Co.Ltd.	Ningbo	Ningbo	Finance leasing	1 billion	100%	-	-
Maxwealth Fund Management Co., Ltd.	Shanghai	Zhejiang	Fund management	0.2 billion	67.5%	-	-
Maxwealth Assets Management Co., Ltd.	Shanghai	Shanghai	Assets management	5 million	-	-	67.5%
Zhejiang Yongxin Assets Management Co., Ltd.	Ningbo	Ningbo	Assets management	20 million	-	-	67.5%

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.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**VI. Interests in Other Entities (continued)**

**2. Interests in the structured entities included into the consolidation scope (continued)**

The structural entities included into the consolidation scope included guaranteed financial planning and wealth management planning launched by the company. The Group, as the financial products administrator, could be the main responsibility person or agent for those products. It depends on such factors control or not on such structured entities by the Group or the administrator, the decision-making scope of the group as the assets administrator, financial products owner's power, remuneration from the management service, and the variable income risk exposure. In 2016, the Group has not provided financial support for the entrust of the specific goal of this consolidated scope (year 2015: none).

By Dec. 31, 2016, the financial products managed and consolidated by the group amount to RMB 56,140,905,000 Yuan (Dec 31, 2015: RMB 34,718,269,000). The effect of single financial product on the group finance is insignificant.

**3. Interests in the structured entities not included into the consolidated financial statement scope**

**3.1\_The structured entities managed by the group but not included into the consolidated scope**

(1) Financial products

The structured entities managed by the group but not included into the consolidated scope are mainly the financial products issued and managed by the group as the administrator. On the basis of potential customer group analysis and study, the group designs and sells capital investment and management plan to target customer groups, inputs the collected financial capital into related financial market or financial products as agreed in the contract, distributes the harvested interests to the investors as agreed. As the assets administrator, the group obtains the commission including sales fee, fixed management fee, and floating management fee. The group deems the variable return on those structured entities non-significant. By Dec. 31, 2016, the maximum risk exposure of the financial products issued and managed but not included into the consolidation scope by the group is the commission charge, amounted to RMB 1,549,760,000 Yuan (Dec 31, 2015: RMB 772,458,000).

By Dec 31, 2016, the balance of unconsolidated financial product of the group amounted to RMB 188,321,626,000 (Dec 31, 2015: RMB 152,560,866,000).



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**VI. Interests in Other Entities (continued)**

**3. Interests in the structured entities not included into the consolidated financial statement scope (continued)**

**3.1\_The structured entities managed by the group but not included into the consolidated scope (continued)**

(2) Asset securitization business

Another type of structured entity managed by the group but not included into the consolidation scope is the trust of specific objective set by third trust company due to the group's asset securitization business. The trust of specific objective purchases credit assets from our group, and issues assets backed security on the basis of the cash generated by the credit assets to realize financing. The group, as the loan service mechanism for this kind of trust with specific objective, manages the credits assets of transferred trust with specific objective, and charges corresponding commission as the loan assets administrator. This group also hold some special purpose trust asset-backed securities at all levels. But the group believes its variable return on such kind of structured entities is non-significant. As of Dec. 31, 2016, the maximum loss risk exposure of the specific goal entrust not included in the consolidated scope is the various assets backed securities issued by the specific goal trust at RMB 673,109,000 (Dec. 31, 2015: 606,952,000).

By Dec. 31, 2016, all levels of assets backed securities issued by the specific objective trust with max loss risk exposure not included into the consolidation scope by the group amounted to RMB 15.26 billion (Dec 31, 2015: RMB 11.481 billion). In the year 2016, the Group has not provided financial support for the non-consolidated financial products and assets management plans (year 2015: none).

**3.2 Interests in the structured entities in the third party financial institution**

The group invested in the structured entities not included into the consolidated financial statement scope in some other institutions, with their income being confirmed. Such structured entities includes financing products, special assets management planning, credit investment plan, as well as financing bonds for purpose of assets support. The nature and purpose of these structured entities are to eran management fees through the management of investors' assets. It realizes the purpose of financing through launching the investment products towards investors. The group provides no liquidity support for such structured entities in 2016 (year 2015: none).

By Dec 31, 2016 and Dec. 31, 2015, the book value and max loss risk exposure of the assets formed from the structured entities not included into the consolidations scope but held by the group are as follows:

2016	Receivable investment	Held-to-maturity investment	Available for sale financial assets	Total
Financial products	-	-	148,771,660	148,771,660

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Trust plan	2,952,068	-	-	2,952,068
Assets management plan	62,640,160	-	-	62,640,160
Fund	-	-	9,797,970	9,797,970

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**VI. Interests in Other Entities (continued)**

**3. Interests in the structured entities not included into the consolidated financial statement scope (continued)**

**3.2 Interests in the structured entities in the third party financial institution (continued)**

2015	Receivable investment	Held-to-maturity investment	Available for sale financial assets	Total
Financial products	-	-	162,541,161	162,541,161
Trust plan	398,700	-	-	398,700
Assets management plan	57,158,400	-	-	57,158,400
Fund	-	-	11,649,973	11,649,973

The Group gains interest income and commission income by holding the investment or providing service for the structured entities. No market information is available on the overall scale of the above mentioned structured entities of the group.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**VII. Capital Management**

The Group adopts a capital management method that is able to prevent inherent risks of the operating business of the Company in compliance with the relative requirements of the regulatory authority. The capital management is not only to meet the requirements of the regulatory authority but also to guarantee a capital adequacy ratio and a maximum shareholders' equity. Depending on the economical environment changes and risks confronted with, the Company would actively adjust the capital structure including regulating the dividend distribution, transferring capitals and issuing new bonds. The targets and methods of the capital management are the same as the previous year.

Since 2013, the Bank disclosure and improve continually the information related to capital adequacy ratio according to "Notice of the China Banking Regulatory Commission on Issues concerning Transitional Arrangements for the Implementation of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)". As required by CBRC, before 2018, for the non-systemically important Banks' the core tier-I capital adequacy ratio shall be no lower than 7.5 percent, the tier-I capital adequacy ratio no lower than 8.5 percent, and the capital adequacy ratio no lower than 10.5 percent. During the reporting period, the group has complied with the regulatory capital requirements.

The Group calculated the core capital and subordinate capital in compliance with *Measures for Management of Adequacy Ratio of Commercial Banks* issued by CBRC. The related core tier-I capital adequacy, tier-I capital adequacy ratio and capital adequacy ratio are as follows:

	Dec 31, 2016	Dec 31, 2015
<b>Core tier-I capital</b>		
including: paid-in capital entered	3,899,794	3,899,794
capital reserve entered	10,705,263	11,261,119
surplus reserve	3,946,749	3,181,124
general risk reserve	6,686,969	5,055,801
undistributed profit	20,214,536	16,778,919
Less: other intangible assets (excluding right to use land)	(251,342)	(206,477)
<b>Net value of core tier-I capital</b>	<b>45,201,969</b>	<b>39,970,280</b>
<b>Other tier-I capital</b>		
Including: preferred share and premium	4,824,691	4,824,691
<b>Net value of core tier-I capital</b>	<b>50,026,660</b>	<b>44,794,971</b>
<b>Tier-II capital</b>		
Including: tier-II capital tools and premium	8,800,000	9,100,000
provision for jumbo loan loss	5,956,907	4,927,863
<b>Net capital value</b>	<b>64,783,567</b>	<b>58,822,834</b>
<b>Risk weighted capital</b>	<b>528,644,875</b>	<b>442,562,618</b>
<b>Core tier-I capital adequacy ratio</b>	<b>8.55%</b>	<b>9.03%</b>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

<b>Tier-I capital adequacy ratio</b>	<b>9.46%</b>	<b>10.12%</b>
<b>Capital adequacy ratio</b>	<b>12.25%</b>	<b>13.29%</b>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**VIII. Segmental Report**

For management purposes, the Group dividing products and services into business units, the Group has four segmental reports below:

- (1) Corporate banking involves services provided specifically for company clients, including deposits, loans, settlements, trade related products and other services;
- (2) Personal banking refers to banking services for individual clients, such as deposits, credit card and debit card businesses, consumer credit services, mortgage loans and private property management;
- (3) Capital banking services include interbank deposit/call loan services, back sale and repurchase services, investment business, foreign exchange transactions, such self-operating and agency services;
- (4) Other banking services other than the corporate, personal and capital banking services, are those segments without forming an individually reportable business unit or the assets, liabilities, incomes and costs without appropriate allocation.

The internal transfer price is determined on the basis of deposit/loan interest rate declared by PBC and inter-bank offered rate corresponding to different fund sources and applied periods. Expenses are allocated in different segments subject to benefit.

