



昆仑银行
Bank of Kunlun

BANK OF KUNLUN CO., LTD.

ANNUAL REPORT 2020

Company Profile

Bank of Kunlun Co., Ltd. is a state-owned financial enterprise held by the CNPC Capital Limited Company. As a specialized urban commercial bank that integrates of industry and finance, it positively serves the national energy security, supports the real economy and accelerates the socio-economic development. Its predecessor, the Karamay City Commercial Bank, was restructured from the Karamay Urban Credit Cooperative in 2006. In April 2009, CNPC took control of the Karamay City Commercial Bank through sizable capital increase. In April 2010, the Karamay City Commercial Bank was officially renamed Bank of Kunlun (KLB).

With the care and support of local governments, regulatory authorities, shareholders, and all sectors of society, the Bank has adhered to the development strategy of integrating of industry and finance since restructuring and has upheld the operational guideline of “quality-priority, profit-oriented, and characteristic services, as well as coordinated development”. Through 11 years of development & construction, and strenuous effort of all employees, the Bank has rapidly grown from a regional urban commercial bank into a national urban commercial bank with distinctive characteristics and nationwide influence, with a growing operation scale and comprehensive strength. The assets grew from RMB 3.8 billion in 2008 to RMB 349.9 billion at the end of 2020, reflecting a compound annual growth rate (CAGR) of 46%. The annual profits increased from RMB 45 million to RMB 3.437 billion, reflecting a CAGR of 43%. The Bank has established ten branch-level institutions in Xinjiang, Beijing, Shanghai, Shaanxi, Heilongjiang and other municipalities and provinces, and initiated and held shares of two rural banks in Leshan and Tacheng. The Bank has 83 branches, and 3,377 employees. In 2020, the award of 2020 China UnionPay “UnionPay Excellent Cooperative Organization”, the honor of China Central Depository and Clearing Co., Ltd. “Top 100 - Excellent Dealers in Settlement”, as well as other honors and awards, were granted to the Bank, fully demonstrating the recognition by regulatory agencies, partners, market intermediaries, and other subjects.

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I. Definitions

In this report, the following terms have the following meanings unless otherwise indicated:

The Company	Bank of Kunlun Co., Ltd. and its subsidiaries
The Bank / Bank of Kunlun	Bank of Kunlun Co., Ltd.
Ministry of Finance	Ministry of Finance of the People's Republic of China
The Restructuring	Restructuring of Karamay City Commercial Bank through capital increase by CNPC in April 2009
<i>Company Law</i>	<i>Company Law of the People's Republic of China</i>
The Articles of Association of the Bank	Articles of Association of Bank of Kunlun Co., Ltd.
Karamay City Commercial Bank	Karamay City Commercial Bank Co., Ltd.
PBOC	People's Bank of China
CBRC	China Banking Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CNPC	China National Petroleum Corporation
CNPC Capital	CNPC Capital Limited Company
CNPC Capital Co., Ltd.	CNPC Capital Company Limited

II. Important Notice

The Board of Directors, the Board of Supervisors and all Directors, Supervisors and Senior Management of Bank of Kunlun Co., Ltd. undertake that the information in this report contains no false record, misleading statement, or material omission.

On 15 April, 2021, the *Annual Report 2020 of Bank of Kunlun Co., Ltd.* and its abstract were deliberated and adopted at the fifteenth meeting of Bank of Kunlun's Fifth Board of Directors.

The Annual Financial Statements 2020 prepared by the Bank in accordance with PRC GAAP have been audited by BDO China Shu Lun Pan CPAs, which has issued a standard and unqualified auditor's report.

Board of Directors of Bank of Kunlun

Mr. Jiang Shangjun, Legal Representative and Chairman of the Bank; Mr. He Fang, President of the Bank (on behalf); Mr. Tang Zongheng, General Manager of Planning and Finance Department of the Bank, hereby represent and warrant that the financial statements in the Annual Report 2020 are authentic, accurate and complete.

Primary Risk Disclosure

During the reporting period, the Bank did not identify any material risks that could adversely affect its future development strategy or business objectives. The Bank has actively adopted measures to effectively manage various risks. For details, please refer to the "Management Discussion and Analysis - Risk Management" section of this report.

This report can only be used to help the public better their understanding of Bank of Kunlun. It does not constitute a suggestion for any investment or trading activities, or other business activities of any kind. Risks from its application for those purposes shall be borne by the user.

III. General Information

1. Legal Name in Chinese:

昆仑银行股份有限公司

Legal Name in English:

BANK OF KUNLUN CORPORATION LIMITED

Abbreviation in Chinese: 昆仑银行

Abbreviation in English: Bank of Kunlun (KLB)

2. Legal Representative: Jiang Shangjun

3. Registered Capital: RMB 10,287,879,258.43

Registered Address: No. 7 Century Avenue, Karamay City, Xinjiang Uygur Autonomous Region, China

Postal Code: 834000

Business Enquiry and Complaint Hotline: 95379

Website: <http://www.klb.cn/>

4. Board Secretary: He Fang

Tel.: 0990-6230689

E-mail: ir@klb.com.cn

5. Information Disclosed at: *Financial News*

Designated Website for Publication of the

Annual Report: <http://www.klb.cn/>

Location where copies of this Annual Report are kept: The office of the Board of Directors at the Bank

6. Legal Advisor: Beijing Jingda Law Firm

Office Address: Room 801-3, Floor 8, Building 1, Yard 59, Gaoliangqiao Xiejie, Haidian District, Beijing

7. Other Relevant Information:

Date of Incorporation: 9 December, 2002

Date of Registration Change: 12 October, 2018

Registration Authority: Karamay Marketing Surveillance & Administration Bureau

Unified Social Credit Code:

91650200745209781T

Financial Institution License Code:

B0226H265020001

8. Name of Auditor: BDO China Shu Lun Pan CPAs (LLP)

Office Address: Floor 4, New Huangpu Finance Building, No. 61, Nanjing East Road, Huangpu District, Shanghai, China

9. Business Scope: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; inter-bank borrowing and lending; trading or agency trading of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services and other banking activities approved by CBRC. (Service[s] subject to approval according to the law shall be carried out only after approval by the competent authority.)

This report is prepared in both Chinese and English. In the event of any discrepancy in understanding, the Chinese version shall prevail.

IV. Financial Highlights

4.1 Main Financial Data

Financial data and indicators in this Annual Report are derived from the auditor's reports of the Bank in the previous years. The report is prepared in accordance with PRC GAAP, and unless otherwise specified, the data come from the consolidated reports of the Company are presented in RMB.

Unit: in RMB 10⁴

Item	2020	2019	2018
Net Interest Income	393,988	426,479	593,402
Net Fee and Commission Income	516	3,179	15,682
Operating Income	592,005	712,431	670,983
Operating and Administrative Expenses	197,943	204,089	189,278
Impairment Losses on Credit Assets	45,509	85,251	N/A
Impairment Losses on other Assets	74	(161)	N/A
Impairment Losses on Assets	N/A	N/A	95,133
Operating Profit	343,592	418,337	382,076
Profit Before Tax	343,730	418,252	382,223
Net Profit	291,246	358,871	327,488
Net Profit Attributable to the Shareholders of the Parent Company	291,098	358,724	327,410
Total Comprehensive Income Attributable to the Shareholders of the Parent Company	262,148	364,080	375,261
Net Cash Flows From Operating Activities	(3,802,549)	(3,099,042)	(79,221)

As at the End of the Reporting Period

Unit: in RMB 10⁴

Item	31 December, 2020	31 December, 2019	31 December, 2018
Total Assets	34,988,398	33,648,398	35,113,779
Total Loans and Advances to Customers ⁽¹⁾	16,079,571	14,616,602	12,679,353
Allowance for Impairment Losses on Loans ⁽²⁾	502,667	468,530	479,403
Net Investments	11,322,946	10,390,896	9,797,343
Total Liabilities	31,594,597	30,370,805	32,065,284
Due to Customers ⁽³⁾	19,814,383	18,415,997	15,580,460
Due to Banks and Other Financial Institutions	5,152,058	5,955,515	9,396,705

Continued

Item	31 December, 2020	31 December, 2019	31 December, 2018
Placements from Banks and Other Financial Institutions	100,046	200,103	100,000
Equity Attributable to the Shareholders of the Parent Company	3,384,257	3,268,197	3,039,246
Share Capital	1,028,788	1,028,788	1,028,788
Net Core Tier 1 Capital ⁽⁴⁾	3,376,412	3,261,877	3,033,433
Net Tier 1 Capital ⁽⁴⁾	3,376,921	3,262,296	3,033,783
Net Capital ⁽⁴⁾	3,702,197	3,556,796	3,296,973
Risk-weighted Assets ⁽⁴⁾	27,724,858	25,204,521	22,623,158

Note: (1) The balance included the principal and the interest payable.

(2) The amount included the loan principal and the interest payable and allowance for impairment losses.

(3) The amount included the principal and the interest payable.

(4) Calculated in accordance with the requirements in the *Administrative Measures on the Capital of Commercial Banks (for Trial Implementation)* issued by CBRC.

Per Share Data

Unit: in RMB

Item	31 December, 2020	31 December, 2019	31 December, 2018
Net Assets Per Share ⁽¹⁾	3.29	3.18	2.95
Basic Earnings Per Share ⁽²⁾	0.28	0.35	0.32
Diluted Earnings Per Share ⁽²⁾	0.28	0.35	0.32
Net Cash Flows Per Share from Operating Activities	(3.70)	(3.01)	(0.08)

Note: (1) Calculated by dividing equity attributable to the shareholders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(2) Calculation methods are determined according to the *Rules for the Compilation and Submission of Information Disclosure by Companies No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)* issued by CSRC.

4.2 Main Financial Indicators

Profitability

Item	2020	2019	2018
Return on Average Total Assets ⁽¹⁾ (%)	0.85	1.04	0.98
Weighted Average ROE ⁽²⁾ (%)	8.65	11.31	11.09
Weighted Average ROE after Deduction of Non-Recurring Gains and Losses ⁽²⁾ (%)	8.63	11.32	11.07

Continued

Item	2020	2019	2018
Net Interest Spread ⁽³⁾ (%)	1.34	1.61	1.65
Net Interest Margin ⁽⁴⁾ (%)	1.30	1.49	1.90
Ratio of Net Fee and Commission Income to Operating Income (%)	0.09	0.45	2.34
Cost-to-Income Ratio ⁽⁵⁾ (%)	33.44	28.65	28.21

Note: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculation methods are determined according to the *Rules for the Compilation and Submission of Information Disclosure by Companies No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)* issued by CSRC.

(3) Calculated by the spread between the yield on average balance of interest-bearing assets and the cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing the net interest income by the average balance of interest-bearing assets.

(5) Calculated by dividing the operating and administrative expenses by the operating income.

Asset Quality

Item	2020	2019	2018
Non-performing Loan (NPL) Ratio ⁽¹⁾ (%)	0.95	1.09	1.36
Provision Coverage Ratio ⁽²⁾ (%)	329.97	293.66	278.24

Note: (1) Calculated by dividing the balance of NPLs by the total loans and advances to customers.

(2) Calculated by dividing the balance of the allowance for impairment losses on loans by the balance of NPLs.

Capital Adequacy

Item	2020	2019	2018
Core Tier 1 Capital Adequacy Ratio ⁽¹⁾ (%)	12.18	12.94	13.41
Tier 1 Capital Adequacy Ratio ⁽¹⁾ (%)	12.18	12.94	13.41
Capital Adequacy Ratio ⁽¹⁾ (%)	13.35	14.11	14.57
Total Equity to Total Assets Ratio (%)	9.70	9.74	8.68

Note: (1) Calculated in accordance with the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)* issued by CBRC.

V. Chairman's Statement

The year 2020 was an extremely uncommon and challenging year. Since the complicated international situation started to be interwoven with the sudden outbreak of the COVID-19 pandemic, the global socio-economic order was gradually changed. Despite the changes, the order was maintained in some degree, and in the midst of crises, opportunities emerged. Thanks to the central government's strong support for pandemic prevention and control as well as the loose fiscal and monetary policies, China became the only economy in the world to achieve positive growth, and the "13th Five-year Plan" also came to a successful end. Bank of Kunlun resolutely implemented the decisions of PBOC and CBIRC, pushed ahead the anti-pandemic work and the resumption of production, supported the development of the real economy, and took special actions to improve quality and efficiency, thus ensuring its steady development throughout the year. Its operating performance underwent certain decline year on year due to the impact of narrowing interest rate spreads, decreasing revenue from international business and huge fluctuations in the bond market. Specifically, the Bank's asset size expanded to RMB 349.9 billion from RMB 336.5 billion, up by 4% YOY, its non-performing loan (NPL) balance stayed at RMB 1.522 billion at the end of the year, a decrease of RMB 72 million from the beginning of the year, and the NPL ratio was controlled at 0.95%, down by 0.14 percentage points from the beginning of the year, thus achieving an outcome of "double reductions". The ROA, the provision coverage ratio, and other indicators were all above the industry average.

During the year 2020, Bank of Kunlun adhered to the general guideline of pursuing progress while maintaining stability and further implemented the strategy of integration of industry and finance. By doing so, its business developed steadily. First, the combination of industry and finance was promoted online, and the mode of "mutual promotion of finance and industry" was gradually enriched to facilitate data interchange, scenario profiling and the implantation of products for integration of industry and finance; and consequently, new avenues were opened for online services in this field. Second, the Bank remarkably expanded its market and, serving as a settlement bank, it actively engaged in the development of the treasury of PipeChina. In addition, the Bank put into practice the projects of Sinopec and CNOOC for integration of industry and finance. It successfully connected to the CSCC platform to add new online channels for the factoring business. The Bank's international business was being steadily transformed, and the domestic L/C and forfaiting businesses started to show signs of potential strength. Thirdly, personal services continued to be improved. Together with the launch of "Huixin No.2" series of products and the "Housing Express Loan", the sales volume of the Bank's self-managed financial products exceeded RMB 100 billion for the first time. Focusing on platform building and value creation, its online financing business experienced steady development in the sectors of online loans and online payments. As the scenarios for credit card application further increased, the Bank found more approaches to win and retain clients.

During the year, Bank of Kunlun adhered to legal compliance, strengthened innovation, continued to improve its capabilities, and gradually consolidated the foundation for high-quality development. Firstly, it developed a three-year reform action plan for this state-owned enterprise, and worked out the "timetable" and "roadmap" for major reforms in the next stage. The Bank also optimized its post ranking system, carried out evaluation and recruitment of senior managers, and provided easier access to career development.

Secondly, the Bank sped up its product and service innovation, and launched the “Kunlun Fast Discounting” service, the domestically first discount financing product that covers the entire banking process and fully supports online operations, with excellent results registered in its application. It also launched “Ultimate Account Opening”, which represents the industry’s advanced level by shortening the time of account opening to less than 25 minutes. The Bank also completed its work to put into operation the first and second batches of applications for the core system 3.0, thereby boosting the transaction handling efficiency by over 8 times. Third, the Bank improved its total risk management system by promoting the digitization of risk management, launching and applying the big data risk control model, and realizing anti-fraud monitoring and early warning of abnormal client transactions within seconds. The mechanism for making approvals by dedicated personnel was formally implemented in the head office, which gradually improved the approval efficiency and capability for credit risk decision-making. Fourth, we continued to build up the foundation for business continuity. The Bank completed the construction of the disaster recovery application system with “two locations and three centers” and conducted drills on system switching in the disaster recovery environment. As a result, the Bank was initially capable of addressing non-traditional financial risks in extreme environments.

During the year, Bank of Kunlun actively fulfilled its social responsibilities to make more contributions to society. We resolutely implemented the deployment of the Party Central Committee, local governments, regulatory authorities, the Group and CNPC Capital to prevent the pandemic. With employees’ life, safety and health put in the first place, we strengthened organizational leadership, developed plans, and implemented scientific and targeted measures. In an in-depth and details-oriented manner, we effectively engaged in various prevention and control work and met the “zero infection and zero case” target. In our efforts to implement national financial policies, the Bank increased support for enterprises working to prevent and control the pandemic and to protect people’s livelihood. We helped them to overcome difficulties by optimizing processes, providing remote services, opening green channels, in addition to measures such as fee reductions, concessions, and extension of grace periods. In this period, the Bank granted a total of 1,914 loans to relevant enterprises, with an aggregated amount of RMB 31.499 billion. Taking advantage of Xinjiang as the pilot region for initiating green financial reform and innovation, we increased input to green credit resources and strengthened support for new energy, energy conservation and environmental industries. The Bank also continued to enhance its efforts in poverty alleviation, and achieved outstanding results in the program known as “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts” in villages in Shaya County of Xinjiang Autonomous Region. Two targeted villages in Jiashi County were lifted out of poverty one after another, thus marking the successful conclusion of our poverty alleviation campaign. In addition to the extensive commendation by local cadres and people, our work was fully affirmed by the Party Committee and government of the autonomous region.

We owe our achievements to the guidance of the government and regulatory authorities at all levels, to the generous support of all shareholders, customers, and all sectors of society, and to the hard work of all our Senior Management and staff. On behalf of the Board of Directors, I would like to express my heartfelt gratitude to the leaders at all levels and all sectors of society for their support! I would also like to express my sincere gratitude to all our Senior Management and staff!

The year 2021 marks the 100th anniversary of the founding of the Communist Party of China and is also the opening year of the 14th Five-year Plan. This year is of special importance in the process of China's modernization following the completion of the work to build a moderately prosperous society in China. Finance is the bloodline of modern economy and an important part of the country's core competitiveness. Consistently dedicated to the original mission of serving the national economy, people's livelihood and the energy industry, Kunlun Bank has always made efforts to integrate its own development into the national strategy, industrial development and people's expectations for a better life. In the new year, we are determined to: follow the "four adherences" strategy for corporate revitalization and the "four transformations" guideline for corporate governance; adhere to the positioning of industrial finance and the strategy of pursuing progress while maintaining stability; comprehensively strengthen the Party's leadership and our Party building work; make the Bank's corporate governance system and capacity more modernized; keep boosting its market competitiveness and start a new journey of "second entrepreneurship" in an all-round way. In the new year, we will endeavor to: focus on building an upgraded version of the effort to integration of industry and finance, and effectively promote our characteristic development; strengthen the work on building up our marketing capacity, with the focus placed on enhancing market competitiveness; make greater efforts in internal reform and promote management upgrade; accelerate technology-based transformation and further play the empowering role of technology; always maintain loyalty to our cause and effectively fulfill corporate social responsibilities. In the new year, we will make concerted efforts to better serve our clients, reward our shareholders and benefit society, and keep contributing to the great rejuvenation of the Chinese nation.

Chairman of the Board: Jiang Shangjun

VI. Rankings and Awards

1. The Bank ranked the 277th in list of “Top 1,000 World Banks 2020” published by the British journal - *The Banker*.
2. The Bank was awarded the Third Prize of 2020 China Banking Financial Technology Application Results by the China Banking Association.
3. The Bank was awarded 2020 “UnionPay Excellent Cooperative Organization”.
4. The Bank was awarded the “Active Trader of 2020”, “X-Repo Best Progress Award”, as well as the “Top 300 in Annual Transactions” issued by the National Interbank Funding Center.
5. The Bank was awarded the “2020 Top 100 - Excellent Dealers in Settlement” by China Central Depository and Clearing Co., Ltd.
6. The Bank was awarded the “Annual Credit Card Business Development Award” in the “2020 Financial Digital Development Gold List Awards” by the Financial Digital Development Alliance.
7. The financing project of “Auto Insurance E Loan” of the Bank was awarded the Best Inclusive Finance Practice Award (CFCA) in the China Fintech Innovation Grand Competition.
8. The Bank was awarded the “2020 Best Direct Banking Prize” of the China E-Bank Golden Award by the China Financial Certification Authority (CFCA).
9. The “New-generation Outlet Construction Project Based on Quantum Encryption and 5G Communication Technology” was awarded the “Best Technology Innovation Prize in 2020 China Banking Financial Technology Application Result Grand Competition”.
10. The “Online Signing Project of Corporate Credit Business Contract” of the Bank was awarded the “2020 Special Service Award in Financial Technology Innovation - Financial Anti-epidemic Excellent Product and Service Award”.
11. The Bank won the title of “2020 Excellent Investment Institution in Finance Direct Financing Instrument Business”.
12. The Bank ranked among “Top 30 National Urban Commercial Banks” by PY Standard in terms of the comprehensive financing capability.
13. The Bank won the title of Excellent Organization Unit of Xinjiang Uygur Autonomous Region in terms of its abilities in “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts”.
14. The Bank was awarded the title of “2020 Outstanding Units of Bank Institution Survey Statistics in Karamay”.

VII. Management Discussion and Analysis

7.1 Strategic Development Direction

Strategic mission: Rooted in industrial finance, committed to energy undertakings and dedicated to society

Bank of Kunlun is characterized by the business of industrial finance, which is the foundation of the Bank's development and is also a field with great potential. Bank of Kunlun will sincerely and deeply develop industrial finance and serve the energy sector. Upholding the corporate spirit of patriotism, entrepreneurship, pragmatism and dedication, the Bank makes practical efforts to fulfill its original mission and employ financial tools to help "fuel clients' growth and add people's happiness".

Strategic objective: The most competitive, first-class and characteristic commercial bank in the energy sector

To become the most competitive bank in the field of energy requires Bank of Kunlun to: carry forward the spirit of petroleum; resolutely adhere to our strategic orientation and the positioning of industrial finance; based in Xinjiang, strive to have a nationwide presence and build up global competitiveness; grow into a specialized bank that leads the national energy finance field and give back to the socio-economic development of Xinjiang. To be "first-class" means to have first-class performance, products, services, risk control, operation, management, as well as the first-class ability to fulfill social responsibility and political commitment, in our effort to rank among the top 40 urban commercial banks in China in terms of the tier-one net capital. To be "characteristic" means that based on our resource endowment, the Bank will firmly adhere to the path of characteristic and differentiated development driven by the integration of industry and finance.

Core values: Professionalism, compliance, integration, responsibility, and pragmatism

Professionalism: professional expertise, skills, services and management; **Compliance:** honesty, trustworthiness, compliant management, legal operation, and strict risk prevention; **Integration:** openness, inclusiveness, entrepreneurship, innovation, unity and cooperation; **Responsibility:** responsibilities for clients, shareholders, employees, and society; **Pragmatism:** hard work, practical efforts, painstaking fulfillment, and effective results.

7.2 Economic, Financial and Regulatory Environment

In 2020, China maintained stable running in the economy in the face of the severe and complex domestic and international environment, and the serious impact of the COVID-19, and achieved the restorative growth in economy under the precondition of preventing and controlling the COVID-19. China's total GDP in the year exceeded RMB 100 trillion for the first time, up by 2.3% YOY, and China became the only state realizing the economic growth among the key global economies. The supply side of China's economy took the lead in the global recovery, and the industrial production recovered well; the industrial structure

continued to optimize and upgrade, and the added values of the hi-tech manufacturing industry increased by 7.1%; the investment growth of the demand side maintained stable, and the import-export trade grew by 1.5% against trend, and the consumption recovered slowly. China's economy is steadily growing at a pace, and the basic trend of long-term growth remains unchanged although China's economy is entering a pivotal stage for transforming our growth model, improving our economic structure, and fostering new drivers of growth, and the structural, institutional and cyclical problems were intertwined, and the effects of "three major trends" continue to deepen.

The monetary policy gradually changed into normal development from supernormal expansion. To fight the epidemic and support the resumption of work and production, the Central Bank cut the RMB required reserve ratio (RRR) for 3 times, declined the deposit reserve rate of about 1 percentage point in the first half of the year, and released the liquidity fund of RMB 1.75 trillion; the Central Bank issued three batches of reloan lines of RMB 1.8 trillion in total to directly support nearly 3 million enterprises including the epidemic prevention enterprises, small and micro enterprises, and private enterprises; at the beginning of the year, the Central Bank started to cut its MLF interest rate by 30 basis points to decline the LPR rate, and the banking industry surrendered the profits of RMB 1.5 trillion to the real economy. With the steady recovery of the economy since May, the monetary policy continued to tighten. In terms of the policy operation, the Central Bank adjusted the liquidity more by the open market operations compared with the tradition-oriented instrument of RRR cuts. In 2020, the money supply and social capital demand maintained steady growth, and the broad money (M2) stood at RMB 218.68 trillion, up by 10.1% YOY; the cumulative increase in social financing was RMB 34.86 trillion, increasing by RMB 9.29 trillion from last year.

The financial system framework continued to improve and the financial market developed rapidly. The *Law of the People's Bank of China (Revision Proposal)* and the *Commercial Bank Law (Revision Proposal)* in the banking industry were revised, the top-level design was improved, and the macroprudential management of the Central Bank was intensified. CBIRC rectified the bank shareholder equity and related party transaction, printed and distributed the *Three-year Action Plan for Perfecting the Governance of Banking and Insurance Companies (2020-2022)* to promote, perfect and improve the corporate governance. Baoshang Bank went bankrupt, and the supplement of bank capital was diversified. The supervision method of financial holding companies was issued, the financial technology was included in the supervision scope, and the financial risks were effectively controlled. The reform of the capital market was vigorously promoted, the registration system scope was further expanded, and the delisting system gradually improved. The stock market showed a "Structural" bull case throughout the year. Under the impetus of substantial increase in the circulation of national debts and local government debts, the issued scale of the bond market registered a record high; the net financing scale also broke through the earlier high point; and the market inventory scale exceeded RMB 100 trillion for the first time and reached RMB 114.31 trillion.

The banking industry achieved steady development. In 2020, the commercial bank assets reached RMB 259 trillion, up by 11.47% YOY; the liability reached RMB 237.95 trillion, up by 11.66% YOY. So the scale of assets and liabilities grew steadily. Specifically, the balance of various loans reached RMB 127.74 trillion, up by 12.8% YOY; the various deposits reached RMB 215.57 trillion, up by 10.2% YOY. The balance of NPLs of commercial banks was RMB 2.7 trillion, up by 11.93% YOY; the NPL ratio was 1.84%, down by

0.02 percentage point YOY; the non-performing assets disposed throughout the year reached RMB 3.02 trillion, and the asset quality was stable and controllable. The cumulative net profits of commercial banks achieved RMB 1.93 trillion, down by 2.7% YOY; the net interest margin throughout the year was 2.10%, down by 10BP YOY. To fight against the epidemic and support the development of the real economy, the banking industry completed the cumulative loans of RMB 6.6 trillion; delayed the repayment of capital and interest; issued the inclusive small and micro credit loans of over RMB 3 trillion on a cumulative basis; provided the special credit of RMB 5.3 trillion for epidemic prevention and control to support over 30 million business entities on a cumulative basis; surrendered the profits of RMB 1.5 trillion to the real economy, reflecting the responsibility and commitment of the banks.

7.3 Analysis of Financial Statements

7.3.1 Analysis of the Income Statement

Changes of Key Items in the Income Statement

In 2020, the Company realized an operating income of RMB 5.920 billion, implying a decrease of RMB 1.204 billion or 16.90% as compared with last year. The operating expenses were RMB 2.484 billion, implying a decrease of RMB 457 million or 15.53% as compared with last year. Throughout the year, the Company realized a net profit of RMB 2.912 billion, implying a decrease of RMB 677 million or 18.84% as compared with last year.

Unit: in RMB 10⁴

Item	2020	2019	Increase / Decrease	Rate of Change (%)
Net Interest Income	393,988	426,479	(32,490)	(7.62)
Non-interest Income	198,016	285,952	(87,936)	(30.75)
Operating Income	592,005	712,431	(120,426)	(16.90)
Less: Operating Expenses	248,413	294,094	(45,681)	(15.53)
Including: Taxes and Surcharges	4,874	4,891	(17)	(0.35)
Operating and Administrative Expenses	197,943	204,089	(6,146)	(3.01)
Impairment Losses on Credit Assets	45,509	85,251	(39,742)	(46.42)
Impairment Losses on other Assets	74	(161)	235	145.90
Other Operating Costs	13	24	(11)	(43.92)
Operating Profit	343,592	418,337	(74,745)	(17.87)
Add: Net Non-operating Income and Expenses	138	(85)	223	261.49
Profit Before Tax	343,730	418,252	(74,522)	(17.82)
Less: Income Tax Expenses	52,484	59,381	(6,897)	(11.61)
Net Profit	291,246	358,871	(67,625)	(18.84)
Net Profit Attributable to the Shareholders of the Parent Company	291,098	358,724	(67,626)	(18.85)

Net Interest Income

In 2020, the Company realized a net interest income of RMB 3.940 billion, implying a decrease of RMB 325 million or 7.62% from the same period last year, accounting for 66.55% of the operating income. The decrease of the net interest income mainly resulted from the influence from the daily average scale of assets and liabilities, and net interest spread. Among them, the net interest spread was 1.34%, implying a decrease of 0.27 percentage point as compared with last year. The average rate of return on the interest-bearing assets was 3.56%, implying a decrease of 0.17 percentage point as compared with last year, and the average rate of interest payment from the interest bearing liabilities was 2.22%, implying an increase of 0.10 percentage point as compared with last year.

Non-interest Income

In 2020, the Company realized a non-interest income of RMB 1.980 billion, implying a decrease of RMB 879 million or 30.75% as compared with last year, accounting for 33.45% of the total operating income.

Unit: in RMB 10⁴

Item	2020	2019	Increase / Decrease	Rate of Change (%)
Fee and Commission Income	14,666	10,398	4,269	41.05
Less: Fee and Commission Expenses	14,150	7,219	6,932	96.02
Net Fee and Commission Income	516	3,179	(2,663)	(83.76)
Other Non-interest Related Income	197,500	282,773	(85,273)	(30.16)
Total	198,016	285,952	(87,936)	(30.75)

Net Fee and Commission Income

Unit: in RMB 10⁴

Item	2020		2019	
	Balance	Ratio (%)	Balance	Ratio (%)
Fee and Commission Income	14,666	100.00	10,398	100.00
Settlement Fee Income	1,290	8.80	2,202	21.17
Agency Fee Income	3,130	21.34	2,984	28.69
Bank Card Fee Income	5,620	38.32	3,591	34.54
Foreign Exchange Settlement Fee Income	1,520	10.36	614	5.90
Guarantee Business Fee Income	12	0.08	45	0.43
Syndicated Loan Fee Income	2,609	17.79	568	5.47
Consulting Service Fee Income	93	0.64	116	1.11
Internet Financial Fee Income	266	1.82	82	0.78
Other Fee Incomes	126	0.86	197	1.90

Continued

Item	2020		2019	
	Balance	Ratio (%)	Balance	Ratio (%)
Fee and Commission Expenses	14,150	100.00	7,219	100.00
Settlement Fee Expenses	1,671	11.81	1,213	16.81
Bank Card Fee Expenses	3,064	21.65	2,498	34.61
Agency Fee Expenses	82	0.58	90	1.24
Business Voucher Fee Expenses	145	1.02	370	5.13
Collateral Business Fee Expenses	428	3.02	233	3.23
SMS Service Fee Expenses	516	3.64	557	7.71
Internet Financial Fee Expenses	6,831	48.28	453	6.28
Other Agency Fee Expenses	1,414	9.99	1,804	24.99
Net Fee and Commission Income	516		3,179	

Interest Expenses

In 2020, the deposit interest expenses of the Company amounted to RMB 4.118 billion, implying an increase of RMB 730 million or 21.54% as compared with RMB 3.388 billion last year. The interest expenses from interbank deposit amounted to RMB 906 million, implying a decrease of RMB 126 million or 12.23% as compared with RMB 1.032 billion last year. The interest expenses from due to banks and other financial institutions amounted to RMB 1.196 billion, implying a decrease of RMB 255 million or 17.55% as compared with RMB 1.451 billion last year.

Operating Expenses

Operating and Administrative Expenses

In 2020, the Company implemented strict cost management and control. Operating and administration expenses reached RMB 1.979 billion, implying a decrease of RMB 61 million or 3.01% as compared with last year, mainly due to the impact of the COVID-19, and the Company's strengthening of quality and efficiency.

Impairment Losses on Credit Assets

In 2020, the impairment losses on credit assets of the Company were RMB 455 million, implying a decrease of RMB 397 million or 46.62% as compared with last year. The primary cause was that the impairment loss on debt investments decreased RMB 556 million as compared with last year; the impairment losses on placements with banks and other financial institutions decreased RMB 317 million; and the impairment loss on loans and advances measured at amortized cost increased RMB 398 million as compared with last year.

Income Tax Expenses

Unit: in RMB 10⁴

Item	2020	2019
Current Income Tax Calculated According to the Tax Law and Relevant Provisions	32,485	65,802
Deferred Income Tax Adjustment	19,999	(6,422)
Others	0	0
Total	52,484	59,381

7.3.2 Analysis of the Balance Sheet

Assets

As at the end of 2020, the balance of assets of the Company amounted to RMB 349.884 billion, implying an increase of RMB 13.4 billion or 3.98% as compared with the end of last year. Changes in the main assets: the balance of deposits with banks and other financial institutions reached RMB 15.569 billion, implying a decrease of RMB 11.785 billion or 43.08% as compared with the end of last year; the balance of the placements with banks and other financial institutions was RMB 41.308 billion, implying an increase of RMB 7.576 billion or 22.46% as compared with the end of last year; the balance of the trading financial assets reached RMB 57.283 billion, implying an increase of RMB 7.989 billion or 16.21% as compared with the end of last year; the balance of the loans and advances to customers was RMB 155.769 billion⁽¹⁾, implying an increase of RMB 14.288 billion or 10.10% as compared with the end of last year.

Unit: in RMB 10⁴

Item	31 December, 2020		31 December, 2019	
	Balance	Ratio (%)	Balance	Ratio (%)
Cash and Balances with the Central Bank	2,177,168	6.22	2,504,083	7.44
Deposits with Banks and Other Financial Institutions	1,556,928	4.45	2,735,418	8.13
Placements with Banks and Other Financial Institutions	4,130,773	11.81	3,373,154	10.02
Financial Assets Held under Resale Agreements	10,413	0.03	295,642	0.88
Loans and Advances to Customers ⁽¹⁾	15,576,904	44.52	14,148,072	42.05
Financial Investments	11,322,946	32.36	10,390,896	30.88
Trading Financial Assets	5,728,290	16.37	4,929,439	14.65
Debt Investments	3,538,087	10.11	3,649,540	10.85
Other Debt Investments	2,056,569	5.88	1,811,917	5.38
Fixed Assets	36,736	0.10	35,323	0.10
Construction in Progress	10,556	0.03	8,217	0.02
Intangible Assets	11,637	0.03	9,467	0.03
Deferred Income Tax Assets	59,515	0.17	75,038	0.22
Other Assets	94,821	0.27	73,089	0.22
Total Assets	34,988,398	100.00	33,648,398	100.00

Note: (1) The balance included the principal and the interest payable and allowance for impairment.

Loans (excluding accrued interest)

As at the end of 2020, the principal of various loans and advances of the Company amounted to RMB 160.543 billion, implying an increase of RMB 14.611 billion or 10.01% as compared with the end of last year. Specifically, the corporate loans were RMB 125.030 billion, implying an increase of RMB 5.235 billion or 4.37% as compared with the end of last year; the personal loans were RMB 35.513 billion, implying an increase of RMB 9.376 billion or 35.87% as compared with the end of last year.

Unit: in RMB 10⁴

Item	31 December, 2020		31 December, 2019	
	Balance	Ratio (%)	Balance	Ratio (%)
Principal of Loans and Advances to Customers	16,054,310	100.00	14,593,246	100.00
Including: Corporate	12,503,015	77.88	11,979,552	82.09
Personal	3,551,295	22.12	2,613,694	17.91
Less: Allowance for Impairment Losses on Loans	502,115	100.00	467,886	100.00
Including: Corporate	468,151	93.24	448,908	95.94
Personal	33,965	6.76	18,977	4.06
Net Value of Loans and Advances to Customers	15,552,194	100.00	14,125,361	100.00
Including: Corporate	12,034,864	77.38	11,530,644	81.63
Personal	3,517,330	22.62	2,594,717	18.37

Liabilities

As at the end of 2020, the balance of liabilities of the Company amounted to RMB 315.946 billion, implying a decrease of RMB 12.238 billion or 4.03% as compared with the end of last year. Specifically, the balance of due to customers amounted to RMB 198.144 billion⁽¹⁾, implying an increase of RMB 13.984 billion or 7.59% as compared with the end of last year; the balance of due to banks and other financial institutions reached RMB 51.521 billion, reflecting a decrease of RMB 8.035 billion or 13.49% as compared with the end of last year; the balance of financial assets sold under repurchase agreements was RMB 21.572 billion, implying an increase of RMB 594 million or 2.83% as compared with the end of last year.

Unit: in RMB 10⁴

Item	31 December, 2020		31 December, 2019	
	Balance	Ratio (%)	Balance	Ratio (%)
Due to the Central Bank	262,423	0.83	72,029	0.24
Due to Banks and Other Financial Institutions	5,152,058	16.31	5,955,515	19.61
Placements from Banks and Other Financial Institutions	100,046	0.32	200,103	0.66
Financial Assets Sold under Repurchase Agreements	2,157,197	6.83	2,097,783	6.91

Continued

Item	31 December, 2020		31 December, 2019	
	Balance	Ratio (%)	Balance	Ratio (%)
Due to Customers ⁽¹⁾	19,814,383	62.71	18,415,997	60.64
Employee Compensation Payable	3,845	0.01	3,002	0.01
Tax Payable	18,190	0.06	39,657	0.13
Accrued Liabilities	19,200	0.06	18,661	0.06
Bonds Payable	3,713,048	11.75	3,104,086	10.22
Other Liabilities	354,206	1.12	463,971	1.53
Total Liabilities	31,594,597	100.00	30,370,805	100.00

Note: (1) The balance included the principal and the interest payable.

Due to Customers (Excluding Accrued Interest)

As at the end of 2020, the principal of due to customers of the Company was RMB 193.959 billion, implying an increase of RMB 12.967 billion or 7.16% as compared with the end of last year. In terms of customer structure, the balance of corporate deposits was RMB 118.682 billion, implying a decrease of RMB 212 million or 0.18% as compared with last year; the balance of personal deposits amounted to RMB 75.276 billion, implying an increase of RMB 14.087 billion or 23.02% as compared with last year; the balance of structured deposits amounted to RMB 0, implying a decrease of RMB 908 million or 100.00% as compared with last year.

