



宁波银行
BANK OF NINGBO

BANK OF NINGBO CO.,LTD.

• 2014 ANNUAL
REPORT





Vision

To be a modern commercial bank with respectable performance, great reputation and core competence.

Corporate Culture

Honesty & Dedication

Reputation is the life of bank, which has a close bearing on the credit of bank. Honesty is the character alignment of the Company the fundamental character and professional ethics of staff as well. There are three requirements as follows: the overall requirement for the Company; the requirement for the character and personality of managers as well as individual staff; the ethic requirement for the Company in conducting each business. And dedication is the basic professional attainment of staff at all levels, requiring them to do everything well for the work with clear choice of aims, true values, positive working interests as well as the conscientious and responsible manners.

Compliance & High-efficiency

Compliance and high-efficiency are management principle and philosophy which we must consistently and actively practice and strive for. First, the Company must ensure that the links and processes of the operation and management as well as the development of various businesses are of lawfulness and compliance, rigor and accuracy, and risk-controlled. And on this basis, the Company ensures the efficient operation and policy-making of various businesses, pursuing the maximum effect and achieving the best benefits, creating higher returns for its shareholders.

Integration & Innovation

Integration and innovation are general requirements for management atmosphere and spirit. There are two meanings. For the overall bank and management team, the Company, as a Sino-foreign joint venture bank, should maintain fine openness, create a inclusive, harmonious, energetic and enterprising environment, good at arousing the enthusiasm and creativity of staff at all levels, blending and absorbing various categories of outstanding talents, advanced culture, business philosophy and management skills, continuously carrying out change and innovation, and making great efforts to enhancing its competitiveness; for staff, they should be of mutual harmony and trust, good at cooperating, good at getting along with different people harmoniously and working together friendly, while good at study, enthusiasm and aggressiveness, and continuous innovation.

Chapter One Important Notes

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 6th meeting of the 5th Board of Directors of the company approval the text and abstract of 2014 Annual Report on 24 April 2015. 15 out of 17 directors were present. Director Li Hanqiong authorize director Chen Guanghua to vote. Director Ben Shenglin authorize director Zhu Jiandi to vote. Part of supervisors attended this meeting as well.

The Company's profit distribution plan was passed by the Board of Directors as follows: taking the total share capital on 31 Dec. 2014 as the base number, cash bonus of RMB 4.5 yuan (including tax) per 10 shares was distributed to all shareholders, and 2 shares for every 10 shares were given by converting capital reserve into share capital. This plan will be submitted to 2014 general meeting of stockholders for further approval.

The Chairman of the board Mr. Lu Huayu, the president Mr. Luo Mengbo, the vice president Mr. Luo Weikai, who is in charge of accounting, and the general manager of accounting department Ms. Sun Hongbo hereby declare to pledge the authenticity, accuracy and completeness of financial statements in the annual report.

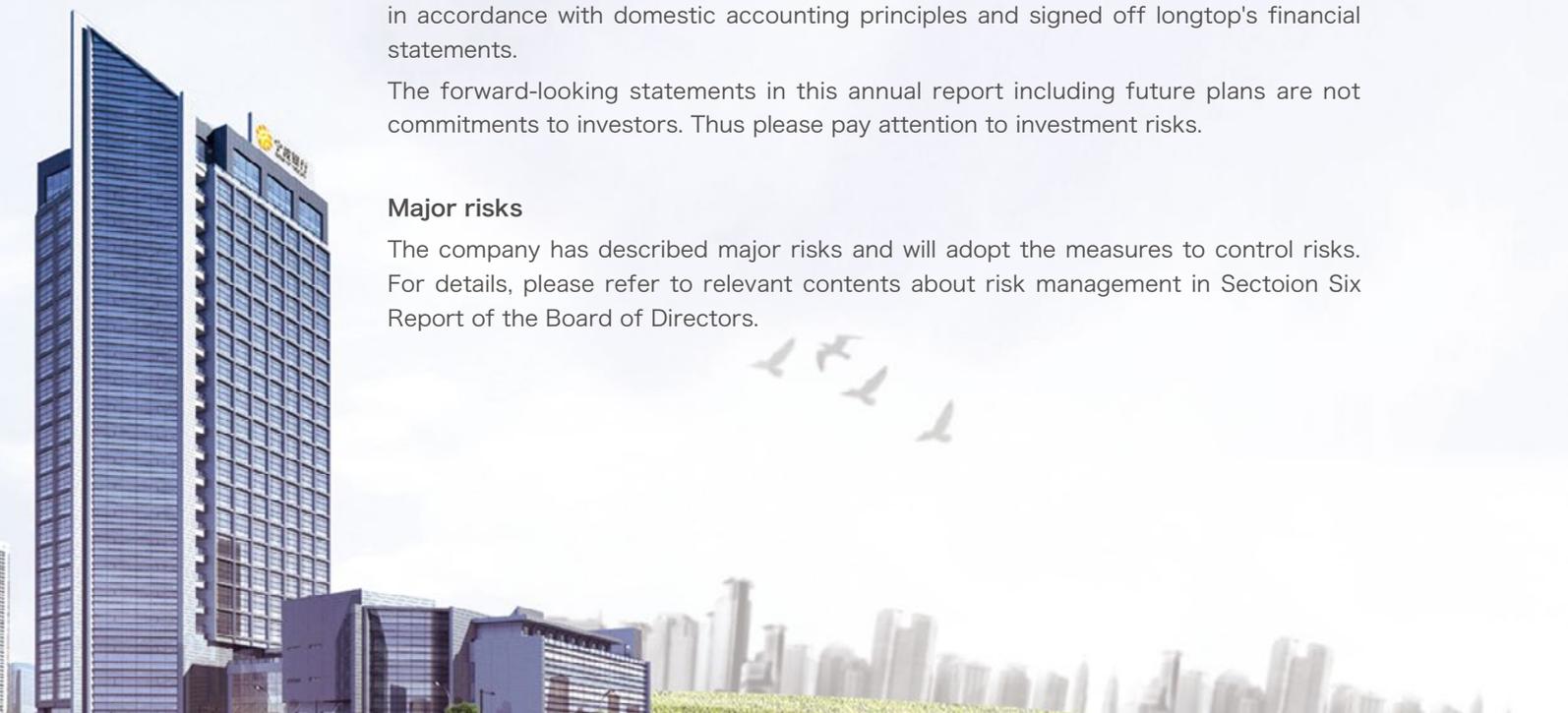
Financial data and indicators included in this annual report are following the criterias of the Chinese Accounting Standard for Business Enterprises. All data in the consolidated financial statements of Bank of Ningbo Co., Ltd. and its subsidiary Yongying Fund Management Co., Ltd. is subject to the unit of RMB except for further explanation.

Ernst & Young Hua Ming LLP audited the 2014 Financial Statements of the Company in accordance with domestic accounting principles and signed off longtop's financial statements.

The forward-looking statements in this annual report including future plans are not commitments to investors. Thus please pay attention to investment risks.

Major risks

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 Section Six Report of the Board of Directors.



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Chapter Two Company Profile

I. Company Information

Abbreviation of Stock	Bank of Ningbo
Stock Code	002142
Stock Exchange Listed	Shenzhen Stock Exchange
Chinese Name	宁波银行股份有限公司
Chinese Abbreviation	宁波银行
English Name	Bank of Ningbo Co., Ltd
English Abbreviation	Bank of Ningbo
Legal Representative	Lu Huayu
Registered Address	No.700, South Ningnan Road, Yinzhou District, Ningbo City, Zhejiang Province, China
Post Code of Registered Address	315100
Office Address	No.700, South Ningnan Road, Yinzhou District, Ningbo City, Zhejiang Province, China
Post Code of Office Address	315100
Website	WWW.NBCB.COM.CN
E-mail	DSH@NBCB.COM.CN

II. Contact

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Yang Chen	Chen Junfeng
Address	No.700, South Ningnan Road, Yinzhou District, Ningbo City, Zhejiang Province	No.700, South Ningnan Road, Yinzhou District, Ningbo City, Zhejiang Province
Telephone	0574-87050028	0574-87050028
Fax	0574-87050027	0574-87050027
E-mail	DSH@NBCB.COM.CN	DSH@NBCB.COM.CN

Chapter Two Company Profile (continued)

III. Information Disclosure and Place of Maintenance

Newspaper Nominated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website Nominated by China Securities Regulatory Commission (CSRC) for Annual Report Publishment	http://www.cninfo.com.cn
Place for Maintenance of the Annual Report	Office of the Board of Directors of Bank of Ningbo Co., Ltd.

IV. Registration Changes

	Registration Date	Registration Place	Registration No. of Business License of Enterprise as Legal Person	Tax Registration No.	Organization Code
Initial Registration	April 10 th , 1997	Ningbo Administrative Bureau for Industry and Commerce	No. 330200400003994	G.S.Y.Z.NO. 330201711192037, S.Y.D.Z. NO. 330204711192037	71119203-7
Changes of Main Business After Listing					None
Changes of Controlling Shareholders in the Past					None

V. Other Information

(I) Accounting firm appointed by the company

Name of Accounting Firm	Ernst & Young Hua Ming LLP (Limited Liability Partnership)
Office Address of the Accounting Firm	Floor 50 of Shanghai World Financial Center, No.100, Century Avenue, Shanghai City
Signed Accountants	Guo Hangxiang, Chen Sheng

Chapter Two Company Profile (continued)

(II) Sponsor Institution Engaged for Continuous Supervision during the Reporting Period

Sponsor Institution	Office Address of the Sponsor Institution	Sponsor Representative	Period of Continuous Supervision
CITIC Securities	CITIC Securities Mansion, No.48, Liangmaqiao Road, Chaoyang District, Beijing CITIC Securities Mansion, No.8, Central 3rd Road, Futian District, Shenzhen City, Guangdong Province	Jiang Yin, Qiu Zhiqian	From Oct.9, 2014 to the end of 2015 accounting year

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

VI. Development Vision, Enterprise Culture and Investment Value

(I) **Development Vision:** to develop as a respected modern commercial bank with a good reputation and core competitiveness

(II) **Enterprise Culture:** honesty and professionalism, compliance and efficiency, integration and innovation

(III) **Investment Value:**

1. Adhere to the entry principle of "knowing the market and understanding the customers", insist on creating eight profit centers, namely Cooperate Banking, Retail Banking, Personal Banking, Financial Market, Credit Card Center, Bill Business, Investment Banking, Asset Custody, etc., so as to form a diversified profit growth mode.

2. Adhere to the development strategy of "joint development of regional markets", continue to promote unified actions between the head office, branches and sub-branches, comprehensively design business procedures, and continuously enhance execution construction. The scale and profit of branches have exceeded fifty percent, of the whole company, the scale and profit of Personal Banking and Retail Company in Ningbo are increased to 50% as well.

Chapter Two Company Profile (continued)

3. Follow business aim of "being well-matched, serving small and medium-sized enterprises", offer specialized financing service to customers; since the smooth running of Maxwealth Fund Management Co., Ltd. which is dominated by the Company, Maxwealth Financial Leasing Co., Ltd., as company's wholly-owned subsidiary, is authorized. The means of services become more flexible, while the range is widen.

4. Abide by the concept "reducing cost by controlling risk", build a full-process risk management mode and a vertical independent credit approval system, strictly implement the five mechanisms for prevention and continue to optimize compliance management, so as to keep asset quality at a good level and to prevent various risks effectively.

VII. Major Awards and Rankings in 2014

(I) In January, 2014, "Best Small and Medium-Sized Commercial Bank" on the 2nd "Leading China" Summit Forum of innovation and development in financial industry, which was jointly hold by JRJ.com and PBC School of Finance in the Tsinghua University;

(II) In May, 2014, "2013 Best Small and Medium-Sized Corporate" in the 1st competition of listed companies, organized by Sina Finance;

(III) In May, 2014, special award of the 3rd Ningbo "Top Ten Donation Enterprises" issued by the Ningbo Charity Federation;

(IV) In June, the third place of "2013 Scientific and Technological Development Award" offered by the Head Office of the People's Bank of China in the platform of company's medium and small-sized enterprise online financing business project;

(V) In July, 2014, "2013 Best Jin Niu Investor Award" by China Securities Journal;

(VI) In July, 2014, on "the 2nd Jin Niu Financial Management Forum", the company and its products were rewarded as "2013 Jin Niu Money Management Banking Award" and "2013 Jin Niu Products of Money Management";

(VII) In September, 2014, the 2nd Outstanding Contribution Award of China Charity (company award)" issued by the China Charity Federation;

(VIII) In September, 2014, in the list of "2014 Top 1000 International Banks" issued by the Banker, the Company was ranked the 220th with about 4.165 billion U.S. dollars tier-I capital;

Chapter Two Company Profile (continued)

(IX) In September, 2014, in the list of "2014 Top 500 International Banks" issued by the Banker, the Company was ranked the 264th and rated as A+;

(X) In December, 2014, the Company was rated as Baa2 by Moody, the same as famous national commercial banks;

(XI) In January, 2015, "The Most Influential Award in 2014" and "The Best Derivatives Transaction Award in 2014" in domestic currency market between banks, which were issued by the China Foreign Exchange Trade System(CFETS); transaction supervisors and traders were respectively rewarded by the titles of "Excellent Transaction Supervisor" and "Excellent Trader".

Chapter Three Highlights of Accounting Data and Financial Indicators

I. Key Accounting Data and Financial Indicators

During the reporting period, the Company carried out adjustments on previous accounting data as the accounting policies have changed, seeing "II. Compiling Basis of Financial Statement, 2. several amended/new accounting standards" for details.

Operating Performance (RMB thousand Yuan)	Year 2014	Year 2013	Increases/ Decreases by this year	Year 2012
Operating Income	15,356,750	12,761,479	20.34%	10,341,836
Operating Profit	7,026,577	6,060,031	15.95%	5,044,548
Total Profit	7,006,892	6,051,379	15.79%	5,098,041
Net Profit	5,634,130	4,847,265	16.23%	4,068,137
Net Profit Belonging to Shareholders of the Parent Company	5,627,466	4,847,071	16.10%	4,068,137
Net Profit Belonging to Shareholders of the Parent Company After Non- recurring Profits and Losses	5,645,248	4,852,157	16.35%	4,032,721
Net Cash Flow from Operating Activities	22,776,297	38,737,119	(41.20%)	48,165,044
Per Share (RMB Yuan/share)				
Basic Earnings per share (EPS)	1.89	1.68	12.50%	1.41
Diluted Earnings per share (EPS)	1.89	1.68	12.50%	1.41
Basic EPS after Non-recurring Profits and Losses	1.90	1.68	13.10%	1.40
Net Cash Flow from Operating Activities per share	7.01	13.43	(47.80%)	16.70
Net Asset per share Belonging to the Parent Company	10.49	8.84	18.67%	7.67
Financial Ratios				
Fully-diluted Return on Equity (ROE)	16.51%	19.00%	Decreased by 2.49 percentage	18.39%
Weighted Average ROE	19.45%	20.41%	Decreased by 0.96 percentage	19.97%

Chapter Three Highlights of Accounting Data and Financial Indicators (continued)

Operating Performance (RMB thousand Yuan)	Year 2014	Year 2013	Increases/ Decreases by this year	Year 2012
Fully-diluted ROE after Non-recurring Profits and Losses	16.56%	19.02%	Decreased by 2.46 percentage	18.23%
Weighted Average ROE after Non-recurring Profits and Losses	19.51%	20.43%	Decreased by 0.92 percentage	19.80%

Note: 1. The relevant indicators are calculated in accordance with the provisions of No.2 of Information Disclosure Contents and Format Norm for the Companies Issuing Securities Publicly—Contents and Format of Annual Report (revised in 2014) and 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).

2. Operating income includes net interest income, net fees and commissions income, investment income, gains from changes in the fair value, exchange gains and other business incomes.

Scale indicators (RMB thousand yuan)	Dec. 31, 2014	Dec. 31, 2013	Increases/ Decreases by this year	Dec. 31, 2012
Total Assets	554,112,618	462,188,029	19.89%	369,942,846
Client Loans and Advances	210,062,182	171,189,666	22.71%	145,617,543
–Personal Loans and Advances	72,735,349	53,237,185	36.63%	35,621,124
–Corporate Loans and Advances	127,804,398	114,769,741	11.36%	103,692,853
–Discount on Notes	9,522,435	3,182,740	199.19%	6,303,566
Loan Loss Reserve	5,312,304	3,887,496	36.65%	3,052,914
Total Liabilities	519,948,406	436,666,141	19.07%	347,825,886
Client Deposits	306,531,829	255,278,327	20.08%	207,577,270
–Personal Deposit	74,206,208	61,399,447	20.86%	46,718,799
–Corporate Deposit	232,325,621	193,878,880	19.83%	160,858,471
Interbank Borrowing	14,071,981	13,015,003	8.12%	22,203,240

Chapter Three Highlights of Accounting Data and Financial Indicators (continued)

Scale indicators (RMB thousand yuan)	Dec. 31, 2014	Dec. 31, 2013	Increases/ Decreases by this year	Dec. 31, 2012
Shareholders' Equity	34,164,212	25,521,888	33.86%	22,116,960
Including: Equity Belonging to Shareholders of the Parent Company	34,091,097	25,506,693	33.66%	22,116,960
Net Capital	41,844,020	32,735,921	27.82%	Unapplicable
Including: Tier-I net Capital	33,994,546	25,414,476	33.76%	Unapplicable
Net Risk-weighted Assets	337,552,562	271,379,933	24.38%	Unapplicable

Note: retroactive adjustment has been carried on data in same periods of 2012 and 2013 in accordance with the latest enterprise accounting standard.

II. Non-recurring profit and loss items and amount

Unit: (RMB) Thousand

ITEM	Year 2014	Year 2013	Year 2012
Profit and loss from disposal of non-current assets, including the written-off part of accrued provision for assets impairment	100	(20,463)	64,849
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	(13)	1,871	(11,203)
Other non-operating incomes and expenditures except for the above items	(19,785)	11,811	(6,424)
Impacts by income tax	1,916	1,695	(11,806)
Total	(17,782)	(5,086)	35,416

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).

Chapter Three Highlights of Accounting Data and Financial Indicators (continued)

III. Additional Financial Indicators

ITEM		Regulatory Standard	Year 2014	Year 2013	Year 2012
According to Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trial)	Capital Adequacy Ratio (%)	≥10.5	12.40	12.06	Unapplicable
	Tier-I Capital Adequacy Ratio (%)	≥8.5	10.07	9.36	Unapplicable
	Core Tier-I Capital Adequacy Ratio (%)	≥7.5	10.07	9.36	Unapplicable
According to Rules for Regulating the Capital Adequacy Ratios of Commercial Banks	Capital Adequacy Ratio (%)	≥8	13.31	13.88	15.65
	Core Capital Adequacy Ratio (%)	≥4	10.32	10.16	11.49
Liquidity Ratio (RMB and foreign currencies) (%)		≥25	54.61	42.68	41.99
Liquidity coverage ratio (%)		≥60	101.48	Unapplicable	Unapplicable
Ratio of interbank (RMB) (%)	Proportion of borrowing funds	≤8	1.32	1.54	4.66
	Proportion of lending funds	≤8	0.89	0.22	3.30
Ratio of deposits and loans (RMB and foreign currencies) (%)		≤75	64.12	61.97	67.74
Ratio of non-performing loans (%)		≤5	0.89	0.89	0.76
Provision coverage (%)		≥150	285.17	254.88	275.39
Loan provisioning rate (%)			2.53	2.27	2.09
Loan proportion for the largest single client (%)		≤10	2.56	3.08	2.44
Loan proportion for the ten largest single clients (%)		≤50	12.70	15.54	16.10
Credit proportion for the largest single group client(%)		≤15	4.40	6.73	3.99

Chapter Three Highlights of Accounting Data and Financial Indicators (continued)

ITEM	Regulatory Standard	Year 2014	Year 2013	Year 2012
Normal loan migration rate (%)	Migration rate of normal loans	4.50	2.92	2.67
	Migration rate of special-mentioned loans	42.56	38.49	14.81
Migration rate of non-performing loans (%)	Migration rate of subprime loans	54.99	64.07	76.75
	Migration rate of doubtful loans	49.65	31.15	38.95
Return on total assets (%)		1.11	1.16	1.29
Interest collection ratio (%)		96.19	96.06	98.53
Cost-income ratio (%)		32.07	34.86	34.13
Asset-liability ratio (%)		93.83	94.48	94.02
Net interest spread (%)		2.50	2.46	2.76
Net interest margin (%)		2.51	2.51	2.83

Chapter Four Chairman's Statement

In 2014, as the world economic recovery remained shakily, Chinese economy, though relatively in a high growth rate, was confronted with emerging structural contradictions and decreasing. The banking industry faced a new era in financial evolution. However, as the marketization of interest rates accelerating, the internet financing emerging, regulatory policies becoming rigorous, and competition in the industry intensifying, banking industry is facing a more complex business environment.

Facing the new situation and new challenge, the Company persisted in the concept of "prudent operation and stable development". It actively seized market opportunities, accelerated the promotion of operational transformation, continued to advance the construction of profit centers, comprehensively enhanced risk control capacity and gradually improved management quality and competitiveness. Up to Dec.31st, 2014, the Company had a total asset of 554.113 billion Yuan and realized the annual net profit of 5.627 billion yuan attributed to the equity shareholders of the parent company, up by 16.10% compared to the previous year. It owned 246 operating institutions, increasing by 37 since the beginning of the year, It, thus effectively meets the requirements of sustainable development of the Company.

We continued to optimize business structure. The Company had established a business mode with eight profit centers cooperated, namely Corporate Banking, Retail Banking, Personal Banking, Financial Market, Credit Card, Bill Business, Investment Banking and Asset Custody, and had gradually changed the traditional profit growth pattern by a high spread between lending and deposit rates. Under the cooperation between the head office, branches and sub-branches, the development dynamics was more balanced, diversified businesses in branches were steadily promoted. Scale and profit of branches have occupied more than half of them in the whole Company. The operation in Ningbo had transformed successfully, as Retail Banking increased its proportion to 50% in terms of scale and profit, which formed an endogenous development mechanism.

We continued to advance our quality of services. The Company always adheres to the fundamental point of providing more diversified products and more efficient services. As Yongying Fund Management Co., Ltd. was successfully established, in 2014, Yongying Financial Leasing Co., Ltd., as wholly-owned subsidiary of the Company, was prepared to construct, signifying that the Company initiated its integrated operation and the channel for customer service stretched out continuously. Meanwhile, banking project of operation process was started on time and "financial factory" type of medium and background service supporting system was established formally, so that working procedures had been effectively shortened, efficiency had been continuously improved and good customer reputation of Bank of Ningbo in the market had been built.

We withstood the test of risk management. The Company held the principle of "Risk control is cost reduction". We improved the overall risk management system, and structured the comprehensive

Chapter Four Chairman's Statement (continued)

risk management system which covered credit risk, market risk, operational risk, moral risk, legal risk and reputation risk. The Company implemented vertical and independent credit approval system to effectively avoid industrial and regional risks. It had made substantial progress in new capital accord project, with risk monitoring and control means enriched gradually. In September 2014, the Company successfully completed Secondly Public Offering and new capital about 3.1 billion yuan was increased, so that the capital of the Company was more sufficient and the capacity of withstanding risk was significantly enhanced.

We paid more attention to technological innovation. The Company always take the improvement of technological competitiveness as a priority. By enhancing systematic construction and software development, stronger support for the development of business had been offered. In 2014, the Company improved corporate e-banking and personal e-banking functions, developed different versions of mobile banking for all mainstream operating systems, and updated the construction of e-channel. It successfully implemented direct sales banking and Wechat banking, and kept up the space of the industry in the business model transformation. The Company carried out the construction of IT system groups, successfully implemented many core business systems. The Company was ranked to the first place among other banks, in terms of surveillance of informational technology, which was hold by CBRC.

We continued to create brand image. The Company always held the social responsibility of "equality & honesty, sincerity for customers, caring employees, creating public benefit, participation in environmental protection, rewards to the society". It binded operation/management and social responsibility closely, which improved its brand popularity and social reputation. In 2014, the famous rating agency Moody rated the Company at the Baa2 level; among top 1000 banks global, the Company was ranked 220 by Banker referring to the tier-1 capital. It received dozens of rewards, including "Best Medium- and Small-sized Company" by Sina Finance, and "the Most Trustworthy Bank" by Investor's Journal.

2015 is a year when Chinese economic structure is still in deep adjustment. Pressures from profit growth and non-performing prevention and control in banking industry are still high. For these opportunities and challenges, the Company will always persist in the principle of "prudent operation and stable development", working hard and skillfully created more products, better service and better performance, so as to reward shareholders, customers and the society for your trust and support.

Chairman:



Chapter Five President's Statement

In 2014, despite unsatisfactory economic situation, the Company carefully carried out various decisions made by the board of directors, and focused on working objectives of "expanding profit channel, updating marketing mode, strictly controlling non-performing assets and accelerating talent training", which were specified at the beginning of the year. It operated carefully and developed steadily so as to better achieve dynamic balance among benefit, quality and scale, and various business indicators made at the beginning of the year were well completed. Up to Dec.31st, 2014, the Company reached its total asset to 554.113 billion yuan, up by 19.89% compared to that at the beginning of the year; net profit attributed to the equity shareholders of the parent company was 5.627 billion yuan, up by 16.10% compared to that in the same period of last year; basic EPS is 1.89 yuan, up by 0.21 yuan during the same period; non-performing loan rate is 0.89%, flush with that at the beginning of the year; loan provision rate is 2.53%, up by 0.26% compared to that at the beginning of the year.

In 2014, confronted with economic slowdown and intensified competition in the industry, the Company further strengthened the construction of eight profit centers, expanded the product system and extended business lines, which remarkably improved the customer service level and the integrated income level. Moreover, for these opportunities and challenges, the Company developed intermediate business in terms of bills, investment banking and custody, and effectively explored new profit growth points. It also actively followed economic development trend, and regulated credit structure so that the credit resource was contributed to those state encouraged and supported real economy, high-end manufacturing industry, modern service industry and medium- and small-sized enterprises. Thus steady growth in profit was realized.

In 2014, facing severe challenges of asset quality in banking industry, the Company firmly promoted full-process risk management system and enhanced risk pre-management by virtue of front, medium and background efficient linkage, so as to help customer achieve "early discovering, early warning and early processing" towards risk. It paid close attention to the change of macro-economic situation, inspected and eliminated risks timely and actively adjusted credit structure, so that a batch of risk loans were effectively avoided. The Company promoted new capital accord, and successfully launched such sub-projects as non-retail credit risk exposure modeling, retail credit risk exposure modeling and data governance. In 2014, the risk management capacity of the Company had passed the market test. Despite that major business regions were still engaged in absorbing excess capacity and significant adjustment of economic structure, the asset quality was kept at a good level.

In 2014, the Company successfully developed and listed several system, including the second-generation payment, phase II comprehensive financial platform, asset custody, and Yinguantong etc, so that a more efficient business supporting system was constructed for sustainable

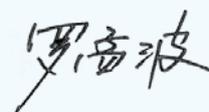
Chapter Five President's Statement (continued)

development of the bank. Adhering to the trend of internet finance, the Company launched direct sales banking, Wechat banking, corporate e-banking 5.0, personal e-banking 5.0 and mobile banking 3.0, so that the quality of business e-channel was greatly improved. After years of persistent efforts, the technological system construction and software development capacities of the Company were significantly improved, and the superiority in similar banks appeared gradually.

In 2014, carried by process innovation projects, the Company found problems and crucial reasons in the frontline of handling business, comprehensively advanced various business processes and had completed 20 process innovation projects, so that redundant procedures were effectively reduced and handling efficiency was improved. The Company insisted on outstanding service concept, strengthened the idea of focusing service details, and developed special theme activities in accordance with the characteristics of mainstream customers of sales networks, so as to enhance interaction with customers and comprehensively improve customer experience in those customer activities.

In 2015, the Company will carry on the spirit of "industriousness for three years" and centered on four prior work: "expanding profitability channels, upgrading marketing modes, controlling non-performing assets and speeding up talents fostering" under the leadership of the board of director. It will define goals, insist on direct, continuously improve work methods, reasonably master dynamic balance between risk management and business development, accumulate comparative advantages, and reward shareholders and the society with excellent performance and professional financial services.

President:



Chapter Six Report of the Board of Directors

I. Analysis on operations in 2014

(I) General overview

In 2014, the Company closely adhered to work line of "expanding profitability channels, upgrading marketing modes, controlling non-performing assets and speeding up training of talents" made at the beginning of the year, continued to optimise construction of eight profit centers, effectively improved risk management capacity and continuously enhanced linkage between the head office and the branches, so that various businesses were smoothly implemented, asset quality was further improved and profitability was continuously improved. Main performances were as follows:

1. Steady growth of asset scale and coordinated development of various businesses

As of Dec.31, 2014, the total assets of the Company were RMB 554.113 billion yuan, increasing by RMB 91.925 billion yuan compared with that on Dec. 31, 2013 and up by 19.89%; the deposits were RMB 306.532 billion yuan, increasing by RMB 51.254 billion yuan compared with that on Dec. 31, 2013 and up by 20.08%; the loans were RMB 210.062 billion yuan, increasing by RMB 38.873 billion yuan compared with that on Dec. 31, 2013 and up by 22.71%.

2. Profitability was gradually improved and business structure was continuously optimized

In 2014, the operating income of the Company was RMB 15.357 billion yuan, increasing by RMB 2.595 billion yuan year-on-year with a growth rate of 20.34%; the operating profit was RMB 7.027 billion yuan, increasing by RMB 0.967 billion yuan year-on-year with a growth rate of 15.95%; the net profit attributable to the parent company was RMB 5.627 billion yuan, increasing by RMB 780 million yuan year-on-year with a growth rate of 16.10%; net fee and commission income was RMB 2.485 billion yuan, accounting for 16.18% of operating income, up by 3.49 percent points, realizing continuous optimization of business structure; in 2014, with non-public offering, the weighted average net assets return ratio was 19.45%, down by 0.96 percent points; basic EPS (earnings per share) is RMB 1.89 yuan, up by RMB 0.21 yuan.

3. Asset quality was remained stable and ability of resisting risk was enhanced

At the end of Dec. 31, 2014, NPL ratio of the Company was 0.89%, flush with that on Dec. 31, 2013; the provision coverage was 2.53%, up by 0.26 percentage points compared with that on Dec. 31, 2013. The Company kept the good quality of assets.

4. Continuously promotion of capital supplement and improvement of capital adequacy level

During the reporting period, the Company had completed non-public offering; up to Dec. 31, 2014, the capital adequacy ratio (calculated according to "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)") is 12.40%, up by 0.34 percentage points compared

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with that on Dec. 31, 2013. The core tier-I capital adequacy ratio was 10.07% and the tier-I capital adequacy ratio was 10.07% as well, up by 0.71 percentage points compared with that on Dec. 31, 2013.

(II) Analysis on items in the income statement

In 2014, as the strategies of eight profit centers were implemented continuously, the business transformation in Ningbo was promoted smoothly, scale and profit of the branch were significantly improved and source of profit becomes diverse; the net profit attributable to shareholders of the parent company was RMB 5.627 billion yuan, up by RMB 780 million yuan and 16.10% over the previous year.

In 2014, the operating income was RMB 15.357 billion yuan, up by 20.34%, including the net interest income of RMB 13.355 billion yuan which increased by 18.62%, the non-interest income of RMB 2.002 billion yuan which increased by 33.22% and incorporated net fees and commissions income of RMB 2.485 billion, up by 53.46% and accounted for 16.18% of operating income compared to 12.69% of the last year, mainly driven by credit card, investment banking, custody and like businesses.

The operating expense of the Company was RMB 8.330 billion yuan, up by 24.30%. It included operating and administrative expenses of RMB 4.925 billion yuan, up by 10.70%. The Company continued to enhance cost management and improved efficiency of asset using. Cost-income ratio was 32.07%, down by 2.79 percent points; provision for assets impairment loss was RMB 2.521 billion yuan, up by 70.34%; and income tax was RMB 1.373 billion yuan, up by 14.01%.

Changes of key items in the income statement

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Increase/ decrease	Increase rate
Operating income	15,356,750	12,761,479	2,595,271	20.34%
Net interest income	13,354,681	11,258,689	2,095,992	18.62%
Interest income	28,175,470	23,494,890	4,680,580	19.92%
Interest expense	(14,820,789)	(12,236,201)	(2,584,588)	21.12%
Non-interest income	2,002,069	1,502,790	499,279	33.22%
Net fees and commissions income	2,485,043	1,619,336	865,707	53.46%
Other non-interest income	(482,974)	(116,546)	(366,428)	--

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Item	Year 2014	Year 2013	Increase/ decrease	Increase rate
Operating expense	(8,330,173)	(6,701,448)	(1,628,725)	24.30%
Business tax and surcharges	(866,826)	(771,271)	(95,555)	12.39%
Operating and administrative expense	(4,924,683)	(4,448,668)	(476,015)	10.70%
Assets impairment loss	(2,521,150)	(1,480,052)	(1,041,098)	70.34%
Other operating expenses	(17,514)	(1,457)	(16,057)	1102.06%
Operating profit	7,026,577	6,060,031	966,546	15.95%
Net non-operating income	(19,685)	(8,652)	(11,033)	127.52%
Profit before tax	7,006,892	6,051,379	955,513	15.79%
Income tax expense	(1,372,762)	(1,204,114)	(168,648)	14.01%
Net profit	5,634,130	4,847,265	786,865	16.23%
Attributable to equity holders of the bank	5,627,466	4,847,071	780,395	16.10%
Minority interest income	6,664	194	6,470	-

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1. Net interest income

In 2014, the net interest income of the Company reached RMB 13.355 billion yuan, with a growth of 18.62% over the previous year; the Company, adapting to the interest rate liberalization reform and increasing market competition, actively enhanced asset-liability management, optimized investment portfolio structure, striven to increase return on asset and controlled liability cost, so as to achieve steady growth in interest net income.

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Increase/ decrease	Increase rate
Interest income	28,175,470	23,494,890	4,680,580	19.92%
Loans and advances	13,333,909	12,927,921	405,988	3.14%
Due from banks	1,446,875	1,137,867	309,008	27.16%
Deposit with central bank	845,182	743,797	101,385	13.63%
Lending funds	198,402	125,860	72,542	57.64%
Financial asset held under resale agreements	2,015,193	1,664,345	350,848	21.08%
Bond investment	2,408,434	1,612,970	795,464	49.32%
Financial products and trust plans	7,927,085	5,282,008	2,645,077	50.08%
Others	390	122	268	219.67%
Interest expense	14,820,789	12,236,201	2,584,588	21.12%
Deposits from banks	4,517,578	2,222,147	2,295,431	103.30%
Borrowing funds	638,900	342,406	296,494	86.59%
Deposit from customers	6,350,864	5,219,738	1,131,126	21.67%
Financial assets sold under repurchase agreements	1,401,053	3,215,483	(1,814,430)	(56.43%)
Bond issued	1,105,464	783,869	321,595	41.03%
Others	806,930	452,558	354,372	78.30%
Net interest income	13,354,681	11,258,689	2,095,992	18.62%

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

Unit: (RMB) Thousand

Item	Year 2014			Year 2013		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
Assets						
General loans	164,909,416	11,868,950	7.20%	144,437,672	10,415,319	7.21%
Securities investment	182,008,982	10,335,520	5.68%	131,290,936	6,894,978	5.25%
Deposit with central bank	56,327,379	845,182	1.50%	49,377,918	743,797	1.51%
Due from banks and other financial institutions	70,983,178	3,660,860	5.16%	61,827,432	2,928,194	4.74%
Total interest-bearing assets	474,228,955	26,710,512	5.63%	386,933,958	20,982,288	5.42%
Liabilities						
Deposits	289,139,466	6,350,864	2.20%	246,569,244	5,219,738	2.12%
Due to banks and other financial institutions	161,893,472	7,364,461	4.55%	118,999,904	5,281,930	4.44%
Bonds payable	22,627,539	1,105,464	4.89%	16,121,686	783,869	4.86%
Total interest-bearing liabilities	473,660,477	14,820,789	3.13%	381,690,834	11,285,537	2.96%
Net interest income		11,889,723			9,696,751	
Net interest spread (NIS)			2.50%			2.46%
Net interest margin (NIM)			2.51%			2.51%

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

(2) General loans exclude discounts and advances; due from banks and other financial institutions

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excludes reverse repurchase agreements; due to banks and other financial institutions excludes repurchased assets.

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

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

Unit: (RMB) Thousand

Year 2014 VS Year 2013			
	Increase(decrease) factor		Increase(decrease)
	Scale	Interest rate	Net
Assets			
General loans	1,476,207	(22,576)	1,453,631
Securities investment	2,663,549	776,993	3,440,542
Deposit with central bank	104,682	(3,297)	101,385
Due from banks and other financial institutions	433,624	299,042	732,666
Changes on interest income	4,678,062	1,050,162	5,728,224
Liabilities			
Customer deposits	901,189	229,937	1,131,126
Due to banks and other financial institutions	1,903,874	178,657	2,082,531
Bonds payable	316,328	5,267	321,595
Changes on interest expense	3,121,391	413,861	3,535,252
Changes on net interest income	1,556,671	636,301	2,192,972

Net interest spread and net interest margin

During the reporting period, the NIS was 2.50%, down by 4 base points over the pervious year; the NIM was 2.51%, flush with the previous year. The Company achieved stable increases of NIS and NIM by implementing assets structure adjustment and interest rates management.

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(1) Interest income

In 2014, the Company achieved the interest income of RMB 28.175 billion yuan, increasing by 19.92% over the previous year. It was mainly due to expansion of interest-bearing assets and optimization of structure.

Net loan interest income (excluding discounts and advances)

In 2014, the interest income from general loans (excluding discounts and advances) achieved RMB 11.869 billion yuan, increasing by RMB 1.454 billion yuan and up by 13.96%. In 2014, the average yield from general loans was 7.20%, down by 0.01 percentage points.

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

Unit: (RMB) Thousand

	Year 2014			Year 2013		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	119,554,583	8,386,049	7.01%	110,047,617	7,863,801	7.15%
Personal loans	45,354,833	3,482,901	7.68%	34,390,056	2,551,518	7.42%
Total loans	164,909,416	11,868,950	7.20%	144,437,673	10,415,319	7.21%

Securities investment interest income

In 2014, the interest income from securities investment achieved RMB 10.336 billion yuan, increasing by RMB 3.441 billion yuan. The average yield from securities investment reached 5.68%, increased by 0.43 percentage points over the previous year.

Interest income from due from banks and other financial institutions

In 2014, the interest income from due from banks and other financial institutions achieved RMB 3.661 billion yuan, increasing by RMB 0.733 billion yuan over the previous year. The average yield from due from banks and other financial institutions reached 5.16%, up by 0.42 percentage points over the previous year.

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(2) Interest expense

In 2014, the interest expense reached RMB 14.821 billion yuan, up by RMB 2.585 billion yuan and 21.12% over the previous year. It was mainly due to expanded scale of liability with interest, as well as increase in customer deposits and interest rate of inter-bank liabilities.

Interest expense for customer deposits

In 2014, the interest expense for customer deposits reached RMB 6.351 billion yuan, up by RMB 1.131 billion yuan and 21.67% over the previous year.

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

Unit: (RMB) Thousand

	Year 2014			Year 2013		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits						
Demand	98,414,249	839,333	0.85%	85,059,640	601,528	0.71%
Time	119,690,426	3,604,827	3.01%	101,718,494	3,076,896	3.02%
Subtotal	218,104,676	4,444,160	2.04%	186,778,134	3,678,424	1.97%
Personal deposits						
Demand	20,363,105	96,598	0.47%	16,695,611	74,950	0.45%
Time	50,671,685	1,810,106	3.57%	43,095,499	1,466,364	3.40%
Subtotal	71,034,790	1,906,704	2.68%	59,791,110	1,541,314	2.58%
Total	289,139,466	6,350,864	2.20%	246,569,244	5,219,738	2.12%

Interest expense for due to banks and other financial institutions

In 2014, the interest expense for due to banks and other financial institutions reached RMB 7.364 billion yuan, up by RMB 2.083 billion yuan over the previous year. The average cost was 4.55%, down by 0.11 percentage points over the previous year.

Interest expense for issued liabilities

In 2014, the interest expense for issued liabilities reached RMB 1.105 billion yuan, up by RMB 0.321 billion yuan over the previous year. The average cost was 4.89%, up by 0.03 percentage points over the previous year.

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2. Non-interest income

During the reporting period, the non-interest income achieved RMB 2.002 billion yuan with a growth of 33.22%, including the net fee and commission income of RMB 2.485 billion yuan with a growth of 53.46%.

Composition of non-interest income

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Increase/Decrease	Increase rate
Fee and commission income	2,696,649	1,795,828	900,821	50.16%
Less: Fee and commission expense	211,606	176,492	35,114	19.90%
Net fee and commission income	2,485,043	1,619,336	865,707	53.46%
Other non-interest income	(482,974)	(116,546)	(366,428)	--
Total	2,002,069	1,502,790	499,279	33.22%

Net fee and commission income

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Increase/Decrease	Increase rate
Settlement business	205,201	172,575	32,626	18.91%
Bank cards business	1,234,438	624,675	609,763	97.61%
Agency services business	884,628	762,751	121,877	15.98%
Guarantees business	123,075	77,081	45,994	59.67%
Commitment business	57,874	54,333	3,541	6.52%
Custody business	119,658	35,658	84,000	235.57%
Consultancy business	11,938	56,417	(44,479)	-78.84%
Others	59,837	12,338	47,499	384.98%
Fee and commission income	2,696,649	1,795,828	900,821	50.16%
Less: Fee and commission expense	211,606	176,492	35,114	19.90%
Net fee and commission income	2,485,043	1,619,336	865,707	53.46%

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In 2014, the Company took advantages of its integrated finance service to adjust the direction of business development, and continued to promote transformation and innovation of intermediate business. The income from bank cards reached RMB 1.234 billion yuan, up by 0.610 billion yuan and 97.61% over the previous year, mainly due to increased income from settlement; the income from guarantees business was RMB 0.123 billion yuan, up by 59.67%, mainly due to significant growth of income in guarantee business; the income from custody business was 0.120 billion yuan, up by 235.57%, mainly due to significant growth in securities and fund custody businesses; and income from other businesses was 0.060 billion yuan, up by 384.98%, mainly due to rapid growth of income from management business of fund subsidiary.

3. Business and administrative expenses

In 2014, the Company strictly implemented cost control, continuously developed the standardization and refining level of financial management, optimized allocation of resource, improved business efficiency and effectively improved the significance of cost efficiency and expense on business development; all year around, the controlled cost income ratio was 32.07%, down by 2.79 percent points.

The business and administrative expenses was RMB 4.925 billion yuan, up by 10.70%, and growth rate was significant lower than that of the previous year, including employee expense up by 4.12% and business expense up by 17.82%, mainly due to expansion in sales network and business scale.

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

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Increase/Decrease	Increase rate
Staff costs	2,524,043	2,424,139	99,904	4.12%
Business expenses	1,938,442	1,645,218	293,224	17.82%
Depreciation of fixed assets	296,508	245,341	51,167	20.86%
Amortization of long-term deferred expenses	98,324	78,687	19,637	24.96%
Amortization of intangible assets	27,130	19,612	7,518	38.33%
Taxes	40,236	35,671	4,565	12.80%
Total	4,924,683	4,448,668	476,015	10.70%

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4. Assets impairment loss

In 2014, the assets impairment loss was RMB 2.521 billion yuan, up by RMB 1.041 billion yuan and 70.34% over the previous year. Main reasons: 1. The total loans grew stably, and the Company kept withdrawing the provision for assets impairment loss with the principle of conservatism and prudence; 2. The Company properly increased the provision for loan impairment loss on the basis of growth and structural adjustment of various business assets and self-business development strategy, and also promoted the capability of risk prevention.

Item	Year 2014	Year 2013	Increase/Decrease	Increase rate
Loan impairment loss	2,420,150	1,319,252	1,100,898	83.45%
Investment impairment loss of receivables	100,000	150,000	(50,000)	(33.33%)
Bad debt reserves	1,000	10,800	(9,800)	(90.74%)
Total	2,521,150	1,480,052	1,041,098	70.34%

(III) Analysis of the balance sheet

1. Assets

Unit: (RMB) Thousand

Item	31 Dec. 2014		31 Dec. 2013		Changes		31 Dec. 2012	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)	Amount	Proportion
Cash and balances with central bank	70,953,938	12.80%	62,194,816	13.46%	8,759,122	(0.66)	45,493,814	12.30%
Due from other banks	30,447,600	5.49%	38,964,591	8.43%	(8,516,991)	(2.94)	33,222,961	8.98%
Precious metals	-	-	33,159	0.01%	(33,159)	(0.01)	-	-
Lending	2,866,596	0.52%	548,000	0.12%	2,318,596	0.40	6,667,509	1.80%
Financial assets at fair value through profit and loss	8,878,979	1.60%	1,178,908	0.26%	7,700,071	1.34	1,784,415	0.48%
Derivative financial assets	1,293,140	0.23%	2,110,285	0.46%	(817,145)	(0.23)	877,308	0.24%

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Item	31 Dec. 2014		31 Dec. 2013		Changes		31 Dec. 2012	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)	Amount	Proportion
Financial assets purchased under resale agreements	17,079,001	3.08%	39,537,850	8.55%	(22,458,849)	(5.47)	35,712,105	9.65%
Interest receivables	3,015,047	0.54%	1,972,905	0.43%	1,042,142	0.11	1,296,234	0.35%
Loans and advances	204,749,878	36.97%	167,302,170	36.18%	37,447,708	0.79	142,564,629	38.55%
Financial assets available-for-sales	120,109,026	21.68%	90,368,707	19.55%	29,740,319	2.13	57,215,151	15.47%
Held-to-maturity investment	16,569,101	2.99%	15,949,957	3.45%	619,144	(0.46)	16,987,697	4.59%
Investment receivables	71,554,844	12.91%	36,083,540	7.81%	35,471,304	5.10	22,306,412	6.03%
Investment real estate	16,596	0.00%	16,609	0.00%	(13)	(0.00)	14,738	0.00%
Fixed assets	3,352,019	0.60%	2,392,068	0.52%	959,951	0.08	2,397,820	0.65%
Intangible assets	208,642	0.04%	147,596	0.03%	61,046	0.01	87,898	0.02%
Deferred income tax assets	769,245	0.14%	867,712	0.19%	(98,467)	(0.05)	385,889	0.10%
Other assets	2,248,966	0.41%	2,519,156	0.55%	(270,190)	(0.14)	2,928,266	0.79%
Total assets	554,112,618	100%	462,188,029	100%	91,924,589	0.00	369,942,846	100%

(1) Loans and advances

As of 31 December 2014, the loans and advances reached RMB 210.062 billion yuan and the net value was RMB 204.750 billion yuan after deducting the provision for loan loss of RMB 5.312 billion yuan. It increased by 22.38%, accounting for 36.97% of the total assets, and up by 0.79 percentage points over the previous year.

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Corporate loan

As of Dec.31, 2014, the corporate loan was RMB 127.804 billion yuan, accounting for 60.84% of the total loans and advances, and down by 6.20 percentage points over the previous year. In 2014, the Company enhanced adjustment of customer and product structure so as to meet multi-level financing demand of customers and increase loan support to small, micro and rural related enterprises.