2016	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	5,081,364	1,352,387	10,626,668	-	17,060,419
Net internal interest income	2,428,283	1,001,329	(3,429,612)	-	-
Net fee and commission income	2,734,465	3,041,046	271,104	-	6,046,615
Investment gains	-	-	942,832	-	942,832
Gains from fair value adjustment	-	-	1,583,972	-	1,583,972
Foreign exchange gains	556,997	291,025	(2,860,710)	-	(2,012,688)
Other operating income/expense	(6,326)	-	-	23,867	17,541
Tax and surcharge	(366,465)	(186,973)	(10,458)	-	(563,896)
Business and Business and	(2,593,029)	(1,476,066)	(4,031,428)	-	(8,100,523)
Assets impairment loss	(4,074,903)	(966,838)	(279,199)	-	(5,320,940)
Operating profit	3,760,386	3,055,910	2,813,169	23,867	9,653,332
Non-operating net balance	-	-	-	(1,254)	(1,254)
Total profits	<u>3,760,386</u>	<u>3,055,910</u>	<u>2,813,169</u>	<u>22,613</u>	<u>9,652,078</u>
Total assets	<u>200,771,507</u>	<u>95,710,163</u>	<u>588,522,070</u>	<u>16,671</u>	<u>885,020,411</u>
Total liabilities	<u>420,792,298</u>	<u>101,179,585</u>	<u>312,638,393</u>	<u>24,022</u>	<u>834,634,298</u>
Supplementary information:					
Capital expenditure	332,562	158,535	974,833	28	1,465,958

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Depreciation and amortization expenses	251,867	146,610	423,831	-	822,308
--	---------	---------	---------	---	---------

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**VIII. Segmental Report (continued)**

2015	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	4,179,587	2,163,162	9,273,965	-	15,616,714
Net internal interest income	3,017,690	464,834	(3,482,524)	-	-
Net fee and commission income	1,501,503	2,244,249	244,038	-	3,989,790
Investment gains	-	-	398,447	-	398,447
Gains from fair value adjustment	-	-	240,543	(37)	240,506
Foreign exchange gains	152,779	-	(928,953)	14,575	(761,599)
Other operating income/expense	-	-	120	12,592	12,712
Tax and surcharge	(367,769)	(216,956)	(472,458)	-	(1,057,183)
Business and management fees	(2,325,279)	(1,371,737)	(2,943,484)	-	(6,640,500)
Assets impairment loss	(3,012,755)	(758,850)	(9,252)	-	(3,780,857)
Operating profit	3,145,756	2,524,702	2,320,442	27,130	8,018,030
Non-operating net balance	-	-	10,218	(13,320)	(3,102)
Total profits	<u>3,145,756</u>	<u>2,524,702</u>	<u>2,330,660</u>	<u>13,810</u>	<u>8,014,928</u>
Total assets	<u>160,353,944</u>	<u>85,282,073</u>	<u>469,913,355</u>	<u>915,281</u>	<u>716,464,653</u>
Total liabilities	<u>295,080,548</u>	<u>84,860,609</u>	<u>291,230,300</u>	<u>195,877</u>	<u>671,367,334</u>
Supplementary information:					
Capital expenditure	224,604	119,453	652,780	11,142	1,007,979
Depreciation and amortization expenses	260,105	153,442	320,448	-	733,995

**IX. Related Parties Relationships and Transactions**

**1. Identification of related parties**

**Related parties of the Group consist of parties listed below:**

1) Primary shareholders:

Primary shareholders of the Bank are the shareholders and shareholder groups with 5% shares or more of the Bank, or those shareholders and shareholder groups who have assigned directors within the Bank.

Name of related party	Dec 31, 2016		Dec 31, 2015	
	Share number (10,000)	Prop	Share number (10,000)	Prop

Ningbo Development & Investment Group Co., Ltd.



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

	77,996	20.00%	51,415	13.18%
Singapore Overseas-Chinese Banking Co., Ltd.	72,464	18.58%	72,464	18.58%
Ningbo Youngor (Group) Co., Ltd.	45,377	11.64%	45,125	11.57%
Ningbo Huamao Group Co., Ltd.	21,757	5.58%	22,800	5.85%
Ningbo Shanshan Co., Ltd.	15,266	3.91%	15,596	4.00%
Ningbo Fubang (Holding) Group Co., Ltd.	13,177	3.38%	14,732	3.78%

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**IX. Related Parties Relationships and Transactions (continued)**

**1. Identification of related parties (continued)**

**Related parties of the Group consist of parties listed below (continued):**

- 2) subsidiary

See note VI (1. entities in subsidiary) and consolidated financial statements for basic and related information of the subsidiary.

- 3) Key management staff and their close family members of the Group.

- 4) Other entities bearing major influences from the key management staff and their close family members of the Group.

**2. Major transactions between the Group and the related parties.**

**2.1 Loan and advance**

Name of related party	Dec 31, 2016	Dec 31, 2015
Ningbo Development & Investment Group Co., Ltd.	100,000	200,000
Ningbo Shanshan Co., Ltd.	50,000	-
Ningbo Youngor (Group) Co., Ltd.	-	180,214
Ningbo Fubang (Holding) Group	463,665	527,724
Ningbo Huamao Group Co., Ltd.	400,647	451,683
Key management staff and their close family members of the Group	300	2,117
Other entities bearing major influences from the key management staff and their close family members of the Group	103,442	-
	1,118,054	1,361,738

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**IX. Related Parties Relationships and Transactions (continued)**

**2. Major transactions between the Group and the related parties (continued)**

**2.2 Deposit**

Name of related party	Dec 31, 2016	Dec 31, 2015
Ningbo Development & Investment Group Co., Ltd.	38,615	24,908
Ningbo Shanshan Co., Ltd.	56,711	20,576
Ningbo Youngor (Group) Co., Ltd.	1,281	180,680
Ningbo Fubang (Holding) Group	150,240	355,763
Ningbo Huamao Group Co., Ltd.	140,212	15,253
Key management staff and their close family members of the Group	24,426	17,735
Other entities bearing major influences from the key management staff and their close family members of the Group	<u>91,254</u>	<u>468,675</u>
	<u>502,739</u>	<u>1,083,590</u>

**2.3 Borrowing**

Name of related party	Dec 31, 2016	Dec 31, 2015
Singapore Overseas-Chinese Banking Co., Ltd.	<u>-</u>	<u>100,000</u>

**2.4 Deposit due from banks**

Name of related party	Dec 31, 2016	Dec 31, 2015
Singapore Overseas-Chinese Banking Co., Ltd.	<u>31,158</u>	<u>2,834</u>

**2.5 Off balance sheet**

Name of related party	Dec 31, 2016	Dec 31, 2015
Ningbo Shanshan Co., Ltd.	131,089	52,462
Ningbo Youngor (Group) Co., Ltd.	400	181,114
Ningbo Fubang (Holding) Group	195,853	419,705
Ningbo Huamao Group Co., Ltd.	272,527	284,301
Other entities bearing major influences from the key management		

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

staff and their close family members of the Group	<u>908,244</u>	<u>3,007,240</u>
	<u>1,508,113</u>	<u>3,944,822</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**IX. Related Parties Relationships and Transactions (continued)**

**2. Major transactions between the Group and the related parties (continued)**

**2.6 Derivative transaction**

On 31<sup>st</sup> Dec. 2016, the balance of long-term foreign exchange trading of the group and its affiliated party OCBC was RMB 268,972,000, and the balance of long-term installment was RMB 277,906,000 (31<sup>st</sup> Dec. 2015: RMB 2,167,777,000 and RMB 2,167,829,000 respectively). The balance of long-term foreign exchange swap was RMB 4,113,645,000 and the balance of long-term installment was RMB 4,112,735,000 (Dec. 31, 2015: 0). Interest rate swap long-term was RMB 8,440,000,000 (Dec. 31, 2015: RMB 9,334,935,000). Option contract RMB 139,100,000 (Dec. 31, 2015: 0). Net expense of derivative transactions of 2016 was RMB 16,777,000 (2015: RMB 16,777,000).

**2.7 Loan interest income**

Name of related party	2016	2015
Ningbo Development & Investment Group Co., Ltd.	6,953	7,846
Ningbo Shanshan Co., Ltd.	3,574	456
Ningbo Youngor (Group) Co., Ltd.	3,229	1,523
Ningbo Fubang (Holding) Group Co., Ltd.	27,103	33,421
Ningbo Huamao Group Co., Ltd.	14,047	25,824
Key management staff and their close family members of the Group	-	5
Other entities bearing major influences from the key management staff and their close family members of the Group	8,011	7,347
	<u>62,917</u>	<u>76,422</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**IX. Related Parties Relationships and Transactions (continued)**

**2. Major transactions between the Group and the related parties (continued)**

**2.8 Deposit interest expenses**

Name of related party	2016	2015
Ningbo Development & Investment Group Co., Ltd.	369	462
Ningbo Shanshan Co., Ltd.	586	46
Ningbo Youngor (Group) Co., Ltd.	154	5
Ningbo Fubang (Holding) Group Co., Ltd.	1,092	194
Ningbo Huamao Group Co., Ltd.	1,594	635
Key management staff and their close family members of the Group	754	87
Other entities bearing major influences from the key management staff and their close family members of the Group	<u>547</u>	<u>1,312</u>
	<u>5,096</u>	<u>2,741</u>

**2.9 Interests expenses of capital business**

Name of related party	2016	2015
Singapore Overseas-Chinese Banking Co., Ltd.	<u>1,396</u>	<u>4,088</u>

**2.10 Interests income of capital business**

Name of related party	2016	2015
Singapore Overseas-Chinese Banking Co., Ltd.	<u>5</u>	<u>138</u>

**2.11 Transactions with other related parties**

Name of related party	2016	2015
Remuneration of key managers	<u>27,156</u>	<u>26,360</u>

The Management Team of the Group thought the transactions with above-mentioned related parties have been proceeded in compliance with the regular business transaction terms and conditions and the normal business procedures with the general market price as the pricing fundamentals.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**X. Contingent Items, Commitment Items and Main Off-balance Sheet Items**

**1. Capitalized commitment**

	Dec 31, 2016	Dec 31, 2015
Contracts signed but proceeds not yet be withdrawn	<u>250,979</u>	<u>501,318</u>

**2. Operating lease commitment**

According to the lease contract, the minimum lease rent of irrevocable operating sites are as follows:

	Dec 31, 2016	Dec 31, 2015
Within 1 year (included)	374,525	321,710
1-2 years (included)	337,452	294,820
2-3 years (included)	291,137	262,959
Over 3 years	<u>951,042</u>	<u>888,791</u>
	<u>1,954,156</u>	<u>1,768,280</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**X. Contingent Items, Commitment Items and Main Off-balance Sheet Items (continued)**

**3. Off-balance sheet commitments**

	Dec 31, 2016	Dec 31, 2015
L/C issuance	10,153,614	11,570,259
Bank acceptance bill	65,582,884	69,716,782
Issuance of guarantee	17,405,318	18,052,693
Loan commitment	151,254,753	123,744,601
Additional insurance of import & export	<u>176,248</u>	<u>2,079,364</u>

Note: treasury acceptance commitment

Treasury Bill Redemption Commitment and Savings Bond Redemption Commitment refer to that the Company is entrusted by the Ministry of Finance to issue certain treasury bills and savings bonds (electronic). Investors of treasury bills and savings bonds have a right to ask for redemption of the bills and bonds (electronic) at any time prior to maturity and the Company is committed to redeem those bills and bonds. The redemption price is principal value of the bills and bonds plus the interests payable at that day. Until 31 Dec. 2016, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 1,425,912,000 (31 Dec. 2015 RMB 787,895,000). The Ministry of Finance is not to redeem the principal and interest of the bills and bonds (electronic) until the maturity. The Management of the Company considers that the amount for redemption of the treasury bills and savings bonds (electronic) prior to the maturity is not significant.