Unit: in RMB 10⁴

Item	31 December, 2020		31 December, 2019	
	Balance	Ratio (%)	Balance	Ratio (%)
I. Corporate Deposits	11,868,233	61.19	11,889,477	65.69
Fixed Deposits	7,026,523	36.23	6,445,100	35.61
Demand Deposits	3,803,963	19.61	3,918,195	21.65
Fiscal Deposits	8,064	0.04	3,161	0.02
Other Deposits	57,845	0.30	508,560	2.81
Margin Received	971,838	5.01	1,014,462	5.61
II. Personal Deposits	7,527,622	38.81	6,118,902	33.81
Fixed Deposits	5,547,452	28.60	4,208,209	23.25
Demand Deposits	1,980,170	10.21	1,910,693	10.56
III. Structured Deposits	0	0.00	90,800	0.50
Total	19,395,855	100.00	18,099,178	100.00

7.3.3 Analysis of the Statement of Cash Flows

The ending cash and cash equivalents were RMB 25.076 billion, decreasing by RMB 31.978 billion or 56.05% compared with beginning of the year, which was caused by that deposits with banks and other financial institutions due within three months decreased RMB 8.268 billion, the placements with banks and other financial institutions due within three months decreased RMB 17.9 billion, and the cash equivalents decreased RMB 3.89 billion compared with last year.

Net Cash Flows from Operating Activities

The net cash flows from operating activities for the year amounted to RMB -38.025 billion, implying a decrease of RMB 7.035 billion or 22.70% as compared with RMB -30.99 billion in the same period last year. The primary cause was that the cash inflows from the net increase in placements from banks and other financial institutions decreased to some extent in the same period last year.

Net Cash Flows from Investing Activities

The net cash flows from investing activities for the year amounted to RMB 2.259 billion, implying an increase of RMB 1.449 billion or 178.98% as compared with RMB 810 million in the same period last year. The primary cause was that the net cash flows from investing activities increased due to the increase in cash received from investment in the same period last year.

Net Cash Flows from Financing Activities

The net cash flows from investing activities for the year amounted to RMB 3.788 billion, implying an increase of RMB 8.857 billion or 174.72% as compared with RMB -5.069 billion in the same period last year. The primary cause was that the cash receipts from issuance of bonds reached RMB 71.545 billion, the cash paid for repayment of bonds was RMB 65.455 billion, the distributed cash dividends and paid bond interest amounted to RMB 2.302 billion in this year.

7.3.4 Segment Analysis

Business Segment

Unit: in RMB 10⁴

Item	Corporate Banking Business	Personal Banking Business	Capital Business	Other Business	Total
I. Net Interest Income	236,194	73,470	84,325	0	393,988
Net Fee and Commission Income	5,155	(4,524)	(115)	0	516
Return on Investment	0	0	104,677	0	104,677
Gains from Changes in Fair Value	0	0	101,213	0	101,213

Continued

Item	Corporate Banking Business	Personal Banking Business	Capital Business	Other Business	Total
Foreign Exchange Gains	(9,195)	0	0	0	(9,195)
Gains from Disposal of Assets	0	0	0	52	52
Other Gains	0	0	0	587	587
Other Operating Income / Costs	0	0	0	153	153
Taxes and Surcharges	2,080	628	2,166	1	4,874
Operating and Administrative Expenses	77,685	44,000	76,148	109	197,943
Credit Impairment and Other Impairment	34,224	4,373	6,986	0	45,583
II. Operating Profit	118,165	19,945	204,801	681	343,592
Non-operating Income	0	0	0	496	496
Non-operating Expenses	0	0	0	358	358
III. Total Profits	118,165	19,945	204,801	819	343,730
Income Tax Expenses	18,042	3,045	31,271	125	52,484
IV. Net Profit	100,122	16,899	173,530	694	291,246

Geographical Segment

Unit: in RMB 10⁴

Item	Xinjiang	Outside Xinjiang	Total
I. Net Interest Income	235,975	158,013	393,988
Net Fee and Commission Income	(1,670)	2,186	516
Return on Investment	104,677	0	104,677
Gains from Changes in Fair Value	101,213	0	101,213
Foreign Exchange Gains	(9,390)	195	(9,195)
Gains from Disposal of Assets	52	0	52
Other Gains	206	380	587
Other Operating Income / Costs	160	(8)	153
Taxes and Surcharges	2,648	2,226	4,874
Operating and Administrative Expenses	144,612	53,331	197,943
Credit Impairment and Other Impairment	29,575	16,008	45,583
II. Operating Profit	254,390	89,202	343,592
Non-operating Income	408	88	496
Non-operating Expenses	311	47	358
III. Total Profits	254,487	89,243	343,730
Income Tax Expenses	45,307	7,177	52,484
IV. Net Profit	209,180	82,066	291,246

7.4 Business Overview

7.4.1 Corporate Banking

The Bank focused on efficiency; adhered to the main task of high-quality development and value creativity improvement, and the regional characteristic and differentiated development; highlighted key customers, expanding new marketing channels, and improving the product application, consolidating the basic management; highlighted the marketing in the key fields and the priority development of key business; promoted the scene marketing and the business portfolio application; vigorously adjusted the structure, and laid a solid foundation for development; actively strengthened customer marketing, vigorously developed assets business, steadily advanced liability business, and made efforts to promote service and product innovation to accelerate the sustainable and quality development of the corporate business.

Corporate Banking Customers

The Bank's customer acquisition capabilities continued to improve, and its comprehensive marketing capabilities were steadily enhanced. The customer classification and hierarchical marketing was practically implemented, the high-quality group customers continued to increase, and the project reserve became normalized. The Bank strengthened the active liability work, intensified the marketing of financial customers, and designed different product portfolio plans according to customer demands and product characteristics to effectively improve the customer viscosity and contribution degree. Most of the customers from the petroleum and petrochemical industry chain are small or micro enterprises. Profound financial services for these customers are our implementation of the development strategy of "integration of industry and finance" and a unique development path involving micro and small financial services. As at the end of 2020, corporate banking customers totaled 35,000, up by 4.03% YOY. Among them, 10,300 or 29.50% of the total customers were from the petroleum and petrochemical industry chain.

Corporate Banking Deposits

The scale of bank deposits of the Company continued to expand, and the deposit structure continued the process of optimization. The Bank adhered to the philosophy of "Development by Deposits"; positively marketed the government stocking customers, vigorously developed the new market, new customers and new channels; developed detailed customer marketing targets for large, medium and small customers, and especially paid a visit to financial customers, provident fund customers, and other institutional customers. The peak season marketing, annual marketing, "3+3", and other marketing activities were fruitful; the deposit structure continued the process of optimization; the deposit business was balance and stable, and the development capability continuously improved. As at the end of 2020, the balance of the corporate banking deposits stood at RMB 118.066 billion.

Corporate Banking Loans

The Bank's corporate loans grew steadily and asset quality continued to improve. According to different fields, the Bank conducted the study on six major topics; established a suitable contact mechanism; carried

out the project schedule; solved actual problems; and provided marketing guidance for key customers and major projects. Meanwhile, it strengthened the business reserves; paid close attention to loan issuance and recovery; completed the approval work; and gave play to the role of the first line of defense against risks. Especially during the epidemic period, the Bank adopted various measures such as opening of the green channel, interest rate preference, deferred payment, on-line signing to help the enterprises affected by the epidemic to resume work and production, and support the social and economic development. As at the end of 2020, the balance of corporate bank loans of the Bank (excluding discount) amounted to RMB 94.612 billion, implying an increase of RMB 17.484 billion, or 22.67% as compared to the end of last year. The NPL ratio of corporate loans was 1.42%, down by 0.35 percentage point compared to the end of last year.

Micro and Small Finance Services

The balance of loans to inclusive small and micro enterprises maintained steady growth, and the quality and efficiency of micro and small finance services further improved. As at the end of 2020, the number of loan borrowers of inclusive small and micro enterprises of the Bank increased by 3,087 year-to-date to 9,456 (S71 Statement). The amount of cumulative loans to small and micro enterprises throughout the year reached RMB 44.454 billion, and the unified loans to small and micro enterprises increased by RMB 5.274 billion, implying an increase of 17.03 percentage points compared with other various loans. The loans to inclusive small and micro enterprises increased by 11.69 percentage points compared with other various loans; the average interest rate decreased by 1.28 percentage points compared with the beginning of the year, and we better completed “two increases and two controls”, and other regulatory requirements.

Green Financial Services

The concept of green development deepened continually, and the green finance business achieved further development. By innovating products and services, and optimizing the allocation of resources, the Bank prioritized the fields of energy saving & emission reduction and the construction of ecological environment in allocating the credit resources, and established green finance policy and institutional system to accelerate the steady growth of the scale of green credit. The Head Office established a team to coordinate the pilot zone and the demonstration zone, and the branches set up green sub-branches and established green finance service mechanisms and incentive programs to stimulate the service enthusiasm. The Bank actively promoted the environment information disclosure, and was the first corporate banking institution who took the lead in completing the disclosure report in the region of Xinjiang in 2020. As at the end of 2020, the balance of green loans of the Bank stood at RMB 13.383 billion (according to the latest scope of statistics of the Central Bank), implying an increase of RMB 906 million or 7.26% as compared with the beginning of the year.

7.4.2 Integration of Industry and Finance

In 2020, under the overall deployment of CNPC and CNPC Capital in deepening integration of industry and finance, the Bank joined hands with core enterprises to face the severe epidemic, plunge in oil prices, and other complex external environment and situation, and released the *Notification on Optimizing the Process of Integration of Industry and Finance during the National Anti-epidemic Period* to provide financial

services by the simplest program, the fastest speed and the most favorable interest rate. The Bank jointly studied, implemented and realized the spirit of the “marketing” work meeting, had courage to innovate, and actively promoted the upgrade of science and technology. With a vision of the outside world, the Bank boldly explored the blue ocean market of the oil and gas industry, and steadily promoted the bank-wide development of the integration of industry and finance.

Industrial Financing Customers and Exclusive Products

In 2020, the number of exclusive corporate products of the “Kunlun Express” product system featuring “Program” series upper-stream and “Loan” series down-stream reached 19, including 1 full on-line product (Petro Easy Loan), and 2 semi-online products (Oil Wholesale Loan and E-commerce Program). As at the end of the year, the balance of exclusive credit products was RMB 42.181 billion, implying an increase of RMB 6.826 billion or 19.31% as compared with the beginning of the year. Specifically, the balance of “Program” products in the upper-stream of the industry chain stood at RMB 27.394 billion, implying an increase of RMB 1.709 billion or 6.65% as compared with the beginning of the year; the balance of down-stream products in the “Loan” industry chain stood at RMB 14.787 billion, implying an increase of RMB 5.116 billion or 52.73% as compared with the beginning of the year.

The consulting services of the Bank in asset securitization achieved progress, and the asset-backed special plan for accounts receivable of China petroleum engineering construction obtained a no-action letter from Shanghai Stock Exchange.

The Bank explored the blue ocean market, completed the opening of the general account, account migration, and other work for PipeChina. The first “Petro Enterprise Program” business of SINOPEC, and that of CNOOC had been realized. The Bank cooperated with e-commerce platform Jingdong Group and realized the system integrating to issue loans.

In 2020, the number of industrial financing corporate customers reached 10,182, up 339 from the beginning of the year. The time point balance of deposits among industrial financing customers stood at RMB 63.848 billion, and that of on-balance sheet loans RMB 29.299 billion.

Online Service

The Bank launched the full on-line bill intelligent “Fast Discounting” product - “Kunlun Fast Discounting”, and was the first commercial bank who realized the full process and full on-line discount credit business covering banker’s bills, commercial bills, and financial bills.

The Bank followed up the construction of the unified sales platform of the sales branch of CNPC, and embedded the “Petro Easy Loan” products; deepened the cooperation with Shanghai and Chongqing Gas Trading Central Platforms, and proposed to embed the “Gas Easy Loan” products; embedded the financial services in the construction of the electronic purchase 2.0 platform of CNPC while promoting the electronic bidding platform; intervened the construction of unified electronic sales platform for chemical products of the refining and chemical branch of CNPC, and served the customers as a payment bank; signed a supply

chain information service agreement with the Sharing Center of CNPC, integrated with the “CNPC e Chain” platform system, realized the “on-line attraction, on-line pre-approval, offline account opening and on-line loan issuance” to further promoted the online service of “Petro Enterprise Program” business.

Mechanism Construction

The Bank established a coordinated linkage mechanism of “regional coordination group + grid-based finance service” to promote the integration of industry and finance, and the financial internal coordination. The Bank comprehensively summarized the achievement of integration of industry and finance during the “13th Five-Year Plan” period, formulated the plan for the integration of industry and finance during the “14th Five-Year Plan” period, and specified the strategic positioning, development goals and work direction of integration of industry and finance.

7.4.3 Personal Banking

In 2020, in terms of the retail business, the Bank positively responded to the development environment and policy changes; continued to strengthen the business featuring the integration of industry and finance, and product innovation and development; put efforts into increasing the number of effective customers; enhanced the customer viscosity; continued to improve the on-line and off-line marketing channels, achieving the continuous improvement of the retail service capability and level of the Bank.

Personal Deposit Business

We strictly implemented the supervision department’s requirements on strengthening the management of deposit prices, comprehensively adjusted the interest accrual rules for advance withdrawal of interest accrual products featuring the convenience of current deposits and the profits of fixed deposits. We elaborately organized the promotion and sales of the personal certificates of deposit, “Huixin No.2”, and other savings products, and realized steady growth in the deposit scale. We promoted the construction of projects such as optimization of deposit product sales management, screening of agency customer system, on-line product sales, improved the institutional system of business management, and further improved the business management capability. As at the end of 2020, the Bank had 2.0217 million individual customers, up by 6.88% YOY. The balance of personal deposits reached RMB 73.971 billion, up by 22.73% YOY.

Personal Loan Business

The Bank developed and innovated the personal loan product of “Micro Credit Loan for Resumption of Work and Production of Individual Businesses”, and actively supported the resumption of work and production of the real economy. The Bank promoted the application of loan prime rate (LPR), and completed the interest rate swap of stocking customers meeting the swap conditions. Meanwhile, the Bank further improved the institutional system of product management, and strengthened the business risk control. As at the end of 2020, the balance of personal loans of the Bank amounted to RMB 22.236 billion, up by 20.19% YOY, with an NPL ratio of 0.40%. The Bank issued a number of 40,300 consumption loans with a total value of RMB 6.509 billion (including “Salary Loans”) to employees in the oil sector, and the

balance registered at RMB 1.539 billion.

Personal Wealth Management

We strove to be customer-centered, market-oriented, and product-based to focus on raising the comprehensive contributions of financial customers, enriched the varieties of wealth management and agency products, and deepened the cooperation among financial enterprises. The Bank currently cooperates with a number of fund companies, insurance companies and gold companies, selling 166 fund products, 136 insurance products, and 162 precious metal products on a commission basis. The Bank's annual sales of personal wealth management products reached RMB 106 billion, while its sales of funds, insurance, precious metals and other products on a commission basis were RMB 1.880 billion.

Debit Card Business

The Bank comprehensively issued the financial IC cards supporting the dual national secret algorithms, and achieved the verification function of weak password, and the face payment application by debit cards to effectively improve the transaction security and convenience of the cardholders. The Bank was awarded the 2020 "UnionPay Excellent Cooperative Organization" by China UnionPay. As at the end of December 2020, the Bank issued 163,200 new debit cards, putting the accumulated debit card stock at 3.0137 million. In the whole year, the number of bank card transactions in terms of deposits, withdrawals, and off-line consumption reached 15.9331 million, and the total transaction volume reached RMB 74.575 billion, including RMB 15.374 billion in off-line consumption transactions.

7.4.4 International Business

In 2020, the international political and economic situation underwent major changes, making the external environment for China's exports increasingly challenging and complicated. The Bank constantly adapted its international businesses to changed circumstances, actively adjusted its strategic deployment, and upheld its development path characterized by the integration of industry and finance. Shouldering the mission of serving and assisting domestic enterprises to pursue global development, we strengthened business risk prevention and control, and continuously improved management while developing the new business. By strengthening communication and coordination with domestic and foreign customers, the Bank maintained and consolidated its business channels. By further optimizing business flows, we steadily strengthened compliance management, and enhanced the capacity for risk prevention and control.

7.4.5 Financial Market Business

In 2020, in the face of the superposition influence of multiple factors such as COVID-19, economic downturn and plunge in oil prices, the Bank actively adjusted the strategic plans for its financial market business, and vigorously promoted the construction process of the strategic objective of the "First-class Characteristic" commercial bank by taking the entry points of innovation & transformation, catching of opportunity, strengthening of risk control, optimization of business structure, intensification of technology empowerment.

Bond Business

The Bank took the market risk prevention as the main theme for bond business, and kept the allocation structure of the bonds in banking books stable. The bank strengthened the market trading capacity of trading books, and meanwhile effectively dealt with the changes in market interest rates, and expanded the means of income increase and arbitrage. In 2020, the balance of bond investments was 24.382 billion, while the remaining maturity of the weighted bonds was 2.21 years, and the weighted returns rate was 2.95%. In this year, it conducted a total of 507 bond transactions, with a trading volume of RMB 70.550 billion, realizing the interest income of RMB 801 million and return on investment of RMB 113 million. In accordance with the annual investment plan, the Bank seized the comparatively loose period of monetary policy at the beginning of the year, as well as the shock market of the interest rate under the medium and long-term downward trend, grasped the trading opportunity to promote the contribution degree of capital gains.

Capital Business

Facing the market environment under the epidemic and policy adjustment, the Bank still maintained the steady development of the capital business. The Bank comprehensively utilized a variety of debt financing means such as repurchase, interbank lending, and interbank deposit to guarantee the bank-wide mobility security. In 2020, the Bank issued 196 interbank deposit, totaling RMB 70.630 billion, up by 57.69% YOY, and the ending balance was RMB 36.719 billion; in the whole year, the interbank lending and pledge repurchase transaction amount was RMB 5.24 trillion, showing a slight increase over last year. The Bank continued to win the “Active Trader of 2020”, “X-Repo Active Trader”, as well as the “Top 300 in Annual Transactions” issued by the National Interbank Funding Center, and other honorary titles.

Interbank Business

In 2020, the Bank continued its development strategy of “returning to origins” for its interbank business, steadily developed the traditional capital business such as interbank deposits and interbank loans; actively invested in consumption credit, the supply chain financing for small and medium-sized enterprises, and other asset securitization products, and carried out relevant work of boosting the real economy by finance; conscientiously performed social responsibilities, invested in various asset securitization products for epidemic prevention and control, and loans to financial institutions in Hubei regions to help fight the epidemic. As at the end of 2020, the Bank’s balance of due to banks and other financial institutions was RMB 38.584 billion, that of interbank loans RMB 41.2 billion, and that of investment in asset securitization products RMB 14.976 billion.

Bill Business

In 2020, with the help of “Kunlun Fast Discounting” products, the Bank realized the on-line automatic processing in the whole process of discount of electronic commercial bills. We effectively responded to the financing demands of business operation during the epidemic period; further carried out the support of the Central Bank for “Enterprises Serving Agriculture, Rural Area and Farmers” and “Small and Micro Enterprises”; deeply acquired the customers of subordinate enterprises of CNPC, upper-stream and downstream enterprises in the industrial chain; made a great progress in the development of market customers,

interbank marketing, and scale use efficiency; and successfully realized the business transformation of direct transfer of the Bank's bills to business integration. As at the end of 2020, the accrual of bill discount of the Bank up by 33.38% YOY, while the bill business volume up by 56.17% YOY.

Wealth Management

In 2020, the Bank conformed to the guidance of regulatory policies, actively carried out the requirements of new regulations on asset management, and steadily promoted the rectification and transformation of financing business. In terms of product transformation, the Bank steadily promoted the reduction and disposal work of old products, and meanwhile quickened the net value transformation of financing products; developed and launched "Oil More Money" series of the open net value products; strengthened the customization and innovation of "Oil Gold Win" series of closed net value products; smoothly took over the reduction funds of old products; and realized the growth of financing business scale against trend. As at the end of 2020, the Bank's wealth management balance reached RMB 37.311 billion, increasing by RMB 6.396 billion or 20.69% compared with the beginning of the year. Specifically, the balance of the net value products was RMB 23.242 billion, increasing by RMB 12.058 billion or 26.11 percentage points as compared with the beginning of the year, accounting for 62.29%. In wealth management and investment, the Bank continued to uphold the prudent investment style, rationally arranging super-category asset allocation under the premise of ensuring safety, liquidity, and profitability; continuously optimized the asset structure and steadily improved the asset portfolio yield. The Bank's wealth management assets mainly included bonds, money market instruments, and other low-risk assets, and overall portfolio risks remained controllable.

7.4.6 Investment Banking

In 2020, the Bank focused on the support for the real economy; strove to be customer-centered; pushed the "company + investment banking" mode; continued the business innovation; strengthened the business linkage and product portfolio; enhanced the comprehensive financial service capabilities for customers; satisfied the diversified financing demands of customers. The investment banking achieved the compliant and steady development.

Structured Finance Business

We intensified the business mode innovation; created a compliant business structure; strengthened the finance service in the industry chain; carried out the transfer of the first account receivable with the balance allocation provided by the Bank for the high-quality group customer to structured financing business. We focused on the substantial business risks, compliant and steady operation, and strictly followed various supervision stipulations to carry out the structured financing business under the increasingly stringent supervision policies. As at the end of 2020, the balance of its structured financing business was RMB 5.368 billion.

M&A Loan Business

The Bank paid close attention to the market opportunities of mixed system reform of state-owned enterprises, and actively pushed the M&A loan business. As at the end of 2020, the balance of the M&A loan business was RMB 95 million.

Bond Underwriting Business

The Bank strengthened the corporate business linkage, and actively participated in the bond underwriting investment by relying on the comprehensive credit plan. The cumulative bond underwriting volume reached RMB 120 million throughout the year.

Credit Asset Securitization Business

We actively promoted the first issue of credit asset securitization products of the Bank, activated the stock of credit assets, improved the allocation efficiency of resources, and optimized the asset structure by the credit asset securitization business.

Issuance of Financial Debts of Small and Micro Enterprises

We pushed the issuance of special financial bonds of small and micro enterprises, strengthened the credit support for small and micro enterprises, and accelerated the optimization of credit structure.

7.4.7 Network Financial Services

In 2020, the internet finance business of the Bank developed rapidly; its product system further improved; the efficiency of the integration of industry and finance increased steadily; the market development and on-line finance service capacity enhanced. Meanwhile, the Bank achieved remarkable results in network loan business, direct banking, on-line wealth management product sales, cash management and collection of Party dues. The asset quality continued to improve, both the amount and ratio of bad loans reduced, and the capability of values to create efficiency continued to improve.

Product System

We abided by the concept of “innovation-driven development” to further improve the product system. We strengthened cooperation with the sales branch of CNPC, and integrated the payment function of the direct banking of the Bank into the “Youtu Refueling Wallet”, “CNPC Hospitality e Station”, and other refueling scenarios to realize the integration of industry and finance. We launched the large-sum deposit certificates of direct banking featuring periodical interest settlement, gift insurance products of driving insurance of Generali China Insurance, Kunlun Wealth Plan based on the accounts receivable, and other products to provide convenient financial services for customers. We built a new standardized cash management system to provide advanced financial services in cash management for large and medium-sized customers. According to customers’ demands, we realized the services including determination of expenditure by revenue, determination of excess expenditure, virtual account management. In 2020, the intermediate

business sales volume reached RMB 23.835 billion; the number of sold large-sum deposit certificates was 2,789, with the amount of RMB 899 million; the daily average deposit balance of direct banking stood at RMB 2.568 billion, with the time point balance of RMB 3.053 billion.

Scene Construction

We built the network financing brand on the basis of scenarios. In the context of the overall economic downturn, the Bank deeply explored the integration of industry and finance, vigorously marketed Kunlun Chonghuiying, Kunlun Fuhuiying, Youtu Wallet, and other products on the basis of QR code payment, electronic voucher, discount for payment and top-up by strengthening the construction of refueling scenarios, further improving the transformation of financial customers, forming the prototype effect of integration of industry and finance, and realizing the top-up amount of refueling cards of RMB 675 million. The cancellation of electronic vouchers promoted the trading volume of the sales company to rise nearly RMB 200 million, with a YOY increase of 652%, and the cumulative scale reaching RMB 750 million. After nearly two years of careful operation, the Party Building Platform significantly improved in its application ability, and had served 460,000 party members and 1,628 party committees; achieved 11.8342 million transactions, with an amount of RMB 425 million in terms of the collection of Party dues; served 15,000 league members and 206 Youth League Committees, and collected the league membership dues of RMB 639,400.

Network Loan Platform

The Bank cooperated with third-party organizations to promote the innovation and transformation of credit business. The Network Loan Platform of the Bank was officially put into operation at the beginning of 2019, and successively accessed Jingdong, Ali, Xiaomi, Ctrip and other top third-party platforms in 2020 to develop the network loan business cooperation, expanding the asset business scale, and quickening the transformation of the asset business. As at the end of 2020, the cumulative number of network consumption loans issued reached 11.7479 million transactions, with the issued loan amount of RMB 32.741 billion, and the NPL ratio of 0.12%. After deduction of the FTP fund price, operation cost and VAT, the cumulative net revenue achieved about RMB 232 million, helping the branches to create benefits which exceeded RMB 50 million.

7.4.8 Credit Card Business

The credit card business of the Bank adhered to the positioning of industrial finance, improved the overall layout of consumer financial products, and actively expanded the bank-corporate cooperation to steadily expand the asset scale and maintain a good risk situation. As at the end of 2020, we had issued a total of 262,316 credit cards, with an increase of 67,377 and an activation rate of 69.96%. The installment business volume throughout the year increased by RMB 541 million, the transaction volume reached RMB 5.869 billion, and the balance of credit card loans RMB 665 million. The Bank was awarded the “Annual Credit Card Business Development Award” in the “2020 Financial Digital Development Gold List Awards” initiated by the Financial Digital Development Alliance for its credit card business.

Innovation and Transformation of Products and Services

The Bank continued to promote the innovation and transformation of products and services, and cooperated with Jingdong Financial Technology Holding Co., Ltd. to issue the co-branded card product “Bank of Kunlun and JD Finance Co-branded card”. The co-branded card was officially issued from 10 October, 2020 and 13,490 cards were issued throughout the year. The Head Office and branches jointly launched the official card for Daqing financial budget unit, and 493 cards were issued throughout the year. The Bank developed and put the “Zhundong All-in-one-card Product”, and 1,897 cards were issued throughout the year. The Bank quickened the digital transformation; opened the on-line booking and network application channel; completed the business cooperation access of Tenpay WeChat bill installments and China UnionPay Cloud Flash Payment bill installments; continued to optimize the on-line channel operation capability and the service quality and efficiency.

Marketing and Brand Development

The Bank comprehensively deepened the integration of resources, developed and improved the scene marketing, and continued to focus on brand activities such as “Kunlun YOU Enjoy Day” and “Discount for Refueling”. Currently, the Bank, together with the refueling stations in 20 regions, has realized the special discount for the refueling cards and promoted the credit-card consumption and sales increase of the gas stations. The Bank strengthened the management of platform cooperation, continued to optimize the customer equity strategies, and cooperated with Alipay, Jingdong, Meituan, Tuhu and other platforms to actively carry out the propaganda and marketing activities. And the brand image of credit cards of the Bank was enhanced continually.

7.4.9 Distribution Channel

The Bank committed itself to building a three-dimensional channel network featuring “outlets serving as integrated service platforms, online plus offline seamless connection, coordination and complementation”, striving to provide customers with an “efficient, professional, and warm” financial service experience. The physical service network of the whole bank has been gradually improved, with steadily heightened smart content. The customer experience and account security of e-banking system were continuously improved, and the ability to serve the integration of industry and finance were constantly enhanced.

Offline Channel

In 2020, the Bank continued to optimize the service network structure and layout, accelerate the intelligent upgrade of outlets, and improve the customer service capacities of channels. First, the Bank accelerated the outlet transformation and upgrade. The Bank transformed 7 outlets in the whole year, and the hardware environment kept the pace with the “star outlet” standards. As at the end of 2020, the Bank established a total of 83 branches. Second, the Bank continued to optimize the management of operation quality and efficiency. The Bank carried out the targeted improvement of the intelligent level of outlets. The quantity of intelligent equipment per outlet of the Bank increased to 5.75, and over 80% of the over-the-counter high-frequency business can be handled off the counter. The Bank strengthened the diversion guidance;

optimized the flexible scheduling; deepened the service details; and guided the gradual transformation of outlets from the traditional “face-to-face” service mode of “sitting by the window” to the “side-by-side” consultant service mode in an open area. The wide application of the intelligent equipment generated a better diversion effect for the over-the-counter business throughout the year, so the quality and efficiency of operation services of the outlets improved steadily. Third, the mobile terminal highlighted the service characteristics. The Bank supported the development of integrating industry and finance, developed and put the “Ultimate Account Opening” mode into use to comprehensively improve the quality and efficiency of corporate account opening and corporate banking signing services. Based on the mobile terminals, the Bank provided the door-to-door services for customers with practical difficulties and special needs. So the customers could enjoy the high-quality services of the Bank at home. Fourth, the Bank continued to improve the standardized management system. Starting from the outlet admission approval, functional zoning design, equipment configuration standard, service management specification, and other links, the Bank strengthened overall planning, promoted management coordination, strictly sorted out the details, and continued to improve the closed loop management mechanism featuring “link by link and level-by-level responsibility”. By optimizing the evaluation model, the Bank actively provided the branches with guidance in reasonably allocating the development resources, and continued to strengthen and improve the life cycle management of outlets to improve the customer service level.

Online Channel

The corporate online banking (bank-corporate direct connection) aimed at strengthening the integration of industry and finance. In 2020, the Bank made intensive efforts in interbank payment, electronic bill, ultimate account opening, on-line signing, payroll credit, point-to-point audit process, and other business, and comprehensively connected the financial systems of large and medium group customers such as CNPC, PipeChina, Xinjiang Airport, SASAC with the instructions, data and information of the Bank to guarantee the smooth payment of wages for CNPC and its subordinate oil units, and provide CNPC with various payroll credit modes such as over-the-counter, corporate online banking, treasurer payment, sharing center reimbursement. The number of cumulative batches of payroll credit was 81,700, and the total amount was nearly RMB 33 billion, reflecting the more convenient and efficient financial service effectiveness and risk control capability, and highlighting the “intelligentization” and “leadership” of on-line financial services. As at the end of 2020, the number of corporate customers registered for online banking was 28,200, with the annual transaction amount of RMB 1.1156 trillion, and the customer coverage rate of 80.57%.

The personal online banking launched the functions of “log-in by scanning and transfer by scanning”; optimized the business process and page display of financing products and personal loans; coordinated in the transformation and optimization work of the projects such as domestic commercial password transformation, core system 3.0T+8 stage, unified identity authentication platform. The public version of electronic banking and the old version of private banking were officially cancelled. As at the end of 2020, the number of private customers registered for online banking was 671,200, with the annual transaction amount of RMB 25.481 billion, and the customer coverage rate of 33.23%.

We added over 10 functions including electronic payroll, fund concentration signing, face recognition and authentication, customer information supplement and reminder in the mobile banking channel; optimized over 50 functions including financing product, domestic commercial password transformation, FIDO + authentication; as at the end of 2020, the number of customers registered for mobile banking added 120,000; the cumulative number reached 722,100. The cumulative number of transactions was nearly 10 million, and the annual transaction amount reached RMB 150.556 billion, with the customer coverage rate of 35.70%. So we still maintained a rapid development under the epidemic impact.

We launched the large-sum deposit certificates of direct banking featuring periodical interest settlement, gift insurance products of driving insurance of Generali China Insurance, Kunlun Wealth Plan based on the accounts receivable, and other products. We realized the coupon issuance, printing of transaction flow, query of electronic pay roll, function optimization of financing products, and other functions. Meanwhile, we accessed the third-party payment channel of YeePay payment, and recovered the transfer function of binding cards for customers of China Construction Bank, Agricultural Bank of China and China Minsheng Banking Corporation. We launched the risk monitoring management platform to realize the detection function of client-side device and network security, and further improve the security of the direct banking customer clients. As at the end of 2020, the number of direct banking customers of the Bank reached 3.7319 million, increasing by 872,300 from the same period last year, and 30.51% YOY. The daily average deposit balance stood at RMB 2.568 billion. The Kunlun Direct Bank was awarded the “Best Direct Banking Award” by the China Financial Certification Authority (CFCA) in 2020, which was the third China E-Bank Golden Award obtained by Kunlun Direct Bank after it was awarded the “Best Direct Banking Function Prize” in 2018.

The Bank comprehensively carried out the brand building and marketing promotion for the WeChat Bank; strengthened the promotion for the cartoon image Xiaokun of the network finance business; integrated the oil characteristics, and the product elements and common scenarios of the Bank to create 69 emoji packages of Xiaokun; entered the WeChat expression opening platform, and the cumulative brand exposure amount exceeded 10 million. By the WeChat platform, the Bank successively assisted Korla Hospital, Guangzhou Training Center, Daqing Refinery Canteen, Tuha Oilfield, Xi’an CNPC Logging Canteen, and other various institutions in launching the public account payment business to provide the technical support for the network finance. As at the end of 2020, the WeChat Bank had 8.95 million followers, increasing by 1.17 million, and released 217 WeChat posts. The posts were read 2.2915 million times on a cumulative basis.

7.4.10 Information Technology

In 2020, the Bank adhered to “cultural inheritance and innovation” in its information technology work; quickened the reform of institutional mechanisms of information; actively adapted to the requirements of bank digital transformation and business high quality development; strengthened the application of financial technology; consolidated the defense line of network security; and enabled the business transformation and development.

Application of Financial Technology

The Bank comprehensively planned the information technology work during the “14th Five-Year” Plan period, and specified that the construction target of “digital, intelligent and ecological” core competencies served as the construction plan established by the pilot units for digital transformation; constructed the opening bank and business middle office, and supported the quick construction of products; introduced RPA robots, pilot open source software and distributed architecture to help improve the quality and efficiency; promoted the application of big data technology in big data risk control, knowledge graph, credit approval, anti-fraud and other models, and applied the biometric technology in direct banking, mobile banking, mobile counter and other systems to improve the prevention and control capabilities in business risks; started the construction of container cloud platform project, actively explored and practiced the application of 5G and quantum encryption technology. The “New-generation Outlet Construction Project Based on Quantum Encryption and 5G” was awarded the “Best Technology Innovation Prize in Banking Financial Technology Application Result Grand Competition”.

Security Infrastructure Construction

The Bank adhered to the principle of “safety first”; strictly carried out the working mechanism of level-by-level responsibility in the information technology security; continued to establish and improve the information technology system and technology specifications; developed, revised and released 23 systems and 44 technology specifications; revised the information technology workbook; carried out the special on-site inspections and emergency drills of information technology. The Bank successfully completed the network attack and defense drill protection, special network security governance and investigation of financial technology application risks, and carried out the level protection 2.0 standard. Meanwhile, the Bank put the unified identity authentication system into operation; comprehensively promoted the antivirus and network access; completed the domestic password transformation; advanced the implementation of security detection and authentication projects of information security assessment for mobile finance client; introduced the open source software security detection platform; regularly carried out the vulnerability scanning and penetration testing to ensure the stable running of system security.

Key System Construction

The Bank unified the bank-wide business demand management, concentrated on advancing the construction of projects including core business, integration of industry and finance, internet business, traditional business and risk control; completed the production and on-line work of the first and the second batches of core 3.0; realized the architecture optimization and upgrade; and promoted the operation quality and efficiency. The Bank optimized the integration of industry and finance to launch over 10 products, and the “Kunlun Fast Discounting” became the first full process and full on-line bill intelligent second-level discount business product covering banker’s bills, commercial bills, and financial bills. The Bank continued to carry out the construction of Internet financial projects including direct banking, WeChat business hall, intelligent marketing platform, and network loan. The Bank steadily advanced the implementation of financing, credit card, corporate loans, counter and other traditional business items. The “Online Signing

Project of Corporate Credit Business Contract” of the Bank was awarded the “2020 Special Service Award in Financial Technology Innovation”.

7.4.11 Service Improvement

Adhering to the “efficient, professional, and warm” service concept, and combining with the intelligent upgrade of outlets, the Bank continued to refine and improve the management standards for supporting services, strengthened the business training, supervision and assessment, and comprehensively realized the supporting transformation of operation service mode of outlets under the background of intelligentization. The service quality and customer experience steadily improved. In this year, the average scores of the bank-wide service satisfaction were 95.67.

7.5 Risk Management

7.5.1 Risk Management Framework

The comprehensive risk management organizational structure covered various types of risks including credit risk, market risk, operational risk, liquidity risk, country risk, reputational risk, strategic risk, legal risk, information technology risk, money laundering risk. As the supreme managing and decision-making authority in the Bank’s risk management structure, the Board of Directors is responsible for examining and approving the major risk management policies and procedures; the Board of Supervisors is responsible for supervising the duty performance and diligence of the Board of Directors and the Senior Management in risk management, and urging them to make rectification; the Senior Management established ten committees: the Risk Management Committee, the Credit Risk Management Committee, the Market Risk Management Committee, the Operation Risk Management Committee, the Business Continuity Management Committee, the Case Prevention and Control Management Committee, the Anti-money Laundering Management Committee, the Internal Control Management Committee, the Credit Information Security Management Committee, and the Standardization Management Committee, and these committees are responsible for implementing and supervising the risk management; the Risk and Compliance Department at the head office is responsible for leading the overall risk management and the comprehensive promotion of risk management; the leading management departments of various risks of the Head Office are the subject of the risk management of the Bank, and responsible for recognition, measurement/assessment, monitoring/report, control/mitigation of such risks, and reporting the risk management of these risks to the Senior Management, and the Comprehensive Risk Management Department; all departments of the Head Office and branches specifically implement the policies related to risk management, recognize and manage the risks, and report the risk management work and risk events, etc. to all risk leading management departments and leading comprehensive risk management departments; the Internal Audit Department makes independent and objective supervision, inspection, appraisal and report for the risk management effect of the Bank.

7.5.2 Credit Risk

Business Activities Generating Credit Risks

Credit risks represent the risks of a bank caused by borrowers or counterparties that fail to perform the obligations stipulated in the contract or the credit quality changes, which affects the value of financial products.

Credit risks are prominent in operating activities of the Bank, and the management took prudent principles on managing credit risks exposure. The main assets included in credit risk management of the Bank include: various on-balance sheet loans and advances, international trade financing, credit card overdraft, discount (rediscount), deposits with banks and other financial institutions, placements with banks and other financial institutions, assets held under resale agreements, banking book bond investment, and receivable investments; off-balance sheet letter of guarantee, banker's acceptance bills, letter of credit, loan commitments, non-standardized investment credit assets invested by the wealth management products of the Bank.

Organization Structure and Responsibility Division of Credit Risk Management

The Bank establishes a credit risk governance structure with a healthy organizational structure and a clear responsibility boundary, specifies the responsibilities of the Board of Directors, the Senior Management, the Business Department, the Risk Management Department and the Internal Audit Department in the credit risk management, and establishes a multi-level, interlinking and well-balanced operation mechanism.

The Board of Directors of the Bank bears the ultimate responsibility of comprehensive risk management, and performs the credit risk management responsibilities according to relevant stipulations. The Senior Management and the Credit Risk Management Committee of the Head Office are the decision-making and coordinating authorities to manage credit risk, and responsible for the approval of credit risk report and action plan, and the coordination for the execution of action plan. The branches of the Bank are responsible for the credit risk management within their jurisdiction, execute the various credit risk management policies and systems established by the superior authority, and recognize, assess, monitor and report the credit risk condition within their jurisdiction.