Discount

As of Dec.31, 2014, the discounts achieved RMB 9.522 billion yuan, accounting for 4.53% of the total loans and advances, and up by 2.67 percentage points compared with that of 31 December 2013. The Company, depending on credit loan schedule, properly increased the amount of notes discounted and improved the return of notes discounted.

Personal loan

As of Dec.31, 2014, the personal loans totaled RMB 72.735 billion yuan, accounting for 34.63% of the total loans and advances, and up by 3.53 percentage points. In 2014, with the changes in economic situation, the Company, on the basis of strengthening regular customer base of personal loan, further increased personal consumption loans and credit card loans.

Unit: (RMB) Thousand

Item	Year 2014		Year 2013	
	Amount	Proportion	Amount	Proportion
Corporate loans and advances	127,804,398	60.84%	114,769,741	67.04%
Loans	123,301,697	58.70%	110,332,334	64.45%
Trade financing	4,502,701	2.14%	4,437,407	2.59%
Discounts	9,522,435	4.53%	3,182,740	1.86%
Personal loans and advances	72,735,349	34.63%	53,237,185	31.10%
Personal consumption loans	66,652,085	31.73%	46,849,314	27.37%
Personal operation loans	4,492,093	2.14%	4,664,492	2.72%
Personal housing loans	1,591,171	0.76%	1,723,379	1.01%
Total loans	210,062,182	100.00%	171,189,666	100.00%

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(2) Securities investment

Securities investments include financial assets held for trading, available-for-sale financial assets, held-to-maturity investments and investment receivables.

Investment structure divided upon purpose

Unit: (RMB) Thousand

Item	31 Dec. 2014		31 Dec. 2013	
	Amount	Proportion	Amount	Proportion
Financial assets at fair value through profit and loss	8,878,979	4.09%	1,178,908	0.82%
Available-for-sale financial assets	120,109,026	55.32%	90,368,707	62.94%
Held-to-maturity investments	16,569,101	7.63%	15,949,957	11.11%
Investment receivables	71,554,844	32.96%	36,083,540	25.13%
Total	217,111,950	100.00%	143,581,112	100.00%

Situation of ten financial bonds held with the highest face value

Unit: (RMB) Thousand

CATEGORY	BALANCE OF PAR VALUE	INTEREST RATE%	DATE OF MATURITY	DEPRECIATION RESERVE
Financial bond of 2014	530,000	4.18	2021-11-20	-
Financial bond of 2009	371,000	4.61	2016-6-16	-
Financial bond of 2014	340,000	5.70	2017-1-14	-
Financial bond of 2014	320,000	5.44	2019-4-8	-
Financial bond of 2014	300,000	4.55	2015-8-22	-
Financial bond of 2014	299,000	5.30	2017-7-24	-
Financial bond of 2014	280,000	5.67	2024-4-8	-
Financial bond of 2014	230,000	5.25	2017-4-8	-
Financial bond of 2014	230,000	4.08	2019-11-20	-
Financial bond of 2014	220,000	5.79	2021-1-14	-

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

Unit: (RMB) Thousand

Derivative financial instruments	31 Dec. 2014		
	Contract/nominal amount	Fair value of assets	Fair value of liabilities
Foreign exchange forwards	15,740,563	139,832	(30,776)
Currency swap	165,780,139	744,101	(810,252)
Interest rate swap	230,561,606	244,848	(349,760)
Currency swap	147,036	-	(1,914)
Option contract	2,344,628	164,359	(110,786)
Total	414,573,972	1,293,140	(1,303,488)

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

Swap Contract: Swap contract refers to a commitment between two parties to exchange cash flow within an agreed period. The Company mainly adopted Interest Rate Swaps and Currency Interest Rate Swaps.

In an Interest Rate Swap, both parties agrees to pay interest 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 Interest Rate Swap refers to the exchange based on different currencies and different interest rates. The principal will be retrieved at the expiry date of the contract.

Forward Contract: In a forward contract, a financial product will be purchased or sold at an agreed price on an agreed date in the future.

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

Nominal amount of derivative financial instruments in the balance sheet was regarded as a basis to comparing 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

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value of derivative financial instruments may have positive (assets) or negative (liabilities) effect on the bank. Such effect may vary from time to time.

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

Unit: (RMB) Thousand

ITEM	31 DEC. 2013	INCREASE/ DECREASE BY	31 DEC. 2014	BALANCE OF BAD DEBT RESERVE	WITHDRAWL METHOD
Interest receivables on the balance sheet	1,972,905	1,042,142	3,015,047	-	Individually determined
Interest receivables off the balance sheet	185,747	40,139	225,886	-	-

(5) Debt assets and provision for impairment

At the end of 31 Dec. 2014, the debt assets was RMB 90 million yuan and the net debt assets were valued RMB 90 million yuan without deducting the provision for impairment.

Unit: (RMB) Thousand

Land, housing and buildings	89,897
Others	-
Subtotal	89,897
Provision for debt assets impairment loss	-
Net value of debt assets	89,897

2. Liabilities

As of 31 December 2014, the liabilities totalized RMB 519.948 billion yuan, up by RMB 83282 billion yuan and up 19.07% over the previous year. It was mainly due to increase of deposits and due to other banks.

Chapter Six Report of the Board of Directors (continued)

Unit: (RMB) Thousand

Item	31 Dec. 2014		31 Dec. 2013		Changes		31 Dec. 2012	
	Amount	Pro-portion	Amount	Pro-portion	Amount	Proportion (percentage point)	Amount	Pro-portion
Borrowings from central bank	-	-	200,000	0.05%	(200,000)	(0.05)	-	-
Due to other banks and financial institutions	86,634,335	16.66%	89,986,906	20.61%	(3,352,571)	(3.95)	44,543,618	12.81%
Loans from other banks and financial institutions	14,071,981	2.71%	13,015,003	2.98%	1,056,978	(0.27)	22,203,240	6.38%
Financial assets at fair value through profit and loss	1,272,100	0.24%	-	-	1,272,100	0.24	-	-
Derivative financial liabilities	1,303,488	0.25%	2,145,671	0.49%	(842,183)	(0.24)	859,522	0.25%
Assets sold under repurchase agreements	28,155,132	5.41%	37,139,833	8.51%	(8,984,701)	(3.10)	55,458,492	15.94%
Deposits	306,531,829	58.97%	255,278,327	58.45%	51,253,502	0.52	207,577,270	59.69%
Wages and salaries payable	1,098,768	0.21%	1,018,894	0.23%	79,874	(0.02)	624,031	0.18%
Taxes payable	795,134	0.15%	683,906	0.16%	111,228	(0.01)	599,694	0.17%
Interests payable	5,587,627	1.07%	4,460,045	1.02%	1,127,582	0.05	2,799,208	0.80%
Bond payable	50,655,391	9.74%	18,466,246	4.23%	32,189,145	5.51	10,474,150	3.01%
Deferred income	29,496	0.01%	48,886	0.01%	(19,390)	(0.00)	-	-
Deferred income tax liabilities	3,871	0.00%	3	0.00%	3,868	0.00	-	-
Other liabilities	23,809,254	4.58%	14,222,421	3.26%	9,586,833	1.32	2,686,661	0.77%
Total liabilities	519,948,406	100%	436,666,141	100%	83,282,265	0.00	347,825,886	100%

Chapter Six Report of the Board of Directors (continued)

Customer deposits

The Company always focused on expanding deposits which showed stable growth. As of 31 December 2014, the customer deposits totalized RMB 306.532 billion yuan, up by RMB 51.254 billion yuan and 20.08%. It accounted for 58.97% of the total liabilities of the Company.

The table below shows customer deposits categorized upon product types and customer types at the end of 31 December 2014.

Unit: (RMB) Thousand

Item	Year 2014		Year 2013	
	Balance	Proportion	Balance	Proportion
Corporate deposits				
Demand	101,446,377	33.09%	91,387,776	35.80%
Time	130,879,244	42.70%	102,491,104	40.15%
Subtotal	232,325,621	75.79%	193,878,880	75.95%
Personal deposits				
Demand	21,696,287	7.08%	17,640,425	6.91%
Time	52,509,921	17.13%	43,759,022	17.14%
Subtotal	74,206,208	24.21%	61,399,447	24.05%
Total	306,531,829	100.00%	255,278,327	100.00%

As of 31 December 2014, the corporate deposits accounted for 75.79% of the total customer deposits, down by 0.16 percentage points over the previous year; the personal deposits accounted for 24.21% of the total customer deposits, up by 0.16 percentage points over the previous year.

As of 31 December 2014, the demand deposits accounted for 40.17% of the total customer deposits, down by 2.54 percentage points over the previous year. As important parts, the corporate demand deposits accounted for 33.09% of the customer deposits, down by 2.71 percentage points; the personal demand deposits accounted for 7.08% of the customer deposits, up by 0.17 percentage points over the previous year.

Chapter Six Report of the Board of Directors (continued)

3. Shareholders' equity

Unit: (RMB) Thousand

Item	31 Dec. 2014		31 Dec. 2013		Changes		31 Dec. 2012	
	Amount	Proportion	Amount	Proportion	Amount	Proportion (percentage point)	Amount	Proportion
Share capital	3,249,829	9.51%	2,883,821	11.30%	366,008	(1.79)	2,883,821	13.04%
Capital reserve	10,598,201	31.02%	7,889,125	30.91%	2,709,076	0.11	7,889,125	35.67%
Other comprehensive income	309,130	0.90%	(726,252)	(2.85%)	1,035,382	3.75	10,131	0.05%
Surplus reserve	2,531,957	7.41%	1,970,844	7.72%	561,113	(0.31)	1,486,303	6.72%
General risk reserve	4,054,719	11.87%	2,859,911	11.21%	1,194,808	0.66	1,499,934	6.78%
Retained profits	13,347,261	39.08%	10,629,244	41.65%	2,718,017	(2.57)	8,347,646	37.74%
Equity attributable to shareholders of the bank	34,091,097	99.79%	25,506,693	99.94%	8,584,404	(0.15)	22,116,960	100%
Minority interest	73,115	0.21%	15,195	0.06%	57,920	0.15	-	-
Total shareholders' equity	34,164,212	100%	25,521,888	100%	8,642,324	0.00	22,116,960	100%

(IV) Analysis of assets quality

In 2014, the Company further enhanced comprehensive risk management, developed the level of risk management and improved risk resiting ability; meanwhile, the Company intensified disposal of bad debts in order to keep asset quality stable.

At the end of December 2014, the loans totalized RMB 210.062 billion yuan, up by RMB 38.873 billion yuan and up by 22.71% over the previous year. The non-performing loan ratio was 0.89%, flat compared with the previous year. Loan provision coverage reached 2.53%, increased by 0.26 percentage points over the previous year.

Chapter Six Report of the Board of Directors (continued)

Quality of loan assets at the end of the reporting period

Unit: (RMB) Thousand

Five-tier classification	31 Dec. 2014		31 Dec. 2013		Changes	
	Loans & advances	Percentage	Loans & advances	Percentage	Increase/decrease	Percentage (Percentage point)
Subtotal of performing loans:	208,199,352	99.11%	169,664,445	99.11%	38,534,907	0.00
Pass	204,479,949	97.34%	167,855,077	98.05%	36,624,872	(0.71)
Special mention	3,719,403	1.77%	1,809,368	1.06%	1,910,035	0.71
Subtotal of non-performing loans:	1,862,830	0.89%	1,525,221	0.89%	337,609	(0.00)
Substandard	543,229	0.26%	515,858	0.30%	27,371	(0.04)
Doubtful	881,732	0.42%	674,339	0.39%	207,393	0.03
Loss	437,869	0.21%	335,024	0.20%	102,845	0.01
Total loans	210,062,182	100.00%	171,189,666	100.00%	38,872,516	0.00

Chapter Six Report of the Board of Directors (continued)

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

Unit: (RMB) Thousand

Industry	Year 2014	
	Amount	Proportion
Agriculture, forestry, animal husbandry, fishing	949,376	0.45%
Mining	330,802	0.16%
Manufacturing	39,483,149	18.80%
Production & supply of power, gas, water	2,091,225	1.00%
Construction	8,940,251	4.26%
Transportation, storage, mailing	3,440,540	1.64%
Information transfer, computer service and software	1,784,032	0.85%
Commerce	27,261,689	12.98%
Hotel, restaurant	1,177,285	0.56%
Finance	921,559	0.44%
First-hand property mortgage loan for legal persons	8,056	0.00%
Loans for corporate operational property	6,217,764	2.96%
Leasing and commercial service	19,475,651	9.27%
Scientific research, technology service and geological exploitation	414,290	0.20%
Water resource, environment and public facilities management and investment	8,116,007	3.86%
Real estate development	10,751,252	5.12%
Loans for urban construction	2,270,192	1.08%
Resident service and other services	295,065	0.14%
Education	888,292	0.42%
Health, social security and welfare	337,715	0.16%
Culture, sports and entertainment	458,515	0.22%
Public management and social organization	1,714,126	0.82%
Personal loans	72,735,349	34.61%
Total	210,062,182	100.00%

Chapter Six Report of the Board of Directors (continued)

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

Unit: (RMB) Thousand

Region	31 Dec. 2014	
	Amount	Proportion
Zhejiang Province	131,885,930	62.79%
Including: Ningbo	103,865,395	49.45%
Shanghai	18,526,749	8.82%
Jiangsu Province	42,169,855	20.07%
Guangdong Province	10,027,060	4.77%
Beijing	7,452,588	3.55%
Total amount of loans and advances	210,062,182	100.00%

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

Unit: (RMB) Thousand

Guarantee type	31 Dec. 2014	
	Amount	Proportion
Credit Loan	60,609,001	28.85%
Guarantee loan	56,585,732	26.94%
Mortgage loan	77,827,511	37.05%
Pledge loan	15,039,938	7.16%
Total amount of loans and advances	210,062,182	100.00%

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

Unit: (RMB) Thousand

Industry	Loan Balance	Proportion to net capital
Public administration, social security and social organization	1,071,200	2.56%
Loans for real estate development	600,000	1.43%
Water resource, environment and public facilities management	520,409	1.24%
Mining	519,600	1.24%
Water resource, environment and public facilities management	510,000	1.22%
Leasing and commercial service	485,000	1.16%
Loans for real estate development	409,332	0.98%
Construction	401,500	0.96%
Leasing and commercial service	400,000	0.96%
Leasing and commercial service	398,000	0.95%
Total	5,315,041	12.70%
Net capital	41,844,020	

Chapter Six Report of the Board of Directors (continued)

Loans divided upon overdue limit

Unit: (RMB) Thousand

	31 Dec. 2014		31 Dec. 2013	
	Amount	Proportion to all the loans	Amount	Proportion to all the loans
Overdue within 3 months	1,940,271	0.92%	440,872	0.26%
Overdue for 3 months to 1 year	1,352,866	0.64%	941,043	0.55%
Overdue for more than 1 year and within 3 years	750,394	0.36%	293,000	0.17%
Overdue for more than 3 years	18,237	0.01%	39,299	0.02%
Total overdue loans	4,061,768	1.93%	1,714,214	1.00%

Provision and written-off of bad debts

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Year 2012
Balance at the beginning of the year	3,887,496	3,052,914	2,003,177
Provision	2,420,150	1,319,252	1,076,350
Reversal	29,110	645	6,359
Including: Recoveries of loans and advances written-off previously	29,110	645	6,359
Written-off	(983,145)	(457,033)	(15,469)
Transferred in from decreased loan interests	(41,307)	(28,282)	(17,503)
Balance at the end of the year	5,312,304	3,887,496	3,052,914

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

Loans which were considered individually significant were assessed individually for impairment. 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 which were considered individually insignificant and for which there was no objective evidence showing that an impairment has incurred according to individual assessments 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 basis.

Chapter Six Report of the Board of Directors (continued)

(V) Analysis of the cash flow statement

The net cash inflows from operating activities were RMB 22.776 billion yuan, including the cash inflows of RMB 93.610 billion yuan with a decrease of RMB 8.734 billion yuan. It was mainly because of the decrease of customer deposits and due to other banks. The cash outflows were RMB 70.834 billion yuan, up by RMB 7.227 billion yuan. It was mainly due to decrease of due from other banks and lending to other financial institutions.

The net cash inflows from investment activities were RMB -62.631 billion yuan, including the cash inflows of RMB 717.990 billion yuan with a growth of 221.733 billion yuan over the previous year. It was mainly due to increase of cash inflows from returns on investment. The cash outflows were RMB 780.622 billion yuan, up by RMB 242.833 billion yuan. It was mainly due to increase of cash outflows for investment.

The net cash inflows from financing activities were RMB 33.325 billion yuan. As a part of them, the cash inflows were RMB 40.307 billion yuan and most of which were cash received from issued bonds. The cash outflows were RMB 6.982 billion yuan. It was mainly due to distribution of common stock dividends and payment of issued bond interest.

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Changes
Subtotal of cash inflows from operating activities	93,610,423	102,344,549	(8,734,126)
Subtotal of cash outflows from operating activities	70,834,126	63,607,430	7,226,696
Net cash flow from operating activities	22,776,297	38,737,119	(15,960,822)
Subtotal of cash inflows from investment activities	717,990,390	496,257,394	221,732,996
Subtotal of cash outflows from investment activities	780,621,802	537,788,797	242,833,005
Net cash flow from investment activities	(62,631,412)	(41,531,403)	(21,100,009)
Subtotal of cash inflows from financing activities	40,307,252	8,001,500	32,305,752
Subtotal of cash outflows from financing activities	6,982,065	1,230,705	5,751,360
Net cash flow from financing activities	33,325,187	6,770,795	26,554,392
Net increase of cash and cash equivalents	(6,541,365)	3,904,725	(10,446,090)

Chapter Six Report of the Board of Directors (continued)

(VI) Segment analysis

Unit: (RMB) Thousand

Year 2014	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	4,294,951	1,877,664	7,182,066	-	13,354,681
Net internal interest income	2,362,392	510,396	(2,872,788)	-	-
Net fee and commission income	1,299,059	1,152,404	33,580	-	2,485,043
Investment gains	-	-	156,004	8,937	164,941
Gains from fair value changes	-	-	148,693	(13)	148,680
Foreign exchange gains	168,512	-	(1,029,904)	31,257	(830,135)
Other operating income/expense	-	-	-	16,026	16,026
Operating tax and surcharge	524,141	275,944	66,069	672	866,826
Business and administrative fees	2,235,708	1,182,300	1,503,796	2,879	4,924,683
Assets impairment loss	2,003,016	418,134	100,000	-	2,521,150
Operating profit	3,362,049	1,664,086	1,947,786	52,656	7,026,577
Net non-operating income	-	-	5,964	(25,649)	(19,685)
Total profits	3,362,049	1,664,086	1,953,750	27,007	7,006,892
Total assets	134,890,347	73,248,241	345,216,856	757,174	554,112,618
Total liabilities	258,162,341	76,602,125	184,901,633	282,307	519,948,406
Supplementary information:					
Capital expenditure	276,283	150,028	708,072	1,551	1,135,934
Depreciation and amortization expenses	284,662	149,866	186,573	365	621,466
Year 2013	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	4,858,210	1,317,310	5,083,169	-	11,258,689
Net internal interest income	1,458,916	367,064	(1,825,980)	-	-
Net fee and commission income	1,079,056	583,734	(43,454)	-	1,619,336
Investment gains	-	-	120,799	-	120,799
Gains from fair value change	-	-	(154,182)	-	(154,182)
Foreign exchange gains	138,119	-	(252,497)	-	(114,378)
Other operating income/expense	-	-	-	29,758	29,758
Operating tax and surcharge	545,997	171,432	53,842	-	771,271
Business and administrative fees	2,505,438	789,796	1,153,434	-	4,448,668
Assets impairment loss	1,236,265	93,787	150,000	-	1,480,052
Operating profit	3,246,601	1,213,093	1,570,579	29,758	6,060,031

Chapter Six Report of the Board of Directors (continued)

Year 2013	Corporate banking	Personal banking	Capital banking	Others	Total
Net non-operating income	-	-	6,000	(14,652)	(8,652)
Total profits	3,246,601	1,213,093	1,576,579	15,106	6,051,379
Total assets	116,377,028	53,825,872	291,271,872	713,257	462,188,029
Total liabilities	196,954,532	63,146,046	176,410,035	155,528	436,666,141
Supplementary information:					
Capital expenditure	356,326	164,805	892,166	2,184	1,415,481
Depreciation and amortization expenses	371,838	125,193	32,438	15	529,484

(XII) Others Off-balance sheet items that have significant influence on the operating results

Unit: (RMB) Thousand

Item	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012
Main off-balance risk assets			
L/C issued	15,629,215	24,015,051	11,059,374
Bank acceptances	50,545,875	40,924,641	38,320,554
L/G issued	13,480,670	8,074,604	3,042,824
Loan commitments	52,232,448	31,404,156	25,675,100
Capital commitments	393,977	541,402	263,659
Operating lease commitment	1,597,734	1,481,522	1,369,414
Pledge of assets commitment	28,280,000	30,033,700	26,289,000

Chapter Six Report of the Board of Directors (continued)

Fair value

Unit: (RMB) Thousand

Item	31 Dec. 2013	Income/ loss due to change of fair value	Accumulated Fair value changes entered into equity	Withdrawal for impairment	31 Dec. 2014
Financial assets designated at fair value through profit or loss	1,178,908	92,983	-	-	8,878,979
Derivative financial assets	2,110,285	(744,448)	-	-	1,293,140
Available-for-sale financial assets	90,355,457	-	385,884	-	120,095,776
Subtotal of financial assets	93,644,650	(651,465)	385,884	-	130,281,145
Financial liabilities at fair value through profit and loss	-	12,201	-	-	(1,272,100)
Derivative financial liabilities	(2,145,671)	787,957	-	-	(1,303,488)
Subtotal of financial liabilities	(2,145,671)	800,158	-	-	(2,575,588)

Explanations on fair value calculation of the Company:

(1) Financial assets designated at fair value through profit or loss have two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. 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 designed at fair value at the end shall be recorded as investment income. 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.

(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. After initial recognition, 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 the capital reserves (other capital reserves) before termination or impairment. On the termination or impairment of such financial assets, the accumulated fair value, as previously recorded in capital reserves, shall

Chapter Six Report of the Board of Directors (continued)

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 have two sub-categories: 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 in the income statement. Costs of these financial assets and all changes designed at fair value at the end shall be recorded in 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 is 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 estates and other relevant information from the market, so as to estimate the fair value of the investment real estate. Therefore investment real estate of the Company are measured at fair value. Initial value of purchased or self-constructed investment real estate shall be confirmed at its cost. Investment real estate converted from a fixed asset is initially measured at fair value on the date of conversion. Differences are recorded 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.

Chapter Six Report of the Board of Directors (continued)

Foreign currency financial assets

Unit: (RMB) Thousand

Item	31 Dec. 2013	Income/ loss due to change of fair value	Accumulated fair value changes entered into equity	Withdrawal for impairment	31 Dec. 2014
Financial assets					
Cash and balances with central banks	547,601	-	-	-	658,854
Due from other banks	1,939,266	-	-	-	1,991,106
Lending funds	-	-	-	-	266,686
Derivative financial assets	167,194	779,128	-	-	946,322
Loans and advances	4,892,186	-	-	(56,363)	10,790,780
Investment receivables	-	-	-	-	62,020
Other financial assets	3,322	-	-	-	2,833
Subtotal of financial assets	7,549,569	779,128	-	(56,363)	14,718,601
Financial liabilities					
Due to banks and other financial institutions	15,849,422	-	-	-	12,518,450
Borrowings	9,172,023	-	-	-	10,217,481
Derivative financial liabilities	53,040	144,439	-	-	197,479
Deposit taking	7,388,732	-	-	-	14,481,152
Other financial liabilities	129,711	-	-	-	321,228
Subtotal of financial liabilities	32,592,928	144,439	-	-	37,735,790

Chapter Six Report of the Board of Directors (continued)

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

Unit: (RMB) Thousand

Item	Year 2014	Year 2013	Increase/ decrease by	Main causes
Fee and commission income	2,696,649	1,795,828	50.16%	Rapid development of intermediate business
Investment gains	164,941	120,799	36.54%	Increase of gains from investment
Gains from fair value changes	148,680	(154,182)	Negative in the same period of last year	Increase in fair value of trading financial instrument
Foreign exchange gains	(830,135)	(1,114,378)	Negative in the same period of last year	Influence of exchange rate fluctuation on exchange gain or loss
Assets impairment loss	2,521,150	1,480,052	70.34%	Increase in loan provision withdrawing
Item	31 Dec. 2014	31 Dec. 2013	Increase/ decrease by	Main causes
Lending	2,866,596	548,000	423.10%	Increase in due from banks and assets of other financial institutions
Financial assets at fair value through profit and loss	8,878,979	1,178,908	653.15%	Increase in investment scale
Derivative financial assets	1,293,140	2,110,285	(38.72%)	Change in estimated fair value
Financial assets held under resale agreement	17,079,001	39,537,850	(56.80%)	Decrease in the scale of redemptory notes for sales
Interest receivable	3,015,047	1,972,905	52.82%	Increase in interest-bearing assets
Available-for-sale financial assets	120,109,026	90,368,707	32.91%	Increase in available-for-sale financial assets
Bond investment receivable	71,554,844	36,083,540	98.30%	Increase in asset receivable management plan
Fixed assets	3,352,019	2,392,068	40.13%	Increase in fixed assets
Intangible assets	208,642	147,596	41.36%	Increase in intangible assets

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Item	Jan.-Dec. 2014	Jan.-Dec. 2013	Increase/ decrease by	Main causes
Derivative financial liabilities	1,303,488	2,145,671	(39.25%)	Change in estimated fair value
Bonds payable	50,655,391	18,466,246	174.31%	Increased in interbank deposit receipt issued
Capital reserve	10,598,201	7,889,125	34.34%	Private placement capital stock premium in 2014
Other comprehensive incomes	309,130	(726,252)	Negative in the same period of last year	Increase in investment revaluation reserve of available-for-sale financial assets
General risk reserve	4,054,719	2,859,911	41.78%	Increase in provision of general risk reserve

II. Investment analysis

(I) External equity investment

1. External investment

Unit: (RMB) Thousand

Item	31 Dec. 2014	31 Dec. 2013	Proportion of shares of invested companies held by the Company	Main business
China UnionPay	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 carrying out international exchange; providing consulting and research services and other related services approved by the PBC.

Chapter Six Report of the Board of Directors (continued)

Item	31 Dec. 2014	31 Dec. 2013	Proportion of shares of invested companies held by the Company	Main business
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.
Yongying Fund Management Co., Ltd.	135,000	135,000	67.50%	Fundi raising fund sales, assets management for special customers, assets management and other businesses approved by CSRC.
Total	148,250	148,250		

2. Securities investment

During the reporting period, the Company had no securities investment.

(II) Commissioned financing, derivatives investment and commissioned loan

1. Entrusted wealth management

During the reporting period, the Company had no entrusted wealth management within its normal operation.

During the reporting period, the Company issued 1615 accumulated financing products which caused the sale of RMB 301.670 billion yuan (excluding products due on demand). At the end of the reporting period, the balance of financing products managed by the Company was RMB 111.933 billion yuan.

Chapter Six Report of the Board of Directors (continued)

2. 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.

Derivatives held at the end of the reporting period

Unit: (RMB) Thousand

Contract category	Contractual amount on 31 Dec. 2013	Contractual amount on 31 Dec. 2014	Profit and loss during the reporting period	Proportion of contractual amount to the net assets of the Company at the end of the reporting period
Foreign exchange forwards	12,896,593	15,740,563	276,106	46.17%
Currency swap	137,289,041	165,780,139	366,506	486.29%
Interest rate swap	108,846,526	230,561,606	(430,654)	676.31%
Currency swap	60,530	147,036	(2,653)	0.43%
Option contract	1,690,351	2,344,628	(80,097)	6.88%
Total	260,783,041	414,573,972	129,208	1216.08%

Chapter Six Report of the Board of Directors (continued)

3. Entrusted loan

At the end of the reporting period, the Company had no entrusted loan within its normal operation.

(III) Use of raised fund

In accordance with Approval regarding non-public offering of Bank of Ningbo Co., Ltd. (Zheng Jian Xu Ke [2014] No.910) issued by CSRC, in September 2014, the Company issued RMB common stocks (A share) 366,007,872 at RMB 8.45 yuan per share to Ningbo Development Investment Group Co., Ltd. and Singapore Overseas-Chinese Banking Co., Ltd. in a manner of non-public offering with par value of RMB 1 yuan. The raised funds reached RMB 3,092,766,518.40 yuan. After deducting sponsoring and underwriting expenses, the Company actually raised net assets RMB 3,076,511,485.27 yuan from new non-public offering, verified by Ernst & Young (2014) No. 60466992-B02 Capital Verification Report issued by Ernst & Young (special general partnership).

In accordance with the report of issuing A shares through non-public offering as well as fund raising program disclosed within listed company statement, all funds raised from A share issuance, after deducting issue expenses, was counted as the capital funds of the Company.

(IV) Analysis of key subsidiaries and joint stock companies

The Company established a new wholly-owned subsidiary-Yongying Fund Management Co., Ltd. which was set up on 7 November 2013 with the registered capital of RMB 150 million yuan. In August 2014, the capital and share of Yongying Fund Management Company increased, and the registered capital reached RMB 200 million yuan. The Company held 67.5% of shares. Yongying Fund Management Company is mainly engaged in fund raising, fund sales, management of special customers' assets, assets management and other businesses approved by CSRC. At the end of 2014, Yongying Fund Management Company had the total assets of RMB 676 million yuan and net assets of RMB 225 million yuan; in 2014, Yongying had operating revenue of 62.7124 million yuan, operating profit of 24.4727 million yuan and net profit of 23.0325 million yuan.

(V) Significant projects invested without raised fund

During the reporting period, all significant projects were invested by raised fund, except for those disclosed.

III. Risk management

The Company is confronted with credit risk, liquidity risk, market risk, operational risk, compliance risk and reputation risk during operation. The details are as follows:

Chapter Six Report of the Board of Directors (continued)

(I) Credit risk

A credit risk occurs when a customer (or a counter party) may not or is unwilling to carry out the obligations as agreed with the Bank. The Company has following credit risk bearing assets: loans, inter-bank lending, assets under resale agreements, due from banks, bonds investment, interest receivables, other receivables and off-balance assets.

The Company realizes management objectives by identifying, measuring, monitoring, controlling/releasing and reporting credit risks. It has designed proper regulations and standardized specific business procedures to ensure effective recognition of credit risks, and taken proper measures to control the credit risks before, during and after loans.

By stipulating credit policies, the Company was able to recognize risks in respect of industry, product and region as a whole, implemented differentiated policies upon the extent of risks, and gave instructions on admittance. It took more cautious attitudes towards industries or products with higher risks by employing more risk control measures or limiting authority. The Company strictly carried out the credit rating system for customers which worked as important reference for customer permit. By analyzing customers' operation and financial position, the Company assessed customers' core competence of debt repayment and estimated its probability of default.

The Company established proper loan review and approval systems, and appointed independent review and approval personnel. After submittal, professional risk management personnel would go through meticulous investigation and analysis on clients' information in compliance with credit risk management requirements, and give out their independent risk review opinions; review and approval officers at different levels adhered by the credit approval system and credit policies to give their opinions within their authority and express their requirements of loan release and after-loan management.

The Company continued to optimize credit risk monitoring system, the credit clients risk early-warning system and the after-loan risk management system to ensure credit risks can be identified and controlled in time. Risk monitoring covers external and internal information of credit clients, including customers' operations, industrial development trend, customers' credit behaviors, other financial institutions' evaluation and attitudes, etc.. Risk early-warning is a two-way and bidirectional system by collecting customers' early-warning information from multi-channels, including business sectors to management departments and vice versa. It aimed at constructing a new comprehensive risk early-warning system, and ensuring that the early-warning information can be detected and reported timely so as to take proper early-warning actions immediately and to further guarantee the effectiveness of early-warning management. After the loans are granted, the Company paid attention to examine the practical use of credit funds as well as operational condition and financial

Chapter Six Report of the Board of Directors (continued)

condition of the corporate, value change of guarantee and the like, and carried out dynamic track management on customers.

According to requirements of the supervision department, based on the recovery possibility of the loan principal and interest as well as borrowers' repayment capability, repayment record, intent of repayment, guarantee, legal responsibility for loan repayment and credit management, the Company classified credit assets upon their degree of risk and divided the five tiers into ten tiers. It included pass (pass+, pass and pass-), special mention (special mention +, special mention, special mention-), substandard (substandard+, substandard-), doubtful and loss. The ten-tier classification system quantitatively revealed the practical value and risk degree of loans. The Company made proportional provision upon different classes to ensure effective defense against credit risk.

Besides, to guarantee the completeness and effective coverage of the credit risk management system, the Company established the matched management system., including the risk reporting system which is able to make sure that the board of directors and the senior management can obtain exposure data and analysis materials of different types of risks in the bank. Reports include followings: risk exposure position, risk degrees and their internal structure in terms of business, departments, regions and risk categories; profit and loss; changes in methods and precedures of risk recognition, measurement, monitoring and control; compliance with risk management policies and procedures; compliance with risk limits; stress test; internal and external audit; major risk matters.

During the reporting period, the Company mainly took following measures to prevent credit risks of corporate loans: I. enhanced analysis and prediction of the market, researched changes in industries to which major loans were granted, stipulated 2014 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. II. fully implemented full-process risk management: the Company continued to optimize construction of related systems as well as inspection on organization personnel, and analyzed the credit business. The deep implementation of those work was used to realize the quality situation of the Company's assets comprehensively and accurately, so as to further improve after-loan management level. III. to complete system construction and realize efficient utilization of external information to enhance risk management: the Company introduced credit system note risk early warning module, lead external information including reporting loss, stopping payment of notes and public summons, and enhanced early warning signal of related risk and instruction of risk prompt, so as to acquire related information of the note more comprehensively, timely and conveniently and to realize efficient management on note risk; IV. to refine and improve after-

Chapter Six Report of the Board of Directors (continued)

loan management: the Company carried out differential after-loan hierarchical management on customers as according to their corporate nature and guarantee situation, so as to improve quality and efficiency of credit customer management; V. to continue risk examination: the Company examined the industry, business and people sensitive to risk, followed starting situation of credit enterprise, checked note business, visited people of high risk, etc. It also summarized and analyzed non-performing loans over the year, so as to continuously improve the risk management level of the Company; VI. further promote confirmation of responsibility of the non-performing credit assets. In 2014, the Company, when completing confirmation of responsibility with quantity and quality, further revised the management method of responsibility confirmation and investigation on the non-performing credit assets, including responsibility confirmation channel for separating employees, administrative responsibility investigation for non-performing credit assets, so that the responsibility confirmation work became more rigorous, more efficient and more reasonable.

The Company's credit concentration risk level at the end of the reporting period:

1. Credit concentration risk level of the largest single customer

As of 31 Dec. 2014, the loan balance of the largest single customer was RMB 1.0712 billion yuan, accounting for 2.56% of the net capital of RMB 41.84402 billion yuan. It met the requirements of CBRC as no more than 10% of the net capital.

2. Credit concentration risk level of the largest single group customer

As of 31 Dec. 2014, the loan balance of the largest single group customer was RMB 1.8398 billion yuan, accounting for 4.40% of the net capital of RMB 41.84402 billion yuan. It met the requirements of CBRC as no more than 15% of the net capital.

3. Proportion of top 10 customers in terms of loan outstanding

As of 31 Dec. 2014, the top 10 customers' loan balance totalized RMB 5.31504 billion yuan, accounting for 12.70% of the net capital of RMB 41.84402 billion yuan.

4. Credit proportion of the single related party

As of 31 Dec. 2014, the credit exposure of the largest single related party was RMB 1.76706 billion yuan, accounting for 4.22% of the net capital of RMB 41.84402 billion yuan.

5. Overall relevancy

As of 31 Dec. 2014, the utilized credit exposure of all connected parties of the Company was RMB 5.18712 billion yuan, accounting for 12.40% of the net capital of RMB 41.84402 billion yuan. It met the requirement of CBRC as no more than 50% of the net capital.

Chapter Six Report of the Board of Directors (continued)

According to the five-tier classification, the NPL balance was RMB 1.86283 billion yuan, up by RMB 337.61 million yuan over the previous year; the NPL ratio was 0.89%, flush with previous year. As parts of NPL, the substandard loan balance was RMB 543.23 million yuan, accounting for 0.26%; the doubtful loan balance was RMB 881.73 million yuan, accounting for 0.42%; the loss loan balance was RMB 437.87 million yuan, accounting for 0.21%.

(II) Liquidity risk

Liquidity risk is caused when it is impossible to obtain sufficient fund in time at a reasonable cost for repaying matured debts, performing other payment obligations or meeting other fund demands for ordinary business.

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 the liquidity risk stress test, and enhanced the liquidity risk management capability. During the reporting period, the Company took following measures to improve the liquidity risk control: I. to improve policy system and measurement method of liquidity risk management, supervise and monitor index caliber, and improve liquidity risk management level; II. to construct liquidity risk management system, optimize system tool, and realize calculation of cash flow gap, index monitoring and stress test on liquidity risk; III. to construct daily market fund early warning system and track liquidity change in the market timely; IV. to continue to increase the investment on treasury bond and increase reserve of high-quality liquid assets.

During the reporting period, liquidity risk indicators were analyzed as below:

1. Liquidity ratio

As of 31 Dec. 2014, the balance of liquid assets was RMB 101.48324 billion yuan, and the balance of liquid liabilities was RMB 185.83440 billion yuan. The liquidity ratio 54.61%, meeting the requirement of CBRC as no lower than 25%.

2. Loan-deposit ratio

As of 31 Dec. 2014, the loan balance was RMB 210.062 billion yuan (including the financial debts related loans of RMB 13 billion yuan) and the deposit balance was RMB 306.532 billion yuan. The loan-deposit ratio was 64.12%, meeting the requirement of CBRC as no more than 75%.

3. Liquidity coverage ratio

As of 31 Dec. 2014, the Company reached high-quality liquid assets of 59607.54 million yuan, net cash outflow 58737.21 million yuan within 30 days, and liquidity coverage ratio 101.48%, meeting

Chapter Six Report of the Board of Directors (continued)

the requirement of no less than 60% as required by CBRC.

(III) Market risk

Market risk is the risk of possible loss caused by the fluctuations of the value of financial instruments. The possible loss of future gains or cash flows are due to changes in interest rates, exchange rates or other market factors. The key market risks undertaken by the Company are interest rate risk and exchange rate risk.

The interest rate risk is the primary market risk of the Bank at present and the Company has taken following measures to control the interest rate risk: I. strengthened control on risk limits: according to the market environment and the development of capital business, the Company adjusted internal authorization for market risk limits in time to guarantee the healthy development of the capital business under the controlled market risks; it measured and monitored the limits of capital business in accordance with market risk indicators and limits as approved by the Board of Directors at the end of every day; the interest rate risk indicators monitored by the Company includes interest rate sensitivity indicator limit, stop-loss limit, risk value limit and liquidity limit; II. actively implemented stress tests: the Company conducted stress tests of the market risks periodically and non-periodically as an effective supplementary mean for daily limit management; apart from regular test at the end of every month, the Company also carried out emergency stress test and gave early warnings in the case of significant market fluctuations and other emergency; III. risk hedging: for key interest rate risks in transaction accounts of the Company, it guaranteed reasonable and controlled interest rate risk by adjusting transaction term, hedging between similar products and hedging with interest rate derivatives. Apart from limit control, stress test and risk hedging for interest rate risk control, the Company also utilized daytime control on trading days, position control at the end of every trading day to guarantee reasonable and controlled interest rate risks.

During the reporting period, the Company took following measures to enhance control over the market risk: I. optimized construction of market risk system group, finished phase I construction of customer trading system, integrated customer trading achievement functions undertaken by e-bank and credit systems within the bank, optimized customer trading marked-to-market and deposit management, and realized automatic trading intercepting and automatic reminding functions under the state that deposit was insufficient; II. continuously improved the function of capital business system: the configuration of trading varieties was newly added in Summit system, including valuation modelling and system configuration of large-denomination negotiable certificate of deposits, forward transaction of domestic fund, assets backed security (ABS) and private placement note (PPN); III. periodically carried out sensitivity analysis on market risk: considering the position and new market changes, the Company conducted sensitivity analysis to reveal weak links

Chapter Six Report of the Board of Directors (continued)

in market risks and improve the risk early-warning capability; IV. carried out the standard-reaching project of market risk capital standard method, improved the accuracy of market risk measurement and internal management level; and meanwhile, actively prepared internal model method project of market risk capital.

During the reporting period, the Company's market risk indicators are analyzed as below:

1. Interest rate risk sensitivity

As of 31 Dec. 2014, the interest rates increased by 200 base points, which led to a decrease of RMB 4.16031 billion yuan in the Company's net value, and the net capital value was RMB 41.84402 billion yuan. The interest rate sensitivity was -9.94%.

2. Foreign exchange exposure position ratio

As of 31 Dec. 2014, the accumulated foreign exchange exposure position balance was RMB 2.220843 billion yuan, and the net capital value was RMB 41.84402 billion yuan. The accumulated foreign exchange exposure position ratio was 5.28%.

3. Value at risk (VaR)

As of 31 Dec. 2014, The Company adopted 99% as the confidence level and one day as the holding term. The VaR of transaction accounts was measured to be RMB 51.52 million yuan, which was within the limits specified by the Board of Directors, showing controlled market risk.

(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 caused by four categories of risk factors: personnel risk, procedure risk, system risk and external event risk. During the reporting period, the Company took following measures to further enhance control over operational risks: I. further optimized the system of operational risk and case prevention management, improved pertinency and effectiveness of operational risk management and case prevention, and established "Guidances on the Operational Risk Management in branches of Bank of Ningbo", "Regulations of data security management of Bank of Ningbo", "Reward scheme for Case Prevention of Bank of Ningbo" and other systems; II. optimized operational risk system, and carded and optimized the operational risk system from six aspects, i.e., capital measurement, outsourcing management and index sort management; further promoted application of three tools of the operational risk management in various departments and lines of the Company, organized self-assessment of phase II operational risk and control, improved the pertinency and effectiveness of the operational risk management, and meanwhile accumulated risk data for new protocol

Chapter Six Report of the Board of Directors (continued)

implemented in the future; III. established operational risk audit mechanism of business system; the Company carried out operational risk audit to various departments through system and business procedures. It professionally audited whether the core operational risk of the business involved was recognized, whether main operational risk was controllable and whether it was feasible in practical business environment; meanwhile, the Company intervened to new products in advance and offered corresponding operational risk professional support; IV. established operational risk analysis meeting system; branches organized related departments to attend operation risk analysis meeting every two months, to discuss and exchange the status and trend of operational risk in the region of the branch in current period as well as main operation risks, countermeasures of the branch, reported problems and suggestions to the head office periodically, and carried out improvement in head office and branches; V. enhanced risk prompts: timely released various risk prompts in accordance with typical risk events occurred in banks, urged related units to rectify or enhance attention timely; meanwhile, for the typical cases reported by supervisor, timely organized related departments to discuss main risks and researched improvement measures; VI. enhanced case risk examination: carried out case risk examination every three months, implemented normal cases risk examination on various businesses of the Company from point to surface through data check, teller report and special examination; organized case special governance; comprehensively carded, checked and rectified employee's ethical risk and business procedure risk through six ways including employee information carding, home visiting, office space inspection, interview, financial case education and earnest talk, togetherwith self-examination of branches, recheck by joint inspection group and examination of head office line management department.

(V) Compliance risk

Compliance risk refers to the risks 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 mainly took following measures to prevent compliance risks: I. further enhanced management of the compliance system. According to external changes of laws, rules and regulatory policies, and also considering its own business development, the Company added and revised 225 internal control policies in 2014; it carried out internal control system post-assessment for note, custody, credit management, as well as overall evaluation of annual internal control system, to ensure systems were legal and compliant; II. continued to arrange inspection of business compliance; in combination with business implementation and focuses of supervision department, the compliance department coordinated annual business examinations in various departments, enhanced examination in high-risk field, weak links and key businesses, tracked

Chapter Six Report of the Board of Directors (continued)

implementation schedule of examinations, summarized and analyzed problems in examinations, urged rectification and improved effects of the examinations; III. further implemented the compliance evaluation and assessment; departments in the headquarters, branches/sub-branches, team leaders and staffs were all assessed; points deduction was adopted; assessment results were an integral part of the annual performance assessment for headquarters, team leaders and staffs as well as the annual internal control assessment for branches/sub-branches; IV. enhanced employee's consciousness of compliance risk; organized study and examination on five mechanisms of case prevention and financial criminal cases, and enhanced employee's concepts of knowing laws and obeying laws; monitored employee's illegal behaviors, analyzed employee's illegal behaviors discovered in internal and external examination, collected and analyzed typical illegal cases, and announced within whole bank, so as to further enhance the executive force of internal and external rules and regulations; V. further enhanced the construction of compliance culture; carried out compliance talking to new employees within the whole bank, implemented inoculation of compliance requirement and compliance consciousness of the Company, and signed compliance commitment letter; explored advanced compliance case, set compliance examples and organized example persons in touring lecture; carried out activity of "zero violation among sales networks in ten cities", and appraised advanced compliance sales networks of zero violation.

(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 activities or external events. According to regulatory requirements and the development trend of new media, the Company insisted on the principles of prevention first, being active, reporting timely and whole staff participation, and optimized the reputation risk management policies and procedures to effectively prevent reputation risk.

In 2014, the Company further improved the reputation risk management system and compliant management system to enhance management over media and compliant events, and enhance its reputation risk management. I. consolidated reputation risk firewalls through upgrading reputation risk management system and formulated reputation risk management standard brochures. II. 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; The problems are discussed between departments periodically. III. Tracked the whole procedure of compliant processing and result feedback through the compliant management system platform to improve the timeliness, solution and satisfaction of compliant processing. IV. Enhanced monitoring and reporting of reputation risk events, kept updating public opinions, clarified false or incomplete information

Chapter Six Report of the Board of Directors (continued)

timely, and dealt with reputation risk events upon their degree of severity.

(VII) Anti-money laundering management

In 2014, the Company, starting from comprehensive trial of anti-money laundering large-amount and suspicious transaction reporting, firmly mastered risk-oriented working method, established and perfected risk rating and sort management of anti-money laundering, anti-terrorist financing, major account abnormality handling, product anti-money laundering risk assessment and analysis of money laundering type, fulfilled legal anti-money laundering obligations including customer identification, large-amount and suspicious transaction reporting and terrorist assets freezing, paid high attention to anti-money laundering training, energetically carried out propaganda work of anti-money laundering, implemented internal management and audit examination of anti-money laundering, and actively assisted supervision department in investigation, survey and the like, so as to effectively improve anti-money laundering performance and work level of the Company.

(VIII) Implementation of new capital accords

During the reporting period, the Company took supervision requirement as compliance goal and internal promotion as implementation power, so as to steadily and orderly promote the implementation and achievement of new capital accord project; I. realized application of non-retail internal rating system, deployed 10 scoring models applicable to corporate and interbank businesses, applied rating result to access and approval authorization, and formulated pricing and performance appraisal program based on risk-adjusted rate of return (RAROC); II. completed design of retail internal rating system, developed application, behavior and collection scoring card covering all key products including credit card, personal loan and small and micro businesses; designed application strategies of credit approval, limit management, limit adjustment and renewal, after-loan layering and collection management based on scoring card and business rule, and developed retail risk pool model; III. carried out risk weighted assets (RWA) system construction, and completed listing of credit risk weighting method and operation risk capital measurement. Meanwhile, to assist the implementation and achievement of the project, the Company formulated data standard at enterprise level, implemented data quality management, gradually optimized data warehouse construction and built a credit risk data set, so as to provide continuous data support for the implementation of new accord.