The issuance of Letter of Credit refers to credit operation that the Group acting at the request and on the instruction of applicant, make a documentary credit with a certain amount to the beneficiary and to pay at a certain place under the complying presentation of required documents within a certain period.

Bank Acceptance Bill refers to such credit business that a draft or a bill of exchange drawn upon a payee or a drawee (applicant) is examined and agreed to accept by the Company from applicant's application for acceptance.

Letter of Guarantee is a written undertaking made by the Group at the request of the applicant to the beneficiary, guaranteeing that the applicant will perform obligations under the contract signed between the applicant and the beneficiary, or the Company will take the responsibility.

Loan Guarantee is a commitment made by the Group guarantees to the clients to offer certain amount loan in a certain period.

Additional insurance of import and export refers to the business of the Group for the



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

bank confirmation of D/A usance draft of the importer and liability for the payment at due day.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**X. Contingent Items, Commitment Items and Main Off-balance Sheet Items  
(continued)**

**4. Lawsuit**

If during the normal operation of the Group, the Group is taken as a defendant for several lawsuits, the management of the Group believes the final ruling results will not incur significant impact to the financial status or operation of the Group. By the end of Dec. 31, 2016, the total subject amount of the Group for the pending lawsuits was RMB 2,505,000,000 (Dec. 31, 2015: RMB 6,000,000). 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, 2015: no need to estimate the liabilities).

**XI. Financial Instruments and Risk Analysis**

According to the disclosure requirements stipulated in *Accounting Standards for Enterprises No.37–Presentation of Financial Instruments*, the Group discloses the relative quantitative information of credit risk, liquidity risk and market risk in the year 2016 and 2015.

The financial risk management mainly reveals the risks taken by the Group and its management and controlling conditions of the risks, particularly the risks confronted in the using of the financial instruments.

- Credit risk: it means the risks the Company may take when the clients or transaction counter-parties of the Company fail to fulfill their obligations agreed, including the credit exposure and settlement risk.
- Market risk: it means the exposures influenced by the observable economic parameters of the market, including the fluctuations of interest rate, exchange rate and prices of shares and commodities.
- Liquidity risk: it means the risks brought by the Company's failure to pay the matured debts under normal or depressed market environment.
- Operational risk: it means the economical or credit losses resulting from incompliance with the systems and procedures or for the fraudulences.

The Group has stipulated corresponding policies and procedures for recognition and analysis of above mentioned risks, and also appropriate risk limits and controlling mechanisms. The Group has Risk Management Committee and its specific department, The Risk Management Department being responsible for the management of risks. The risk management department has its own clear responsibilities and is somehow independent from the business department bearing risks, and would submit its independent risk reports to the Board of Directors and the Management. The Risk Management Committee is responsible for formulating the

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

policies and procedures for management of the risks, and also regulating the risk limits and management mechanisms. Besides, the Risk Management Committee shall at regular intervals host risk management conferences and meetings in compliance with the market conditions to improve those risk policies and procedures.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk**

Credit risk means that clients or transaction counter-parties who may be incapable or unwilling to honor the obligations agreed with the Group. Once all of the transaction-parties are in one industry or region, the credit risks would rise for their ability to pay the accounts are affected by the same influence of economical development.

Concentration of credit risks: when a certain amount of clients do the same operations or are in the same geographic region, or share the similar economic characteristics in their trades, their ability to fulfill the obligations regulated in the agreements would be simultaneously influenced by the same economic changes. The concentration level of the credit risks reveals the sensitivity of the Company's achievements to the specific trade or geographic area.

Before approving credit for clients, the Group would firstly assess the credit rate and check the credit limit at regular intervals. Management of credit risk also includes to receive the guaranties and guarantees. For the off-balance sheet credit promises, the Company would regularly charge deposits to lower the credit risks.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.1. Within-balance sheet assets**

**Proportion of loans and advances by industries:**

	Dec 31, 2016		Dec 31, 2015	
	Amount	Prop(%)	Amount	Prop(%)
Agriculture/forestry/animal/fishing	1,474,389	0.50	1,014,448	0.40
Mining	475,174	0.16	900,893	0.35
Manufacturing	43,564,886	14.40	39,676,014	15.51
Production and supply of electricity, gas and water	4,389,006	1.45	3,510,332	1.37
Construction	15,476,029	5.12	11,064,796	4.33
Transportation, storage and mailing	4,782,064	1.58	4,213,295	1.65
Information transfer, pc service and software	3,510,125	1.16	3,048,475	1.19
Commerce and trade	30,664,937	10.14	30,242,126	11.83
Hotel and restaurant	1,361,253	0.45	885,389	0.35
Finance	760,331	0.25	6,425,543	2.51
Real estate	23,665,213	7.82	24,020,474	9.39
Leasing and commercial service	43,380,234	14.34	25,234,562	9.87
Scientific research, technological service and geological reconnaissance	1,086,924	0.36	660,110	0.26
Management and investment of water resource, environmental and public facilities	24,508,714	8.10	16,053,531	6.28
Residential and other services	1,036,054	0.34	329,669	0.13
Education	1,107,030	0.37	864,880	0.34
Sanitation, social security and welfare	463,440	0.15	489,329	0.19
Culture, sports and entertainment	3,187,621	1.05	377,116	0.15
Public management and social organization	1,735,750	0.57	1,475,650	0.58
Personal loan	95,877,504	31.69	85,201,948	33.32
	302,506,678	100.00	255,688,580	100.00

**Concentration by regional loans and advances:**

	Dec 31, 2016		Dec 31, 2015	
	Amount	Prop(%)	Amount	Prop(%)
Zhejiang Province	185,501,604	61.32	166,908,828	65.28
<i>including: Ningbo</i>	<i>130,872,894</i>	<i>43.26</i>	<i>127,853,845</i>	<i>50.00</i>
Shanghai	22,160,517	7.33	18,213,488	7.12
Jiangsu Province	70,624,894	23.35	51,746,930	20.24
Guangdong Province	14,518,012	4.80	10,511,244	4.11
Beijing	9,701,651	3.20	8,308,090	3.25

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

302,506,678    100.00    255,688,580    100.00

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

## **XI. Financial Instruments and Risk Analysis (continued)**

### **1. Credit risk (continued)**

#### **1.2 Derivative financial instruments**

The derivative financial instruments are used by the Group in the management of the assets and liabilities. When the rates of assets and liabilities mismatch, for example, the Group purchases assets at a fixed interest with the capital coming from a floating rate, in which the fair value fluctuates with the market interest rate, the Group would transfer the fixed interest rate into a floating one to lessen the impact caused by the fluctuation.

Derivative financial instruments adopted by the Group in transactions:

Swap contract: it refers to the commitment to swap cash flow within an agreed period.

In an interest rate swap, interest will be paid by both parties participated in the transaction to each other in an agreed rate within an agreed period. Both parties, as based on the same currency and the same amount, will exchange a fixed interest rate for a floating interest rate, or exchange one floating interest rate for another. By the end of the agreed period, the interest will be paid according to the agreed interest rate.

Forward contract: it refers to the agreement to purchase or sell financial product at a given amount in the future.

Share option contract: it mean according to the agreed conditions, the options for purchasing or selling a certain amount of foreign exchanges, bonds and the interest rates at agreed exchange rate or interest rate within a regulated period once the buyer has paid the seller specific fees for the share options, which also means that the buyer of the share options has the right to fulfill or not to fulfill the options, however the seller has no excuse to refuse performing in compliance with seller's options.

Contract of options on foreign exchange is the agreement on the rights of the buyer and seller to foreign exchange transactions.

The assessment and controlling standard for the credit risk of the derivative financial instruments of the Group is also applied to other transactions.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.3 Credit risk exposure**

The table below illustrates the maximum on-balance sheet credit exposure when available pledge or other credit enhancement was not considered in the analysis.

	Dec. 31, 2016	Dec. 31, 2015
Due from central banks	92,051,374	64,988,415
Due from other banks	17,027,924	14,199,976
Loan to other banks	6,702,519	1,381,143
Financial assets at fair value through profit and loss	8,276,310	7,039,891
Derivative financial assets	13,939,542	3,537,564
Reverse repurchase agreements	19,731,604	10,980,600
Interest receivable	3,963,301	2,765,145
Loans and advance payments	292,788,341	248,399,105
Available-for-sale financial assets	280,538,469	249,244,691
Held-to-maturity investment	39,370,701	32,671,512
Accounts receivable hold for investment	99,576,315	71,231,132
Other assets	<u>1,178,372</u>	<u>296,856</u>
Balance sheet risk exposure	<u>875,144,772</u>	<u>706,736,030</u>
Financial guarantee	93,318,064	101,419,098
Commitment	<u>151,254,753</u>	<u>123,744,601</u>
Maximum credit risk exposure	<u>1,119,717,589</u>	<u>931,899,729</u>

In the table above, the maximum risk exposure designated at fair value only represents current maximum credit exposure, while not the maximum risk exposure when fair value changes in the future.