Credit Risk Management and Control Policies

Based on the supervision policies and the risk preference management policies of the Bank, we determined the tolerance and management objectives involved in the credit risks. The credit risk condition was regularly reported to the Board of Directors, the Senior Management and the Credit Risk Management Committee.

The Bank actively promoted, gradually established and implemented a unified credit risk management concept, and strove to comprehensively monitor credit risks and continuously improve its credit risk

management level. We continually improved the credit risk management system, deepened the adjustment of its credit structure, steadily promoted the “Uphill Battle for Strengthening the Quality and Efficiency of Credit Assets”, all in an effort to standardize post-loan management initiatives. We also strengthened risk investigation and prevention, enriched forms of training, created a learning atmosphere, and continually disseminated a unified credit culture to promote the implementation of the credit risk management system.

Credit Risk Management of Corporate Loans

The Bank continually improved its credit risk management system for corporate customers, and optimized the credit management process. In 2020, the Bank continued to conduct the credit policy in a prudent, conservative manner, and adopted classified management for different industries, offered strong support for relevant industries in accordance with the Bank’s strategic development, and strictly controlled the loan issuance in sensitive industries; tried to improve the proportion of quality customers, and strengthened concentration management; deeply explored the market in this region, and emphatically served the real economy in this region. In addition, it clarified and revised its credit risk management system, continuously optimized the credit system and credit management workflow, strictly controlled the credit access threshold, and effectively improved the credit approval work.

Credit Risk Management of Retail Loans

In 2020, the Bank took into consideration national macro policies, monetary policies, and supervision stipulations, collated and revised management systems and measures, pushed business expansion, and optimized the management measures for operation workflow; it closely monitored the development trends of non-performing loans, launched self-examination and analysis of the risk business in a timely manner, and improved business management and control measures; it conducted customer group evaluation in view of credit card product positioning, formulated marketing guidelines, controlled and effectively approval policies, and exercised supervision in a timely manner; it continued to optimize the credit risk control model for the network loan business, increased the entry threshold of the cooperating agency, and strengthened the post-loan management and collection management; it strengthened the inspection and post-loan management training of branches, and further enhanced the personal credit risk control.

Credit Risk Management of Investment Business

The Bank adhered to the principles of compliance and prudence, and continuously improved the system construction in order to effectively prevent credit risks. It constantly strengthened counterparty access and credit management, and regularly evaluated and carried out the timely adjustment of the list of counterparties in order to prevent cross-financial risks. Additionally, it strengthened bond issuer risk identification and management capabilities, as well as the timely tracking and reporting of the downgrade of a bond issuer’s rating and primary risk events that might affect the solvency of the issuer. The Bank strengthened the self-inspection of businesses, conducted targeted examination and supervision, and paid close attention to credit risk changes, all of which continually promoted the business system upgrade.

Credit Asset Quality Classification Management

In 2020, the Bank practically strengthened the credit asset quality classification management, and included the credit assets with the overdue period exceeding 60 days into the non-performing assets. The Bank enhanced classification of credit asset quality in accordance with the core definitions of the regulatory authorities and the rigid on-balance sheet and off-balance sheet control rules. We strengthened process management and improved work efficiency, while also accurately calculating impairment provision, and improved risk prevention capabilities; optimized the performance evaluation indicators and improved the quality assessment of credit assets.

Loan Distribution (Excluding Accrued Interest)

As at the end of 2020, the total loans and advances issued by the Company amounted to RMB 160.543 billion, implying an increase of RMB 14.611 billion or 10.01% as compared with the end of last year.

Asset Quality Classification of Loans and Advances to Customers

Unit: in RMB 10⁴

Five-tier Classification	31 December, 2020		31 December, 2019	
	Amount of Loans and Advances	Proportion in Total Amount %	Amount of Loans and Advances	Proportion in Total Amount %
Subtotal of PLs:	15,902,142	99.05	14,433,917	98.91
Normal	15,846,465	98.71	14,369,568	98.47
Special-mention	55,677	0.35	64,349	0.44
Subtotal of NPLs:	152,168	0.95	159,329	1.09
Sub-standard	27,899	0.17	30,191	0.21
Doubtful	39,233	0.24	42,062	0.29
Loss	85,036	0.53	87,076	0.60
Total	16,054,310	100.00	14,593,246	100.00

As at the end of 2020, according to the five-category classification results, the normal loans of the Company were RMB 158.465 billion, and accounted for 98.71% of loans and advances, increasing by RMB 14.769 billion and 0.24 percentage point respectively as compared with the end of last year. The special-mention loans were RMB 557 million, decreasing by RMB 87 million as compared with the end of last year, and accounted for 0.35% of loans and advances with a decrease of 0.09 percentage point. The balance of NPLs and NPL ratio were RMB 1.522 billion, and 0.95% respectively, with a decrease of RMB 72 million and 0.14 percentage point respectively as compared with the end of last year.

Loans and Advances to Customers Classified by Guarantee Method

Unit: in RMB 10⁴

Guarantee Method	31 December, 2020	Ratio (%)	31 December, 2019	Ratio (%)
Credit Loans	5,571,598	34.71	3,405,963	23.34
Guaranteed Loans	2,320,689	14.46	2,035,977	13.95
Loans Secured by Mortgage	2,392,716	14.90	2,007,525	13.76
Loans Secured by Collaterals	3,219,463	20.05	2,939,269	20.14
Discount of Banker's Acceptance Bills	1,635,930	10.19	3,302,864	22.63
Discount of Commercial Acceptance Bills	913,914	5.69	901,647	6.18
Total	16,054,310	100	14,593,246	100

As at the end of 2020, the balance of credit loans of the Company was RMB 55.716 billion, and accounted for 34.71% of loans and advances, increasing by RMB 21.656 billion and 11.37 percentage points respectively as compared with the end of last year. The balance of guaranteed loans was RMB 23.207 billion, and accounted for 14.46% of loans and advances, increasing by RMB 2.847 billion and 0.51 percentage point respectively as compared with the end of last year. The balance of loans secured by mortgage was RMB 23.927 billion, and accounted for 14.90% of loans and advances, increasing by RMB 3.852 billion and 1.14 percentage point respectively as compared with the end of last year. The balance of loans secured by collaterals was RMB 32.195 billion, and accounted for 20.05% of loans and advances, increasing by RMB 2.802 billion and decreasing by 0.09 percentage point respectively as compared with the end of last year. The balance of discount of banker's acceptance bills was RMB 16.359 billion, and accounted for 10.19% of loans and advances, decreasing by RMB 16.669 billion and 12.44 percentage points respectively as compared with the end of last year. The balance of commercial acceptance bill of the Company was RMB 9.139 billion, and accounted for 5.69% of loans and advances, increasing by RMB 123 million and decreasing by 0.49 percentage point as compared to the end of last year.

Concentration Degree of Credit Risks

Loans granted to the top 10 single customers (among which, four customers ranked the tenth) of the Company and the Bank as at the end of 2020

Unit: in RMB 10⁴

Customer	Industry	Balance	Proportion in Total Loans and Advances (%)
Customer 1	Leasing and Commercial Service	270,000	1.68
Customer 2	Real Estate Industry	200,000	1.25
Customer 3	Financial Services	149,900	0.93
Customer 4	Financial Services	149,000	0.93
Customer 5	Mining	138,100	0.86
Customer 6	Leasing and Commercial Service	130,000	0.81

Continued

Customer	Industry	Balance	Proportion in Total Loans and Advances (%)
Customer 7	Transport, Warehousing and Postal Service Industry	127,750	0.80
Customer 8	Water Conservancy, Environment, Public Facilities Management	119,486	0.74
Customer 9	Leasing and Commercial Service	113,050	0.71
Customer 10-1	Construction	100,000	0.62
Customer 10-2	Transport, Warehousing and Postal Service Industry	100,000	0.62
Customer 10-3	Construction	100,000	0.62
Customer 10-4	Manufacturing and Supply Industry of Electricity, Heat, Gas and Water	100,000	0.62
Total		1,797,285	11.19

The total amount of loans granted by the Company to the single largest customer accounted for 7.29% of the Company's net capital; the total amount of loans granted to the top ten single customers (among which, four customers ranked the tenth) accounted for 48.55% of the Bank's net capital and 11.19% of the total loans and advances.

Aging Analysis of Overdue Loans

As at the end of 2020, total amount of overdue loans of the Company amounted to RMB 1.658 billion, decreasing by RMB 78 million as compared with the end of last year.

Unit: in RMB 10⁴

Overdue Period	31 December, 2020	31 December, 2019
1-90 Days	32,762	41,994
91-360 Days	17,813	15,016
1-3 Years	32,592	44,874
Over 3 Years	82,658	71,784
Total	165,825	173,667

7.5.3 Market Risks (Including Banking Book Risks)

The market risks refer to the risks that cause losses to on-balance sheet and off-balance sheet business of a bank due to adverse changes in market prices (interest rate, exchange rate, share price, commodity price, etc.).

The Bank classified all on-balance sheet and off-balance sheet assets and liabilities into trading books or banking books. Trading books refer to financial instruments and commodity positions which are available for free transactions and held by the Bank for the purpose of transactions or evading the risks of other items

of trading books, and other kinds of positions are transferred into banking books. In view of different book categories, corresponding methods are utilized for control. The main market risks encountered by the Bank during the operation process include interest rate risk of trading book, interest rate risk and exchange rate risk of banking book, without share price risk and commodity price risk.

7.5.3.1 Market Risks in the Trading Book

The Bank has established a market risk management system for trading books covering risk identification, measurement, monitoring, reporting, and controls to continuously monitor and control market risk in transactions, as well as keep the market risk of trading book within a tolerable and reasonable level of the Bank. In 2020, the Bank established market risk management policies, and improved the market risk control measures. Meanwhile, it set restrictions on positions and stop-loss, and strengthened the monitoring, pre-warning system and reporting of trading book market risks based on market analysis.

7.5.3.2 Market Risks in the Banking Book

Interest Rate Risks

The interest rate risks in the banking book refer to the risks of loss in the economic value and overall income due to adverse changes in interest rate levels and term structure. The Bank incorporated the interest rate risks in the banking book into the Bank's comprehensive risk management framework, and established a specific management system according to system importance, risk status, and business complexity, in order to strengthen the identification, measurement, monitoring, control, and mitigation of such risk. The Bank measured the interest rate risks in the banking book based on the changes of the economic value and revenue impact. The economic value was reflected by the net present value of future repricing cash flow of the banking book business. The revenue impact referred to the variation of bank returns caused by changes of the interest rate. As at the end of 2020, our banking book showed the asset sensitivity. Specifically, when the interest rate increased parallelly, the increase in asset interest income exceeded that of interest expense on liabilities, while net interest income increased. The Bank developed and implemented an effective framework for pressure testing banking book interest rate risk based on volume, risk profiles, and business complexity, carried out regular pressure tests. The Bank reduced potential adverse impacts of interest rate changes on profitability by rationally adjusting the re-pricing term structure of interest-earning assets and interest-bearing liabilities.

Exchange Rate Risks

The exchange rate risks refer to the risks that cause losses to on-balance sheet and off-balance sheet business of a bank due to adverse changes in exchange rate. The exchange rate risks of the Bank were manifested as the risks of causing losses by adverse changes of exchange rate to the foreign currency exposure generated by currency structures mismatch between foreign currency assets and foreign exchange liabilities in banking book. In 2020, the Bank set the foreign exchange exposure limit, continued to monitor the risk values, analyzed the foreign exchange rate changes, and conducted monitoring, pre-warning and reporting of exchange rate risk situation.

7.5.4 Operational Risks

The operational risks refer to the risks of losses resulting from inadequate or failed internal processes, employees or from external events, excluding strategic risk and reputational risk.

In 2020, the Board of Directors and the Senior Management of the Bank attached great importance to operational risk management; revised the operational risk management method; formulated the rules of procedure for the Operation Risk Management Committee; and improved the operational risk management mechanism. The Bank organized and carried out activity of “Compliance Capability Improvement Year” and the activity of “Enhancing Three Bases and Forging Three Irons”, consolidated the internal control foundation, improved the system construction, and compiled the operation business manual of the Bank. Meanwhile, the Bank strengthened the authorization control, and improved the authorization level; strengthened the risk event control to effectively intercept the risk events. The Bank continuously carried out the compliance inspection and personnel behavior investigation; organized all branches to carry out the “re-examination” of internal and external inspection problems; developed the special inspection of cooperation business, illegal fund raising, network loan, credit card and financial market business; conducted the investigation of abnormal behaviors of employees at the key posts, and quarterly case risks. The Bank actively promoted the construction of systems in new counter, new core, bank-corporate reconciliation, electronic seal verification and other systems to improve the comprehensive management capabilities of operational risks. The Bank improved the standardized management level, organized and participated in the corporate standard “Top Runner” activity, special training on financial standardization, and the propaganda activity of “Financial Standards Serving the Interests of the People and Enterprises”. The Bank strengthened the personnel management training to ensure the implementation of control measures for different operational risks.

7.5.5 Liquidity Risks

The liquidity risks refer to the risks originating from the failure of the Bank to obtain adequate fund in time or at reasonable cost so as to repay the matured debts or other payment obligations and meet the needs of other funds for other normal business development. The sources and formation of liquidity risks include two categories, namely, external factors and internal factors. External factors include, but are not limited to, macroeconomic factors, the financial markets, and customer behavior. Internal factors include, but are not limited to, the structure of assets and liabilities, business management, and other factors.

Liquidity Risk Management

In 2020, in the face of the influence of COVID-19 as well as the complicated situation at home and abroad, the PBOC insisted on the implementation of a prudent monetary policy, and flexibly used various monetary policy instruments to release the reasonable liquidity, and maintain a reasonable and sufficient interbank market liquidity. In line with changes in the macroeconomic situation, industry dynamics and supervision requirements, the Bank further improved the liquidity risk management position; continued to strengthen the liquidity risk management work; implemented and realized the liquidity supervision requirements;

continued to intensify the daily management and strengthen the liquidity risk indicator monitoring & early warning, the liquidity risk emergency mechanism; and quarterly carried out the liquidity risk pressure test.

Liquidity Risk Management System and Governance Structure

The liquidity risk management system of the Bank was composed of the following basic elements: effective governance structure of liquidity risk management; sound liquidity risk management strategy, policy and procedure; effective liquidity risk identification, measurement, monitoring and control; complete management information system.

The management structure of liquidity risk management of the Bank includes: under the comprehensive risk management framework of the Bank, the organization structure of liquidity risk management of the Bank is composed of the decision system, implementation system and supervision feedback system. The decision system is composed of the Board of Directors, Senior Management and their committees; the implementation system is composed of Head Office Planning & Financing Department, Financial Market Department, International Business Department, Information Technology Department, and other relevant departments and all branches and sub-branches, and the Head Office Planning & Financing Department is the leading executive department, and other relevant departments of the Head Office and all branches and sub-branches are auxiliary executive departments; the supervision feedback system is composed of the Board of Supervisor, Risk and Compliance Department, and Internal Audit Department. The above systems respectively perform the functions of decision, supervision and implementation of liquidity risk management according to function division.

Objectives, Strategies and Major Policies of Liquidity Risk Management

The objectives of liquidity risk management of the Bank: to establish a scientific and sound liquidity risk management mechanism; effectively identify, measure, monitor and report the liquidity risk; timely satisfy the liquidity demands caused by the bank-wide liability payment, assets and off-balance sheet business development; reasonably adjust the scale and structure of assets and liabilities according to market changes and business demands; reasonably adjust and balance the bank-wide fund security and profitability.

The strategies and policies of liquidity risk of the Bank were established according to liquidity risk preferences, covered various kinds of business as well as all business departments, branches and sub-branches, and holding enterprises which might cause a significant impact on liquidity risk, and included liquidity risk management under normal and pressure scenes. The strategies of liquidity risk management specified the overall objectives and management modes of liquidity risk management, and listed major policies and procedures related to liquidity risk management. Major policies of liquidity risk management were established specifically by taking into consideration of the external macro business environment and business development, and effectively balanced security, liquidity and profitability.

Liquidity Risk Management Method

The Bank paid close attention to changes in the epidemic situation, international situation, the macroeconomic situation, the monetary policy, industry dynamics, changes of the market situation, and flexibly adjusted its strategy for domestic and international assets and liabilities according to the regulations

on liquidity, the status of its assets and liabilities, and the characteristics of its phased fund management, ensuring overall liquidity security. The Bank steadily monitored overall liquidity and the status of its assets and liabilities businesses, coordinated on-balance sheet and off-balance sheet liquidity in domestic and foreign currency risk management, strengthened intraday liquidity risk management, optimized the maturity of assets and liabilities, strengthened the liquidity risk monitoring and pre-warning, improved the quality of liquidity pressure testing, improved contingency management, and expanded the fund sources to ensure smooth market financing channels and abundant high-quality liquid assets.

Liquidity Risk Pressure Test

The Bank conducted the liquidity risk pressure test by applying the scenario analysis method and sensitivity analysis method in the principle of prudence. Based on the international situation, industry dynamics, market condition, and its business characteristics and complexity, the Bank gave full consideration to various risk factors that could be expected to influence the liquidity situation, and set liquidity risk pressure scenarios for products and businesses with concentrated liquidity risks. The Bank regularly made pressure test on quarter basis, and if necessary, conducted temporary and special pressure tests based on the external operation environment changes and supervision department requirements. The pressure test results showed that under the set pressure scenarios, the Bank could achieve the minimum life expectancy as required by regulatory authorities, and the liquidity risks were always within the controllable scope.

Liquidity Risk Analysis

The Bank's various business operations remained generally stable, while its liquidity remained at a low risk level, and various liquidity indicators met regulatory requirements. The main supervision indicators were as follows:

Unit: %

Main Supervision and Monitoring Indicators		Supervision Standards	31 December, 2020	31 December, 2019
Liquidity Ratio ⁽¹⁾	RMB	≥ 25	51.28	52.17
	Foreign Currency	≥ 25	548.02	386.64
	RMB and Foreign Currency	≥ 25	57.31	57.54
Liquidity Coverage Ratio ⁽²⁾	RMB and Foreign Currency	≥ 100	476.51	329.12
Net Stable Fund Ratio ⁽³⁾	RMB and Foreign Currency	≥ 100	108.93	108.24
Liquidity Matching Ratio ⁽⁴⁾	RMB and Foreign Currency	≥ 100	110.34	-

Note: (1) Liquidity ratio=Liquid assets/liquid liabilities.

(2) Liquidity coverage ratio = Qualified quality liquid assets/net cash outflows.

(3) Net stable fund ratio = Available stable fund/stable fund required.

(4) Liquidity matching ratio = weighted fund resources/application of weighted funds.

(5) Figures in the table are the data of the Company, and the supervision indicators are calculated in accordance with the regulatory requirements and accounting standards applicable to the relevant period. The figures are not subject to retroactive adjustment.

The LCR of the Company was as below

Unit: in RMB 10⁴

Item	31 December, 2020	31 December, 2019
Liquidity Coverage Ratio (%)	476.51	329.12
Qualified Quality Liquid Assets	2,449,645	2,161,300
Net Cash Outflow of the Next 30 Days	514,083	656,684

The net stable fund ratio of the Company is as follows:

Unit: in RMB 10⁴

Item	31 December, 2020	30 September, 2020	30 June, 2020	31 March, 2020	31 December, 2019
Net Stable Fund Ratio (%)	108.93	104.30	103.09	107.37	108.24
Available Stable Fund	20,147,117	20,443,066	19,852,419	19,554,686	19,279,316
Stable Fund Required	18,495,502	19,599,618	19,257,506	18,212,018	17,811,098

Liquidity Gap Analysis

The Bank also assessed the liquidity risk status by regularly calculating and monitoring the liquidity gap. As at the end of 2020, the overall liquidity of the Bank was secure. The liquidity gap analysis was shown as follows:

Unit: in RMB 10⁴

Item	Overdue/ Repayable on Demand	Within 1 Month	1-3 Months	3 Months - 1 Year	Over 1 Year	Undated	Total
31 December, 2020	1,559,475	(1,465,979)	(318,762)	2,704,446	(571,101)	1,468,565	3,376,644
31 December, 2019	2,818,141	(2,001,558)	(36,348)	3,284,842	(2,422,935)	1,720,946	3,363,088

Note: (1) Liquidity gap = assets due within a certain period - liabilities due within the same period.

(2) The figures in the table are the data of the Bank, and the supervision indicators are calculated in accordance with the regulatory requirements and accounting standards applicable to the relevant period. The figures are not subject to retroactive adjustment.

7.5.6 Country Risks

The country risks refer to the risks that the debtor in the country or region is unable to or refused to compensate the liabilities of financial institutions, and causes the business presence of financial institutions in the country or region, or the banking financial institutions to suffer from other losses due to the economic, political and social changes or accidents in a certain country or region.

The Bank established a country risk management system with relative completeness, as well as implemented a country quota management system. It established and gradually improved its country risk monitoring mechanism, and implemented country risk reporting mechanisms. In 2020, the Bank continued to deepen the construction of its country risk management system, assessing potential risks in view of real-time changes in the international political and financial situation, timely adjusted the business strategies to reduce the exposure, and took risk control measures to ensure country risk management policies and limits were effectively implemented and followed.

7.5.7 Reputational Risks

The reputational risks refer to the risks of negative assessments or comments on a commercial bank from stakeholders as a result of the Bank's operation, management, or other actions or external events.

In 2020, the Bank attached great importance to the reputational risk management, and continued to conduct the around-the-clock public opinion monitoring. The monitoring objects cover the Bank's own public opinions, the public opinions of important credit customers, supervision policy dynamics and the public opinions of banks and other financial institutions. The Bank regularly reported the public opinion information to ensure the public opinions were discovered and corresponding measures were taken. The Bank actively responded to and resolved the negative public opinions, and no major public opinion risk events incurred. Meanwhile, we carried out the online public opinion training, formulated the emergency plans and organized drills to increase the capabilities of the management personnel to respond to the public opinion, supporting stable development and further improving the reputation risk management.

7.5.8 Strategic Risks

The strategic risks refer to the risks resulting from inappropriate business strategy of commercial banks or changes in the external business environment.

In 2020, in order to effectively deal with the uncertainty of the internal and external situation, the Bank strengthened the situation and policy analysis, timely formulated corresponding strategies, and completed the formulation work for the "14th Five-Year" Plan. On the basis of reviewing the "13th Five-Year" Development Plan, we seriously evaluated the changes and trends of the internal and external situation, and completed the unified deployment of our overall strategy, business development planning, resource allocation planning and function guarantee system, etc. during the "14th Five-Year" Plan period. We further improved the strategic planning system, established the review system of strategic planning experts, and the incentive mechanism of appraisal and priority to increase the scientificity and guidance of the formulation of strategic planning, and ensure the effective implementation of strategic planning. To gain a deeper understanding of the external environment dynamics and our own business, and strengthen the leading role of strategic planning, the Bank carried out the strategic research of development planning of the Belt and Road Initiative, industrial layout and industry chain, high-quality development of primary business boosted by finance in the "14th Five-Year" Plan period.

Currently, the tertiary strategic risk management framework which constitutes the Board of Directors, the Senior Management and the Strategic Investment and Development Department of Bank of Kunlun run well and satisfied the strategic development requirements of the Bank. The Bank maintained a relatively stable development and the strategic risks are overall controllable.

7.5.9 Legal Risks

The legal risks refer to the possibilities of bank losses caused by imperfection and indefiniteness of existing laws, law modification, imperfect and improper legal opinions and documents, transaction behaviors' violation of laws and regulations, and other reasons.

In 2020, the Bank steadily strengthened the construction of its legal control system, and improved its working mechanisms; deepened its legal reviews, enhanced legal support in daily business development, new product development, and handling of major issues, so as to effectively prevent and resolve legal risks. Additionally, it highlighted contract management, formulated and improved the texts of format contracts, specifically launched post-contract governance, and strengthened supervision and accountability, while at the same time it strengthened its management of dispute cases, strengthened the demonstration of dispute cases, compiled typical case studies, and shared legal resources, drawing on dispute cases to improve management. By holding the lectures on the rule of law, law management training, case analysis, online answering, the Bank enhanced legal dissemination and publicity, continued to improve professional capabilities, strengthened the legal compliance awareness and risk prevention and control abilities of employees, and created a favorable law-abiding culture of compliance to laws and regulations.

7.5.10 Information Technology Risks

The information technology risks refer to the risks resulting from natural factors, human factors, technology vulnerabilities, and management deficiencies in the process that commercial banks utilize the information technology.

The Bank periodically reported the information technology risk management to the Risk Management Committee of the Senior Management, the Risk Management Committee under the Board of Directors, and the Board of Supervisors. In 2020, the Bank adjusted the organizational structure of information technology risk management, provided full-time information technology risk management personnel, and enriched the power of the information technology management team. The Bank improved the policies related to risk management, specified the tolerance management objectives and key monitoring indicators of the information technology risks. The Bank continuously monitored and analyzed the key risk indicators of information technology, carried out the special risk assessment, including the investigation of information technology risks, security governance of information technology projects and network security, major outsourcing providers, as well as the annual information technology risk assessment. The Bank formulated and released the overall plan for business continuity, the overall emergency plan for information system accidents, drill plan for business continuity; improved the emergency response plan system for the

information system; advanced the emergency drill of information system, and two rounds of disaster recovery switching drill and emergency drill of actual take-over of single system disaster recovery, so as to further enhance the emergency disposal capability and management level of business continuity.

7.5.11 Money Laundering Risks

The money laundering risks, the general designation of money laundering, terrorist financing and proliferation financing risks, refer to the risks faced by banking financial institutions because they may be utilized by illegal and criminal activities in the process that they carry out the business and operation management.

The Bank strictly abided by the laws and regulations on anti-money laundering; actively implemented the supervision requirements on the risk-based anti-money laundering; seriously performed the social responsibilities and legal obligations of anti-money laundering; and tried to improve the risk management level of anti-money laundering and anti-terrorist financing. In 2020, the Bank advanced various anti-money laundering tasks in order from three aspects of “consolidating the foundation, improving quality, and alleviating burdens”. Specifically, the Bank consolidated the management foundation of money laundering risks; increased the decision-making quality of the Anti-money Laundering Management Committee; improved the money laundering risk system; and ensure the performance of subject responsibility of the business department. The Bank improved the quality of basic anti-money laundering work, and emphasized on improvement of basic data quality, risk monitoring quality and product (business) money laundering risk management quality. The Bank better completed the grassroots service work, and strove to optimize the functions of the anti-money laundering system and business system in anti-money laundering by combining with the actual situation of internal and external anti-money laundering work to increase the automation level of each system. Moreover, the Bank also actively cooperated with the Central Bank to complete the anti-money laundering investigation and survey, and provided powerful support for the Central Bank and the Public Security Department in fighting against money laundering and other illegal and criminal activities.

7.6 Capital Management

The Bank took capital as the object and tool to conduct management activities such as planning, measurement, evaluation, allocation, application, monitoring and reporting in accordance with the capital supervision requirements of the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*. The overall objective of the Bank in capital management is to achieve a balance across capital, risk, and income: to maintain a reasonable level of capital adequacy by the capital management mechanism, continue to meet the requirements of the regulatory authorities in terms of capital management, ensuring safe and prudent operation; to steadily improve its capital management mechanism to meet development requirements at the proper scale, as well as risk management needs, and rationally allocate the capital, thereby achieving operational safety and maximizing risk-adjusted capital gains; to expand capital

replenishment channels, improve capital quality, and optimize capital structure. The capital management scope of the Bank covers the Bank and its holding and shareholding enterprises, and mainly includes the management of capital adequacy ratio, capital planning management and capital financing management.

In 2020, the Bank continued to strengthen the capital management, and strictly implemented the internal and external administrative provisions; continuously enhanced the refined management of the capital adequacy ratio, and intensified the capital emergency management mechanism; increased its abilities to deal with and treat the major or emergent events of capital control, and further enhanced the normalization, scientization and operability of capital management to ensure the Bank maintain an abundant capital level and a stronger risk resistance ability. The Bank continued to research the strategies and policies for increasing the capital use efficiency and raising the levels of capital returns; maintained stable internal capital supplements, and continuously consolidated its capital strength; rolled the preparation of the medium-term capital planning, exercised rational capital allocation and use, and strengthened the linkage mechanism between capital planning and asset liability management, and comprehensive budget management to promote the sustainable and healthy development of the business. In 2020, all the indicators of capital management of the Bank were good and the capital adequacy ratio remained at an ideal level, which fully reflected the Bank's positive image of a strong capital base, stable and sustainable management.

Capital Adequacy Ratio Management

The capital adequacy ratio management is the core of the Bank's capital management, which reflects the Bank's steady operation and risk-resisting ability. Based on the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*, the Bank calculated, managed and disclosed the capital adequacy ratio. According to the requirements, the credit risk-weighted assets are measured by weighted method, market risk-weighted assets by standard method and the operational risk-weighted assets by the basic indicator method.

As at the end of 2020, the capital adequacy ratio of the core tier 1 capital of the Company was 12.18%; that of tier 1 capital was 12.18%, and the capital adequacy ratio was 13.35%, all meeting supervision requirements. The specific data are as shown below:

Capital Adequacy Ratio

Item	31 December, 2020		31 December, 2019	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated
Core Tier 1 Capital Adequacy Ratio (%)	12.18	12.17	12.94	12.93
Tier 1 Capital Adequacy Ratio (%)	12.18	12.17	12.94	12.93
Capital Adequacy Ratio (%)	13.35	13.34	14.11	14.10

Table of Capital Structure and Capital Adequacy Ratios of the Company

Unit: in RMB 10⁴

Item	31 December, 2020	31 December, 2019	Rate of Change (%)
Core Tier 1 Capital	3,388,033	3,271,342	3.57
Eligible Portion of Paid-in Capital	1,028,788	1,028,788	0.00
Eligible Portion of Capital Reserve	1,019,299	1,019,299	0.00
Surplus Reserve	276,064	246,995	11.77
General Risk Preparation	456,154	452,231	0.87
Undistributed Profits	606,604	494,626	22.64
Eligible Portion of Minority's Capital	3,817	3,145	21.37
Deduction Item of Core Tier 1 Capital Regulation	11,621	9,465	22.78
Other Intangible Assets (Excluding Land Use Right)	11,621	9,465	22.78
Net Core Tier 1 Capital	3,376,412	3,261,877	3.51
Other Tier 1 Capitals	509	419	21.37
Eligible Portion of Minority's Capital	509	419	21.37
Deduction Item of Tier 1 Capital Regulation	0	0	0.00
Net Tier 1 Capital	3,376,921	3,262,296	3.51
Tier 2 Capital	325,276	294,499	10.45
Allowance for Excess Loan Losses	324,258	293,661	10.42
Eligible Portion of Minority's Capital	1,018	839	21.37
Deduction Item of Tier 2 Capital Regulation	0	0	0.00
Total Net Capital	3,702,197	3,556,796	4.09
Total Risk-weighted Assets	27,724,858	25,204,521	10.00
Including: Credit Risk-weighted Assets	26,264,904	23,786,531	10.42
Market Risk-weighted Assets	224,337	215,215	4.24
Total Market Risk Capital Requirements	17,947	17,217	4.24
Operational Risk-weighted Assets	1,235,617	1,202,775	2.73
Total Operational Risk Capital Requirements	98,849	96,222	2.73
Core Tier 1 Capital Adequacy Ratio (%)	12.18	12.94	Down 0.76 Percentage Point
Tier 1 Capital Adequacy Ratio (%)	12.18	12.94	Down 0.76 Percentage Point
Capital Adequacy Ratio (%)	13.35	14.11	Down 0.76 Percentage Point

Note: (1) Calculated in accordance with the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)* issued by CBRC.

(2) Net core tier 1 capital = Core tier 1 capital - Deduction item of core tier 1 capital supervision; Net tier 1 capital = Net core tier 1 capital + Other tier 1 capital - Other deduction items of tier 1 capital supervision; Total net capital = Net tier 1 capital + Tier 2 capital - Deduction item of tier 2 capital supervision.

(3) Figures in the table are the data of the Company, and the supervision indicators are calculated in accordance with the regulatory requirements and accounting standards applicable to the relevant period. The figures are not subject to retroactive adjustment.

In accordance with relevant provisions of the *Administrative Measures for Leverage Ratio and the Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*, the leverage ratios for measurements are presented as follows:

Table of Leverage Ratios

Unit: in RMB 10⁴

Item	31 December, 2020	31 December, 2019	Rate of Change (%)
Tier 1 Capital	3,388,542	3,271,761	3.57
Deduction of Tier 1 Capital	11,621	9,465	22.78
Net Tier 1 Capital	3,376,921	3,262,296	3.51
Balance of Adjusted On-balance Sheet Assets	33,181,619	32,579,459	1.85
Balance of Adjusted Off-balance Sheet Items	7,510,732	6,461,877	16.23
Balance of Adjusted on- and off-balance Sheet Items	40,692,351	39,041,336	4.23
Balance of Securities Financing Trading Assets	0	99,960	(100)
Leverage Ratio (%)	8.30	8.33	Down 0.03 Percentage Point

Note: (1) Figures in the table are the data of the Company.

(2) The supervision indicators in this table are calculated in accordance with the regulatory requirements and accounting standards applicable to the relevant period. The figures are not subject to retroactive adjustment.

Credit Risk Exposure and Assessment

The Company utilized the weighted method to calculate the credit risk exposure, the recognition method for risk weight conformed to the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)* and the methods specified in the supervision report, and the risk weight was recognized according to the nature of the actual trading entity after penetration. For the business which couldn't be penetrated, the risk weight was recognized by following the principle of prudence. In the calculation of risk mitigation, the recognition and calculation was conducted according to the stipulations on the qualified mitigators in the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*. As at the end of 2020, the credit risk-weighted assets of the Company stood at RMB 262.649 billion.

Market Risk Exposure and Assessment

The Company utilized the standard method to measure the market risk capital requirements, including the interest rate risk of the trading book, the exchange rate risk of the banking book, without share price risk and commodity price risk. The interest rate risk of the trading book mainly came from the risks of generation of losses by the trading book bonds due to the adverse changes in the interest rate; the exchange rate risks were manifested as the risks of causing losses by adverse changes of exchange rate to the foreign currency exposure generated by currency structures mismatch between foreign currency assets and foreign exchange liabilities in banking book. As at the end of 2020, the market risk capital requirements of the Company were RMB 179 million.

Operational Risk Exposure and Assessment

As at the end of 2020, the operational risk capital requirements of the Company based on the basic indicator approach were RMB 988 million.

Internal Capital Adequacy Assessment

The internal capital adequacy assessment process of the Bank was composed by a great deal of work including risk recognition and assessment, risk preference, capital planning, pressure test, and internal capital adequacy assessment report.

The Bank established risk preference policies, and the risk preferences were the risks that the Bank was willing to bear in the process of realizing the development strategy and business object. According to the business development strategy, shareholder expectation, etc., the Bank formulated and adjusted the unified risk preferences, formed the qualitative representation of risk preferences, and specified the risk tolerance by the core indicator system of the risk management.

The Bank established main risk recognition and assessment standards according to the supervision requirements to ensure the main risks were timely recognized, assessed and monitored, the risk assessment covered credit risk, market risk, operational risk, liquidity risk, country risk, reputational risk, strategic risk, legal risk, information technology risk, and money laundering risk. For the quantifiable risks, the Bank gradually developed and improved the risk measurement technology, and strengthened the mitigation, control and management of relevant risks on this basis. For the unquantifiable risks, the Bank established a risk recognition, assessment, control and reporting mechanism to ensure the effective management of relevant risks. For the credit risk, market risk and operational risk under the Pillar 1 of the new capital agreement, the Bank conducted effective measurement of capital requirements of relevant risks according to the supervision requirements. The Bank established a management and assessment system for liquidity risk, country risk, reputational risk, strategic risk, legal risk, information technology risk, money laundering risk adaptable to the scale, nature and complexity of its business.

By the proactive pressure test, the Bank measured the capital adequacy under different pressure conditions, established capital supplement and capital emergency mechanisms to ensure the Bank had sufficient capitals to deal with the adverse changes in the market condition.

The capital planning management is to predict the capital demands and supplies in the future, determine the capital gap in the future and formulate capital replenishment measures inside and outside based on the regulations and the development strategies of the Bank. The principles for the Bank's objectives of capital planning are: to be based on the regulatory requirements on capital and the business development planning of the Bank, reserve the space for the capital buffer, and set a relatively safe and reasonable objective in capital adequacy ratio to keep the balance of the capital adequacy ratio and the return on capital. In 2020, the Bank's objective in the capital adequacy ratio was: the capital adequacy ratio of the core tier 1 capital at 9% or higher, that of the tier 1 capital at 10% or higher, and that of the capital adequacy ratio at 12% or higher.

The internal capital adequacy assessment report was formed according to the risk assessment, capital planning and pressure test and submitted to the management and the Board of Directors for consideration.

Capital Financing Management

For the capital financing management, the Bank mainly carried out reasonable selection of capital instruments in order to raise capital according to capital planning and the market environment, and positively expanded the exogenous capital supplement on the basis of profit retention and capital supplement to ensure external regulation and internal capital management objectives were satisfied and the optimization of total amount and structure of capital was facilitated.

7.7 Human Resource Management

In 2020, under the strong leadership of the Party Committee, we seriously studied and materialized Xi Jinping thought on socialism with Chinese characteristics for a new era; comprehensively strengthened the Party building; strove to overcome different challenges and pressure in the face of different difficulties caused by the epidemic and economic downturn; consolidated the job responsibility system of party building by focusing on the strategic objective and operation tasks of the Bank; strengthened inspection tour and rectified any problems discovered; built a team of competent and professional cadres; deepened the reform of three systems; optimized the examination and distribution mechanism; improved the talent cultivation; intensified the basic management; and advanced the business reform and innovation, so as to provide human resources support for building a first-class characteristic commercial bank with the strongest competitiveness in building the energy resources field.

7.8 Social Responsibility

In 2020, the Bank adhered to the underlying principle of pursuing progress while maintaining stability and the fundamental requirements for high-quality development, as well as the operation policy of “quality-priority, profit-oriented, and characteristic services, as well as coordinated development”; solidly advanced the construction of a “First-class Characteristic” commercial bank; increased its support for small and micro enterprises; pushed the green financial development; carried out the protection for consumer rights protection; fully supported “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts” and the poverty alleviation work; continued to strengthened the social service and public welfare activities; and fully performed various social responsibilities.