(IX) Explanations on the completeness, reasonability and effectiveness of the internal control system

1. Identification of large amount exposure and risk concentration

During the reporting period, the Company identified and managed large amount exposure

Chapter Six Report of the Board of Directors (continued)

and concentrated risks effectively. According to risk management policies of credit customer concentration in "Administrative Measures on Credit Business Concentration Risks of Bank of Ningbo", it carried out a variety of credit business concentration risk management methods: periodically monitoring and analyzing loan concentration, industry concentration and other indicators; improving customer concentration, collaterals concentration, industry concentration, region concentration, business type and term concentration. It was conducive to avoid excessive concentration of loans to a single customer or industry, and enhance the overall risk management level of credit business.

2. Accuracy and completeness of parameters applied by the evaluation procedure of the Bank

The Company evaluated risks by means of implementing credit rating of customers as legal persons and classifying credit business into ten categories. During the reporting period, the rating results of credit customers were consistent with customers' credit standing, and parameters for the evaluation procedure were basically accurate, complete and effective.

3. Reasonability and effectiveness of the evaluation procedure of the Bank in scoping

During the reporting period, the Company implemented the reasonable capital evaluation and risk evaluation procedure. The scope of the evaluation procedure was reasonable and effective.

4. Stress test and analysis of assumptions and parameters

During the reporting period, the Company continuously improved the technology and approaches of stress test, optimized the scene of stress test, applied test methods including sensitivity test and scenario test, periodically conducted stress test on the liquidity status, market risk status and real estate loan credit risk status of the Company, understood potential risk factors, analyzed the capability of risk defense, formulated related measures and prevented impact of extreme events to the Company.

In conclusion, the Company has formulated a relatively complete, reasonable and effective internal control system. As the Company further improved the effectiveness of the implementation of the internal control system, branches and sub-branches raised awareness of internal control and well implemented internal control measures of each business line without any significant internal control defect. According to requirements of national laws and regulations and its demands on operation and management, the Company will further improve the completeness, reasonability and effectiveness of the internal control.

IV. Capital management

The objectives of company's capital management include: (1) to maintain a reasonable level of

Chapter Six Report of the Board of Directors (continued)

capital adequacy ratio and steady capital foundation, support the development of company's businesses and implementation of strategies, improve the ability to defense risks and realize comprehensive, harmonious and sustainable development; (2) to establish and constantly perfect performance management system focusing on economic capital, accurately measure and cover all types of risks, optimize resource allocation and operational management mechanism to create the best returns for shareholders; (3) to apply various capital instruments properly, optimize amount and structure of capital and improve quality of capital.

The main principles for our company's capital planning are: to ensure the level of capital adequacy ratio conforms to the requirements of regulatory policy and maintains the basic stability. The Company will try to improve capital allocation efficiency and capital adequacy level by means of strengthening and improving economic capital management, etc.; the management objective for capital adequacy ratio will be realized by preferentially adopting the measures such as optimizing asset structure, controlling the increase of risk-weighted assets and improving the profitability.

(I) Economic capital allocation and management

In 2014, our company boosted economic capital management steadily, formulated economic capital distribution plan, realized capital's optimal allocation among various business lines, regions, products and risk domains through economic capital limit management, restrained the scale expansion of risk assets, constantly improved the sensitivity of economic capital measurement and constantly deepened the management application of economic capital in various sectors so as to achieve the objective of capital return and capital adequacy.

(II) Conditions of capital adequacy ratio

According to the request of Notes About the Relevant Arrangement in the Transition Period of Implementing Capital Management Measures for Commercial Banks (Trial) issued by CBRC and actual operating status, the Company formulated Long and Medium-term Capital Planning for Bank of Ningbo Co., Ltd (2013-2018) to make clear company's schedule of reaching the standard capital adequacy ratio and ensure the level of capital adequacy ratio, strategic development plan of the company and comprehensive risk management ability are matched.

In compliance with the relevant regulations of Capital Management Measures for Commercial Banks (Trial), the scope of consolidated data covers the parent company and the affiliated fund company. Up to Dec.31, 2014, the capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio of the company are as follows:

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Table for the Conditions of Capital Adequacy Ratio

1. Measured in compliance with Capital Management Measures for Commercial Banks (Trial)

Unit: (RMB) Thousand

Item	Dec. 31, 2014		Dec. 31, 2013	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
the net balance of core tier one capital	33,994,546	33,779,441	25,414,476	25,266,837
the net balance of tier one capital	33,994,546	33,779,441	25,414,476	25,266,837
the net balance of total capital	41,844,020	41,628,915	32,735,921	32,588,282
the total risk-weighted assets	337,552,562	337,046,637	271,379,933	270,308,408
of which:				
credit risk-weighted assets	307,305,701	306,815,399	246,289,171	245,204,583
market risk-weighted assets	6,353,503	6,362,789	5,773,189	5,786,251
operational risk-weighted assets	23,893,359	23,868,449	19,317,573	19,317,573
core tier one capital adequacy ratio	10.07%	10.02%	9.36%	9.35%
tier one capital adequacy ratio	10.07%	10.02%	9.36%	9.35%
capital adequacy ratio	12.40%	12.35%	12.06%	12.06%

Note: 1. In accordance with relevant regulations specified within Capital Management Measures for Commercial Banks (Trial) 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 operation risk is measured by basic index method.

2. According to relevant regulations of the No. 174 and No. 175 from Capital Management Measures for Commercial Banks (Trial) (China Banking Regulatory Commission, No. 1, 2012), "In the transition period of reaching the standard, Commercial Banks shall calculate and disclose capital adequacy ratio of consolidated statements and non-consolidated statements in compliance with Capital Adequacy Ratio Management Measures for Commercial Banks and this method simultaneously". And it's necessary to make sure about the relevant information of disclosed content. Above is the relevant data and information of capital adequacy ratio calculated according to Capital Management Measures for Commercial Banks (Trial).

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2. Measured in compliance with Capital Adequacy Ratio Management Measures for Commercial Banks

Unit: (RMB) Thousand

Item	Dec. 31, 2014	
	Consolidated	Non-consolidated
Core capital adequacy ratio	10.32%	10.16%
Capital adequacy ratio	13.31%	13.88%

Note: According to relevant regulations of No. 174 and No. 175 from Capital Management Measures for Commercial Banks (Trial) (China Banking Regulatory Commission, No. 1, 2012), "In the transition period of reaching the standard, Commercial Banks shall calculate and disclose capital adequacy ratio of consolidated statements and non-consolidated statements in compliance with Capital Adequacy Ratio Management Measures for Commercial Banks and this method simultaneously". And it's necessary to make sure about the relevant information of disclosed content. Above is the relevant data and information of capital adequacy ratio calculated according to Capital Adequacy Ratio Management Measures for Commercial Bank.

According to On Supervision Demands of Disclosing Capital Composition Information of Commercial Banks of CBRC, our company further discloses attached information including the capital composition table, the detailed explanatory table of relevant item, the principal feature of capital instruments in the report period. For details, see the special column of investors' relationship in company's website (www.nbc.com).

(III) Situation on leverage ratio

Unit: (RMB) Thousand

Items	Dec. 31, 2014	Dec. 31, 2013
Leverage ratio	5.02%	4.62%
Core tier-I capital	34,164,212	25,521,888
Core tier-I capital supervision deduction item	169,666	107,412
Net Core tier-I capital	33,994,546	25,414,476
Adjusted in-balance assets balance	559,588,668	466,296,978
Adjusted off-balance assets balance	118,172,967	83,929,299
Adjusted in and off-balance assets balance	677,591,972	550,051,091

Note: calculated in accordance with relevant regulations prescribed within Management Measures for Leverage Ratio of Commercial Banks issued by China Banking Regulatory Commission in 2011.

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V. conditions of organization construction

No.	Organization name	Business address	Number of organizations	Number of employees (persons)	Asset size ('000 yuan)
1	Head Office	No. 700, South Ningnan Road, Yinzhou District, Ningbo City	1	1647	251,094,225
2	Shanghai Branch	Floors 20-22 of 21st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai City	13	501	30,243,416
3	Hangzhou Branch	No. 146, Baochu Road, West Lake District, Hangzhou City	12	456	24,083,221
4	Nanjing Branch	No. 120, Hanzhong Road, Gulou District, Nanjing City	10	393	25,214,181
5	Shenzhen Branch	D of F1, whole floor of F2 and B of F3, Times Fortune Tower, southeast of Downtown District, No. 3 Fuhua Road, Futian District, Shenzhen City	8	373	22,489,947
6	Suzhou Branch	No. 749, East Ganjiang Road, Canglang District, Suzhou City	14	444	30,247,276
7	Wenzhou Branch	No. 260, Nanpu Road, Lucheng District, Wenzhou City	7	259	7,009,455
8	Beijing Branch	Floors 1-2, Floors 11-15, Glorious Oriental Center, No. 100, 3rd West Ring Road North, Haidian District, Beijing City	5	275	19,251,709
9	Wuxi Branch	Floors 1-2, No. 20, North Avenue, Beitang District, Wuxi City	5	237	15,394,887
10	Jinhua Branch	No. 1133, Danxi Road, Jinhua	1	99	2,961,568
11	Shaoxing Branch	Beichen Commercial Building, No.653, Jiefang Road, Shaoxing City	1	69	2,209,207
12	Haishu Branch	No. 135, South Liberation Road, Haishu District, Ningbo City	5	117	4,641,915

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No.	Organization name	Business address	Number of organizations	Number of employees	Asset size
				(persons)	('000 yuan)
13	Jiangdong Subbranch	No .466, East Zhongshan Road, Jiangdong District, Ningbo City	7	173	10,686,716
14	Jiangbei Subbranch	No. 270, Renmin Road, Jiangbei District, Ningbo City	6	139	11,709,317
15	Hudong Subbranch	No. 801, North Liyuan Road, Haishu District, Ningbo City	2	79	4,638,130
16	West Gate Subbranch	No. 197, West Zhongshan Road, Haishu District, Ningbo City	5	103	4,258,430
17	East Gate Subbranch	No. 868, East Beizhang Road, Jiangdong District, Ningbo City	9	195	6,836,515
18	Tianyuan Subbranch	No. 230, Liuting Street, Haishu District, Ningbo City	4	103	3,987,758
19	National Hi-tech Zone Subbranch	No. 651-655, Jiangnan Road, Hi-tech Zone, Ningbo City	5	116	4,820,715
20	Siming Subbranch	No. 9, Lantian Road, Haishu District, Ningbo City	6	116	11,443,737
21	Mingzhou Subbranch	No .199, Middle Songjiang Road, Yinzhou District, Ningbo City	9	169	6,360,036
22	Beilun Subbranch	No. 221, Mingzhou Road, Xinqi Town, Beilun District, Ningbo City	7	150	6,691,456
23	Zhenhai Subbranch	No. 18, Station Road, Zhenhai District, Ningbo City	6	124	5,459,438
24	Yinzhou Subbranch	No.666, Middle Siming Road, Zhonggongmiao Street, Yinzhou District, Ningbo City	10	193	8,947,359
25	Ninghai Subbranch	No. 158, Times Avenue, Taoyuan Street, Ninghai County, Ningbo City	7	143	3,776,211
26	Yuyao Subbranch	No .28, West Yangming Road, Yuyao City, Ningbo	8	160	6,579,120
27	Xinjian Subbranch	No. 340-348, West Yangming Road, Yuyao City, Ningbo	8	114	3,896,130

Chapter Six Report of the Board of Directors (continued)

No.	Organization name	Business address	Number of organizations	Number of employees	Asset size
				(persons)	('000 yuan)
28	Cixi Subbranch	No. 207, Ciyong Road, Cixi City, Ningbo	10	180	6,271,749
29	Chengdong Subbranch	No. 483-495, Xincheng Avenue, Cixi City, Ningbo	10	154	3,551,884
30	Xiangshan Subbranch	No. 503, Xiangshangang Road, Dandong Street, Xiangshan County, Ningbo City	4	98	3,440,101
31	Fenghua Subbranch	No. 16, Zhongshan Road, Fenghua City, Ningbo	7	119	5,240,430
32	Maxwealth Fund Management Co., Ltd.	Floor 27, 21st Century Tower, No. 210, Century Avenue, Pudong New Area, Shanghai City	1	38	676,378
Total: 246 (including 1 secondary subbranch within the jurisdiction of Business Office of Head Office and 33 community subbranches)				7498	554,112,618

VI. Core competitiveness analysis

In 2014, the Company formulated development plan for three years from 2014 to 2016, and the development plan was approved by the second meeting of the fifth board of directors of the Company; in accordance with external environment and actual situation of the Company, the specific development plan of the Company from 2014 to 2016 was proposed, thus constructing the Company as a respected modern commercial bank with a good reputation and core competitiveness as soon as possible.

(I) Economic environment

In the next three years, China's economy will maintain a sustained steady growth, which will provide economic basis for the development of the banking industry in the next three years, but the growth of China's economy will turn to medium-high speed from high speed in previous few decades, at this time, the banking industry will face greater challenges:

I. economic structures will be adjusted continuously; with the continuous development of new technology and new business, impacted by the internet economy, the business situations of many traditional industries will change; in this process, the assets structural layout of the bank will change

Chapter Six Report of the Board of Directors (continued)

subsequently; II. the overcapacity situation is more prominent; a considerable part of the enterprises will be knocked out and face the pressure of stopping operation in the process of digesting the overcapacity; III. local debt faces the pressure from safe digestion. As the maturity of many local debts in stock, the original local debt is confronted with high pressure of circulating and digestion; at this time, new project still faces pressure of getting into debts continuously.

(II) Supervision environment

Banking industry is highly supervised, and its development trend will greatly determined by the orientation of regulatory policy It is predicted that the banking industry will be confronted with a more strict supervision environment in the next three years:

I. Requirements of regulators on the bank's risk management will be more strict; the regulator always adheres to the concept of steady supervision; as constraint of Basel III on bank's capital is further enhanced, operating cost of the bank is subsequently improved; II. the competition among banks will be further promoted with interest rate liberalization, so that the overall interest margin level of the market is reduced, bank's differential management and meticulous pricing will become a trend, and internal differentiation of the industry will be further accelerated; III. the regulatory policies on city commercial banks will affect the development of the Company to a great extent in the future; supervision department always supervises the city commercial bank as an independent main body; it is predicted that some regulatory policies in the future will be concerned with different classification, including, but not limited to, capital adequacy ratio level, deposit insurance premium, trans-regional management, mixed operation policy and the like.

(III) Social environment

As the social environment, the internet economy is gradually changing people's way of life. The rapid rise of the Internet finance will bring significant changes in the future development of the banking industry. This is mainly reflected in:

I. Change in bank's balance sheet; more product innovation opportunities and customer acquisition channels will be provided for the banking industry with internet finance, so that the conventional balance sheet structure of the banking industry will be changed, which will require the banking industry to realize balanced development between asset & liability business and intermediate business. That is to say, besides focusing on corporate business, banks should gradually enhance retail and capital business; II. change in bank business model; the traditional business model of the banking industry will be changed by internet finance; partial customers of the banking industry will be poached by the internet finance, the bank's role, as an intermediary, will become more and more important, and requirement for compensating narrow credit spreads by diverse intermediate business will become more urgent; III. change in profit source of the banking industry; the pace of

Chapter Six Report of the Board of Directors (continued)

financial disintermediation will be accelerated by the internet finance; it is difficult for the banking industry to drive profit growth mode simply depending on scale under regulated interest rate, and profitabilities of different banks will become differentiated significantly.

(IV) Interbank environment

I. More competitors enter into the traditional banking business; restriction of separate operation will be gradually broken, and non-bank industries of insurance, securities, fund, trust and the like will participate in competition with the bank in many fields such as assets management; II. the interior of the banking industry will be further differentiated; the homogenization business of the bank will be broken; big bank will move towards integrated management and comprehensive management; medium-sized bank will seek special operation in some special fields; and community bank will take remote contact with customers with major entry point and adhere to retail business as main characteristic; III. customer and business fluxion of the banking industry will be enhanced; with participation of new competitors and increasing differentiation of the business, original bank customers and businesses will also face the shunt risk.

Based on the above analysis, China's economy is facing opportunities and challenges of structural adjustment in the next three years; the banking industry faces more challenges than opportunities; the entire banking industry will be confronted with a difficult transformation period, and the banking industry will continue to bear pressure in profit growth.

In this process, it is the important subject for the Company to adapt to new business model, to manage liquidity, to optimize the capital allocation, to achieve the best cost control and to realize profit under new layout of the balance sheet. Despite the unprecedented challenges, the Company is confident to be better and stronger in the future.

Confidence of the Company to future development mainly comes from four aspects:

I. The Company has a completed corporate governance structure.

Firstly, as a diversified equity joint-stock listed bank, the Company, after years of effort, has constantly improved the governance structure; secondly, the Company is relatively reasonable in equity structure that various shareholders can fully exercise their rights; thirdly, in the governance structure, the organizational structure covering three meetings and one level, namely shareholders' meeting, meeting of the board of directors, meeting of the board of supervisors and senior management level, is sound that various entities are clear in responsibility boundary and are coordinated in operation; fourthly, in personnel constitution, the board of directors, the board of supervisors and senior management of the Company possess rich working experience, and are diligent and dedicated; both executive directors and senior management are professional and dedicated, taking long-term development of the bank and creating value of shareholders as

Chapter Six Report of the Board of Directors (continued)

responsibility, so as to promote forward development of the bank.

II. The Company possesses development and accumulation for years.

Firstly, after years of development, the Company has own characteristics in multiple aspects including profit source, risk management, market transformation, technological innovation, personnel training and the like, and has preliminary competitive power in some fields; secondly, in terms of profit source, many profit growth points exist in the eight profit centers and the profit source sources of the Company is are more decentralized; thirdly, in the aspect of risk management, the Company has preliminarily established a comprehensive, all-employee and full-process risk management system including credit risk, market risk, operation risk, moral risk, legal risk, reputation risk and the like and integrating front, medium and backgrounds; fourthly, in the aspect of market transformation, large retail strategy of the Company is smoothly promoted; two retail lines, namely personal bank business and retain retail company business, have preliminarily established already have a competitive business model in Ningbo preliminarily and stepped to benign development track, with continuous increase in scale and profit proportion; fifthly, in the aspect of technological innovation, the Company has preliminarily established a data center, disaster recovery system and business support system adaptive to business development demand, and such e-channels as online banking, mobile banking and direct-sales banking are continuously improved; and sixthly, in terms of talent training, through persistent accumulation, the HR management system of the Company is gradually completed, and a talent forming mechanism adaptive to the development characteristics of the Company has been preliminarily established, as well as a young and vigorous employee team.

III. The Company has a good development environment.

Firstly, the head office and 10 branches of the Company are mainly distributed in economically developed area around the Yangtze River Delta region; and enough customer groups adaptive to product and business characteristics of the Company are guaranteed for supporting the sustainable development of the bank; secondly, Ningbo where the head office locates is a city with independent planning status around the country, with developed private and export-oriented economy, obvious advantage in talent and high market degree; thirdly, the Yangtze River Delta region where most branches of the Company locate is covered by high-quality medium-s and small-sized enterprises, thus having good financial environment and good prospect for future development, which will support the steady and sustainable development of the bank.

IV. The Company has quick response capacity.

Firstly, after years of training, the Company has become a highly market-oriented bank which, in the face of possible changes, can timely adjust strategy and direction to meet the needs of customers and markets. Secondly, in the management model, the Company adhered to a management model

Chapter Six Report of the Board of Directors (continued)

combining matrix management and vertical centralized management, so as to give full play of its advantages in few management levels and small management radius; on the basis of steady operation of various businesses, the Company can respond to new change of the market quickly. Thirdly, in the linkage between the head office and branches, the Company has established a set of comparatively mature head office/branch linkage management system, so that it can respond to market demand quickly for new market environment and business opportunities. Fourthly, on the basis of development, as strategy investor of the Company, Singapore Overseas-Chinese Banking Co., Ltd. can support the Company in the new age after interest rate liberalization from experience, product and intelligence.

(V) Improvement direction of core competitiveness

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

Firstly, we continue to optimize the layout of the eight profit centers, add more profit growth points for each profit center, explore integrated business model and establish a more diversified profit channel; secondly, continue to perfect the full-flow risk management system, and form the competitive power of risk management; with economic structure adjusted constantly, we should minimize the costs of various risks; thirdly, continue to improve IT system, and basically form the technological support competitiveness, so that its leading position in like banks is determined; fourthly, continue to dock internet financial channel, basically determine the competitiveness of e-channel and promote synchronous development of multiple channels, so as to better win customers, serve to customers and manage customers; fifthly, continue to perfect HR working mechanism, meet demand of business development, and establish a multi-level and systematic talent introduction, training & cultivation and management promotion mechanism; sixthly, continue to promote construction of branches, enrich a development layout of "one body and two wings"; and in accordance with the orientation of regulatory policies, try to initiate and establish a more diversified holding non-bank financial institution.

VII. Business review

In 2014, the Company closely adhered to work line of "expanding profitability channels, upgrading marketing modes, controlling non-performing assets and speeding up talents fostering" made at the beginning of the year. The growth of profit maintained steady and the asset quality kept stable, the construction of the information system was obviously achieved and various projects made at the beginning of the year was completed smoothly. Through efforts of 2014, compared to the past few years, the Company had highlights six aspects from the point of sustainable development as the followings:

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I. Non-performing loan ratio was better controlled. At the end of 2014, the non-performing loan ratio of the Company was 0.89%, same as that at the beginning of the year. Many operation institutions of the Company were located in region where economic structure was greatly adjusted, but the non-performing ratio was kept on the level at the beginning of the year, showing good risk control capacity and market judging capacity of the Company.

II. Profit source was more diversified and profit distribution was more reasonable. In 2014, in the first year of Yongying Fund Management Co., Ltd., its profit was 23.0325 million yuan, showing a good start. Various profit centers were more reasonable in profit distribution, the proportion of profit from Corporation Bank Business was gradually reduced, contribution of businesses in financial market was stable, large-retail transformation got initial achievement, and the total profit proportion of two retail lines was nearly 20%; new profit centers such as note, investment banking and custody had good growth situation, the profit source of the Company was more diversified and the distribution was more reasonable.

III. Total profit of branches in various regions exceeded that in Ningbo for the first time. In 2014, the profit from branches accounted for more than 55% of the company's profit; the profit proportion also exceeded that in Ningbo for the first time after the scale proportion exceeded that in Ningbo. For the Company, it was a significant transformation; in the past, the Company achieved its business growth mainly by business growth in Ningbo, and at present, in turn, the business development in Ningbo can be supported by branches, so that the entire bank is more balanced in growth power.

Fourthly, business scope and business qualification were continuously expanded. In 2013, the Company set up Yongying Fund Management Co., Ltd.; Yongying Financial Leasing Co., Ltd. was approved to prepare in December, 2014, and was expected to open in the first half of 2015; in 2014, the business qualification of the Company also increased continuously, including qualification of treasury bond underwriting group, class B main underwriting, asset securitization, interbank deposit, SGE financial members, market making of bond and the like, which increases the number of products serving to different customers and widens the participation surface of the market.

Fifthly, the work of new capital accord was carried forward steadily. At the end of 2011, the Company, as the earliest bank starting the construction of the new capital accord in the city commercial banks, started this new capital accord. After three years of efforts, the construction of such main sub-projects as non-retail credit risk exposure modeling, retail credit risk exposure modeling, operation risk system and reputation risk management system has been completed currently, so that the Company is expected to step into the first batch of city commercial banks implementing the new capital accord.

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Sixthly, the technical supporting ability of the bank was continuously improved. The Company always adhered to the concept that science and technology constitute the primary productive force, regarding business driving as key point, continued to improve the construction of application system, and on the basis of completing new core system, new international settlement system, new capital system and credit risk management system, continued to promote the construction of various scientific and technological systems, so as to construct "three-in-one" application system orienting to business, orienting to service and orienting to customer, which will offer firm technical support for the long-term development of the bank.

Specific to promotion of various major businesses of the Company in 2014, various businesses were obviously improved.

1. Corporate banking

The company's banking business was devoted to service innovation, experience innovation and product innovation; at present, five business blocks, namely cash management, trade financing, bill business, investment banking and asset custody, has been formed. The Company was committed to offering all-around comprehensive financial service to large and medium-sized enterprises.

During the reporting period, the Company adhered to the professional, differentiated and diversified service concept in cash management business, thus forming a product system covering three cores, namely e-bank, investment financing and group investment management, was devoted to reducing financial risk and cost and optimized capital gains of the medium- and small-sized enterprises and groups by safe, convenient and efficient cash management service, and will make innovation and efforts continuously. In the aspect of treasury management service to large- and medium-sized groups, the Company had made initial achievement in treasury service, the treasury management platform of the group was upgraded to 2.0, and group account management, group investment & financing, group international business, group bill business and the like were realized in all directions. At present, 108 medium-sized groups and 422 management branches exist within the service region.

During the reporting period, the Company continued to promote "Kuajingying" platform featured with domestic and foreign linkage, covering four blocks, namely cross-border trade financing, cross-border loan, investment banking and private banking. In 2014, the cross-border business volume broken through \$ 4 billion, up by 28%. The Company established cooperation with such regions as Hong Kong, Taiwan, Singapore, Macau, Thailand, Australia, Europe and the United States, and the cross-board business volume of OCBC, as a strategic partner, accounted for 38%. Product variety was continuously enriched, exported risk participation business, joint loan and financing &

Chapter Six Report of the Board of Directors (continued)

leasing profit business were newly developed; the Company closely followed special park policies and handled cross-border RMB loan in Suzhou Singapore Industrial Park. In the aspect of domestic trade financing, the Company launched bill pool business and developed enterprise bill service business; in 2014, the amount occurred from bill pool business around the year reached nearly 5 billion yuan.

2. Personal banking

Personal business was one of maily developing fields of the Company; it, when enhancing saving deposits, wealth management, consumption loan and other basic businesses, made efforts to build fine customer management, so as to construct the core competitiveness of its personal business in market segment.

Up to Dec.31, 2014, the Company possessed 2498100 personal customers, including 1900800 customers in Ningbo and 597300 customers in branch areas; the Company had 1022800 basic customers, increasing 305200 new customers compared to that at the beginning of the year, up by 42.54%, including 434100 basic customers in branches, increasing 161500 new customers compared to that at the beginning of the year, up by 59.22%, and 588700 basic customers in Ningbo, increasing 144000 new customers compared to that at the beginning of the year, up by 32.38%. Ningbo possessed 110000 high-end customers, up by 37.77%, and 260000 value customers, up by 18.57%.

In 2014, from the market demand, the Company continued to adhere to the purposes of improving customers service capacity, product sales capacity and intermediate business earning ability, continuously extended the competitive advantage of wealth management business, strived to meet the increasing financial demand of personal investor under new market pattern and urged the rapid development of wealth management business. Up to Dec.31, 2014, the Company's sales volume of personal financial product reached 226.943 billion yuan, up by 58.68%.

In 2014, the Company, when accelerating business development, continued to promote strategy transformation of personal loan business and focused on the optimization of personal loan business structure, so that the personal loan was kept at rapid growth. Up to Dec.31, 2014, the Company's personal loan balance reached 60.504 billion yuan, increasing 14.252 billion yuna compared with that on Dec.31.2014, up by 30.81%. Personal non-performing loan balance was 244.43 million yuan, and non-performing rate was 0.40%; the personal non-performing loan risk was overallly controllible, and the level of the personal loan non-performing rate was constantly kept at relatively low level.

3. Retail company

Up to Dec.31, 2014, the Company possessed 92236 retail company customers, up by 22% compared to 2013, including 22159 settlement customers, 17606 credit customers, 2207

Chapter Six Report of the Board of Directors (continued)

international settlement customers and 27559 e-bank customers. In 2014, the Company continued to innovate settlement tools for small- and micro-sized enterprises, so that cash management efficiency was improved; at the end of the reporting period, 19667 shortcut cards were issued; it vigorously promoted the international settlement service to small and micro-sized enterprises and effectively expanded the range of service; at the end of the reporting period, the Company's international settlement business volume reached 9 billion U.S. dollars in retail company line, up by 20%, international settlement customers 2207, up by 66%; the Company was devoted to creating safe and rapid electronic financial service to medium- and small-sized enterprises, so that a three-dimensional electronic financial service system integrating internet banking, mobile banking, Wechat banking and the like was formed.

4. Financial market

At present, the Company has established cooperation with more than 400 domestic and foreign interbank customers including policy bank, national commercial bank, foreign bank, local commercial bank, credit union, registered settlement company, securities company, fund management company, insurance company, trust and investment corporation, enterprise group financial company, future company and financial asset management company in various businesses. The Company actively learned from development experiences of foreign advanced businesses, enhanced product development, expanded business chain, deeply got involved in foreign exchange market and interest rate market, actively explored commodity market and credit market, and comprehensively focused on various financial markets including securities market; of which the business scope was quite wide, covering foreign exchange business, bond business, financial liability business, derivative business, asset management, etc.

Faced with the rapidly changing financial market, the Company would continue to comprehensively improve capital business level by taking profit as center, on the basis of trading, orienting to product and starting from science & technology and talent, so as to further stabilize and expand profit source and to improve the quality of core financial service. During the reporting period, the Company gained qualifications in important businesses such as interbank deposit, SGE financial members and market making, so as to lay a good foundation for the sustainable development of financial market business.

5. Credit card business

In 2014, the credit card business adhered to characteristic business road, continued to enhance the functions of the product center, innovation center and management support center, and strived to realize a development mode of low risk and high gain. Up to Dec.31, 2014, the credit card center issued 1086800 cards in total, and active customers 398900; it reached credit card trading volume

Chapter Six Report of the Board of Directors (continued)

19.623 billion yuan, up by 39.00%, accumulated income 1.394 billion yuan, up by 72.95%, money advanced at the end of year 19.568 billion yuan, up by 72.07%.

6. Bill business

The Company adhered to the concept of high-quality service, aimed at serving to middle- and small-sized enterprise financing and diverse cooperation in the same business, and provided bill financing service which is favorable in price and quick to transfer funds to account, forming a perfect product system covering traditional commercial bill discount, buyer interest payment discount, trade acceptance discount, e-commercial bill discount, agency discount and the like. The bill business of the Company had three major advantages: firstly, rapid and efficient professional team and handling process to provide time-limited service commitment; secondly, accepting bank list covered more than 500 banks, supporting receipt and small note discount; and thirdly, trading channel covered various medium-and small-sized enterprises of same business, covering main economic regions throughout the country.

7. Asset custody

At present, the custody business variety of the Company has covered securities investment funds, special customer assets of fund company, collective asset management plan of securities company, oriented assets of securities company, insurance funds, assembled funds trust, single funds trust, bank financial products, private equity funds, etc. In 2014, the Company was devoted to the innovation of custody products, process optimization, system R&D, internal control and other work management measures, and won annual financial innovation award granted by "Daily Economic News" due to its innovation in custody business. In June, 2014, custody e-bank was listed; up to the end of the reporting period, 66 custody e-bank customers were attracted, accounting nearly 1/3 of the custody customers, and feedback from customers using the e-bank was good; easy-custody system independently researched and developed by the Company was integrally popularized in the last ten days of January, 2015, and feedback from trial was good.

8. Investment banking

Investment banking business of the Company was committed to playing the role as a financial intermediary, building a diverse financial service platform, arranging monetary market and capital market resources through financial productd innovation and financial tool combination, and offering comprehensive financial services including investment, financing and advising to medium- and small-sized high-quality enterprises. At present, the investment banking business has become an important means for the Company to serve to the customers. During the reporting period, "Yongyin phase I", as the first personal credit assets securitization project of the Company, was

Chapter Six Report of the Board of Directors (continued)

issued smoothly, and issuance amount was 4.579 billion yuan, marking that the Company has made real progress in the process of promoting credit assets securitization; new business qualifications such as credit assets securitization, credit assets turnover and financial management direct financing tool were gained in succession, thus laying a good foundation for the Company to serve to the customers in a wider field.

9. International settlement

In 2014, the company attached importance to the construction of international settlement basic customer group and constantly improved the product system; under the linkage of the head office and the branches, the businesses of various branches developed coordinately, and the Company realized steady growth in international settlement business. During the reporting period, the annular international settlement amount of the Company was 47.661 billion U.S. dollars, up by 27.35%, and international business customers 18556 in total.

During the reporting period, the Company continued to promote product innovation and increase promotion effort, and to offer international business settlement and financing support for medium- and small-sized foreign trade corporations and some large-sized foreign trade corporations as well as medium- and small-sized service trade corporations. It actively provided financing support for medium- and small-sized export enterprises on the basis of "Lihuiying" product, promoted domestic enterprises to develop foreign business by virtue of "Kuajingying" series products and helped the customers to acquire foreign high-quality financing resources; the Company met the financing demands of service trade corporations through "Fumaoying" products and promoted the business development of service trade corporations.

The Company strived to build three international settlement service brands, namely "rapid international settlement, intelligent international settlement and star international settlement", it provided rapid service from simple process and time-limited service, and worked at building an intelligent e-bank international business platform on the basis of self-service handling and direct handling; morning/evening-shift working system was set from customer demands; partial businesses were accepted online for "7*24hr", and star service was provided.

10. E-bank

(I) Internet banking

In 2014, internet banking 5.0 was formally launched; in the aspect of personal internet banking, the opening platform of online business hall was provided for the first time; in terms of corporate internet banking, internet international business was improved; and such businesses as direct outward remittance and domestic letter of credit were launched.

Chapter Six Report of the Board of Directors (continued)

At the end of the reporting period, the total customer number of personal internet banking was 1398500, up by 42.65%; total transaction number throughout the year was 22224300 and total transaction amount was 1022.523 billion yuan, up by 28.02% and 36.81%.

At the end of the reporting period, the total customer number of corporate internet banking was 88809, increasing by 19906 compared to previous year, up by 28.89%; total transaction number throughout the year was 6821700 and total transaction amount was 4678.717 billion yuan, up by 19.06% and 86.76%.

(2) Mobile banking

To provide mobile financial service to customers through mobile phone has become a trend. In 2014, the Company strongly invested resources to improve mobile banking channel; new personal mobile banking 3.0 was launched, so as to improve interaction experience with the new interface.

Up to Dec.31, 2014, the Company reached personal customers of mobile banking 304100 in total, up by 194.67%; total transaction number was 6,000,000, up by 289.36%, and total transaction amount was 198.208 billion yuan, up by 385.42%.

(3) Wechat banking

By offering financial service on communications & social applications, service efficiency was effectively improved through abundant interaction ways, and more financial information was provided and applied to the public. In 2014, the Company was active to construct Wechat banking so as to realize such functions of trade prompt, investment financing and card-free withdrawal, being widely popular in customers.

Up to Dec.31, 2014, 165900 customers were concerned with the Wechat banking and 97400 customers were bound; during the transaction, the total number of times of query was 1655300, the financial management sales 4095 and the transaction amount was 0.546 billion yuan.

(4) Self-service banking

As an important way to draw customers from counter, the Company strived to develop such self-service equipment as ATM (automatic teller machine) and CRS (cash recycling system). In 2014, the transformation of the way accepting IC card was accomplished, and the ATM now could achieve number printing which adopted new electronic lock; business safety was effectively improved.

Up to Dec.31, 2014, the Company possessed various cash self-service equipment 590, up by 11.95% compared with the last year, CRS 217, up by 28.07%, including 55 self-service equipment in Ningbo, up by 16.82%, and 78 self-service equipment in branch regions, up by 60.00%.

Chapter Six Report of the Board of Directors (continued)

VIII. Future development prospect of the company

(I) Industry competition pattern and development trend

It is predicted that China's economy will still locate in reasonable interval and maintain steady growth status in 2015. However, the increasing downward pressure on current economy will distinguish deep-rooted contradiction in economic structure, and China will face greater challenges in economic growth. The banking industry will face a new age in financial reform, the pace of interest rate liberalization will be accelerated, deposit insurance system will be formally launched, internet finance will surge forward, regulatory policies will become more strict, industry competition will be increased and the banking industry will be confronted with more complex business environment. As a medium/small-size bank, the Company, only adapting to change of economic environment under "new normal" and having the preparation for dealing with the greater difficulty and challenge, can win a place in the fierce market competition.

(II) Company's development strategy

The company's long and medium-term development strategic objective: after "triple three years" effort, construct the Company as a respected modern commercial bank with a good reputation and core competitiveness.

At present, the goal of first three years of company has been completed successfully. A "one-body and two-wing" development layout taking the Yangtze River Delta as a main body, and Pearl River Delta and Bohai Bay as two wings is primarily formed; through the effort of second three years, company tries to accumulate comparative advantages in target market constantly and primarily equip itself with different core competitiveness in horizontal competition, so as to become a respected modern commercial bank with a good reputation and core competitiveness as soon as possible.

(III) Business development plan in 2015

In 2015, the Company will continue to adhere to the spirit of working hard, and further promote four key jobs: "expanding profit channel, updating marketing mode, strictly controlling non-performing assets and accelerating talent training", so as to form differential comparative advantage as quick as possible and to consolidate the basis of sustainable development.

1. Further expand profit channels

In 2015, the Company will continue to deepen the construction of profit center. The eight profit centers, namely corporate banking, personal banking, credit card, retail company, financial markets, bill business, investment banking and assets custody, will strive to form diverse and more stable

Chapter Six Report of the Board of Directors (continued)

profit channel to support the steady and sustainable development of the overall business.

2. Further control strictly non-performing assets

In 2015, the Company, orienting to credit risk prevention, will constantly enhance the executive force of full-process risk management, establish corresponding implementation assessment system, promote the implementation and achievement of the new capital accord, continue to adjust and optimize credit policy, deepen case prevention & control and staff moral risk prevention & control, pay attention to play the role of audit in the risk prevention & control and firmly follow the rule.

3. Further upgrade marketing model

In 2015, the Company, in accordance with market environment and customer demands, will actively explore new marketing tools and means, so as to constantly optimize marketing mode, marketing process and marketing template; it will continuously deepen linkage between the head office and the branches, enhance support strength of various departments on marketing and promote the upgrading of marketing mode and the improvement of overall marketing level, thus achieving breakthrough of key customer group.

4. Further speed up talent training

In 2015, the Company will continue to develop the advantages of linkage between the head office and the branches and arrange echelon construction of line talent, key groups training, team capability building and other key jobs, so as to meet the demand of company's sustainable development on talent by enriching training resource, building talent training platform, perfecting internal assessment restriction mechanism, building internal talent market and the like.

IX. Compared with financial report of the last year, description on change of accounting policy, accounting estimate and accounting method

From January to March of 2014, the Ministry of Finance made Accounting Standards for Business Enterprise No.39: Fair Value Measurement, Accounting Standards for Business Enterprise No.40: Joint Operation Arrangement and Accounting Standards for Business Enterprise No.41: Disclosure of Rights and Interests in Other Entities, revised Accounting Standards for Business Enterprise No.2: Long-term Equity Investment, Accounting Standards for Business Enterprise No.9: Employee Compensation, Accounting Standards for Business Enterprise No.30: Presentation of Financial Statement and Accounting Standards for Business Enterprise No.33: Combined Financial Statement. The 7 accounting standards were implemented from July 1, 2014, and it encouraged the advanced implementation to enterprises listed overseas. In June, 2014, the Ministry of Finance revised Accounting Standards for Business Enterprise No.37: Presentation of Financial Tools, and it

Chapter Six Report of the Board of Directors (continued)

is implemented in financial statements in 2014 and later.

Proposal of Bank of Ningbo Co., Ltd. on Changes in Accounting Policies was approved by the board of directors of the Company on Oct.28, 2014. The Company compiled 2014 Financial Statement by virtue of the standards. Upon appraisal, the implementation of the accounting standard was free from significant impact on the financial status of the Company on Dec.31, 2014 as well as on operation result and cash flow in 2014. The influence of the newly issued and revised accounting standards on the financial statement of the Company was mainly reflected in classification, representation and disclosure. The Company adjusted the presentation of other comprehensive rights and interests, capital reserve, and other rights & interests subjects in 2014 financial statement in accordance with the standards (seeing Annotation: II. Compiling Basis of Financial Statement. 2. adopting multiple revised/new accounting standards prescribed within Audited Financial Statement).

X. Compared with financial report of the last year, description on change of consolidated statements scope

Compared to the financial report of the last year, no change occurs in the consolidated statement scope of the Company.

XI. Situations on company's profit distribution and dividend distribution

(I) Formulation, implementation or regulation of profit distribution policy, specifically cash dividend policy, within report period

The cash dividend policy stipulated by the company complies with the regulations of the Articles of Association of the company and the requirements of the resolutions of the shareholder's meetings and both the dividend standards and proportions are definite and clear. The Board of Directors of the company has conducted special research discussions on the issues concerning shareholders' returns and has fully listened to the opinions and suggestions from the shareholders (especially the minority shareholders), independent directors and supervisors. The relevant decision-making programs and mechanisms are well equipped and the independent directors have fully performed their responsibilities and obligations and legal rights and benefits of minority shareholders have been fully protected. The conditions and procedures for the adjustment and modification of the cash dividend policy of the company are standard and transparent.

Within the reporting period, the Company is free from adjustment or change in cash dividend policy.

Chapter Six Report of the Board of Directors (continued)

(II) Company's profit distribution plan and capital reserve extension situations in nearly three years (including report period)

1. Company's 2014 profit distribution plan: extract statutory surplus reserve by 561,113,000 Yuan by 10% of 2014 net profit; in accordance with regulation prescribed with Reserve Fund Extraction Management for Financial Enterprise (Caijin [2012] No. 20) issued by the Ministry of Finance, extract general reserve fund by 998,683,000 Yuan by 1.5% balance of risk assets outside and inside the Sheet; on the basis of 3,249,828,401 shares in 2014, issue cash dividend 4.5 Yuan (including tax) for each 10 shares, 1,462,423,000 Yuan in total; 2 shares was increased per 10 shares of capital reserve-transferred equity.

2. Company's 2013 profit distribution plan: extract statutory surplus reserve by 484,541,000 Yuan by 10% of 2013 net profit; in accordance with regulation prescribed with Reserve Fund Extraction Management for Financial Enterprise (Caijin [2012] No.20) issued by the Ministry of Finance, extract general reserve fund by 1,194,715,000 Yuan by 1.5% balance of risk assets outside and inside the Sheet; on the basis of 2,883,820,529 shares in 2013, issue cash dividend 4 Yuan (including tax) for each 10 shares, 1,153,528,000 Yuan in total; not donate share or transfer or increase share capital in 2013.

3. Company's 2012 profit distribution plan: extract statutory surplus reserve by 406,813,000 Yuan by 10% of 2012 net profit; in accordance with regulation of Allowance for Bad Debts Extraction Management for Financial Enterprise (Caijin [2012] No.20) issued by the Ministry of Finance, extract general reserve fund by 1,359,977,000 Yuan by 1.5% balance of risk assets outside and inside the Sheet; on the basis of 2,883,820,529 shares in 2012, issue cash dividend 2.5 Yuan (including tax) for each 10 shares, 720,955,000 Yuan in total; not donate share or transfer or increase share capital in 2012.

(III) Cash dividend situation of the company in nearly three years

Unit: (RMB) Thousand

Year of dividend	Amount of cash dividend (including tax)	Net profit belonging to shareholders of listed company in combined sheet of year of dividend	Ratio of net profit belonging to shareholders of listed company in combined sheet of year of dividend
2014	1,462,423	5,627,466	25.99%
2013	1,153,528	4,847,071	23.80%
2012	720,955	4,068,137	17.72%

Chapter Six Report of the Board of Directors (continued)

XII. Profit distribution and capital reserve in cash extension plan within the report period

Quantity of bonus shares in every 10 shares	0
Quantity of dividend (yuan) (including tax) in every 10 shares	4.5
Quantity of extension in every 10 shares	2
Equity base in distribution plan	3,249,828,401
Total cash dividend amount (1,000 yuan) (including tax)	1,462,423
Allocable profit (1,000 yuan)	13,890,483
Proportion of cash dividend in total profit distribution	100%

Cash Dividend Policy

For specific contents, please refer to Shareholder Return Plan of Ningbo Bank Stock Co., Ltd. in Future Three Years (from 2014 to 2016) disclosed on <http://www.cninfo.com.cn> on January 14, 2014.

Details of profit distribution or capital reserve in cash extension plan

Depending on 2014 annual accounting sheet approved by Ernst & Young, the company realized net profit of 5,611,130,000 yuan in 2014, adding distribution profit 10,627,595,000 yuan in the end of the year, deducting payable common stock dividend 1,153,528,000 yuan and deducting general risk reserve 1,194,715,000 yuan, the allocable distribution profit in the end of year is 13,890,482,000 yuan. Depending on the previous situations, the company proposes the 2014 annual profit distribution plan as follows:

1. Extract legal capital reserve by 561,113,000 yuan by 10% of 2014 net profit;
2. Depending on regulation prescribed with Reserve Fund Extraction Management for Financial Enterprise (Caijin [2012] No. 20) issued by the Ministry of Finance, extract general reserve fund by 998,683,000 Yuan by 1.5% of the ending balance of the risk assets of 2014;
3. on the basis of 3,249,828,401 shares in 2014, issue cash dividend 4.e5 Yuan (including tax) for each 10 shares, 1,462,423,000 Yuan in total;
4. 2 shares are increased per 10 shares of capital reserve-transferred equity.

After implementing the distribution plan, the rest undistributed profit is 10,868,263,000 yuan and 3,899,794,081 shares are in total equity change.

The plan shall be submitted to 2014 AGM for approval.

XIII. Social responsibility

In 2014, the company conscientiously fulfilled the social responsibility as a commercial bank, adhered to social responsibility concept of "being fair and honest, kind to customers, caring staff,

Chapter Six Report of the Board of Directors (continued)

public-spirited, committed to environmental protection, and social return", firmly combine bank operation management and performance of social responsibility, and work hard to feedback the society.

Firstly, protect the legal rights and interests of shareholders and investors, continue to improve value creating ability; secondly, strongly support real economy and try to energize the development of real economy; thirdly, dedicate into financial popularization and benefiting and meet the financial requirements of the small and micro enterprises and the common people; fourthly, sincerely serve the customers and provide the diversified, individual and innovative products and services; fifthly, care the staff development and build a stage for the mutual development of the staff and the enterprises; sixthly, significantly develop the electronic banking and provide convenient financial services for the customers; seventhly, promote the green credit, optimize the credit structure and promote the transformation of the economic development mold; eighth, adhere to green low-carbon business and combine the environment protection consciousness into our minds and the banking business; ninthly, spread the positive social energy and create a caring, helping and assisting social environment.

We, with effects and truth, are widely recognized by the various sectors of society, and have gained "Outstanding Contribution Award", "the Best Investor Relation Award" and other awards issued by authorities in 2014.

For specific contents, please refer to 2014 Social Responsibility Report of Ningbo Bank Stock Co., Ltd. disclosed by the company in April 28, 2018 on <http://www.cninfo.com.cn>.