The "Other assets" in the table are the financial assets with credit risks of the Group.



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.4. Pledge and other credit enhancement**

The kind of pledge and its amount are made upon the evaluation of credit risk of counter-party. The Group takes the kind and value of the pledge as the execution standard.

Classification of pledges accepted by the Group:

- (i) Reverse repurchase agreements: bills and bonds, etc;
- (ii) Corporate loan: real estate, machinery facilities, land use right, deposit receipt, equity, etc;
- (iii) Personal loan: real estate and deposit receipt, etc;
- (iv) Accounts receivable hold for investment: real estate, deposit receipt, equity, land-use right, etc.

The Management shall check pledge value periodically and ask client to increase the amount of pledge when necessary according to the agreement.

**1.5. Credit quality analysis of financial assets in compliance with credit rating system of the Group**

If objective evidences of depreciation can prove that there is one or more than one circumstance have happened after the original confirmation of loans and advance payments issuance and these circumstances can be reliably assessed with influences on the anticipation of the future cash flows, these loans and advance payments are considered as the depreciated ones.

Credit quality analysis of financial assets in compliance with credit rating system of the Company dated as the Balance Sheet as follows:

Dec. 31, 2016	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central bank	92,051,374	-	-	-	-	92,051,374
Due from other banks	17,027,924	-	-	-	194	17,028,118
Loans to other bank	6,702,519	-	-	-	-	6,702,519
Financial assets at fair value through profit and loss	8,276,310	-	-	-	-	8,276,310
Derivative financial assets	13,939,542	-	-	-	-	13,939,542
Reverse repurchase agreements	19,731,604	-	-	-	-	19,731,604
Interest receivable	3,963,301	-	-	-	-	3,963,301
Loans and advances	298,632,422	544,548	424,471	139,768	2,765,469	302,506,678
Available-for-sale financial						

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

Assets	280,516,118	-	-	-	24,049	280,540,167
Held-to-maturity investment	39,358,201	-	-	-	50,000	39,408,201
Investment receivable	99,201,070	-	-	-	810,490	100,011,560
Other assets	<u>1,178,372</u>	-	-	-	<u>13,337</u>	<u>1,191,709</u>
	<u>880,578,757</u>	<u>544,548</u>	<u>424,471</u>	<u>139,768</u>	<u>3,663,539</u>	<u>885,351,083</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.5 Credit quality analysis of financial assets in compliance with credit rating system of the Group (continued)**

Dec. 31, 2015	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central bank	64,988,415	-	-	-	-	64,988,415
Due from other bank	14,199,976	-	-	-	194	14,200,170
Loans to other banks	1,381,143	-	-	-	-	1,381,143
Financial assets at fair value						
through profit and loss	7,039,891	-	-	-	-	7,039,891
Derivative financial assets	3,537,564	-	-	-	-	3,537,564
Reverse repurchase agreements	10,980,600	-	-	-	-	10,980,600
Interest receivable	2,765,145	-	-	-	-	2,765,145
Loans and advances available-for-sale financial Assets	251,156,121	695,018	862,540	613,289	2,361,612	255,688,580
Held-to-maturity investment	249,244,691	-	-	-	-	249,244,691
Investment receivable	32,671,512	-	-	-	-	32,671,512
Other assets	71,035,887	-	-	-	390,490	71,426,377
	296,856	-	-	-	13,355	310,211
	<u>709,297,801</u>	<u>695,018</u>	<u>862,540</u>	<u>613,289</u>	<u>2,765,651</u>	<u>714,234,299</u>

On Dec 31, 2016, the fair value of pledge for impaired loan reached to RMB 3,866,261,000 (Dec 31, 2015: RMB 2,058,820,000). The pledge included equipment, real estate and land. Etc.

**1.6 Credit quality analysis of financial assets neither past due nor impairment**

Rating standard of credit quality of financial assets neither past due nor impair:

High quality: the counterpart has excellent financial conditions and business achievements, sufficient cash flows without bad credit records and is able to fulfill the contract.

Standard quality: there are negative factors which may affect the counterparts' fulfilling the contract, including the key financial indexes, cash flow of management and fair value of pledge.

	Dec. 31, 2016			Dec. 31, 2015		
	High quality	Standard quality	Total	High quality	Standard quality	Total
Balances with central banks	92,051,374	-	92,051,374	64,988,415	-	64,988,415
Due from other banks	17,027,924	-	17,027,924	14,199,976	-	14,199,976
Loans to other banks	6,702,519	-	6,702,519	1,381,143	-	1,381,143
Financial assets at fair value						
through profit and loss	8,276,310	-	8,276,310	7,039,891	-	7,039,891
Derivative financial assets	13,939,542	-	13,939,542	3,537,564	-	3,537,564
Reverse repurchase agreements	19,731,604	-	19,731,604	10,980,600	-	10,980,600

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

Interest receivable	3,963,301	-	3,963,301	2,765,145	-	2,765,145
Loans and advances	295,623,039	3,009,383	298,632,422	248,379,696	2,776,425	251,156,121
Available-for-sale financial assets	280,516,118	-	280,516,118	249,244,691	-	249,244,691
Held-to-maturity investment	39,358,201	-	39,358,201	32,671,512	-	32,671,512
Investment receivable	99,201,070	-	99,201,070	71,035,887	-	71,035,887
Other assets	<u>1,178,372</u>	<u>-</u>	<u>1,178,372</u>	<u>296,856</u>	<u>-</u>	<u>296,856</u>
Total	<u>877,569,374</u>	<u>3,009,383</u>	<u>880,578,757</u>	<u>706,521,376</u>	<u>2,776,425</u>	<u>709,297,801</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**1. Credit risk (continued)**

**1.7 Fair value of pledges past due but not impaired**

Item	Dec. 31, 2016	Dec. 31, 2015
Loans and advance payments		
Housing, land and building	<u>1,869,804</u>	<u>2,154,464</u>

**2. Liquidity risk**

Liquidity risk is the risk of incapable to meet the repayment obligations at the maturity, which can be resulted by the mismatches of terms or amounts of the assets and liabilities. The management of liquidity risks of the Group covers the prior plans, current management, afterward-adjustment and emergency plans. According to supervision authority's administration index system for the liquidity risks, the Company has also designed a series of daily liquidity risk supervision system in compliance with applicability and the actual conditions of the Company so as to control the executions of limitations on specific indexes daily, and also classify the system in accordance with supervision and adjustment rates.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Maturity analysis of assets and liabilities other than the derivative financial instruments**

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2016	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of assets								
Cash and balances with central banks	68,510,722	24,865,993	-	-	-	-	-	93,376,715
Due from other banks	-	5,969,074	394,381	288,892	10,714,534	-	-	17,366,881
Loans to other banks	-	-	1,792,540	365,634	4,721,373	-	-	6,879,547
Financial assets at fair value through profit and loss	-	8,276,309	7,496	4,350	33,809	62,957	1,486	8,386,407
Reverse repurchase agreements	-	-	19,745,507	-	-	-	-	19,745,507
Loans and advance payments	2,215,543	588,386	20,636,828	36,595,826	163,485,647	89,115,755	15,315,740	327,953,725
Available-for-sale financial assets	-	2,322,445	4,281,540	27,062,249	140,897,154	58,051,857	65,873,341	298,488,586
Held-to-maturity investments	50,000	-	127,620	235,822	2,433,856	23,802,663	20,220,915	46,870,876
Other investment receivable	390,490	-	6,848,111	6,297,198	31,361,689	67,282,374	1,654,227	113,834,089
Other financial assets	-	131,684	7,393	64,985	587,739	386,571	-	1,178,372
Total assets	<u>71,166,755</u>	<u>42,153,891</u>	<u>53,841,416</u>	<u>70,914,956</u>	<u>354,235,801</u>	<u>238,702,177</u>	<u>103,065,709</u>	<u>934,080,705</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Maturity analysis of assets and liabilities other than the derivative financial instruments (continued)**

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date (continued):

Dec. 31, 2016	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Cash and balances with central banks	-	-	580,374	632,983	25,324,563	-	-	26,537,920
Due from other banks	-	4,211,191	6,727,216	16,780,584	17,438,613	-	-	45,157,604
Placements from other institutions	-	-	3,801,745	20,029,393	11,396,816	-	-	35,227,954
Financial assets at fair value through profit and loss	-	5,969,935	147,471	113,512	-	-	-	6,230,918
Proceeds generated from repurchase agreements-	-	-	62,103,964	231,460	138,864	-	-	62,474,288
Deposit	-	320,641,319	26,577,451	43,296,828	87,790,728	73,003,039	12,676	551,322,041
Bond payable	-	-	20,580,899	35,003,606	31,303,120	18,392,500	15,796,000	121,076,125
Other financial liabilities	-	2,681,588	935,031	1,617,310	5,056,997	1,803,486	1,226,271	13,320,683
<b>Total liabilities</b>	<b>-</b>	<b>333,504,033</b>	<b>121,454,151</b>	<b>117,705,676</b>	<b>178,449,701</b>	<b>93,199,025</b>	<b>17,034,947</b>	<b>861,347,533</b>
Net amount of balance sheet liquidity	<u>71,166,755</u>	<u>(291,350,142)</u>	<u>(67,612,735)</u>	<u>(46,790,720)</u>	<u>175,786,100</u>	<u>145,503,152</u>	<u>86,030,762</u>	<u>72,733,172</u>
Off-balance sheet credit liquidity	<u>4,699,259</u>	<u>152,421,741</u>	<u>13,663,746</u>	<u>23,505,787</u>	<u>46,404,413</u>	<u>2,861,303</u>	<u>1,016,568</u>	<u>244,572,817</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Maturity analysis of assets and liabilities other than the derivative financial instruments (continued)**