Active Service for Real Economy

The Bank fully implemented the national macro policies and supervision requirements, and supported the development of the real economy. The Bank launched a series of marketing activities and incentive programs to guide the corporate business through active adjustment of the customer and business structure to realize sustainable development. According to the plan of the Head Office, each branch formulated the activity details with its own characteristics, enhanced its strong points and avoided its weaknesses, and

remedied defects. The matching use of marketing guidance and incentive plans had a good effect. The medium and long-term finance including fixed assets loans increased by RMB 2.7 billion, up by 51% YOY. The corporate loans were all issued to the entity enterprises. The balance of loans to inclusive small and micro enterprises maintained steady growth, and the quality and efficiency of micro and small finance services further improved. The amount of cumulative loans to small and micro enterprises throughout the year reached RMB 44.454 billion, and the unified loans to small and micro enterprises increased by RMB 5.274 billion, implying an increase of 17.03 percentage points compared with other various loans. The number of loan borrowers of inclusive small and micro enterprises of the Bank increased by 3,087 year-to-date to 9,456. The loans to inclusive small and micro enterprises increased by 11.69 percentage points compared with other various loans, the average interest rate decreased by 1.28 percentage points compared with the beginning of the year, and we better completed “two increases and two controls” supervision and evaluation indicator of inclusive small and micro enterprises in 2020. For the interbank business, the Bank actively invested in consumption credit, the supply chain financing for small and medium-sized enterprises, and other asset securitization products, and carried out relevant work of boosting the real economy by finance; invested in various asset securitization products for epidemic prevention and control, and loans to financial institutions in Hubei regions to help fight the epidemic. With the help of “Kunlun Fast Discounting” products, the Bank realized the on-line automatic processing in the whole process of discount of bills. We effectively responded to the financing demands of business operation during the epidemic period; further carried out the support of the Central Bank for “Enterprises Serving Agriculture, Rural Area and Farmers” and “Small and Micro Enterprises”.

In the support for the economic and social development in Xinjiang, the Bank continued to strengthen the credit support for key projects, infrastructure, small and micro enterprises, and livelihood projects. Throughout the year 2020, the branches Xinjiang issued corporate loans of RMB 51.2 billion, up by RMB 8.3 billion or 19% YOY.

Continuous Support of Green Financial Development

In order to implement the requirements in the rules and regulations such as the *Guidelines for Establishing the Green Financial System*, the *Green Credit Guidelines*, and the *Notice of Establishing the Special Statistical System for Green Loans*, the Bank, focusing on the development guideline of “pursuing progress while maintaining stability, and steady development”, continued to improve the construction of the green credit institutional system, strengthened the organizational management; established and improved the product system; gradually optimized the construction of the business system; and achieved better development in all the green credit work.

In terms of strategic planning, the Bank formulated the green credit strategy for the “14th Five-Year” Plan period, as well as medium and long-term objectives, and specified the medium and long-term development direction in the green credit business of the Bank. In terms of the system construction, the Bank specified the key fields and project scope for the green credit development in the 2020 “Guiding Opinions on Credit Policies”, and proposed to give priority to the development of green credit business of the branch in the area where Xinjiang Green Finance Pilot. The green credit management method printed and distributed in 2020

sorted out and specified the operation and management of green credit of the Bank, laying a solid foundation for the development of green credit business. The construction of the green credit institutional system improved gradually. In terms of the marketing promotion, the Bank issued the *Notification on Promoting Quality and Efficiency of Green Finance Work*, and made specific arrangements from the application of green finance in the internal and external policies of the Bank, the management of major environment and social risk customers, construction of green finance standards, construction of green franchise agencies, and other perspectives in three aspects of policy incentive, marketing and data governance of green finance. In the aspect of green standards, the Bank released the *2019 Environment Information Disclosure Report of Bank of Kunlun Corporation Limited* in the column of “Investor Relations” at its official website, and this was also the environment information report disclosed by the first corporate banking institution among the five provinces in Northwest China. The Bank organized and carried out the propaganda activity of “Green Finance Propaganda Month” in branches, and utilized the official WeChat accounts of the branches to open the small knowledge class for on-line green finance by three issues to propagate the green finance term and fulfill the concept of new development. In the aspect of the self-evaluation of green credit, the Bank successfully completed the self-evaluation of green credit in 2019 according to the requirements of the Xinjiang Office of CBIRC, and Karamay Central Sub-branch of PBOC, comprehensively collated its green credit development to fully reach the supervision requirements and indicate a clear direction for further advancement of the key green credit tasks.

Comprehensive Strengthening of Consumer Rights Protection Work

During the report period, the Strategy and Consumer Rights Protection Committee of the Board of Directors urged the Senior Management to continuously improve the consumer rights protection work system, implement the supervision requirements, study the auditor’s reports, supervision notification and internal examination results, etc. related to the annual consumer rights protection work, guaranteeing the effective running of the consumer rights protection working mechanism of the Bank. The Senior Management and its subordinate consumer rights protection leading group carried out relevant resolutions of the Board of Directors in the consumer rights protection work, and overall deployed the 2020 consumer rights protection work arrangement.

The Bank firmly established the “Customer-oriented” service concept; carefully performed the subject responsibilities of consumer rights protection; actively performed the social responsibilities; continued to strengthen the construction of consumer rights protection system and mechanism; advanced the implementation and realization of the industry standards; specified the whole-process behavior control of products and services; positively carried out the public propaganda training; paid attention to special groups to improve the epidemic prevention and control, and increase the quality and efficiency of consumer rights protection work. First, in terms of system construction, the Bank formulated and revised 9 systems including the consumer rights protection management method, product and service information disclosure and consumer rights protection audit to further improve the consumer rights protection system. Second, in terms of products and services, the Bank strengthened the consumer rights protection audit; performed the information disclosure and notification obligations; specified the sales behaviors; enhanced the dynamic transaction monitoring of suspicious customers to effectively guarantee the security of

customers' funds. Third, in terms of financial publicity and education, the Bank actively carried out over ten propaganda activities including "3.15 Financial Consumer Propaganda Month", "Long March for Finance Knowledge", and propaganda of preventing the telecom fraud. And the *Learn from Pictures and Study Financial Knowledge Together* prepared by the Bank was adopted by PBOC and released to the WeChat public account because of innovative and well-made propaganda pictures. Fourth, in terms of complaint management, the Bank perfected the complaint handling mechanism, improved the construction of complaint system, and strengthened the application use of complaint data to increase the normalization and standardization level. During the reporting period, the Bank accepted a total of 411 complaints from financial consumers, decreasing by 32% over the previous year. These complaints mainly involve the business of credit card, loan and debit card. The timeliness ratio of complaint handling was 99.76%, increasing by 12.17% over the previous year, and the satisfaction rate of complaint was 98.05%.

Vigorous Completion of Poverty Alleviation Work

The Bank deeply realized the "Poverty Alleviation" requirements of the Central Party Committee, continued to complete the initiative of "Understanding the People's Situation, Benefiting the People's Livelihood and Uniting the People's Hearts" of Shaya County, Aksu City, Xinjiang Uygur Autonomous Region, and strengthened the assistance in two designated poverty-stricken villages of Jiashi County, Kashgar City. Comrade Lei Ming, resident poverty-alleviation cadre won the Model Worker Medal and the honorary title of Outstanding CPC Member of the subordinate Party Committee of CNPC. Comrade Liu Wensheng was awarded the honor of "May 1st Labour Medal of Xinjiang Finance" by the Working Committee of Xinjiang Finance. From 2019 to 2020, two designated poverty-stricken villages successively escaped from poverty, and the poverty alleviation work was completed successfully. The Bank gave full play to the role of financial enterprises in the poverty alleviation, and actively carried out the consumption poverty alleviation activity. In 2020, the cumulative amount of consumption poverty alleviation of the Bank was RMB 999,100.

Continuous Strengthening of Social Services

The Bank continued to make the social benefit services, actively carried forward the volunteer spirit of "Devotion, Affection, Mutual Help and Progress", organized and carried out the activity of "Youth Volunteer · Love on the Journey" to provide help for the migrant workers. The Bank organized voluntary blood donation of employees to alleviate the urgent need for use of blood by medical institutions during the epidemic period. Meanwhile, the Bank carried out the finance knowledge propaganda to promote the risk prevention awareness of the local citizens of branches. Meanwhile, the Bank organized the Party members and League members to actively participate in the voluntary epidemic prevention activity of the Bank and the local community to strengthen responsibility and take a lead in setting an example. By carrying out and participating in different public welfare activities, the Bank boosted the formation of a good atmosphere of social welfare, and show the social responsibilities and sense of mission of the youth.

7.9 Outlook

2021 is the first year of the “14th Five-Year” Plan period, and marks the centenary of the Communist Party of China. The Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; conscientiously implement the work deployment of regulatory agencies; unswervingly uphold the underlying principle of pursuing progress while maintaining stability; make sweeping efforts to strengthen Party leadership and Party building; adhere to the positioning of industrial finance; follow the enterprise revitalization of the “Four Cardinal Principles” and enterprise governance criterion of “Four Modernizations”; uphold the operational guideline of “quality-priority, profit-oriented, and characteristic services, as well as coordinated development”; follow strict compliance and governance, and focus on improvement of market competitiveness and management capability; highlight integration of industry and finance, reform innovation, strengthening of quality and efficiency, technology empowerment; make arduous efforts to build a first-class characteristic commercial bank with the strongest competitiveness in the energy field, so as to celebrate the centenary of the Communist Party of China with an outstanding performance.

VIII. Changes in Share Capital and Shareholders

8.1 Changes in Share Capital

In 2020, the Bank did not increase its capital or enlarge its share, and the register capital remained at RMB 10.288 billion.

8.2 Number of Shareholders and Proportion of Shareholding

As at 31 December, 2020, the total number of shareholders of the Bank was 75, and the total number of shares was 10.288 billion. The shareholding ratio of legal person shareholders was 99.9908% and that of natural person shareholders was 0.0092%.

8.3 Top 10 Shareholders of the Bank and Shareholding Ratios

Unit: in Number of Shares

No.	Shareholders	Number of Shares Held	Shareholding Ratio (%)
1	CNPC Capital Limited Company	7,930,712,499.85	77.09
2	Karamay City Construction Investment and Development Co., Ltd.	644,126,987.60	6.26
3	China Shipping Investment Co., Ltd.	384,604,330.37	3.74
4	Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd.	258,347,016.97	2.51
5	Xinjiang Financial Investment Co., Ltd.	223,225,446.36	2.17
6	Shandong State-owned Assets Investment Holdings Co., Ltd.	199,829,696.98	1.94
7	Xinjiang Uygur Autonomous Region Financing and Guarantee Co., Ltd.	129,173,508.49	1.26
8	Shanghai Qisheng Enterprise Development Co., Ltd.	68,686,275.09	0.67
9	Xinjiang Taishengxinrong Investment Co., Ltd.	56,879,807.02	0.55
10	Karamay Jusheng State-owned Capital Investment Operation Co., Ltd.	48,717,307.12	0.47

8.4 Controlling Shareholders

CNPC Capital is the controlling shareholder of the Bank. As at the end of 2020, CNPC Capital held 7.931 billion shares of the Bank, with a shareholding ratio of 77.09%. During the reporting period, neither the controlling shareholder nor the actual controller of the Bank changed.

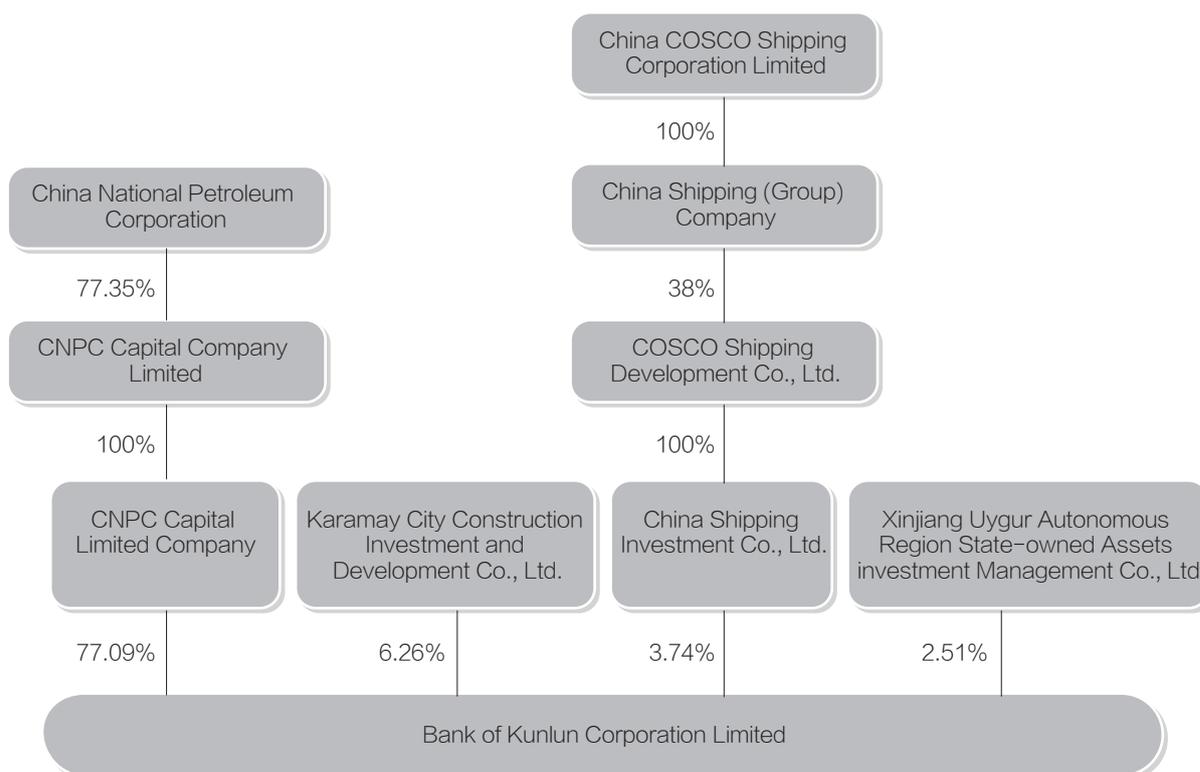
CNPC Capital is specialized in managing financial business of the CNPC, being the platform for the integration of financial business, financial equity investment, financial asset management and supervision and financial business risk management and control of the CNPC. CNPC Capital is composed of ten

financial companies including Bank of Kunlun Co., Ltd., Kunlun Financial Leasing Co., Ltd., and Generali China Life Insurance Co., Ltd. CNPC Capital takes strategic control over its holding financial enterprises, transfers the autonomy power in management to its subordinate enterprises, and strengthens the functional control including strategic management, capital operation, performance appraisal, compensation management and risk control over the subordinate financial enterprises through standardizing and perfecting corporate governance. Furthermore, CNPC Capital promotes the collaboration in integrating the industry and finance, enhances the cooperation among financial enterprises and realizes the sharing of resources.

8.5 Major Shareholders

Major shareholders of the Bank include: CNPC Capital ,Karamay City Construction Investment and Development Co., Ltd who holding over 5% of the equity in the Bank; China Shipping Investment Co., Ltd. and Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd. assigning Directors to the Bank.

Structure Chart of Major Shareholders



Major Shareholders

Shareholders	Legal Representative/ Responsible Person	Establishment Date	Business Scope	Registered Capital (RMB 10 ⁴)	Pledged Equity	Nominated Directors/ Supervisors
CNPC Capital Limited Company	Jiang Shangjun	27 May, 1997	Project investment; investment management; assets management; investment consultation; real estate management; rental of self-owned offices; corporate planning; corporate management consultation; public parking space services for vehicles.	1,839,871	— —	Director: Jiang Shangjun
Karamay City Construction Investment and Development Co., Ltd.	Gui Bin	26 December, 2001	Urban construction project investment and urban construction investment; land development; rental of house equipment; engineering consultation service; real estate development and operation; sales of building materials, mechanical equipment and electronic products, daily necessities.	300,000	— —	Director: Xu Xinping
China Shipping Investment Co., Ltd.	Ming Dong	26 June, 1998	Industrial investment, equity investment.	1,821,300	— —	Director: Ming Dong
Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd.	Zhang Lide	23 April, 1998	Performance of the duties of investors of state-owned assets within the scope authorized by The Government of Xinjiang Uygur Autonomous Region of China, bearing of responsibilities of preservation and appreciation of state assets, being responsible for the property (equity) management of state-owned assets within the scope authorized by The Government of Xinjiang Uygur Autonomous Region of China, acquisition, merger and transfer of property (equity); investment and collection of return on investment; supervision of the operation of wholly-owned, holding and shareholding enterprises; signing of loan contracts and agreements according to the loan project plan approved by The Government of Xinjiang Uygur Autonomous Region of China, being responsible for the issuance of loan principal as well as the recovery and repayment of loan principal and interest; undertaking of other work assigned by The Government of Xinjiang Uygur Autonomous Region of China.	239,707	— —	Director: Han Hua

8.6 Actual Controller

Name: China National Petroleum Corporation (CNPC)

Nature: Central state-owned holding company

Type: Legal entity

Legal Representative: Dai Houliang

Major business: organizing the business of the exploration, development, production/construction, processing and comprehensive utilization of onshore oil, natural gas and oil - gas symbiosis or drilling minerals as well as the manufacturing of special oil machinery; organizing storage and transportation of the afore-mentioned products and by-products; self-sale of products of own company system according to Chinese regulations; organizing the supply and sale of materials, equipment and apparatus for oil/gas production and construction; development, research and technology promotion of new products, new technologies, new techniques and new equipment of petroleum exploration, development, production and construction; cooperation in exploration and development of oil and natural gas at home and abroad, economic and technical cooperation and foreign contracting oil construction projects, import of international technology and equipment, export of equipment and techniques of this system, and international negotiation and contract signing in the introduction and utilization of foreign investment projects. (The enterprise chooses and carries out their business projects legally and independently. For business activities subject to legal approval, the enterprise shall obtain all due approvals and carry out the approved contents. The enterprise shall not engage in business activities of projects banned or restricted by the industrial policies of the city.)

8.7 Share Pledge and Share-on-hold of the Shareholder Holding 5% (including) or More of All Shares of the Bank

CNPC Capital and Karamay City Construction Investment and Development Co., Ltd. are the shareholders holding 5% (including) or more of all shares of the Bank. As at the end of the reporting period, there is no pledge or on-hold shares of the Bank held by the above shareholders.

IX. Directors, Supervisors, Senior Management, Employees and Institutions

9.1 Incumbent Directors, Supervisors, Senior Management

Name	Position	Gender	Age	Date of Appointment
Jiang Shangjun	Chairman	Male	56	2018.09
Han Hua	Director	Female	54	2018.12
Xu Xinping	Director	Female	53	2018.12
Ming Dong	Director	Male	49	2017.02
Liu Bo	Independent Director	Male	61	2018.12
Zhang Shengping	Independent Director	Male	55	2018.10
Xi Bo	Independent Director	Male	48	2018.10
Yan Hong	Deputy Secretary of the CPC Committee, Chief Supervisor, Labour Union Chairman	Male	54	2020.10 (Deputy Secretary of the CPC Committee, Labour Union Chairman) 2020.12 (Chief Supervisor)
Zhou Maoqing	External Supervisor	Male	66	2016.04
Zhang Lijun	External Supervisor	Female	62	2016.04
Xin Bingren	Employee Supervisor	Male	59	2019.06
Wang Zhonglai	Secretary of the CPC Committee	Male	57	2020.10 (Secretary of the CPC Committee)
He Fang	Deputy Secretary of the CPC Committee, Board Secretary, President (on Behalf)	Male	48	2020.10 (Deputy Secretary of the CPC Committee) 2018.07 (Board Secretary) 2020.11 (President (on Behalf))
Yan Jiu	Member of the CPC Committee and Vice President	Male	51	2015.12 (Member of the CPC Committee) 2018.09 (Vice President)
Feng Dianjun	Member of the CPC Committee, Secretary of Discipline Inspection Commission	Male	56	2020.03
Wang Zhengrong	Member of the CPC Committee	Male	47	2020.12
Ma Yuanhui	President Assistant	Male	51	2017.03
Wang Mingdong	President Assistant & General Manager of Information Technology Department	Male	50	2017.03 (President Assistant) 2020.09 (General Manager of Information Technology Department)
Tang Zongheng	General Manager of Planning and Finance Department	Male	50	2016.02
Wang Jinhai	General Manager of Internal Audit Department	Male	57	2010.04

9.2 Retired Directors, Supervisors, Senior Management

Name	Position	Gender	Age	Date of Appointment and Retirement
Wang Zhonglai	Deputy Secretary of the CPC Committee, Chief Supervisor Labour Union Chairman	Male	57	2017.01-2020.12 (Chief Supervisor) 2018.04-2020.10 (Deputy Secretary of the CPC Committee, Labour Union Chairman)
Yan Hong	Director	Male	54	2017.03-2020.10
Zuo Wei	Deputy Secretary of the CPC Committee, Director and President	Male	53	2016.12-2020.10 (Deputy Secretary of the CPC Committee) 2017.06-2020.10 (Director and President)
Diao Hanyu	Equity Supervisor	Female	50	2017.12-2020.12

9.3 Major Work Experience and Previous Positions or Concurrent Positions with other Employer of Directors, Supervisors, Senior Management

Jiang Shangjun, Chairman

Mr. Jiang Shangjun, a principal senior economist, graduated from Lanzhou Business School with a major in Financial Accounting, as well as from Lanzhou University with a master's degree in Business Administration, and from Houston University with a master's degree in Business Administration. Mr. Jiang has been engaged in financial work for nearly 30 years. Prior to beginning his work at the Bank, he served as General Manager and Deputy Secretary of the CPC Committee of the CNPC Northwest Sales Branch. Since September 2012, he has been serving as Secretary of the CPC Committee and Chairman of the Bank; since October 2016, as General Manager of CNPC Capital; since April 2017, as Secretary of the CPC Committee, Vice Chairman, and General Manager of CNPC Capital Co., Ltd.; since April 2018, as Secretary of the CPC Committee of the Bank, and concurrently as the Chairman as of June 2018; since September 2018, as Secretary of the CPC Committee, Vice Chairman and General Manager of CNPC Capital, as well as Secretary of the CPC Committee and Chairman of the Bank; since November 2020, as Secretary of the CPC Committee, Vice Chairman and General Manager of CNPC Capital, as well as Chairman of the Bank.

Han Hua, Director

Ms. Han Hua, a senior auditor and certified public accountant, graduated from Xinjiang Radio and Television University with a major in auditing and is the holder of an on-job college degree. She is currently a member of the CPC Committee, Director, and Chief Accountant of Xinjiang State-Owned Assets Investment and Management Co., Ltd. She has been serving as a Director of the Bank since December 2018.

Xu Xinping, Director

Ms. Xu Xinping, graduating from Hebei University of Economics and Business with a bachelor's degree in Finance, is currently Secretary of the CPC Committee and Deputy Director of the Karamay Municipal State-owned Assets Supervision and Administration Commission in Xinjiang. She has been serving as a Director of the Bank since December 2018.

Ming Dong, Director

Mr. Ming Dong, a senior economist, graduated from Central University of Finance and Economics, majoring in international finance and investment economics. He holds a master's degree in economics and serves as the Vice General Manager and the CPC Committee member of COSCO Shipping Development Co., Ltd. and the Chairman of China Shipping Investment Co., Ltd. He has been serving as a Director of the Bank since February 2017.

Liu Bo, Independent Director

Mr. Liu Bo, the holder of a Ph.D. in Economics, graduated from both Central University of Finance and Economics and Xi'an Jiaotong University. He served as Vice Director of the Foreign Exchange Management Department of the People's Bank of China Beijing Branch, Vice President of China Everbright Bank, Chief Representative of the Beijing Representative Office of Singapore UOB, President of Centergate Securities Co., Ltd., Chairman of Zhongfang Real Estate Co., Ltd., and Chairman of Si Chuan Jinyu Automobile City (Group) Co., Ltd. He has been serving as an Independent Director of the Bank since December 2018.

Zhang Shengping, Independent Director

Mr. Zhang Shengping, the holder of a Ph.D. in Economics, graduated from both Shandong University and Nankai University. He is currently the deputy dean of the Guanghua School of Management, Peking University. His research interests include financial economics, financial supervision, currency banking, creditor's rights and debts, and asset-backed securitization. He has been serving as an Independent Director of the Bank since October 2018.

Xi Bo, Independent Director

Mr. Xi Bo, the senior financial industry expert, master of Philosophy and master of Business Administration, graduated from Peking University, Yale University, and the University of Rochester, successively. He is currently Chairman of Beijing Jingshi Yingxin Technologies Co., Ltd., committed to the in-depth study of delicacy management in the financial industry of China, with more than 10 years of expertise relating to commercial banking, including asset and liability management, fund transfer pricing, customer relationship pricing, and performance appraisal. He has been serving as an Independent Director of the Bank since October 2018.

Yan Hong, Deputy Secretary of the CPC Committee, Chief Supervisor, Labour Union Chairman

Mr. Yan Hong, a principal senior accountant, graduated from China Europe International Business School with a master's degree. He used to be chief accountant of Daqing Petroleum Administration Bureau and Daqing Oilfield Limited Company. Since October 2016, he served as Secretary of the CPC Committee of the Bank; since December 2016, as Director of the Bank; since March 2017, as Secretary of the CPC Committee and Chairman of the Bank; since April 2018, as Deputy Secretary of the CPC Committee and Chairman of the Labor Union of CNPC Capital; since September 2018, as Deputy Secretary of the CPC Committee; Chairman of the Board of Supervisors, Chairman of the Labor Union of CNPC Capital Co.,

Ltd., and Director of the Bank. He has been serving as Deputy Secretary of the CPC Committee and Labour Union Chairman of the Bank since October 2020, and Deputy Secretary of the CPC Committee, Chief Supervisor and Labour Union Chairman of the Bank since December 2020.

Zhou Maoqing, External Supervisor

Mr. Zhou Maoqing is a researcher, holder of a post-doctorate degree, and doctoral tutor of Financial Research Institute of Chinese Academy of Social Sciences. He graduated from Economics Department of Anhui University, Nanjing University and Financial Research Center of Chinese Academy of Social Sciences. His main research fields are financial markets, international finance and industrial economy. He has gained provincial second and third prizes of excellent achievement of philosophy and social sciences for his scientific achievements. Since April 2016, she has been an External Supervisor of the Bank.

Zhang Lijun, External Supervisor

Ms. Zhang Lijun, senior accountant with a bachelor's degree, has been engaged in accounting for more than 30 years. She served as Vice General Manager (researcher) of the Operations Management Department of ICBC Beijing Branch. Since April 2016, she has been an External Supervisor of the Bank.

Xin Bingren, Employee Supervisor

Mr. Xin Bingren is a senior accountant with a master's degree. He currently serves as General Manager of Department of Party-Masses Work (CPC Committee Publicity Department, Corporate Culture Department) of the Head Office of the Bank. He used to be Secretary of the CPC Committee and President in Daqing Branch, and served as Head of the CPC Committee Organization Department and General Manager of Human Resources Department, etc. in the Head Office. He has been serving as the Employee Supervisor of the Bank since June 2019.

Wang Zhonglai, Secretary of the CPC Committee

Mr. Wang Zhonglai, a senior economist, graduated from Hangzhou Financial Cadres Management Institute (majoring in software), Correspondence School of Central Party School (major in economics and management), and Nanjing University (major in management science and engineering), with over 30 years' working experience in banking industry. He used to be the General Manager of Operation Management Department of Shenzhen Development Bank. He has served as Vice President, Director, President, Chief Supervisor, Deputy Secretary of the CPC Committee, Secretary of Discipline Inspection Commission, Labour Union Chairman of the Bank, and has been serving as Secretary of the CPC Committee of the Bank from October 2020.

He Fang, Deputy Secretary of Party Committee, Board Secretary, President (on Behalf)

Mr. He Fang, a senior economist, graduated from Shenyang University of Technology with a master's degree in computer application, and then another in finance from University of Illinois Urbana-Champaign. He engaged in economics and finance for over 20 years. He used to serve as the Manager of International Business Department of China Petroleum Finance Co., Ltd., President Assistant of Bank of Kunlun and

General Manager of International Business Department. He has been serving as Member of the CPC Committee, and Vice President of the Bank since December 2015, and Board Secretary from July 2018, and Deputy Secretary of Party Committee, Board Secretary of the Bank from October 2020; Since November 2020, he has been serving as Deputy Secretary of the CPC Committee, Board Secretary and President (on behalf) of the Bank.

Yan Jiu, Member of the CPC Committee and Vice President

Mr. Yan Jiu, a principal senior accountant, and a holder of a master's degree, graduated from the Central University of Finance and Economics, majoring in accounting, and Tsinghua University, majoring in industrial and commercial management. He has been engaged in the economic and financial work for nearly 30 years. He worked as the Member of the CPC Committee and Chief Accountant of Jidong Oilfield Branch of PetroChina. From December 2015 to April 2018, he served as member of the CPC Committee and Secretary of the Discipline Inspection Committee of the Bank; since September 2018, he has served as Member of the CPC Committee and Vice President of the Bank.

Feng Dianjun, Member of the CPC Committee, Secretary of Discipline Inspection Commission

Mr. Feng Dianjun, senior auditor, holds a master's degree in accounting from Tianjin Petroleum Vocational and Technical College and that in industrial and commercial administration from Tsinghua University. He has been engaged in the economic and financial work for nearly 40 years. He used to be Member of the CPC Committee of CNPC Capital, and the leader of Discipline Inspection Group of Party Group of CNPC in CNPC Capital. He has been serving as Member of the CPC Committee and Secretary of the Discipline Inspection Committee of the Bank since March 2020.

Wang Zhengrong, Member of the CPC Committee

Mr. Wang Zhengrong, a senior economist, graduated from Northwest University with a major of Investment Economy, Lanzhou Jiaotong University with a major of Business Administration, and obtained MBA degree. He has been engaged in the bank work for nearly 30 years. He once served as Senior Manager in Shaanxi Branch of Bank of Communications, and President of Sub-branch. He successively served as Vice President of Xi'an Branch, Secretary of the CPC Committee and President of Daqing Branch of the Bank. He has been serving as Member of the CPC Committee of the Bank since December 2020.

Ma Yuanhui, President Assistant

Mr. Ma Yuanhui, a senior economist, graduated from China Central Radio and TV University with a bachelor's degree in accounting, and has been engaged in economy and finance work for 28 years. He once worked as Deputy Director of Fund Cashier's Office of PetroChina Co., Ltd. He successively served as General Manager of the Financial Market Department (Wealth Management Business Department) and General Manager of Corporate Business Department (Industrial Financing Management Department). He has been serving as President Assistant of the Bank since March 2017.

Wang Mingdong, President Assistant & General Manager of Information Technology Department

Mr. Wang Mingdong, a senior accountant, graduated from Jilin University (major in Accounting) and Tianjin University of Finance and Economics (major in Accounting), with an MBA degree, and engaged in economics and finance for 29 years. He once worked as a deputy-Director-general-level cadre in China Petroleum Finance Co., Ltd. He successively served as General Manager of the Planning and Finance Department and General Manager of Information Technology Department and other positions. He has been serving as President Assistant of the Bank since March 2017, and General Manager of Information Technology Department since September 2020.

Tang Zongheng, General Manager of Planning and Finance Department

Mr. Tang Zongheng, a senior accountant, graduated from Sichuan University with a bachelor's degree in accounting, and has been engaged in economy and finance work for 28 years. He once served as Chief of Budget Administration Section of Planning and Finance Division for Mining Area of Xinjiang Oilfield Company. He successively served as General Manager of Business Management Department, Deputy General Manager of Business Department of the Head Office, Executive Vice President and President of Karamay Branch, and other positions. He has been serving as General Manager of the Planning and Finance Department of the Bank since February 2016.

Wang Jinhai, General Manager of Internal Audit Department

Mr. Wang Jinhai, a senior auditor, graduated from China University of Petroleum (East China) with a bachelor's degree in accounting, and has been engaged in economy and finance work for 40 years. He once served as Director of No.4 Audit Office of CNPC Auditing Service Center. He successively served as General Manager of Internal Auditing Department (Discipline, Inspection, and Supervision Department) and Deputy Director of Discipline, Inspection, and Supervision Department of the Bank and other positions. He has been serving as General Manager of Internal Audit Department of the Bank since April 2010.

9.4 Changes in Directors, Supervisors and Senior Management**Director Changes**

Mr. Zuo Wei and Yan Hong ceased to serve as Director of the Bank in November 2020.

Supervisor Changes

Diao Hanyu ceased to serve as Supervisor of the Bank in December 2020.

Wang Zhonglai ceased to serve as Chief Supervisor and Supervisor of the Bank in December 2020.

Yan Hong has been serving as Supervisor of the Bank since November 2020, and Chief Supervisor since December 2020.

Changes in Senior Management

Feng Dianjun has been serving as Secretary of Discipline Inspection Commission of the Bank since March 2020.

Zuo Wei ceased to serve as President of the Bank since November 2020.

He Fang has served as President (on behalf) of the Bank since November 2020.

Wang Zhengrong has been serving as Member of the CPC Committee of the Bank since December 2020.

9.5 Employees

As at the end of 2020, there were 3,377 employees altogether, including 569 at the Head Office, 259 at the Operation Service Center, 2,444 at branches, International Business Settlement Center and Business Department of Head Office, and 105 at rural banks. The average age of employees was 35. The employee structure of the Bank is continuously optimized, with a good quality overall - 3,142 employees (93.04%) have a bachelor's degree or above and 495 employees (14.66%) have a doctor's or master's degree.

9.6 Salary

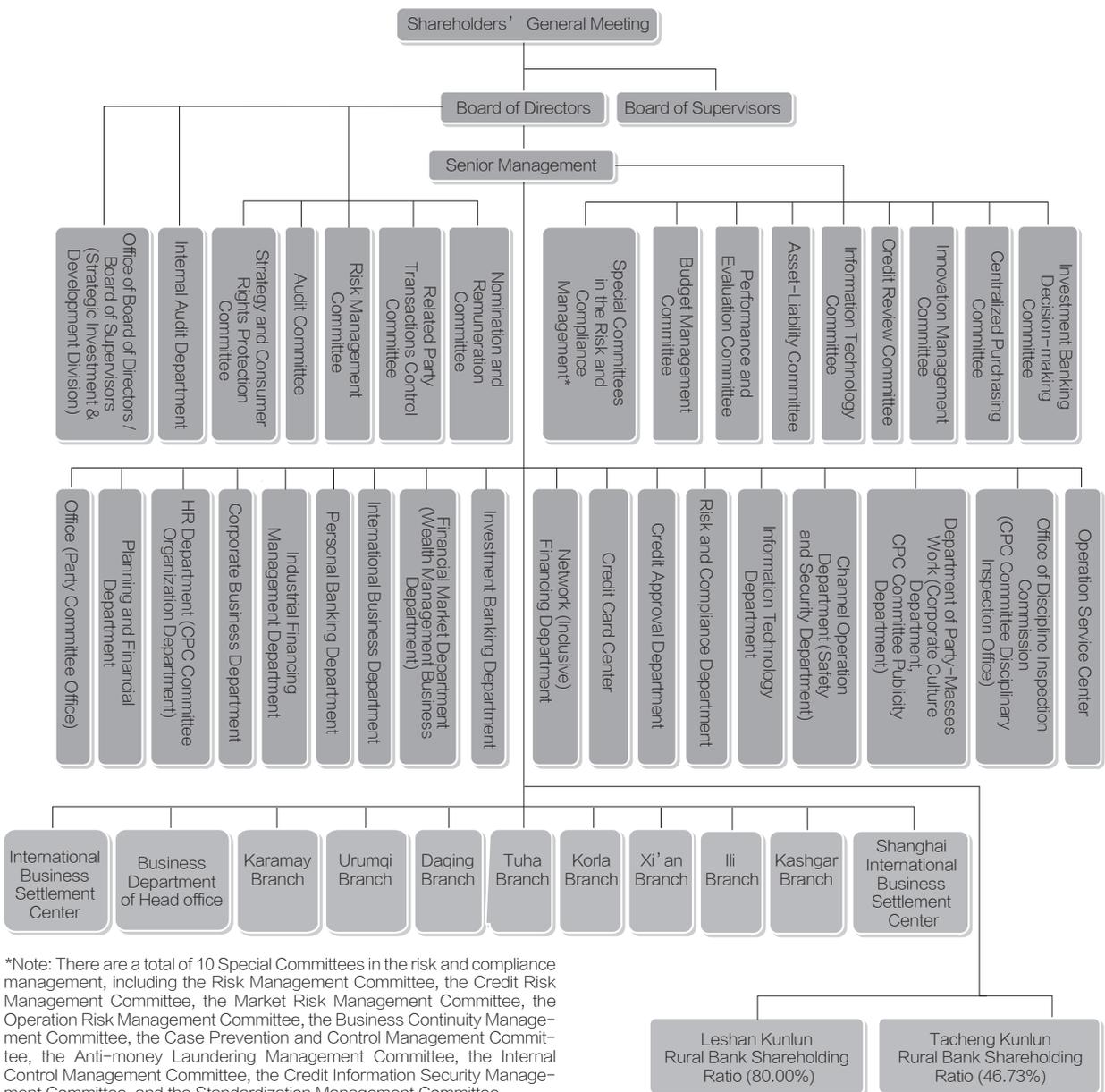
The Bank has established the Nomination and Remuneration Committee of the Board of Directors in accordance with the Articles of Association. The committee reviews the payroll management system and policy of the whole bank. The salary policies of the Bank are adaptable to the corporate governance requirements, operation development strategies and talent competition strategies, uphold the objective of "improving and perfecting the incentive and restrictive mechanism and increasing the organization efficiency", and pay proper attention to the steady operation and sustainable development while "focusing on achievements, preserving the key personnel and establishing a benchmark". The salary of an employee is mainly composed of the basic salary and the performance-based salary, and the beneficiaries are all contract employees of all kinds of institutions. And the deferred payment and recourse charge-back system is established for the Senior Management and the employees at the posts having a material effect on the risks, and the postponed payment period is not less than three years. For personnel violating rules and disciplines or unnormal exposure of risk losses within the duties, the payment shall be stopped and the performance-based salary shall be recovered. In 2020, the total salary of all institutions was RMB 699.96 million, and there were no exceptional cases of exceeding the original salary plan. The performance allocation comprehensively considered such factors as performance evaluation, profit contribution to guarantee the salary of employees involved in the risk and compliance management work was independent of the business line performance supervised by these employees, realizing the full completion of the economic, risk, and social responsibility indicators.

The salary standard for Independent Directors and External Supervisors of the Bank was executed in accordance with the resolution of the Shareholders' General Meeting of the Bank. In 2020, members of the

Board of Directors, members of the Board of Supervisors, the Senior Management, and holders of other important risk-control posts on the payroll of the Bank were paid RMB 9.1146 million in remuneration in aggregate.

9.7 Institutions

The Bank was set up according to the structure of “Head office - Branch - Sub-Branch”. The Head Office owned a total of 10 branch-level institutions, namely Karamay Branch, Urumqi Branch, Daqing Branch, Tuha Branch, Korla Branch, Xi’an Branch, Ili Branch, and Kashgar Branch, International Business Settlement Center, and Shanghai International Business Settlement Center. As at the end of 2020, the Bank had 83 branches and sub-branches, decreasing by 1 as compared with 2019.