XIV. Registration sheet of research, communication, interview and other activities reception within report period

Reception time	Reception place	Reception way	Type of Reception object	Reception object	Major contents of discussion and provided materials
Feb.17, 2014	Company's meeting room	Field research	Institution	Bosera Funds	2013 third quarter report
May.19, 2014	Company's meeting room	Field research	Institution	GMO Singapore Pte Ltd	2013 annual report
May.21, 2014	Company's meeting room	Field research	Institution	Everbright Securities	2013 annual report

Chapter Six Report of the Board of Directors (continued)

Reception time	Reception place	Reception way	Type of Reception object	Reception object	Major contents of discussion and provided materials
May.30, 2014	Company's meeting room	Field research	Institution	CICC, Aberdeen International Fund Managers Limited	2013 annual report
Jun.4, 2014	Company's meeting room	Field research	Institution	Lianbo Assets Management Co., Ltd.	2014 first quarter report
Jul.23, 2014	Company's meeting room	Conference call	Institution	Ping An Securities, Jiashi Fund, Everbright Baodexin Fund	2014 first quarter report
Nov.3, 2014	Company's meeting room	Field research	Institution	Huatai Securities	2014 semiyearly report
Nov.12, 2014	Company's meeting room	Telephone communication	Institution	Shenyin & Wanguo, Bank of China Investment Management, Penghua Fund, Shanghai Boguan Investment Management Co., Ltd., China Life Insurance Asset Management Company, Neuberger Berman Investment Management Consulting (Shanghai) Co., Ltd.	2014 third quarter report
Nov.13, 2014	Company's meeting room	Field research	Institution	UBS Securities	2014 third quarter report
Dec.22, 2014	Company's meeting room	Field research	Institution	China Merchants Securities (Hong Kong)	2014 third quarter report

Chapter Seven Important Matters

I. Significant arbitration or lawsuit issues

Within the report period, the company has no arbitration or lawsuit item which will result in significant influence on the business. Up to December 31st, 2014, the company, as a plaintiff, has a total object amount of 1,814,990,000 yuan for lawsuit; nine cases that the company functions as a defendant occur, and there is no compensation amount in expectation.

II. Information on queries of the media

Within the report period, there is no extensive query from the media to the company.

III. 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.

IV. Related issues of bankruptcy reorganization

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

V. Issues of asset transaction

Within the report period, the company is free from issues of major acquisition of assets, capital sale and enterprise merger, except for those have been disclosed.

VI. Implementation and influence of company's ownership incentive

Within the report period, the company is free ownership incentive plan.

VII. Major related transaction

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

Internal natural person statistics involves directors, the board of directors, senior management, and other staff having right to decide or participate in commercial credit and asset transfer of the bank. Depending on statistical data of bank related natural person credit business in the end of December 2014, credit business exposure balance under mortgage loan is 237,636,000 yuan, 859,000 yuan under the pledge and 217,700,0 yuan under warranty; for businesses under no credit, the principle of not issuing credit loan for directors, the board of directors, 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.

Chapter Seven Important Matters (continued)

Measured by: RMB 10,000 yuan

Guarantee way	Approved limit business (VIP, Daiyitong, Bailingtong, etc.)	Unused rate of approved limit business	Current exposure balance of loan business in the bank (including businesses under limit item)
Mortgage	24590	10983.1	23763.6
Pledge	-	-	85.9
Guarantee	-	-	217.7
Credit	-	-	-
In total	24590	10983.1	24067.2

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

The total number of transactions with the related natural person and the bank, that is over 300,000 yuan (including) in 2014 is 885, daily total business balance is 549,539,000 yuan, and exposure after deducting deposit is 533,806,000 yuan; and up to the end of December 2014, exposure after deducting deposit is 206,316,200 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 2014, 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 credit limits for shareholder related bodies shall not exceed 3 billion yuan, and total credit balance of above five non-natural person shareholders shall not exceed 8 billion yuan.

Implementation: by the end of December 2014, actual business balance of Ningbo Development & Investment Group Co., Ltd. and related party in the bank after deducting deposit is 338,691,100 yuan; actual business balance of Youngor Group Co., Ltd. and related party in the bank after deducting deposit is 1,238,799,700 yuan; actual business balance of Huamao Group Co., Ltd. and related party in the bank after deducting deposit is 862,366,300 yuan; actual business balance of Ningbo Shanshan Co., Ltd. and related party in the bank after deducting deposit is 704,167,800 yuan; actual business balance of Ningbo Fubon Holding Group Co., Ltd. and related party in the bank after deducting deposit is 877,114,200 yuan; and total credit balances of the above five shareholder related parties is 4,021,139,100 yuan. From the above statistical data, the single-

Chapter Seven Important Matters (continued)

family maximum limits of the above five shareholder related parties possessing more than 5% of the bank's share not exceed 2 billion, the maximum credit limits for shareholder related bodies not exceed 3 billion yuan, and total credit balance of above five non-natural person shareholders not exceeds 8 billion yuan.

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

Measured by: RMB 10,000 yuan

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Development & Investment Group Co., Ltd.	20000	Flow loan 10000	10000	
2	Ningbo Zhongning Construction Investment Co., Ltd.	1000	Issuing 174.86	154.08	
3	Ningbo Yingda Educational Science & Technology Co., Ltd.	5000	Flow loan 2000	2000	
4	Ningbo Ningdian Import & Export Co., Ltd	10250	Pledge 1428.38 Issuing 2589.57 Capital business 3817.95	6559.52	
5	Ningbo Dahongying Education Group	13000	Flow loan 13000	13000	
6	Ningbo Ningdian International Trade Co., Ltd.	8450	Capital business 4037.58	595.47	
7	Ningbo Ningdian South International Trade Co., Ltd.	9750	Capital business 7108.30	645.45	
8	Ningbo International Logistics Development Co., Ltd.		Letter of guarantee 46.35	-	
9	Ningbo Cultural Plaza Education Investment Co., Ltd.	2200	Loan 914.59	914.59	
Total			47598.37	33869.11	

Chapter Seven Important Matters (continued)

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

Measured by: RMB 10,000 yuan

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Zhongji Ningbo Group Stock Co., Ltd.	500	Flow loan 330	330	
2	Fusheng International Industry Co., Ltd.	12404	Issuing 3469.32	3469.32	
3	Ningbo Honda Auto Sales Co., Ltd.	1000	Flow loan 1000	1000	
4	Ninbo Yike Science & Technology Industry Co., Ltd.	5000	-	-	
5	Zhongji (Ningbo) Group Co., Ltd.	150000	Discount 426 Issuing 169900.62 Letter of guarantee 6202 Capital business 23086.75	116614.06	
6	Ningbo Economic Technology Development Zhongji Import & Export Co., Ltd.	6600	Pledge 22.46 Issuing 368.87	391.33	
7	Ningbo Youngor International Trade Transport Co., Ltd.	5000	Issuing 1075.26	1075.26	
8	Ningbo Yahua Toyota Auto Sales Service Co., Ltd.	2000	-	-	
9	Ningbo Yayuan Garden Engineering Co., Ltd.	-	Letter of guarantee 90	-	
10	Ningbo Bonded Area East China Imported Goods Market Development Co., Ltd.	8000	-	-	
11	Ningbo Zhongji Dongben Auto Sales Service Co., Ltd.	1000	Flow loan 1000	1000	
Total			206971.29	123879.97	

Chapter Seven Important Matters (continued)

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

Measured by: RMB 10,000 yuan

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Huamao International Trade Co., Ltd.	35000	Exchange 64.40 Yincheng 9298.96 Issuing 10861.27 Letter of guarantee 76 Rongchuying 4341.40	22748.95	
2	Ningbo Huamao Science & Technology Co., Ltd.	20000	Flow loan 20000	20000	
3	Ningbo Maoxuan International Trade Co., Ltd.	35000	Exchange 919.58 Yincheng 1450 Issuing 12318.74 Rongchuying 11163.60	25728.09	
4	Huamao Group Co., Ltd.	15000	Loan 15000	15000	bank consortium
5	Zhejiang Huamao International Trade Co., Ltd.	5000	Issuing 2759.60	2759.60	
Total			88253.55	86236.63	

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

Measured by: RMB 10,000 yuan

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Shanchen Industry Co., Ltd.	10000	Yincheng 14286	10000	
2	Ningbo Shanshan Industry Development Co., Ltd.	9000	Flow loan 1000 Exchange 1528.75 Yincheng 2187.16 Issuing 3.58 Capital business 4186.35	3749.51	
3	Ningbo Shanshan Property Co., Ltd.	10000	Discount 200	-	
4	Zhejiang Shanshan Hongzhi Import & Export Co., Ltd.		Discount 530	-	

Chapter Seven Important Matters (continued)

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
5	Ningbo Beigong Energy Co., Ltd.		Yincheng 5785.73 Rongchuying 6202	11424.73	
6	Shanghai Shanshan Science & Technology Co., Ltd.	2800	Flow loan 2800	2800	
7	Ningbo Shanshan Science & Technology Co., Ltd.	4900	None	-	
8	Ningbo Economic Technology Development Zone Huixing Trade Co., Ltd.	9744	Flow loan 1420 Issuing 3351.14 Rongchuying 1860.60	6631.74	
9	Ningbo Daxie Development Zone Chongsheng Trade Co., Ltd.	10000	Yincheng 14286	10000	
10	Shanghai Zhongke Yinghua Science & Technology Co., Ltd.	5000	Flow loan 5000	5000	
11	Ningbo Xinmingda Knitting Co., Ltd.	4000	Flow loan 1000 Yincheng 802.41 Re-guarantee 2000	2441.33	
12	Ningbo Beiersen Motherhood Supplies Co., Ltd.		Flow loan 500	500	
13	Ningbo Shanshan New Material Science & Technology Co., Ltd.	2000	None	-	
14	Ningbo Shangong Structure Monitor & Control Engineering Center Co., Ltd.		Letter of guarantee 47.22	-	
15	Ningbo Eureka Solar Science & Technology Co., Ltd.	25000	Flow loan 3000 Yincheng 11956.71 Capital business 6868.04 Domestic issuing 3288.91 Rongchuying 6202	17869.48	
Total			101532.99	70416.78	

Chapter Seven Important Matters (continued)

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

Measured by: RMB 10,000 yuan

No.	Enterprise name	Revolving rate	Actual balance	Actual business balance after deducting deposit	Remarks
1	Ningbo Fubon Wood Co., Ltd.	3000	Flow loan 3000	3000	
2	Ningbo Domestic Daily Article Import & Export Co., Ltd.	42750	Flow loan 10086 Yincheng 16824 Re-guarantee 2000	24385.20	
3	Ningbo Hengheng International Trade Co., Ltd.		Exchange 1293.94	1293.94	
4	Ningbo Fubang Wood Co., Ltd.	5780	Exchange 1064.72 Yincheng 8000 Issuing 208.10 Paying for another 628.25	3632.90	
5	Ningbo Yujiang Special Adhesive Tape Co., Ltd.	2500	Discount 100 Yincheng 1186.76	593.38	
6	Ningbo Fubang Greens Furniture Co., Ltd.	4000	-	-	
7	Ningbo Hengrun Furniture Co., Ltd.	10114	Yincheng 16350 Issuing 56.45	9848.21	
8	Ningbo Henrun Polymerization Co., Ltd.	11083.81	Flow loan 7000 Discount 310 Yincheng 1182.98 Issuing 649.65 Domestic Fufeiting 1941.18	8218	
9	Ningbo Henrun Plasticizer Co., Ltd.	5000	Flow loan 5000	5000	
10	Ningbo Fubon holding Group Co., Ltd.	18500	Flow loan 18500	18500	
11	Ningbo Fubon Green Furniture Co., Ltd.	5828	Yincheng 8670	5199.80	
12	Ningbo Fubon Plaza Investment Development Co., Ltd.		Loan 7500	7500	bank consortium
13	Ningbo Fubang Systex Trade Co., Ltd.	1000	Yincheng 900	540	
Total			113952.02	87711.42	

Chapter Seven Important Matters (continued)

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

In accordance with related laws and regulations, and Implemetary 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 2014, related transaction situations of Ningbo Shanshan Co., Ltd., Youngor Group Co., Ltd., Ningbo Fubon Holding Group Co., Ltd., Ningbo Development & Investment Co., Ltd. and Huamao Group Co., Ltd. are as follows:

1. Statics shows that, 6 general related transactions that transaction amounts accounting for more than 0.2% of recent audited net capital of Ningbo Bank in the whole year of 2014;
2. Statics shows that, 310 major related transaction occurred in the whole year of 2014;
3. Statics shows that, no particularly major related transaction occurred in the whole year of 2014.

Depending on statistics of general related transaction, major related transaction and particularly major related transaction in 2014, 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

Depending on related regulations of Article VIII of Commercial Bank and Insider and Shareholder Related Transaction Management Method issued by the China Banking Regulatory Commission,

Chapter Seven Important Matters (continued)

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 31st, 2014, we provide Overseas-Chinese Bank Corporation with credit limit to RMB 2.4 billion yuan; at present, risk exposure of the bank is RMB 0.322 billion yuan, and pre-settlement is RMB 0.146 billion yuan, interest exchange is RMB 0.039 billion yuan and share option is RMB 0.137 billion yuan; we provide Overseas-Chinese Bank (China) Co., Ltd. with credit limit to RMB 1.55 billion yuan; at present, risk exposure of the bank is RMB 0.468 billion yuan, pre-settlement is RMB 0.140 billion yuan and interest exchange is RMB 0.328 billion yuan.

VIII. Major contract and implementation thereof

(I) Trusteeship, contract and rent issue situations

With the report period, the company is free from trusteeship, contract, rent and other major contract issues.

(II) Guarantee situation

To the end of the report period, the balance of the company's guarantee business (letter of guarantee) is 13480670000 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) Other major contracts

With the report period, the company is free from other major contract issues.

(IV) Other major transactions

With the report period, the company is free from other major transactions.

Chapter Seven Important Matters (continued)

IX. Commitment item implementwation

(I) Commitment issues of company or shareholder holding more than 5% shares within report period or made before but lasting to the report period

Commitment issues	Commitment party	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 subscription object	Singapore Overseas-Chinese Banking Co., Ltd., Ningbo Development Investment Group Co., Ltd.	Since the date of ending issuance, do not transfer the subscribed shares within 60 months	Oct.8, 2014	60 months	Strictly perform
Other commitments on company's middle and small shareholders	Corporate	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 perform

Chapter Seven Important Matters (continued)

Commitment issues	Commitment party	Commitment content	Commitment time	Commitment deadline	Performance situation
Other commitments on company's middle and small shareholders	Corporate	The Company will enhance handling force of capital for debt payment, follow the principle of maximizing the interests of shareholders; the handling procedures of 2 properties and 1 equity for debt payment have been completed before the end of 2014	Aug.5, 2014	Dec.31, 2014	The handling procedures of 2 properties and 1 equity for debt payment have been completed before the end of 2014
Commitment of whether to perform in real time			Yes		
Unperformed specific reasons and next plan (if any)			Not applicable		

(II) Capital expenditure commitment

Unit: (RMB) Thousand

Items	31 Dec. 2014	31 Dec.2013
Signed but not withdrawn	393,977	541,402

Chapter Seven Important Matters (continued)

(III) Business rent commitment

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

Unit: (RMB) Thousand

Items	31 Dec. 2014	31 Dec.2013
Within 1 year (including)	279,575	249,168
1-2 years (including)	267,897	238,464
2-3 years (including)	249,021	226,256
Longer than 3 years	801,241	767,634
Total	1,597,734	1,481,522

(IV) Asset pledge commitment

Unit: (RMB) Thousand

Pledge asset content	Pledge asset face value	Pledge application	Pledge amount	Pledge expiring date
Financial asset-bonds for sale	23,860,000	Sell purchased financial asset amount-bond	21,408,970	From Jan.4, 2015 to Mar.23, 2015
Expiring investment-government bond	4,420,000	Sell purchased financial asset amount-bond	4,371,710	From Jan.4, 2015 to Mar.11, 2015

X. Situation of appointing and dismissing accounting firm

(I) Current appointed accounting firm

Name of domestic accounting firm	Ernst & Young
Reward of domestic accounting firm	2,900,000 yuan, including 2,100,000 yuan of financial report audit and 80,000 yuan of internal control audit
Continuous service year of domestic accounting firm	6 years
Name of registered accountant of domestic accounting firm	Guo Hangxiang, Chen Sheng

Chapter Seven Important Matters (continued)

(II) Within report period, the company not changes 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 2014 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.

XI. 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.

XII. Description on other major items

Within the reporting period, Beijing High People's Court judged that related settlement for debts of Beijing Branch shall be resolved by MCC Paper Group Co., Ltd. For cautious consideration, up to end of 2014, the Company reached corresponding provision and depreciation reserve on creditor's right withdrawal 0.275 billion yuan.

XIII. 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:

Chapter Seven Important Matters (continued)

(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 31st, 2014, guarantee business balance of the company is 13480670000 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 31st, 2014, 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 31st, 2014, the company is free from situation when the controlling shareholders or other related parties occupy the company's capital.

Independent directors: Tang Sining, Zhu Jiandi, Yang Xiaoping

Fu Jianhua, Fu Jijun, Ben Shenglin

Chapter Eight Changes in Share Capital and Shareholding

I. Conditions of share change

	Before current change		Increment/decrement of current change	
	Quantity	Proportion	New share issuing	Share donation
I. Limited sale condition share	12,541,992	0.43%	366,007,872	-
1. National holding	-	0.00%	-	-
2. State-owned legal person holding	-	0.00%	158,462,192	-
3. Other domestic capital holding	12,541,992	0.43%	-	-
wherein: domestic legal person holding	-	0.00%	-	-
domestic natural person holding	12,541,992	0.43%	-	-
4. Foreign holding	-	0.00%	207,545,680	-
wherein: foreign legal person holding	-	0.00%	207,545,680	-
foreign natural person holding	-	0.00%	-	-
III. Limit-free condition share	2,871,278,537	99.57%	-	-
1. RMB ordinary share	2,871,278,537	99.57%	-	-
2. Domestically listed foreign-invested stock	-	0.00%	-	-
3. Aboard listed foreign-invested stock	-	0.00%	-	-
4. Others	-	0.00%	-	-
III. Total shares	2,883,820,529	100%	366,007,872	-

II. Sheet on limited sale share change

Name of shareholder	Limited sale shares at the beginning of the year	Limited sale shares terminated in the year
Singapore Overseas-Chinese Banking Co., Ltd.	-	-
Ningbo Development Investment Group Co., Ltd.	-	-
Company's directors, supervisors and senior managers holding	12,541,992	1,238,053
Total	12,541,992	1,238,053

Chapter Eight Changes in Share Capital and Shareholding (continued)

Measured by: share

Increment/decrement of current change			After current change	
Accumulation fund turn	Other	Subtotal	Quantity	Proportion
-	-1,238,053	364,769,819	377,311,811	11.61%
-	-	-	-	0.00%
-	-	158,462,192	158,462,192	4.88%
-	-1,238,053	-1,238,053	11,303,939	0.35%
-	-	-	-	0.00%
-	-1,238,053	-1,238,053	11,303,939	0.35%
-	-	207,545,680	207,545,680	6.39%
-	-	207,545,680	207,545,680	6.39%
-	-	-	-	0.00%
-	1,238,053	1,238,053	2,872,516,590	88.39%
-	1,238,053	1,238,053	2,872,516,590	88.39%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	366,007,872	3,249,828,401	100.00%

Measured by: share

Increased limited sale shares in the year	Limited sale shares in the end of year	Reason for limited sale	Terminating date for limited sale
207,545,680	207,545,680	Non-public offered subscription share limited sale	Oct.8, 2019
158,462,192	158,462,192	Non-public offered subscription share limited sale	Oct.8, 2019
-	11,303,939	Senior management locked share	In-office directors, supervisors and senior managers shall transfer 25% of shares to the greatest extent within 1 year
364,769,819	377,311,811		

Chapter Eight Changes in Share Capital and Shareholding (continued)

III. Situation on security issuing and listing

(I) Historical security issuance in nearly three years of the end of report period

Name of stock and derivative security	Issue date	Issue price (or interest rate)	Issue quantity	Listing date	Quantity of the acquired listing transaction
Ordinary share					
2014 private issued stock	Sep.30, 2014	8.45 yuan/share	366,007,872 shares	Oct.8, 2014	366,007,872 shares
Stock type					
2012 Bank of Ningbo subordinate bond	Nov.22, 2012	5.75%	30,000,000 pieces(face amount: 100 yuan)	Nov.26, 2012	30,000,000 pieces
2013 Bank of Ningbo Financial Bonds Class I	Apr.16, 2013	4.70%	50,000,000 pieces(face amount: 100 yuan)	Apr.18, 2013	50,000,000 pieces
2013 Bank of Ningbo Financial Bonds Class II	Apr.16, 2013	5.13%	30,000,000 pieces(face amount: 100 yuan)	Apr.18, 2013	30,000,000 pieces

Specification Description on historical security issuance in previous three years:

1. Approved by the China Securities Supervision Commission on the Approval of Private Issued Stock of bank of Ningbo Co., Ltd. (Zhengjianxuke [2014] No.910), the Company privately issued 366,007,872 RMB ordinary shares (A share) to Ningbo Development Investment Group Co., Ltd. and Singapore Overseas-Chinese Banking Co., Ltd. in September, 2014, face amount per share is RMB 1 yuan per share, issue price is RMB 8.45 yuan per share, total raised fund reaches to RMB 3,092,766,518.40 yuan, after deducting the issue expenses such as sponsoring and underwriting expenses, the net amount of actual raised funds for the new privately issued shares is RMB 3,076,511,485.27 yuan, totally for enriching the capital fund of the Company. The private shares are listed on Oct.8, 2014; since the date of ending the issuance, assignment of the subscribed equity within 60 months is not allowed.

2. Approved by Official Reply of China Banking Regulatory Commission on Issuing Subordinated Bonds by Bank of Ningbo (yinjianfu [2012] No.353) and the Administrative Licensing Decision of People's Bank of China (yinshichangxuzhunyu [2012] No.61), the company publically issued

Chapter Eight Changes in Share Capital and Shareholding (continued)

the 2012-year Bank of Ningbo Co subordinated bonds of 3 billion yuan to national inter-bank bond market from November 22 to November 26 in 2012. The bonds are publically issued in the national inter-bank bond market in the form of book building or centralized sale way, where the underwriting syndicate are organized by the major underwriter. The bonds belong to 15-year fixed-rate variety, issuer who owns the redemption right with prerequisites at the end of the 10th year can see the a coupon rate of 5.75%.

3. Approved by Official Reply of China Banking Regulatory Commission on Issuing Financial Bonds by Bank of Ningbo (yinjianfu [2012] No.502) and the Administrative Licensing Decision of People's Bank of China (yinshichangxvzhunyuzi [2013] No.7), the company publically issued the 2013-year Bank of Ningbo Co., Ltd financial bonds of 8 billion yuan to national inter-bank bond market from April 16 to April 18 in 2013. The bonds are divided into two categories. One is categorized as the 5-year fixed-rate variety, whose actual issue amount is 5 billion yuan with a coupon rate of 4.70%; While the other is of the 10-year fixed-rate variety, whose actual issue amount is 3 billion yuan with a coupon rate of 5.13%. The bonds are publically issued in the national inter-bank bond market in the form of book building or centralized sale way, where the underwriting syndicate are organized by the major underwriter.

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

Approved by the China Securities Regulatory Commission Zhengjianxuke [2014] No.910, the Company privately issued 366,007,872 RMB ordinary shares (A share) to Ningbo Development Investment Group Co., Ltd. (consistent acting person with Ningxing (Ningbo) Assets Management Co., Ltd.) and Singapore Overseas-Chinese Banking Co., Ltd. The newly added shares were registered to the account on September 30, 2014, formally listed into the Company's shareholder list of and ted in Shenzhen Stock Exchange on October 8, 2014. After the private issuance, the total number of the Company shares were increased to 3,249,828,401 shares.

(III) Situation on existing internal staff share

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

Chapter Eight Changes in Share Capital and Shareholding (continued)

IV. Situation on shareholder and actual controller

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

Total quantity of shareholders to the end of report period (Account) 119,702

Situation on shareholders holding more than 50% of shares or top ten shareholders

Name of shareholder	Shareholder nature	Share holding proportion	Share holding quantity to the end of report period
Singapore Overseas-Chinese Banking Co., Ltd.	Overseas legal person	18.58%	603,866,209
Ningbo Development Investment Group Co., Ltd.	State-owned legal person	13.18%	428,462,192
Youngor Group Co., Ltd.	Domestic non-state-owned legal person	10.93%	355,182,621
Ningbo Power Development Co., Ltd.	State-owned legal person	6.82%	221,503,488
Huamao Group Co., Ltd.	Domestic non-state-owned legal person	6.15%	200,000,000
Ningbo Shanshan Co., Ltd.	Domestic non-state-owned legal person	5.03%	163,450,203
Ningbo Futon Holding Group Co., Ltd.	Domestic non-state-owned legal person	4.52%	146,740,000
Zhuoli Electric Appliance Group Co., Ltd.	Domestic non-state-owned legal person	1.66%	54,000,000
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	Overseas legal person	1.42%	46,099,471
Ningxing (Ningbo) Property Management Co., Ltd.	Domestic non-state-owned legal person	1.38%	44,750,000

Chapter Eight Changes in Share Capital and Shareholding (continued)

Measured by: share

Total quantity of shareholders to the end of previous 5th transaction day before disclosure date of the annual report	135,309	Total number of preferred stockholders recovering voting power at the end of reporting period (Account)	-	
Situation on increment/decrement change within report period	Share quantity with limited sale condition	Share quantity without sale condition	Situation on pledge or freezing	
			Share state	Quantity
207,545,680	207,545,680	396,320,529		
158,462,192	158,462,192	270,000,000		
63,832,533	-	355,182,621		
-	-	221,503,488	Pledge	162,000,000
-40,000,000	-	200,000,000	Pledge	119,000,000
-15,549,797	-	163,450,203		
-54,564,200	-	146,740,000	Pledge	126,340,000
-	-	54,000,000	Pledge	54,000,000
-	-	46,099,471		
-	-	44,750,000		

Chapter Eight Changes in Share Capital and Shareholding (continued)

Description on related relations or consistent activities of previous shareholders

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

Name of shareholder	Share quantity without limited sale condition to the end of year
Singapore Overseas-Chinese Banking Co., Ltd.	396,320,529
Youngor Group Co., Ltd.	355,182,621
Ningbo Development Investment Group Co., Ltd.	270,000,000
Ningbo Power Development Co., Ltd.	221,503,488
Huamao Group Co., Ltd.	200,000,000
Ningbo Shanshan Co., Ltd.	163,450,203
Ningbo Fubon Holding Group Co., Ltd.	146,740,000
Zhuoli Electric Appliance Group Co., Ltd.	54,000,000
Singapore Overseas-Chinese Banking Co., Ltd. (QFII)	46,099,471
Ningxing (Ningbo) Property Management Co., Ltd	44,750,000

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

Description on shareholders attending securities margin trading

Notes: according to the Approval of Property Right Transfer of Ningbo Power Development Co., Ltd. by Ningbo SASAC (Yongguoziweiban [2005] No.28), the property right of Ningbo Power Development Co., Ltd. is integrally transferred to Ningbo Development Investment Group Co., Ltd. as wholly-owned subsidiary subordinated to Ningbo Development Investment Group Co., Ltd., and the property right transfer matter has been completed on March 2015.

Chapter Eight Changes in Share Capital and Shareholding (continued)

Ningbo Power Development Co., Ltd. is wholly-owned subsidiary subordinated to Ningbo Development Investment Group Co., Ltd.; 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.

	Stock Class	
	Stock Class	Quantity
	RMB ordinary share	396,320,529
	RMB ordinary share	355,182,621
	RMB ordinary share	270,000,000
	RMB ordinary share	221,503,488
	RMB ordinary share	200,000,000
	RMB ordinary share	163,450,203
	RMB ordinary share	146,740,000
	RMB ordinary share	54,000,000
	RMB ordinary share	46,099,471
	RMB ordinary share	44,750,000

Ningbo Power Development Co., Ltd. is wholly-owned subsidiary subordinated to Ningbo Development Investment Group Co., Ltd.; 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 domestic institution investor of Singapore Overseas-Chinese Banking Co., Ltd.

None

Chapter Eight Changes in Share Capital and Shareholding (continued)

Within the reporting 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

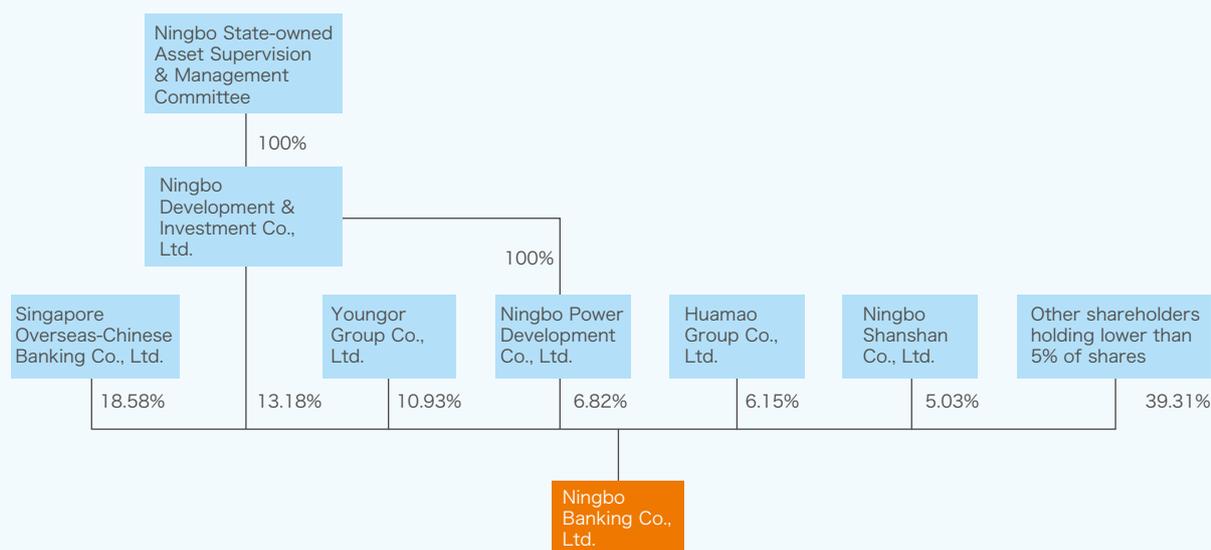
The company is free from holding shareholder to the end of the report period.

(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:



(V) Legal person shareholders having more than 5% of shares

1. Ningbo Power Development Co., Ltd.

Ningbo Power Development Co., Ltd. is a state-owned enterprise established on October 24, 1994, on Floor 16-22, Fazhan Mansion Tower B, No. 187, Chang(yue)le Road, Jiangdong District, Ningbo, with registered capital of 589,380,000 yuan; where the legal representative is Lee Chung and organization code is 25407098-1; The business scope includes: Business Project investment, electricity energy development, coal processing power collaboration; metallic materials, mineral products (except professional products), mechanical and electrical equipment (except cars), building materials, electrical machinery and equipment.

2. Huamao Group Co., Ltd.

Huamao Group Co., Ltd. is a joint stock limited company established on October 13, 2000,

Chapter Eight Changes in Share Capital and Shareholding (continued)

in Wangchun Industrial Park, Haishuximen District, Ningbo Zhejiang with registered capital of 56,000,000 yuan; where the legal representative is Xu Wanmao and organization code is 72513027-5; The business scope includes: general business items: business project investment; textiles, clothing manufacturing; furniture manufacturing; wholesale and retail of cultural & sporting goods ; estate development and management; real estate agency; property management, hotel management; construction; landscaping; warehousing services; machinery and equipment rental, rental housing; goods information consulting, computer equipment maintenance, application technology consulting services, business management consulting; proprietary trading and the agency for the import and export for all kinds of goods and technology, but except for technologies and goods that the state limits the business or prohibit their import and export.

3. Ningbo Shanshan Co., Ltd.

Ningbo Shanshan Co., Ltd. is a oriented pilot enterprise of joint-stock system approved by Yongtigai (1992) Document NO.27 of Ningbo Economic Restructuring Office on November 27, 1992. It issued listing of domestic shares (A share) to the public and began the listed exchange in Shanghai Stock Exchange in January, 1996. The company is registered in No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, with registered capital of 410,858,200 yuan; where legal representative is ZHUANG Wei and organization code is 70480305-5; business scope includes: clothing, knitwear, leather products manufacturing, processing, wholesale and retail; trademark licensing fee; proprietary trading and the agency for the import and export of all kinds of goods and technology, but except for the technologies and goods that the states limits the business or prohibits their import and export; the manufacturing, processing, wholesale, retail of the lithium battery materials; housing lease; the investment of business projects.

(VI) Corporate shareholders holding more than 10% shares

Name of corporate shareholder	Legal representative/ unit leader	Date of establishment	Organization code	Issued capital stock	Major business or management activity
Singapore Overseas-Chinese Banking Co., Ltd.	Huang Sanguang	October 31, 1992	None	Singapore Dollar 13.752 billion yuan	Financial service industry
Ningbo Development Investment Group Co., Ltd.	Dai Zhiyong	November 12, 1992	14407480-X	RMB 2.2 billion yuan	Project investment, assets management, real estate development, property management and so on

Chapter Eight Changes in Share Capital and Shareholding (continued)

Name of legal person shareholder	Legal representative/unit leader	Date of establishment	Organization code	Issued capital stock	Major business or management activity
Youngor Group Co., Ltd.	Li Rucheng	June 25, 1993	70480069-8	RMB 2.227 billion yuan	Garment production, real estate development, project investment and so on

1. Singapore Overseas-Chinese Banking Co., Ltd.

Singapore Overseas-Chinese Banking Co., Ltd. is a local bank which is established in earliest time in Singapore, merged by three overseas-China banks in 1932 the earliest bank of which is established in 1912. From the perspective of asset scale, Singapore Overseas-Chinese Banking Co., Ltd. is ranked as the second biggest financial service group in Southeast Asia and is one of world's banks enjoying the highest appraise, possessing Moody Aa1 rate. Based on the widely approved financial strength and stability, the Singapore Overseas-Chinese Banking Co., Ltd. is always rated as one of the strongest and safest banks throughout the world by famous market research companies and magazines.

Singapore Overseas-Chinese Banking Co., Ltd. and its subsidiary thereof provide all-around professional financial and wealth management services to customers, including personal business, company business, investment business, private bank business, transaction bank business, capital business, insurance, asset management and stockbroking business. Up to December 31, 2014, Singapore Overseas-Chinese Banking Co., Ltd. owned 401,200,000,000 Singapore Dollar (about RMB 1,878,400,000,000 yuan depending on exchange rate at that time), and had net asset of 34,200,000,000 Singapore Dollar (about RMB160,000,000,000 yuan depending on exchange rate at that time). Singapore Overseas-Chinese Banking Co., Ltd. explores its market to Singapore, Malaysia, Indonesia and Great China. In 18 countries and regions, the Singapore Overseas-Chinese Banking Co., Ltd. has more than 630 branches and representative offices, including about 330 branches and offices of its subsidiary OCBC NISP in Indonesia, as well as 95 branches and offices of Wing Hang Bank in Hong Kong, China and Macao. Overseas-Chinese Wing Hang Bank (original Hong Kong Wing Hang Bank) became wholly-owned subsidiary of Singapore Overseas-Chinese Banking Co., Ltd. in October, 2014.

Private banking service of the Singapore Overseas-Chinese Banking Co., Ltd. is offered by its subsidiary, named as Bank of Singapore. Bank of Singapore has been recognized among the industry, is honored as an Asian International private bank and is rated as "2014 Outstanding Private Bank in Southeast Asia" by International Private Banker.

As subsidiary company of Bank of Singapore, the Great Eastern Holdings is recognized as the

Chapter Eight Changes in Share Capital and Shareholding (continued)

biggest insurance group in Singapore and Malaysia from the view of assets scale and market share; and the Lion Global Investors, as its subordinated assets management company, is one of the biggest assets management companies in Southeast Asia.

Overseas-Chinese Banking (China) Co., Ltd. (Overseas-Chinese Banking China) is formally established on August 1, 2007; the Overseas-Chinese Banking China, which is headquartered in Shanghai is a wholly-owned subsidiary of Singapore Overseas-Chinese Banking Co., Ltd.

Since the establishment of its first branch in Xiamen in 1925, Overseas-Chinese Banking always keeps its on-going business in China. Within the 90 years, Overseas-Chinese Banking insists on its business and service in China; our company is also one of the four foreign-invested banks continuously operated in Chinese Mainland after 1949.

The registered capital of Overseas-Chinese Banking China is RMB 3.5 billion Yuan (about 698000000 Singapore Dollar). At present, Overseas-Chinese Banking China has employed more than 800 employees, including Shanghai Headquarter and 17 branches in Beijing, Xiamen, Guangzhou, Chengdu, Chongqing, Tianjin and Shaoxing.

2. Ningbo Development & Investment Co., Ltd.

Ningbo Development & Investment Co., Ltd. is a wholly state-owned limited liability company established on November 12, 1992, on Floor 16-22, Fazhan Mansion Tower B, No. 187, Chang(yue) le Road, Jiangdong District, Ningbo; whose legal representative is Lee Chung and organization code is 14407480-X; business scope includes: project investment, asset management, real estate development, property management; house leasing of the Company; building and decorating materials, wholesale and retail of electrical and mechanical equipment.

3. Youngor Group Co., Ltd.

Youngor Group Co., Ltd., established in June 25, 1993, is a stock liability company listed in Shanghai Stock Exchange, registered in No.2, West Yinxian Road, Yinzhou District, Ningbo, Zhejiang Province, with registered capital of 2,226,611,695 yuan; whose legal representative is LI Rucheng and organization code is 70480069-8; business scope includes: apparel manufacturing; technical consultancy; real estate development; project investment; warehousing; wholesale and retail of textiles, metal materials, chemical products, building materials, mechanical and electrical products, home appliances, electronic equipment; proprietary trading and the agency for the import and export of goods and technology, but except for the technologies and goods that the state limits the business or prohibits its import and export.

V. Situation of proposing or implementing shareholding increasing plan raised by the company's shareholders and persons acting in concert

Within the report period, company's shareholders and persons acting in concert do not propose or implement any shareholding increasing plan.

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

I. Changes on shareholding among directors, supervisors and senior manager

Name	Position	Status	Gender	Age
Lu Huayu	Director, chairman	incumbent	male	50
Luo Mengbo	Director, vice chairman, president	incumbent	male	44
Yu Fengying	Director, vice chairman	incumbent	female	56
Hong Lifeng	Director, vice president	incumbent	male	50
Shi Lizhong	Director	resigned	male	59
Dai Zhiyong	Director	resigned	male	43
Yu Weiye	Director	incumbent	male	51
Sun Zequn	Director	incumbent	male	63
Chen Yongming	Director	incumbent	male	55
Song Hanping	Director	incumbent	male	51
Li Rucheng	Director	resigned	male	63
Chen Guanghua	Director	incumbent	male	54
Xv Lixun	Director	incumbent	male	40
Li Hanqiong	Director	incumbent	female	37
Cai Laixing	Independent director	resigned	male	72
Xie Qingjian	Independent director	resigned	male	70
Tang Sining	Independent director	incumbent	male	66
Li Yunqi	Independent director	resigned	male	63
Zhu Jiandi	Independent director	incumbent	male	49
Yang Xiaoping	Independent director	incumbent	female	63
Fu Jianhua	Independent director	incumbent	male	63
Fu Jijun	Independent director	incumbent	male	57
Ben Shenglin	Independent director	incumbent	male	48
Zhang Hui	Employees' representative, Supervisory	incumbent	male	54
Xv Liming	Supervisor	incumbent	male	52
Chen Zhongjing	Supervisor	resigned	male	52
Liu Suying	External supervisor	incumbent	female	69
Zhang Yingfang	External supervisor	incumbent	female	63
Pu Yiwei	External supervisor	incumbent	female	44
Shen Dong	Employees' representative, supervisor	resigned	male	34
Yu Ningning	Employees' representative, supervisor	incumbent	male	38

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Term Start date	Term Ending date	Shares held at the beginning of year (share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
February 10, 2014	February 9, 2017	2,531,250	-	632,813	1,898,437
February 10, 2014	February 9, 2017	1,828,000	-	307,000	1,521,000
February 10, 2014	February 9, 2017	1,613,671	-	403,418	1,210,253
February 10, 2014	February 9, 2017	2,631,039	-	657,760	1,973,279
February 10, 2014	February 9, 2017	13,500	-	3,375	10,125
January 14, 2011	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
January 14, 2011	February 9, 2014	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	September 10, 2014	-	-	-	-
February 10, 2014	September 10, 2014	-	-	-	-
February 10, 2014	September 10, 2014	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2014	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
September 11, 2014	February 9, 2017	-	-	-	-
September 11, 2014	February 9, 2017	-	-	-	-
September 11, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	2,268,750	-	567,188	1,701,562
February 10, 2014	February 9, 2017	-	-	-	-
January 14, 2011	February 9, 2014	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
January 14, 2011	February 9, 2014	1,500	-	-	1,500
February 10, 2014	February 9, 2017	-	-	-	-

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Name	Position	Status	Gender	Age
Liu Rufen	Employees' representative, supervisor	incumbent	female	49
Luo Weikai	vice president, financial principal	incumbent	male	49
Khoo Seow Chiong	vice president	resigned	male	53
Fu Wensheng	vice president	incumbent	male	42
Wang Yongjie	vice president	incumbent	male	42
Yang Chen	Board Secretary	incumbent	male	53

II. Situation of taking office

(I) Major work experience of the current directors, supervisors and senior managers in the latest 5 years

1. Directors

Mr. Lu Huayu, currently the Director of the Board of Directors and the Chairman of Bank of Ningbo Co., Ltd., born in September 1964, obtained a master degree in economics and the title of Senior Accountant. Taking the job from July 1988, 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.

Ms. Yu Fengying, currently the Director of the Board of Directors and Vice Chairman of Bank of Ningbo Co., Ltd., born in March 1958, obtained a bachelor's degree and the title of Senior

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Term Start date	Term Ending date	Shares held at the beginning of year(share)	Increase of shareholding in the year (share)	Decrease of shareholding in the year (share)	Shares held at year end
February 10, 2014	February 9, 2017	223,300	-	55,825	167,475
February 10, 2014	February 9, 2017	2,137,500	-	417,500	1,720,000
January 14, 2011	February 9, 2014	-	-	-	-
February 10, 2014	February 9, 2017	-	-	-	-
February 10, 2014	February 9, 2017	205,000	-	50,000	155,000
February 10, 2014	February 9, 2017	1,485,578	-	371,395	1,114,183

Economist. Taking the job from September 1980, Ms. Yu successively served as Branch Director of Yinxian Finance & Tax Bureau, Vice President and President of Yinxian Sub-branch of Bank of China, Vice Director of Ningbo Urban Credit Cooperative and Vice President of the Bank. Ms. Yu was the President of the Bank and Ningbo Co., Ltd. from January 2005 to September 2011 and has been the Vice Chairman of the Board of the Bank since September 2006.

Mr. Hong Lifeng, currently the Director of the Board of Directors and the Vice President of the Bank of Ningbo Co.,Ltd., born in December 1964, obtained a master's degree and the title of Senior Economist. Mr. Hong started to take the job in July 1986 and successively served as Vice President of Bank of China Beilun Sub-branch, 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 has been the Vice President of Bank of Ningbo Co., Ltd. since January 2003 and the Director of the Bank since January 2005.

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.

Mr. Sun Zequn, born in Aug, 1951, obtained the MBA degree in University of Chicago and a bachelor's degree of science with honor in National University of Singapore. Mr. Sun joined OCBC

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

in 2002 and was the CFO of OCBC to June 2008. Mr. Sun was the President of the Investment Department of OCBC from June 2008 to April 2010, in charge of strategic investment, non-core investment and industry investment of OCBC. He served as CFO of the Group again in May 2010. Mr. Sun retired in December 2011 and meanwhile, and he has been the Director of the Company since August 2006.

Mr. Chen Yongming, currently the President of OCBC Hong Kong Branch and General Manager of Northeast Asia Region of OCBC, born in Apr, 1959, obtained the MBA degree in University of Chicago and a bachelor's degree in Georgetown University. Mr. Chen has been working in the financial corporation and banking service industry in Singapore for nearly 10 years, and came to China in 1995. Mr. Chen 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 charge of the management of OCBC business in China. Mr. Chen was the Executive Director and President of OCBC Bank (China) Limited from Aug, 2007 to Sep 2009, and has been the Director of the Company since January 2011 till now.

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, obtained a master's degree and the title of Senior Economist. Mr. Song was 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 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

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

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.

Ms. Li Hanqiong, born in December 1977, obtained a master degree, currently serves as the director of Youngor Group Co., Ltd. and general manager of Youngor Investment Co., Ltd. Ms. Li once was the vice general manager of Youngor (Hong Kong) Industry Co., Ltd. and vice general manager of Shanghai Kaishi Investment Management Co., Ltd.; from January 2008 to January 2011, Ms. Li served as director of the 3rd board of directors; she takes the post of the Company's director since February 2014.

Mr. Tang Sining, born in November 1948, obtained a doctor's degree of economics and the title of Senior Economist. Mr. Tang was the Vice Director of Foreign Debt Information Office, Foreign Investment Department of SAFE, Director General of General Office, Vice Director of Foreign Investment Department of SAFE, Director General of Department of International Revenue and Expenditure, Inspector of Census and Statistics Department of People's Bank of China, Director General of Census and Statistics Department and Director of Advisory Office. He has been the Independent Director of the Company since January 2011.

Mr. Zhu Jiandi: born in February 1955, is a certified public accountant registered in China and senior economist with an educational background of doctorate. He is currently the principal partner, President and Chief Accountant of Lixin Certified Public Accountants (special general partnership), member of the Twelfth CPPCC National Committee, executive director of Chinese Institute of Certified Public Accountants, Vice President of Shanghai Institute of Certified Public Accountants, member of Internal Control Committee, Ministry of Finance, member of Accounting Informationization Committee, Ministry of Finance, member of Listing Committee of Shanghai Stock Exchange and member of Shanghai State-owned Enterprise Directors and Supervisors Certification Committee. Mr. Zhu Jiandi has been in the profession of CPA for 28 years, he was President of Lixin Certified Public Accountants Co., Ltd., deputy to the Twelfth Shanghai Municipal People's Congress and member of the Eleventh Shanghai Municipal CPPCC in succession. Mr. Zhu Jiandi was awarded with the honor of "Shanghai Outstanding Accounting Professionals" in 2005 and "National Advanced Accounting Professionals" in 2008. He has served as independent director of the Company since January 2011.

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

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

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; 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, currently serving as chairman of Shanghai Tonglian Financial Service Co., Ltd. and independent director of Shangyin Fund Management Co., Ltd. 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 doctor of economic, senior economist and international registered 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 International Business School of Nankai University, guest professor of International Business School of University of International Business and Economics, part-time professor of Dongbei University of Finance and independent

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

director of ABC-CA Fund Management Co., Ltd. Mr. Fu once worked as vice general manager, general managers and other posts of Chinese Financial Consulting Co., Ltd.; since September 2014, he is an independent director of the Company.