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2015	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	54,566,179	11,623,261	-	-	-	-	-	66,189,440
Due from other banks	-	4,283,628	471,067	1,939,772	7,951,885	-	-	14,646,352
Loans to other banks	-	-	866,760	195,459	213,724	112,834	-	1,388,777
Financial assets at fair value through profit and loss	-	7,150,586	18,433	35,676	160,359	567,600	165,161	8,097,815
Reverse repurchase agreements	-	-	10,981,476	-	-	-	-	10,981,476
Loans and advance payments	2,918,495	419,729	21,483,334	34,842,566	142,921,790	59,898,087	14,770,780	277,254,781
Available-for-sale financial assets	-	-	13,712,746	20,201,610	148,011,665	41,390,023	39,532,453	262,848,497
Held-to-maturity investments	-	-	101,362	1,828,201	1,129,898	15,958,175	20,711,263	39,728,899
Accounts receivable held for investment	196,162	-	4,906,981	7,048,335	29,319,522	35,575,210	1,871,458	78,917,668
Other assets	-	-	11,559	15,423	124,840	145,034	-	296,856
<b>Total assets</b>	<b>57,680,836</b>	<b>23,477,204</b>	<b>52,553,718</b>	<b>66,107,042</b>	<b>329,833,683</b>	<b>153,646,963</b>	<b>77,051,115</b>	<b>760,350,561</b>



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.1 Maturity analysis of assets and liabilities other than the derivative financial instruments (continued)**

Maturity analysis of assets and liabilities other than the derivative financial instruments of the Company at the Balance Sheet date:

Dec. 31, 2015	Overdue /No Maturity	On demand	Within 1 month	1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
Items of liabilities								
Borrowings from central bank	-	-	4,844	9,375	1,731,374	-	-	1,745,593
Due to banks and other financial institutions	-	4,017,557	1,176,136	24,689,140	40,299,999	-	-	70,182,832
Placements from other institutions	-	-	8,750,308	4,735,149	6,827,692	-	-	20,313,149
Financial assets at fair value through profit and loss	-	53,455	-	42,111	87,116	-	-	182,682
Proceeds generated from repurchase agreements	-	-	32,643,943	13,478,896	384,693	-	-	46,507,532
Deposits	12,432,266	201,830,358	25,889,723	38,233,102	75,404,668	50,819,128	8,033	404,617,278
Bond payable	-	-	3,747,140	42,231,843	73,024,417	18,791,200	16,485,700	154,280,300
Other liabilities	645,401	2,157,050	452,707	2,349,647	407,050	421,798	23,811	6,457,464
Total liabilities	<u>13,077,667</u>	<u>208,058,420</u>	<u>72,664,801</u>	<u>125,769,263</u>	<u>198,167,009</u>	<u>70,032,126</u>	<u>16,517,544</u>	<u>704,286,830</u>
Net amount of balance sheet liquidity	<u>44,603,169</u>	<u>(184,581,216)</u>	<u>(20,111,083)</u>	<u>(59,662,221)</u>	<u>131,666,674</u>	<u>83,614,837</u>	<u>60,533,571</u>	<u>56,063,731</u>
Off-balance sheet credit liquidity	<u>5,602,938</u>	<u>124,727,322</u>	<u>12,349,669</u>	<u>26,906,459</u>	<u>52,275,874</u>	<u>2,288,521</u>	<u>1,012,916</u>	<u>225,163,699</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.2 Cash flow analysis of derivative financial instruments**

*Derivative financial instruments at close-out netting*

Derivative financial instruments at close-out netting include interest rate and currency derivatives based on rate swap.

The table below represented cash flow distribution of derivative financial instruments at close-out netting with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments under specified periods is the cash flow that has not been converted into cash.

Dec. 31, 2016	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Interest rate swap	<u>(8,585)</u>	<u>(33,201)</u>	<u>10,783</u>	<u>17</u>	<u>(30,986)</u>
Dec. 31, 2015	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Currency swap	(20,244)	-	-	-	(20,244)
Interest rate swap	<u>4,348</u>	<u>(47,615)</u>	<u>(27,242)</u>	<u>-</u>	<u>(70,509)</u>

*Derivative financial instruments settled at full amount*

Derivative financial instruments settled at full amount include exchange rate derivatives for currency forward and swap.

The table below represented cash flow distribution of derivative financial settled at full amount with remaining maturity. Balance at the date of maturity means: from the balance sheet date to the contract expiry date, the amount of derivative financial instruments in specified periods is the contract cash flow, which has not been converted into cash.

Dec. 31, 2016	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(4,103,264)	(7,030,627)	(346,194)	-	(11,480,085)
Cash inflow	4,037,410	6,966,332	346,519	-	11,350,261
Currency swap					
Cash outflow	(244,366,870)	(272,199,166)	(22,275,495)	-	(538,841,531)
Cash inflow	244,705,200	274,112,360	22,016,106	-	540,833,666
Option					

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

Cash outflow	(7,296,833)	(10,534,965)	(20,640)	-	(17,852,438)
Cash inflow	7,289,707	10,461,841	20,843	-	17,772,391
Nobel metal agreement					
Cash outflow	(19,089,421)	(2,883,263)	-	-	(21,972,684)
Cash inflow	20,140,556	8,001,065	-	-	28,141,621

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**2. Liquidity risk (continued)**

**2.2 Cash flow analysis of derivative financial instruments (continued)**

*Derivative financial instruments settled at full amount (continued)*

Dec. 31, 2015	Within 3 months	3 months-1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(3,816,308)	(4,907,140)	(287,698)	-	(9,011,146)
Cash inflow	3,842,851	4,955,564	286,803	-	9,085,218
Currency swap					
Cash outflow	(112,183,427)	(150,960,575)	(5,856,305)	-	(269,000,307)
Cash inflow	112,045,273	150,945,429	5,951,650	-	268,942,352
Option					
Cash outflow	(2,400,492)	(2,384,970)	(1,893)	-	(4,787,355)
Cash inflow	2,408,059	2,391,238	1,971	-	4,801,268
Nobel metal agreement					
Cash outflow	(3,042,284)	(5,537,097)	-	-	(8,579,381)
Cash inflow	3,948,653	3,946,882	-	-	7,895,535

**3. Market risk**

Market risk can exist within non-transaction business, as well as transaction business.

The Group established market risk management institutions and teams with the Market Risk Department observing the market risk exposures of the trade, which is also responsible for preparing the relative market risk management policies and submitting them to the Risk Management Committee. Under the current risk management structure, the Market Risk Department is mainly responsible for managing the risks arising from transaction business market and foreign exchange. And the risks of the transaction business market of the Company mainly comes from the market maker business, client-investment business and some short-term market investment profit chances.

The Group in compliance with the established standard and current management capability measures the market risks through sensitivity analysis. Before releasing new products or business, its market risks shall be identified according to corresponding regulations and rules.

**3.1 Interest rate risk**

The interest rate risk of the Group arises from the mismatch of the agreed maturity of interest-bearing assets and interest-paying liabilities and the re-pricing date. And the

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

interest-bearing assets and interest-paying liabilities of the Group are mainly counted in the unit of RMB. RMB benchmark interest rate issued by People's Bank of China has set rules for the lower limit of RMB loan interest rate and the upper limit of RMB deposit interest rate.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec. 31, 2016	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Items of assets							
Cash and balances with central banks	87,783,381	-	-	-	-	5,593,334	93,376,715
Due from other banks	6,326,574	229,500	10,471,850	-	-	-	17,027,924
Loans to other banks	1,775,801	331,570	4,595,148	-	-	-	6,702,519
Financial assets at fair value through profit and loss	5,495,328	1,049,770	490,134	987,602	19,876	233,600	8,276,310
Derivative financial assets	-	-	-	-	-	13,939,542	13,939,542
Reverse repurchase agreements	19,636,900	-	94,704	-	-	-	19,731,604
Loans and advance payments	22,930,504	33,967,543	152,130,173	50,309,434	5,983,295	27,467,392	292,788,341
Available-for-sale financial assets	4,664,767	27,720,610	138,773,654	48,593,720	47,897,670	12,888,048	280,538,469
Held-to-maturity investments	262,964	148,335	1,084,729	19,382,031	18,480,142	12,500	39,370,701
Accounts receivable held for investment	6,799,663	5,098,607	27,515,465	58,711,763	1,255,572	195,245	99,576,315
Other financial assets	-	-	-	-	-	5,141,673	5,141,673
Total assets	<u>155,675,882</u>	<u>68,545,935</u>	<u>335,155,857</u>	<u>177,984,550</u>	<u>73,636,555</u>	<u>65,471,334</u>	<u>876,470,113</u>

**XI. Financial Instruments and Risk Analysis (continued)**

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date (continued):

Dec. 31, 2016	Within 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Overdue/no interest	Total
Item of liabilities							
Due to the central bank	500,000	500,000	25,000,000	-	-	-	26,000,000
Due to banks and other financial institutions	10,808,574	16,560,597	17,214,893	-	-	-	44,584,064
Placements from other institutions	3,721,582	19,871,898	11,239,354	-	-	-	34,832,834
Financial assets at fair value through profit and loss	-	-	-	-	-	6,230,918	6,230,918
Derivative financial liabilities	-	-	-	-	-	12,164,267	12,164,267
Proceeds generated from repurchase agreements	62,082,445	230,838	137,932	-	-	-	62,451,215
Deposits	321,671,681	32,351,053	75,403,553	62,731,044	11,466	19,236,187	511,404,984
Bond payable	20,391,095	34,751,591	29,875,801	14,987,042	12,979,130	-	112,984,659
Other liabilities	-	-	-	-	-	20,480,985	20,480,985
Total liabilities	<u>419,175,377</u>	<u>104,265,977</u>	<u>158,871,533</u>	<u>77,718,086</u>	<u>12,990,596</u>	<u>58,112,357</u>	<u>831,133,926</u>
Interest sensitive gap	<u>(263,499,495)</u>	<u>(35,720,042)</u>	<u>176,284,324</u>	<u>100,266,464</u>	<u>60,645,959</u>	<u>7,358,977</u>	<u>45,336,187</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date (continued):