*Note: There are a total of 10 Special Committees in the risk and compliance management, including the Risk Management Committee, the Credit Risk Management Committee, the Market Risk Management Committee, the Operation Risk Management Committee, the Business Continuity Management Committee, the Case Prevention and Control Management Committee, the Anti-money Laundering Management Committee, the Internal Control Management Committee, the Credit Information Security Management Committee, and the Standardization Management Committee.

List of Branches of Bank of Kunlun

As at 31 December, 2020

No.	Branch-level Institutions				Outlets				
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
1	International Business Settlement Center	Floor 1, Tower B, No.1 Financial Street, Xicheng District, Beijing	100033	010-89026956	010-63949491	--	--	--	--
2						Karamay Branch	No.7, Century Avenue, Karamay City, Xinjiang	834000	0990-6229957
3						Yoyui Road Sub-branch	No. 98, Yoyui Road, Karamay City, Xinjiang	834000	0990-6232984
4						Xingfu Road Sub-branch	Sub No. 3 Store, Xingfu Road, Karamay City, Xinjiang	834000	0990-6969912
5						Junggar West Road Sub-branch	Xintiandi Business Street, No. 224, Junggar Road, Karamay City, Xinjiang	834000	0990-6977797
6						Shengli Road Sub-branch	No. 118-36, Shengli Road, Karamay City, Xinjiang	834000	0990-6244416
7	Karamay Branch	No.7, Century Avenue, Karamay City, Xinjiang	834000	0990-6969907	0990-6229957	Zhonglou Sub-branch	(No. 1 -4 Stores, Tiancheng Square) Qianjin New Village, Karamay City, Xinjiang	834000	0990-6231373
8						Nanxin Road Sub-branch	No. A16-105, Zefu, Karamay City, Xinjiang	834000	0990-6253415
9						Xincheng Sub-branch	No. 33, Shengli Road, Karamay City, Xinjiang	834000	0990-6609019
10						Daqing Road Sub-branch	No. 14, Daqing East Road, Dushanzi District, Karamay City, Xinjiang	833699	0992-3684040
11						Huainan Road Sub-Branch	No. 46, Daqing Road, Dushanzi District, Karamay City, Xinjiang	833699	0992-3683836

Continued

No.	Branch-level Institutions					Outlets			
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
12						Nanjing Road Sub-Branch	No.2806 Daqing East Road, Dushanzi District, Karamay, Xinjiang (Floor 1, Chengtou Mansion)	833699	0992-3689133
13						Zhongxing Road Sub-Branch	No. 36, Huayuan Road, Baijiantan District, Karamay City, Xinjiang	834009	0990-6923341
14						Kunlun Road Sub-Branch	No. 115, Youyi Road, Karamay City, Xinjiang	834000	0990-6221879
15	Karamay Branch	No.7, Century Avenue, Karamay City, Xinjiang	834000	0990-6969907	0990-6229957	Yuezhong Road Sub-Branch	No. 1, Yuezhong Road, Baijiantan District, Karamay City, Xinjiang	834008	0990-6981937
16						Jinlong Town Sub-Branch	No. 6, Yongsheng Road, Jinlong Town, Karamay City, Xinjiang	834000	0990-6929722
17						Youjian Sub-Branch	No. 8, Youjian Road, Karamay City, Xinjiang	834000	0990-6926557
18						Lvse Kangcheng Community Sub-Branch	No. 63-116, Jixiang Road, Karamay City, Xinjiang	834000	0990-6988901
19						Branch Business Department	No. 8, Minzhu Road, Urumqi, Xinjiang	830000	0991-2328114
20	Urumqi Branch	No. 8, Minzhu Road, Urumqi, Xinjiang	830000	0991-2360468	0991-2360071	Shihua Sub-Branch	Zhongyi Street, Shihua Block 2, Midong District, Urumqi, Xinjiang	830000	0991-6911321
21						Shiyouxincun Sub-Branch	No. 2219, Xihuan North Road, Urumqi, Xinjiang	830000	0991-3717861

Continued

No.	Branch-level Institutions				Outlets				
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
22						Xizuan Sub-Branch	Xibulvgu Building, No. 752, Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	830000	0991-3717941
23						Youhao Sub-Branch	Yinzuo, New Times Hotel, No. 739, Youhao North Road, Urumqi, Xinjiang	830000	0991-4840932
24						High-tech Industrial Development Zone Sub-Branch	No. 99 West Five Tianjin North Road, Urumqi High-tech Industrial Development Zone, Xinjiang	830000	0991-6692754
25						Zhundong Sub-Branch	Block 4, Zhundong Oil Base, Fukang, Xinjiang	831511	0994-3830861
26	Urumqi Branch	No. 8, Minzhu Road, Urumqi, Xinjiang	830000	0991-2360468	0991-2360071	Software Park Sub-Branch	Floor 1, Tower B, Podium Building, Entrepreneurship and Intelligence Building, Xinjiang Software Park, No. 455 Kanas Lake North Road, Urumqi Economic and Technological Development, Xinjiang	830000	0991-7586277
27						Changji Sub-Branch	No. 69, Changning South Road, Changji, Xinjiang	831100	0994-2586817
28						Yingbin Road Community Sub-Branch	Rhine House, No. 1466, Yingbin Road, Urumqi, Xinjiang	830000	0991-3790045
29						Wuyi Road Sub-Branch	Floor 1, Hongfu Hotel, No. 160, Wuyi Road, Urumqi, Xinjiang	830000	0991-5822050
30						Qianjin Road Sub-Branch	Huijia Group Building, No. 58 Qianjin Road, Urumqi, Xinjiang	830000	0991-2670057

Continued

No.	Branch-level Institutions						Outlets		
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
31						Changchun Road Small and Micro Sub-Branch	No. 119, North Floor 1, East Lane 1, Changchun South Road, Urumqi, Xinjiang	830000	0991-6657224
32	Urumqi Branch	No. 8, Minzhu Road, Urumqi, Xinjiang	830000	0991-2360468	0991-2360071	Fukang Yaochi Road Community Sub-Branch	Ground Floor, Yuansen International Garden, Fukang, Xinjiang	831500	0994-3512110
33						Henan West Road Sub-Branch	No. 192, Henan West Road, Urumqi High-tech Industrial Development Zone, Xinjiang	830000	0991-3692320
34						Branch Business Department	Podium Building, West Side of Complex Building of China Construction Bank, Block 6, Fossil Oil Base, Hami, Xinjiang	839009	0902-2769069
35						Guangdong Road Sub-Branch	Floor 1, Lingxian Building, Guangdong Road, Hami, Xinjiang	839009	0902-2209398
36	Tuha Branch	Fossil Oil Base, Hami, Xinjiang	839009	0902-2772543	0902-2763350	Shanshan Oil Sub-Branch	Ground Floor, North of Information Industry Development Office, Shanshan Oil Base, Tuha Oilfield, Shanshan County Turpan Area, Xinjiang	839009	0995-8378918
37						Yingbin Road Sub-Branch	Ground Floor, Building 4, Qiulinkeyuan Community, Hongxing West Road, Hami, Xinjiang	839009	0902-6980997
38						Jianshe East Road Sub-Branch	No. 2, Jianshe East Road, Hami, Xinjiang	839009	0902-2231539

Continued

No.	Branch-level Institutions					Outlets				
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.	
39	Tuha Branch	Fossil Oil Base, Hami, Xinjiang	839009	0902-2772543	0902-2763350	Oil Base South District Sub-Branch	Ground Floor, Information Industry Development Office, Tuha Oil Base, Hami, Xinjiang	839009	0902-2769069	
40						Branch Business Department	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	163453	0459-6069500	
41						Lianhua Sub-Branch	No. 21, Chengfeng Xilu, Ma'anshan Street, Ranghulu District, Daqing City, Heilongjiang	163411	0459-2616666	
42						Shihua Sub-Branch	No. 427, Xinghua Street, Longfeng District, Daqing, Heilongjiang	163714	0459-6411733	
43						Longfeng Sub-Branch	No. 142, Longfeng Street, Longfeng District, Daqing, Heilongjiang	163711	0459-6400880	
44	Daqing Branch	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	163453	0459-5958355	0459-5958355	Yuanwang Sub-Branch	No. 18, Xihu Street, Ranghulu District, Daqing, Heilongjiang	163453	0459-5956012	
45						Aolin Sub-Branch	Shop 10, Building D-04 and 05, Aolin International Apartment, Private Scientific & Technological Park, Ranghulu District, Daqing, Heilongjiang	163458	0459-5960177	
46						Dongfeng Sub-Branch	No. 35, Dongfengxincun Wei'er Road, Ranghulu District, Daqing, Heilongjiang	163311	0459-4600195	
47						Donghu Sub-Branch	Commercial Service No. 03, 04, 05 and 06, Building D, Shiyou Jiayuan, Ranghulu District, Daqing City, Heilongjiang	163000	0459-5732688	

Continued

No.	Branch-level Institutions				Outlets				
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
48						Xinchao Sub-Branch	S3 Shop 2 and Shop 3, Xinchaojiayuan, Ranghulu District, Daqing, Heilongjiang	163453	0459-5912355
49						Dongcheng Yinzuo Sub-Branch	F-05-08, Beichen Green Home, Saertu District, Daqing City, Heilongjiang	163311	0459-4319096
50						Chengfeng Sub-Branch	No. 210, Chengfeng Street, Ranghulu District, Daqing, Heilongjiang	163411	0459-5681716
51						Ranghulu Sub-Branch	(4901) No.84, Central Avenue, Ranghulu District, Daqing, Heilongjiang	163712	0459-5593272
52	Daqing Branch	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	163453	0459-5958355	0459-5958355	Dongcheng Lingxiu Sub-Branch	No. 202, No. 204 and No. 206 Longfeng North Street and No. 10 and No. 12 Longfeng Road, Longfeng District, Daqing, Heilongjiang	163711	0459-6405950
53						Honggang Sub-Branch	Shop 4, Shop 5 and Shop 6, Building A1, Hongcheng International Subdistrict, Honggang District, Daqing, Heilongjiang	163511	0459-6781100
54						Babaishang Sub-Branch	No.8, Babaishang South Road, Honggang District, Daqing, Heilongjiang	163413	0459-4989006
55						Chuangyecheng Sub-Branch	Shop 13 and Shop 14 of High-rise Building and Ground Shop A6-37#, 38#, 39#, A#, and B#, Residential Region, Chuangyecheng, Ranghulu District, Daqing, Heilongjiang	163453	0459-4547071

Continued

No.	Branch-level Institutions					Outlets			
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
56	Daqing Branch	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	163453	0459-5958355	0459-5958355	Beifang Branch	Floor 1, Kunlun Subsidiary Food Building, No. 120 Shengli Road, Ranghulu District, Daqing, Heilongjiang	163458	0459-5995029
57						Branch Business Department	Changqing Sulige Building B, No. 73 Fengchengsi Road, Xi'an	710021	029-86978675
58						Xinglongyuan Sub-Branch	Street-front Shop 1-19-2, Northern Section of Guandao Xiaoqu, at the southwest corner of the intersection between Fengchengxilu Road and Kaiyuan Road in Xi'an	710021	029-86565276
59	Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	710021	029-86978855	029-86978910	High-Tech Development Area Sub-Branch	South Side of 1 -2 Floor, Podium Building, High-Tech Electronic Communication Square, No. 56 Gaoxin Road, Xi'an	710075	029-88993312
60						Jinghe Industrial Park Sub-Branch	Floor 1-2, North Part of Office Building of infrastructure service, Changqingjinghe Yuan, East Gate of Longfengyuan Subdistrict, Changqing Oilfield, Gaoling County, Xi'an	710200	029-86022266
61						Jingwei Science and Technology Industrial Park Sub-Branch	South Side of West Gate, the 2nd Block, Jingxin Yuan, Jinghe Industrial Park, Gaoling County, Xi'an	710200	029-86977333

Continued

No.	Branch-level Institutions				Outlets				
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
62						Fenghui South Road Sub-branch	No.10101, Block A, Taihe Times Square, North of Section of Fenghui South Road and Dazhai Road, Lianhu District, Xi'an	710077	029-88777959
63						Hanguang Road Sub-Branch	No. 232, Hanguang South Road, Xi'an	710065	029-87306388
64						Xingqing Road Sub-Branch	No. 97, Middle Section, Xingqing Road, Beilin District, Xi'an	710048	029-83211002
65						Weiyanghu Park Sub-Branch	Floor 1, Weiyang North Building, Weiyanghu Park Community, Dongfeng Road, Weiyang District, Xi'an	710021	029-86573012
66	Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	710021	029-86978855	029-86978910	Xixian New Area Qinhan Xincheng Sub-Branch	East Side of Date of Changqing Petrochemical Living Area, Jinxu Road, Qinhanxincheng, Xixian New Area, Shaanxi	712042	029-38002222
67						Jingweiyuan Community Sub-Branch	No. 1 and 2 Shops, Second District, Changqing Jingweiyuan Community, South Jinghuan Road, New Jingwei City, Gaoling County, Xi'an	710200	029-68602411
68						Jingwei No.1 Region Community Sub-Branch	No. 1 Shop, Area A Square, Jingwei Community, Huncun 1 Road, Jingwei Industrial Zone, Gaoling County, Xi'an	710200	029-68603662
69						Longfeng Garden Community Sub-Branch	B-106, Feng Square, Changqing Longfeng Garden Community, Majiawan, Gaoling County, Xi'an	710200	029-86024995

Continued

No.	Branch-level Institutions					Outlets			
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
70						Yinghuayuan Community Sub-Branch	No.10109, Floor 1, Unit 1, Building 3, Zhixin Yinghuayuan Community, Guodu Township, Chang'an District, Xi'an	710118	029-86978855
71	Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	710021	029-86978855	029-86978910	Hubinhuayuan Sub-Branch	South side of Gongjian Shop, No. 1, Changqing Hubinhuayuan Huanhu North Road, Weiyang District, Xi'an	710021	029-86568513
72						Sanqiao Sub-branch	Street-front Shop (No.1, Floor 1, Street-front Shop Building, 28# and 29#), Floor 1, Changqinghexingyuan Community, No.12, North Section, Jianzhang Road, Xi'an	710086	029-89108891
73						Branch Business Department	Floor 1, Huayu Business Building, Renmin East Road, Korla, Bazhou, Xinjiang	841000	0996-2926969
74						Tarim Oil Sub-Branch	Multifunctional Hall, Block 3, Tazhi Community, Korla, Bazhou, Xinjiang	841000	0996-2176964
75	Korla Branch	Floor 1-3, Huayu Business Building, Renmin East Road, Korla, Xinjiang	841000	0996-2926906	0996-2926123	Tarim Oil Community Small and Micro Sub-Branch	Block 5, Tazhi Community, Korla, Bazhou, Xinjiang	841000	0996-2174938
76						Xincheng Sub-branch	Floor 1, Comprehensive Building, Geophysical Exploration Third Office, Airport Road, Korla, Bazhou, Xinjiang	841000	0996-2192303

Continued

No.	Branch-level Institutions				Outlets				
	Institution	Address	Postal Code	Tel.	Fax	Sub-branch	Address	Postal Code	Tel.
77						Xiangli Road Sub-Branch	1-1-16,17, No.30, Xiangli Road, Korla, Xinjiang	841000	0996-2692001
78						East Renmin Road Sub-Branch	Floor 1, New Complex Building, Bazhou People's Hospital, No. 56, East Renmin Road, Korla, Xinjiang	841000	0996-2953888
79	Korla Branch	Floor 1-3, Huayu Business Building, Renmin East Road, Korla, Xinjiang	841000	0996-2926906	0996-2926123	Shihua Avenue Sub-Branch	Shops 14-19, Building 15, Milan Chuntian, No. 44, Shihua Avenue, Jiashhe Prefecture, Korla, Bazhou, Xinjiang	841000	0996-2699906
80						Taxinan Oil Sub-Branch	No.8-2, Yingbin Road, Kuibage Town, Zepu County, Kashgar, Xinjiang	844800	0998-7522372
81	III Branch	No.23, Stalin Street, Yining City, Xinjiang	835000	0999-8062917	0999-8062919	Branch Business Department	No.23, Stalin Street, Yining City, Xinjiang	835000	0999-8062920
82	Kashgar Branch	Building 1, South Lake Xiushui Manor, No. 34, Banchao Road, Kashgar City, Kashgar, Xinjiang	844300	0998-6850082	0998-6850080	Branch Business Department	Building 1, South Lake Xiushui Manor, No. 34, Banchao Road, Kashgar City, Kashgar, Xinjiang	844300	0998-6850100
83	Shanghai International Business Settlement Center	Floor 1, PetroChina Shanghai Tower, No. 1200, Century Avenue, Pudong New Area, Shanghai	200120	021-20356618	021-20356667				

X. Corporate Governance Report

10.1 Corporate Governance Structure

The Bank established a corporate governance structure in accordance with the *Company Law*, the *Guidelines on Corporate Governance of Commercial Banks*, and other regulations and laws, as well as the requirements of the Articles of Association of the Bank, featuring the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management, serving as the top authority organ, the decision-making authority, the supervisory authority, and the executive authority, respectively, clarifying the legal status of Party leadership in corporate governance, and the CPC Committee discussion as the prerequisite procedure for major decisions of the Board of Directors and the Board of Supervisors. The Bank made ongoing efforts to optimize the deployment of management and professionals to guarantee scientific and healthy development of the Bank, thus ensuring the sound operation of "clearly-defined responsibilities and accountability, coordination and effective checks and balances"

10.2 Overview of Corporate Governance

A sound corporate governance is not only the critical factor to the stable operation and healthy development of a bank, but also the assurance to the essential mission of continual and effective protection of interests of investors. In 2020, the Bank overcome the impact of the epidemic, strictly complied with related laws, regulations and regulatory requirements and insisted on enhancing the corporate governance as a major step for further development. It kept on optimizing the operating mechanism of corporate governance to enhance scientific decision-making and effective checks and balances. The Bank initiated the performance evaluation of Directors, Supervisors and Senior Management; made further efforts in information disclosure and investor relationship management; and carried out equity trusteeship work. The management efficiency of the Bank was improved; the interests of all parties had been effectively protected, and the corporate governance proved to be fruitful.

The Bank brought into full play the strategic decision-making role of the Board of Directors. During the reporting period, the Board of Directors and its Special Committees earnestly implemented the development strategy of integrating of industry and finance, strictly realized national policies and external regulatory requirements, actively responded to the challenges brought about by the complex current macroeconomic and financial situation, and focused on enhancing the Bank's core competitiveness. The Bank carried out the design and planning on the investment planning of the Bank, branch development planning, capital management planning and other aspects in 2020, comprehensively planned important matters of future development of Bank of Kunlun, effectively played the role of the scientific decision-maker and development leader, guaranteeing the healthy, steadily development and safe operation of the Bank, and effectively safeguarded interests of shareholders, creditors and the Bank.

The Bank strengthened the supervisory function of the Board of Supervisors. In 2020, the Board of Supervisors of the Bank performed its supervision responsibility by actively participating in major decision-making and supervising financial activities with lots of precious comments and suggestions. It supervised and evaluated the duty performance of Directors, Supervisors and the Senior Management members; continuously carried out the inspection and supervision of risk management, internally controlling compliance, internal and external auditing and related party transactions, playing an important role in enhancing the corporate governance and promoting compliance management and steady development of the Bank.

The Bank made efforts to advance compliance management and risk control. In 2020, in terms of risk management, the Bank comprehensively implemented the work requirements of “strengthening of quality and efficiency”; actively dealt with the challenges brought by COVID-19; steadily promoted series of activities of “Compliance Capability Improvement Year”; continued to improve the risk preference policies; deeply applied the risk management tools; continuously promoted the credit asset quality; actively disposed and dealt with risk events; took various measures to advance the control of various kinds of risks. Various kinds of business achieved smooth growth, and the awareness of compliance management and risk management of all employees enhanced constantly, and all kinds of risks were controllable.

The Bank gave full play to the role of audit and supervision. In 2020, for the internal audit work, the Bank adhered to the audit objective of “effectively accelerating the quality and efficiency of the audited units and departments, and preventing risks”; strove to capture the weak links and hidden risks reflected in the system & mechanism, institutional system and business flow; conscientiously carried out all kinds of project auditing, supervised the implementation of the rectification and accountability of problems found in the audit to accelerate the management improvement and risk prevention.

The Bank improved the construction of the incentive and disciplinary mechanism. In 2020, the Board of Directors evaluated the duty performance of the Senior Management in accordance with the *Administrative Measures for Evaluation on Duty Performance of the Senior Management of Bank of Kunlun Co, Ltd. (for Trial Implementation)* in order to strengthen the supervision system of the Senior Management and urge them to work diligently. The Board annually authorized the Senior Management which organized operation and management activities within the authorization scope. The Management regularly reported to the Board of Directors on its performance and operating management, including implementation of authorized matters, completion of annual target, risk management etc.

The Bank strengthened the information disclosure and investor-relationship management. In 2020, the Bank further enhanced information disclosure and investor relationship management; disclosed the Annual Report, environment information disclosure report, regulatory capital, etc. according to the requirements of CBIRC; and continued to improve the investor relation web pages. Such efforts were aimed at effectively providing investors with more accurate and timely information, enriching disclosure content, and combing communication channels, as well as publishing the characteristics of the Bank for investors and society. The Bank established a communication mechanism with shareholders to realize positive and smooth

communication, treat the shareholder interviews carefully and provide positive feedback to the interview demands. The Bank timely solved the investor inquiries by the investor emails and hot lines, and other forms, and not only accepted advice and provided updates on current situations faced by the Bank, but also showed respect to both the will of the majority of shareholders and the interests of the minority shareholders.

The Bank strengthened shareholder equity management. The Bank conducted penetrating management of shareholders in strict accordance with regulatory requirements, and made a thorough investigation and evaluation of the operational status, shareholding qualifications, equity holdings at other financial institutions, actual controllers as well as intra-bank related party transactions of the major shareholders. The Bank carried out the special rectification of equity and related party transactions - self-examination in the “re-examination” work to further specify the equity management; focused on advancing the equity trusteeship work, and completed the trusteeship of equity to a qualified equity exchange center according to requirements; actively promoted the equity confirmation of shareholders. The Bank specified the equity change work, strictly examined the qualifications of shareholders of the intended transferee, and timely submitted for approval according to the supervision requirements. It standardized the management of equity pledge, clarified the materials, processes, information disclosure, and voting rights restriction required for equity pledge, and strictly enforced them in practice.

10.3 Shareholders’ General Meeting

10.3.1 Responsibilities

Composed of all shareholders, the Shareholders’ General Meeting is the supreme authority of the Bank. It is responsible for, business policies making and material investment plans of the Bank, deliberation and approval of the proposals on the annual financial budget, final accounts, profit distribution plans and loss recovery plans, the election and replacement of Directors, Shareholder Supervisors and External Supervisors, deliberation and approval of the work report of the Board of Directors and the work report of the Board of Supervisors, the adoption of resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of registered capital, issuance and listing of corporate bonds or other negotiable securities and repurchase of stocks, and the amendment of the Articles of Association of the Bank.

10.3.2 General Meeting

During the reporting period, the Bank organized 1 annual meeting and 1 Extraordinary General Meeting in total, deliberated 2 reports in total and adopted 6 proposals through deliberation. The agenda and proposals for the meeting were arranged by the Board of Directors legally, fairly and reasonably to ensure that every proposal was fully discussed. Each meeting was convened in compliance with relevant legal procedures, thus ensuring shareholders’ participation and exercise of their rights. The Bank worked with lawyers who served as witnesses at such meetings and issued legal opinions. Details of the meetings are as follows:

Annual General Meeting

The Bank held 2019 Annual Shareholders' General Meeting on 23 April, 2020. The Bank held the meeting simultaneously in Beijing, Karamay, Urumqi and Shanghai through video. At the meeting, 2 reports were heard and 5 proposals were deliberated and adopted. The reports on related party transaction and the evaluation on duty performance of Directors and Supervisors were heard. A series of proposals were deliberated and adopted including the 2019 Financial Report, the second half of year 2019 Profit Distribution Plan, 2019 Annual Work Report of the Board of Directors, Annual Work Report of the Board of Supervisors and selection of Directors. Decisions and deployment were made on major matters at the general meeting, implying the functional role of the Shareholders' General Meeting.

Extraordinary General Meeting

On 15 October, 2020, the Bank held the first Extraordinary General Meeting simultaneously in Beijing, Karamay, Urumqi and Shanghai through video. At the meeting, the proposal on the profit distribution plan of the first half of 2020 was deliberated and adopted.

10.4 Board of Directors and Special Committees

10.4.1 Responsibilities and Composition of the Board of Directors

As the decision-making authority of the Bank, the Board of Directors of the Bank is accountable to, and shall report to, the General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting, implementing resolutions of the General Meeting, making development strategies and supervising the implementation of these strategies, deciding on plans for development, business and investment, formulating annual financial budgets, final accounts, profit distribution plans, loss recovery plans and proposals on the increase or decrease of registered capital of the Bank, setting up internal management institutions and branches and functional units of the Bank, appointing or removing the President and the Board Secretary, formulating fundamental management rules, hearing performance reports of the Bank and inspecting the President's work, etc.

At the end of the reporting period, the Board of Directors of the Bank had 7 Directors including 4 equity Directors and 3 independent Directors, and Mr. Jiang Shangjun served as Chairman. All equity Directors are experienced in banking business management or financial management with extensive professional expertise. Some of the Directors also have years of experience in the petroleum and natural gas industry. The independent Directors are experts in finance, economy and accounting, who are familiar with corporate finance and financial management.

10.4.2 Operation of the Board of Directors

The Board of Directors of the Bank exercises its functions in accordance with laws, administrative regulations, regulations and the Articles of Association of the Bank, as well as the resolutions and

authorization of the General Meeting. The Board of Directors shall hold at least one regular meeting every quarter.

The Board of Directors of the Bank has a Board Office, providing supports and services for the Special Committees and Directors, and accurate and solid basis for decision-making of the Board of Directors.

10.4.3 Meetings of the Board of Directors

In 2020, the Bank overcome the impact of the epidemic, and guaranteed the compliant performance of the Board of Directors and Special Committees by on-the-spot meeting in combination with video, telephone and writing, and other methods. The Bank held 4 meetings of the Board of Directors in total, at which 33 reports were heard and 39 proposals were deliberated and adopted. Details of the meetings are as follows:

On 26 March, 2020, the Bank held the ninth meeting of the fifth session of the Board of Directors, during which 14 reports were heard and 13 proposals were deliberated and adopted. The meeting heard the report on the progress of the resolution matters and the comment implementation of the eighth meeting of the fifth session of the Board of Directors, 2019 external audit, internal audit, compliance management, authorization management, comprehensive risk management, liquidity risk management, money laundering and terrorist financing risk management, large risk exposure, capital adequacy ratio, internal control evaluation, consumer rights protection, green credit, management of related party transactions, and other work reports. The proposals were deliberated and adopted, including the 2019 Annual Work Report of the Board of Directors, the President's Work Report, the Directors' Performance Evaluation, the financial report, the profit distribution for the second half of the year, the Annual Report and its abstract, the information technology work, case prevention and control, 2020 internal audit plan, risk preference policies, and the convening of the annual general meeting of shareholders.

On 18-28 June, 2020, the Bank held the tenth meeting of the fifth session of the Board of Directors in writing, during which 6 reports were reviewed and 3 proposals were deliberated and adopted. The meeting reviewed the reports of the ninth meeting of the fifth session of the Board of Directors in the resolution matter progress, business work in the first quarter of 2020, internal audit work, 2019 business continuity management assessment, internal capital adequacy assessment process, the report of Karamay Office of CBIRC on the supervision of Bank of Kunlun, Chairman's duty performance, the President's duty performance, and other reports. The meeting deliberated and adopted the proposals including the 2020 trading business strategy and market risk (Pillar 1) management strategies, revision of the operational risk management method of Bank of Kunlun, revision of financial consumer rights protection management method of Bank of Kunlun.

On 23 September, 2020, the Bank held the 11th meeting of the fifth session of the Board of Directors, during which 7 reports were heard and 9 proposals were deliberated and adopted. The meeting heard the report on the progress of the resolution matters from the tenth meeting of the fifth session of the Board of Directors, business report in the first half of 2020, internal audit, comprehensive risk management,

compliance management, case protection management, money laundering and terrorist financing risk management, and other work reports. The meeting deliberated and adopted the proposals including the profit distribution plan of the first half of 2020, performance evaluation of Senior Management members in 2019, revision of the network loan business management method of Bank of Kunlun, engagement of the external audit institution for 2020, change of the amortization period of intangible assets of software type, accrual of country risk reserves, conducting of related party transactions between Bank of Kunlun and the Kunlun Financial Leasing Co., Ltd., share transfer, convening of the first Extraordinary General Meeting of shareholders by Bank of Kunlun in 2020.

On 22 December, 2020, the Bank held the 12th meeting of the fifth session of the Board of Directors, during which 6 reports were heard and 14 proposals were deliberated and adopted. The meeting heard the report on the progress of the resolution matters and the comment implementation from the eleventh meeting of the fifth session of the Board of Directors, business report in the third quarter of 2020, internal audit, authorization management in the first half of 2020, data governance in 2020, resolution of supervision notification problem in 2019 and other work reports. The meeting deliberated and adopted the proposals including nomination of Directors, appointment of the President, budget performance in 2020 and operating budget arrangement in 2021, 2021 branch development plan, 2021 investment framework program, 2021 authority guidelines of the Board of Directors for authorized management, 2021-2023 capital management planning, revision of risk preference management method, revision of outsourcing risk management method, establishment of green credit management method, financing business rectification plan, adjustment of 2020 planning of internal audit items, convening of the first Extraordinary General Meeting of Bank of Kunlun in 2021.

During the reporting period, the Board of Directors practically fulfilled their duties as specified in the Articles of Association and accomplished all pertinent objectives to maximize the interests of all shareholders. All the Directors of the Bank exercised their rights cautiously, diligently and conscientiously, devoted enough time and energy to dealing with internal affairs of the Bank to ensure that the business conducts of the Bank were in compliance with national rules and laws. In addition, the Directors understood the operation management status of the Bank in time, and fulfilled other obligations stipulated by laws and the Articles of Association of the Bank.

10.4.4 Implementation of Resolutions of General Meeting by the Board of Directors

The Board of Directors conscientiously, comprehensively and strictly implemented relevant resolutions deliberated and adopted at the General Meeting during the report period, and reported the annual report to the General Meeting. During the reporting period, no matters were approved beyond the scope of the approval authority of the Board of Directors.

10.4.5 Independence and Performance of Independent Directors

During the reporting period, Mr. Liu Bo, Mr. Zhang Shengping, Mr. Xi Bo as Independent Directors of

the Bank, carefully and responsibly devoted plenty of time to performing their duties. They attended all the meetings of the Board of Directors punctually, gave independent and objective advices on important decisions according to provisions of relevant documents including the related party transactions, profit distribution plan, etc. They actively attended the meetings of Special Committees, participated in routine work, and conscientiously fulfilled their duties. They accepted the legal supervision and reasonable suggestions of the Board of Supervisors and external supervision authorities as it related to the performance of their duties, and provided authentic relevant information and data to the Board of Supervisors and external supervision authorities.

10.4.6 Special Committees of the Board of Directors

The Board of Directors has 5 Special Committees, namely the Strategy and Consumer Rights Protection Committee, the Audit Committee, the Risk Management Committee, the Related Party Transactions Control Committee, and the Nomination and Remuneration Committee, which report to and are authorized by the Board of Directors in providing professional advice and making decisions on professional matters. The Special Committees regularly communicate with the Senior Management and head office departments on operating and risk conditions of the Bank, giving relevant opinions and suggestions.

The specific compositions and the specific duty performance of Special Committees are presented as follows:

Strategy and Consumer Rights Protection Committee

The main responsibilities of Strategy and Consumer Rights Protection Committee include conducting research on the Bank's medium and long-term development strategy, business philosophy, development planning, and major investment plans, as well as efforts to formulate strategic planning, basic policies, and management objectives for consumer rights protection, review reports submitted by the Senior Management on consumer rights protection, and to evaluate the comprehensiveness, timeliness, and effectiveness of consumer rights protection management, in addition to the relevant duty performance of the Senior Management, and making recommendations to the Board of Directors. At the end of the reporting period, the Strategy and Consumer Rights Protection Committee of the Board of Directors consisted of 4 Directors, namely Mr. Jiang Shangjun, Ms. Xu Xinping, Mr. Ming Dong, and Mr. Zhang Shengping. Chairman Mr. Jiang Shangjun served as Chairman of the Committee.

During the reporting period, the Strategy and Consumer Rights Protection Committee convened one meeting to deliberate and adopt 2 proposals, namely the 2021 branch development plan and the investment framework program. The committee actively promoted the formulation and implementation of the strategic planning of the Bank, strongly supporting the strategic decision-making of Board of Directors.

Audit Committee

The Audit Committee is mainly responsible for supervising, inspecting and evaluating the internal control, financial information, and internal auditing of the Bank. The Audit Committee of the Board of Directors of the Bank consisted of 4 Directors during the reporting period, including Mr. Xi Bo, Ms. Han Hua, Mr. Liu Bo, and Mr. Zhang Shengping. Independent Director Mr. Xi Bo served as Chairman of the Committee.

During the reporting period, the Audit Committee held 1 meeting, and 4 proposals were deliberated and adopted: engagement of the external audit institution for 2020, the profit distribution of the first half of 2020, change of the amortization period of intangible assets of software type, and accrual of country risk reserves. The Audit Committee deepened the supervision on the Bank's operation and management, assessed continually internal control systems, supervised and evaluated the independence of the internal and external auditors, and promoted communication and cooperation between internal and external auditors so as to support the Board of Directors.

Nomination and Remuneration Committee

The major responsibility of the Nomination and Remuneration Committee is to propose suggestions on candidates of the Directors and the Senior Management, selection procedure and standard, making policy and plan of the remuneration, performance evaluation and assessment system of Directors, Supervisors and the Senior Management of the Bank, and propose suggestions on the evaluation and assessment of the performance of Directors and management. The Nomination and Remuneration Committee of the Board of Directors of the Bank consisted of 4 Directors, namely Mr. Liu Bo, Mr. Jiang Shangjun, Ms. Han Hua and Ms. Xu Xinping. Independent Director Mr. Liu Bo served as the Chairman of the Committee.

During the reporting period, the Nomination and Remuneration Committee held 2 meetings in total, at which 4 proposals were deliberated and adopted, including the performance evaluation of Senior Management in 2019, nomination of Directors, appointment of the President. The Committee played an important role in the appointment and performance assessment of Directors and the Senior Management, as well as the construction of the salary incentive mechanism.

Risk Management Committee

The Risk Management Committee is primarily responsible for controlling, managing, supervising and evaluating the risks of the Bank. The Risk Management Committee of the Board of Directors of the Bank consisted of 4 Directors, namely, Ms. Han Hua, Ms. Xu Xinping, Mr. Ming Dong and Mr. Xi Bo.

During the reporting period, the Risk Management Committee held 1 meeting in total, at which the comprehensive risk management report of Bank of Kunlun for the first half of 2020 was heard. The Risk Management Committee supervised and guided the operation of the Bank's risk management system, researched risk management countermeasures, and promoted effective running of the risk management system.

Related Party Transactions Control Committee

The Related Party Transactions Control Committee is mainly in charge of inspecting, monitoring, reviewing and approving the Bank's related party transactions, identifying the Bank's related parties, reviewing major related party transactions, receiving the reporting information of general related party transactions, and controlling the risks of related party transactions. The Related Party Transactions Control Committee of the Board of Directors consisted of 4 Directors, namely Mr. Zhang Shengping, Mr. Ming Dong, Mr. Liu Bo and Mr. Xi Bo. Independent Director Mr. Zhang Shengping served as Chairman of the Committee.

During the reporting period, the Related Party Transactions Control Committee held 1 meeting in total, at which the proposal on conducting related party transactions between Bank of Kunlun and Kunlun Financial Leasing Co., Ltd. was deliberated, and the control methods and the business development requirement were proposed to guarantee the operation of the related party transaction in compliance with laws and regulations.

10.5 Board of Supervisors

10.5.1 Composition and Responsibilities of the Board of Supervisors

As the supervisory authority of the Bank, the Board of Supervisors is accountable to, and report to the General Meeting. The Board of Supervisors is responsible for reviewing periodic reports formulated by the Board of Directors and supervising the duty performance and diligence of the Directors and the Senior Management members. The Board of Supervisors should also attend the meetings of the Board of Directors, examine and supervise the Bank's financial activities, propose to convene Extraordinary General Meeting and present proposals, require the Board of Directors and the Senior Management members to correct, or even file a lawsuit on any misconduct that might affect the Bank's interests, investigate the operation of the Bank, and propose to convene Extraordinary Board Meeting.

At the end of the reporting period, the Board of Supervisors of the Bank consisted of 4 members, including 2 External Supervisors and 2 Employee Supervisors. The Chief Supervisor of the Bank was Mr. Yan Hong. All Supervisors of the Bank are experienced in management with professional knowledge on finance and accounting.

10.5.2 Operation of the Board of Supervisor

The Board of Supervisors of the Bank exercises its functions in accordance with laws, administrative regulations, regulations and the Articles of Association of the Bank, as well as the resolutions and authorization of the General Meeting. The Board of Supervisors shall hold at least one regular meeting every quarter.

The Board of Supervisors has an Office of the Board of Supervisors, providing supports and services for the Board of Supervisors.

10.5.3 Meetings of the Board of Supervisors

In 2020, the Bank overcome the impact of the epidemic, and guaranteed the compliant performance of the Board of Supervisor by on-the-spot meeting in combination with video, telephone and writing, and other methods. The Bank held 5 meetings of the Board of Supervisors in total, at which 42 reports were heard and 4 proposals were deliberated. Details of the meetings are as follows:

On 26 March, 2020, the Bank held the sixth meeting of the fifth session of the Board of Supervisors, during which 21 reports were heard and 2 proposals were deliberated. The meeting heard the comment implementation report of the fifth meeting of the fifth session of the Board of Supervisors, 2019 President's work report, financial report, the profit distribution of the second half of 2019, internal audit work, external audit work, comprehensive risk management, internal control evaluation, compliance management, case prevention and control work, related party transactions management, authorization management, money laundering and terrorist financing risk management, large risk exposure, liquidity risk management, consumer rights protection work, green credit work, capital adequacy ratio, annual report and its abstract, revision of the risk preference management policies, and the information technology and other reports. The Board deliberated and adopted proposals on the 2019 annual work report of the Board of Supervisors, in addition to conducting an evaluation on duty performance of Directors and Supervisors.