Mr. Ben Shenglin, born in January 1966, a doctor of economic, currently is the professor of Management School of Zhejiang University, doctoral supervisor, director of EMBA Education Center and executive president of Institute for International Monetary Affairs of Renmin University of China. 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.

2. Supervisor

Mr. Zhang Hui, born in December 1960, obtained a bachelor's degree and the title of Senior Economist. He currently is the Chairman of the Board of Supervisors of Bank of Ningbo Co., Ltd. Mr. Zhang Hui successively served as a cadre of Ningbo Economic Research Center, Deputy Secretary of Ningbo Government Economic Research Lab, Director and Secretary of the Party Committee of Ningbo Yongxin Urban Credit Cooperative, President of Beilun Sub-branch of the Bank. Mr. Zhang was the Vice President of the Bank from December 2000 to January 2005. He has been the Chairman of the Board of Supervisors of Bank of Ningbo Co., Ltd. since January 2005.

Mr. Xu Liming, born in December 1962, obtained an associate's degree and the qualifications of Accountant and Senior Economist. Mr. Xu currently is the Manager of Finance Department & CFO of Zhejiang Cuori Electrical Appliances (Group) Co., Ltd. Mr. Xu was the Vice General Manager of Cixi Engineering Consultation Construction Corporation from January 1997 to August 1999. He was the Manager of Finance Department of Ningbo Swell Auto Decoration Co., Ltd. from September 1999 to March 2001. Mr. Xu has been 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. Liu Suying is born in December 1945, She obtained a bachelor's degree and qualification of Certified Public Accountant. Ms. Liu Suying worked in National Audit Office from July 1986 to January 2004. During that period, she was the Deputy Director and Director of Administrative Audit Office from 1986 to 1990, the Director of Agriculture and Forestry Education Department from 1990 to 1994, Director of Administrative Defense Department from 1994 to 1998, the Assistant Director and Deputy Director Auditor of News Communication Audit Department from 1998 to

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

2004. Ms. Liu has been the Supervisor of Bank of Ningbo Co., Ltd. since January 2011.

Ms. Zhang Yingfang, born in January 1951, obtained an associate's degree and the title of Second Grade Senior Judge. Ms. Zhang Yingfang served as Chief Justice and Secretary of Party Committee of Yinxian People's Court from December 1992 to September 1997. She was the Vice President (Deputy Director) of Ningbo Intermediate People's Court from September 1997 to September 2007, the Vice President (Director) of Ningbo Intermediate People's Court from September 2007 to January 2010, the Inspector of Ningbo Intermediate People's Court from January 2010 to December 2010. She has been the Supervisor of Bank of Ningbo Co., Ltd. since January 2011.

Ms. Pu Yiwei, born in April 1970, a doctor of laws, is currently professor of Law School of Ningbo University and master's supervisor. Ms. Pu graduated from Law Department of Southwest University of Political Science and Law in 1992 and passed postgraduate examination of Civil Procedural Law Major of Southwest University of Political Science and Law in the same year, obtained master degree of law in 1995 and worked as a teacher in Ningbo University in July of the same year; in September 2002, she became a doctoral candidate of Civil Law and Commercial Law Major of Tsinghua University and obtained doctor degree of civil law and commercial law in 2005; from September 2007 to September 2008, funded by K. C. Wong Education Foundation, visited Law School of University of Toronto as a visiting scholar. She has been the external supervisor of the Company since February, 2014.

Mr. Yu Ningning, born in December 1976, obtained a bachelor's degree. He is currently the Deputy General Manager of the Compliance Department of Bank of Ningbo Co., Ltd. Mr. Yu worked in the Assets Risk Management and Sales Department of ICBC Ningbo Branch. He has worked in the Risk Management and Compliance Department of the Bank since October 2004. Mr. Yu has been the Supervisor of the Bank of Ningbo Co., Ltd. since January 2011.

Ms. Liu Rufen, born in August 1965, obtained a bachelor degree, is currently the vice general manager of Operation Department 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, and she has been supervisor of the Company since February 2014.

3. Senior manager

Mr. Luo Mengbo: See above

Mr. Hong Lifeng: See above

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

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 started to work in Aug, 1984. He 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. Mr. Luo was the Director of the Bank since August 2006 to September 2011. He is the vice president of the Company from Aug 2007 till now.

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 was 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 Assistant President of the Bank of Ningbo Co., Ltd. Mr. Wang Yongjie started working in Aug 1995, and was 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 is now the vice president of the Company since August 2012.

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 started working in Sep, 1982, and 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 has been the Office Director of the Bank since January 1996. 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 4th Board of Directors since October 2011.

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

(II) Positions of the Company's Directors, Supervisors and Senior Manager under the Shareholders Unit

Name of Staff Member	Name of Shareholders	Positions in Shareholders Unit	Term of Office	Whether be remunerated in Shareholders unit or not
Yu Weiye	Ningbo Development and Investment Group Co., Ltd	Chief accountant	From July 2013 to the present	Yes
Chen Yongming	Singapore Oversea-Chinese Banking Corporation Ltd	General Manager in Northeast Asian Region	From September 2009 to the present	No
Song Hanping	Ningbo Fubon Holding Group Co., Ltd	Chairman of the Board and President	From April 2002 to the present	Yes
Chen Guanghua	Ningbo Shanshan Co., Ltd	Director	From April 2011 to the present	Yes
Xu Lixun	Huamao Group Co., Ltd.	Executive director, president	From Jan, 2012 to the present	Yes
Li Hanqiong	Youngor Group Co., Ltd	Director	From May 2011 to the present	Yes
Xu Liming	Zhuo Li Electric Appliances Group Co., Ltd	Chief Financial Officer	From April 2001 to the present	Yes

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

(III) Positions of the Company's Directors, Supervisors and Senior Manager under other Units

Name of Staff 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
Sun Zequn	Avic Trust Co., Ltd.	Director	Jan, 2011 to the present	No
Sun Zequn	Wah Hin and Company Private Limited	Director	Apr, 2012 to the present	Yes
Sun Zequn	SPH REIT Management Pte Ltd	Director	June, 2013 to the present	Yes
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	Select Securities 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 the present	No
Song Hanping	Bayi Fubon (Ningbo) Basketball Club Co., Ltd	Chairman of the Board	From December 2006 to the present	No

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Name of Staff Member	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Chen Guanghua	Shanshan Holdings Limited	Executive Director	From January 2015 to the present	Yes
Chen Guanghua	Shanshan Group Co., Ltd	Executive Vice President	From January 2013 to the present	Yes
Xv Lixun	Ningbo Huamao Cultural and Educational Holdings Co., Ltd.	Chairman of the board	From Jan 2011 to the present	No
Xv Lixun	Zhejiang Huamao Real Estate Development Co., Ltd.	Director	From Feb 2002 to the present	No
Xv Lixun	Ningbo Huamao Educational and Cultural Investment Co., Ltd.	Supervisor	From June 2010 to the present	No
Xv Lixun	Beijing Qisehua Educational and Scientific Development Co., Ltd.	Chairman of the board	From Nov 2011 to the present	No
Xv Lixun	Zhejiang Huamao International Trade Co., Ltd.	Chairman of the board	From Sep 2005 to the present	No
Xv Lixun	Ningbo Maoxuan International Trade Co., Ltd.	Chairman of the board	From July 2008 to the present	No
Xv Lixun	Ningbo Huamao Education Group	Director	From Oct. 2004 to the present	No
Xv Lixun	Ningbo Huamao Foreign Languages School	Director	From July 1998 to the present	No
Xv Lixun	Zhejiang Quzhou Huamao Foreign languages School	Chairman of the board	From Nov 1999 to the present	No
Xv Lixun	Zhejiang Longyou Huamao Foreign languages School	Chairman of the board	From Aug 2011 to the present	No
Xv Lixun	Ningbo Yuandian Cultural Development Co., Ltd.	Executive director	From Jan 2008 to the present	No

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Name of Staff Member	Name of other Units	Positions in other Units	Term of Office	Whether be remunerated in other units or not
Xv Lixun	Ningbo Huamao Multi-culture Educational Center	Chairman of the board	From Feb 2006 to the present	No
Xv Lixun	Zhejiang Huamao Power Technical Co., Ltd.	Executive director	From July 2011 to the present	No
Li Hanqiong	Youngor Investment Co., Ltd.	General manger	From April, 2007 to the present	No
Li Hanqiong	Youngor Clothing Holding Co., Ltd.	Director	From January, 2015 to the present	No
Zhu Jiandi	Lixin Certified Public Accountants Co., Ltd. (special general partner)	Director accountant, chairman, chief partner	From January, 2011 to the present	Yes
Fu Jijun	Chinese Financial Consulting Co., Ltd.	Chairman	From September, 2000 to the present	Yes
Fu Jijun	Fulue Modern Consulting (Beijing) Co., Ltd.	Chairman	From October, 2004 to the present	No
Fu Jijun	Weiyi Huichuang Data Technology (Beijing) Co., Ltd.	Chairman	From October, 2013 to the present	No
Fu Jijun	Yuanhua Film Investment (Beijing) Co., Ltd.	Chairman	From September, 2014 to the present	No
Ben Shenglin	Tsingtao Beer Co., Ltd.	Independent director	From June, 2014 to the present	Yes
Ben Shenglin	School of Management of Zhejiang University	Professor, doctoral supervisor, EMBA central director	From April, 2014 to the present	Yes
Pu Yiwei	Assets Management Company of Ningbo University	Supevisor	From April, 2013 to the present	No

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

III. Remuneration of Directors, Supervisors and Senior Management Personnel

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

<p>Decision-making process for the remuneration of directors, supervisors and senior management personnel</p>	<p>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.</p>
<p>Determination basis for the remuneration of directors, supervisors and senior management personnel</p>	<p>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.</p>
<p>Actual payment of the remuneration of directors, supervisors and senior management personnel</p>	<p>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.</p>

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

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

Unit: (RMB) Ten thousand

Name	Position	Gender	Age	Tenure Status	Total Remuneration Received from the Company	Total Remuneration Received from the Shareholders	Actual remuneration at the end of the reporting period
Lu Huayu	Director and Chairman of the Board	Male	50	Currently occupied	250.00	0	250.00
Luo Mengbo	Director, vice chairman, president	Male	44	Currently occupied	237.50	0	237.50
Yu Fengying	Director, vice chairman	Female	56	Currently occupied	225.00	0	225.00
Hong Lifeng	Director, vice president	Male	50	Currently occupied	212.50	0	212.50
Shi Lizhong	Director	Male	59	Resigned	5.84	Note 1	5.84
Dai Zhiyong	Director	Male	43	Resigned	0.84	Note 1	0.84
Yu Weiye	Director	Male	51	Currently occupied	5	Note 1	5
Sun Zequn	Director	Male	63	Currently occupied	5.84	0	5.84
Chen Yongming	Director	Male	55	Currently occupied	5.84	0	5.84
Song Hanping	Director	Male	51	Currently occupied	5.84	200	205.84
Li Rucheng	Director	Male	63	Currently occupied	0.84	366.62	367.46
Chen Guanghua	Director	Male	54	Currently occupied	5.84	1.19	7.03
Xv Lixun	Director	Male	40	Currently occupied	5.84	100	105.84
Li Hanqiong	Director	Female	37	Currently occupied	5	320.94	325.94
Cai Laixing	Independent director	Male	72	Resigned	0	0	0

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Name	Position	Gender	Age	Tenure Status	Total Remuneration Received from the Company	Total Remuneration Received from the Shareholders	Actual remuneration at the end of the reporting period
Xie Qingjian	Independent director	Male	70	Resigned	0	0	0
Tang Sining	Independent director	Male	66	Currently occupied	0	0	0
Li Yunqi	Independent director	Male	63	Resigned	0	0	0
Zhu Jiandi	Independent director	Male	49	Currently occupied	0	0	0
Yang Xiaping	Independent director	Female	63	Currently occupied	0	0	0
Fu Jianhua	Independent director	Male	63	Currently occupied	0	0	0
Fu Jijun	Independent director	Male	57	Currently occupied	0	0	0
Ben Shenglin	Independent director	Male	48	Currently occupied	0	0	0
Zhang Hui	Staff representative supervisor, supervising chairman	Male	54	Currently occupied	225.00	0	225.00
Xv Liming	Supervisor	Male	52	Currently occupied	4.92	30	34.92
Chen Zhongjing	Supervisor	Male	52	Resigned	0.42	37.41	37.83
Liu Suying	External supervisor	Female	69	Currently occupied	0	0	0
Zhang Yingfang	External supervisor	Female	63	Currently occupied	20.55	0	20.55
Pu Yiwei	External supervisor	Female	44	Currently occupied	18.75	0	18.75
Shen Dong	Staff representative supervisor	Male	34	Resigned	180	0	180
Yu Ningning	Staff representative supervisor	Male	38	Currently occupied	115	0	115

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Name	Position	Gender	Age	Tenure Status	Total Remuneration Received from the Company	Total Remuneration Received from the Shareholders	Actual remuneration at the end of the reporting period
Liu Rufen	Staff representative supervisor	Female	49	Currently occupied	100	0	100
Luo Weikai	Vice president, finance employee in charge	Male	49	Currently occupied	212.50	0	212.50
Khoo Seow Chiong	Vice president	Male	53	Resigned	0	0	0
Fu Wensheng	Vice president	Male	42	Currently occupied	212.50	0	212.50
Wang Yongjie	Vice president	Male	42	Currently occupied	212.50	0	212.50
Yang Chen	Board secretary	Male	53	Currently occupied	175.00	0	175.00

Note: 1. Remuneration of directors from the shareholders is still in confirmation

2. Remuneration of Khoo Seow Chiong is paid by OCBC Advisor Limited.

3. Performance annual salary of senior manager undergoes deferred payment; as specified within the sheet, 2014 deferred remuneration of senior management in 2014 is 6.0412 million yuan, not transferred to person temporarily.

4. Deferred remuneration for the senior management of the Company in 2011 is 4.6114 million yuan, including 0.7556 million yuan for Lu Huayu as chairman, 0.5 million yuan for Luo Mengbo as president, 0.7289 million yuan for Yu Fengying as vice chairman, 0.6906 million yuan for Zhanghui as supervising chairman, 0.6281 million yuan for Hong Lifeng as vice president, 0.6281 million yuan for Luo Weikai as vice president, 0.3701 million yuan for Fu Wensheng as vice president and 0.27 million yuan for Wang Yongjie as vice president.

(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.

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

IV. Personnel Alternation of the Company's Directors, Supervisors and Senior Manager

Name	Position	Type	Date	Reason
Dai Zhiyong	Director	Resigned on expiry	February 9, 2014	
Yu Weiye	Director	Elected	February 10, 2014	
Li Rucheng	Director	Resigned on expiry	February 9, 2014	
Li Hanqiong	Director	Elected	February 10, 2014	
Shi Lizhong	Director	Resigned	April 8, 2015	For work
Cai Laixing	Independent director	Resigned	September 10, 2014	Personal reasons
Xie Qingjian	Independent director	Resigned	September 10, 2014	Personal reasons
Li Yunqi	Independent director	Resigned	September 10, 2014	Personal reasons
Fu Jianhua	Independent director	Elected	September 11, 2014	
Fu Jijun	Independent director	Elected	September 11, 2014	
Ben Shenglin	Independent director	Elected	September 11, 2014	
Shen Dong	Supervisor	Resigned on expiry	February 9, 2014	
Chen Zhongjing	Supervisor	Resigned on expiry	February 9, 2014	

Note: 1. In January, 2014, the Company appointed Zhang Hui, Yu Ningning and Liu Rufen as employee supervisors of the 5th board of supervisors of the Company through employee democratic election, each term shall be 3 years, equal to that of shareholder supervisors and external supervisors of the 5th board of supervisors; on the expiry of the term, Shen Dong is resigned from his post as employee supervisor of the Company.

2. The Company convened 2014 first extraordinary general meeting on February 10, 2014, elected Lu Huayu, Meng Luobo, Yu Fengying, Shi Lizhong, Yu Weiye, Sun Zequn, Chen Yongming, Song Hanping, Chen Guanghua, Hong Lifeng, Xv Lixun and Li hanqiong as the directors of the 5th board of directors, elected Cai Laixing, Xie Qingjian, Tang Sining, Li Yunqi, Zhu Jiandi and Yang Xiaoping as independent directors of the 5th board of directors, elected Xv Liming as the supervisor of the 5th board of directors, and elected Zhang Yingfang, Liu Suying and Pu Yiwei as external supervisors of the 5th board of directors. On the expiry of the term, Dai Zhiyong and Li Rucheng are resigned from their posts as directors of the Company, and Chen Zhongjing is resigned from his post as supervisor of the Company.

3. The Company convened the first meeting of the 5th board of directors on February 10, 2014, elected Lu Huayu as chairman of the 5th board of directors, elected Luo Mengbo and Yu Fengying as vice chairmen of the 5th board of directors, appointed Luo Mengbo as president of the Company, appointed Hong Lifeng, Luo Weikai, Fu Wensheng and Wang Yongjie as vice presidents of the Company, appointed

Chapter Nine Directors, Supervisors, Senior Manager and Basic Information on Employees (continued)

Luo Weikai as person in charge of finance of the Company, and appointed Yang Cheng as secretary of the 5th board of directors of the Company. On the expiry of the term, Khoo Seow Chiong is resigned from his post as vice president of the Company.

4. Mr. Cai Laixing, Mr. Xie Qingjian and Mr. Li Yunqi, former independent directors of the Company, were resigned from their posts as independent directors on June 9, 2014 due to personal reasons. To meet the requirement that the number of the independent directors is at least 1/3 of the members of the board of directors, new independent director shall be elected through stockholders' meeting since the independent directors were resigned, and the qualification of the independent director shall become effective with approval of supervisory authority of China Banking Industry. On September 11, 2014, the Company convened 2014 fourth extraordinary general meeting, elected Mr. Fu Jianhua, Mr. Fu Jijun and Mr. Ben Shenglin as independent directors of the 5th board of directors, and their qualifications shall be approved by supervisory authority.

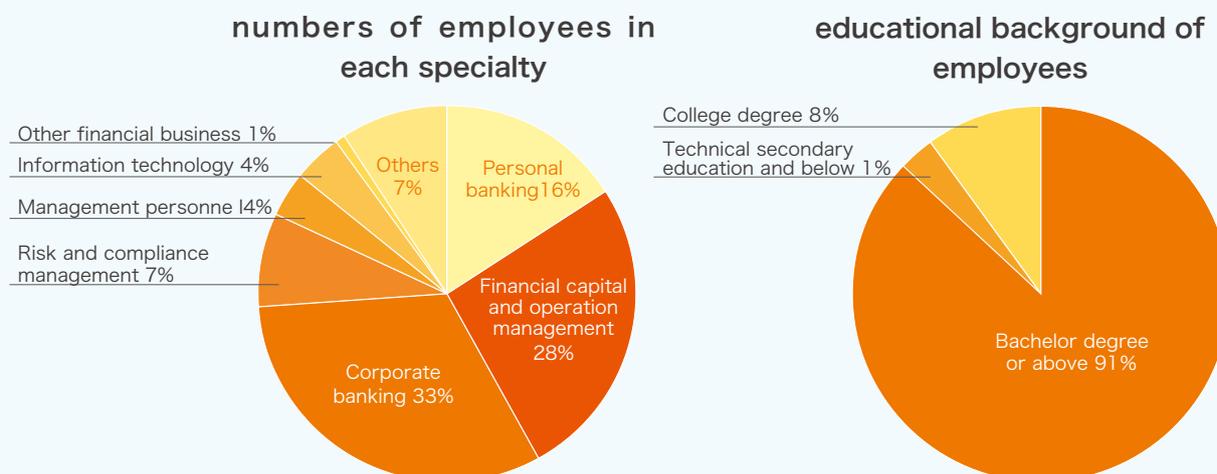
5. Mr. Shi Lizhong, former director of the Company, was resigned from his post as director on April 8, 2015 due to personal reasons.

V. Changes on the Core Technical Team or Key Technical Staff during the Reporting Period (non-directors, supervisors and senior manager)

There is no change in the core technical team or key technical staff in the Company during the reporting period.

VI. Employees in the Company

Up to Dec.31, 2014, there are 7498 employees in the Company, amongst which, 2466 are corporate banking staffs, 1180 are personal banking staffs, 2094 are financial capital and operation management staffs, 555 are risk and compliance management staffs, 281 are information technology staffs, 302 are managerial staffs, 101 are other financial business staffs and 519 are other administration staffs. Among the employees, employees with bachelor degree or above account for 91.31%, employees with college degree account for 7.36%, and employees with technical secondary education and below account for 1.33%.



Chapter Ten 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, 2014, 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

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

Chapter Ten Corporate Governance (continued)

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 supercisors 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 followsthe 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

Chapter Ten Corporate Governance (continued)

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.

Chapter Ten Corporate Governance (continued)

II. Relevant Information about the Annual General Meeting of Shareholders and Extraordinary General Meeting Convened during the Reporting Period

(I). Information about the Annual General Meeting of Shareholders Convened during the Reporting Period

Meeting	Date	Name of the Proposal	Resolution	Disclosure Date	Disclosure Index
Annual General Meeting of Shareholders of 2013	May 16, 2014	1 Annual report on the work of the Board of Directors of Bank of Ningbo Co., Ltd in 2013; 2 Proposal on Annual Report of Bank of Ningbo Co., Ltd in 2013; 3 Annual Financial Report of Bank of Ningbo Co., Ltd in 2013 and Annual Financial Budget Plan in 2014; 4 Report on Annual Profit Distribution Plan of Bank of Ningbo Co., Ltd in 2013; 5 Report on Insiders and Shareholders Related Transactions in 2013 and Arrangements in 2014 of Bank of Ningbo Co., Ltd; 6 Proposal on the Expected Amount of Daily Related Party Transactions of Bank of Ningbo Co., Ltd in 2014; 7 Proposal on the Employment of External Audit Agency; 8 Proposal on the Implementation of Liability Insurance on Directors, Supervisors and Senior Management; 9 Method for Allowance of Directors of Bank of Ningbo Co., Ltd.; 10 Method for Allowance of Supervisors of Bank of Ningbo Co., Ltd.; 11 Method for Remuneration of Chairman and Vice Chairman of Bank of Ningbo Co., Ltd.; 12 Method for Remuneration of Supervising Chairman of Bank of Ningbo Co., Ltd.; 13 Proposal on Establishment of Financial Leasing Company; 14 Report of Board of Supervisors of Bank of Ningbo Co., Ltd in 2013; 15 Work Summary of 2013 and Work Plan of 2014 of Board of Supervisors of Bank of Ningbo Co., Ltd; 16 Proposal on the Evaluation Report of Board of Supervisors and Performance of Supervisors of Bank of Ningbo Co., Ltd in 2013; 17 Proposal on the Evaluation Report of Board of Directors and Performance of Directors of Bank of Ningbo Co., Ltd in 2013; 18 To Hear the Comments of Board of Supervisors on the Annual Audit Report of the Company in 2013; 19 To Hear the Annual Duty Report of Independent Directors in 2013.	Approved	May 19, 2014	China Security News, Shanghai Securities News, Securities Times, Securities Daily and CNINF (http://www.cninfo.com.cn)

Chapter Ten Corporate Governance (continued)

(II). Information about the Extraordinary General Meeting Convened during the Reporting Period

Meeting	Date	Name of the Proposal	Resolution	Disclosure Date	Disclosure Index
First Extraordinary General Meeting of 2014	February 10, 2014	1 Proposal on the general election of the board of directors of Bank of Ningbo Co., Ltd.; 2 Proposal on the general election of the board of supervisors of Bank of Ningbo Co., Ltd.; 3 Proposal on the selection of Shi Lizhong as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 4 Proposal on the selection of Yu Weiye as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 5 Proposal on the selection of Sun Zequn as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 6 Proposal on the selection of Chen Yongming as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 7 Proposal on the selection of Song Hanping as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 8 Proposal on the selection of Chen Guanghua as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 9 Proposal on the selection of Xv Lixun as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 10 Proposal on the selection of Li Hanqiong as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 11 Proposal on the selection of Lu Huayu as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 12 Proposal on the selection of Yu Fengying as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 13 Proposal on the selection of Luo Mengbo as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 14 Proposal on the selection of Hong Lifeng as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 15 Proposal on the selection of Cai Laixing as the director of 5th board of directors of Bank of Ningbo Co., Ltd.; 16 Proposal on the selection of Xie Qingjian as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.; 17 Proposal on the selection of Tang Sining as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.; 18 Proposal on the selection of Li Yunqi as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.; 19 Proposal on the selection of Zhu Jiandi as the independent	Approved	February 11, 2014	China Security News, Shanghai Securities News, Securities Times, Securities Daily and CNINF (http://www.cninfo.com.cn)

Chapter Ten Corporate Governance (continued)

Meeting	Date	Name of the Proposal	Resolution	Disclosure Date	Disclosure Index		
		<p>director of 5th board of directors of Bank of Ningbo Co., Ltd.; 20 Proposal on the selection of Yang Xiaoping as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.; 21 Proposal on the selection of Xv Liming as the supervisor of 5th board of directors of Bank of Ningbo Co., Ltd.; 22 Proposal on the selection of Zhang Yingfang as the external supervisor of 5th board of directors of Bank of Ningbo Co., Ltd.; 23 Proposal on the selection of Liu Suying as the external supervisor of 5th board of directors of Bank of Ningbo Co., Ltd.; 24 Proposal on the selection of Pu Yiwei as the external supervisor of 5th board of directors of Bank of Ningbo Co., Ltd.; 25 Proposal on private issuance share condition of Bank of Ningbo Co., Ltd.; 26 Proposal on private-issued share program; 27 Proposal on reporting of the use of previous raised funds; 28 Proposal on feasibility report of the use of private-issued share raised funds; 29 Proposal on requiring the general meeting of stockholders to authorize the board of directors and requiring the board of directors to authorize the chairman to handle related matters of this private-issued shares; 30 Proposal on medium- and long-term capital plan of Bank of Ningbo Co., Ltd.; 31 Proposal on shareholder return plan in next three years of Bank of Ningbo Co., Ltd.; 32 Proposal on revising the articles of Bank of Ningbo Co., Ltd.; 33 Proposal on revising procedure rules of the general meeting of stockholders of Bank of Ningbo Co., Ltd.; 34 Proposal on revising procedure rules of the meeting of the board of directors of Bank of Ningbo Co., Ltd.; 35 Proposal on revising procedure rules of the meeting of the board of supervisors of Bank of Ningbo Co., Ltd.</p>					

Chapter Ten Corporate Governance (continued)

Meeting	Date	Name of the Proposal	Resolution	Disclosure Date	Disclosure Index
Second extraordinary general meeting of 2014	July 31, 2014	Proposal on adjusting validity period of resolution of shareholders' meeting of private-issued shares of Bank of Ningbo Co., Ltd.	Approved	August 1, 2014	China Security News, Shanghai Securities News, Securities Times, Securities Daily and CNINF (http://www.cninfo.com.cn)
Third extraordinary general meeting of 2014	September 11, 2014	1 Proposal on issuing financial bonds; 2 Proposal on conducting credit asset security business of Bank of Ningbo Co., Ltd.; 3 Proposal on the selection of Fu Jianhua as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.; 4 Proposal on the selection of Fu Jijun as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.; 5 Proposal on the selection of Ben Shenglin as the independent director of 5th board of directors of Bank of Ningbo Co., Ltd.	Approved	September 12, 2014	China Security News, Shanghai Securities News, Securities Times, Securities Daily and CNINF (http://www.cninfo.com.cn)
Fourth extraordinary general meeting of 2014	November 11, 2014	1 Proposal on condition of private issuance of preferred shares of Bank of Ningbo Co., Ltd.; 2 Proposal on private issuance of preferred share program of Bank of Ningbo Co., Ltd.; 3 Proposal on requiring the stockholders' meeting to authorize the board of directors, chairman and/or person authorized by the chairman to enjoy full power of handling related matters of this private issuance of preferred shares; 4 Proposal on diluted return on demand and filling measures of private issuance of preferred shares; 5 Proposal on revising the articles of Bank of Ningbo Co., Ltd.; 6 Proposal on revising procedure rules of the meeting of the board of directors of Bank of Ningbo Co., Ltd.; 7 Proposal on revising procedure rules of the meeting of the board of supervisors of Bank of Ningbo Co., Ltd.; 8 Proposal on issuing level-II capital bonds of Bank of Ningbo Co., Ltd.	Approved	November 12, 2014	China Security News, Shanghai Securities News, Securities Times, Securities Daily and CNINF (http://www.cninfo.com.cn)

Chapter Ten Corporate Governance (continued)

III. Performance of Independent Directors during the Reporting Period

(I). Information about Independent Directors Attending the Board of Directors and General Meeting of Shareholders

Information about Independent Directors Attending the Board of Directors						
Name of Independent Directors	Required Times of Attendance of the Board of Directors during the Reporting Period	Times of Attendance in Person	Times of Attendance by Means of Communication	Times of Attendance by Proxy	Times of Absence	Whether they did not attend the meeting in person twice in succession
Cai Laixing	6	4	2	0	0	No
Xie Qingjian	6	4	2	0	0	No
Tang Sining	8	5	3	0	0	No
Li Yunqi	6	4	2	0	0	No
Zhu Jiandi	8	4	2	2	0	No
Yang Xiaoping	8	4	3	1	0	No
Fu Jianhua	2	1	1	0	0	No
Fu Jijun	2	1	1	0	0	No
Ben Shenglin	2	1	1	0	0	No
Times of Independent Directors attending the general meeting of shareholders			1			

(II). Objections Raised by Independent Directors on Relevant Issues of the Company

No objection is raised by independent directors on relevant issues of the Company during the reporting period.

(III). Other Information on the Performance of Independent Directors

During the reporting period, the independent directors of the Company performed their duties as independent directors faithfully, continued proactive roles in the the Board of Directors, general meeting of shareholders and relevant committee meeting, deepened the field investigation of the Company to better understand the operation, internal control mechanism and implementation of resolutions of the Board of Directors and gave independent opinions on the employment of Company's senior management, external guaranty, occupation of capital by related parties, internal control, annual profit distribution plan and further employment of audit agency etc to safeguard the shareholders' interest especially the public shareholder' interest in strict accordance with laws

Chapter Ten Corporate Governance (continued)

and regulations such as Company Law, Securitization Act, Guidelines for Conduct of Directors in Small and Medium-sized Enterprise Board Listing Companies and relevant requirements of Articles of Association and Working System of Independent Directors and in line with the attitude of being responsible to the Company and investors. During the reporting period, independent directors of the Company proposed independent opinions on the following 16 relevant issues approved by the Board of Directors in succession, and put forward comments and suggestions during the meetings and Company research, all these have been adopted or responded by the Company.

Disclosure time	Issues	Comment
January 14, 2014	Independent opinion on the general selection of the board of directors	Agree
January 14, 2014	Advanced recognition on relevant transaction matters involved in private share of the Company in 2014	Agree
January 14, 2014	Independent opinion on relevant transaction matters involved in private share of the Company in 2014	Agree
January 14, 2014	Independent opinion on Shareholder Return Plan of Ningbo Bank Co., Ltd. in Future Three years (2014-2016)	Agree
February 12, 2014	Independent opinion on appointing senior management	Agree
April 26, 2014	Independent opinion on 2013 profit allocation plan of the Company	Agree
April 26, 2014	Special explanation and independent opinion on foreign guarantee of the Company as well as on capital occupation of holding shareholders and other relevant parties of the Company	Agree
April 26, 2014	Independent opinion on appointing accounting firm	Agree
April 26, 2014	Independent opinion 2014 daily relevant transaction predicted limit of the Company	Agree
April 26, 2014	Independent opinion on internal control self-assessment report of the Company	Agree
April 26, 2014	Independent opinion on remuneration of directors, supervisors and senior management of the Company	Agree
April 26, 2014	Independent opinion on derivative transaction businesses and risk control situations of the Company	Agree
July 16, 2014	Independent opinion on adjusting validity period of private-issued share shareholders' meeting resolution of the Company	Agree

Chapter Ten Corporate Governance (continued)

Disclosure time	Issues	Comment
August 25, 2014	Special explanation and independent opinion on foreign guarantee of the Company as well as on capital occupation of holding shareholders and other relevant parties of the Company	Agree
August 25, 2014	Independent opinion on nominating Fu Jianhua, Fu Jijun and Ben Shenglin as candidates of independent directors	Agree
October 22, 2014	Special opinion on private issuance of preferred shares of the Company	Agree

IV. Performance of Special Committees under the Board of Directors during the Reporting Period

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. 17 meetings were convened by all special committees in 2014, of which, Strategic Committee held 3 meetings, Audit Committee 5 meetings, Related Party Transaction Control Committee 2 meetings, Risk Management Committee 3 meetings, Nomination Committee 3 meetings and Remuneration Committee 1 meeting. All the special committees of the Board of Directors convened meetings and performed their duties in strict accordance with Articles of Association, Rules of Procedures of the Board of Directors and Working Rules of each special committee, operated in compliance with laws and regulations, and proposed comments and suggestions on the Company's major development strategy, financial report and internal audit and control, compliance management, related party transactions management, risk management and control, nomination of directors and senior management personnel, remuneration and appraisal etc respectively.

V. Work of the Board of Supervisors

No risk was found in the Company by the supervisory activity of the Board of Supervisors during the reporting period, and the Board of Supervisors had no objection to the supervisory matters during the reporting period.

VI. The complete independence between the Company and shareholders holding more than 5% shares in terms of business, personnel, assets, institution and finance and etc.

No controlling shareholder exists in the Company during the reporting period.

Chapter Ten Corporate Governance (continued)

(I). Business: the Company's business is independent from shareholders holding more than 5% shares. The Company is independent in management and the business structure.

(II). Personnel: the Company is independent in terms of personnel and remuneration management.

(III). Assets: the Company has its independent place of business and supporting facilities.

(IV). Institution: the Company has established a sound organizational framework, the Board of Directors, the Board of Supervisors and functional departments of the Company operate independently with clearly defined functions. No subordinate relationship exists between the Company and shareholders unit holding more than 5% shares.

(V). Finance: the Company has set up an independent financial department and audit department with specialized financial officers and auditors, and established an independent accounting system and financial management system.

VII. Horizontal Competition

No controlling shareholder exists in the Company, thus, no horizontal competition exist among controlling shareholder, actual controller and other enterprises controlled by the actual controller.

VIII. Evaluation and Incentive of Senior Management Personnel

The senior management personnel are directly responsible for the Board of Directors of the Company, appraised, rewarded or punished by the Board of Directors. The Incentive-restriction Mechanism of the Company is mainly reflected by the income distribution of the senior management personnel, the distribution policy and mechanism are decided by the Board of Directors. The remuneration of the Company's senior management personnel is approved and paid in accordance with Remuneration of Senior Management Personnel of Bank of Ningbo Co., Ltd. and publicly disclosed according to the relevant provisions. During the reporting period, the Company would evaluate the annual performance of the senior management staff in accordance with Performance Evaluation of Senior Management and Senior Management Personnel and requirements of the relevant regulatory authorities. that the evaluation proves that the senior management of the Company has accomplished the objectives assigned by the Board of Directors and created a satisfactory performance for shareholders in 2014.

Chapter Eleven Internal Control

I. Construction situation of internal control

(I) Internal control environment

1. **Control environment.** The company establishes the governance and organization structure composed of general meeting of stockholders, board of directors, board of supervisors and senior managements, and each governance subject fulfills its corresponding following responsibility rules and normative procedures. The general meeting of stockholders is the company's outmost authority, the board of directors is decision-making organ and the board of supervisors is supervision organ. Six special committees, including strategy, related transaction control, risk management, audit, remuneration and nomination, are set under the board of directors as the decision research institutes of the board of directors. The senior managements, in accordance with the decision of the board of directors, are responsible for commanding, coordinating, managing and supervising daily business activities of the whole company.

2. **Organization structure.** According to the internal control requirements, each functional department of the Head Office as a whole is divided into three categories, business marketing department, risk control department and operation & support department; the internal departments of branches into business marketing department, risk control department and comprehensive management department. In addition, the business division and responsibilities of each functional department in the Head Office and branches are clearly specified.

In 2014, the company continues to optimize the organization structure, and consolidate the management foundation. Firstly, further improve the two-level framework of departments in the Head Office, and set new sales management department in credit card center; new portfolio management department in risk management department; new anti-money laundering department in corresponding department; new business processing center in operation department. And the departments of audit, science & technology and administration adjust their two-level departments respectively as well, continuously reinforcing the ability to support the business of each department. Secondly, during the period of consummating the two-level structure, numerous departments of which are further refined into three-stage in the light of professional division, promoting the delicacy management level. Thirdly, transfer operational risk management function from risk management department to compliance department in the Head Office and branches, and integrate the functions of internal control and operational risk management, effectively reinforcing the management.

3. **Internal control culture.** The board of director and senior management of the Company, to promote staff compliance assessment, emphasizing internal control training and learning, enhancing the construction of prevention five mechanisms and the like, emphasize the importance of internal control, so that all employees of the Company better understand the importance master

Chapter Eleven Internal Control (continued)

responsibilities and requirements of posts and jobs, understand and master the points of internal control and actively participate in the internal control; therefore, a good internal control environment is formed in the Company, the compliance concepts of "talent compliance, full-process compliance, active compliance, compliance creating value" are further advocated, and the enterprise culture of "compliance and efficiency" is created.

4. **Human resource management.** The company has formulated and reinforced human resource policy, conducive to sustainable development of the company, and founded human resource management system consisting of position system, remuneration system, performance management system and training system, ensuring the healthy development of the company.

5. **Staff's professional ethics.** The Company can urge the staff to conscientiously obey professional ethics from two aspects, namely enhancing other external inspection and encouraging self inspection, and to discover problems of violating laws and rules from multiple channels. All problems violating laws and rules discovered from internal and external inspection can be reflected through 5198 complaint mailbox, president room mailbox and other channels, and the cost of violating laws and rules is enhanced through such ways as compliance integration, economic punishment and combined discipline punishment; meanwhile, the Company adheres to the principle of lighter punishment or punishment remission for self inspection to encourage staff to conduct self inspection, and to promote the legality and compliance of business operation.

(II) Risk identification and assessment

The company's board of directors, senior managements and relevant managers well realize the credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk and other risks in the process of operation and management. Through years of effort, the company has preliminarily established an appropriate risk management system.

Risk management covers credit risk, market risk, liquidity risk, compliance risk, legal risk and reputational risk and etc. faced by the Bank, which shall be monitored continuously. Risk management department, compliance department and the office take the lead in implementing risk management in the Bank, among which, the office takes charge of reputation risk management; the compliance department is responsible for the management of operational risk, compliance risk and legal risk; the risk management department is in charge of other risk managements except for reputation risk, operational risk, compliance risk and legal risk.

The above risk management measures are detailed in the forth part of Chapter Five, Report of Board of Directors.

Chapter Eleven Internal Control (continued)

(III) Major internal control measures

The company has established multiply relatively comprehensive, systematic and regulations and institutional systems. The internal control policies and measures have covered all major risk points, as well as the overall process of business operation and management activity, ensuring that there are laws to abide by, regulations to comply with and documents to check, authentically forming an effective mechanism, regulating behavior by system, handling affairs according to system and managing employees through system.

1. **Internal control system carding and evaluation.** The Company attaches great importance to system construction, optimizes the regulatory systems of the Company several times by compliance system construction, standardized pilot of internal control and two-level internal control system construction at the Head Office and branches, to guarantee that the system shall authentically embody the needs of business operations and management activities, and the company shall be consistent with laws & regulations and supervision requirements to ensure the normalization of business operation and to eliminate sources of risk. In 2014, the company cards 3 types of internal control systems involving bill business, asset custody and credit management, and evaluates the consistency of external laws and rules, effectiveness of risk control measures, operability of business standard, flow setting rationality and other aspects involving the system after implementation.

2. **Internal control of department/post separation;** the Company is reasonable and clear in assignment of responsibility among various departments and posts, realizes separation of front-ground marketing from middle-ground risk control and business operation of the whole bank, and carries out centralized management policy on credit archives, financial accounting and counter settlement and authorization of the whole bank; meanwhile, follow necessary separation principle on key and special posts, separate credit business investigation post from audit and approval posts, and separate credit business approval from accounting handling.

3. **Internal control of shift and mandatory vacation.** The Company, on the basis of adopting shift and mandatory vacation management system for general managers of various departments of the head office, presidents of various branches/branches in Ningbo as well as various high- and intermediate-level managers and staffs in important posts involving operation, finance, credit management and the like, further deepens the shift and mandatory vacation mechanism of the counter staff from the aspects of optimizing shift way, enhancing cross-institution shift, etc.

4. **Internal control of credit business.** Firstly, the company has issued annual credit policy, requires various regions to make regional credit rules in line with differences in such aspects as customer situation, industry cluster characteristics and regional status of the industry, and to adjust timely

Chapter Eleven Internal Control (continued)

depending on market change; secondly, perfect risk early warning, expand the external information collection channel of the risk early warning system, and apply to front-loan access and duration management by combining system access and artificial inquiry; thirdly, carry out risk examination in key fields, resolve risks timely, and actually prevent possible adverse influence of large-amount asset credit risk on the Company; fourthly, construct concentration risk management framework, establish concentration risk measuring system and formulate risk limit management mechanism; and fifthly, deepen credit business license management, define responsibilities of related departments, business error standard, and enhance award and punishment force on license integration.

5. Internal control of capital business. Firstly, in conformity to the development plan of capital business and market conditions, adjust market risk limits timely, and update credit risk value of financial derivative transaction on commission; Secondly, optimize customer information and structure, guide the branches to deepen customer hierarchy, define business cooperation space; Thirdly, establish card interbank business governance system, including interbank business reform leading group and special department for interbank business; incorporate the interbank business into comprehensive risk management, establish and optimize internal control mechanisms from front, to back-ground ends; establish interbank business counterparty access mechanism, carry out centralized and uniform list management system on the counterparty through the interbank special department in the head office, and periodically assess and adjust the system timely; Fourthly, establish branch position forecasting system, so as to improve the accuracy of branch position forecasting and fund arrangement for the whole bank, and to optimize the financial liquidity management.

6. Internal control of personal business. Firstly, further standardize agency insurance sales business, put Yinbaotong system into system and strengthen management on seller's qualification and behavior; secondly, internal control mechanism of sending customers' short messages, guarantee uniform platform number, compliant short message content and reasonable sending time, and introduce sending approval mechanism; thirdly, further standardize work outsourcing issues, define job outsourcing mode and area, and strengthen the management on outsourcing units and outsourced personnel.

7. Internal control of financial management. Firstly, continue to improve the financial authorization and approval system, define the approval levels of various institutions, standardize approval procedures and improve the effectiveness of internal financial control. Secondly, standardize cost management, strictly control large-amount expense, so as to prevent staff fraud and realize the optimized resource allocation; thirdly, in line with requirements on business development and management, continue to perfect financial accounting method for various new products and businesses, and enhance accounting control; fourthly, deepen capital management, conduct

Chapter Eleven Internal Control (continued)

capital forecasting work, evaluate capital gap of the whole bank, meanwhile pay attention to the change of capital adequacy ratio closely and complete economic capital evaluation; and fifthly, promote interest rate management, revise various interest rate depending on trend of the market and situation of the Company timely, and meanwhile, introduce interest rate change information sharing platform and promote the health development of the business.

8. Internal control of intermediary business. Firstly, according to the spirit of Management Measures for Service Price of Commercial Banks, car service charging item of the Company once again, launch the service charging contents through such channels as official website and self-service banking, and use new service charging material; secondly, revise related systems involving intermediary business, further define pricing process and charging standard adjustment of the intermediary business; thirdly, carry out special examination on service charging and enhance training on various charging policies of new branches and new employees, to guarantee the compliance of the business marketing and charging; fourthly, establish strict accounting system, adjust timely keeping with business situation, and accurately account various intermediary businesses.

9. Internal control of operation settlement; firstly, realize application and optimization of the early stage warning system, enhance real-time monitoring and management, and establish "early stage warning map" including four dimensions, namely product, network, teller and business; secondly, implement counter abnormal event reporting and deposal procedure, and report the abnormal events depending on the classification of abnormal situations on the basis of principle of being timely, effective, confidential and hierarchical disposal; thirdly, standardize accounting record management, make clear accounting record competent department, and perfect accounting record retrieval and destruction processes.

10. Internal control and information science and technology. Firstly, introduce emergency management and disaster recovery construction, carry out the regular exercise of important system, and meanwhile revise emergency plans for important information system and high-risk system, so as to guarantee stable operation of the system; secondly, implement information security management, carry out full-framework review and safety assessment before listing, complete external system permeability test and safety system inspection & analysis, and meanwhile guarantee the network operation safety of the Company; thirdly, continue to implement IT operation & maintenance and event handling, classify various events, and handle well according to importance and urgency regulation.

(IV) Information and communication

1. The company has founded a smooth internal communication mechanism; through a variety of

Chapter Eleven Internal Control (continued)

communication channels of document system, OA office system, internal publications and etc., to ensure important information delivered in time.

2. In terms of external information and communication, the company perfects improves the information disclosure system according to the regulatory requirements, accurately and timely discloses relevant information. By the means of timely publishing management and contact information on CNINFO website and the company portal, to guarantee that investors will keep abreast of the company's business dynamics, understand and trust the company through interaction.

(V) Supervision and evaluation of internal control

1. The company establishes an independent and upright internal audit management system. The board of directors is responsible for establishing, maintaining and completing effective internal audit system, and is provided with an audit committee to be responsible for the board of directors; the company's audit department is internal audit department of the company, which is responsible for auditing operation management behaviors of the company and responsible for the board of directors and audit committee of the board of directors. Based on the requirements of Trial Measures for Internal Audit Performance Assessment of Bank of Ningbo Co., Ltd., the board of supervisors assesses the annual performance of internal audit.

2. The internal audit, depending on the authority of the board of directors, independently performs internal audit right away from interference of other departments or personals. The internal audit department shall not participate in specific operation activity within duty scope of other departments, to guarantee independence of the internal audit work. The company, depending on regulation, allocates internal audit personals, and establishes internal post shift system.

(VI) Working plan of establishing and completing internal control system

1. Strengthen the internal control system management to ensure the compliance and effectiveness of internal control system. Firstly, continue to implement dependence mapping mechanism of internal and external systems, interpret important regulatory policies, summarize and extract relevant compliance requirements, and timely revise and perfect internal control system; II. carry out credit card business and post-evaluation of financial market business internal control system, promote the standardization and perfectness of the internal control system for key businesses of the Company, and realize the compliance, effectiveness and operability of the internal control system; and thirdly, in accordance with business development and internal control management of the Company, carry out internal system overall evaluation, card the internal control systems corresponding to business and management activities, and detect leak and fill vacancy timely.

Chapter Eleven Internal Control (continued)

2. Carry out overall risk management; firstly, strengthen the implementation force of full-process risk management: establish execution evaluation system of full-process risk management by the head office, carry out normal examination and counselling on the branches and further deepen full-process risk management; secondly, develop leading role of credit policy: various branches expand business in accordance with direction guided by the credit policy of the head office; the head office shall maintain market sensitivity in the process of executing credit policy, promote progress according to change in external environment and internal work, continuously adjust and optimize credit policy, and improve the integrating degree of credit policy and key business development of the Company; and thirdly, give full development of role to the early warning mechanism: implement normal risk checking, carry out linkage of related system early warning information and discover risks in multiple dimensions.