Dec. 31, 2015	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	63,073,819	-	-	-	-	3,115,621	66,189,440
Due from other banks	4,708,385	1,800,000	7,691,591	-	-	-	14,199,976
Loans to other banks	866,701	194,805	212,987	106,650	-	-	1,381,143
Financial assets at fair value through profit and loss	200,075	490,014	811,396	3,105,712	2,146,012	286,682	7,039,891
Derivative financial assets	-	-	-	-	-	3,537,564	3,537,564
Reverse repurchase agreements	10,980,600	-	-	-	-	-	10,980,600
Loans and advance payments	20,788,300	32,100,155	131,590,387	26,429,047	5,549,090	31,942,126	248,399,105
Available-for-sale financial assets	13,149,332	19,008,007	144,615,186	35,074,132	19,744,122	17,653,912	249,244,691
Held-to-maturity investments	-	1,589,892	273,875	11,943,005	18,864,740	-	32,671,512
Accounts receivable held for investment	4,482,712	6,347,798	26,606,853	31,975,947	1,622,577	195,245	71,231,132
Other assets	-	-	-	-	-	3,062,001	3,062,001
Total assets	<u>118,249,924</u>	<u>61,530,671</u>	<u>311,802,275</u>	<u>108,634,493</u>	<u>47,926,541</u>	<u>59,793,151</u>	<u>707,937,055</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date (continued):

Dec. 31, 2015	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	-	-	1,700,000	-	-	-	1,700,000
Due to banks and other financial institutions	3,412,136	19,733,973	45,486,400	-	-	-	68,632,509
Placements from other institutions	11,229,615	4,280,087	4,690,905	-	-	-	20,200,607
Financial assets at fair value through profit and loss	-	-	-	-	-	182,682	182,682
Derivative financial liabilities	-	-	-	-	-	3,355,296	3,355,296
Proceeds generated from repurchase agreements	32,634,101	13,478,896	384,693	-	-	-	46,497,690
Deposits	211,802,179	32,395,999	61,549,109	43,834,733	10,450,438	11,340,992	371,373,450
Bond payable	998,016	44,062,490	71,037,832	14,980,914	12,977,515	-	144,056,767
Other liabilities	-	-	-	-	-	12,653,340	12,653,340
<b>Total liabilities</b>	<b>260,076,047</b>	<b>113,951,445</b>	<b>184,848,939</b>	<b>58,815,647</b>	<b>23,427,953</b>	<b>27,532,310</b>	<b>668,652,341</b>
<b>Interest sensitive gap</b>	<b>(141,826,123)</b>	<b>(52,420,774)</b>	<b>126,953,336</b>	<b>49,818,846</b>	<b>24,498,588</b>	<b>32,260,841</b>	<b>39,284,714</b>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Sensitivity analysis is the primary instrument for measuring and controlling the risks in the transaction business market, of which the duration analysis is to evaluate the potential influences of the market price fluctuation of the fixed-profit financial instruments to the Company's benefits and equity. And the gap analysis is mainly used by the Company to control the risks in the non-transaction business market.

Duration analysis is also called as persistent period analysis or duration elastic analysis, which is a method to measure the influences on the economic values of the banks caused by the fluctuations of interest rate, and also one of the methods to evaluate the sensitivity of interest rate's fluctuation.

Gap analysis is used to predicate the cash flow conditions in the future by calculating the balance between assets and liabilities in a specific duration in the future.

The Group primarily adopts sensitivity analysis to measure and control the interest rate risks. For the portfolio of available-for-sale bond investment, the Group uses duration analysis to evaluate the potential influences of the market price fluctuation of this kind of financial instrument market to the benefits and equity of the Group. And for the non-transaction financial assets and liabilities with Held-to-maturity bond investment, clients' loans and deposits as the primary content, the Company uses gap analysis to measure and control the interest rate risks of this kind of financial instruments.

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows:

1) Duration analysis

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	28,451	(28,451)
	Dec. 31, 2015	
Alteration (base point) of interest rate	(100)	100

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Alteration of gain or loss by interest rate risk	230,961	(230,961)
--	---------	-----------

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

1) Duration analysis (continued)

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	4,704,029	(4,704,029)
	Dec. 31, 2015	
Alteration (base point) of interest rate	(100)	100
Alteration of rights and interests by interest rate risk	2,423,082	(2,423,082)

The Group adopts Macaulay duration analysis. Macaulay duration of the transaction bond investment and available-for-sale bond investment is received from specialty software by the Group and analyzed and calculated with Summit system to get an accurate understanding of the influences of interest rate risks to the Group.

2) Gap analysis

Gap analysis results in compliance with non-transaction financial assets and liabilities at that time to the Balance Sheet date as follows:

	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of profit before tax by interest rate risk	3,075,320	(3,075,320)
	Dec. 31, 2015	
Alteration (base point) of interest rate	(100)	100
Alteration of profit before tax by interest rate risk	2,304,292	(2,304,292)

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.1 Interest rate risk (continued)**

Descriptive information and quantitative information of sensitivity analysis of the Company are as follows (continued):

2) Gap analysis (continued)

The above gap analysis is proceed on the presumption that non-transaction financial assets and liabilities have static interest rate risks. And the analysis only measures the fluctuations of interest rate within one year, reflecting the influences on the gain and loss of the Group in a year by the re-pricing of the non-transaction financial assets and liabilities. The analysis is based on the presumptions that: (1) the incurred amounts of various non-transaction financial instruments don't change; (2) the income curve moves in parallel according to the changes of interests; (3) the portfolio of non-transaction financial assets and liabilities are released from other changes. Based on the above analysis, the real changes of the gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

3) Summit system analysis

The Company adopts Summit system analysis to measure and manage the risks of derivative financial instruments. This system is mainly designed to comprehensively weigh the influences of factors like interest rate, exchange rate and stock price on the fair values of derivative financial instruments. The cash positions of derivative financial instruments held by the Company are mainly effected by interest rate.

Summit system analysis results in compliance with cash positions of derivative financial instruments at that time to the Balance Sheet date as follows:

	Dec. 31, 2016	
Alteration (base point) of interest rate	(100)	100
Alteration of fair values of derivative financial instruments by interest rate risk	(79,433)	79,433
	Dec. 31, 2015	
Alteration (base point) of interest rate	(100)	100

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Alteration of fair values of derivative financial instruments by interest rate risk	(257,477)	257,477
---	-----------	---------

**3.2 Foreign exchange risk**

The Group is established in the territory of the People's Republic of China and operates within and mainly deals with Renminbi businesses, along with USD business for the foreign exchange.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.2 Foreign exchange risk (continued)**

From 21 July 2005 on, People's Bank of China started to implement the floating exchange regime based on the supply and demand of the market and adjust in reference to the principle of "basket of currencies", which caused a gradual rising of Renminbi against U.S. dollars.

Assets and liabilities in compliance with currencies as follows:

Dec. 31, 2016	RMB	USD	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of assets				
Cash and balances with central bank	89,308,499	4,011,082	57,134	93,376,715
Due from other banks	13,398,673	2,734,912	894,339	17,027,924
Loans to other banks	6,118,000	544,064	40,455	6,702,519
Financial assets at fair value				
through profit and loss	8,276,310	-	-	8,276,310
Derivative financial assets	5,084,858	8,847,767	6,917	13,939,542
Reverse repurchase agreement	19,731,604	-	-	19,731,604
Loans and advance payments	286,565,371	5,839,208	383,762	292,788,341
Available-for-sale financial assets	278,267,857	2,084,295	186,317	280,538,469
Held-to-maturity investments	39,370,701	-	-	39,370,701
Accounts receivable held				
for investment	99,576,315	-	-	99,576,315
Other assets	<u>5,112,760</u>	<u>28,301</u>	<u>612</u>	<u>5,141,673</u>
<b>Total assets</b>	<b><u>850,810,948</u></b>	<b><u>24,089,629</u></b>	<b><u>1,569,536</u></b>	<b><u>876,470,113</u></b>
Dec. 31, 2016	RMB	USD	Other currencies	Total
		Converted to RMB	Converted to RMB	
Items of liabilities				
Due to central bank	26,000,000	-	-	26,000,000
Due to banks and other financial institutions	23,064,437	21,519,353	274	44,584,064
Placements from other institutions	11,396,000	20,899,317	2,537,517	34,832,834
Financial assets at fair value				
through profit and loss	260,984	-	5,969,934	6,230,918
Derivative financial liabilities	12,113,249	36,379	14,639	12,164,267
Proceeds generated by				
repurchase agreements	62,451,215	-	-	62,451,215
Deposit	489,881,899	20,150,241	1,372,844	511,404,984
Bonds payable	112,984,659	-	-	112,984,659
Other liabilities	<u>20,245,669</u>	<u>232,241</u>	<u>3,075</u>	<u>20,480,985</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Total liabilities	<u>758,398,112</u>	<u>62,837,531</u>	<u>9,898,283</u>	<u>831,133,926</u>
Balance sheet net position	<u>92,412,836</u>	<u>(38,747,902)</u>	<u>(8,328,747)</u>	<u>45,336,187</u>
Off-balance sheet position	<u>229,424,442</u>	<u>11,770,266</u>	<u>3,378,109</u>	<u>244,572,817</u>