On 18-28 June, 2020, the Bank held the seventh meeting of the fifth session of the Board of Supervisors in writing. The meeting reviewed 6 reports: the report of the sixth meeting of the fifth session of the Board of Supervisors in the resolution matter progress and the implementation of comments, business work in the first quarter of 2020, internal audit work, 2019 business continuity management assessment, internal capital adequacy assessment process, the report of Karamay Office of CBIRC on the supervision of Bank of Kunlun, chairman's duty performance, the President's duty performance in 2019.

On 23 September, 2020, the Bank held the eighth meeting of the fifth session of the Board of Supervisors, at which 9 reports were heard: business report in the first half of 2020, profit distribution, internal audit work, comprehensive risk management, compliance management, case prevention and control work, money laundering and terrorist financing risk management, performance evaluation of Senior Management members in 2019, the evaluation report of the Board of Supervisors on the performance of the Board of Directors and Directors of Bank of Kunlun in 2019.

On 27 November, 2020, the Bank held the ninth meeting of the fifth session of the Board of Supervisors, deliberated and adopted the proposal on nomination of Mr. Yan Hong as the Supervisor of worker representatives of Bank of Kunlun.

On 22 December, 2020, the Bank held the tenth meeting of the fifth session of the Board of Supervisors, deliberated and adopted the proposal on election of Mr. Yan Hong as the chief Supervisor of Bank of Kunlun; the meeting heard 6 reports: the report on the progress of the resolution matters and the comment implementation from the eighth and ninth meetings of the fifth session of the Board of Supervisors, business

report in the third quarter of 2020, internal audit, authorization management in the first half of 2020, data governance in 2020, resolution of supervision notification problem in 2019 and other work reports.

10.5.4 Performance of External Supervisors

The external Supervisors of the Bank performed their duties in accordance with the *Company Law* and the Articles of Associations of the Bank: They actively attended all the meetings of the Board of Supervisors and regular Board meetings, presenting independent opinions on proposals and playing an effective role in independent supervision.

10.6 Senior Management

10.6.1 Responsibilities of the Senior Management

As the executive authority of the Bank, the Senior Management is accountable to the Board of Directors. Division of duties between the Senior Management and the Board of Directors was in strict compliance with such corporate governance documents as the Articles of Association, the rules for authorization of the Board of Directors, etc.

Based on laws, regulations, the Articles of Association, and the authorization of the Board, the President, led by the Board, is responsible for daily operation and management, implementing resolutions of the Board, drafting plans for the establishment, removing and merging of the internal management organizations and branches, formulating annual business plans and investment schemes, and drawing up basic management regulations and specific rules. Vice President and other Senior Management members should assist the President by undertaking their individual responsibilities as arranged by the President, and be accountable to the President.

The Senior Management consists of the Budget Management Committee, the Performance and Evaluation Committee, the Asset-Liability Committee, the Information Technology Committee, the Credit Review Committee, the Innovation Management Committee, the Centralized Purchasing Committee, and the Investment Banking Decision-making Committee, and 10 Special Committees in the risk and compliance management.

10.6.2 Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for Senior Management

In 2020, the Board of Directors evaluated the duty performance of the Senior Management in accordance with the *Administrative Measures for Evaluation on Duty Performance of the Senior Management of Bank of Kunlun Co, Ltd.* in order to strengthen the constraint and supervision system of the Senior Management, while also urging them to fulfill their responsibilities diligently.

10.7 Internal Control

The Bank established relatively comprehensive and systematic policies, systems and procedures according to internal control objectives, and in combination with the risk response strategies and the actual situation of business development. In 2020, in order to standardize the operation flow of its line business, the Bank improved the construction of systems and flows; carried out the multidimensional system evaluation and training; printed and distributed the development and revision plan of systems and quarterly notified the completion; organized the system audit and continued to perfect the current prevailing systems. As at the end of 2020, the Bank had a total of 921 current prevailing systems. The Bank continued to optimize the authorization management; organized and carried out the annual authorization evaluation and training; improved the authorization evaluation process; formulated the annual basic authorization work program; and timely handled the special authorization. The Bank built its own standardized management framework; revised the standardized management method; organized and carried out the investigation and survey of the implementation of 16 financial industry standards; and participated in the activity of “Corporate Standard Top Runner” and the theme propaganda activity of “Financial Standards Serving the Interests of the People and Enterprises”. Meanwhile, the Bank organized and carried out the annual internal control evaluation. The violation problems discovered in the internal control evaluation work in this year were all general defects, and didn’t cause the Bank to fail to make prevention in time or discover serious deviation from the overall control objectives. The internal control operated effectively.

10.8 Internal Audit

The Bank implemented an independent and vertical internal audit management system accountable to the Board of Directors. During the reporting period, the Bank took the audit objective of “effectively accelerating the quality and efficiency of the audited units and departments and preventing risks”, and adhered to the overall work thinking of “12345” to effectively advance the internal audit work. According to the supervision requirements and banking management requirements, the Bank organized and implemented the audit of 27 items, including the credit assets quality classification, wealth management, customer rights protection, data governance, bankcard payment-involved sensitive information security, centralized purchasing management, major investment projects, economic responsibility, operation management, follow-up audit, and the audit contents covered all lines including, corporate business, financial market business, personal financial business, international business, information technology, credit management, risk management, operation management, financial management, and involved 14 departments of the Head Office and 7 branches. Through revealing problems, making summary, analyzing reasons, making proposals, supervising correction, the internal audit prompted the Bank’s stable operation and sustainable development.

10.9 Accounting Firm

In 2020, the Bank engaged BDO China Shu Lun Pan Certified Public Accountants (LLP) to continue to provide annual audit service for the Bank and rural banks it controlled, the total audit fee aggregated RMB 862,000.

XI. Report of the Board of Directors

The Board of Directors of the Bank hereby presents the Report of Board of Directors and the audited financial statements for the year ended 31 December, 2020.

Main Business

The main business of the Bank and its holding enterprises is providing banking and related financial services. The operating condition of the Bank is presented in the section headed “Management Discussion and Analysis - Business Overview” in this Annual Report.

Profits and Dividends Distribution

The profits and financial status of the Bank as at 31 December, 2020 were presented in the appendix section headed “Auditor’s Reports and Financial Statements” in this Annual Report.

As approved at the 2019 Annual General Meeting, the Bank distributed cash dividends for the second half of 2019 to all shareholders registered as at 31 December, 2019, which amounted to a total of RMB 720,151,548.08 (pre-tax) (at the rate of RMB 0.70 per 10 shares, pre-tax).

As approved at the first Extraordinary General Meeting in 2020, the Bank distributed cash dividends for the first half of 2020 to all registered shareholders as at 30 June, 2020, which amounted to a total of RMB 740,727,306.57 (pre-tax) (at the rate of RMB 0.72 per 10 shares, pre-tax).

The Bank proposed to distribute cash dividends for the second half of 2020 to all shareholders registered as at 31 December, 2020, which amounted to a total of RMB 432,090,928.82 (pre-tax) (at the rate of RMB 0.42 per 10 shares, pre-tax). The above profit distribution plan may be implemented only after being deliberated and approved by 2020 Annual General Meeting.

Reserve

Changes in the reserves of the Bank as at 31 December, 2020 were presented in the section headed “Consolidated Statement of Changes in Shareholder’s Equity” in the Auditor’s Reports in this Annual Report.

Summary of Financial Information

The three-year summary of the operating results, assets and liabilities as at 31 December, 2020 were presented in the section headed “Financial Highlights” in this Annual Report.

Fixed Assets

Changes in fixed assets as at 31 December, 2020 were presented in “Notes to the Financial Statements - Note V (8) Fixed Assets” in the Auditor’s Reports in this Annual Report.

Subsidiaries

As at 31 December, 2020, the details about subsidiaries of the Bank are presented in “Notes to the Financial Statements - Note IV Business Combinations and Consolidated Financial Statements” in the Auditor’s Reports in this Annual Report.

Directors, Supervisors and Senior Management

The information of the Directors, Supervisors and the Senior Management is presented in the section headed “Directors, Supervisors, Senior Management, Employees and Institutions” in the annual report.

Interests of Directors and Supervisors in Material Contracts

During the reporting period, no Directors or Supervisors of the Bank had any material interests, direct or indirect, in any contract of significance regarding the Bank’s business. No Directors or Supervisors of the Bank have entered into any service contract with the Bank which is not determined by the Bank within one year without payment of compensation (other than statutory compensation).

Equity of Directors and Supervisors in businesses competing with the Bank

None of the Directors and Supervisors of the Bank had any business competing interests or potentially direct or indirect competition against the business of the Bank.

Related Party Transactions

In 2020, in order to further improve the management of related party transactions and effectively prevent the risks arising from related party transactions, the Bank regularly updated the *Related Parties Checklist of Bank of Kunlun Co., Ltd.* for implementation. All the related party transactions occurred in 2020 strictly followed the internal procedure of approval and regulatory filing process and various measures were taken to control the quantity of related party transactions.

Please refer to “Notes to the Financial Statements – Note IX Related Party and Transactions” for particulars on the related-party transactions defined under relevant laws, regulations and accounting standards.

Liability Insurance for Directors, Supervisors and Senior Management

During the reporting period, the Bank has purchased the liability insurance for Directors, Supervisors and the Senior Management.

Statement of the Board of Directors on the Internal Control Responsibilities

All the members of the Board of Directors are responsible for the establishment and implementation of internal control, and the Senior Management is responsible for leading the daily internal control.

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP has audited the 2020 annual financial report prepared by the Bank in accordance with the Chinese Auditing Standards, and issued standard auditor's reports with unqualified opinions.

By the Order of the Board of Directors
Jiang Shangjun
Chairman

XII. Report of the Board of Supervisors

12.1 Work of the Board of Supervisors

In 2020, the Board of Supervisors of the Bank strictly followed the provisions of the *Company Law*, regulatory requirements, and the supervisory duties assigned in the Articles of Association of the Bank, and based its work on the interests of depositors and all shareholders. It focused on finances, internal control of risk and duty performance supervision in performing supervisory duties according to the law, continuously improving supervision work methods and effectiveness, playing an important role in further improving corporate governance, strengthening management, and achieving sustained and prudent development.

In 2020, the Board of Supervisors inspected and supervised the legal operational status, information disclosure, the financial situation, risk management, and internal control of the Company, as well as the legitimacy and compliance of board members and Senior Management in the performance of their duties, by convening meetings, attending shareholders' meetings, sitting in on board meetings, listening to work reports, and reviewing periodic reports and internal and external inspection reports. The Board of Supervisors then put forward opinions and suggestions on several urgent issues in the Company's operation and management, comprehensively promoting supervisory undertakings of various types.

Regular Convening of Meetings of the Board of Supervisors to Effectively Perform Supervision Responsibility

In 2020, the Bank convened 5 meetings of the Board of Supervisors in total, during which a total of 46 proposals were deliberated and heard, and the overall supervision was conducted on the work including the operation management, financial report, comprehensive risk management, compliance management, internal control evaluation, case prevention and control management, internal audit, related party transaction management, profit distribution, evaluation on duty performance of the Senior Management, consumer rights protection, green credit, capital adequacy ratio, information technology. The meetings of the Board of Supervisors were held in strict accordance with the procedures stipulated in the Articles of Association of the Bank and the rules of procedure for the Board of Supervisors. The frequency of meetings, participants and the issues discussed were in line with relevant regulations and were reported in a timely manner to regulatory authorities.

Supervision of duty performance of Directors and the Senior Management. In 2020, the Supervisors comprehensively supervised the Board of Directors and Senior Management in performing their duties by sitting in on its meetings, attending the general meeting of shareholders, and hearing the work reports of the Senior Management on a regular basis, according to the law. The evaluation on duty performance of Directors and Senior Management members was conducted, which further strengthened supervision of the performance of the Board of Directors and the Senior Management and its members in performing their duties. The Board of Supervisors focused on the compliance of the Board of Directors in decision-making, the legality of their proceedings for discussion, and their implementation of the resolutions of the

shareholders' meeting, as well as the compliance of the Board members in terms of the rules of procedure, in addition to their independent comments. It also supervised the Senior Management and its members in implementing the resolutions of the Shareholders' General Meeting and the Board of Directors, ensuring operations, as well as the performance of loyalty obligations and diligence obligations of the Board of Directors, and the Senior Management members in line with laws and regulations and in tune with the performance of other duties.

Supervision and inspection of financial status and operating conditions. In accordance with relevant rules and regulations, the Board of Supervisors reviewed the Bank's annual business plan, investment plan, annual financial budget plan, final settlement plan, and profit distribution plan, and gave great attention to the report of the management on the operation and management of the Bank on at least a quarterly basis, before offering management suggestions related to operational status. The Board of Supervisors probed into changes of major financial data and pertinent reasons for such changes, and strengthened supervision on the quality of external auditing in order to ensure truthful, accurate, and integral financial information disclosure.

Supervision of risk management and internal control. The Board of Supervisors grasped the risk management and internal control management work of the Bank and put forward relevant management opinions by regularly hearing reports on management of risks, internal control compliance, and case prevention & control.

Strengthening of Supervision by Various Measures and Focus on Improvement of Supervision

The Board of Supervisors of the Bank continued to strengthen the supervision work, and took various measures to advance its supervision work, so as to achieve effective results. The Board of Supervisors of the Bank issued the meeting materials in advance to ensure the Supervisors have sufficient time to understand the contents of the proposals; convened the preparatory meeting of the Board of Supervisors, and after fully discussed and deliberated the proposal contents and reached a consensus, the members of the Board of Supervisors proposed comments and suggestions to the Senior Management and shall provide feedbacks on a regular basis; according to the deliberation of the proposals, and the investigations of the Board of Supervisors, the comments were formed and sent to the Board of Directors and the Senior Management to effectively improve the effectiveness of the supervision work. In 2020, the Board of Supervisors formed 2 comments, and put forward 6 matters of concern, involving the "14th Five-Year" Plan, risk compliance management, financial market business, corporate business and other aspects. The Senior Management regularly fed the implementation of the comments back to the Board of Supervisors to ensure every problem is responded and settled.

12.2 Independent Opinions of the Board of Supervisors on Related Matters

Operation According to Law

During the reporting period, the Bank operated in accordance with the *Company Law*, the *Commercial*

Bank Law and the Articles of Association of the Bank. The decisions were made through legal and valid procedures; the Board of Supervisors did not find any violation of laws and regulations and the Articles of Association of the Bank or any act that contravened the interests of the Bank and shareholders in the performance of duties of the Directors and Senior Management.

Authenticity of the Financial Report

During the reporting period, the financial report of the Bank complied with relevant regulations and reflected the true financial position and operating results of the Bank.

Purchase and Sales of Assets by the Company

During the reporting period, the Board of Supervisors did not find any insider trading or other act that contravened the shareholders' interests which would cause losses to the Bank in purchasing or selling the Bank's assets.

Related Party Transactions

During the reporting period, the Bank's related party transactions were in compliance with the *Administrative Measures for the Related Party Transactions between the Commercial Banks and Their Insiders or Shareholders* issued by CBRC and in accordance with commercial principles. No conducts were found to be harmful to the interests of the Bank or shareholders.

Auditor's Reports

BDO China Shu Lun Pan Certified Public Accountants LLP issued standard auditor's reports with unqualified opinions to the financial position and operation performances in 2020, the Board of Supervisors had no objection to that report.

Implementation of Resolutions Deliberated and Adopted at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors supervised the implementation of resolutions deliberated and adopted at the General Meeting. The Board of Supervisors deemed that the Board of Directors assiduously implemented relevant resolutions of the General Meeting, without damaging the shareholders' interests.

Information Disclosure Implementation

During the reporting period, the Bank voluntarily strengthened information disclosure. There were no false records, misleading statements or material omissions. The preparation and audit procedures of the annual report of the Bank complied with laws and regulations and supervision stipulations. The contents in the report could truly, accurately and completely reflect the actual situation of the Bank.

Internal Control and Risk Management

During the reporting period, the Bank further improved the internal control processes, enhanced the legal review of businesses and strengthened the business examination, thus effectively preventing the risks.

Fulfillment of Social Responsibilities

During the reporting period, the Bank actively fulfilled its social responsibilities to implement national policy of economic structure readjustment and transformation of economic development mode, made positive efforts in three aspects as economy, society and environment, constantly optimized credit structure, strengthened the credit support to agriculture, rural areas and farmers as well as the “small and micro” enterprises, improved service quality and actively engaged in public welfare campaigns, which helped promote the coordinated development of regional economy.

By the Order of the Board of Supervisors

Yan Hong

Chief Supervisor

XIII. Significant Events

13.1 Top 10 Shareholders and Changes during the Reporting Period

The changes in the top 10 shareholders as at 31 December, 2020 were presented in the section headed “Changes in Share Capital and Shareholders - Top 10 Shareholders of the Bank and Shareholding Ratios”.

13.2 Increase or Decrease of Registered Capital

The registered capital of the Bank in 2020 didn't change.

13.3 Division or Merger

N/A.

13.4 Material Investment Behaviors

N/A.

13.5 Material Asset Acquisition and Disposal

N/A.

13.6 Material Contracts and Performance

In 2020, the Bank had no material contracts required to be disclosed.

13.7 Significant Lawsuits and Arbitrations

In 2020, there were no lawsuits or arbitrations that have significant effects on operation.

13.8 Material Related Party Transactions

In 2020, there were a total of 133 related party transactions of the service kind newly signed between the Bank and subordinate units of CNPC, with the total transaction amount of RMB 393.4679 million, and these transactions mainly include the lease of houses, property services, construction project supervision, marketing cooperation and technical services. The main contract signing parties included: China National Petroleum Corporation, Beijing Huafu Property Management Co., Ltd., CNPC Beijing Richfit Information Technology Co., Ltd., and other enterprises.

In 2019, the Bank had deliberated and adopted proposals on providing the highest credit line of RMB 4.9 billion to CNPC, valid until 14 August, 2022. As at the end of 2020, the credit balance of related party transactions between the Bank and CNPC was RMB 3.106 billion, which had not exceeded 15% of net capital of the Bank at the end of 2020.

In 2020, the Bank and the Kunlun Financial Leasing Co., Ltd. handled the factoring business of the no-recourse receivable lease funds of RMB 1.5 billion, and the business was deliberated and adopted by the 11th meeting of the fifth session of the Board of Directors. As at the end of 2020, the business was not launched. In 2019, the Bank and the Kunlun Financial Leasing Co., Ltd. handled the factoring business of the no-recourse receivable lease funds of RMB 1 billion, and the business was deliberated and adopted by the 7th meeting of the fifth session of the Board of Directors. As at the end of 2020, the contract amount and the business balance were respectively RMB 300 million and RMB 277.5 million.

Related party transactions of the Bank adhered to general business principles, under the conditions that trade with related parties was no better than trade with non-related parties.

13.9 Penalties

In 2020, the Bank had no record of supervision punishment.

XIV. Auditor's Reports and Financial Statements

BDO China Shu Lun Pan Certified Public Accountants LLP has audited the 2020 annual financial report prepared by the Bank, and issued standard auditor's reports with unqualified opinions.

1. Auditor's Reports
2. Audited Financial Statements
3. Notes to the Financial Statements

(See the Appendix for details)

XV. Documents Available for Inspection

1. The accounting statements signed by Legal Representative, President, Financial Director.
2. The original Auditor's Reports affixed with the seals of accounting firm and the signature of the CPAs.
3. The original documents and notices disclosed by the Bank in the *Financial News* during the reporting period.
4. Articles of Association of the Bank.

XVI. Acknowledging Opinions of Directors, Supervisors and Senior Management on 2020 Annual Report

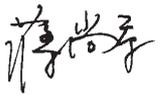
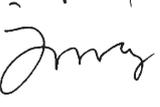
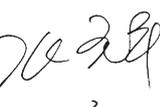
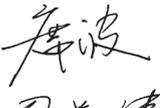
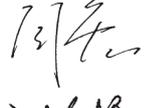
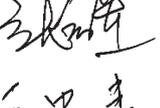
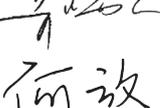
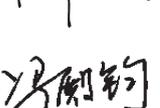
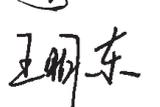
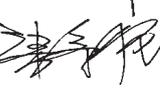
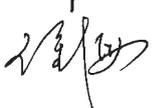
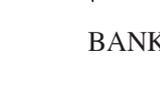
According to the *Guidelines on Corporate Governance of Commercial Banks*, we, as the Directors, Supervisors and the Senior Management of Bank of Kunlun Co., Ltd., after fully understanding and reviewing the Annual Report 2020 and its abstract, give the following opinions:

I. The Bank strictly implemented the Chinese Accounting Standards, and the Annual Report 2020 and its abstract fairly reflected the financial position and the operating results of the Bank within the year.

II. The 2020 financial report of the Bank has been audited by BDO CHINA Shu Lun Pan Certified Public Accountants (LLP) which has issued a standard and unqualified Auditor's Reports.

III. We hereby guarantee that the information disclosed herein is free from any false record, misleading representation or material omissions.

Signatures of Directors, Supervisors and Senior Management:

Jiang Shangjun		Han Hua	
Xu Xinping		Ming Dong	
Liu Bo		Zhang Shengping	
Xi Bo		Yan Hong	
Zhou Maoqing		Zhang Lijun	
Xin Bingren		Wang Zhonglai	
He Fang		Yan Jiu	
Feng Dianjun		Wang Zhengrong	
Ma Yuanhui		Wang Mingdong	
Tang Zongheng		Wang Jinhai	

BANK OF KUNLUN CO., LTD.

BANK OF KUNLUN CO., LTD.

Auditor's Reports and Financial Statements 2020

Auditor's Reports

PCPAR [2021] No.ZK20808

To the shareholders of Bank of Kunlun Co., Ltd.:

I. Opinion

We have audited the accompanying financial statements of Bank of Kunlun Co., Ltd. (hereinafter referred to as the “Bank of Kunlun” or “the Bank” or “the Company”), which comprise the consolidated and the parent company’s balance sheets as at 31 December, 2020, and the consolidated and the parent company’s income statements in 2020, the consolidated and the parent company’s statements of cash flows, and the consolidated and the parent company’s statements of changes in owners’ equity for the year then ended, and the notes to the financial statements.

In our opinion, the consolidated financial statements have been properly prepared in compliance with the Accounting Standards for Business Enterprises, and give a true and fair value of the consolidated and the parent company’s financial position of the Bank as at 31 December, 2020, and the consolidated and the parent company’s financial performance and cash flows for the year then ended.

II. Basis for Opinion

We have conducted our audit in accordance with the China Standards on Auditing. Our responsibilities under those standards are further described in the section “Auditor’s Responsibilities for Audit of Financial Statements” of our report. We are independent of Bank of Kunlun in accordance with the Code of Ethics for Chinese Certified Public Accountants, and have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements in 2020. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we identified during the audit are summarized as below:

(I) Expected credit loss on Loans and advances to customers measured at amortized cost

According to the *Accounting Standards for Enterprises No.22 - Recognition and Measurement of Financial*

Instruments revised by the Ministry of Finance in 2017, Bank of Kunlun recognized and measured the expected credit loss on the Loans and advances to customers measured at amortized cost, and the Bank used various models and assumptions in the measurement of expected credit loss as below:

1. By assessing whether the credit risks of loans and advances to customers increase significantly after the initial recognition, the management utilizes the three-phase impairment model to measure the expected credit loss. For the loans and advances to customers at Phase 1 (no significant increase of credit risks) and Phase 2 (significant increase of credit risks) as well as the personal loans at Phase 3 (default and incurred credit impairment), the management utilizes the risk parameter model method including the key parameters such as probability of default, loss given default, exposure at default and discount rate to assess the allowance for impairment losses. For the corporate loans at Phase 3, the management assesses the allowance for impairment losses by estimating the loan related future discount cash flows.

The major judgments and assumptions of the management involved in the measurement of the expected credit loss include:

(1) Portfolio classification. The business of the similar credit risk characteristics is classified into the same portfolio, an appropriate measurement model is selected, and then the key parameters related to measurement are determined;

(2) Definitions of default and incurred credit impaired assets. Judgment standards for significant increase of credit risks, default and incurred credit impairment;

(3) Proactive adjustment. The adoption of economic indicators, economic scenarios and their weights for proactive measurement;

(4) The forecast of future cash flows of corporate loans at Phase 3.

Since the measurement of the expected credit loss uses complex models and a large number of parameters and data, involves major judgments and assumptions of the management, and considers the significance of the amount (as at 31 December, 2020, the gross loans and advances measured at amortized cost (including accrued interest) amounted to RMB 160.796 billion, representing 45.96% of total assets; the allowance for impairment on loans and advances to customers amounted to RMB 5.027 billion), the expected credit loss is considered as a key audit matter.

Relevant disclosures are included in “Note II / (IX) / 4”, “Note V / (V)” and “Note VIII/ (I)” of the consolidated financial statement.

2. How our audit has addressed the key audit matter

We have evaluated and tested the effectiveness of design and implementation of key controls related to the

loan approval, post loan approval credit management, credit rating, collateral (pledge) management and loan impairment test, including testing of relevant data quality and information systems. We have understood and evaluated the design, implementation and operation efficiency of the major internal monitoring on the financial statements executed by the management in relation to the credit monitoring, debt recovery and loan receivable impairment assessment.

We have reviewed the measurement methodology of the expected credit loss model, and evaluated the reasonableness of the portfolio classification, model selection, key parameter, major judgments and assumptions. We have verified the model operation by sampling, and tested the model to properly reflect the model methodology compiled by the management.

Based on the borrowers' financial information, collateral valuation reports as well as other available information, we have analyzed the debtors' repayment capacity and other factors, and extracted samples to evaluate the reasonableness of significant increase of credit risks, default and recognition of incurred credit impaired loans by the management. For the proactive measurement, we have reviewed the model analysis results of the economic indicator selection, economic scenarios and weights of the management, evaluated the predicted values of economic indicators, and conducted a sensitivity test of economic indicators, economic scenarios and weights.

We have made a sampling inspection of the key data used for model measurement, including historical data and measurement data, so as to evaluate the accuracy and integrity of the key data. We have made a sampling inspection of the accuracy and integrity of key data between the model measurement engine and information system to verify the accuracy and integrity of the key data.

For the loans and advances to corporate customers at Phase 3, we have selected samples and inspected the allowance for impairment losses calculated by the estimated future cash flows and discount rate obtained by the management based on the financial information of the borrowers and guarantors, and the latest assessment values of the collateral and pledge, and other information obtained.

Based on the procedures executed by us, the models, key parameters data and assumptions used by the management in the measurement of the expected credit loss can be supported by the evidence obtained by us. Furthermore, we have evaluated and tested the effectiveness of the control design and implementation of disclosures related to the credit risk exposure and expected credit loss of the Bank.

(II) Recognition of Interests in and Consolidation of Structured Entities

1. The Bank enjoys interests in various structured entities by sponsoring, shareholding and investing in conducting financial investments, asset management and credit asset transfers, such as bank wealth management products, investment funds, asset management plans and trust plans. The Bank needs to consider its rights, the variable returns and the relationship between the two to determine whether it has control over each structured entity so that it can determine whether or not the entity should be consolidated in the consolidated statements. The Bank, when separately analyzing whether it has control over structured

entities, needs to consider lots of factors, including the design purpose of each structured entity, the Bank's ability to direct relevant activities, the interests and returns from direct and indirect ownership, the ability to obtain management performance compensation, and the remuneration or loss from providing credit enhancement or liquidity support. The comprehensive analysis of these factors and the formation of the control conclusion involves major judgments and estimation of the management. Taking the importance of the matter and complexity of judgments of the management into account, we consider the matter as a key audit matter.

Relevant disclosures are included in "Note VII".

2. How our audit has addressed the key audit matter

We have evaluated and tested the effectiveness of design and implementation of the key controls related to the Bank's assessment of whether it controls a structured entity.

We have assessed the Bank's analysis and conclusions on whether or not it controls structured entities based on the Bank's analysis on its power over structured entities, and the analysis of the magnitude and variability of variable returns from its involvement with structured entities. We have also assessed whether the Bank has legal or constructive obligation to bear any risk loss of structured entities by reviewing relevant contracts, and whether the Bank has provided liquidity support or credit enhancement to structured entities. We have also evaluated the fairness of transactions between the Bank and structured entities.

We have evaluated the judgments of the management on whether consolidate or not consolidate the structured entities.

We have evaluated the disclosures in the financial statement in relation to the structured entities to confirm whether such disclosures are conforming to the requirements specified in the Accounting Standards for Business Enterprises.

IV. Responsibilities of the Management and the Governance for Financial Statements

The Management of the Bank / Bank of Kunlun (hereinafter referred to as the "Management") is responsible for the preparation of financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and responsible for designing, executing and maintaining such internal control as determined as necessary for ensuring that the financial statements are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the management is responsible for assessing the sustainable operation ability of Bank of Kunlun, disclosing issues related to continuing operations (if applicable), and applying the going-concern assumption unless the management plans to liquidate the Bank, stop operation or has no other realistic choice.

The Governance is responsible for overseeing the Bank's financial reporting process.

V. Auditor's Responsibilities for Audit of the Financial Statement

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

As part of an audit in accordance with the China Standards on Auditing, we exercise professional judgments and maintain professional scepticism throughout the audit. Meanwhile, we have also performed the following work:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and implement audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern exists. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's reports to the related disclosures in the financial statements; if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's reports. However, future events or situations may cause the Bank to cease to continue as a going concern.

(V) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We take full responsibility of audit opinion.

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

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

Among the matters communicated with the Governance, we determine those matters that were of most significance in the audit of the financial statements in 2020 and are therefore the key audit matters. We describe these matters in our auditor's reports unless laws and regulations preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



BDO China (Shanghai) Pan
Certified Public Accountants
(LLP)

Chinese Certified Public
Accountant:

Handwritten signature in black ink and a red square seal impression.

Chinese Certified Public
Accountant:

Handwritten signature in black ink and a red square seal impression.

Shanghai, China
15 April, 2021

BANK OF KUNLUN CO., LTD.
Consolidated Balance Sheet

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	Note V	31 December, 2020	31 December, 2019
Assets:			
Cash and Balances with the Central Bank	(I)	21,771,681,174.57	25,040,828,375.21
Deposits with Banks and Other Financial Institutions	(II)	15,569,280,327.49	27,354,176,878.09
Precious Metals			
Placements with Banks and Other Financial Institutions	(III)	41,307,731,088.58	33,731,539,492.23
Derivative Financial Assets			
Contractual Assets			
Financial Assets Held under Resale Agreements	(IV)	104,133,852.03	2,956,421,886.90
Loans and Advances to Customers	(V)	155,769,041,280.99	141,480,721,145.47
Financial Investments:			
	(VI)		
Trading Financial Assets		57,282,900,149.28	49,294,392,550.11
Debt Investments		35,380,869,459.39	36,495,400,305.95
Other Debt Investments		20,565,694,617.40	18,119,165,951.71
Other Equity Instruments			
Long-term Equity Investments			
Fixed Assets	(VIII)	367,364,899.26	353,227,082.69
Construction in Progress	(IX)	105,558,400.23	82,173,322.66
Intangible Assets	(X)	116,365,044.55	94,672,109.95
Deferred Tax Assets	(XI)	595,147,266.47	750,375,932.51
Other Assets	(XII)	948,212,301.07	730,885,634.37
Total Assets		349,883,979,861.31	336,483,980,667.85
Liabilities:			
Due to the Central Bank	(XIV)	2,624,227,403.62	720,288,443.99
Due to Banks and Other Financial Institutions	(XV)	51,520,580,924.15	59,555,146,190.88
Placements from Banks and Other Financial Institutions	(XVI)	1,000,464,722.22	2,001,034,444.44
Trading Financial Liabilities			
Derivative Financial Liabilities			
Financial Assets Sold under Repurchase Agreements	(XVII)	21,571,968,523.65	20,977,829,610.28
Due to Customers	(XVIII)	198,143,833,125.32	184,159,970,894.72
Employee Compensation Payable	(XIX)	38,448,616.34	30,024,240.59
Tax Payable	(XX)	181,898,244.68	396,571,129.27
Contractual Liabilities			
Accrued Liabilities	(XXI)	191,998,643.80	186,614,503.32

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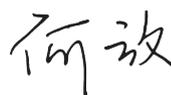
Item	Note V	31 December, 2020	31 December, 2019
Bonds Payable	(XXII)	37,130,481,879.06	31,040,856,818.66
Deferred Tax Liabilities	(XI)		
Other Liabilities	(XXIII)	3,542,064,869.68	4,639,710,844.32
Total Liabilities		315,945,966,952.52	303,708,047,120.47
Equity:			
Share Capital	(XXIV)	10,287,879,258.43	10,287,879,258.43
Capital Reserve	(XXV)	10,192,990,714.50	10,192,990,714.50
Other Comprehensive Income	(XXVI)	(26,916,275.65)	262,586,676.81
Surplus Reserve	(XXVII)	2,760,914,300.87	2,469,945,263.01
General Risk Preparation	(XXVIII)	4,561,536,799.77	4,522,306,530.86
Undistributed Profits	(XXIX)	6,066,163,045.60	4,946,259,302.25
Equity Attributable to the Shareholders of the Parent Company		33,842,567,843.52	32,681,967,745.86
Minority Interests	(XXX)	95,445,065.27	93,965,801.52
Total Equity		33,938,012,908.79	32,775,933,547.38
Total Liabilities and Equity		349,883,979,861.31	336,483,980,667.85

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative:



Acting President:



Director of Accounting Department:



BANK OF KUNLUN CO., LTD.**Balance Sheet**

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

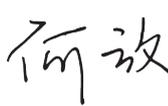
Item	Note V	31 December, 2020	31 December, 2019
Assets:			
Cash and Balances with the Central Bank	(I)	21,617,221,544.39	24,898,466,577.37
Deposits with Banks and Other Financial Institutions	(II)	15,308,086,749.62	27,148,348,214.18
Precious Metals			
Placements with Banks and Other Financial Institutions	(III)	41,307,731,088.58	33,731,539,492.23
Derivative Financial Assets			
Contractual Assets			
Financial Assets Held under Resale Agreements	(IV)	104,133,852.03	2,956,421,886.90
Loans and Advances to Customers	(V)	154,484,206,136.27	140,372,300,761.45
Financial Investments:			
	(VI)		
Trading Financial Assets		57,282,900,149.28	49,294,392,550.11
Debt Investments		35,380,869,459.39	36,495,400,305.95
Other Debt Investments		20,565,694,617.40	18,119,165,951.71
Other Equity Instrument Investments			
Long-term Equity Investments	(VII)	57,500,000.00	57,500,000.00
Fixed Assets	(VIII)	352,913,161.31	337,903,062.79
Construction in Progress	(IX)	105,294,137.58	81,906,102.66
Intangible Assets	(X)	116,231,877.89	94,672,109.95
Deferred Tax Assets	(XI)	578,192,894.19	731,748,042.27
Other Assets	(XII)	935,452,400.53	725,672,139.96
Total Assets		348,196,428,068.46	335,045,437,197.53
Liabilities:			
Due to the Central Bank	(XIV)	2,527,107,003.61	674,157,360.65
Due to Banks and Other Financial Institutions	(XV)	52,059,670,957.74	59,850,378,474.72
Placements from Banks and Other Financial Institutions	(XVI)	1,000,464,722.22	2,001,034,444.44
Trading Financial Liabilities			
Derivative Financial Liabilities			
Financial Assets Sold under Repurchase Agreements	(XVII)	21,571,968,523.65	20,977,829,610.28
Due to Customers	(VIII)	196,188,540,831.57	182,645,435,948.38
Employee Compensation Payable	(XIX)	37,815,805.47	29,531,759.34
Tax Payable	(XX)	180,507,722.07	394,473,897.63
Contractual Liabilities			
Accrued Liabilities	(XXI)	191,998,643.80	186,614,503.32

Continued

Item	Note V	31 December, 2020	31 December, 2019
Bonds Payable	(XXII)	37,130,481,879.06	31,040,856,818.66
Deferred Tax Liabilities	(XI)		
Other Liabilities	(XXIII)	3,541,432,894.80	4,637,993,867.16
Total Liabilities		314,429,988,983.99	302,438,306,684.58
Equity:			
Share Capital	(XXIV)	10,287,879,258.43	10,287,879,258.43
Capital Reserve	(XXV)	10,192,889,490.69	10,192,889,490.69
Other Comprehensive Income	(XXVI)	(26,916,102.29)	262,586,850.17
Surplus Reserve	(XXVII)	2,760,914,300.87	2,469,945,263.01
General Risk Preparation	(XXVIII)	4,550,696,983.61	4,511,466,714.70
Undistributed Profits	(XXIX)	6,000,975,153.16	4,882,362,935.95
Total Equity		33,766,439,084.47	32,607,130,512.95
Total Liabilities and Equity		348,196,428,068.46	335,045,437,197.53

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative: 

Acting President: 

Director of Accounting Department: 

BANK OF KUNLUN CO., LTD.
Consolidated Income Statement

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	Note V	2020	2019
I. Total Operating Income		5,920,047,855.69	7,124,308,615.04
Net Interest Income		3,939,883,586.82	4,264,786,924.00
Interest Income	(XXXI)	10,765,675,216.38	10,695,652,715.77
Interest Expenses	(XXXI)	6,825,791,629.56	6,430,865,791.77
Net Fee and Commission Income		5,162,443.14	31,793,127.47
Fee and Commission Income	(XXXII)	146,664,436.36	103,979,252.53
Fee and Commission Expenses	(XXXII)	141,501,993.22	72,186,125.06
Other Gains	(XXXIII)	5,867,616.45	556,172.38
Return on Investment (Loss is Indicated by “()”)	(XXXIV)	1,046,772,873.24	2,680,131,670.55
Including: Return on Investment in Associated Enterprises and Joint Ventures			
Return on Investment Generated by De-recognition of Financial Assets Measured at Amortized Cost (Loss is Indicated by “()”)			
Gains from Changes in Fair Value (Loss is Indicated by “()”)	(XXXV)	1,012,131,976.24	52,933,364.67
Gains from Disposal of Assets (Loss is Indicated by “()”)	(XXXVI)	521,693.37	(2,228,711.25)
Foreign Exchange Gains (Loss is Indicated by “()”)	(XXXVII)	(91,953,713.72)	95,791,086.28
Other Operating Income	(XXXVIII)	1,661,380.15	544,980.94
II. Total Operating Expenses		2,484,130,087.64	2,940,937,071.27
Taxes and Surcharges	(XXXIX)	48,741,171.25	48,912,835.06
Operating and Administrative Expenses	(XL)	1,979,425,447.53	2,040,887,642.89
Loss of Credit Impairment	(XLI)	455,088,482.86	852,510,771.66
Impairment Losses on Other Assets	(XLII)	740,686.00	(1,613,668.20)
Other Operating Costs		134,300.00	239,489.86
III. Operating Profit (Loss is Indicated by “()”)		3,435,917,768.05	4,183,371,543.77
Add: Non-operating Income	(XLIII)	4,955,883.76	4,144,433.10
Less: Non-operating Expenses	(XLIV)	3,576,180.56	4,998,781.01
IV. Total Profit (Total Loss is Indicated by “()”)		3,437,297,471.25	4,182,517,195.86
Less: Income Tax Expenses	(XLV)	524,836,302.73	593,806,876.19
V. Net Profit (Net Loss is Indicated by “()”)		2,912,461,168.52	3,588,710,319.67
(I) Classification by Business Continuity			
1. Net Profit from Continuing Operation (Net Loss is Indicated by “()”)		2,912,461,168.52	3,588,710,319.67
2. Net Profit from Discontinued Operation (Net Loss is Indicated by “()”)			
(II) Classification by Ownership			