3. Deepen case and staff moral hazard prevention and control; firstly, deepen the implementation of five mechanisms, improve working way and working method, and formulate prevention and control work program in 2015; secondly, enhance the implementation of reinforce the operation of reporting system, encourage the staff to report case risk information timely, continuously improve working efficiencies of audit examination and operation monitoring, award the person reporting the hidden risk timely and increase punishment to person failing to report the risk; thirdly, on the basis of external force linkage prevention and control, require various institutions to enhance contact with local public security organs, and establish a positive interaction mechanism.

4. Further talent training and carry out "three co-ordination" work; firstly, coordinate echelon construction of line talents, plan growth path for line personnel, formulate hierarchical staff training program, improve growth assessment for line staff and enhance the implementation of staff training measures; secondly, coordinate line key focus group training, enhance the leadership training of line president and head of function management department, focus on training of such professional teams as product manager, set example for talent growth and explore typical case; and thirdly, coordinate capacity building of line team, plan training base construction, determine efficient team in line and implement copying work of efficient team.

II. Setting situation and work development situation of Company's audit department

(I) Positioning and setting situation of Company's audit department

The company establishes an independent and upright internal audit management system. The board of directors is responsible for establishing, maintaining and completing effective internal audit mechanism, with an audit committee to be responsible for the board of directors; the company's

Chapter Eleven Internal Control (continued)

audit department is internal audit department of the company, which is responsible for auditing operation management behaviors of the entire industry and the board of directors and audit committee of the board of directors; the internal audit, depending on the authority of the board of directors, independently performs internal audit right away from interference of other departments or personnel. The internal audit department shall not participate in specific operation activity within duty scope of other departments, to guarantee independence of the internal audit work. The company, depending on regulation, allocates internal audit personnel, and establishes internal post shift system. Company's board of supervisors makes annually performance evaluation on the work of internal audit.

(II) 2014 internal audit work performance situation

1. Further improve the organizational structure and personnel allocation to, strengthen the audit management of the branches; And guide the audit work of the branches by carrying out linkage project between Head Office and branch linkage project, like organizing internal and external training, and working in Head Office, ; moreover, promote the implementation of audit monitoring system, and increase off-site audit capability of audit department in the branches.
2. Strengthen employee moral hazard audit system to, and strictly control operational risk. Further strengthen routine investigation system and reporting system to achieve three-level monitoring mechanism among head office, branch and subbranch; strengthen risk identification and assessment, card and determine key inspection area, key inspection staff and audit focus; innovate inspection methods, and carry out investigation from multiple channels.
3. Being risk-oriented when carry out audit work in key businesses. In 2014, the audit mainly focused on the company's key business and new business risk, management and operation security of information system, fraud risk, operational risk, credit asset quality and the like, and carried out internal control assessment audit project of branch. Comprehensive self-examinations of business operation and internal control within the company are carried out to find correct measures for problems discovered in supervision and inspection..
4. Promote audit information construction, and improve off-site audit management; complete phase II construction of audit monitoring system, add main businessflow early warning and verification model platform, and realize seamless joint to important system; optimize audit management platform, strength integrated management of audit work formulate and perfect off-site management system and operation manual, and establish dynamic optimization mechanism of audit model.
5. Pay attention to personnel training, strengthen internal and external communication mechanism; implement stratified training program on auditors, carry out internal and external shift of the

Chapter Eleven Internal Control (continued)

auditors and new staff tutorial system; through such ways as line meeting, monthly sharing session, symposium and topic salon, enhance internal exchange and learning, and learn from advanced audit methods by visiting OCBC, visting banks , etc.

6. Strengthen audit quality control, improve applicable quality of audit results; comprehensively evaluate the quality and process of audit project; in accordance with audit program, full-process quality is controlled from approval of audit project to settlement of the audit project ; enhance the head office's performance assessment on the audit department of the branch by the head office, organize audit seminar and project summing-up meeting every season, and carry out audit project quality inspection.

7. Actively promote the self-assessment of internal control; formulate clear standards of major defects, from two aspects, namely qualitative and quantitative; from five elements of internal control, test the main fields in the enterprise level, namely HR, risk identification, assessment and management, company policy and process, information and communication, etc.; from main business line, test such important fields as banker's acceptance bill, personal loan, credit card, circulating fund loan, expense management, non-performing asset management, bill discount, settlement management, operation management and control, trade financing, etc.; formulate internal control defect assessment summary sheet, and propose rectification suggestions, thus forming a self-assessment report for internal control.

(III) Establishment and implementation of internal audit system

Information about internal control	Yes/ No/Not Applicable	Remarks/ Instruction
I. Establishment of internal audit system		
1. Did the Company establish internal audit system? Was the internal audit system discussed and approved by the Board of Directors?	Yes	
2. Did the Company set up an audit committee? Did the Company set up an internal audit department independent of the finance department?	Yes	
3. (1) Are all the members of the audit committee directors? Do independent directors take up at least 50% of the audit committee and take the position of convener? Is any one of independent directors in the audit committee specializing in accounting?	Yes	
(2) Are there over three (included) employees specially appointed for internal audit work for the internal audit department?	Yes	

Chapter Eleven Internal Control (continued)

Information about internal control	Yes/ No/Not Applicable	Remarks/ Instruction
II. Disclosure of annual self-assessment report related to internal control		
1. Did the Company issue an annual internal control self-assessment report based on related regulations?	Yes	
2. Did the internal control self-assessment report conclude that the internal control was effective? (If it was not effective, please state the material deficiency of internal control.)	Yes	
3. Was a public certified accountant firm appointed to issue an audit report on the effectiveness of internal control?	Yes	
4. Did the public certified accountant firm issue a standard audit report on the effectiveness of internal control? If the public certified accountant firm issue a non-standard audit report or pointed out the deficiency of internal control over non-financial report, did the Board of Directors and the Board of Supervisors make statement on related issues?	Yes	
5. Did the independent directors and the Board of Supervisors explicitly express approval? (If objection, please state reasons)	Yes	
6. Did the sponsor organization and the sponsor deputy explicitly express approval based on examination (if applicable)	Not applicable	
III. Major duties and achievements of the audit committee and the internal audit department for this year		
<p>During the reporting period, internal audit of the Company exercised the power of internal auditing independently in accordance with authorization of the Board of Directors, and be free from interference by any department or individual. The internal audit department did not participate in specific business operations within the scope of other departments' functions and responsibilities to ensure the independence of the internal audit.</p> <p>During report period, Audit Department of Head Office conducted 83 audits with a focus on key businesses and new business risks of the company, management and safety operation of information system, fraud risk, operational risk and quality of credit assets, etc. In the first half of the year, based on the inspection by China Banking Regulatory Commission (CBRC), the department carried out an overall review of business operation and internal control of the company with emphasis placed on internal control, credit business and risk & control on the aspect of non-credit business. Meanwhile, risk audit of staff ethics was continued to be promoted and operational risks were strictly controlled.</p> <p>During report period, the company promoted the 2nd-phase construction of audit monitoring system. Platforms of early-warming model and verification model of main business process were newly added, which were seamlessly integrated into important systems. At the same time, the 1st-phase of audit monitoring system was promoted to practice. Off-site audit tools were effectively applied to on-site audit tools, which improved the efficiency of audit work.</p> <p>During report period, the company continued to enhance the construction of internal audit system and to intensify audit quality control, perfected management system of internal audit, formulated off-site management system and operation manual, and improved management mechanism of monitoring system model. Besides, overall control and assessment were carried out in quality and process of audit project, dynamic optimization mechanism of audit model was constructed and quality of system monitoring was upgraded. Meanwhile, track management of rectification was strengthened, mechanisms of audit warming and result correction were enhanced and application quality of audit results was improved.</p>		
IV. Other information required for instruction (if any)		
None		

Chapter Eleven Internal Control (continued)

III. Statement of Board of Directors on the responsibility of internal control

The board of directors of the Company shall be responsible for the establishment and implementation of the internal control in the financial report. The internal control in the financial report is to ensure the authenticity, integrality and reliability of the financial report, and to prevent any significant misrepresent. As there's limit in the internal control, we could only provide reasonable guarantee for the above mentioned goals.

IV. Basis for the establishment of internal control of the financial report

The Company established the internal control for the financial report on the basis of Commercial Bank Law of the People's Republic of China, the Operation Guidance for Enterprises to be listed in the SME Board under Shenzhen Stock Exchange. The Company established and executed the Management System of Bank of Ningbo on Information Disclosure and the Call to Account System on Significant Misrepresent in the Annual Report of Bank of Ningbo Co., Ltd.

V. Annual self-assessment report related to internal control

Significant mistake in the annual self-assessment report related to internal control

There's no significant mistake in the internal control during the reporting period.

Date of issue of Annual self-assessment report related to internal control

April 28, 2015

Index of Annual self-assessment report related to internal control <http://www.cninfo.com.cn>

VI. Audit report on internal control

The auditing opinion in the Audit report on internal control

We believe that, on Dec 31, 2014, Bank of Ningbo Co., Ltd., as based on the Basic Regulation on Enterprises' Internal Control, as well as other related regulations, maintained an effective internal control in all the significant aspects in the financial statement.

Date of issue of audit report on internal control

April 28, 2015

Index of audit report on internal control <http://www.cninfo.com.cn>

The audit report on internal control, as issued by the certified public accountants, is accordant with the self-assessment report submitted by the board of directors of the Company.

VII. Internal control self-assessment by the Board of Directors, as well as opinion of Board of Supervisors and independent directors

(1) Internal control self-assessment by the Board of Directors

The board of directors believes that: based on the identification of significant deficiency in the

Chapter Eleven Internal Control (continued)

financial reports related to internal control, by the base date of internal control evaluation report (31st Dec, 2014), the Bank had maintained effective internal control over financial reports in all the major aspects in accordance with the requirements of the internal control standardized system and relevant regulations, and no significant deficiency had been found. In terms of the identification of significant deficiency in the non-financial reporting related to internal control, by the base date of internal control evaluation report, no significant deficiency had been found. During the base date and the issuing date of internal control evaluation report, there's no factor occurred that may affect the conclusion of the effectiveness evaluation over the internal control.

(2) Independent Opinions by the independent directors on the internal control self-assessment report

We've reviewed the internal control self-assessment report and held the opinion that: the Company had set up a relatively comprehensive corporate governance structure and an integral internal control system in accordance with related laws and regulations, after reviewing, we believe that 2014 Internal Control Self-assessment Report of the Bank of Ningbo Co., Ltd. reflects the actual construction and operation of the internal control system of the Company comprehensively, objectively and authentically.

Independent director: Tang Sining, Zhu Jiandi, Yang Xiaoping,
Fu Jianhua, Fu Jijun, Ben Shenglin

(3) Opinions by the Board of Supervisors on the internal control self-assessment report

The Board of Supervisors believes that the Company has established a comprehensive internal control system according to the Basic Regulations on the Internal Control of Enterprise and the Guidance on the Internal Control Assessment of Enterprise, the internal control system is of scientific construction, effective implementation and adequate supervision. The internal control self-assessment report reflects the construction and operation of the internal control system authentically and objectively.

VIII. Establishment and implementation of Call to Account System on Significant Misrepresent in the Annual Report

The Company strictly implemented the Call to Account System on Significant Misrepresent in the Annual Report, as well as the Management System on Information Disclosure. During the reporting period, there're no significant accounting errors, miss information supplement and amendment on performance preannouncement.

Chapter Twelve Financial Statements

I. Audit Report (see appendixes)

II. Unqualified Audit Report based on 2014 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. 2014 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.

Chapter Fourteen Audited Financial Statements

BANK OF NINGBO CO., LTD.
Audited Financial Statements

31 December 2014

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Independent Auditor's Report

A.Y.H.M. (2015) 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 2014, as well as Balance Sheet at 31 December 2014, Income Statement for the year of 2014, Statement of Changes in Shareholders' Equity and Cash Flow Statement as well as Notes to the Financial Statements.

I. Management's Responsibility for Preparing of the Financial Statements

The management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. These responsibilities include: 1) Preparing the financial statements in accordance with the Accounting Standards for Business Enterprises, and ensuring it to achieve a fair presentation; 2) Designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement.

II. Responsibility 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 China's Independent Auditing Standards, 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.

III. Opinions arising from our audit

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 view of the financial position of the Bank as at 31 December 2014 and of the Bank's operation outcomes and cash flows in the year then ended.

Ernst & Young Hua Ming Certified Public Accountants

CPA, PRC: Guo Hangxiang
CPA, PRC: Zhang Yu

Beijing, China

24 April, 2015

Consolidated Balance Sheet

For The Financial Year 2014

Unit: (CNY) Thousand

Assets:	Note VI	31 Dec. 2014	31 Dec. 2013 (restatement)*
Cash and balances at central banks	1	70,953,938	62,194,816
Due from banks	2	30,447,600	38,964,591
Nobel Metal		-	33,159
Loans to banks	3	2,866,596	548,000
Financial assets designated at fair value with its change enter into income ststatement	4	8,878,979	1,178,908
Derivative financial assets	5	1,293,140	2,110,285
Reverse repurchase agreements	6	17,079,001	39,537,850
Interest receivable	7	3,015,047	1,972,905
Loans and advances	8	204,749,878	167,302,170
Available-for-sale financial assets	9	120,109,026	90,368,707
Held-to-maturity investments	10	16,569,101	15,949,957
Accounts receivable held for investment	11	71,554,844	36,083,540
Investment real estate	12	16,596	16,609
Fixed assets	13	3,352,019	2,392,068
Intangible assets	14	208,642	147,596
Deferred income tax assets	15	769,245	867,712
Other assets	16	2,248,966	2,519,156
Total assets		554,112,618	462,188,029
Liabilities	Note VI	31 Dec. 2014	31 Dec. 2013 (restatement)*
Due to Central Bank		-	200,000
Due to banks and other financial institutions	18	86,634,335	89,986,906
Deposits by banks	19	14,071,981	13,015,003
Financial liabilities designated at fair value with its change enter into income statement	20	1,272,100	-
Derivative financial liabilities	5	1,303,488	2,145,671
Repurchase agreements	21	28,155,132	37,139,833
Deposits	22	306,531,829	255,278,327
Wages and salaries payable	23	1,098,768	1,018,894

*See Note II.2 for restatement.

The Notes from page 175 to 277 are components of the Financial Statements

Consolidated Balance Sheet (continued)

For The Financial Year 2014
Unit: (CNY) Thousand

Liabilities	Note VI	31 Dec. 2014	31 Dec. 2013 (restatement)*
Taxes payable	24	795,134	683,906
Interests payable	25	5,587,627	4,460,045
Bonds payable	26	50,655,391	18,466,246
Deferred income		29,496	48,886
Deferred income tax liabilities	15	3,871	3
Other liabilities	27	23,809,254	14,222,421
Total liabilities		519,948,406	436,666,141
Shareholders' equity			
Equity	28	3,249,829	2,883,821
Capital reserve	29	10,598,201	7,889,125
Other comprehensive income	30	309,130	(726,252)
Surplus reserve	31	2,531,957	1,970,844
General risk reserve	32	4,054,719	2,859,911
Retained earnings	33	13,347,261	10,629,244
Equity attributable to the parent company		34,091,097	25,506,693
Minority Shareholders' Equity		73,115	15,195
Total shareholders' equity		34,164,212	25,521,888
Total liabilities and equity		554,112,618	462,188,029

* See Note II.2 for restatement

The Notes from page 175 to 277 are components of the Financial Statements

The Financial Statements from page 159 to 277 are signed by:

Legal Representative: Lu Huayu

President: Luo Mengbo

Financial Principle: Luo Weikai

Principal of accounting institution: Sun Hongbo

Seal: Bank of Ningbo Co.,Ltd

Consolidated Income Statement

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	Note VI	2014	2013
I. Operating income		15,356,750	12,761,479
Net interest income	34	13,354,681	11,258,689
Interest income	34	28,175,470	23,494,890
Interest expense	34	(14,820,789)	(12,236,201)
Net fee and commission income	35	2,485,043	1,619,336
Fee and commission income	35	2,696,649	1,795,828
Fee and commission expense	35	(211,606)	(176,492)
Investment gains	36	164,941	120,799
Gains from the adjustment of fair value	37	148,680	(154,182)
Exchange gains		(830,135)	(114,378)
Other operating income	38	33,540	31,215
II. Operating expenditure		(8,330,173)	(6,701,448)
Business tax and surcharges	39	(866,826)	(771,271)
Operating and administration expenses	40	(4,924,683)	(4,448,668)
Assets impairment losses	41	(2,521,150)	(1,480,052)
Other operating expenses	38	(17,514)	(1,457)
III. Operating profits		7,026,577	6,060,031
Add: non-operating income	42	20,149	32,983
including: incomes from disposal of non-current assets		2,448	172
Less: non-operating expenditure	43	(39,834)	(41,635)
including: losses from disposal of non-current assets		(2,348)	(20,635)
IV. Total profits		7,006,892	6,051,379
Less: income tax	44	(1,372,762)	(1,204,114)
V. Net profits		5,634,130	4,847,265
including: Net profit attributable to the parent company		5,627,466	4,847,071
Minority shareholders' income and loss		6,664	194

The Notes from page 175 to 277 are a component of the Financial Statements

Consolidated Income Statement (continued)

For The Financial Year 2014
Unit: (CNY) Thousand

	Note VI	2014	2013
VI. Other comprehensive income, net of tax		1,035,210	(736,382)
Net profit attributable to the parent company	30	1,035,382	(736,383)
Other comprehensive income will subsequently be reclassified to the income statement		1,035,382	(736,383)
After Fair value change on financial assets available for sale		1,035,382	(736,383)
Other comprehensive Income and losses attributable to minority shareholders'		(172)	1
VII. Accumulated comprehensive Income		6,669,340	4,110,883
including: Net profit attributable to the parent company		6,662,848	4,110,688
attributable to the minority shareholders		6,492	195
VIII. Earnings per share (in CNY yuan)			
Basic earnings per share	45	1.89	1.68
Diluted earnings per share	45	1.89	1.68

The Notes from page 175 to 277 are components of the Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

2014

Item	Equity attributable to the parent company		
	Share Capital	Capital Reserve	Other comprehensive income
I. Balance at the end of the previous year *	2,883,821	7,889,125	(726,252)
II. Increase/decrease	366,008	2,709,076	1,035,382
(I) Total comprehensive income	-	-	1,035,382
(II) Increase/decrease of assets by shareholders	366,008	2,709,076	-
1. Shareholder's investment	366,008	2,710,504	-
2. Others	-	(1,428)	-
(III) Profit distribution	-	-	-
1. Appropriation to surplus reserve	-	-	-
2. Appropriation to general reserve(note)	-	-	-
3. Profit distribution to shareholders	-	-	-
III. Balance at the end of the year	3,249,829	10,598,201	309,130

2013

Item	Equity attributable to the parent company		
	Share Capital	Capital Reserve	Other comprehensive income
I. Balance at the end of the previous year	2,883,821	7,889,125	10,131
II. Increase/decrease	-	-	(736,383)
(I) Total comprehensive income	-	-	(736,383)
(II) Increase/decrease of assets by shareholders	-	-	-
1. Shareholder's investment	-	-	-
2. Others	-	-	-
(III) Profit distribution	-	-	-
1. Appropriation to surplus reserve	-	-	-
2. Appropriation to general reserve(note)	-	-	-
3. Profit distribution to shareholders	-	-	-
III. Balance at the end of the year	2,883,821	7,889,125	(726,252)

*See Note II.2 for restatement.

Note: including general reserve by subsidiary amounted to CNY 93,000.

The Notes from page 175 to 277 are components of the Financial Statements

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

Equity attributable to the parent company				Minority Shareholders' Equity	Total Shareholder's equity
Surplus Reserve	General Reserve	Undistributed Profits	Subtotal		
1,970,844	2,859,911	10,629,244	25,506,693	15,195	25,521,888
561,113	1,194,808	2,718,017	8,584,404	57,920	8,642,324
-	-	5,627,466	6,662,848	6,492	6,669,340
-	-	-	3,075,084	51,428	3,126,512
-	-	-	3,076,512	50,000	3,126,512
-	-	-	(1,428)	1,428	-
561,113	1,194,808	(2,909,449)	(1,153,528)	-	(1,153,528)
561,113	-	(561,113)	-	-	-
-	1,194,808	(1,194,808)	-	-	-
-	-	(1,153,528)	(1,153,528)	-	(1,153,528)
2,531,957	4,054,719	13,347,261	34,091,097	73,115	34,164,212

Equity attributable to the parent company				Minority Shareholders' Equity	Total Shareholder's equity
Surplus Reserve	General Reserve	Undistributed Profits	Subtotal		
1,486,303	1,499,934	8,347,646	22,116,960	-	22,116,960
484,541	1,359,977	2,281,598	3,389,733	15,195	3,404,928
-	-	4,847,071	4,110,688	195	4,110,883
-	-	-	-	15,000	15,000
-	-	-	-	15,000	15,000
-	-	-	-	-	-
484,541	1,359,977	(2,565,473)	(720,955)	-	(720,955)
484,541	-	(484,541)	-	-	-
-	1,359,977	(1,359,977)	-	-	-
-	-	(720,955)	(720,955)	-	(720,955)
1,970,844	2,859,911	10,629,244	25,506,693	15,195	25,521,888

Consolidated Cash Flow Statement

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	Note V	Year 2014	Year 2013
I. Cash flow from operating activities			
Net increase in deposits from customers		59,584,332	58,115,241
Net increase in loan from the central bank		-	200,000
Cash received from interest, fees and commission		19,877,814	18,104,020
Net increase in placements from other financial institutions		13,906,254	25,651,419
Other cash received relating to operating activities	47	242,023	273,869
Sub-total of cash inflow from operating activities		93,610,423	102,344,549
Net increase in loans and advance payments to customers		38,470,189	26,078,040
Net increase in balances with central bank and due from other banks		11,830,278	21,872,202
Net decrease in due to central bank		200,000	-
Cash paid to interest, fees and commission		13,126,493	10,050,317
Cash paid to and on behalf of employees		2,444,169	2,029,276
Taxes paid		2,422,096	2,170,728
Cash paid relating to other operating activities	48	2,340,901	1,406,867
Sub-total of cash outflow from operating activities		70,834,126	63,607,430
Net cash flow from operating activities	49	22,776,297	38,737,119
II. Cash flow from investing activities			
Cash received from investment		707,696,130	490,506,396
Cash received from returns on investment		10,277,215	5,736,879
Other cash received relating to investing activities		17,045	14,119
Sub-total of cash inflow from investing activities		717,990,390	496,257,394
Cash paid as investment		779,485,868	536,373,316

The Notes from page 175 to 277 are part of the Financial Statement

Consolidated Cash Flow Statement (continued)

For The Financial Year 2014

Unit: (CNY) Thousand

	Note V	Year 2014	Year 2013
Cash paid for the purchase of fixed assets, intangible assets and other long-term activities		1,135,934	1,415,481
Sub-total of cash outflow from investing activities		780,621,802	537,788,797
Net cash flow from investing activities		(62,631,412)	(41,531,403)
III. Cash flow from financing activities			
Proceeds from investment absorbing		3,126,512	15,000
Including: cash received from subsidiary by absorption from minority of shareholders.		50,000	15,000
Proceeds from issue of bonds		37,180,740	7,986,500
Sub-total of cash inflow from financing activities		40,307,252	8,001,500
Cash for payment of borrowing		5,000,000	-
Cash paid for distribution of dividends or profits, or cash paid for interests		1,982,065	1,230,705
Sub-total of cash outflow from financing activities		6,982,065	1,230,705
Net cash flow from financing activities		33,325,187	6,770,795
IV. Effect of foreign exchange rate changes on cash		(11,437)	(71,786)
V. Net increase in cash and cash equivalents of the year		(6,541,365)	3,904,725
Add: balance of cash and cash equivalents at the beginning of the year		52,211,382	48,306,657
VI. Balance of cash and cashequivalents at the end of the year	46	45,670,017	52,211,382

The Notes from page 175 to 277 are part of the Financial Statement

Balance Sheet

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	Note XIV	31 Dec. 2014	31 Dec. 2013 (restatement)*
Assets:			
Cash and balances at central banks		70,866,846	62,194,789
Due from other banks		30,447,600	38,964,591
Nobel Metal		-	33,159
Loans to other banks		2,866,596	548,000
Financial assets enter into income Statement on its fair value		8,433,216	1,178,908
Derivative financial assets		1,293,140	2,110,285
Reverse repurchase agreements		17,009,000	39,537,850
Interest receivable		3,006,475	1,972,905
Loans and advances		204,749,878	167,302,170
Available-for-sale financial assets		120,109,026	90,358,697
Held-to-maturity investments		16,569,101	15,949,957
Accounts receivable held		71,554,844	36,083,540
Long-term equity investment	1	135,000	135,000
Investment real estate		16,596	16,609
Fixed assets	2	3,346,879	2,386,833
Intangible assets		205,245	143,391
Deferred income tax assets		769,245	867,712
Other assets		2,210,260	2,515,800
Total assets		553,588,947	462,300,196
Liabilities:			
Due to Central Banks		-	200,000
Deposits by banks and other financial institutions		86,652,009	90,118,743

*See Note II.2 for restatement.

The Notes from page 175 to 277 are components of the Financial Statements

Balance Sheet (continued)

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

	Note XIV	31 Dec. 2014	31 Dec. 2013 (restatement)*
Liabilities:			
Borrowings from other banks		14,071,981	13,015,003
Financial liabilities enter into income Statement on its fair value		911,324	-
Derivative financial liabilities		1,303,488	2,145,671
Repurchase agreements		28,084,562	37,139,833
Deposits		306,531,703	255,278,232
Wages and salaries payable		1,094,476	1,018,533
Taxes payable		792,742	682,878
Interests payable		5,587,609	4,460,280
Bonds payable		50,655,391	18,466,246
Deferred income tax liabilities		29,496	48,886
Other liabilities		23,799,796	14,220,856
Total liabilities		519,514,577	436,795,161
Shareholders' equity:			
Equity		3,249,829	2,883,821
Capital reserve		10,599,629	7,889,125
Other comprehensive income		308,960	(726,261)
Surplus reserve		2,531,957	1,970,844
General Risk reserve		4,054,626	2,859,911
Retained profits		13,329,369	10,627,595
Total shareholders' equity		34,074,370	25,505,035
Total liabilities and equity		553,588,947	462,300,196

*See Note II.2 for restatement.

The Notes from page 175 to 277 are components of the Financial Statements

Income Statement

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

	Note XIV	Year 2014	Year 2013
I. Operating income		15,294,617	12,760,760
Net interest income	3	13,349,398	11,257,782
Interest income	3	28,171,966	23,494,890
Interest expense	3	(14,822,568)	(12,237,108)
Net Fee and commission income		2,450,473	1,619,307
Incomes		2,662,079	1,795,799
Expenses		(211,606)	(176,492)
Investment gains		156,351	120,799
Gains from the adjustmen of fair value		135,016	(154,182)
Exchange gains		(830,161)	(114,161)
Other operating income		33,540	31,215
II. Operating expenditure		(8,292,480)	(6,697,271)
Business tax and surcharges		(863,914)	(771,269)
Operating and administration expenses		(4,889,902)	(4,444,493)
Impairment losses		(2,521,150)	(1,480,052)
Other operating expenses		(17,514)	(1,457)
III. Operating profits		7,002,137	6,063,489
Add: non-operating income		14,149	26,983
including: income from disposal of non-current assets		2,448	172
Less: non-operating expenditure		(39,798)	(41,635)
Including: loss from disposal of non-current assets		(2,348)	(20,635)
IV. Total profits		6,976,488	6,048,837
Less: income tax		(1,365,358)	(1,203,415)

The Notes from page 175 to 277 are a component of the Financial Statements

Income Statement (continued)

For The Financial Year 2014
Unit: (CNY) Thousand

	Note XIV	Year 2014	Year 2013
V. Net profits		5,611,130	4,845,422
VI. Net after-tax value of other comprehensive income		1,035,221	(736,392)
Other comprehensive income will subsequently Reclassified to the income statement after		1,035,221	(736,392)
Faire value changes on financial assets available for sale		1,035,221	(736,392)
VII. Total comprehensive income		6,646,351	4,109,030

The Notes from page 175 to 277 are components of the Financial Statements

Statement of Changes in Shareholders' Equity

Year 2014			
Item	Share Capital	Capital Reserve	other comprehensive income
I. Balance at the beginning of year (restatement)*	2,883,821	7,889,125	(726,261)
II. Increase/decrease	366,008	2,710,504	1,035,221
(I).Comprehensive income	-	-	1,035,221
(II).Increase/decrease of capital by shareholders	366,008	2,710,504	-
1. Shareholders' investment	366,008	2,710,504	-
2. Others	-	-	-
(III).Profit distribution	-	-	-
1.Appropriation to surplus reserve	-	-	-
2.Appropriation to general reserve	-	-	-
3.Profit distribution to shareholders	-	-	-
III. Balance at the end of the year	3,249,829	10,599,629	308,960
Year 2013(restatement)*			
Item	Share Capital	Capital Reserve	other comprehensive income
I. Balance at the beginning of year	2,883,821	7,889,125	10,131
II. Increase/decrease	-	-	(736,392)
(I).Comprehensive income	-	-	(736,392)
(II).Increase/decrease of capital by shareholders	-	-	-
1. Shareholders' investment	-	-	-
2. Others	-	-	-
(III).Profit distribution	-	-	-
1.Appropriation to surplus reserve	-	-	-
2.Appropriation to general reserve	-	-	-
3.Profit distribution to shareholders	-	-	-
III. Balance at the end of the year	2,883,821	7,889,125	(726,261)

*See Note II.2 for restatement.

The Notes from page 175 to 277 are components of the Financial Statements

For The Financial Year 2014
Unit: (CNY) Thousand

Surplus Reserve	General reserves	Undistributed Profits	Total
1,970,844	2,859,911	10,627,595	25,505,035
561,113	1,194,715	2,701,774	8,569,335
-	-	5,611,130	6,646,351
-	-	-	3,076,512
-	-	-	3,076,512
-	-	-	-
561,113	1,194,715	(2,909,356)	(1,153,528)
561,113	-	(561,113)	-
-	1,194,715	(1,194,715)	-
-	-	(1,153,528)	(1,153,528)
2,531,957	4,054,626	13,329,369	34,074,370

Surplus Reserve	General reserves	Undistributed Profits	Total
1,486,303	1,499,934	8,347,646	22,116,960
484,541	1,359,977	2,279,949	3,388,075
-	-	4,845,422	4,109,030
-	-	-	-
-	-	-	-
-	-	-	-
484,541	1,359,977	(2,565,473)	(720,955)
484,541	-	(484,541)	-
-	1,359,977	(1,359,977)	-
-	-	(720,955)	(720,955)
1,970,844	2,859,911	10,627,595	25,505,035

Cash Flow Statement

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	Note XIV	Year 2014	Year 2013
I. Cash flow from operating activities			
Net increase in deposits from customers		59,584,332	58,115,241
Net increase in borrowings from from central bank		-	200,000
Cash received from interest fees and commission		19,868,113	18,104,255
Net increase in placements from other financial institutions		13,906,254	25,783,256
Other cash received relating to operating activities		223,572	267,869
Sub-total of cash inflows from operating activities		93,582,271	102,470,621
Net increase in loans and advances		38,470,189	26,078,040
Net increase in balances with central banks and due from other banks		11,944,526	21,872,202
Net decrease of due from central bank		200,000	-
Cash paid for interest, fees and commission		13,128,817	10,051,224
Cash paid to and on behalf of employees		2,426,278	2,027,543
Taxes paid		2,412,657	2,170,652
Cash paid relating to other operating activities		2,324,049	1,405,945
Sub-total of cash outflow from operating activities		70,906,516	63,605,606
Net cash flow from operating activities	4	22,675,755	38,865,015
II. Cash flow from investing activities			
Cash received from investment		707,273,601	490,506,396
Cash received from returns on investment		10,277,215	5,736,879
Other cash received relating to investing activities		17,045	14,119
Sub-total of cash inflow from investing activities		717,567,861	496,257,394
Cash paid as investment		779,001,869	536,498,316
Cash paid for the purchase of fixed assets, intangible assets and other long-term activities		1,133,865	1,403,502
Sub-total of cash outflow from investing activities		780,135,734	537,901,818
Net cash flow from investing activities		(62,567,873)	(41,644,424)

The Notes from page 175 to 277 are part of the Financial Statement

Cash Flow Statement (continued)

For The Financial Year 2014
Unit: (CNY) Thousand

	Note XIV	Year 2014	Year 2013
III. Cash flow from financing activities			
Proceeds from investment absorbing		3,076,512	-
Proceeds from bonds issuing		37,180,740	7,986,500
Sub-total of cash inflow from financing activities		40,257,252	7,986,500
Cash for repayment of borrowings		5,000,000	-
Cash paid for distribution of dividends or profits, or cash payments for interests		1,982,065	1,230,705
Sub-total of cash outflow from financing activities		6,982,065	1,230,705
Net cash flow from financing activities		33,275,187	6,755,795
IV. Effect of foreign exchange rate changes on cash			
		(11,504)	(71,688)
V. Net increase in cash and cash equivalents of the year			
		(6,628,435)	3,904,698
Add: balance of cash and cash equivalents at the beginning of the year		52,211,355	48,306,657
VI. Balance of cash and cash equivalents at the end of the year			
		45,582,920	52,211,355

The Notes from page 175 to 277 are part of the Financial Statement

Notes on the Financial Statements

For The Year Ended 31 December 2014

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, with the institution code of B0152H233020001. The enterprise business license No. of the Bank is 330200400003994.

The Bank is engaged in finance. Permitted business scope during the reporting period: absorption of deposits, short-term, medium-term and long-term loan business; 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 Bank domiciles in No. 700, Ningnan South Road, Ningbo, Zhejiang, China. The Bank operates within the People's Republic of China ("China").

2. Structure

By December 31, 2014, the Bank has established 10 branches and 21 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 and Shaoxing. The Group has one subsidiary company-Maxwealth Fund Management Co., Ltd ("Maxwealth Fund"). In 2014, Maxwealth Fund invested and established Maxwealth Assets Management Co., Ltd. The consolidation scope of consolidated financial statement is decided on the basis of control. For the changes of this year, see Note VI for reference.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

This Financial Statement was submitted and approved by board of directors of the company on Apr 24, 2015. According to the constitution of the company, it will be submitted to the shareholders' meeting for approval.

II. Critical Accounting Policies and Estimates

1. Basis for preparation

These financial statements have been prepared in accordance with "Accounting Standards for Business Enterprises-Basic Standards" and 38 detailed accounting principles issued by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance") in February 2006, as well as other guidelines, explanations and regulations issued thereafter (collectively 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, financial assets/liabilities at fair value through profit or loss and investment real estate. An impairment provision shall be correspondingly recorded in the event of impairment.

2. Adoption of Several Amended/New Accounting Standards

From January to March in 2014, Ministry of Finance formulated Accounting Standards for Business Enterprises No. 39 - Fair Value Measurements, Accounting Standards for Business Enterprises No. 40 - Joint Venture Arrangement and Accounting Standards for Business Enterprises No. 41 - Disclosure of Interests in Other Entities, and amended Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments, Accounting Standards for Business Enterprises No. 9 - Employee Compensation, Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements and Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements. These seven accounting standards mentioned above came into force since 1 July, 2014 but they were encouraged to be implemented among overseas listed companies ahead of schedule. In June 2014, Ministry of Finance amended Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments and implemented it in financial statements since 2014.

For financial statements, companies whose accounting policies changed due to the above mentioned amended/new accounting standards have made adjustments according to relevant rules of connection, and companies that needed retroactive adjustments of comparative figures have also re-presented accordingly.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

The retroactive adjustments mentioned above influenced financial statements of 2013 and 2014 mainly in following aspects:

The Group			
Year of 2014	Early Balance before Adoption	Amount Affected by the Change	Early Balance after Adoption
Capital Reserve	7,162,873	726,252	7,889,125
Other Comprehensive Income	-	(726,252)	(726,252)
Net Assets	25,521,888	-	25,521,888
Year of 2013	Early Balance before Adoption	Amount Affected by the Change	Early Balance after Adoption
Capital Reserve	7,899,256	(10,131)	7,889,125
Other Comprehensive Income	-	10,131	10,131
Net Assets	22,116,960	-	22,116,960
Year of 2013	Amount Incurred before Adoption	Amount Affected by the Change	Amount Incurred after Adoption
Net Profit	4,847,265	-	4,847,265
Other Comprehensive Income	(736,382)	736,382	-
Net of Tax of Other Comprehensive Income	-	(736,382)	(736,382)
The Company			
Year of 2014	Early Balance before Adoption	Amount Affected by the Change	Early Balance after Adoption
Capital Reserve	7,162,864	726,261	7,889,125
Other Comprehensive Income	-	(726,261)	(726,261)
Net Assets	25,505,035	-	25,505,035
Year of 2013	Early Balance before Adoption	Amount Affected by the Change	Early Balance after Adoption
Capital Reserve	7,899,256	(10,131)	7,889,125
Other Comprehensive Income	-	10,131	10,131
Net Assets	22,116,960	-	22,116,960
Year of 2013	Amount Incurred before Adoption	Amount Affected by the Change	Amount Incurred after Adoption
Net Profit	4,845,422	-	4,845,422
Other Comprehensive Income	(736,392)	736,392	-
Other Comprehensive Income, Net of Tax	-	(736,392)	(736,392)

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

III. Critical Accounting Policies and Estimates

1. Declaration of Compliance with Accounting Standards & Basis for Formulation

These financial statements comply with Accounting Standards for Business Enterprises and in all material respects truly and accurately present the financial position of the Bank on 31 December 2014 and operation outcomes and cash flow for 2014;

2. Accounting year

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 otherwise specially instructed.

4. Business Combination

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.

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

Notes on the Financial Statements (continued)

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

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

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

5. Consolidated Financial Statements

The consolidated category 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 31, 2014. A subsidiary company refers to an enterprise or entity that is controlled by the Company.

While compiling 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.

Notes on the Financial Statements (continued)

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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 compiling 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 changes due to changes of related facts and conditions, the Group will consider whether to control the invested party.

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.

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,

Notes on the Financial Statements (continued)

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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. Foreign currency translation

Transactions in foreign currencies are translated into CNY for recording.

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

Foreign currency cash flow is translated into the recording currency by adopting the average exchange rate at the occurrence of cash flow. Effect of exchange rate changes on cash, as an adjustment item, is separately accounted 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 right instruments of any other entity are formed.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability since it becomes a party to a financial instrument.

A financial asset satisfies any of the following requirements, it shall be derecognized:

- (1) where the rights to receive cash flows from the financial asset have expired; or
- (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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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In the event that the obligations of a financial liability are performed, cancelled or expire, 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 calculation of financial assets shall be in accordance with 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, 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 alike.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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Financial assets, which satisfy any of the following conditions, can be assigned as financial assets entered into income statement on its fair value:

(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 receivable

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

Discount on notes refer to such funds used for the discount of premature notes. Discount on notes

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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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.

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

Classification and measurement of financial assets

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.

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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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 assets, which satisfy any of the following conditions, can be assigned as financial assets entered into income statement on its fair value:

- (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.

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.

Other financial liabilities

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

Offset of financial instrumen

After the following conditions are satisfied, financial assets and financial liabilities are listed in

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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 amortisation.

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.

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.

Impairment of financial assets

An assessment is made 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 carried at amortized cost

Impairment loss for financial assets carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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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 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.

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 carried at cost

If there is objective evidence 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

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

rising from the decrease of fair value is removed from other comprehensive income and recognized in the income statement, and is measured as the difference between the acquisition cost (net of any principle repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss statement.

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

When defining "serious" or "non-transient", the Group shall make judgment 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.

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 treated 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 confirmed as well.

Notes on the Financial Statements (continued)

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10. Repurchase and reverse repurchase agreements

Reverse repurchase agreements 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 refer to 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 for invested enterprises that are controlled by the group. Control means that, the group, by using its right and participating in related activities of the invested enterprise, can get realizable profit; and can affect the profit amount by using certain right.

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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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

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

13. Fixed assets

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

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

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

Category	Expected Useful Life	Expected Net Salvage Value	Annual Depreciation Rate
Housing & buildings	20 years	3%	4.85%
Transportation vehicles	5-10 years	3%	9.70%-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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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:

Category	Useful Life
Software	5 years
Land-use rights	40 years
Membership right	10 years

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.

Notes on the Financial Statements (continued)

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In the case that the long-term deferred expenses are not beneficial for following accounting years, the amortization value for unamortized items are transferred to the income statement.

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.

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

Notes on the Financial Statements (continued)

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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;
- 2) the performance of obligations is likely to result in an outflow of economic resources;
- 3) the amount under obligations can be measured reliably.

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. 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.

22. Recognition of income and expense

Interest income and expense

Interest income or expense is recorded at the time of occurrence using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the

Notes on the Financial Statements (continued)

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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.

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 are charged to the income statement on the straight-line basis over the lease terms.

23. 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

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.

24. 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

Notes on the Financial Statements (continued)

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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 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.

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, carryforward 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 carryforward 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

Notes on the Financial Statements (continued)

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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.

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.

25. 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.

26. 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.

Notes on the Financial Statements (continued)

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

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

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

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

27. 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;

Notes on the Financial Statements (continued)

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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.

28. Significant accounting judgements 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 makes significant adjustments on the classification of financial assets which would affects accounting methods and financial position of the Bank.

Merge of Structured Bodies

Management shall judge whether it is necessary to control and merge structured bodies, which may affect the accounting method and the Group's financial condition and business performance.

When evaluating the control, the Group shall consider: 1) investor's right against investee; 2) variable returns enjoyed in the participation of relevant activities of investee; and 3) amount of returns affected by the right capable to exercise against investee.

Generally, when evaluating the owned right against structured bodies, the Group shall consider the following four aspects:

- (1) decisions and engagement of the Group when investee was established;
- (2) relevant contractual arrangement;
- (3) relevant activities carried out only in particular cases or matters;
- (4) commitments the Group made to investee.

Notes on the Financial Statements (continued)

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When judging whether to control structured bodies, the Group shall also consider whether its decision behavior is made as a main actor the primary party or as an agent. Generally, factors considered include scope of decision-making power, substantive rights enjoyed by other parties, compensation level of the Group and risk of variable returns bear born by the Group as a holder of other interests of structured bodies, etc.

Uncertainty of accounting estimates

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

Impairment losses of loans

The Group periodically determines whether there is any objective evidence of impairment losses on loans. If any such evidence exists, the Group assesses the amount of impairment losses which is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment of available-for-sale financial assets

The Group classifies some assets as available-for-sale assets and records their changes on fair value into the shareholders' equity. Where the fair value declines, the management makes assumptions to determine whether impairment losses shall be recognized in the income statement.

Impairment of 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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on credit risk, market fluctuation and pertinency of the Group and its counterparties. Changes on these assumptions would affect the fair value of financial instruments.

Deferred income tax assets

For all deductible losses which have not been utilized, deferred income tax assets are recognized to the extent that it is probable that the sufficient taxable income is available to cover the deductible losses. This requires significant amount of estimation on the acquisition time and amount of future taxable income with the tax payment strategy, to determine the amount of deferred income tax assets to be recognized.

IV. Taxation

The group principal taxes and their tax rates are listed as below:

Category	Tax basis	Rate
Business tax	Business income (note)	5%
Construction tax	Business tax	5%-7%
Educational surcharges	Business tax	5%
Business income tax	Taxable income	25%

Note: business income originates from loan interest, transfer of financial products, fees and commissions and other businesses except for inter-bank income.

V. Notes to Items in the Consolidated Financial Statements

1. Cash and balances with central banks

	Dec 31, 2014	Dec 31, 2013
Cash on hand	1,568,875	1,144,648
Statutory deposit reserve in the central banks	53,039,354	45,556,463
Provision in the central banks	15,928,301	14,875,626
Public Finance-cash In Bank in the central banks	417,408	618,079
	70,953,938	62,194,816

By 31 December 2014, 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 17.5% of the RMB deposit at the end of the early month (31 Dec. 2013:18%). While those denominated in foreign currencies was 5% (31 Dec. 2013: 5%) of the previous month regulated by the People's Bank of China.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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2. Due from other banks

	Dec 31, 2014	Dec 31, 2013
Due from domestic banks	28,779,403	37,482,988
Due from other domestic financial institutions	479,086	94,283
Due from foreign banks	1,189,305	1,387,514
	30,447,794	38,964,785
Provision for depreciation(note V. 17)	(194)	(194)
	30,447,600	38,964,591

3. Loans to other banks

	Dec 31, 2014	Dec 31, 2013
Banks	266,686	-
Other financial institutions	2,599,910	548,000
	2,866,596	548,000

4. Financial assets measured by fair value and enter the current profit and loss statement

	Dec 31, 2014	Dec 31, 2013
Trading financial assets		
Debt instrument		
Government bonds	1,214,949	1
Policy financial bonds	5,708,649	922,986
Corporate bond	1,844,969	255,921
Equity instruments	84,012	-
For Financial assets measured by fair value and enter the current profit and loss statement		
Equity instruments	26,400	-
	8,878,979	1,178,908

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

5. Derivative financial instruments

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

Dec 31, 2014	Nominal amount	Fair value	
		Assets	Liabilities
Currency derivative instrument	181,667,738	883,933	(842,942)
Interests derivative Instrument and others	232,906,234	409,207	(460,546)
	414,573,972	1,293,140	(1,303,488)

Dec 31, 2013	Nominal amount	Fair value	
		Assets	Liabilities
Currency derivative instrument	150,246,164	913,189	(1,356,651)
Interests derivative Instrument and others	110,536,877	1,197,096	(789,020)
	260,783,041	2,110,285	(2,145,671)

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.