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.2 Foreign exchange risk (continued)**

Assets and liabilities in compliance with currencies as follows: (continued):

Dec. 31, 2015	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
<b>Items of assets</b>				
Cash and balances with central bank	64,897,967	1,247,198	44,275	66,189,440
Due from other banks	11,522,482	1,730,095	947,399	14,199,976
Loans to other banks	674,650	706,493	-	1,381,143
<b>Financial assets at fair value</b>				
through profit and loss	7,039,891	-	-	7,039,891
Derivative financial assets	1,173,480	2,329,430	34,654	3,537,564
Reverse repurchase agreement	10,980,600	-	-	10,980,600
Loans and advance payments	241,670,244	5,754,672	974,189	248,399,105
Available-for-sale financial assets	248,210,989	1,033,702	-	249,244,691
Held-to-maturity investments	32,671,512	-	-	32,671,512
Accounts receivable held for investment	71,178,859	52,273	-	71,231,132
Other assets	<u>3,042,310</u>	<u>7,433</u>	<u>12,258</u>	<u>3,062,001</u>
<b>Total assets</b>	<u><u>693,062,984</u></u>	<u><u>12,861,296</u></u>	<u><u>2,012,775</u></u>	<u><u>707,937,055</u></u>
Dec. 31, 2015	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
<b>Items of liabilities</b>				
Due to central bank	1,700,000	-	-	1,700,000
Due to banks and other financial institutions	63,410,510	4,974,392	247,607	68,632,509
Placements from other institutions	14,488,000	5,711,403	1,204	20,200,607
<b>Financial assets at fair value</b>				
through profit and loss	182,682	-	-	182,682
Derivative financial liabilities	3,118,507	51,318	185,471	3,355,296
Proceeds generated by repurchase agreements	46,497,690	-	-	46,497,690
Deposit	352,511,579	11,418,205	7,443,666	371,373,450
Bonds payable	144,056,767	-	-	144,056,767
Other liabilities	<u>12,492,573</u>	<u>83,656</u>	<u>77,111</u>	<u>12,653,340</u>
<b>Total liabilities</b>	<u><u>638,458,308</u></u>	<u><u>22,238,974</u></u>	<u><u>7,955,059</u></u>	<u><u>668,652,341</u></u>
<b>Balance sheet net position</b>	<u><u>54,604,676</u></u>	<u><u>(9,377,678)</u></u>	<u><u>(5,942,284)</u></u>	<u><u>39,284,714</u></u>
<b>Off-balance sheet position</b>	<u><u>207,496,506</u></u>	<u><u>15,096,853</u></u>	<u><u>2,570,340</u></u>	<u><u>225,163,699</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.2 Foreign exchange risk (continued)**

The Company adopts sensitivity analysis to measure the possible influences of exchange rate changes to the net exchange loss and gain of the Group. Sensitivity analysis results in compliance with the exchange rates of assets and liabilities on 31 December 2016 and 31 December 2015 as follows:

		Dec. 31, 2016
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	470,766	(470,766)
Dec. 31, 2015		
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by exchange rate risk	153,197	(153,197)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and also calculates the influences of the rational changes of foreign currencies exchange rate against Renminbi on the net profits and equities when all the other factors remain stable. The analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 1% (absolute) against closing price on the balance sheet date (middle price); (2) currency rates fluctuate against Renminbi simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure. Based on the above analysis, the real changes of the net exchange gain and loss of the Company caused by fluctuation of interest rate may be different from the results received from sensitivity analysis.

**3.3 Disclosure of fair value**

**Financial assets and liabilities measured by fair value**

Fair value is the price the market participant receives when selling an asset or pays when transferring a liability in the orderly transaction on the date of measurement. The fair value measured and disclosed in the financial statement is determined on this basis price that is either observable or estimated using a valuation technique.

The financial assets and financial liabilities measured by fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.

Level 3: the unobservable inputs of the related assets or liabilities.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities measured by fair value (continued)**

As of Dec. 31, 2016, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

	Open Market Price (Lv. 1)	Valuation technique- Observable market variable (Lv. 2)	Valuation technique- Unobservable market variable (Lv. 3)	Total
2016				
Continues fair value measurement				
Nobel metal	269,586	-	-	269,586
Financial assets at fair value through profit and loss	230,600	8,042,710	3,000	8,276,310
Derivative financial assets	-	13,939,542	-	13,939,542
Financial assets available for sale	<u>9,683,256</u>	<u>270,855,213</u>	<u>-</u>	<u>280,538,469</u>
Total financial assets	<u>10,183,442</u>	<u>292,837,465</u>	<u>3,000</u>	<u>303,023,907</u>
Financial assets at fair value through profit and loss	5,969,934	260,984	-	6,230,918
Derivative financial liabilities	<u>-</u>	<u>12,164,267</u>	<u>-</u>	<u>12,164,267</u>
Total financial liabilities	<u>5,969,934</u>	<u>12,425,251</u>	<u>-</u>	<u>18,395,185</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities measured by fair value (continued)**

As of Dec. 31, 2015, 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
2015				
Continues fair value measurement				
Nobel metal	1,540,475	-	-	1,540,475
Financial assets at fair value through profit and loss	298,318	6,739,573	2,000	7,039,891
Derivative financial assets	-	3,537,564	-	3,537,564
Financial assets available for sale	<u>8,125,878</u>	<u>241,118,813</u>	<u>-</u>	<u>249,244,691</u>
Total financial assets	<u>9,964,671</u>	<u>251,395,950</u>	<u>2,000</u>	<u>261,362,621</u>
Financial assets at fair value through profit and loss	53,455	129,227	-	182,682
Derivative financial liabilities	<u>-</u>	<u>3,355,296</u>	<u>-</u>	<u>3,355,296</u>
Total financial liabilities	<u>53,455</u>	<u>3,484,523</u>	<u>-</u>	<u>3,537,978</u>

In 2016 and 2015, 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 the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities measured by fair value (continued)**

For the financial instruments that are traded in the active market, the Group determines their fair values in compliance with the quotation of the active market; for the financial instruments that are not traded in the active market, the Group determines their fair values in compliance with the valuation technique. The primary valuation model adopted is the discount cash flow method. The level 2 financial instruments of the Group mainly include the bond investment and derivative financial instruments. The fair value of Renminbi bond is determined in compliance with the valuation results of China Government Securities Depository Trust & Clearing Co., Ltd. and the derivative financial instruments are valued complying with discount cash flow method and Black-Scholes Model. All the major valuation parameters adopt the valuation method that can observe the market information. Except some investment adopts the latest transaction price of similar or same financial instruments, the unlisted equity investment held by the Group mainly adopts comparative company valuation multiplier method and is adjusted appropriately, such as in terms of liquidity shortage. Such fair value may be measured by unobservable parameters that have significant influence in the valuation, so the Group classifies these assets and liabilities as level 3. The unobservable parameters that may have influence in the valuation include discount for lack of liquidity. As of Dec. 31, 2016, fair value changes caused by the change of the above unobservable parameters are not significant. The management have evaluated the influence of macro economic changes, evaluation of external assessors, loss coverage and other parameters, to determine whether to adjust the fair value of level 3 financial instruments. The Group has set up a relevant internal control procedure to monitor the exposure of the Group to such financial instruments.

**Adjustment of fair value measurement**

Adjustment of continuous L3 fair value measurements is as follows:

	<u>2016</u>	<u>2015</u>
Financial assets at fair value through profit and loss		
Beginning balance	2,000	-
Transfer to L3	-	-
Purchase	1,000	2,000
Included in gains and losses	<u>-</u>	<u>-</u>
End balance	<u>3,000</u>	<u>2,000</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XI. Financial Instruments and Risk Analysis (continued)**

**3. Market risk (continued)**

**3.3 Disclosure of fair value (continued)**

**Financial assets and liabilities not measured by fair value**

Financial assets and liabilities not measured by fair value include: cash and balances in the central bank, due from other banks, lending, reverse repurchase agreements, loans and advance payment, held-to-maturity investment, account receivable investment, borrowings from central bank, placements from other banks and financial institutions, loans from other banks, repurchase agreements, deposits and bond payable.

For the held-to-maturity investment, accounts receivable investment and bond payable that are not reflected or disclosed by fair value, their book values and fair values are as follows:

	Dec. 31, 2016		Dec. 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Held-to-maturity investment	39,370,701	40,420,687	32,671,512	34,264,907
Accounts receivable investment	<u>99,576,315</u>	<u>99,587,232</u>	<u>71,231,132</u>	<u>71,280,738</u>
Financial liabilities:				
Bond payable	<u>112,984,659</u>	<u>112,532,193</u>	<u>144,056,767</u>	<u>145,275,093</u>

Besides the above financial assets and liabilities, the fair values of the other financial assets and liabilities of the balance sheet not measured by fair value are determined in compliance with future discount cash flow method and their book values are similar to their fair values:

Assets	Liabilities
Cash and deposit of central bank	Borrowings from central bank
Deposits in other banks	Deposits from banks and other financial institutions
Loans to other banks	Loans from other banks
Reverse repurchase agreement	Proceeds generated from repurchase agreements
Loans and advances	Deposit
Other financial assets	Other financial liabilities

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XII. Other Items After Balance Sheet Day**

According to the resolution of the Board of Directors held on 26 April 2017, the profit distribution plan (predetermined) of the year 2016 is listed as follow:

- 1) Distribute 10% of 2016 net profit RMB 765,625,000 as statutory welfare reserve;
- 2) According to *Administrative Measures for the Withdrawal of Reserves of Financial Enterprises* (C.J. [2012] No. 20), The Company will withdraw the amount of 1.5% of risk assets value RMB 1,157,411,000 as general provision;
- 3) In 2016, based on the total 3.9 billion shares at the end of the year, the payment of cash dividend is RMB 3.5 (including tax (i.e. RMB 0.35 as cash dividend per share)) per 10 shares, totaled RMB 1,364,928,000, and the Company transfers capital reserve to 3 shares for each 10 shares for all shareholders. This distribution decision is to be approved by the general meeting of shareholders.