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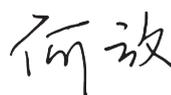
Item	Note V	2020	2019
1. Net Profit Attributable to the Shareholders of the Parent Company (Net Loss is Indicated by “()”)		2,910,981,904.77	3,587,237,530.43
2. Minority Interest Income (Net Loss is Indicated by “()”)		1,479,263.75	1,472,789.24
VI. After-tax Amount of Other Comprehensive Income	(XLVI)	(289,502,952.46)	53,567,449.13
After-tax Net Amount of Other Comprehensive Income Attributable to the Owner of the Parent Company		(289,502,952.46)	53,567,449.13
(I) Other Comprehensive Income that May Not be Reclassified Subsequently to Profit or Loss			
(II) Other Comprehensive Income that May be Reclassified Subsequently to Profit or Loss		(289,502,952.46)	53,567,449.13
1. Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		(290,513,012.82)	54,281,159.25
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income		1,010,060.36	(713,710.12)
After-tax Net Amount of Other Comprehensive Income Attributable to Minority Shareholders			
VII. Total Comprehensive Income		2,622,958,216.06	3,642,277,768.80
Total Comprehensive Income Attributable to the Shareholders of the Parent Company		2,621,478,952.31	3,640,804,979.56
Total Comprehensive Income Attributable to Minority Interests		1,479,263.75	1,472,789.24
VIII. Earnings per Share			
(I) Basic Earnings per Share (RMB/Share)	(XLVII)	0.28	0.35
(II) Diluted Earnings per Share (RMB/Share)		0.28	0.35

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative:



Acting President:



Director of Accounting Department:



BANK OF KUNLUN CO., LTD.**Income Statement**

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	Note V	2020	2019
I. Total Operating Income		5,869,394,710.84	7,069,466,973.98
Net Interest Income		3,891,284,008.88	4,207,051,436.37
Interest Income	(XXXI)	10,672,851,355.84	10,610,650,614.36
Interest Expenses	(XXXI)	6,781,567,346.96	6,403,599,177.99
Net Fee and Commission Income		4,101,750.60	32,483,589.15
Fee and Commission Income	(XXXII)	145,275,460.50	103,212,454.89
Fee and Commission Expenses	(XXXII)	141,173,709.90	70,728,865.74
Other Gains	(XXXIII)	4,874,977.17	553,096.09
Return on Investment (Loss is Indicated by “()”)	(XXXIV)	1,046,772,873.24	2,680,131,670.55
Including: Return on Investment in Associated Enterprises and Joint Ventures			
Return on Investment Generated by De-recognition of Financial Assets Measured at Amortized Cost (Loss is Indicated by “()”)			
Gains from Changes in Fair Value (Loss is Indicated by “()”)	(XXXV)	1,012,131,976.24	52,933,364.67
Gains from Disposal of Assets (Loss is Indicated by “()”)	(XXXVI)	521,693.37	(22,086.96)
Foreign Exchange Gains (Loss is Indicated by “()”)	(XXXVII)	(91,953,713.72)	95,791,086.28
Other Operating Income	(XXXVIII)	1,661,145.06	544,817.83
II. Total Operating Expenses		2,437,391,554.24	2,884,021,652.00
Taxes and Surcharges	(XXXIX)	48,270,019.85	48,608,468.23
Operating and Administrative Expenses	(XL)	1,944,980,051.64	2,004,168,983.61
Loss of Credit Impairment	(XLI)	444,007,182.75	831,010,733.37
Impairment Losses on Other Assets			
Other Operating Costs		134,300.00	233,466.79
III. Operating Profit (Loss is Indicated by “()”)		3,432,003,156.60	4,185,445,321.98
Add: Non-operating Income	(XLIII)	4,791,052.39	3,965,490.59
Less: Non-operating Expenses	(XLIV)	3,565,083.45	4,284,341.53
IV. Total Profit (Total Loss is Indicated by “()”)		3,433,229,125.54	4,185,126,471.04
Less: Income Tax Expenses	(XLV)	523,538,746.91	594,149,770.67
V. Net Profit (Net Loss is Indicated by “()”)		2,909,690,378.63	3,590,976,700.37
(I) Net Profit from Continuing Operation (Net Loss is Indicated by “()”)		2,909,690,378.63	3,590,976,700.37
(II) Net Profit from Discontinued Operation (Net Loss is Indicated by “()”)			
VI. After-tax Amount of Other Comprehensive Income	(XLVI)	(289,502,952.46)	53,567,449.13

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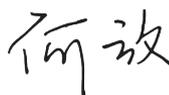
Item	Note V	2020	2019
(I) Other Comprehensive Income that May Not be Reclassified Subsequently to Profit or Loss			
(II) Other Comprehensive Income that May be Reclassified Subsequently to Profit or Loss		(289,502,952.46)	53,567,449.13
1. Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		(290,513,012.82)	54,281,159.25
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income		1,010,060.36	(713,710.12)
VII. Total Comprehensive Income		2,620,187,426.17	3,644,544,149.50
VIII. Earnings per Share:			
(I) Basic Earnings per Share (RMB/Share)		0.28	0.35
(II) Diluted Earnings per Share (RMB/Share)		0.28	0.35

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative:



Acting President:



Director of Accounting Department:



BANK OF KUNLUN CO., LTD.
Consolidated Statement of Cash Flows

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

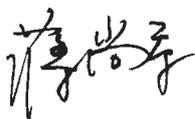
Item	Note V	2020	2019
I. Cash Flows from Operating Activities:			
Net Increase in Due to Customers, Banks and Other Financial Institutions		4,953,796,104.89	
Net Increase in Due to the Central Bank		1,903,912,742.96	
Net Decrease in Deposits with the Central Bank and Due from Banks and Other Financial Institutions		4,575,488,722.40	
Net Increase in Placements from Banks and Other Financial Institutions			13,800,000,000.00
Net Increase in Financial Assets Sold under Repurchase Arrangements		2,443,835,781.34	
Cash Receipts from Interest, Charges and Commissions		9,132,010,686.40	9,021,151,244.05
Other Cash Receipts Relating to Operating Activities	(XLVIII)	13,006,573.73	981,278,319.11
Sub-total of Cash Inflows from Operating Activities		23,022,050,611.72	23,802,429,563.16
Net Increase in Loans and Advances to Customers		14,649,171,770.49	19,112,219,420.59
Net Increase in Deposits with the Central Bank and Due from Banks and Other Financial Institutions			1,944,492,138.90
Net Decrease in Due to Customers, Banks and Other Financial Institutions			9,525,910,953.18
Net Decrease in Due to the Central Bank			494,579,731.73
Net Decrease in Placements from Banks and Other Financial Institutions		26,500,000,000.00	
Net Increase in Financial Assets Measured at Fair Value through the Current Profits and Losses		10,608,324,528.32	7,699,659,773.22
Net Decrease in Financial Assets Sold under Repurchase Arrangements			8,523,508,737.06
Cash Payments for Interest, Charges and Commissions		5,142,731,075.89	4,551,409,236.14
Cash Payments to and on Behalf of Employees		1,002,922,577.88	1,050,524,584.14
Payments of Various Types of Taxes		978,031,884.14	1,057,312,304.80
Other Cash Payments Relating to Operating Activities	(XLVIII)	2,166,363,087.93	833,228,378.94
Sub-total of Cash Outflows from Operating Activities		61,047,544,924.65	54,792,845,258.70
Net Cash Flow From Operating Activities		(38,025,494,312.93)	(30,990,415,695.54)
II. Cash Flows from Investing Activities:			
Cash Receipts from Disposals and Recovery of Investments		67,608,085,367.72	38,262,920,501.96
Cash Receipts from Return on Investment		2,166,083,282.55	2,680,131,670.55
Net Cash Receipts from Disposals of Fixed Assets, Intangible Assets and Other Long-term Assets		250,955.00	86,800.00
Other Cash Receipts Relating to Investing Activities			
Sub-total of Cash Inflows from Investing Activities		69,774,419,605.27	40,943,138,972.51

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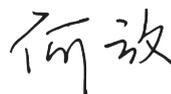
Item	Note V	2020	2019
Cash Payments to Acquire or Construct Fixed Assets, Intangible Assets and Other Long-term Assets		101,393,247.13	91,362,547.29
Cash Payments to Acquire Investments		67,413,893,213.13	40,041,983,877.51
Sub-total of Cash Outflows from Investing Activities		67,515,286,460.26	40,133,346,424.80
Net Cash Flow from Investing Activities		2,259,133,145.01	809,792,547.71
III. Cash Flows from Financing Activities:			
Cash Receipts from Investors			
Including: Cash Receipts by Subsidiaries from Investments			
Cash Receipts from Issuance of Bonds		71,544,811,064.83	44,157,226,135.98
Other Cash Receipts Relating to Financing Activities			
Sub-total of Cash Inflows from Financing Activities		71,544,811,064.83	44,157,226,135.98
Cash Repayments of Borrowings		65,455,186,004.35	46,813,840,390.00
Cash Payments for Distribution of Dividend or Profit or Settlement of Interest Expenses		2,301,802,340.21	2,412,729,869.91
Other Cash Payments Relating to Financing Activities			
Sub-total of Cash Outflows from Financing Activities		67,756,988,344.56	49,226,570,259.91
Net Cash Flow from Financing Activities		3,787,822,720.27	(5,069,344,123.93)
IV. Effect of Foreign Exchange Rate Changes on Cash		683,696.51	9,367,292.97
V. Net Increase in Cash and Cash Equivalents	(XLIX)	(31,977,854,751.14)	(35,240,599,978.79)
Add: Balance of Cash and Cash Equivalents at the Beginning of the Period		57,053,876,244.10	92,294,476,222.89
VI. Balance of Cash and Cash Equivalents at the End of the Period		25,076,021,492.96	57,053,876,244.10

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative:



Acting President:



Director of Accounting Department:



BANK OF KUNLUN CO., LTD.**Statement of Cash Flows**

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	Note V	2020	2019
I. Cash Flows from Operating Activities:			
Net Increase in Due to Customers, Banks and Other Financial Institutions		4,775,254,921.27	
Net Increase in Due to the Central Bank		1,852,949,642.96	
Net Decrease in Deposits with the Central Bank and Due from Banks and Other Financial Institutions		4,183,288,374.35	
Net Increase in Placements from Banks and Other Financial Institutions			13,800,000,000.00
Net Increase in Financial Assets Sold under Repurchase Arrangements		2,443,835,781.34	
Cash Receipts from Interest, Charges and Commissions		9,039,765,299.56	9,130,594,512.79
Other Cash Receipts Relating to Operating Activities	(XLVIII)	11,848,867.99	751,901,953.71
Sub-total of Cash Inflows from Operating Activities		22,306,942,887.47	23,682,496,466.50
Net Increase in Loans and Advances to Customers		14,448,114,900.51	18,884,476,971.12
Net Increase in Deposits with the Central Bank and Due from Banks and Other Financial Institutions			1,711,004,125.02
Net Decrease in Due to Customers, Banks and Other Financial Institutions			9,786,594,259.64
Net Decrease in Due to the Central Bank			490,579,731.73
Net Decrease in Placements from Banks and Other Financial Institutions		26,500,000,000.00	
Net Increase in Financial Assets Measured at Fair Value through the Current Profits and Losses		10,608,324,528.32	7,699,659,773.22
Net Decrease in Financial Assets Sold under Repurchase Arrangements			8,523,508,737.06
Cash Payments for Interest, Charges and Commissions		5,116,563,140.68	4,537,141,802.13
Cash Payments to and on Behalf of Employees		1,003,062,907.50	1,026,795,849.50
Payments of Various Types of Taxes		978,918,985.88	1,049,982,618.08
Other Cash Payments Relating to Operating Activities	(XLVIII)	2,136,981,965.34	821,622,194.32
Sub-total of Cash Outflows from Operating Activities		60,791,966,428.23	54,531,366,061.82
Net Cash Flow From Operating Activities		(38,485,023,540.76)	(30,848,869,595.32)
II. Cash Flows from Investing Activities:			
Cash Receipts from Disposals and Recovery of Investments		67,608,085,367.72	38,262,920,501.96
Cash Receipts from Return on Investment		2,166,083,282.55	2,680,131,670.55
Net Cash Receipts from Disposals of Fixed Assets, Intangible Assets and Other Long-term Assets		250,955.00	38,834.95
Other Cash Receipts Relating to Investing Activities			
Sub-total of Cash Inflows from Investing Activities		69,774,419,605.27	40,943,091,007.46

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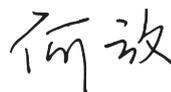
Item	Note V	2020	2019
Cash Payments to Acquire or Construct Fixed Assets, Intangible Assets and Other Long-term Asset		100,791,141.42	90,481,921.62
Cash Payments to Acquire Investments		67,413,893,213.13	40,041,983,877.51
Sub-total of Cash Outflows from Investing Activities		67,514,684,354.55	40,132,465,799.13
Net Cash Flow from Investing Activities		2,259,735,250.72	810,625,208.33
III. Cash Flows from Financing Activities:			
Cash Receipts from Investors			
Including: Cash Receipts by Subsidiaries from Investments			
Cash Receipts from Issuance of Bonds		71,544,811,064.83	44,157,226,135.98
Other Cash Receipts Relating to Financing Activities			
Sub-total of Cash Inflows from Financing Activities		71,544,811,064.83	44,157,226,135.98
Cash Repayments of Borrowings		65,455,186,004.35	46,813,840,390.00
Cash Payments for Distribution of Dividend or Profit or Settlement of Interest Expenses		2,301,802,340.21	2,412,729,869.91
Other Cash Payments Relating to Financing Activities			
Sub-total of Cash Outflows from Financing Activities		67,756,988,344.56	49,226,570,259.91
Net Cash Flow from Financing Activities		3,787,822,720.27	(5,069,344,123.93)
IV. Effect of Foreign Exchange Rate Changes on Cash		683,696.51	9,367,292.97
V. Net Increase in Cash and Cash Equivalents	(XLIX)	(32,436,781,873.26)	(35,098,221,217.95)
Add: Balance of Cash and Cash Equivalents at the Beginning of the Period		57,144,905,542.26	92,243,126,760.21
VI. Balance of Cash and Cash Equivalents at the End of the Period		24,708,123,669.00	57,144,905,542.26

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative:



Acting President:



Director of Accounting Department:



BANK OF KUNLUN CO., LTD.
Consolidated Statement of Changes in Shareholders' Equity

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	2020							Total Owners' Equity	
	Equity Attributable to the Shareholders of the Parent Company								
	Share Capital	Capital Reserve	Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Sub-total	Equity of Minority Shareholders	
I. Balance as at the End of Last Year	10,287,879,258.43	10,192,990,714.50	262,586,676.81	2,469,945,263.01	4,522,306,530.86	4,946,259,302.25	32,681,967,745.86	93,965,801.52	32,775,933,547.38
Add: Adjustments for Changes in Accounting Policies									
Corrections of Accounting Errors in the Prior Year									
II. Balance as at the Beginning of the Current Year	10,287,879,258.43	10,192,990,714.50	262,586,676.81	2,469,945,263.01	4,522,306,530.86	4,946,259,302.25	32,681,967,745.86	93,965,801.52	32,775,933,547.38
III. Changes for the Current Year (Decrease is Indicated by "0")		(289,502,952.46)	290,969,037.86	290,969,037.86	39,230,268.91	1,119,903,743.35	1,160,600,097.66	1,479,263.75	1,162,079,361.41
(I) Total Comprehensive Income		(289,502,952.46)				2,910,981,904.77	2,621,478,952.31	1,479,263.75	2,622,958,216.06
(II) Owners' Contributions and Reduction in Capital									
1. Owners' Contributions in Capital									
2. Capital Invested by Holder of Other Equity Instruments									
3. Share-based Payment Recognized in Owners' Equity									
4. Others									
(III) Profit Distribution				290,969,037.86	39,230,268.91	(1,791,078,161.42)	(1,460,878,854.65)		(1,460,878,854.65)
1. Withdrawal of Surplus Reserve				290,969,037.86		(290,969,037.86)			
2. Withdrawal of General Risk Preparation					39,230,268.91	(39,230,268.91)			

Continued

Item	2020						Equity of Minority Shareholders	Total Owners' Equity	
	Equity Attributable to the Shareholders of the Parent Company								
	Share Capital	Capital Reserve	Comprehensive Income	Other Surplus Reserve	General Risk Preparation	Undistributed Profits	Sub-total		
3. Distributions to Owners (or Shareholders)					(1,460,878,854.65)	(1,460,878,854.65)	(1,460,878,854.65)	(1,460,878,854.65)	
4. Others									
(IV) Transfers within Owners' Equity									
1. Capitalization of Capital Reserve (or Share Capital)									
2. Capitalization of Surplus Reserve (or Share Capital)									
3. Loss Offset by Surplus Reserve									
4. Others									
IV. Balance as at the End of the Current Year	10,287,879,258.43	10,192,990,714.50	(26,916,275.65)	2,760,914,300.87	4,561,536,799.77	6,066,163,045.60	33,842,567,843.52	95,445,065.27	33,938,012,908.79

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative: 

Acting President: 何斌

Director of Accounting Department: 

BANK OF KUNLUN CO., LTD.
Consolidated Statement of Changes in Shareholders' Equity (Continued)

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	Equity Attributable to the Shareholders of the Parent Company							Equity of Minority Shareholders	Total Owners' Equity
	Share Capital	Capital Reserve	Comprehensive Income	Other Surplus Reserve	General Risk Preparation	Undistributed Profits	Sub-total		
I. Balance as at the End of Last Year	10,287,879,258.43	10,192,990,714.50	200,142,307.93	2,116,209,057.06	4,298,001,046.13	3,297,238,734.44	30,392,461,118.49	92,493,012.28	30,484,954,130.77
Add: Adjustments for Changes in Accounting Policies			8,876,919.75	(5,361,460.62)		(48,253,145.54)	(44,737,686.41)		(44,737,686.41)
Corrections of Accounting Errors in the Prior Year									
II. Balance as at the Beginning of the Current Year	10,287,879,258.43	10,192,990,714.50	209,019,227.68	2,110,847,596.44	4,298,001,046.13	3,248,985,588.90	30,347,723,432.08	92,493,012.28	30,440,216,444.36
III. Changes for the Current Year (Decrease is Indicated by "0")			53,567,449.13	359,097,666.57	224,305,484.73	1,697,273,713.35	2,334,244,313.78	1,472,789.24	2,335,717,103.02
(I) Total Comprehensive Income			53,567,449.13			3,587,237,530.43	3,640,804,979.56	1,472,789.24	3,642,277,768.80
(II) Owners' Contributions and Reduction in Capital									
1. Owners' Contributions in Capital									
2. Capital Invested by Holder of Other Equity Instruments									
3. Share-based Payment Recognized in Owners' Equity									
4. Others									
(III) Profit Distribution				359,097,666.57	224,305,484.73	(1,889,963,817.08)	(1,306,560,665.78)		(1,306,560,665.78)
1. Withdrawal of Surplus Reserve				359,097,666.57		(359,097,666.57)			
2. Withdrawal of General Risk Preparation					224,305,484.73	(224,305,484.73)			

Continued

Item	Equity Attributable to the Shareholders of the Parent Company						Equity of Minority Shareholders	Total Owners' Equity	
	Share Capital	Capital Reserve	Comprehensive Income	Other Surplus Reserve	General Risk Preparation	Undistributed Profits			Sub-total
3. Distributions to Owners (or Shareholders)						(1,306,560,665.78)	(1,306,560,665.78)		
4. Others									
(IV) Transfers within Owners' Equity									
1. Capitalization of Capital Reserve (or Share Capital)									
2. Capitalization of Surplus Reserve (or Share Capital)									
3. Loss Offset by Surplus Reserve									
4. Others									
IV. Balance as at the End of the Current Year	10,287,879,258.43	10,192,990,714.50	262,586,676.81	2,469,945,263.01	4,522,306,530.86	4,946,259,302.25	32,681,967,745.86	93,965,801.52	32,775,933,547.38

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative: 

Acting President: 何政

Director of Accounting Department: 

BANK OF KUNLUN CO., LTD.
Statement of Changes in Shareholders' Equity

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	2020						
	Share Capital	Capital Reserve	Comprehensive Income	Other Surplus Reserve	General Risk Preparation	Undistributed Profits	Total Owners' Equity
I. Balance as at the End of Last Year	10,287,879,258.43	10,192,889,490.69	262,586,850.17	2,469,945,263.01	4,511,466,714.70	4,882,362,935.95	32,607,130,512.95
Add: Adjustments for Changes in Accounting Policies							
Corrections of Accounting Errors in the Prior Year							
II. Balance as at the Beginning of the Current Year	10,287,879,258.43	10,192,889,490.69	262,586,850.17	2,469,945,263.01	4,511,466,714.70	4,882,362,935.95	32,607,130,512.95
III. Changes for the Current Year (Decrease is Indicated by “-”)							
(I) Total Comprehensive Income			(289,502,952.46)	290,969,037.86	39,230,268.91	1,118,612,217.21	1,159,308,571.52
(II) Owners' Contributions and Reduction in Capital			(289,502,952.46)			2,909,690,378.63	2,620,187,426.17
1. Owners' Contributions in Capital							
2. Capital Invested by Holder of Other Equity Instruments							
3. Share-based Payment Recognized in Owners' Equity							
4. Others							
(III) Profit Distribution				290,969,037.86	39,230,268.91	(1,791,078,161.42)	(1,460,878,854.65)
1. Withdrawal of Surplus Reserve				290,969,037.86		(290,969,037.86)	
2. Withdrawal of General Risk Preparation					39,230,268.91	(39,230,268.91)	
3. Distributions to Owners (or Shareholders)							(1,460,878,854.65)

Continued

Item	2020					Total Owners' Equity	
	Share Capital	Capital Reserve	Comprehensive Income	Other Surplus Reserve	General Risk Preparation		Undistributed Profits
4. Others							
(IV) Transfers within Owners' Equity							
1. Capitalization of Capital Reserve (or Share Capital)							
2. Capitalization of Surplus Reserve (or Share Capital)							
3. Loss Offset by Surplus Reserve							
4. Others							
IV. Balance as at the End of the Current Year	10,287,879,258.43	10,192,889,490.69	(26,916,102.29)	2,760,914,300.87	4,550,696,983.61	6,000,975,153.16	33,766,439,084.47

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative: 

Acting President: 

Director of Accounting Department: 

BANK OF KUNLUN CO., LTD.
Statement of Changes in Shareholders' Equity (Continued)

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	2019						
	Share Capital	Capital Reserve	Comprehensive Income	Other Surplus Reserve	General Risk Preparation	Undistributed Profits	Total Owners' Equity
I. Balance as at the End of Last Year	10,287,879,258.43	10,192,889,490.69	200,142,481.29	2,116,209,057.06	4,287,161,229.97	3,229,603,198.20	30,313,884,715.64
Add: Adjustments for Changes in Accounting Policies			8,876,919.75	(5,361,460.62)		(48,253,145.54)	(44,737,686.41)
Corrections of Accounting Errors in the Prior Year							
II. Balance as at the Beginning of the Current Year	10,287,879,258.43	10,192,889,490.69	209,019,401.04	2,110,847,596.44	4,287,161,229.97	3,181,350,052.66	30,269,147,029.23
III. Changes for the Current Year (Decrease is Indicated by "(")			53,567,449.13	359,097,666.57	224,305,484.73	1,701,012,883.29	2,337,983,483.72
(I) Total Comprehensive Income			53,567,449.13			3,590,976,700.37	3,644,544,149.50
(II) Owners' Contributions and Reduction in Capital							
1. Owners' Contributions in Capital							
2. Capital Invested by Holder of Other Equity Instruments							
3. Share-based Payment Recognized in Owners' Equity							
4. Others							
(III) Profit Distribution				359,097,666.57	224,305,484.73	(1,889,963,817.08)	(1,306,560,665.78)
1. Withdrawal of Surplus Reserve				359,097,666.57		(359,097,666.57)	
2. Withdrawal of General Risk Preparation					224,305,484.73	(224,305,484.73)	
3. Distributions to Owners (or Shareholders)						(1,306,560,665.78)	(1,306,560,665.78)

Continued

2019

Item	Share Capital	Capital Reserve	Comprehensive Income	Other Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Total Owners' Equity
4. Others								
(IV) Transfers within Owners' Equity								
1. Capitalization of Capital Reserve (or Share Capital)								
2. Capitalization of Surplus Reserve (or Share Capital)								
3. Loss Offset by Surplus Reserve								
4. Others								
IV. Balance as at the End of the Current Year	10,287,879,258.43	10,192,889,490.69	262,586,850.17	2,469,945,263.01	4,511,466,714.70	4,882,362,935.95	32,607,130,512.95	

The accompanying notes to the financial statements form an integral part of these financial statements.

Legal Representative: 

Acting President: 何放

Director of Accounting Department: 

BANK OF KUNLUN CO., LTD.

Notes to the Financial Statements of 2020

(Unless otherwise specified herein, the following amounts are all expressed in RMB)

I. Basic Information of the Company

(I) Company Profile and History

Bank of Kunlun Co., Ltd. (hereinafter referred to as “Bank of Kunlun” or “the Bank” or “the Company”), is the former Karamay City Commercial Bank Co., Ltd. which was the successor of Karamay Urban Credit Cooperative. The Karamay Urban Credit Cooperative was founded in December 2002 by merging the former Maoyuan Urban Credit Cooperative and Rongxing Urban Credit Cooperative of the Karamay City, and was approved by the Karamay Central Sub-branch of People’s Bank of China in its official document (K.Y.J. [2002] No. 173) titled the *Official Reply to Agreeing Karamay Urban Credit Cooperative to Start Business*, to start its business with original registered capital of RMB 55.217 million.

In December 2005, upon the approval by the Karamay Office of China Banking Regulatory Commission in its official document (K.Y.J.F. [2005] No. 33) titled the *Official Reply to Agreeing on the Establishment of the Karamay Commercial Bank*, the Karamay City Commercial Bank was established by restructuring the Karamay Urban Credit Cooperative, with registered capital of RMB 100.6662 million. On 17 May, 2006, upon the approval by the Xinjiang Regulatory Office of China Banking Regulatory Commission in its official document (X.Y.J.F. [2006] No. 128) titled the *Official Reply to the Starting of Business of the Karamay Commercial Bank*, the Company registered with the Karamay Administration for Industry and Commerce, Xinjiang on 30 May, 2006 as the Karamay City Commercial Bank to start its business.

In December 2008, upon the approval by the China Banking Regulatory Commission in its official document YJF [2008] No. 552 and the approval by Xinjiang Regulatory Office of China Banking Regulatory Commission in its official document (X.Y.J.F. [2008] No. 216), the Company again increased its registered capital by increasing its investment and shares, to RMB 180.6662 million.

Upon the *Official Reply to the Scheme of the Karamay Commercial Bank for Increase in Capital and Shares* dated 22 January, 2009 (X.Y.J.F. [2009] No. 13) issued by the Xinjiang Regulatory Office of China Banking Regulatory Commission, the *Official Reply to Issues concerning Contributions of China National Petroleum Corporation to the Karamay Commercial Bank Co., Ltd.* dated 23 March, 2009 (G.Z.C.Q. [2009] No. 188) by the State-owned Assets Supervision and Administration Commission of the State Council, and the *Official Reply of the China Banking Regulatory Commission to Contributions of China National Petroleum Corporation in the Karamay Commercial Bank Co, Ltd.* dated 15 April, 2009 (Y.J.F. [2009] No. 108) by the China Banking Regulatory Commission, the China National Petroleum Corporation invested RMB 2,810.00 million in the Company, with the registered capital increased by RMB 2,081.4815 million up to RMB 2,262.1477 million.

On 2 April, 2010, upon the approval by the Xinjiang Regulatory Office of China Banking Regulatory Commission in its official document (X.Y.J.F. [2010] No. 71) titled the *Official Reply to the Scheme of the Karamay Commercial Bank for Increase in Capital and Shares*, the Company again increased its registered capital to RMB 4,203.8726 million including the contribution of RMB 3,657.3691 million by the China National Petroleum Corporation.

On 20 April, 2010, upon the approval by the China Banking Regulatory Commission in its official document Y.J.F. [2010] No. 165, the Karamay City Commercial Bank Co., Ltd. changed its name into the “Bank of Kunlun Co., Ltd.” (“Bank of Kunlun”), then registered with the Karamay Administration for Industry and Commerce, Xinjiang on 7 May, 2010 as Bank of Kunlun Co., Ltd., and acquired its business license numbered: 650200040000052.

On 2 April, 2011, upon the approval by the Xinjiang Regulatory Office of China Banking Regulatory Commission in its official document (X.Y.J.F. [2011] No. 67) titled the *Official Reply to the Scheme of Bank of Kunlun Co., Ltd. for increase in Capital and Share* in 2011, Bank of Kunlun again increased its registered capital to RMB 6,716.1878 million, including the contribution of RMB 5,507.274 million by the China National Petroleum Corporation.

On 7 May, 2013, upon the approval by the Xinjiang Regulatory Office of China Banking Regulatory Commission in its official document (X.Y.J.F. [2013] No. 55) titled the *Official Reply to the Scheme of Bank of Kunlun Co., Ltd. for increase in Capital and Shares* in 2013, Bank of Kunlun issued new shares in RMB 664.3357 million and then increased its registered capital to RMB 7,380.5235 million, including the contribution of RMB 5,690.1416 million by the China National Petroleum Corporation.

On 7 December, 2016, upon the approval by the Xinjiang Regulatory Office of China Banking Regulatory Commission in its official document (X.Y.J.F. [2016] No. 104) titled the *Official Reply to the Scheme of Bank of Kunlun Co., Ltd. for Increase in Capital and Shares* in 2016, Bank of Kunlun issued new shares in RMB 2,907.3558 million and then increased its registered capital to RMB 10,287.8793 million, including the contribution of RMB 7,930.7125 million by the CNPC Capital Limited Company.

The Company has its registered office at the No.7 Century Avenue, Karamay City. Its legal representative is Jiang Shangjun. Its unified social credit code is 91650200745209781T, and the financial institution license code is B0226H265020001.

(II) Branches and Subsidiaries

As at 31 December, 2020, the Company owned eight branches, namely the Karamay Branch, the Urumqi Branch, the Tuha Branch, the Korla Branch, the Daqing Branch, the Xi'an Branch, the Ili Branch, and the Kashgar Branch, apart from the International Business Settlement Center, the Shanghai International Business Settlement Center, the Business Department of Head Office and other agencies.

As at 31 December, 2020, the Company has two holding subsidiaries, namely, the Tacheng Kunlun Rural Bank Co., Ltd. and the Leshan Kunlun Rural Bank Co., Ltd.

(III) Major Business and Relevant Services

Business Scope: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; inter-bank borrowing and lending; trading or agency trading of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services and other banking activities approved by CBRC.

(IV) Scope of the Consolidated Financial Statements

As at 31 December, 2020, subsidiaries within the scope of the consolidated financial statements of the Company are listed as follows:

Subsidiaries

Leshan Kunlun Rural Bank Co., Ltd.

Tacheng Kunlun Rural Bank Co., Ltd.

The Scope of the Consolidated Financial Statements has not changed in the current period as compared with the previous period. See Note IV “Business Combination and Consolidated Financial Statements” for more information about the subsidiaries within this scope.

II. Significant Accounting Policies, Accounting Estimates and Prior Period Errors

(I) Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with “Section II / (2) Basis for Preparation of Financial Statements,” and truly and completely present the Company’s financial position, results of operations and cash flows for the year then ended.

(II) Basis for Preparation of Financial Statements

The Company prepares its financial statements on a going concern basis, and recognizes and measures its accounting items in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* and relevant accounting standards, application guidelines, interpretations, etc. (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises,” or ASBE) promulgated by the Ministry of Finance on the basis of actual transactions and events.

(III) Accounting Period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December. The reporting period of the financial statements is the accounting year from 1 January, 2020 to 31 December, 2020.

(IV) Functional Currency

The Company adopts Renminbi (RMB) as its functional currency.

(V) Measurement Attributes Applied for Accounting Measurement

The recognition, measurement and reporting of the Company's financial accounting are conducted on the accrual basis. Except the fair value, net realizable value and present value covered in the notes, others shall follow the historical cost convention as measurement principle of the accounting elements.

There is no change in the measurement attributes for the reporting period.

(VI) Preparation of Consolidated Financial Statements

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control and all subsidiaries are included in the consolidated financial statements.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company.

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries and prepared by the Company in accordance with other relevant information and the long-term equity investments in subsidiaries adjusted by equity method.

The effects arising from the internal transactions between and among the Company and its subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in owners' equity are offset during the preparation thereof.

(VII) Accounting Method of Transactions Denominated in Foreign Currency

The account system is adopted according to different currencies involved in different operating business, and the financial statements are prepared in RMB at the end of the period. The principle to prepare the financial statements which are converted to RMB is: firstly, the financial statements are prepared respectively in their original currencies, and then the amounts of original currencies are converted into USD, which will finally be converted into RMB.

On the balance sheet date, the monetary items in foreign currency are translated into the functional currency at the foreign exchange rate prevailing on the balance sheet date, and the resulting exchange differences are recognized in the current profits and losses. Non-monetary items in foreign currency measured at historical cost are translated at the exchange rate on the date of initial transactions; non-monetary items in foreign currency measured at fair value are translated into RMB at the exchange rate on the date of recognition of fair value. The differences between the amount of translated functional currency and original functional currency belong to non-monetary items in foreign currency of available-for-sale financial assets, and shall be recognized in other comprehensive income. The differences arising from other items are recognized in the current profits and losses.

(VIII) Cash and Cash Equivalents

Cash refers to cash on hand and deposits available for payment at any time, which includes cash on hand, unrestricted deposits with PBOC which are available for payment, current deposits with banks and other financial institutions and deposits with banks and other financial institutions due within three months. Cash equivalents refer to the short-term and highly-liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value, including bond investments and bonds purchased under resale, etc.

(IX) Financial Instruments

1. Initial Recognition and Measurement of Financial Instruments

The Company recognizes a financial asset or financial liability on the trading day when it becomes one party to the financial instrument contract.

The Company measures the financial assets or financial liabilities by the fair value in the initial recognition. For the Financial assets or financial liabilities at fair value through the current profits and losses, the related transaction cost is included in the current profits and losses; for other financial assets or financial liabilities measured at amortized cost, the related transaction cost is included in the initial recognition amount.

2. Classification and Subsequent Measurement of Financial Assets

(1) Classification

The Bank classifies financial assets into the following three categories based on the business mode of financial assets management and contractual cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through the current profits and losses.

Financial assets measured at amortized cost: the business mode of the Company to manage the financial assets aims at collecting contractual cash flows; the contract terms of the financial assets specify that the

contractual cash flows generated on special dates are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income: the business mode of the Company to manage the financial assets aims at both collecting contractual cash flows, and selling the financial assets; the contract terms of the financial assets specify that the contractual cash flows generated on special dates are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through the current profits and losses: Financial assets which cannot be classified into financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

The Bank classifies financial assets into trading financial assets and financial assets measured at fair value through the current profits and losses.

The Company shall reclassify all relevant affected financial assets according to the regulations when it changes the business mode of financial assets management.

For reclassification of financial assets, the Company shall make relevant accounting treatment according to the accounting standards from the reclassification day, and shall not conduct retroactive adjustment for previously recognized gains, losses (including impairment losses or gains) or interest.

(2) Subsequent Measurement

1) Debt instruments

The subsequent measurement of debt instruments depends on the business mode of the Company's asset management, and the contractual cash flow characteristics of the asset. The Bank classifies debt instruments according to the following three measurement modes:

Financial assets measured at amortized cost: the holding of the assets by the Company aims at collecting contractual cash flows, and the cash flows are paid solely for the principal and interest. The Company recognizes the interest income for such financial assets at the effective interest rate. The debt instruments held by the Bank and measured at amortized cost mainly include deposits with the Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions measured at amortized cost, placements with banks and other financial institutions measured at amortized cost, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, accounts receivable, debt investments and other receivables.

The amortized costs of financial assets shall be determined according to the result of the following adjustments on initially recognized amounts of the financial assets: ① deduct the principal repaid; ② add or subtract the accumulated amortization resulted from the amortization of the difference between the initially

recognized amount and amount at the due date realized by effective interest rate method; ③ deduct the cumulatively accrued allowance for impairment losses (applicable only to financial assets).

The Company uses the effective interest rate method to calculate the interest income of the asset, and lists it as “interest income”.

The effective interest rate refers to the interest rate used for discounting the estimated future cash flows of the financial assets or liabilities during the estimated duration to the book value balance of such assets (namely, the amortized cost before deduction of the loss reserve) or the interest rate used for the amortized cost of such financial liabilities. In the calculation, the expected credit loss is not considered, but the following are included: transaction cost, premium or discount, as well as the paid or received expenses which are a part of the effective interest rate.

Financial assets measured at fair value through other comprehensive income: The holding of the assets aims at collecting contractual cash flows, and the cash flows are paid solely for the principal and interest. Such assets are subsequently measured at fair value, and the impairment losses or gains related to the amortized cost of the financial assets, and the interest and foreign exchange gains or losses calculated by the effective interest rate method are included in the current profits and losses. In addition, the changes in the book value are included in other comprehensive income. The cumulative gains or losses previously included in other comprehensive income are reclassified to profit or loss from the equities. The interest income of these financial assets is calculated by the effective interest rate method and included in the profit and loss. The Company’s debt instruments measured at fair value through other comprehensive income are mainly the other debt investments measured at fair value through other comprehensive income. The fair value of financial assets refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The orderly transaction refers to the transaction in which related assets or liabilities have the regular market activities within a period before the measurement date. The forced transactions such as liquidation don’t belong to the orderly transaction.

Financial assets measured at fair value through the current profits and losses: Financial assets not conforming to the financial assets measured at amortized cost or fair value through other comprehensive income. Such assets are subsequently measured at fair value, and their changes are included in the current profits and losses.

The Company’s financial assets measured at fair value through profit or loss include the financial assets for the purpose of transactions, as well as those classified into financial assets measured at fair value through profit or loss due to nonconformity to the conditions of financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income. These assets are listed as “trading financial assets” in the balance sheet.

2) Equity Instruments

Equity instrument investment measured at fair value through other comprehensive income

After the initial recognition, such financial assets are subsequently measured at fair value. The dividend income is included in profits and losses, and other gains or losses are included in other comprehensive income. At the de-recognition, the cumulative gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and included in the retained earnings.