6. Buying back the sale of financial assets

	Dec 31, 2014	Dec 31, 2013
Classified by pledges:		
Bond	17,023,001	6,094,839
Bill	-	33,402,011
Lease payments receivable	56,000	41,000
	17,079,001	39,537,850
Classified by counter party:		
Banks	17,023,001	39,496,850
Other financial institutions	56,000	41,000
	17,079,001	39,537,850

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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7. Interest receivable

2014	Amount	Proportion	Bad debt provision	Net value
Interest receivable on bond	1,419,726	47.09%	-	1,419,726
Interest receivable on due from financial institutions	812,803	26.96%	-	812,803
Interest receivable on loans	591,659	19.62%	-	591,659
Interest receivable on swap	121,691	4.04%	-	121,691
Other interest receivables	69,168	2.29%	-	69,168
	3,015,047	100.00%	-	3,015,047
2013	Amount	Proportion	Bad debt provision	Net value
Interest receivable on bond	1,007,620	51.07%	-	1,007,620
Interest receivable on due from financial institutions	391,990	19.87%	-	391,990
Interest receivable on loans	471,591	23.90%	-	471,591
Interest receivable on swap	80,838	4.10%	-	80,838
Other interest receivables	20,866	1.06%	-	20,866
	1,972,905	100.00%	-	1,972,905

8. Loans and advance payments

8.1 Classified by corporation and individual

	Dec 31, 2014	Dec 31, 2013
Individual loans and advances		
Individual consumption loan	66,652,085	46,849,314
Individual operating loan	4,492,093	4,664,492
Individual housing loan	1,591,171	1,723,379
Total individual loans and advance	72,735,349	53,237,185
Less: allowance for impairment losses for individual	(743,749)	(376,113)
	71,991,600	52,861,072
Corporate loans and advances		
Loan	123,301,697	110,332,334
Discount	9,522,435	3,182,740
Trade finance	4,502,701	4,437,407
Total	137,326,833	117,952,481
Less: impairment provision for corporate	(4,568,555)	(3,511,383)
	132,758,278	114,441,098
Net value of loans and advance payment	204,749,878	167,302,170

See Note XI/3.1 for loans of shareholders with 5% or more than 5% shareholding.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

8.2 Classification of guarantees for loans and advance payments

	Dec 31, 2014	Dec 31, 2013
Credit	60,609,001	40,664,135
Guarantee	56,585,732	50,990,205
Mortgage	77,827,511	73,080,643
Pledge	15,039,938	6,454,683
Total	210,062,182	171,189,666
Less: impairment provision	(5,312,304)	(3,887,496)
Net value of loans and advance payments	204,749,878	167,302,170

8.3 Overdue loans

Dec 31, 2014	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	Total
Credit	340,903	119,968	269,542	3,472	733,885
Guarantee	895,231	614,383	110,138	1,198	1,620,950
Hypothecate	704,137	618,515	370,714	13,567	1,706,933
	1,940,271	1,352,866	750,394	18,237	4,061,768
Dec 31, 2013	1-90 days (included)	90-360 days (included)	360 days to 3 years (included)	over 3 years	Total
Credit	102,274	290,992	14,641	459	408,366
Guarantee	213,066	305,130	126,064	1,399	645,659
Hypothecate	125,532	344,921	152,295	37,441	660,189
	440,872	941,043	293,000	39,299	1,714,214

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

8.4 Allowance for impairment losses

Dec 31, 2014	Individual item	Portfolio	Total
Balance at the beginning of the year	643,302	3,244,194	3,887,496
Drawing in the year	1,087,207	1,332,943	2,420,150
Write-off	(903,537)	(79,608)	(983,145)
Transfer in	-	29,110	29,110
Including: received from loans for sale and reconciliation from advance payment	-	29,110	29,110
Transfer in of back of depreciated loan interest	(41,307)	-	(41,307)
Balance at the end of the year	785,665	4,526,639	5,312,304
Dec 31, 2013	Individual item	Portfolio	Total
Balance at the beginning of the year	416,617	2,636,297	3,052,914
Drawing in the year	672,517	646,735	1,319,252
Write-off	(417,550)	(39,483)	(457,033)
Transfer in	-	645	645
Including: received from loans for sale and reconciliation from advance payment	-	645	645
Transfer in of back of depreciated loan interest	(28,282)	-	(28,282)
Balance at the end of the year	643,302	3,244,194	3,887,496

9. Available-for-sale financial assets

	Dec 31, 2014	Dec 31, 2013
Available for sale debt instrument		
Measured by fair value		
Government bond	38,241,116	27,065,856
Policy based financial bond	2,754,315	1,035,744
Corporate bond	3,625,969	636,491
Due from other banks	3,586,260	257,964
Other financial bonds	667,435	105,394

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	Dec 31, 2014	Dec 31, 2013
Equity instrument available for sale		
Measured by fair value		
Financing products and credit plan	71,220,681	61,246,778
Stocks	-	7,230
Measured by cost		
Stock right investment	13,250	13,250
	120,109,026	90,368,707

Available for sale financial assets measured by fair value

2014	Available for sale Equity instrument	Available for sale debt instrument	Total
Equity instrument cost/debt instrument amortized cost	71,220,455	48,489,210	119,709,665
Fair value	71,220,681	48,875,095	120,095,776
Total fair value changes enter into other comprehensive income	226	385,885	386,111
	71,220,681	48,875,095	120,095,776
2013	Available for sale Equity instrument	Available for sale debt instrument	Total
Equity instrument cost/debt instrument amortized cost	61,247,660	30,102,195	91,349,855
Fair value	61,254,008	29,101,449	90,355,457
Total fair value changes enter into other comprehensive income	6,348	(1,000,746)	(994,398)
	61,254,008	29,101,449	90,355,457

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Available for sale financial assets measured by cost

2014	Account balance		Impairment		shareholding propor(%)	2014 cash dividend
	Year begin	Year end	Year begin	Year end		
China Union Co., Ltd.	13,000	13,000	-	-	0.34	450
Clearing Center for City Commercial Bank	250	250	-	-	0.83	-
	13,250	13,250	-	-		450
2013	Account balance		Impairment		shareholding propor(%)	2013 cash dividend
	Year begin	Year end	Year begin	Year end		
China Union Co., Ltd.	13,000	13,000	-	-	0.34	400
Clearing Center for City Commercial Bank	250	250	-	-	0.83	-
	13,250	13,250	-	-		400

Details of pledges in available-for-sale financial assets as follows:

Dec 31, 2014				
Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
Available-for-sale financial assets - bond	23,860,000	Repurchase agreements - bond	21,408,970	Jan 4, 2015 -Mar 23, 2015
Dec 31, 2013				
Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
Available-for-sale financial assets - bond	16,429,700	Repurchase agreements - bond	15,989,825	Jan 2, 2014 -Jun 23, 2014

10. Held-to-maturity investments

	Dec 31, 2014	Dec 31, 2013
Government bond	16,359,536	15,949,957
Bond of other financial institution	209,565	-
Total	16,569,101	15,949,957

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

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Details of pledges in held-to-maturity investments as follows:

Dec 31, 2014				
Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
Available-for-sale investment - government bond	4,420,000	Repurchase agreements - bond	4,371,710	Jan 4, 2015 -Mar 11, 2015
Dec 31, 2013				
Pledge assets	Book value	Pledge purpose	Pledge amount	Date of maturity
Available-for-sale investment - government bond	13,604,000	Repurchase agreements - bond	13,101,724	Jan 4, 2014 -Jun 24, 2014

11. Account receivable held for investments

	Dec 31, 2014	Dec 31, 2013
Government bond	49,088	164,460
Bond of other financial institution	1,000,000	1,000,000
Financing products, assets management plan and trusted plan	70,755,756	35,069,080
	71,804,844	36,233,540
Depreciation reserves (Note V.17)	(250,000)	(150,000)
	71,554,844	36,083,540

12. Investing real estate

Continuing measurement on fair value:

House and building	2014	2013
Balance at the beginning of the year	16,609	14,738
Increase of the year	-	-
Decrease of the year	-	-
Fair value adjustment	(13)	1,871
Balance at the end of year	16,596	16,609

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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

13. Fixed assets

2014	house and construction	transportation Tool	Electronic Equipment	Machinery equipment	Decoration for self-owned house	Total
Original price:						
31 Dec. 2013	2,491,233	120,158	522,036	64,852	139,916	3,338,195
Purchase	11,299	23,282	117,341	15,634	31,648	199,204
Transfer from construction in progress	996,356	-	-	-	2,683	999,039
Transfer from others	60,130	-	-	-	-	60,130
Write-off	(2,227)	(10,667)	(4,467)	(693)	-	(18,054)
Dec 31, 2014	3,556,791	132,773	634,910	79,793	174,247	4,578,514
Accumulated depreciation:						
31 Dec. 2013	479,815	78,067	248,486	35,711	99,243	941,322
Drawing	164,193	13,851	92,067	9,603	16,794	296,508
Write-off	(963)	(10,314)	(4,232)	(631)	-	(16,140)
Dec 31, 2014	643,045	81,604	336,321	44,683	116,037	1,221,690
Provision:						
31 Dec. 2013	1,662	709	1,709	725	-	4,805
31 Dec. 2014	1,662	709	1,709	725	-	4,805
Book value:						
31 Dec. 2014	2,912,084	50,460	296,880	34,385	58,210	3,352,019
31 Dec. 2013	2,009,756	41,382	271,841	28,416	40,673	2,392,068

Notes on the Financial Statements (continued)

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2013	house and construction	transportation Tool	Electronic Equipment	Machinery equipment	Decoration for self- owned house	Total
Original price:						
31 Dec. 2012	2,400,825	110,746	507,515	63,195	122,037	3,204,318
Purchase	73,667	16,049	104,775	7,422	11,252	213,165
Transfer from construction in progress	23,547	-	-	-	-	23,547
Transfer from others	(6,806)	-	-	-	12,073	5,267
Write-off	-	(6,637)	(90,254)	(5,765)	(5,446)	(108,102)
Dec 31, 2013	2,491,233	120,158	522,036	64,852	139,916	3,338,195
Accumulated depreciation:						
31 Dec. 2012	355,913	68,311	258,984	32,221	86,264	801,693
Drawing	123,902	16,136	77,894	9,083	18,326	245,341
Write-off	-	(6,380)	(88,392)	(5,593)	(5,347)	(105,712)
Dec 31, 2013	479,815	78,067	248,486	35,711	99,243	941,322
Provision:						
31 Dec. 2012	1,662	709	1,709	725	-	4,805
31 Dec. 2013	1,662	709	1,709	725	-	4,805
Book value:						
31 Dec. 2013	2,009,756	41,382	271,841	28,416	40,673	2,392,068
31 Dec. 2012	2,043,250	41,726	246,822	30,249	35,773	2,397,820

As of 31 Dec. 2014 and as of 31 Dec. 2013, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB201, 351million yuan and RMB 14, 901 million 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. 2014 and as of 31 Dec. 2013, the original book value of fixed assets which were fully depreciated but still used amounted to RMB 281, 414 million yuan and RMB 233, 051 million yuan. The net book value was RMB7, 972 million yuan and RMB 6, 390 million yuan respectively.

As of 31 Dec. 2014 and as of 31 Dec. 2013, there were no temporarily idle fixed assets.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

14. Intangible assets

2014	Software	Land use right	Membership right	Total
Original price:				
31 Dec. 2013	146,300	48,271	-	194,571
Increase	66,176	-	22,000	88,176
Decrease	(24,197)	-	-	(24,197)
31 Dec. 2014	188,279	48,271	22,000	258,550
Accumulated amortization:				
31 Dec. 2013	38,888	8,087	-	46,975
Increase	24,272	1,208	1,650	27,130
Decrease	(24,197)	-	-	(24,197)
31 Dec. 2014	38,963	9,295	1,650	49,908
Book value:				
31 Dec. 2014	149,316	38,976	20,350	208,642
31 Dec. 2013	107,412	40,184	-	147,596
2013	Software	Land use right	Membership right	Total
Original price:				
31 Dec. 2012	93,528	48,271	-	141,799
Increase	79,310	-	-	79,310
Decrease	(26,538)	-	-	(26,538)
31 Dec. 2013	146,300	48,271	-	194,571
Accumulated amortization:				
31 Dec. 2012	47,022	6,879	-	53,901
Increase	18,404	1,208	-	19,612
Decrease	(26,538)	-	-	(26,538)
31 Dec. 2013	38,888	8,087	-	46,975
Book value:				
31 Dec. 2013	107,412	40,184	-	147,596
31 Dec. 2012	46,506	41,392	-	87,898

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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

15. Deferred income tax assets/liabilities

15.1 Deferred income tax assets and deferred income tax liabilities are listed on net basis

Deferred income tax assets and deferred income tax liabilities after offsetting are listed as follows:

	December 31, 2014	December 31, 2013
Deferred income tax assets	769,245	867,712
Deferred income tax liabilities	(3,871)	(3)
Net amount	765,374	867,709

15.2 Deferred income tax assets and liabilities before offsetting are listed as follows:

2014	Dec 31,2013	Accounted into profit or loss	Accounted into equity	Dec 31,2014
Deferred income tax assets				
Assets depreciation reserves	588,164	274,216	-	862,380
Changes in fair value of derivative financial liabilities	519,211	(193,939)	-	325,272
Financial assets measured by fair value with changes enter into income statement	10,332	(10,332)	-	-
Changes in fair value of transaction financial assets	248,603	-	(248,603)	-
Others	9,720	(5,140)	-	4,580
Subtotal	1,376,030	64,805	(248,603)	1,192,232
Deferred income tax liabilities				
Fair value changes in investing real estate	2,452	-	-	2,452
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	3	-	96,468	96,471
Changes in fair value of derivative financial assets	481,827	(183,062)	-	298,765
Financial assets measured by fair value with changes enter into income statement	-	12,091	-	12,091
Fair value changes of financial liabilities in current income and loss	-	3,873	-	3,873
Deferred income	9,326	(9,326)	-	-
Other	8,197	(1,507)	-	6,690
Subtotal	508,321	(177,931)	96,468	426,858
Net value	867,709	242,736	(345,071)	765,374

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2013	Dec 31,2012	Accounted into profit or loss	Accounted into equity	Dec 31,2013
Deferred income tax assets				
Assets depreciation reserves	384,534	203,630	-	588,164
Changes in fair value of derivative financial liabilities	201,738	317,473	-	519,211
Fair value change of financial assets Measured by fair value with its changes Enter into current income statement	2,810	7,522	-	10,332
Changes in fair value of available-for-sale financial asset	3,139	-	245,464	248,603
Others	8,419	1,301	-	9,720
Subtotal	600,640	529,926	245,464	1,376,030
Deferred income tax liabilities				
Changes in fair value of investment real estate	2,367	85	-	2,452
Real estate for private use turned into investment real estate	6,516	-	-	6,516
Changes in fair value of available-for-sale financial assets	-	-	3	3
Changes in fair value of derivative financial assets	195,845	285,982	-	481,827
Deferred income	-	9,326	-	9,326
Other	10,023	(1,826)	-	8,197
Subtotal	214,751	293,567	3	508,321
Net value	385,889	236,359	245,461	867,709

16. Other assets

		Dec 31, 2014	Dec 31, 2013
Deferred expenses	16.1	97,283	84,856
Other receivables	16.2	294,978	282,347
Debt Assets	16.3	89,897	121,700
Long-term deferred expenses	16.4	444,688	404,272
Construction in progress	16.5	1,322,120	1,603,001
Others		-	22,980
		2,248,966	2,519,156

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

16.1. Deferred expenses

	Dec 31, 2014	Dec 31, 2013
Renting	91,773	78,151
Others	5,510	6,705
	97,283	84,856

16.2. Other receivables

Dec 31, 2014	Within 1 year	1-2 years	2-3 years	3 years	Total	Proportion	Provision For bad debts	Net value
Refundable deposits	2,763	-	-	1,121	3,884	1.26%	-	3,884
Settlement receivable and other liquidates	246,217	30,899	4,707	7,082	288,905	93.56%	(13,816)	275,089
Deposit	4,436	3,233	2,677	5,659	16,005	5.18%	-	16,005
	253,416	34,132	7,384	13,862	308,794	100.00%	(13,816)	294,978
Dec 31, 2013	Within 1 year	1-2 years	2-3 years	3 years	Total	Proportion	Provision For bad debts	Net value
Refundable deposits	-	-	-	1,121	1,121	0.38%	-	1,121
Settlement receivable and other liquidates	238,470	31,037	2,810	4,375	276,692	93.64%	(13,133)	263,559
Deposit	3,862	2,693	2,943	8,169	17,667	5.98%	-	17,667
	242,332	33,730	5,753	13,665	295,480	100.00%	(13,133)	282,347

The balance of the account does not involve the averages to those shareholders' companies with 5% or over 5% shareholding of the Company till 31 December 2014(31 Dec. 2013: none).

16.3. Debt assets

	31 Dec. 2014			31 Dec. 2013		
	Original value	impairment provision	Net value	Original value	impairment provision	Net value
Real estate	89,897	-	89,897	121,863	(163)	121,700

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

16.4. Long-term deferred expenses

2014	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Other	Total
Dec 31, 2013	110,794	48,262	244,472	744	404,272
Increase	26,642	23,677	88,421	-	138,740
Amortize	(10,767)	(17,449)	(69,872)	(236)	(98,324)
Dec 31, 2014	126,669	54,490	263,021	508	444,688
2013	Supplementary Endowment insurance	Renting	Improvements of fixed assets rent	Other	Total
Dec 31, 2012	90,931	45,379	183,418	615	320,343
Increase	30,329	20,212	111,680	395	162,616
Amortize	(10,466)	(17,329)	(50,626)	(266)	78,687
Dec 31, 2013	110,794	48,262	244,472	744	404,272

16.5. Construction in progress

2014	Dec 31, 2013	Increase	Fixed assets transferred	other decrease	Dec 31, 2014	Capital Source
Business occupation	1,596,497	705,160	(999,039)	(918)	1,301,700	self-funded
Others	6,504	69,952	-	(56,036)	20,420	self-funded
	1,603,001	775,112	(999,039)	(56,954)	1,322,120	
2013	Dec 31, 2012	Increase	Fixed assets transferred	other decrease	Dec 31, 2013	Capital Source
Business occupation	644,599	975,445	(23,547)	-	1,596,497	self-funded
Others	42,895	33,358	-	(69,749)	6,504	self-funded
	687,494	1,008,803	(23,547)	(69,749)	1,603,001	

No costs of capitalization of interests happened in the construction in progress.

No depreciation of the construction in progress happened to the Group, so there is no provision for impairment of construction in progress.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

17. Allowances for Assets Impairment

2014	Dec 31, 2013	Increase	Decrease	Dec 31, 2014
Provision for bad loans of other receivables	13,133	1,000	(317)	13,816
Provision for bad loans of due from other banks	194	-	-	194
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for debt assets depreciation	163	-	(163)	-
Provision for depreciation of receivables	150,000	100,000	-	250,000
	168,295	101,000	(480)	268,815
2013	Dec 31, 2012	Increase	Decrease	Dec 31, 2013
Provision for bad loans of other receivables	2,333	10,800	-	13,133
Provision for bad loans of due from other banks	194	-	-	194
Provision for fixed assets impairment	4,805	-	-	4,805
Provision for debt assets depreciation	2,063	-	(1,900)	163
Provision for depreciation of receivables	-	150,000	-	150,000
	9,395	160,800	(1,900)	168,295

The above sheets do not include provision for loan loss; please see Note V/8.4 for detailed changes.

18. Deposit in other banks/financial institutions

	Dec 31, 2014	Dec 31, 2013
Bank	55,541,996	73,321,973
Other financial institutions	31,092,339	16,664,933
	86,634,335	89,986,906

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

19. Deposit funds

	Dec 31, 2014	Dec 31, 2013
Bank	14,071,981	13,015,003

20. Financial liabilities measured by fair value with its changes enter into current income statement

	Dec 31, 2014	Dec 31, 2013
Nobal metal (nominal)	911,324	-
Others	360,776	-
	1,272,100	-

21. Proceeds generated from repurchase agreements

Classified by pledges	Dec 31, 2014	Dec 31, 2013
Bond	27,597,250	29,091,549
Bill	557,882	8,048,284
	28,155,132	37,139,833
Classified by counter party	Dec 31, 2014	Dec 31, 2013
Bank	28,117,132	37,139,833
Other financial institution	38,000	-
	28,155,132	37,139,833

22. Deposit

	Dec 31, 2014	Dec 31, 2013
Demand deposit		
Company	101,144,011	91,079,084
Personal	21,696,287	17,640,425
Fixed time deposit		
Company	107,436,670	81,459,864
Personal	52,509,921	43,759,022
Guarantee deposit	23,442,574	21,031,240
Other	302,366	308,692
	306,531,829	255,278,327

See Note XI/3.1 for deposits from shareholders with 5% or more than 5% shareholding

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

23. Accrued payroll

2014	Dec 31, 2013	Addition	Payment	Dec 31, 2014
Short-term salary:				
Salary, bonus and allowance	1,018,853	2,069,323	1,989,413	1,098,763
Welfare	-	115,932	115,932	-
Social insurances				
Medical insurance	8	64,349	64,355	2
Work injury insurance	-	3,551	3,551	-
Maternity insurance	-	1,623	1,623	-
Housing fund	5	133,349	133,354	-
Labor union's funds and employee education funds	-	24,948	24,948	-
Contribution plan:				
Basic pension insurance	26	100,211	100,234	3
Unemployment insurance	2	10,757	10,759	-
	1,018,894	2,524,043	2,444,169	1,098,768
2013	Dec 31, 2012	Addition	Payment	Dec 31, 2013
Short-term salary:				
Salary, bonus and allowance	624,031	2,021,621	1,626,799	1,018,853
Welfare	-	120,380	120,380	-
Social insurances				
Medical insurance	-	53,758	53,750	8
Work injury insurance	-	3,000	3,000	-
Maternity insurance	-	1,282	1,282	-
Housing fund	-	105,570	105,565	5
Labor union's funds and employee education funds	-	28,686	28,686	-
Contribution plan:				
Basic pension insurance	-	80,934	80,908	26
Unemployment insurance	-	8,908	8,906	2
	624,031	2,424,139	2,029,276	1,018,894

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

24. Taxes payable

	Dec 31, 2014	Dec 31, 2013
Operation tax	258,538	185,807
City maintenance and construction tax	16,019	10,390
Educational surcharges	11,008	7,256
Corporate income tax	497,663	456,738
Individual income tax	2,175	11,653
Taxes payable on behalf of entrusted loans	5,199	6,621
Others	4,532	5,441
	795,134	683,906

25. Interest payable

	Dec 31, 2014	Dec 31, 2013
Interest on deposit	4,007,255	2,838,291
Interest on repurchase financial assets	111,278	206,089
Interest on inter-bank deposit and borrowings	818,440	683,045
Interest on bond	310,366	407,189
Interest on rate exchange	156,440	52,645
Interest on structural deposit	93,562	107,155
Other interest payable	90,286	165,631
	5,587,627	4,460,045

26. Bond payable

	Dec 31, 2014	Dec 31, 2013
Financial bond payable	7,987,923	12,980,748
Subordinated bond payable	5,486,727	5,485,498
Deposit of other banks	37,180,741	-
	50,655,391	18,466,246

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Balance of bond payables to the date 31 December 2014 is as follows:

	Date of issue	Bond period	Book value	Dec 31, 2013	Issued in 2014	2014 Accrued interest	Premium discount Amortize	Repayment	Dec 31, 2014
09 Financial bond	6/25/2009	5 years	5,000,000	4,994,825	-	98,354	5,175	(5,000,000)	-
10 Subordinated	11/10/2010	10 years	2,500,000	2,492,112	-	135,677	927	-	2,493,039
12 Subordinated	11/22/2012	15 years	3,000,000	2,993,386	-	172,802	302	-	2,993,688
13 Financial bond	4/16/2013	5 years	5,000,000	4,991,509	-	154,314	1,586	-	4,993,095
13 Financial bond	4/16/2013	10 years	3,000,000	2,994,414	-	236,586	414	-	2,994,828

Balance of bond payables to the date 31 December 2013 is as follows:

	Date of issue	Bond period	Book value	Dec 31, 2012	Issued in 2013	2013 Accrued interest	Premium discount Amortize	Repayment	Dec 31, 2013
09 Financial bond	6/25/2009	5 years	5,000,000	4,989,817	-	201,137	5,008	-	4,994,825
10 Subordinated	11/10/2010	10 years	2,500,000	2,491,233	-	135,629	879	-	2,492,112
12 Subordinated	11/22/2012	15 years	3,000,000	2,993,100	-	172,786	286	-	2,993,386
13 Financial bond	4/16/2013	5 years	5,000,000	-	5,000,000	108,261	(8,491)	-	4,991,509
13 Financial bond	4/16/2013	10 years	3,000,000	-	3,000,000	166,056	(5,586)	-	2,994,414

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

On 22 November 2012, the Company issued 15-year term subordinated bonds at the par value of RMB 3 billion yuan in the national inter-bank bond market. The Company has the right of redemption of these subordinated bonds at the end of the 10th year of interest accrual. The

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

annual interest rate for these subordinated bonds is 5.75%. While interest need to pay annually and principal repayment at the time of maturity all at once.

On 10 November 2010, the Company issued 10-year term subordinated bonds at the par value of RMB 2.5 billion yuan in the national inter-bank bond market. The Company has the right of redemption of these subordinated bonds at the end of the 5th year of interest accrual. The annual interest rate for these subordinated bonds is 5.39%. While interest need to pay annually, the principal repayment at the time of maturity all at once.

27. Other liabilities

		Dec 31, 2014	Dec 31, 2013
Liabilities from intermediary service	27.1	21,027,698	12,561,244
Agency of securities payable	27.2	88	70,947
Dividend payable	27.3	23,811	23,811
Other payables	27.4	1,867,837	315,919
Other current liabilities	27.5	889,820	1,250,500
		23,809,254	14,222,421

27.1 Liabilities from intermediary service

		Dec 31, 2014	Dec 31, 2013
Consignment deposit		2,480	5,125
Consignment finance		21,025,218	12,556,119
		21,027,698	12,561,244

27.2 Agency of securities payable

		Dec 31, 2014	Dec 31, 2013
Agency of bond		88	70,947

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

27.3 Dividend payable

	Dec 31, 2014	Dec 31, 2013
Dividend of shareholders (note)	23,811	23,811

Note: Dividend of shareholder is not paid because the shareholder of the non-tradable share has not come to draw it yet.

27.4 Other payables

	Dec 31, 2014	Dec 31, 2013
Bills to be payment	308	10,284
Amount to be transfered	334,900	121,109
Payment by installments	21,021	51,850
Unclaimed deposit account	21,513	21,117
Security deposit	6,787	4,898
Unpaid of construction	52,282	42,853
Security assets to be transferred	1,361,794	-
Others	69,232	63,808
	1,867,837	315,919

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 2014(31 Dec. 2013: none).

27.5 Other current liabilities

	Dec 31, 2014	Dec 31, 2013
Account payable to Unionpay	185,206	105,562
Public finance funds to be settled	12,186	13,323
Balance of financing assets	614,649	678,267
E-payment settlement	44,264	364,800
Others	33,515	88,548
	889,820	1,250,500

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

28. Share capital

2014	Dec 31,2013		Change		Dec 31,2014	
	Amount	Prop%	newly issued	Desterilization	Amount	Prop%
I.Shares subject to restriction on sale						
1.State-owned shares	-	0.00%	-	-	-	0.00%
2.Shares held by state-owned legal persons	-	0.00%	-	-	-	0.00%
3.Shares held by other domestic investors	-	0.00%	158,462	-	158,462	4.88%
Amongst: shares held by domestic legal persons	-	0.00%	158,462	-	158,462	4.88%
4.Shares held by foreign investors	-	0.00%	207,546	-	207,546	6.39%
Amongst: shares held by overseas legal persons	-	0.00%	207,546	-	207,546	6.39%
5.Shares held by senior management	12,542	0.43%	-	(1,238)	11,304	0.35%
Total of shares subject to restriction on sales	12,542	0.43%	366,008	(1,238)	377,312	11.62%
II.Shares not subject to restriction on sales						
RMB-denominated ordinary shares	2,871,279	99.57%	-	1,238	2,872,517	88.38%
Total of shares not subject to restriction on sales	2,871,279	99.57%	-	1,238	2,872,517	88.38%
III.Total shares	2,883,821	100.00%	366,008	-	3,249,829	100.00%

The increase of share capital this year is a result of the non-public issuing of 366, 007, 872 new shares on Sep, 2014. The capital increase was verified by Ernst & Young Public Accountants, with the capital verification report (2014) No. 60466992_B02 being issued.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2013	Dec 31,2012		Change		Dec 31,2013	
	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	26,000	0.90%	-	(26,000)	-	0.00%
3.Shares held by other domestic investors	211,500	7.34%	-	(211,500)	-	0.00%
Amongst: shares held by domestic legal persons	211,500	7.34%	-	(211,500)	-	0.00%
4.Shares held by foreign investors	146,321	5.07%	-	(146,321)	-	0.00%
Amongst: shares held by overseas legal persons	146,321	5.07%	-	(146,321)	-	0.00%
5.Shares held by senior management	15,642	0.54%	-	(3,100)	12,542	0.43%
Total of shares subject to restriction on sales	399,463	13.85%	-	(386,921)	12,542	0.43%
II.Shares not subject to restriction on sales						
RMB-denominated ordinary shares	2,484,358	86.15%	-	386,921	2,871,279	99.57%
Total of shares not subject to restriction on sales	2,484,358	86.15%	-	386,921	2,871,279	99.57%
III.Total shares	2,883,821	100.00%	-	-	2,883,821	100.00%

29. Capital reserve

2014	Dec 31, 2013	Change	Dec 31, 2014
Capital premium	7,889,125	2,710,504	10,599,629
Others (note)	-	(1,428)	(1,428)
	7,889,125	2,709,076	10,598,201

Note: due to capital increase of subsidiary, capital reserves changed.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2013	Dec 31, 2012	Change	Dec 31, 2013
Capital premium	7,889,125	-	7,889,125

30. Other comprehensive income

Balance of other comprehensive income in the balance sheet belonged to the mother company:

	Jan 1, 2013	Change	Dec 31, 2013	Change	Dec 31, 2014
Change of fair value of financial assets available for sale	(9,418)	(736,383)	(745,801)	1,035,382	289,581
Investment real estate transferred from self-owned real estate On fair value mode	19,549	-	19,549	-	19,549
	10,131	(736,383)	(726,252)	1,035,382	309,130

Other comprehensive income in the consolidated comprehensive income statement belonged to the mother company:

2014	Amount before tax	income tax	Amount after tax
Other comprehensive income to be enter into income statement after reclassified			
Fair value change of financial assets available for sale	1,389,616	(347,404)	1,042,212
Less: income and losses transferred from the other comprehensive income	9,107	(2,277)	6,830
	1,380,509	(345,127)	1,035,382
2013	Amount before tax	income tax	Amount after tax
Other comprehensive income to be enter into income statement after reclassified			
Fair value change of financial assets available for sale	(985,284)	246,321	(738,963)
Less: income and losses transferred from the other comprehensive income	(3,440)	860	(2,580)
	(981,844)	245,461	(736,383)

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

31. Surplus reserve

2014	Dec 31, 2013	Provision for this year	Dec 31, 2014
Statutory surplus reserve	1,970,844	561,113	2,531,957
2013	Dec 31, 2012	Provision for this year	Dec 31, 2013
Statutory surplus reserve	1,486,303	484,541	1,970,844

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.

32. Provision for general risks

2014	Dec 31, 2013	Provision for this year	Dec 31, 2014
Provision for general risks	2,859,911	1,194,808	4,054,719
2013	Dec 31, 2012	Provision for this year	Dec 31, 2013
Provision for general risks	1,499,934	1,359,977	2,859,911

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 2013 Shareholders' General Meeting on Apr 24 2014, the Group accrued general provision of RMB 1,194,715 from undistributed profit of the year 2013. The subsidiaries accrued RMB 93,000 as the 2014 provision for general risk (2013: none).

33. Undistributed profit

	Dec 31, 2014	Dec 31, 2013
Undistributed profit at the end of 2013	10,629,244	8,347,646
Net profit belongs to the mother company	5,627,466	4,847,071
Less: Provision for accumulated statutory surplus reserve	561,113	484,541
Provision for general risks	1,194,808	1,359,977
Cash dividend payable for Ordinary shares	1,153,528	720,955
	13,347,261	10,629,244

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

See Note XIII for the predetermined 2014 distribution plan. The financial statement of the year 2014 has not included the distribution items other than the 10% statutory welfare reserve of the year.

On Apr 24, 2014, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2013 net profit as the statutory surplus reserve and withdraw the amount of RMB 1,194,715 as general provision. And based on the total 2.88 billion shares at the end of the year, the payment of cash dividend is RMB 4 (including tax) per 10 shares. This distribution decision has passed on the general meeting of shareholders on May 16, 2014.

On Apr 22, 2013, the meeting of the Board of Directors of the Company has passed the resolution: to distribute 10% of 2012 net profit as the statutory surplus reserve and withdraw the amount of RMB 1,359,977.000 as general provision. And based on the total 2.88 billion shares at the end of the year, the payment of cash dividend is RMB 2.5 (including tax) per 10 shares. This distribution decision has passed on the general meeting of shareholders on May 16, 2013.

34. Net interest income

	2014	2013
Interest income		
Loans and advances	13,333,909	12,927,921
Including: Corporate loans and advances	8,162,235	7,699,750
Personal loans and advances	3,744,204	2,769,882
Notes and bills discounts	1,189,327	2,297,100
Trade financing	238,143	161,189
Due from other banks	1,446,875	1,137,867
Balance with central banks	845,182	743,797
Placements to other financial institutions	198,402	125,860
Reserve repurchase agreement	2,015,193	1,664,345
Bond investment	2,408,434	1,612,970
Including: financial assets held for trading	181,288	120,094
Financing product and credit plan	7,927,085	5,282,008
Others	390	122
	28,175,470	23,494,890

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	2014	2013
Interest expenses		
Due to other banks	(4,517,578)	(2,222,147)
Placements from other institutions	(638,900)	(342,406)
Deposit	(6,350,864)	(5,219,738)
Repurchase agreements financial assets	(1,401,053)	(3,215,483)
Bond issuance	(1,105,464)	(783,869)
Others	(806,930)	(452,558)
	(14,820,789)	(12,236,201)
Net interest income	13,354,681	11,258,689

35. Net fee and commission income

	2014	2013
Fee and commission incomes		
Settlement and clearing expenses	205,201	172,575
Bank cards	1,234,438	624,675
Intermediary commissions	884,628	762,751
Guarantees	123,075	77,081
Intermediary acceptances	57,874	54,333
Trusting business	119,658	35,658
Intermediary consultations	11,938	56,417
Others	59,837	12,338
	2,696,649	1,795,828
Fee and commission expenses		
Settlement and clearing expenses	(45,317)	(35,561)
Bank cards	(78,050)	(70,686)
Intermediary commissions	(3,270)	(2,303)
Transaction	(52,757)	(43,482)
Entrust	(25,137)	(15,492)
Others	(7,075)	(8,968)
	(211,606)	(176,492)
Net fee and commission income	2,485,043	1,619,336

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

36. Investment gains

	2014	2013
Differences of financial assets investments	129,325	(76,539)
Gains from equity investment	8,937	400
Realized gains and losses from interests exchange	(3,436)	196,938
Gains and losses on nobel metal	30,115	-
	164,941	120,799

37. Gains from fair value changes

	2014	2013
Fair value change of financial instrument measured by fair value and entered into the current income statement	105,184	(30,088)
Fair value changes on investment real estate	(13)	1,871
Fair value changes on derivative instrument	43,509	(125,965)
	148,680	(154,182)

38. Other operating incomes/expenses

Other operating incomes	2014	2013
Rent income	32,994	31,193
Others	546	22
	33,540	31,215

Other operating expenses	2014	2013
Losses on asset backed securitization	(17,494)	-
Other	(20)	(1,457)
	(17,514)	(1,457)

In the year 2014, the bank deals with no investment property (In the year 2013, the bank dealt with no investment property)

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

39. Business tax and surcharges

	2014	2013
Business Tax	774,453	688,840
City Maintenance and Construction Tax	53,502	47,776
Educational surcharges	38,837	34,654
Other taxes	34	1
	866,826	771,271

40. General and administrative expenses

	2014	2013
Staff costs	2,524,043	2,424,139
Business expenses	1,938,442	1,645,218
Depreciation of fixed assets	296,508	245,341
Amortization of long-term deferred expense	98,324	78,687
Amortization of intangible assets	27,130	19,612
Taxes	40,236	35,671
	4,924,683	4,448,668

41. Allowance for impairment losses

	2014	2013
Allowance for loan impairment	2,420,150	1,319,252
Losses on investment of receivables	100,000	150,000
Bad debts provision	1,000	10,800
	2,521,150	1,480,052

42. Non-operating incomes

	2014	2013	Enter into 2014 Non-recurrent Gains and losses
Gains from the disposal of fixed assets	2,448	172	2,448
Reward funds	8,728	22,074	8,728
Others	8,973	10,737	8,973
	20,149	32,983	20,149

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

43. Non-operating expenses

	2014	2013	Enter into 2014 Non-recurrent Gains and losses
Loss from the disposal of fixed assets and Mortgage assets	2,348	20,635	2,348
Donation and sponsorship	13,113	8,852	13,113
Including: charitable donation expenses	12,197	8,619	12,197
Penalty and overdue fine	11,119	544	11,119
Water conservancy fund	5,806	6,581	5,806
Other	7,448	5,023	7,448
	39,834	41,635	39,834

44. Income tax

	2014	2013
Income tax	1,615,498	1,440,473
Deferred income tax	(242,736)	(236,359)
	1,372,762	1,204,114

Relationship between income tax and accounting profits as follows:

	2014	2013
Total profits	7,006,892	6,051,379
Tax rate	25%	25%
Tax amount at statutory tax rate	1,751,723	1,512,845
Adjustment of current tax items	4,456	-
Tax-free income	(444,953)	(337,452)
Non-deductible costs	61,401	28,721
Effect on deferred income tax by Unconfirmed redeemable losses	135	-
	1,372,762	1,204,114

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

45. Earnings per share

Ordinary shareholders' net profit of the current period divided by the weighted average of the outstanding common stock equal to basic earnings per share.

The Company has no dilutive potential ordinary shares.

Basic earnings per share as follows:

	2014	2013
Current net profit of the ordinary shareholders of the Company	5,627,466	4,847,071
Weighted average of issuing ordinary shares of the Company	2,975,323	2,883,821
Earning per share (RMB)	1.89	1.68

46. Cash and cash equivalents

	2014	2013
Cash	21,312,231	19,126,324
Including: Cash	1,568,875	1,144,648
Current deposit in other banks	3,815,055	3,106,050
Payable balances with central banks	15,928,301	14,875,626
Cash equivalent	24,357,786	33,085,058
Including: Due from other banks matured within 3 months	7,060,100	20,948,400
Placements with other institutions due within 3 months	288,686	-
Reserve repurchase securities due within 3 months	17,009,000	12,136,658
Balance of cash and cash equivalents At the end of that year	45,670,017	52,211,382

47. Other cash receivable relating to operating activities

	2014	2013
Pending settlement paid	197,328	169,743
Rent income	32,994	31,193
Other income	11,701	72,933
	242,023	273,869

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

48. Cash paid to other operating related activities

	2014	2013
Pending settlement paid	532,107	-
Advertising	117,637	168,924
Business expenses	277,127	227,240
Administration expenses	1,414,030	1,010,703
	2,340,901	1,406,867

49. Operating activities cash flow

	2014	2013
Net profit adjusted to operating activities cash flow		
Net profit	5,634,130	4,847,265
Add: Loss for fixed assets impairment	2,521,150	1,480,052
Depreciation of fixed assets	296,508	245,341
Amortization of intangible assets	27,130	19,612
Amortization of deferred expenses	297,828	264,531
(Gains) from disposal of fixed assets, intangible assets and other long-term assets	(100)	14,563
Loss (gains) of fair value adjustment	(148,680)	154,182
Investment gains	(164,941)	(120,799)
Increase of deferred income tax assets	(98,467)	(236,359)
Increase of deferred income tax liabilities	3,868	-
Increase of operating receivable	(25,427,010)	(46,906,018)
Increase of operating payable	39,834,881	78,974,749
	22,776,297	38,737,119

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

VI. Change of Consolidation Scope

Subsidiary Corporations Established or Invested

Company name	Business address registered add	Business scope	Registered capital (rmb)	indirect holding ratio	voting right ratio
Maxwealth Assets Management Co., Ltd (note)	Shanghai	Banking	50 million	67.5%	67.5%

Note: Maxwealth Assets Management Co., Ltd is a wholly-owned limited liability company authorized by China Securities Regulatory Commission [2014], approved by Reply on Establishment of Subsidiary Corporation by Maxwealth Fund Management Co., Ltd, No. 306, and funded and established by the subsidiary corporation of the Company, Maxwealth Fund on March 28, 2014.

VII. Interests in other entities

1. Interests in the subsidiary

The subsidiaries of the company are as follows:

Subsidiary obtained through establishment	Major operation site	Place of registry	Business nature	Registered capital (RMB)	Shareholding ratio	
					Direct	Indirect
Maxwealth Fund Management Co., Ltd (note)	Shanghai	Zhejiang	Fund management	0.2 billion Yuan	67.5%	-
Maxwealth Assets Management Co., Ltd	Shanghai	Shanghai	Assets management	50 million Yuan	-	67.5%

Note: In August of 2014, the subsidiary Maxwealth Fund increased its registered capital by RMB 50 million Yuan, but our company did not increase the investment at same proportion. Consequently our shareholding ratio in Maxwealth Fund fell from 90% to 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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2. Interests in the structured entities included into the consolidation scope

The structural entities included into the consolidation scope are dominated by some financial products. 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. As for the capital preservation financial products provided by the group, though the group holds no equity in them, it still has the obligation to undertake the loss as per related financial products guarantee agreement when they suffer loss. Thus such products are also to be included into the consolidation scope.

By Dec. 31, 2014 the financial products managed and consolidated by the group amount to RMB 21,025,218,000 Yuan. The effect of single financial product on the group finance is insignificant. The rights and interests of the financial products investor are listed in other liabilities.

3. Interests in the structured entities not included into the consolidated financial statement scope

The structured entities managed by the group but not included into the consolidated scope

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, 2014 the financial products issued and managed but not included into the consolidation scope by the group amount to RMB 90,330,066,000 Yuan.

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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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. By Dec. 31, 2014, 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 amounts to RMB 209,565,000 Yuan.

By Dec. 31, 2014, the total trust of specific objective not included into the consolidation scope with the group as the loan assets administrator amounts to RMB 4,191,274,000 Yuan.

In the year of 2014, the group provides no financial support to the specific objective trust that not included into the consolidation scope.

In order to better use the capital to gain income, the structured entities invested by the group but not included into the consolidation group mainly include financial products, capital trust plan, and assets management plan issued and managed by third party. The group provides no liquidity support for such structured entities in 2014.

By Dec. 31, 2014, 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:

2014	Receivables investment	Due investment	Financial assets available for sales	In total
Financial products	51,842,192	-	70,971,029	122,813,221
Trust plan	11,321,281	-	249,652	11,570,933
Assets management plan	7,592,283	-	-	7,592,283
Assets backed security	-	209,565	-	209,565

The group gains interest income and commission income by holding the investment or providing service for the structured entities.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

VIII. Capital management

The Group adopts a capital management method that is able to prevent inherent risks of the operating business of the Company in compliance with the relative requirements of the regulatory authority. The capital management is not only to meet the requirements of the regulatory authority but also to guarantee a capital adequacy ratio and a maximum shareholders' equity. Depending on the economical environment changes and risks confronted with, the Company would actively adjust the capital structure including regulating the dividend distribution, transferring capitals and issuing new bonds. The targets and methods of the capital management are the same as the previous year.

Since 2013, the 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, 2014	Dec 31, 2013
Core tier-I assets		
including: part of paid-in capital entered	3,249,829	2,883,821
part of capital reserve entered	10,907,331	7,162,873
surplus reserve	2,531,957	1,970,844
general risk reserve	4,054,719	2,859,911
undistributed profit	13,347,261	10,629,244
part of minority equity entered	73,115	15,195
Less: other intangible assets (excluding right to use land)	(169,666)	(107,412)
Core tier-I capital investment on financial institutions which are controlled but whose statements are not consolidated	-	-
Net value of core tier-I capital	33,994,546	25,414,476

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

	Dec 31, 2014	Dec 31, 2013
Tier-II capital		
Including: tier-II capital tools and premium	4,400,000	4,959,170
provision for jumbo loan loss	3,449,474	2,362,275
part of minority equity entered	-	-
Net capital value	41,844,020	32,735,921
Risk weighted capital	337,552,562	271,379,933
Core tier-I capital adequacy ratio	10.07%	9.36%
Tier-I capital adequacy ratio	10.07%	9.36%
Capital adequacy ratio	12.40%	12.06%

IX. Segment Reporting

The Group has four reporting business segments in compliance with the product and service units for the purpose of management as follows:

(1) Corporate banking involves services provided specifically for companies, including deposits, loans, settlements, products in relation to commercial transactions and other services.

(2) Personal banking refers to personal banking services, such as deposits, credit card and debit card businesses, consumer credit services, mortgage loans and private property management.

(3) Capital banking services include deposit and placement services in other banks, sell-back and repurchase services, investment business, foreign currency transactions, self-operating and agency services.

(4) Other banking services are those segments not forming a single reporting other than the corporate, personal and capital banking services, or the assets, liabilities, incomes and costs failed to be properly distributed.