Save as disclosed above, there's no other significant event of the Company that need to be disclosed after this balance sheet day.

**XIII. Notes to Main Items of the Financial Statement**

**1. Long-term equity investment**

**Year 2016**

Subsidiary	Beginning balance investment	Changes during the year					End book value	End impairment provision
		Increased investment	Gains & losses under equity method	Other comprehensive income	Other equity changes	Declare cash dividends		
Maxwealth Fund Management Co., Ltd.	135,000	-	-	-	-	-	135,000	-
Maxwealth Financial Leasing Co., Ltd.	<u>1,000,000</u>	-	-	-	-	-	<u>1,000,000</u>	-
	<u>1,135,000</u>	-	-	-	-	-	<u>1,135,000</u>	-

**Year 2015**

Subsidiary	Beginning balance investment	Changes during the year					End book value	End impairment provision
		Increased investment	Gains & losses under equity method	Other comprehensive income	Other equity changes	Declare cash dividends		
Maxwealth Fund Management Co., Ltd.	135,000	-	-	-	-	-	135,000	-
Maxwealth Financial Leasing Co., Ltd.	<u>1,000,000</u>	-	-	-	-	-	<u>1,000,000</u>	-
	<u>1,135,000</u>	-	-	-	-	-	<u>1,135,000</u>	-



**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XIII. Notes to Main Items of the Financial Statement (continued)**

**2. Fixed assets**

Year 2016	House and building	Transportation	Electronic equipment	Mechanical equipment	Decoration for self-owned houses	Total
Original price:						
Beginning balance	3,772,545	146,914	732,425	89,565	197,214	4,938,663
Purchase	193,741	15,950	113,902	16,219	35,913	375,725
Transfer from construction in progress	62,917	-	-	-	-	62,917
Write-off	-	(5,789)	(5,662)	(1,190)	-	(12,641)
End balance	<u>4,029,203</u>	<u>157,075</u>	<u>840,665</u>	<u>104,594</u>	<u>233,127</u>	<u>5,364,664</u>
Accumulated depreciation:						
Beginning balance	828,461	90,658	414,965	53,953	132,446	1,520,483
Provision	189,833	17,809	111,221	11,230	11,239	341,332
Write-off	-	(5,622)	(5,613)	(1,124)	-	(12,359)
End balance	<u>1,018,294</u>	<u>102,845</u>	<u>520,573</u>	<u>64,059</u>	<u>143,685</u>	<u>1,849,456</u>
Impairment provision:						
Beginning balance	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
End balance	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
Book value:						
End balance	<u>3,009,247</u>	<u>53,521</u>	<u>318,383</u>	<u>39,810</u>	<u>89,442</u>	<u>3,510,403</u>
Beginning balance	<u>2,942,422</u>	<u>55,547</u>	<u>315,751</u>	<u>34,887</u>	<u>64,768</u>	<u>3,413,375</u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XIII. Notes to Main Items of the Financial Statement (continued)**

**2. Fixed assets (continued)**

Year 2015	House and building	Transportation	Electronic equipment	Mechanical equipment	Decoration for self-owned houses	Total
Original price:						
Beginning balance	3,556,791	131,822	629,977	79,410	174,247	4,572,247
Purchase	41,170	23,100	125,139	11,610	18,671	219,690
Transfer from construction in progress	175,364	-	-	-	4,296	179,660
Write-off	(780)	(8,008)	(22,691)	(1,455)	-	(32,934)
End balance	<u>3,772,545</u>	<u>146,914</u>	<u>732,425</u>	<u>89,565</u>	<u>197,214</u>	<u>4,938,663</u>
Accumulated depreciation:						
Beginning balance	643,045	81,507	335,392	44,582	116,037	1,220,563
Provision	185,477	16,827	101,572	10,780	16,409	331,065
Write-off	(61)	(7,676)	(21,999)	(1,409)	-	(31,145)
End balance	<u>828,461</u>	<u>90,658</u>	<u>414,965</u>	<u>53,953</u>	<u>132,446</u>	<u>1,520,483</u>
Impairment provision:						
Beginning balance	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
End balance	<u>1,662</u>	<u>709</u>	<u>1,709</u>	<u>725</u>	<u>-</u>	<u>4,805</u>
Book value:						
End balance	<u>2,942,422</u>	<u>55,547</u>	<u>315,751</u>	<u>34,887</u>	<u>64,768</u>	<u>3,413,375</u>
Beginning balance	<u>2,912,084</u>	<u>49,606</u>	<u>292,876</u>	<u>34,103</u>	<u>58,210</u>	<u>3,346,879</u>

As of 31 Dec. 2016 and as of 31 Dec. 2015, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB 8,050,000 and RMB 176,890,000. The management believed that no any significant obstacle would affect the application for property ownership certificates of houses and buildings, and above issues had no material negative effects on the overall financial position of the Group.

As of 31 Dec. 2016 and as of 31 Dec. 2015, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 506,410,000 and RMB 396,113,000. The net book value was respectively RMB 14,681,000 and RMB 11,432,000.

As of 31 Dec. 2016 and as of 31 Dec. 2015, there were no temporarily idle fixed assets.

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

**XIII. Notes to Main Items of the Financial Statement (continued)**

**3. Net interest income**

	2016	2015
Interest income		
Loans and advances	14,359,034	14,291,232
<i>Including: corporate loans and advances</i>	8,161,218	8,094,054
<i>Personal loans and advances</i>	4,150,609	4,428,532
<i>Notes and bills discounts</i>	1,855,056	1,556,355
<i>Commercial financing</i>	192,151	212,291
Due from other banks	392,481	1,066,716
Balance with central bank	1,031,324	936,895
Placements to other financial institutions	175,007	138,920
Reserve repurchase agreement	330,478	382,390
Bond investment	4,569,617	3,322,007
<i>Including: financial assets held for trading</i>	227,111	380,619
Financial products and asset management plan	12,457,468	11,610,007
Others	<u>2,966</u>	<u>180</u>
	<u>33,318,375</u>	<u>31,748,347</u>
Interest payment		
Due to other banks	(2,209,485)	(3,144,107)
Borrowings from central bank	(198,397)	(12,004)
Placements from other institutions	(315,986)	(243,354)
Deposits	(8,133,684)	(7,978,026)
Financial assets sold for repurchase	(845,796)	(651,762)
Bond issuance	(4,758,346)	(4,170,328)
Others	<u>(2,210)</u>	<u>(1,260)</u>
	<u>(16,463,904)</u>	<u>(16,200,841)</u>
Net interest income	<u><u>16,854,471</u></u>	<u><u>15,547,506</u></u>

**Bank of Ningbo Co., Ltd.**  
**Notes to the Financial Statements (continued)**  
**For The Year Ended 31 December 2016**  
**Unit: CNY Thousand**

---

**XIII. Notes to Main Items of the Financial Statement (continued)**

**4. Operating activities cash flow**

	2016	2015
Net profit adjusted to operating activities cash flow		
Net profit	7,656,248	6,491,671
Add: loss for fixed assets impairment	5,154,406	3,716,850
Depreciation of fixed assets	341,332	331,065
Amortization of intangible assets	56,296	49,516
Amortization of deferred expenses	420,121	348,228
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	(330)	(338)
Loss (gain) of fair value adjustment	(1,619,522)	(253,887)
Investment income	(16,917,972)	(14,478,579)
Increase of deferred income tax assets	(204,033)	(313,623)
Increase of operating receivable	(58,454,377)	(26,279,007)
Increase of operating payable	<u>171,322,044</u>	<u>52,480,369</u>
	<u>107,754,213</u>	<u>22,092,265</u>

**XIV. Comparative Data**

Several comparative data have been recategorized and edited so as to comply with the presentation and accounting treatment requirements of the financial statement.

**Bank of Ningbo Co., Ltd.**  
**Supplementary to the Financial Statements**  
**Dec 31, 2016**  
**Unit: CNY Thousand**

**Supplementary to financial statement**

**1. List of non recurring gains and losses**

	2016	2015
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	227	338
Profit and loss from changes in the fair value of investment real estate which is subsequently measured at fair value	39	(37)
Receivables for impairment reversal of impairment testing alone	-	54,755
Other non-operating income and expense besides the above items	(1,482)	(3,440)
Affected amount of income tax	(763)	(13,745)
<b>Total</b>	<b>(1,979)</b>	<b>37,871</b>

The confirmation on the items of non-operating gains and loss of the Group is reported in compliance with CSRC Notice [2008] No. 43 *the Explanatory Announcement Concerning the Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Profit & Loss*.

Gains and loss generated by fair value change in respect of financial assets held for trading investment income received, by disposing financial assets held for trading and available-for-sale financial assets were recognized as a part of Company's operating gains and loss, thus excluded in non-operating gains and loss.

**2. ROE (return on equity) and earnings per share**

2016	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic	Diluted
ROE for ordinary shareholders	17.74	1.95	1.95
ROE for ordinary shareholders after deducting non-recurring gains and losses	17.75	1.95	1.95
2015	Weighted average ROE (%)	Earnings per share (RMB)	
		Basic	Diluted
ROE for ordinary shareholders	17.68	1.68	1.68
ROE for ordinary shareholders after deducting non-recurring gains and losses	17.58	1.67	1.67