The internal transfer price is determined on the basis of deposit/loan interest rate and inter-bank offered rate declared by PBC corresponding to different fund sources and application terms. Expenses are allocated in different segments subject to benefit.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2014	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	4,294,951	1,877,664	7,182,066	-	13,354,681
Net internal interest income	2,362,392	510,396	(2,872,788)	-	-
Net fee and commission income	1,299,059	1,152,404	33,580	-	2,485,043
Investment gains	-	-	156,004	8,937	164,941
Gains from fair value adjustment	-	-	148,693	(13)	148,680
Foreign exchange gains	168,512	-	(1,029,904)	31,257	(830,135)
Other operating income/expense	-	-	-	16,026	16,026
Operating tax and surcharge	524,141	275,944	66,069	672	866,826
Business and management fees	2,235,708	1,182,300	1,503,796	2,879	4,924,683
Assets impairment loss	2,003,016	418,134	100,000	-	2,521,150
Operating profit	3,362,049	1,664,086	1,947,786	52,656	7,026,577
Non-operating net balance	-	-	5,964	(25,649)	(19,685)
Total profits	3,362,049	1,664,086	1,953,750	27,007	7,006,892
Total assets	134,890,347	73,248,241	345,216,856	757,174	554,112,618
Total liabilities	258,162,341	76,602,125	184,901,633	282,307	519,948,406
Supplementary information:					
Capital expenditure	276,283	150,028	708,072	1,551	1,135,934
Depreciation and amortization expenses	284,662	149,866	186,573	365	621,466

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2013	Corporate banking	Personal banking	Capital banking	Others	Total
Net external interest income	4,858,210	1,317,310	5,083,169	-	11,258,689
Net internal interest income	1,458,916	367,064	(1,825,980)	-	-
Net fee and commission income	1,079,056	583,734	(43,454)	-	1,619,336
Investment gains	-	-	120,799	-	120,799
Gains from fair value adjustment	-	-	(154,182)	-	(154,182)
Foreign exchange gains	138,119	-	(252,497)	-	(114,378)
Other operating income/expense	-	-	-	29,758	29,758
Operating tax and surcharge	545,997	171,432	53,842	-	771,271
Business and management fees	2,505,438	789,796	1,153,434	-	4,448,668
Assets impairment loss	1,236,265	93,787	150,000	-	1,480,052
Operating profit	3,246,601	1,213,093	1,570,579	29,758	6,060,031
Non-operating net balance	-	-	6,000	(14,652)	(8,652)
Total profits	3,246,601	1,213,093	1,576,579	15,106	6,051,379
Total assets	116,377,028	53,825,872	291,271,872	713,257	462,188,029
Total liabilities	196,954,532	63,146,046	176,410,035	155,528	436,666,141
Supplementary information:					
Capital expenditure	356,326	164,805	892,166	2,184	1,415,481
Depreciation and amortization expenses	371,838	125,193	32,438	15	529,484

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

X. Correlative Parties Relationships and Transactions

1. Designation of correlative parties

Correlative parties:

1) Shareholders with 5% or more than 5% shareholding

Name	Dec 31, 2014		Dec 31, 2013	
	Share number (10,000)	Prop	Share number (10,000)	Prop
OCBC	60,387	18.58%	39,632	13.74%
Ningbo Development & Investment Group Co., Ltd.	42,846	13.18%	27,000	9.36%
Ningbo Youngor (Group) Co., Ltd	35,518	10.93%	29,135	10.10%
Ningbo Power Development Company	22,150	6.82%	22,150	7.68%
Ningbo Huamao Group Co., Ltd.	20,000	6.15%	24,000	8.32%
Ningbo Shanshan Co., Ltd.	16,345	5.03%	17,900	6.21%
Ningbo Fubang (Holding) Group Co., Ltd.	14,674	4.52%	20,130	6.98%

2) Key managers of the Company or their relative family members

2. Transactions between the Company and the correlative parties

2.1 Transactions with shareholders with 5% or more than 5% shareholding

1) Loan interest income

Name	2014	2013
Ningbo Development & Investment Group Co., Ltd	6,490	4,600
Ningbo Youngor (Group) Co., Ltd	17	-
Ningbo Power Development Company	-	62
Ningbo Huamao Group Co., Ltd.	24,938	21,108
Ningbo Shanshan Co., Ltd.	1,509	3,057
Ningbo Fubang (Holding) Group Co., Ltd.	38,862	33,922
	71,816	62,749

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2) Deposit interest expenses

Name	2014	2013
Ningbo Development & Investment Group Co., Ltd	898	462
Ningbo Youngor (Group) Co., Ltd	2,169	15
Ningbo Power Development Company	39	307
Ningbo Huamao Group Co., Ltd.	595	777
Ningbo Shanshan Co., Ltd.	260	134
Ningbo Fubang (Holding) Group Co., Ltd.	150	88
	4,111	1,783

3) Interests expenses of capital business

Name	2014	2013
OCBC	-	10,711

4) Interests income of capital business

Name	2014	2013
OCBC	4,994	-

2.2 Transactions with the key managers and their relative family members

Name	2014	2013
Loan interest income	1,263	1,203
Deposit interest expense	375	223

2.3 Other correlative parties transactions

Name	2014	2013
Remuneration of key managers	37,761	38,321

The Management of the Group thought the transactions with above-mentioned correlative parties have been proceeded in compliance with the regular business transaction items and conditions and the normal business procedures with the general market price as the pricing fundamentals.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

3. Balance of correlative parties transactions

3.1 Balance of transactions from shareholders who own 5% or more than 5% share

1) Loan and advance

Name	Dec 31, 2014	Dec 31, 2013
Ningbo Development & Investment Group Co., Ltd	100,000	200,000
Ningbo Shanshan Co., Ltd.	28,000	68,000
Ningbo Fubang (Holding) Group Co., Ltd.	527,790	535,400
Ningbo Huamao Group Co., Ltd.	471,432	387,000
	1,127,222	1,190,400

2) Deposit

Name	Dec 31, 2014	Dec 31, 2013
Ningbo Development & Investment Group Co., Ltd	67,054	153,382
Ningbo Shanshan Co., Ltd.	27,063	445,732
Ningbo Youngor (Group) Co., Ltd	455,015	400
Ningbo Fubang (Holding) Group Co., Ltd.	429,616	175,753
Ningbo Power Development Company	57,243	50,365
Ningbo Huamao Group Co., Ltd.	17,944	33,241
	1,053,935	858,873

3) Borrowing

Name	Dec 31, 2014	Dec 31, 2013
OCBC	-	120,000

4) Repurchased financial assets

Name	Dec 31, 2014	Dec 31, 2013
OCBC	-	510,000

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

5) Resale of financial assets

Name	Dec 31, 2014	Dec 31, 2013
OCBC	49,000	-

6) Deposit in other financial institutions

Name	Dec 31, 2014	Dec 31, 2013
OCBC	36,473	1,890

7) Off-balance items

Name	Dec 31, 2014	Dec 31, 2013
Ningbo Development & Investment Group Co., Ltd	464	-
Ningbo Shanshan Co., Ltd.	-	306,310
Ningbo Youngor (Group) Co., Ltd	1,763,704	2,188,848
Ningbo Fubang (Holding) Group Co., Ltd.	519,412	335,757
Ningbo Power Development Company	-	69,901
Ningbo Huamao Group Co., Ltd.	164,683	169,717
	2,448,263	3,070,533

8) Derivative transaction

On 31st Dec. 2014, the balance of long-term foreign exchange trading of the group and its affiliated party OCBC was RMB 3,153,323,000, and the balance of long-term instalment was RMB 3,181,214,000 (31st Dec. 2013: RMB 342,063,000); the nominal balance of interest rate swap is RMB 1,470,850,000,(31st Dec. 2013: RMB 9,087,808,000); the nominal balance of structural products was RMB 1,246,000 (31st Dec. 2013: 68,272,000); the principal of Exchange rate options purchase was RMB 1,240,000, and the principal of Exchange rate options selling was RMB 1,240,000 (31st Dec. 2013: 0)

3.2 Balance of transactions from key managers and their relative family members

Name	Dec 31, 2014	Dec 31, 2013
Loans and advances	21,339	19,307
Deposit	33,108	42,185

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

XI. Contingent Items, Commitment Items and Main Off-balance Sheet Items

1. Capitalized commitment

	Dec 31, 2014	Dec 31, 2013
Contracts signed but proceeds not yet be withdrawn	393,977	541,402

2. Operating lease commitment

According to the lease contract, the minimum lease rent of irrevocable operating sites are as follows:

	Dec 31, 2014	Dec 31, 2013
Within 1 year (included)	279,575	249,168
1-2 years (included)	267,897	238,464
2-3 years (included)	249,021	226,256
Over 3 years	801,241	767,634
	1,597,734	1,481,522

3. Off-balance sheet items

	Dec 31, 2014	Dec 31, 2013
L/C issuance	15,629,215	24,015,051
Bank acceptance bill	50,545,875	40,924,641
Issuance of guarantee	13,480,670	8,074,604
Loan commitment	52,232,448	31,404,156

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. 2014, the principal value of the bills and bonds (electronic) issued by the Group but not yet at maturity and redeemed is RMB 156,578,000 (31 Dec. 2013 RMB 427,189,000). 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 large.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Letter of Credit issued refers to the Group acting at the request and on the instruction of customer, to make a payment to the beneficiary and pay bills of exchange drawn by the beneficiary within a certain year provided required documents are submitted and the terms of credit are complied with.

Bank Acceptance Bill refers to a draft or a bill of exchange draws upon a payee or a drawee (applicant) and accepted by the Company.

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 customers to offer certain amount loan in a certain period.

4. Pending litigation

By the end of Dec 31, 2014, there're 8 litigations in which the Group acted as defendant, with the total subject amounted to RMB 5,524,000. As the compensation is tiny in possibility, the liabilities needn't to be confirmed. (By the end of Dec 31, 2013, there're 6 litigations in which the Group acted as defendant, with the total subject amounted to RMB 5,018,000. As the compensation is tiny in possibility, the liabilities needn't to be confirmed.

XII. Financial Instruments and Risk Analysis

According to the disclosure requirements stipulated in Accounting Standards for Enterprises No.37 - Presentation of Financial Instruments, the Group discloses the relative quantitative information of credit risk, liquidity risk and market risk in the year 2013 and 2012.

The financial risk management is mainly about the risks taken by the Group and its management and controlling conditions of the risks, especially the risks confronted in the using of the financial instruments.

- Credit risk: it means the risks the Company may suffer from 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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

- Operational risk: it means the economical or credit losses for not being in compliance 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 is equipped with Risk Management Committee and has its specific department, the risk management department being responsible for the management of risks. The risk management department has its own clear responsibilities and is somehow independent from the business department bearing risks, and would submit its independent risk reports to the Board of Directors and the Management. The Risk Management Committee is responsible for formulating the policies and procedures for management of the risks, and also regulating the risk limits and management mechanisms. Besides, the Risk Management Committee shall at regular intervals host risk management conferences and meetings in compliance with the market conditions to improve those risk policies and procedures.

1. Credit risk

Credit risk means that clients or transaction counter-parties who may be incapable or unwilling to honor the obligations agreed with the Group. Once all of the transaction-parties are in a single trade or area, the credit risks would rise for their ability to pay the accounts are affected by the same economical development.

Concentration of credit risks: when a certain amount of clients do the same operations or are in the same geographic area, or share the similar economic features in their trades, their ability to fulfill the obligations regulated in the agreements would be mutually influenced by the same economic changes. The concentration degree 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.

1.1 Within-balance sheet assets

Proportion of loans and advances by industries:

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

	Dec 31, 2014		Dec 31, 2013	
	Amount	Prop(%)	Amount	Prop(%)
Agriculture/forestry/animal/fishing	949,376	0.45	936,806	0.55
Mining	330,802	0.16	769,740	0.45
Manufacturing	39,483,149	18.80	36,245,379	21.16
Production and supply of electricity, gas and water	2,091,225	1.00	2,593,658	1.52
Construction	8,940,251	4.26	7,575,753	4.43
Transportation, storage and mailing	3,440,540	1.64	2,972,757	1.74
Information transfer, computer service and software	1,784,032	0.85	1,418,111	0.83
Commerce	27,261,689	12.98	22,012,942	12.85
Hotel and restaurant	1,177,285	0.56	960,129	0.56
Finance	921,559	0.44	596,292	0.35
Real estate	19,247,264	9.16	14,226,406	8.31
Leasing and commercial service	19,475,651	9.27	17,134,448	10.01
Scientific research, technological service and geological reconnaissance	414,290	0.20	464,734	0.27
Management and investment of water resource,environmental and public facilities	8,116,007	3.86	6,635,117	3.88
Residential and other services	295,065	0.14	249,564	0.15
Education	888,292	0.42	622,800	0.36
Sanitation, social security and welfare	337,715	0.16	270,850	0.16
Culture, sports and entertainment	458,515	0.22	404,895	0.24
Public management and social organization	1,714,126	0.82	1,862,100	1.09
Personal loan	72,735,349	34.61	53,237,185	31.09
	210,062,182	100.00	171,189,666	100.00

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Concentration regions of loans and advances:

	Dec 31, 2014		Dec 31, 2013	
	Amount	Prop(%)	Amount	Prop(%)
Zhejiang Province	131,885,930	62.79	109,224,522	63.80
Including: Ningbo	103,865,395	49.45	88,928,470	51.95
Shanghai	18,526,749	8.82	15,700,558	9.18
Jiangsu Province	42,169,855	20.07	31,072,511	18.15
Guangdong Province	10,027,060	4.77	8,729,852	5.10
Beijing	7,452,588	3.55	6,462,223	3.77
	210,062,182	100.00	171,189,666	100.00

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 don't match, for example, the Group purchases assets at 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 influences 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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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 just like the one for other transactions.

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, 2014	Dec 31, 2013
Due from central banks	69,385,063	61,050,168
Due from other banks	30,447,600	38,964,591
Loan to other banks	2,866,596	548,000
Financial assets measured by fair value with its Changes enter into current income statement	8,878,979	1,178,908
Derivative financial assets	1,293,140	2,110,285
Reverse repurchase agreements	17,079,001	39,537,850
Interest receivable	3,015,047	1,972,905
Loans and advance payments	204,749,878	167,302,170
Available-for-sale financial assets	120,095,776	90,355,457
Held-to-maturity investment	16,569,101	15,949,957
Accounts receivable hold for investment	71,554,844	36,083,540
Other assets	294,978	305,327
Balance sheet risk exposure	546,230,003	455,359,158
Financial guarantee	79,655,760	73,014,296
Commitment	52,232,448	31,404,156
Maximum credit risk exposure	678,118,211	559,777,610

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.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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:

- (I) Reverse repurchase agreements: bills and bonds, etc;
- (II) Corporate loan: real estate, machinery facilities, land use right, deposit receipt;
- (III) Personal loan: real estate and deposit receipt, 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, 2014	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central banks	69,385,063	-	-	-	-	69,385,063
Due from other banks	30,447,600	-	-	-	194	30,447,794
Loans to other banks	2,866,596	-	-	-	-	2,866,596
Financial assets measured by fair value with its changes enter into current income statement	8,878,979	-	-	-	-	8,878,979
Derivative financial assets	1,293,140	-	-	-	-	1,293,140
Reverse repurchase agreements	17,079,001	-	-	-	-	17,079,001
Interest receivable	3,015,047	-	-	-	-	3,015,047

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Dec 31, 2014	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Loans and advances	205,990,797	1,237,869	580,368	390,318	1,862,830	210,062,182
Available-for-sale financial assets investment	120,095,776	-	-	-	-	120,095,776
Held-to-maturity investment	16,569,101	-	-	-	-	16,569,101
Accounts receivable hold for investment	71,304,844	-	-	-	500,000	71,804,844
Other assets	294,978	-	-	-	13,816	308,794
	547,220,922	1,237,869	580,368	390,318	2,376,840	551,806,317
Dec 31, 2013	Neither past due nor impairment	Past due but not impaired			Impaired	Total
		within 1 month	1-3 months	over 3 months		
Balances with central banks	61,050,168	-	-	-	-	61,050,168
Due from other banks	38,964,591	-	-	-	194	38,964,785
Loans to other banks	548,000	-	-	-	-	548,000
Financial assets measured by fair value with its changes enter into current income statement	1,178,908	-	-	-	-	1,178,908
Derivative financial assets	2,110,285	-	-	-	-	2,110,285
Reverse repurchase agreements	39,537,850	-	-	-	-	39,537,850
Interest receivable	1,972,905	-	-	-	-	1,972,905
Loans and advances	169,063,019	525,473	35,433	40,520	1,525,221	171,189,666
Available-for-sale financial assets investment	90,355,457	-	-	-	-	90,355,457
Held-to-maturity investment	15,949,957	-	-	-	-	15,949,957
Accounts receivable hold for investment	35,733,540	-	-	-	500,000	36,233,540
Other assets	305,327	-	-	-	13,133	318,460
	456,770,007	525,473	35,433	40,520	2,038,548	459,409,981

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

On Dec 31, 2014, the fair value of pledge for impaired loan reached to RMB 931,779,000 (Dec 31, 2013: RMB 1,069,508,000). The pledge included equipment, real estate and land. Etc.

1.6 Credit quality analysis of financial assets neither past due not impairment

Rating standard of credit quality of financial assets neither past due not impairment:

High quality: the counterparty 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 counterparties' fulfilling the contract, including the key financial indexes, cash flow of management and fair value of pledges.

	Dec 31, 2014			Dec 31, 2013		
	High quality	Standard quality	Total	High quality	Standard quality	Total
Balances with central banks	69,385,063	-	69,385,063	61,050,168	-	61,050,168
Due from other banks	30,447,600	-	30,447,600	38,964,591	-	38,964,591
Loans to other banks	2,866,596	-	2,866,596	548,000	-	548,000
Financial assets measured by fair value with its changes enter into current income statement	8,878,979	-	8,878,979	1,178,908	-	1,178,908
Derivative financial assets	1,293,140	-	1,293,140	2,110,285	-	2,110,285
Reverse repurchase agreements	17,079,001	-	17,079,001	39,537,850	-	39,537,850
Interest receivable	3,015,047	-	3,015,047	1,972,905	-	1,972,905
Loans and advances	204,377,995	1,612,802	205,990,797	167,853,613	1,209,406	169,063,019
Available-for-sale financial assets investment	120,095,776	-	120,095,776	90,355,457	-	90,355,457
Held-to-maturity investment	16,569,101	-	16,569,101	15,949,957	-	15,949,957
Accounts receivable hold for investment	71,304,844	-	71,304,844	35,733,540	-	35,733,540
Other assets	294,978	-	294,978	305,327	-	305,327
Total	545,608,120	1,612,802	547,220,922	455,560,601	1,209,406	456,770,007

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

1.7 Fair value of pledges past due but not impaired

Item	31 Dec. 2014	31 Dec. 2013
Loans and advance payments Housing, land and building	1,313,094	487,097

At the date of 31 December 2014 and 31 December 2013, there were no book values attributed to financial assets under re-negotiated contracts as the old contracts were due or the amounts had already impaired.

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, after 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 day by day, and also classify the system in accordance with supervision and adjustment rates.

Notes on the Financial Statements (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:

31 Dec. 2014	Overdue /No Maturity	On demand	Within 1 month
Items of assets			
Cash and balances with central banks	53,039,354	17,914,584	-
Due from other banks	-	3,815,309	7,636,717
Loans to other banks	-	-	314,951
Financial assets held for trading	-	9,065,173	31,931
Reverse repurchase agreements	-	-	17,024,848
Loans and advance payments	2,247,648	612,498	27,420,048
Available-for-sale financial assets	-	-	5,784,219
Held-to-maturity investments	-	-	53,319
Accounts receivable held for investment	251,174	-	3,574,842
Other assets	-	-	50,837
Total assets	55,538,176	31,407,564	61,891,712
Items of liabilities			
Due to banks and other financial institutions	-	725,228	22,546,856
Placements from other institutions	-	-	4,907,940
Financial liabilities held for trading	-	911,324	245,239
Proceeds generated from repurchase agreements	-	-	20,849,475
Deposits	-	158,248,255	26,279,257
Bond payable	-	-	1,000,000
Other liabilities	9,394,365	3,144,147	4,300,076
Total liabilities	9,394,365	163,028,954	80,128,843
Net amount of balance sheet liquidity	46,143,811	(131,621,390)	(18,237,131)
Off-balance sheet credit liquidity	424,624	63,316,910	9,320,433

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
-	-	-	-	70,953,938
6,063,320	14,195,898	-	-	31,711,244
562,418	2,055,750	73,391	-	3,006,510
59,145	246,095	924,029	347,088	10,673,461
62,081	-	-	-	17,086,929
39,146,965	106,978,431	38,611,989	12,527,778	227,545,357
27,015,765	44,397,806	36,711,265	15,606,371	129,515,426
317,712	1,629,444	8,526,901	9,458,200	19,985,576
8,244,547	34,334,076	30,203,246	1,324,653	77,932,538
66,253	122,609	55,279	-	294,978
81,538,206	203,960,109	115,106,100	39,264,090	588,705,957
31,237,271	34,347,473	-	-	88,856,828
6,151,892	3,134,715	-	-	14,194,547
99,355	16,183	-	-	1,272,101
7,388,112	28,806	-	-	28,266,393
35,769,195	74,477,490	43,566,594	4,846	338,345,637
9,700,000	28,128,650	7,549,600	10,630,350	57,008,600
4,264,321	2,237,557	444,977	23,811	23,809,254
94,610,146	142,370,874	51,561,171	10,659,007	551,753,360
(13,071,940)	61,589,235	63,544,929	28,605,083	36,952,597
18,769,896	36,668,480	2,381,069	1,006,796	131,888,208

Notes on the Financial Statements (continued)

31 Dec. 2013	Overdue /No Maturity	On demand	Within 1 month
Items of assets			
Cash and balances with central banks	45,556,463	16,638,353	-
Due from other banks	-	3,166,832	18,754,017
Loans to other banks	-	-	2,730
Financial liabilities held for trading	-	1,178,908	4,719
Reverse repurchase agreements	-	-	12,845,006
Loans and advance payments	1,651,023	1,028,699	14,351,749
Available-for-sale financial assets	7,230	-	3,106,923
Held-to-maturity investments	-	-	506
Accounts receivable held for investment	-	-	2,992,473
Other financial assets	-	-	52,608
Total assets	47,214,716	22,012,792	52,110,731
Items of liabilities			
Borrowings from central bank	-	-	201,598
Due to banks and other financial institutions	-	1,839,025	29,770,783
Placements from other institutions	-	-	8,542,258
Proceeds generated from repurchase agreements	-	-	7,049,244
Deposits	-	138,472,832	17,179,567
Bond payable	-	-	-
Other financial liabilities	1,678,424	1,979,187	4,613,943
Total liabilities	1,678,424	142,291,044	67,357,393
Net amount of balance sheet liquidity	45,536,292	(120,278,252)	(15,246,662)
Off-balance sheet credit liquidity	320,159	49,936,738	10,032,049

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

1-3 months	3 months -1 year	1-5 years	Over 5 years	Total
-	-	-	-	62,194,816
4,916,804	9,033,655	4,214,851	-	40,086,159
5,196	569,804	-	-	577,730
8,981	41,445	111,629	26,902	1,372,584
10,047,687	16,654,058	-	-	39,546,751
34,006,823	94,189,365	25,614,311	16,383,860	187,225,830
5,749,045	48,016,307	32,094,394	10,545,766	99,519,665
260,751	2,273,213	7,170,519	6,274,187	15,979,176
5,776,793	15,591,575	13,217,779	1,000,000	38,578,620
68,576	126,924	57,219	-	305,327
60,840,656	186,496,346	82,480,702	34,230,715	485,386,658
-	-	-	-	201,598
23,805,777	31,758,223	3,480,359	-	90,654,167
2,537,534	2,000,628	-	-	13,080,420
18,175,409	12,431,878	-	-	37,656,531
28,768,295	45,584,514	33,210,323	3,918	263,219,449
-	5,744,750	9,264,750	3,690,000	18,699,500
4,460,045	2,402,779	73,817	23,811	15,232,006
77,747,060	99,922,772	46,029,249	3,717,729	438,743,671
(16,906,404)	86,573,574	36,451,453	30,512,986	46,642,987
18,353,653	24,277,158	1,491,778	6,917	104,418,452

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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 and was held for the purpose of a deal. 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, 2014	Within 3 months	3 months -1 year	1-5 years	Over 5 years	Total
Currency swap	(1,812)	-	-	-	(1,812)
Interest rate swap	(10,115)	1,753	(96,474)	(76)	(104,912)
Dec 31, 2013	Within 3 months	3 months -1 year	1-5 years	Over 5 years	Total
Currency swap	(190)	-	-	-	(190)
Interest rate swap	6,254	157,792	153,150	3,306	320,502

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. 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, 2014	Within 3 months	3 months -1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(5,941,684)	(9,109,923)	(747,014)	-	(15,798,621)
Cash inflow	5,953,694	9,053,545	733,324	-	15,740,563
Currency swap					
Cash outflow	(72,018,935)	(90,779,654)	(3,268,545)	-	(166,067,134)
Cash inflow	71,805,010	90,675,745	3,299,384	-	165,780,139

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Dec 31, 2013	Within 3 months	3 months -1 year	1-5 years	Over 5 years	Total
Forward foreign exchange					
Cash outflow	(3,545,380)	(8,887,497)	(648,424)	-	(13,081,301)
Cash inflow	3,480,356	8,786,934	629,303	-	12,896,593
Currency swap					
Cash outflow	(81,043,006)	(52,211,180)	(4,474,629)	-	(137,728,815)
Cash inflow	80,773,592	52,085,297	4,430,152	-	137,289,041

3. Market risk

Market risk can be found within non-transaction business, and also transaction business.

The Group is equipped with 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, the market risks within shall be identified according to corresponding regulations and rules.

3.1 Interest rate risk

The interest rate risk of the Group arises from the mismatch of the agreed maturity of interest-bearing assets and interest-paying liabilities and the re-pricing date. And the interest-bearing assets and interest-paying liabilities of the Group are mainly counted in the unit of RMB. RMB benchmark interest rate issued by People's Bank of China has set rules for the lower limit of RMB loan interest rate and the upper limit of RMB deposit interest rate.

Notes on the Financial Statements (continued)

Maturity or re-pricing date (the earlier one) analysis of assets and liabilities of the Company at the Balance Sheet date:

Dec 31, 2014	Within 1 month	1 - 3 months	3 months - 1 year
Items of assets			
Cash and balances with central banks	68,471,928	-	-
Due from other banks	11,292,160	5,735,080	13,420,360
Loans to other banks	301,686	520,550	1,978,860
Financial assets held for trading	186,363	508,685	1,922,987
Derivative financial assets	-	-	-
Reverse repurchase agreements	17,023,001	56,000	-
Loans and advance payments	41,317,924	32,840,686	103,553,195
Available-for-sale financial assets	5,954,578	26,741,424	42,332,206
Held-to-maturity investments	-	209,962	1,160,561
Accounts receivable held for investment	3,151,718	8,079,359	31,634,928
Other assets	-	-	-
Total assets	147,699,358	74,691,746	196,003,097
Item of liabilities			
Due to banks and other financial institutions	22,760,846	30,449,638	33,423,851
Placements from other institutions	4,857,212	6,094,807	3,119,962
Financial liabilities held for trading	-	-	-
Derivative financial liabilities	-	-	-
Proceeds generated from repurchase agreements	20,838,891	7,287,435	28,806
Deposits	168,342,738	32,585,154	61,566,311
Bond payable	995,940	9,604,062	29,073,778
Other liabilities	5,562,399	4,057,900	2,056,540
Total liabilities	223,358,026	90,078,996	129,269,248
Interest sensitive gap	(75,658,668)	(15,387,250)	66,733,849

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

1 - 5 years	Over 5 years	Overdue/no interest	Total
-	-	2,482,010	70,953,938
-	-	-	30,447,600
65,500	-	-	2,866,596
3,023,730	3,237,214	-	8,878,979
-	-	1,293,140	1,293,140
-	-	-	17,079,001
8,740,251	1,521,072	16,776,750	204,749,878
30,774,587	14,292,981	-	120,095,776
6,554,288	8,644,290	-	16,569,101
27,119,339	1,319,500	250,000	71,554,84
-	-	3,310,025	3,310,025
76,277,695	29,015,057	24,111,925	547,798,878
-	-	-	86,634,335
-	-	-	14,071,981
-	-	1,272,100	1,272,100
-	-	1,303,488	1,303,488
-	-	-	28,155,132
37,500,668	4,980	6,531,978	306,531,829
4,993,095	5,988,516	-	50,655,391
119,800	9,228,580	8,371,662	29,396,881
42,613,563	15,222,076	17,479,228	518,021,137
33,664,132	13,792,981	6,632,697	29,777,741

Notes on the Financial Statements (continued)

Dec 31, 2013	Within 1 month	1 - 3 months	3 months - 1 year
Items of assets			
Cash and balances with central banks	60,140,505	-	-
Due from other banks	21,702,291	4,733,400	8,556,400
Loans to other banks	-	-	548,000
Financial assets held for trading	-	454,031	153,878
Derivative financial assets	-	-	-
Reverse repurchase agreements	12,836,105	10,047,712	16,654,033
Loans and advance payments	21,580,689	34,624,770	92,380,690
Available-for-sale financial assets	2,723,604	4,760,977	44,707,642
Held-to-maturity investments	-	259,794	2,269,100
Accounts receivable held for investment	2,784,709	5,074,821	14,530,974
Other assets	-	-	-
Total assets	121,767,903	59,955,505	179,800,717
Items of liabilities			
Borrowings from central bank	200,000	-	-
Due to banks and other financial institutions	31,357,756	23,578,939	31,580,211
Placements from other institutions	8,323,751	2,705,281	1,985,971
Derivative financial liabilities	-	-	-
Proceeds generated from repurchase agreements	7,033,609	17,997,041	12,109,183
Deposits	150,601,082	27,925,700	43,655,734
Bonds payable	-	-	4,994,825
Other liabilities	5,590,288	3,098,280	2,190,840
Total liabilities	203,106,486	75,305,241	96,516,764
Interest sensitive gap	(81,338,583)	(15,349,736)	83,283,953

For The Year Ended 31 December 2014
Unit: (CNY) Thousand

1 - 5 years	Over 5 years	Overdue/no interest	Total
-	-	2,054,311	62,194,816
3,972,500	-	-	38,964,591
-	-	-	548,000
393,853	177,146	-	1,178,908
-	-	2,110,285	2,110,285
-	-	-	39,537,850
5,025,919	500,828	13,189,274	167,302,170
28,360,416	9,795,588	7,230	90,355,457
7,154,872	6,266,191	-	15,949,957
12,343,036	1,000,000	350,000	36,083,540
-	-	2,278,232	2,278,232
57,250,596	17,739,753	19,989,332	456,503,806
-	-	-	200,000
3,470,000	-	-	89,986,906
-	-	-	13,015,003
-	-	2,145,671	2,145,671
-	-	-	37,139,833
28,326,819	3,918	4,765,074	255,278,327
7,483,621	5,987,800	-	18,466,246
-	1,676,710	6,126,348	18,682,466
39,280,440	7,668,428	13,037,093	434,914,452
17,970,156	10,071,325	6,952,239	21,589,354

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

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.

Gas 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, 2014	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	297,251	(297,251)
	Dec 31, 2013	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	24,222	(24,222)

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Duration analysis results in compliance with transaction bond investment at that time to the Balance Sheet date as follows:

	Dec 31, 2014	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	1,537,003	(1,537,003)
	Dec 31, 2013	
Alteration (base point) of interest rate	(100)	100
Alteration of gain or loss by interest rate risk	1,009,835	(1,009,835)

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 Kondor + 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, 2014	
Alteration (base point) of interest rate	(100)	100
Alteration of profit before tax by interest rate risk	1,018,313	(1,018,313)
	Dec 31, 2013	
Alteration (base point) of interest rate	(100)	100
Alteration of profit before tax by interest rate risk	840,773	(840,773)

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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

of interest rate may be different from the results received from sensitivity analysis.

3) Kondor + system analysis

The Company adopts Kondor + 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.

Kondor + system analysis results in compliance with cash positions of derivative financial instruments at that time to the Balance Sheet date as follows:

	Dec 31, 2014	
Alteration (base point) of interest rate	(100)	100
Alteration of fail values of derivative financial instruments by interest rate risk	(64,294)	64,294
	Dec 31, 2013	
Alteration (base point) of interest rate	(100)	100
Alteration of fail values of derivative financial instruments by interest rate risk	(169,595)	169,595

3.2 Foreign exchange risk

The Group is established in the territory of the People's Republic of China and operates within. It mainly deals with Renminbi businesses, along with USD business for the foreign exchange.

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 stable rising of Renminbi against U.S. dollars.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Assets and liabilities in compliance with currencies as follows:

Dec 31, 2014	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of assets:				
Cash and balances with central banks	70,295,084	588,852	70,002	70,953,938
Due from other banks	28,456,494	1,177,103	814,003	30,447,600
Loans to other banks	2,599,910	266,686	-	2,866,596
Financial assets held for trading	8,878,979	-	-	8,878,979
Derivative financial assets	346,818	946,315	7	1,293,140
Reverse repurchase agreement	17,079,001	-	-	17,079,001
Loans and advance payments	193,959,098	10,649,230	141,550	204,749,878
Available-for-sale financial assets	120,095,776	-	-	120,095,776
Held-to-maturity investments	16,569,101	-	-	16,569,101
Accounts receivable held for investment	71,492,824	62,020	-	71,554,844
Other assets	3,307,192	2,821	12	3,310,025
Total assets	533,080,277	13,693,027	1,025,574	547,798,878
Items of liabilities:				
Due to banks and other financial institutions	74,115,885	11,164,275	1,354,175	86,634,335
Placements from other institutions	3,854,500	9,442,911	774,570	14,071,981
Financial liabilities held for trading	1,272,100	-	-	1,272,100
Derivative financial liabilities	1,106,009	123,950	73,529	1,303,488
Proceeds generated by repurchase agreements	28,155,132	-	-	28,155,132
Deposit	292,050,677	13,037,564	1,443,588	306,531,829
Bonds payable	50,655,391	-	-	50,655,391
Other liabilities	29,075,653	308,851	12,377	29,396,881
Total liabilities	480,285,347	34,077,551	3,658,239	518,021,137
Balance sheet net position	52,794,930	(20,384,524)	(2,632,665)	29,777,741
Off-balance sheet position	121,261,508	9,609,935	1,016,765	131,888,208

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Dec 31, 2013	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
Items of assets:				
Cash and balances with central banks	61,647,215	502,061	45,540	62,194,816
Due from other banks	37,025,325	1,535,021	404,245	38,964,591
Loans to other banks	548,000	-	-	548,000
Financial assets held for trading	1,178,908	-	-	1,178,908
Derivative financial assets	1,943,091	167,194	-	2,110,285
Reverse repurchase agreement	39,537,850	-	-	39,537,850
Loans and advance payments	162,409,984	4,708,037	184,149	167,302,170
Available-for-sale financial assets	90,355,457	-	-	90,355,457
Held-to-maturity investments	15,949,957	-	-	15,949,957
Accounts receivable held for investment	36,083,540	-	-	36,083,540
Other assets	2,274,910	3,322	-	2,278,232
Total assets	448,954,237	6,915,635	633,934	456,503,806
Items of liabilities:				
Borrowings from central bank	200,000	-	-	200,000
Due to banks and other financial institutions	74,137,484	13,193,512	2,655,910	89,986,906
Placements from other institutions	3,842,980	8,200,030	971,993	13,015,003
Derivative financial liabilities	2,092,631	53,040	-	2,145,671
Proceeds generated by repurchase agreements	37,139,833	-	-	37,139,833
Deposit	247,889,595	6,808,070	580,662	255,278,327
Bonds payable	18,466,246	-	-	18,466,246
Other liabilities	18,552,755	115,255	14,456	18,682,466
Total liabilities	402,321,524	28,369,907	4,223,021	434,914,452
Balance sheet net position	46,632,713	(21,454,272)	(3,589,087)	21,589,354
Off-balance sheet position	97,008,594	6,875,222	534,636	104,418,452

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

The Company adopts sensitivity analysis to measure the possible influences of interest 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 2013 and 31 December 2012 as follows:

	Dec 31, 2014	
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by interest rate risk	230,172	(230,172)
	Dec 31, 2013	
Alteration of exchange rate	(1%)	1%
Alteration of profit before tax by interest rate risk	250,434	(250,434)

The above sensitivity analysis is based on the presumption that the assets and liabilities have static exchange rate risk structures and it 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 are kept 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 regardless of whether that price is observable or estimated using a valuation technique.

The financial assets and financial liabilities measured by fair value are divided into three levels in terms of valuation as follows:

Level 1: the unadjusted quotation of the same assets or liabilities in the active market.

Level 2: the directly or indirectly observable input values of the related assets or liabilities besides level 1. The input parameters sources include Reuters and ChinaBond.

Level 3: the unobservable inputs of the related assets or liabilities.

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

As of Dec. 31, 2014, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

2014 Continues fair value measurement	Open market price (level 1)	Valuation technique-Observable market variable (level 2)	Valuation technique-Unobservable market variable (level 3)	Total
Financial assets measured by fair value with variation accounted into profit and loss sheet of the year	-	8,878,979	-	8,878,979
Derivative financial assets	-	1,293,140	-	1,293,140
Financial assets held for selling	-	120,095,776	-	120,095,776
Total financial assets	-	130,267,895	-	130,267,895
Financial liabilities measured by fair value with variation accounted into profit and loss sheet of the year	-	1,272,100	-	1,272,100
Derivative financial liabilities	-	1,303,488	-	1,303,488
Total financial liabilities	-	2,575,588	-	2,575,588

As of Dec. 31, 2013, the financial assets and liabilities held measured by fair value complying with the above three levels are as follows:

2013 Continues fair value measurement	Open market price (level 1)	Valuation technique-Observable market variable (level 2)	Valuation technique-Unobservable market variable (level 3)	Total
Financial assets measured by fair value with variation accounted into profit and loss sheet of the year	-	1,178,908	-	1,178,908
Derivative financial assets	-	2,110,285	-	2,110,285
Financial assets held for selling	7,230	90,348,227	-	90,355,457
Total financial assets	7,230	93,637,420	-	93,644,650
Derivative financial liabilities	-	2,145,671	-	2,145,671
Total financial liabilities	-	2,145,671	-	2,145,671

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

In 2014 and 2013, the Group has not transferred the financial instrument fair value's levels from 1 and 2 to level 3, neither it has switched the fair values between level 1 and level 2.

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 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.

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 banks, due from other banks, lending, reverse repurchase agreements, loans and advance payment, held-to-maturity investment, account receivable investment, borrowings from central banks, 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, 2014		Dec. 31, 2013	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Held-to-maturity investment	16,569,101	17,040,267	15,949,957	15,718,383
Accounts receivable investment	71,554,844	71,578,266	36,083,540	36,196,699
Financial liabilities:				
Bond payable	50,655,391	50,640,569	18,466,246	17,382,461

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

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

cash and balances in the central banks and borrowings from the central banks

due from other banks and placements from other banks and financial institutions

lending and loans from other banks

reverse repurchase agreements and repurchase agreements

loans and advance payment and deposit

other financial assets and other financial liabilities

XIII. Other Items in Balance Sheet after the Reporting Period

According to the resolution of the Board of Directors held on 24 April 2015, the profit distribution plan (predetermined) of the year 2014 is listed as follow:

- 1) Distribute 10% of 2014 net profit RMB 561,113,000 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 998,683,000 as general provision;
- 3) In 2014, 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 (i.e. RMB 0.15 as cash dividend per share)) per 10 shares, totaled RMB 1,462,423,000. This distribution decision is still waiting to be approved by the general meeting of shareholders.
- 4) Every 10 capital reserves increase 2 capital stocks.

There's no significant event needed to be disclosed after this financial year in the balance sheet.

XIV. Notes to Main Items of the Financial Statement

1. Long-term equity investment

2014	Beginning Balance	Change of the Year		other comprehensive income	other equity change	cash dividend declared	end book value	end provision reserve
		additional investment	profit & loss on investment					
cost method								
Maxwealth Fund Management Co., Ltd.	135,000	-	-	-	-	-	135,000	-
	135,000	-	-	-	-	-	135,000	-

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

2013	Beginning Balance	Change of the Year		other comprehensive income	other equity change	cash dividend declared	end book value	end provision reserve
		additional investment	profit & loss on investment					
cost method								
Maxwealth Fund Management Co., Ltd.	-	135,000	-	-	-	-	135,000	-
	-	135,000	-	-	-	-	135,000	-

2. Fixed assets

Year 2014	House and building	Transportation	Electronic equipment	Mechanical equipment	Decoration for self-owned houses	Total
Original price:						
Beginning balance	2,491,233	119,207	517,967	64,521	139,916	3,332,844
Purchase	11,299	23,282	116,477	15,582	31,648	198,288
Transfer from construction in progress	996,356	-	-	-	2,683	999,039
Transfer from others	60,130	-	-	-	-	60,130
Sale & scrap	(2,227)	(10,667)	(4,467)	(693)	-	(18,054)
End balance	3,556,791	131,822	629,977	79,410	174,247	4,572,247
Accumulated depreciation:						
Beginning balance	479,815	78,063	248,404	35,681	99,243	941,206
Provision	164,193	13,758	91,220	9,533	16,794	295,498
Write-off	(963)	(10,314)	(4,232)	(632)	-	(16,141)
End balance	643,045	81,507	335,392	44,582	116,037	1,220,563
Impairment provision:						
Beginning balance	1,662	709	1,709	725	-	4,805
End balance	1,662	709	1,709	725	-	4,805
Book value:						
End balance	2,912,084	49,606	292,876	34,103	58,210	3,346,879
Beginning balance	2,009,756	40,435	267,854	28,115	40,673	2,386,833

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

Year 2013	House and building	Transportation	Electronic equipment	Mechanical equipment	Decoration for self-owned houses	Total
Original price:						
Beginning balance	2,400,825	110,746	507,515	63,195	122,037	3,204,318
Purchase	73,667	15,098	100,706	7,091	11,252	207,814
Transfer from construction in progress	23,547	-	-	-	-	23,547
transfer from others\ (to)	(6,806)	-	-	-	12,073	5,267
Sale & scrap	-	(6,637)	(90,254)	(5,765)	(5,446)	(108,102)
End balance	2,491,233	119,207	517,967	64,521	139,916	3,332,844
Accumulated depreciation:						
Beginning balance	355,913	68,311	258,984	32,221	86,264	801,693
Provision	123,902	16,132	77,812	9,053	18,326	245,225
Write-off	-	(6,380)	(88,392)	(5,593)	(5,347)	(105,712)
End balance	479,815	78,063	248,404	35,681	99,243	941,206
Impairment provision:						
Beginning balance	1,662	709	1,709	725	-	4,805
End balance	1,662	709	1,709	725	-	4,805
Book value:						
End balance	2,009,756	40,435	267,854	28,115	40,673	2,386,833
Beginning balance	2,043,250	41,726	246,822	30,249	35,773	2,397,820

As of 31 Dec. 2014 and as of 31 Dec. 2013, the houses and buildings for which the Group applied for property ownership certificates respectively valued at RMB 201,351,000 and RMB 14,901,000. 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. 2014 and as of 31 Dec. 2013, the original book value of fixed assets which were fully

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

depreciated but still used amounted to RMB 281,414,000 and RMB 233,051,000. The net book value was respectively RMB 7,972,000 and RMB 6,390,000.

As of 31 Dec. 2014 and as of 31 Dec. 2013, there were no temporarily idle fixed assets.

3. Net interest income

	2014	2013
Interest income		
Loans and advances issues	13,333,909	12,927,921
Including: Corporate loans and advances	8,162,235	7,699,750
Personal loans and advances	3,744,204	2,769,882
Notes and bills discounts	1,189,327	2,297,100
Commercial financing	238,143	161,189
Due from other banks	1,443,371	1,137,867
Balance with central banks	845,182	743,797
Placements to other financial institutions	198,402	125,860
Reserve repurchase agreement	2,015,193	1,664,345
Bond investment	2,408,434	1,612,970
Including: financial assets held for trading	181,288	120,094
Financing product and credit plan	7,927,085	5,282,008
Others	390	122
	28,171,966	23,494,890
Interest payable		
Due to other banks	(4,519,357)	(2,223,054)
Placements from other institutions	(638,900)	(342,406)
Deposits	(6,350,864)	(5,219,738)
Repurchase agreements financial assets	(1,401,053)	(3,215,483)
Bond issuance	(1,105,464)	(783,869)
Others	(806,930)	(452,558)
	(14,822,568)	(12,237,108)
Net interest income	13,349,398	11,257,782

Notes on the Financial Statements (continued)

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

4. Operating activities cash flow

	2014	2013
Net profit adjusted to operating activities cash flow		
Net profit	5,611,130	4,845,422
Add: loss for fixed assets impairment	2,521,150	1,480,052
Depreciation of fixed assets	295,498	245,225
Amortization of intangible assets	26,259	19,467
Amortization of deferred expenses	297,067	264,087
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	(100)	14,563
Loss (gain) of fair value adjustment	(135,016)	154,182
Investment income	(156,351)	(120,799)
Increase of deferred income tax assets	98,467	(236,359)
Increase of operating receivable	(26,537,324)	(46,773,809)
Increase of operating payable	40,654,975	78,972,984
	22,675,755	38,865,015

XV. Comparative Data

As described in Appendix II 2, as we have adopted several corporate accounting standards on July 1, 2014, the accounting treatment and presentation of several items and amounts of the financial statements have been altered so as to comply with the new requirements. Accordingly, several data of the previous year has been adjusted and several comparative data has been recategorized and edited so as to comply with the presentation and accounting treatment requirements of the financial statement.

Supplementary Information of Financial Statements

For The Year Ended 31 December 2014

Unit: (CNY) Thousand

1. Statement of non-operating gains or loss

	2014	2013
Profit and loss on the disposal of non-current assets, including the written-off impairment provisions	100	(20,463)
Profit and loss from changes in the fair value of investment real estate which is subsequently measured at fair value	(13)	1,871
Other non-operating income and expense besides the above items	(19,785)	11,811
Affected amount of income tax	1,916	1,695
Total	(17,782)	(5,086)

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 were not included in non-operating gains and loss.

2. ROE (return on equity) and earnings per share

2014	Weighted average ROE (%)	Earnings per share(RMB)	
		Basic	Diluted
ROE for ordinary shareholders	19.45	1.89	1.89
ROE for ordinary shareholders after deducting non-operating	19.51	1.90	1.90
2013	Weighted average ROE (%)	Earnings per share(RMB)	
		Basic	Diluted
ROE for ordinary shareholders	20.41	1.68	1.68
ROE for ordinary shareholders after deducting non-operating	20.43	1.68	1.68

Introduction to Bank of Ningbo

Established on April 10, 1997, Bank of Ningbo Co., Ltd. (hereinafter refers to "Bank of Ningbo") is a joint-equity commercial bank with independent status of legal person. In May 2006, Bank of Ningbo introduced an overseas strategic investor-Overseas-Chinese Bank Corporation. On July 19, 2007, Bank of Ningbo was listed on the stock market in Shenzhen Stock Exchange (stock code: 002142) and became one of the first batch of listed municipal commercial banks. By the end of 2014, Bank of Ningbo has already had 246 business institutions, among which there are 10 branches, namely: Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing, Wuxi, Jinhua and Shaoxing Branch, 1 head office business department and 235 sub-branches.

In recent years, Bank of Ningbo has been actively promoting innovations in management and financial technologies, and building eight profit centers of corporate banking, retail company, personal banking, credit card, financial market instrument, asset custody and investment banking to realize the diversification of profits. By the end of 2014, the total assets of the Bank was 554.113 billion yuan, total deposits 306.532 billion yuan and total loans 210.065 billion yuan with a non-performing loan ratio of 0.89%, loan provision ratio of 2.53%, capital adequacy ratio of 12.40% and core capital adequacy ratio and tier one capital adequacy ratio of 10.07%. In 2014, the net profit attributable to shareholders of parent company is 5.627 billion yuan with per share earning 1.89 yuan. As one of the banks with high assets quality, strong profitability, high capital adequacy rate and low non-performing loan rate in China's banking sector, Bank of Ningbo was listed in "2014 Top 1000 Global Bankings" and "2014 Top 500 Global Banking Brands" by the British magazine "Banker", ranking world No. 220 and 264 respectively.

Major Networks

Bank of Ningbo - Head Office

Address: No. 700, Ningnan (S) Road, Ningbo, Zhejiang, China
Tel.: 86-574-89068221
Postal Code: 315100

Shanghai Branch

Address: Floor 20-22, 21st Central Building, No. 210, Century Avenue, Pudong New District, Shanghai
Tel.: 021-31158209
Postal Code: 200003

Hangzhou Branch

Address: No. 146, Baochu Road, Xihu District, Hangzhou
Tel.: 0571-87207056
Postal Code: 310000

Nanjing Branch

Address: No. 120, Hanzhong Road, Gulou District, Nanjing
Tel.: 025-51808088
Postal Code: 210005

Shenzhen Branch

Address: Floor 1 D, Floor 2 & Floor 3 B, Times Fortune Building, Central Zone, Fuhua Third Road, Futian District, Shenzhen
Tel.: 0755-22661999
Postal Code: 518026

Suzhou Branch

Address: No. 129, Wangdun Road, Industrial Zone, Suzhou
Tel.: 0512-65828030
Postal Code: 215005

Wenzhou Branch

Address: No. 260, Nanpu Road,
Lucheng District, Wenzhou

Tel.: 0577-88009900

Postal Code: 325000

Beijing Branch

Address: Floor 1-2, 11-15,
Guangyao Dongfang Center, No.
100, West Third Ring (N) Road,
Haidian District, Beijing

Tel.: 010-53266280

Postal Code: 100005

Wuxi Branch

Address: No. 666, Zhongshan
Road, Chong'an District, Wuxi

Tel.: 0510-81086888

Postal Code: 214043

Jinhua Branch

Address: No. 1133, Danxi Road,
Wucheng District, Jinhua

Tel.: 0579-89163077

Postal Code: 321017

Shaoxing Branch

Address: Beichen Commercial
Building, No. 653, Jiefang Avenue,
Shaoxing

Tel.: 0575-89118809

Postal Code: 321000



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