3. Classification and Subsequent Measurement of Financial Liabilities

The financial liabilities are classified into financial liabilities measured at fair value through the current profits and losses and financial liabilities measured at amortized cost.

1) Financial liabilities measured at fair value through current profit or loss

The financial liabilities measured at fair value through the current profits and losses include trading financial liabilities and the financial liabilities designated at fair value through the current profits and losses at the initial recognition.

For such financial instruments, the subsequent measurement is carried out at fair value. All the realized and unrealized profits and losses are included in the current profits and losses.

2) Financial liabilities measured at amortized cost

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

The Company shall not reclassify all financial liabilities after the initial recognition.

4. Impairment on Financial Assets

The Company uses the “expected credit loss model” to withdraw the financial assets measured at amortized cost and fair value through other comprehensive income, as well as off-balance sheet credit assets, loan commitments, and has evaluated and confirmed related allowance for impairment based on the expected credit loss.

The expected credit loss refers to the weighted average value of the credit loss of financial instruments with the default risks as the weight. The credit loss refers to the difference between all contractual cash flows which are discounted at the original effective interest rate and receivable according to the contract and all cash flows received as expected, namely, the present value of all cash shortfalls. And the incurred credit impaired financial assets which are purchased by the Company or originated shall be discounted at the effective interest rate of the financial assets through credit adjustment.

The methods of the Company for measurement of the expected credit loss of financial instruments reflect the following elements: ① the weighted average amount without skew probability determined by appraisal of a series of possible results; ② time value of money; ③ reasonable and sound information about past matters, current conditions as well as future economic conditions, which can be obtained on the balance

sheet date without paying unnecessary extra costs or efforts.

The Company respectively measures the expected credit loss of financial instruments at different phases on each balance sheet date, and respectively recognizes the loss reserve and its changes; if the credit risks of financial instruments don't increase significantly after the initial recognition, the financial instruments are at Phase 1, and the Company shall measure its loss reserve according to the amount which is equivalent to the expected credit loss of the financial instruments in the next 12 months;

If the credit risks of a financial instrument have increased significantly since the initial recognition, but the credit impairment hasn't incurred, the financial instrument is at Phase 2, the Company shall measure its loss reserve according to the amount which is equivalent to the expected credit loss of the financial instruments in the whole duration;

When one or more events having an adverse effect on expected future cash flows of financial assets occur, the financial assets have become incurred credit impaired financial assets and are at Phase 3. The Company measures the loss reserve according to the expected credit loss of the financial instruments in the whole duration. No matter the Company assesses the credit loss based on individual financial instruments or portfolios of financial instruments, the increased or reversed amount of the loss reserve formed thereby shall be included in the current profits and losses as the impairment losses or gains.

The Company recognizes the loss reserve for the debt instruments measured at fair value through other comprehensive income, includes the impairment losses or gains into the current profits and losses, and shall not decrease the book value of the financial assets in the balance sheet.

If the loss reserve has been recognized according to the amount which is equivalent to the expected credit loss of the financial instruments in the whole duration in the previous fiscal period, but the credit risks of the financial instruments haven't increased since the initial recognition on the current balance sheet date, the loss reserve of the financial instruments is recognized according to the amount which is equivalent to the expected credit loss in the next 12 months on the current balance sheet date, and the reversed amount of the loss reserve formed thereby shall be included in the current profits and losses.

For the incurred credit impaired financial assets which are purchased by the Company or originated, on the balance sheet date, the Company only recognizes the cumulative changes of the expected credit loss in the whole duration after the initial recognition as the allowance for impairment, and on each balance sheet date, the Company takes the change amount of the expected credit loss in the whole duration as the impairment losses or gains, and includes them in the current profits and losses.

5. Write-off

When the financial assets still cannot be recovered after the Company has completed all necessary laws or other procedures, the Company will decide to write off the financial assets and offset the corresponding

loss reserve. If the Company recovers the written-off financial assets after the period, the recovered amount offsets the impairment loss and is included in the current profits and losses.

6. Contract Modification

If the credit assets are not de-recognized but the contractual cash flows change due to the modification or re-signing of the contract with the counterparty, the default risks based on the modified contract terms on the balance sheet date shall be compared with the those based on the original contract terms in the initial recognition in the assessment on whether the credit risks of related credit assets have increased significantly.

7. Measurement of Fair value

The fair value refers to the price which can be received from an asset or paid for transfer of a liability by a market participant in an orderly transaction on the measurement date. In the estimation of the fair value, the Company considers the characteristics considered by the market participants in pricing the related assets or liabilities on the measurement date (including asset condition, and the restrictions of the asset location on the sale or use of the asset), and uses the valuation techniques which are applicable and supported by enough available data and other information under the current condition. The used valuation techniques mainly include the market, income method and cost method.

8. De-recognition of Financial Assets and Financial Liabilities

The de-recognized financial assets (or part of the financial assets, or part of a group of similar financial assets) meeting the following conditions are written off from their account and balance sheet.

- (1) The right to collect cash flows of financial assets expires.
- (2) The right to collect cash flows of financial assets is transferred, or the obligations of timely fully paying the collected cash flows to the third party are borne under the “pass-through” agreement; and ① nearly all the risks and rewards associated with the ownership of the financial assets are substantially transferred, or ② nearly all the risks and rewards associated with the ownership of the financial assets are not substantially transferred or retained, but the control of the financial assets are abandoned.
- (3) The financial assets purchased and sold in the conventional mode are recognized and de-recognized according to the accountants on the trading day. The purchase and selling of financial assets in the conventional mode refers to collection or delivery of financial assets according to the contract terms within the period specified by the laws and regulations or prevailing practices. The trading date refers to the date on which the Company commits to buy or sell financial assets.
- (4) The financial liabilities are de-recognized if the responsibilities of such financial liabilities have been performed, cancelled or expired. If the existing financial liabilities are substituted by another financial liability of the same creditor having the substantially almost completely different clauses or nearly all the

clauses of existing liabilities are substantially modified, such substitution or modification is treated as de-recognition of original liabilities and recognition of new liabilities.

(5) If all or part of contract terms of existing financial liabilities are modified substantially by the Bank, relevant parts of existing financial liabilities are de-recognized, and meanwhile the financial liabilities after modification of the terms are determined as new financial liabilities.

(6) When all or part of financial liabilities are de-recognized, the differences between de-recognized financial liabilities and payment consideration (including the transferred-out non-cash assets or assumed new financial liabilities) are included in the current profit and loss.

(7) The financial assets are de-recognized if the Bank transfers nearly all the risks and rewards associated with the ownership of the financial assets to the transferee; the financial assets are not de-recognized if nearly all the risks and rewards associated with the ownership of the financial assets are retained.

(8) If the Bank neither transfers nor retains all the risks and rewards associated with the ownership of the financial assets, the financial assets are treated respectively according to the following situations: to derecognize the financial assets and recognize the generated assets and liabilities if the control of the financial assets is waived; to recognize relevant financial assets to the extent of its continuing involvement in the transferred financial assets, and recognize relevant liabilities correspondingly if the control of the financial assets is not waived.

(X) Financial Assets Held under Resale Agreements and Financial Assets Sold under Repurchase Agreements (Including Bonds Borrowing and Lending)

The transactions of financial assets held under resale agreements refer to the transactions in which the relevant assets (including bonds and notes) are purchased from counterparties at a certain price according to the contract or agreement and then the same financial products are resold at the agreed price upon the expiration date of the contract or agreement. Financial assets held under resale agreements are stated at the actual cost on the date of purchase, and are presented in “Financial assets held under resale agreements” in the balance sheet. For financial products purchased under resale agreements, the financial products purchased will serve as collateralized financing transactions and collateral of such financing transactions.

Transaction of financial assets sold under repurchase agreements refers to the transaction conducted according to the contract or agreement, by which related assets (including bonds and notes) are sold to counter-parties at a certain price, and brought back at the agreed price upon the expiration date of the contract or agreement. Financial assets sold under repurchase agreements are stated at the actual proceeds on the date of sale, and are presented in “Financial assets sold under repurchase agreements” in the balance sheet. Financial products sold under repurchase agreements will continue to be reflected in the Company’s balance sheet and calculated according to relevant accounting policies.

For financial assets held under resale agreements and financial assets sold under repurchase agreements, the price differences are recognized on average as interest income or expenses at effective interest rate during the period of resale or repurchase.

The securities borrowing and lending are typically supported by pledges with securities or cash as collateral. The transfer of securities to or from a counterparty is reflected in the balance sheet only when the risks and gains relate to such securities are transferred at the same time. The cash payments or cash receipts as collateral are respectively recognized as assets or liabilities.

The securities borrowed are not recognized in the balance sheet. When such securities are sold to a third party, the repaying obligations are recognized as the financial liabilities held for trading and measured at fair value, with the resulted gains or losses included in the current profits and losses.

(XI) Contractual Assets

1. Recognition Method and Standard of Contractual Assets

The Company lists the contractual assets or contractual liabilities in the balance sheet according to the relationship between the performance of obligations and the customer payment. The rights of the Company to collect the consideration for transferring commodities or providing services to customers (the right depends on other factors other than the time elapse) are listed as contractual assets. The contractual assets and contractual liabilities under the same contract are presented in net amount. The right which is owned by the Company to unconditionally (only depends on the time elapse) collect the consideration are presented separately as receivables.

2. Recognition Methods and Accounting Methods for Expected Credit Loss of Contractual Assets

See Note “II (IX) Financial Instruments 4. Impairment on Financial Assets” for the recognition methods and accounting methods for expected credit loss of contractual assets.

(XII) Long-term Equity Investments

1. Recognition of Initial Investment Costs

For a long-term equity investment obtained by payments in cash, the initial costs shall be the purchase price actually paid.

2. Subsequent Measurement and Recognition of Profit or Loss

(1) Subsequent measurement

The Bank's long-term equity investments in subsidiaries are accounted for under the cost method, and are adjusted under the equity method for the purpose of preparing the consolidated financial statements.

(2) Recognition of Profit or Loss

Under the cost method, the Company's share of cash dividends or profits declared by the investee(s) shall be recognized as the return on investment, except cash dividends or profits declared but not yet distributed which are included in the payments of consideration of the investments.

3. Definition of Joint Control or Significant Influence Over the Investee(s)

The joint control refers to the contractually agreed sharing of control over an arrangement, which exists only when the relevant activities under the arrangement reach a consensus on sharing control over relevant activities. Where the Company and other investor(s) exert common joint control over the investee(s) and the Company is entitled to the net assets of the investee(s), the investee(s) shall be the joint venture of the Company.

The significant influence refers to the power to participate in decision-making about the financial and operating policies of an enterprise rather than the power to control or jointly control the formulation of such policies with other parties. Where the Company has significant influence on the investee(s), the investee(s) shall be its associate(s).

(XIII) Accounting Method of Fixed Assets**1. Recognition Criteria of Fixed Assets**

Fixed assets are tangible assets that are held for use in the supply of goods or services, for rental to others, or for administrative purposes, and have service lives of more than one accounting year. Fixed assets are recognized when all the following criteria are satisfied:

- (1) It is highly probable that the economic benefits relating to the fixed assets will flow into the Company;
- (2) The costs of the fixed assets can be measured reliably.

2. Classification of Fixed Assets

Fixed assets are classified into: buildings and constructions, transportation facilities, electronic equipment, machinery and office equipment.

3. Initial Measurement of Fixed Assets

The fixed assets shall be initially measured at actual costs on acquisition.

The costs of purchased fixed assets shall be recognized at the purchase prices, related taxes, transportation costs, handling costs, installation costs and professional service fees attributable to the fixed assets incurred before the fixed assets can be put into their actual intended use.

If the payment for the purchased fixed assets is delayed beyond the normal credit terms and actually is of the financing nature, the cost of the fixed assets shall be recognized according to the purchase price's present value.

The costs of self-constructed fixed assets consist of necessary expenditures incurred before the constructed assets can be put into their actual intended use.

As for fixed assets which are used by debtor for the settlement of his liabilities by debt restructuring, the book-entry value shall be initially stated on the basis of the fair value. Differences between the book values of restructured debts and the fair value of the fixed assets for the settlement of liabilities are included in the current profits and losses.

Under the premise that the exchange of non-monetary assets has commercial substance and the fair values of assets traded in or traded out can be measured reliably, the book-entry value of fixed assets traded in is recognized at the fair values of the fixed assets traded out, unless there is any conclusive evidence to indicate that the fair value of the assets traded in is more reliable. As for the exchange of non-monetary assets which does not meet the above premise, the costs of the fixed assets traded in shall be the book values of the assets traded out and relevant taxes and surcharges payable, and no profit or loss shall be recognized.

4. Depreciation and Allowance Methods of Fixed Assets

The depreciation of fixed assets is provided on a category basis with the straight-line method. The residual value of fixed assets is estimated at 5% of the original value of assets. The depreciation rates are determined according to the categories, estimated service lives and estimated net residual rates of the fixed assets.

The depreciation period and annual depreciation rate of the main category of fixed assets:

Categories	Depreciation Period	Annual Depreciation Rate
Buildings and Constructions	20 years, 30 years, 40 years	4.75%, 3.17%, 2.38%
Transportation Vehicles	5 years, 8 years	19.00%, 11.88%
Electronic Equipment	4 years, 5 years	23.75%, 19.00%
Machinery and Office Equipment	5 years, 10 years, 12 years	19.00%, 9.50%, 7.92%

(XIV) Accounting Method of Construction in Progress

1. Category of Construction in Progress

Construction in progress is accounted for on an individual project basis.

2. Criteria and Timing of Conversion of Construction in Progress into Fixed Assets

The book-entry values of the fixed assets are stated at total expenditures incurred before construction in progress meets the final requirement for its intended use. If the construction in progress has met the final requirement for its intended use but the final accounts of the completed project have not been settled, the estimated values of project budget, construction price or actual costs shall be included in the costs of relevant fixed assets, and the allowance for depreciation of fixed assets shall be made according to the Company's policies for depreciation of the fixed assets when the working condition is reached; adjustment shall be made to the estimated value based on the actual costs after the settlement of final accounts of the completed project, but depreciation already provided is not adjusted.

(XV) Accounting Method of Intangible Assets

1. Valuation Method of Intangible Assets

The intangible assets shall be measured at initial cost.

The costs of purchased intangible assets include purchase prices, relevant taxes and surcharges and other expenditures that are directly attributable to the intangible assets before they reach working conditions for their intended use. If the payment for the purchased intangible assets is delayed beyond the normal credit terms and actually is of the financing nature, the cost of the intangible assets shall be recognized according to the purchase price's present value.

As for intangible assets which are used by debtor for the settlement of his liabilities by debt restructuring, the book-entry value shall be initially stated on the basis of the fair value. Differences between the book values of restructured debts and the fair value of the intangible assets for the settlement of liabilities are included in the current profits and losses.

On the premise that non-monetary assets trade is of commercial nature or the fair value of the assets traded in or out can be reliably measured, the intangible assets traded in with non-monetary assets shall be recognized at the fair value of the assets traded out, unless any unambiguous evidence indicates that the fair value of the assets traded in is more reliable; when it comes to the non-monetary assets trade not meeting the aforesaid premise, the book value of the assets traded out and related taxes and surcharges payable shall be recognized as the cost of the intangible assets, and no profit or loss shall be recognized.

The costs of intangible assets that are developed internally and independently include: costs of materials and labor services used for developing the intangible assets, registration fees, amortization of other patent rights and proprietary rights used in the process of development and interest expense for assets eligible for capitalization as well as other direct expenses incurred to make the intangible asset meet the final requirement for their intended use.

2. Service Lives and Amortization of Intangible Assets

All intangible assets of the Company are those with limited service lives. Intangible assets are amortized over their expected service lives on a straight-line basis as at the current month of acquisition.

The estimated service lives of Intangible Assets with limited service lives of the Company are:

Item	Estimated Service Lives
Land Use Right	30 Years
Software	1- 10 Years

At the end of each period, the service lives and amortization methods of intangible assets with limited service lives shall be reviewed.

The service lives and amortization methods of intangible assets at the end of the reporting period are not different from the previous estimates after review.

3. Criteria of Classification into the Research Phase and Development Phase on Internal Research and Development Projects

Research phase: making original and planned investigation and research to gain and understand new scientific or technological knowledge.

Development phase: applying research findings and other knowledge to a plan or design for the purpose of production of new or substantially-improved material, device or product before the start of commercial production or use.

Expenditure incurred during the research phase of internal research and development projects shall be included in the current profits and losses.

4. Criteria for Capitalization of Expenditures during the Development Phase

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when they can satisfy all of the following criteria:

- (1) There is technical feasibility in completing the intangible assets so that they can be available for use or sale;
- (2) There is an intention to complete and use or to sell the intangible assets;
- (3) The method that the intangible assets generate economic benefits, including the existence of a market for products produced by the intangible assets or for the intangible themselves, can be proved; if the intangible asset will be used internally, its usefulness can be proved;

(4) Adequate technical, financial and other kinds of resources are available to complete the assets, and the Company has the ability to use or sell the intangible assets;

(5) The costs attributable to the intangible asset during its development phase can be measured reliably.

The Company will include the costs during the research phase in the item of construction in progress.

(XVI) Accounting Method of Long-term Unamortized Expenses

Long-term un-amortized expenses refer to paid expenses with the beneficial period more than one year (excluding one year). They are recorded at actual cost and amortized evenly over the beneficial period.

(XVII) Fiduciary Activities

Entrusted loans and entrusted financing are the two kinds of major fiduciary business of the Company. Entrusted loans refer to the loans where the principal provides funds and the Company issues, supervises, uses and assists in collection of loans on behalf of the principal according to the object, purpose, terms and interest rates of the loans determined by the principal. All risks, profits and losses as well as responsibilities of all fiduciary business are borne by the principal and the Company only receives the commission.

Entrusted financing refers to the business in which the Company designs and issues products on its own, and then invests the raised funds in related financial markets or purchases the related financial products according to terms specified in the contract for the product. The investment gains and risks shall be borne by the principal or shared between the principal and the Company as specified in the contract for the product.

The fiduciary business in which the Company does not benefit from the gains and is not exposed to the risks is not reflected in the balance sheet.

(XVIII) Impairment of Non-financial Assets

On balance sheet date, the Company judges whether there is possibility any sign of the impairment of relevant assets. These assets mainly include: long-term investments, fixed assets, construction in process, intangible assets, and other long-term non-financial assets with an impairment sign. In case that there is a sign of impairment or the impairment tests should be conducted, the Company shall estimate the recoverable amount of the assets. The recoverable amount is the higher of the net amount of the fair value of the assets minus the disposal expenses and the use value of the assets estimated future cash flows. The Company estimates its recoverable amount on the basis of the single item asset; if it is difficult to estimate the recoverable amount of a single item asset, the Company determines the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. If the book balance of an asset is greater than the recoverable amount, it is considered that the asset is impaired, and its book value shall be written

down to the recoverable amount. When the use value of the assets is evaluated, the present value of the estimated future cash flows is calculated at the pre-tax discount rate which reflects the time value of money and specific risks of assets in the current market. Once recognized, the impairment loss on the assets above shall not be reversed in subsequent accounting periods.

(XIX) Contractual Liabilities

The Company lists the contractual assets or contractual liabilities in the balance sheet according to the relationship between the performance of obligations and the customer payment. The obligations of the Company to transfer commodities or provide services to customers for the consideration which have been or receivable from customers by the Company are listed as contractual liabilities. The contractual assets and contractual liabilities under the same contract are presented in net amount.

(XX) Employee Compensation

Employee compensation refers to all forms of remuneration or compensation offered by the Company in exchange for services provided by its employees or terminate the labor relation. Employee compensation of the Company mainly includes short-term compensation, post-employment benefits and dismissal benefits.

1. Short-term Compensation

The Company shall, during the accounting period when employees offer service, recognize the short-term compensation actually incurred as liabilities and include the same in the current profits and losses or the costs of the relevant assets.

The corresponding amount of employee compensation shall, during the accounting period when the employees offer service, be calculated and recognized at social insurance premiums and housing provident funds paid for employees by the Company, as well as labor union expenditures and employee education expenses withdrawn according to the basis and proportion of allowance stipulated.

The employee compensation that is non-momentary welfare shall be measured at its fair value.

2. Dismissal Benefits

When the Company cannot unilaterally withdraw the dismissal benefits offered due to the plan on termination of the labor relation or the layoff proposal, or recognize the costs or fees associated with reorganizing the payment of the termination benefits (whichever is earlier), the employee compensation liabilities arising from the termination benefits shall be recognized and included in the current profits and losses.

3. Post-employment Benefits

Defined Contribution Plan

During the period when the employees offer service, the Company pays basic endowment insurance and unemployment insurance premiums for its employees in accordance with the relevant provisions of the local government, and calculates payables according to the payment base and proportion specified by the local government. The said payables shall be recognized as liabilities and included in the current profits and losses or the costs of relevant assets.

The Company establishes an enterprise annuity system, and affords the enterprise annuity funds collectively with individuals. The part of enterprise annuity funds assumed by the Company will be withdrawn at 5% of the total salaries of last year from the cost of the Company; and the part assumed by the individual will be paid at 1% of the payment base of the basic endowment insurance in that year from the salaries of the employees by the Company.

(XXI) Accrued Liabilities

If the Company shall bear current obligations for the events which have occurred, and the performance of the obligations possibly causes the outflow of economic interest from the Company, and the relevant amounts can be estimated reliably, the Company recognizes the obligations as the accrued liabilities.

(XXII) Recognition of Revenues and Expenditures

Revenues shall be recognized as per the following criteria when economic benefits related to transactions probably flow into the Company and the amount of relevant revenues can be measured reliably:

1. Interest Income and Expenses

For all financial instruments measured at amortized cost, and those bearing interest in the financial assets measured at fair value through other comprehensive income, the interest income and expenses are recognized in the income statement at the effective interest rate of financial instruments on an accrual basis.

The effective interest rate method is a method of calculating the amortized cost of financial assets or financial liabilities, and amortizing and including the interest income and interest expenses in all phases in the accounting periods. The effective interest rate refers to the interest rate used for discounting the estimated future cash flows of the financial assets or liabilities during the estimated duration to the book value balance of such assets or the amortized cost of such financial liabilities. When the effective interest rate is determined, the Company estimates the expected cash flows on the basis of all contract terms of financial assets or financial liabilities, but doesn't consider the expected credit loss. All the fees, transaction costs and premiums or discounts which are paid or collected by the Company and are a part of the effective interest rate shall be considered when the effective interest rate is determined.

For the incurred credit impaired financial assets which are purchased by the Company or originated, the Company calculates the interest income of the financial assets according to the amortized cost and the effective interest rate of the financial assets through credit adjustment from the initial recognition. The effective interest rate through credit adjustment refers to the interest rate at which the estimated future cash flows of the incurred credit impaired financial assets which are purchased by or originated during the estimated duration are discounted to the amortized cost of the financial assets.

For the financial assets which are purchased or originated without credit impairment but become incurred credit impaired financial assets in the subsequent period, the Company will calculate and determine the interest income of the financial assets according to the amortized cost and effective interest rate of such financial assets in the subsequent period.

The interest income of financial instruments measured at fair value through the current profits and losses is recognized in the “return on investment”.

2. Fee and Commission Income

The Company collects fee and commission income by provide different services for specific customers. The fee income is mainly divided into two types:

(1) Fee and commission income collected by providing services at a specific time point or within a certain period

This type of fee shall be recognized on an accrual basis during the service period, and mainly includes commission, asset management fee, trustee fee and other management and consulting fees.

(2) Fee collected by the specific transaction service

The fee and commission income obtained by negotiation and participation in the negotiation of the third-party transactions, such as purchase of stock or other bonds, and transaction business shall be recognized when the related transactions are completed. The fee and commission income related to the benefit of transactions is recognized only after the completion of the actually specified clauses.

The reward points granted by the Company to the bankcard users are recognized as contractual liabilities based on the fair value. When the customers exchange the points or the points expire, the related part which is originally included in contractual liabilities, and related to the exchanged points or failure of points is included in the current profits and losses.

3. Dividend Income

The dividend income shall be recognized when the right obtained by the Company to collect dividends is established.

(XXIII) Government Grants

1. Judgment Basis and Accounting Methods for Government Grants Related to Assets

The Company defines the government grants obtained for purchase and construction or formation of long-term assets by other methods as government grants related to assets; defines the rest government grants as government grants related to income. If the government documents don't clearly specify the grant objects, the following methods shall be utilized to divide the grants into government grants related to income and government grants related to assets:

- (1) If the government documents specify the specific projects for the grants, the grants shall be divided as per the relative ratio of expenditure amount to form assets to that included in the cost, and the division ratio shall be reviewed on each balance sheet date, and modified if necessary;
- (2) In the government documents, the purposes are generally stated only, and the grants without clear specific projects shall be government grants related to income.

The government grants related to assets are utilized to offset the book value of relevant assets or determined as the deferred income. If being determined as the deferred income, assets related government grants are included in the current profits and losses by a reasonable and systematic method within the service lives of relevant assets.

2. Judgment Basis and Accounting Methods for Revenues Related Government Grants

If government grants related to income are utilized to compensate the related costs and losses of the Company in the future period, such government grants are determined as deferred income, and included in the current profits and losses or utilized to offset related costs during the period of confirming related cost and losses; if government grants related to income are utilized to compensate the related costs and losses incurred, such subsidies are directly included in the current profits and losses or utilized to offset related costs.

Meanwhile, the government grants related to assets and the government grants related to income shall be subject to accounting treatment by distinguishing different parts; if it is difficult to distinguish the parts, such government grants shall be wholly classified into government grants related to income.

The government grants related to the normal activities of the Company are included in other gains or utilized to offset related costs; the government grants unrelated to the normal activities of the Company are included in non-operating income and expenses.

(XXIV) Operating Leases

The Company classifies the leases where the lessor retains the main risks and rewards as operating leases. The Company's operating leases include rented business places and equipment. The rental payments are included in the operating expenses on a straight-line basis during the lease period.

The Company's rental expenses collected for leased assets shall be amortized according to the straight-line method over the whole lease period including the rental-free period and recognized as rental income. The initial direct cost associated with leasing transactions paid by the Company should be included in the current cost; the cost of large amount shall be capitalized and included by stages in the current income according to the same base recognized at the rental income over the whole lease period.

When the Company bears costs related to the lease that should be borne by the lessee(s), it shall deduct the part of expenses from the total rents and amortize the remaining part over the lease period.

(XXV) Accounting Method of Income Tax

The income tax includes the current income tax and deferred tax. Except transactions or events included in the equity, others shall be included in the current profits and losses as income tax expenses or income.

The Company shall, at the applicable rate of income tax and based on total profit recognized in the accounting statements, make provision for tax payable and current income tax expenses after corresponding estimates on and tax adjustments to the tax-free income and non-deductible expenses according to the existing tax legislations and the interpretations.

There would be temporary differences of assets and liabilities due to different accounting and tax basis. Deferred tax assets or liabilities are recognized with the debt method based on such temporary differences which will generate taxable income in the future. The temporary difference refers to the difference between the book value of the asset or liability and its tax base; as for an item not recognized as an asset or liability, if its tax base can be determined in light of tax laws, the difference between the tax base and its book value is also a temporary difference.

The Company reviews the book value of deferred tax assets on each balance sheet date and, if it is unlikely to have sufficient taxable income to reverse the deferred tax assets in part or in whole, the deferred tax assets shall be written down according to the part that cannot be reversed.

(XXVI) Segment Information

The business segment refers to a specific portfolio consisting of a set of assets and operating activities and faces risk returns different from that of assets and operating activities in other business segments. The Company makes this report mainly by different business segments. The transfer price between two

segments is recognized at deposit-loan interest rates published by the People's Bank of China and interbank market interest rates according to the source of funds and lending term. Expenses are allocated in different segments according to the benefit. The business of the Company is mainly distributed in the four following aspects: corporate banking business, personal banking business, capital business and other business.

(XXVII) Significant Accounting Estimates and Judgments Made in the Application of Accounting Policies

The Company shall conduct continuous evaluation of significant estimates and key assumptions used on the basis of historical experience and other factors, including reasonable expectation of future events. The significant accounting estimates and key assumptions, which are likely to result in significant adjustments of the book value of assets and liabilities in the next accounting year, are as follows:

1. Measurement of Loss of Credit Impairment

For the debt instrument investments measured at amortized cost and fair value through other comprehensive income, as well as loan commitments and financial guarantee contracts, the measurement of the expected credit loss uses complex models and a number of assumptions. These models and assumptions involve the future macroeconomic situation and credit behaviors of customers (for example, possibility of customer default and corresponding losses). The Note IX / (I) credit risks specify the parameters, assumptions and valuation techniques used in the measurement of the expected credit loss.

2. Classification of Financial Assets

Business model evaluation: the classification and measurement of financial assets depends on the contractual cash flow test and business model test. The Company recognizes the category of business model, and the category shall indicate how to manage the financial asset group, so as to reach the specific business objective. This recognition covers the judgments which can reflect all relevant evidences, including how to assess and measure the asset performance, risks impacting the asset performance, and how to manage assets and how the asset managers are compensated. By assessing the financial assets measured at amortized cost or fair value through other comprehensive income which are de-recognized prior to the date due, the Company understands the reasons for disposal of the financial assets, and whether these reasons are consistent with the business objective of the held assets. The assessment is a part of the Company's continuous assessment on whether the business model of its financial assets in the duration, and whether the business mode should be changed and the classification of assets should be changed correspondingly if the assessment is no longer applicable.

3. De-recognition of Transfer of Financial Assets

The Company transfers the financial assets by various modes in the normal operating activities such as the conventional transaction, selling-out under repurchase agreements. The Company shall make major judgments and estimation in the process of determining whether the transferred financial assets can be all de-recognized.

If the Company transfers the financial assets to a special purpose entity by structured transactions, the Company shall analyze and assess whether the relation with the special purpose entity substantially indicates the Company has control over the special purpose entity and further merges the special purpose entity. The judgment on merger will determine the de-recognition analysis shall be conducted in the level of the merger body or in the level of the individual institution of the transferred financial assets.

4. Judgment in Assessing Control over Structured Entities

The Company is involved with structured entities in its normal business course, and the Company determines whether or not to consolidate those structured entities depending on whether the Company has control over them. When assessing control over structured entities, the Company takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between such power and returns.

The variable returns the Company is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as return on investment, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Company not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Company may have obligation to absorb any loss of the structured entity. The Company reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

5. Determination of Fair Value

For a financial instrument for which there is an active market, its fair value is recognized upon its price quoted on such active market. For a financial instrument for which there is no active market, its fair value is recognized by using a valuation technique. At the time of valuation, the Company uses the applicable techniques with enough data and information support and inputs that are consistent with market participants' trading assets or liabilities in relevant asset or liability transactions, and gives priority to the use of relevant observable inputs. Unobservable inputs are used only when it is impossible or impracticable to obtain relevant observable inputs.

6. Income Tax

The ultimate tax treatment of many transactions in the daily business activities is subject to uncertainty, so the Company needs to make a large amount of estimates according to the historical experience when making provision for income tax.

For the expected tax issues, the Company recognizes relevant liabilities based on the estimates whether it is necessary to pay additional taxes. If the final result of these tax matters is different from the amounts estimated before, such differences will have an impact on the recognition of their income tax and deferred tax during the recognition period.

(XXVIII) Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in Accounting Policies

(1) Implementation of the *Accounting Standards for Enterprises No. 14 - Income* (Revised in 2017) (hereinafter referred to as the “New Standards for Income”).

The Ministry of Finance revised the *Accounting Standards for Enterprises No. 14 - Income* in 2017. The revised Standards stipulate that the retained earnings at the beginning of the year and the amount of other related items in the financial statements shall be adjusted according to the accumulative effects when the standards are first implemented, and the information in the comparable period shall not be adjusted.

The Company implemented the New Standards for Income from 1 January, 2020. According to the Standards, the Company only adjusted the retained earnings at the beginning of 2020, and the amount of other related items in the financial statements for the cumulative effects of the outstanding contract on the first implementation day, and the comparative statement was not adjusted. The implementation of the above Standards by the Company caused no significant influence during the report period.

(2) Implementation of the *Interpretation of Accounting Standards for Business Enterprises - No.13*

The Ministry of Finance released the *Interpretation of Accounting Standards for Business Enterprises - No.13* (CK (2019) No. 21, hereinafter referred to as the “Interpretation No.13”) on 10 December, 2019, and implemented it from 1 January, 2020, without retroactive adjustment.

① Identification of Related Parties

The Interpretation No.13 specifies that the following situations constitute related parties: enterprises and the joint ventures or associated enterprises of other member units (including the parent company and subsidiary) of the enterprise group; joint ventures of enterprises and other joint ventures or associated enterprises of the enterprises. Additionally, the Interpretation No.13 also specifies that the enterprises of two parties or above under only the significant influence by the same party don't constitute related parties and supplements that associated enterprises include associated enterprises and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

② Definition of Business

The Interpretation No.13 improves the three elements for business constitution, refines the judgment condition for business constitution, and meanwhile introduces the “concentration test” selection, so as to simplify the problems such as the judgment on whether the obtaining of portfolio not under the same control constitutes business.

The Company implemented the Interpretation No.13 from 1 January, 2020, and didn't adjust the comparative statement. The implementation of the Interpretation No.13 didn't have a major impact on the financial situation and operating results of the Bank.

2. Changes in Accounting Estimates

There are no significant Changes in Accounting Estimates during the reporting period.

3. Adjustment of Related Items in Financial Statements at the Beginning of the Year by the First Implementation of New Standards for Income

The first implementation of the New Standards for Income had no impact on the related items in the financial statements at the beginning of the year.

III. Taxes

(I) Value-added Tax

The value-added tax payable shall be the difference obtained by the output taxes calculated as per 6% of the taxable income according to tax laws less the input taxes allowed to be deducted for the current period. The output taxes shall be calculated as per 2%-16% of some sale of goods and taxable services;

Subsidiaries shall be subject to value-added tax at the collection rate of 3% in accordance with the simple taxation method.

(II) City Construction and Maintenance Tax

This tax is to be computed and paid at 5% - 7% of VAT. This tax is to be paid by each branch of the Company to the tax bureau with the jurisdiction.

(III) Education Surcharges

The education surcharges are computed and paid at 3% of added-value tax, and the local education surcharges are paid at 2% of added-value tax by each branch of the Company to the tax bureau with the jurisdiction. This tax is to be paid by each branch of the Company to the tax bureau with the jurisdiction.

(IV) Corporate Income Tax

According to the *Notification about Taxation Policies Related to Further Implementation of the West Region Development Strategy* (CS [2011] No. 58) and the *Announcement about CIT Issues related to Further Implementation of the West Region Development Strategy* (Notice of the State Administration of

Taxation [2012] No. 12) issued by the State Administration of Taxation, the Company paid its Corporate income tax at 15% for its businesses within the west region, and 25% for its business out of the west region. The Company is expected to enjoy this preferential policy in the year of 2020, so that the corporate income tax presented in the current period are still calculated and paid on the basis of the tax rates applicable in the year of 2019.

The subsidiary Leshan Kunlun Rural Bank Co., Ltd. is subject to corporate income tax at the rate of 25%.

The subsidiary Tacheng Kunlun Rural Bank Co., Ltd. is subject to corporate income tax at 15% for it is located within the west region.

IV. Business Combinations and Consolidated Financial Statements

(I) Information of Subsidiaries Acquired through Establishment

Subsidiaries	Type of Business	Registered Capital	Actual Investment Amount of the Company by the Year-end	Total Shareholding Ratio of the Company	Total Voting Ratio Enjoyed by the Company	Consolidated Financial Statements?
Leshan Kunlun Rural Bank Co., Ltd.	Domestic Finance	RMB 50 Million	RMB 40 million	80.00%	80.00%	Yes
Tacheng Kunlun Rural Bank Co., Ltd.	Domestic Finance	RMB 37.45 Million	RMB 17.5 million	46.73%	46.73%	Yes

(II) Scope of and Change in Consolidated Statements

Scope of consolidation for the year of 2020 covers Bank of Kunlun Co., Ltd. and its subsidiaries Leshan Kunlun Rural Bank Co., Ltd. and Tacheng Kunlun Rural Bank Co., Ltd.

There are no changes in the scope of consolidation compared to that of 2019.

V. Notes to the Consolidated Financial Statements (Negative Figures Are Shown in “0”)

(I) Cash and Balances with the Central Bank

Category	The Company	
	31 December, 2020	31 December, 2019
Cash on Hand	339,716,495.00	330,693,238.31
Statutory Reserve with the Central Bank	21,130,277,445.43	22,523,681,162.51
Excess Reserve with the Central Bank	235,575,960.01	2,164,998,732.46

Continued

Category	The Company	
	31 December, 2020	31 December, 2019
Fiscal Deposits with the Central Bank	57,198,000.00	12,275,000.00
Subtotal	21,762,767,900.44	25,031,648,133.28
Add: Accrued Interest	8,913,274.13	9,180,241.93
Total	21,771,681,174.57	25,040,828,375.21

Category	The Bank	
	31 December, 2020	31 December, 2019
Cash on Hand	332,107,115.60	318,258,780.61
Statutory Reserve with the Central Bank	21,019,616,504.01	22,415,184,587.32
Excess Reserve with the Central Bank	204,548,276.71	2,151,695,336.85
Fiscal Deposits with the Central Bank	52,095,000.00	4,194,000.00
Subtotal	21,608,366,896.32	24,889,332,704.78
Add: Accrued Interest	8,854,648.07	9,133,872.59
Total	21,617,221,544.39	24,898,466,577.37

1. The Company Deposited the Statutory Reserve as the Deposit Scope Specified by the PBOC.

On 31 December, 2020 and 31 December, 2019, the ratios of statutory RMB deposit reserve of the Bank were 10.50%; the ratios of general foreign currency deposit reserve were 5.00%;

The ratios of statutory RMB deposit reserve by the Leshan Kunlun Rural Bank were 5.00% and 7.50% respectively;

The ratios of statutory RMB deposit reserve by the Tacheng Kunlun Rural Bank were 5.00% and 7.50% respectively.

2. The Excess Reserves Deposited with the Central Bank are the Funds Deposited with the PBOC for the Purpose of Capital Settlement.

(II) Deposits with Banks and Other Financial Institutions

Category	The Company	
	31 December, 2020	31 December, 2019
Deposits with Domestic Banks and Other Financial Institutions	15,690,955,129.96	27,185,896,760.94
Deposits with Overseas Banks and Other Financial Institutions	4,094,086.48	4,005,805.22
Subtotal	15,695,049,216.44	27,189,902,566.16

Continued

Category	The Company	
	31 December, 2020	31 December, 2019
Add: Accrued Interest	78,393,392.38	186,253,980.44
Less: Allowance for Impairment	204,162,281.33	21,979,668.51
Total	15,569,280,327.49	27,354,176,878.09

Category	The Bank	
	31 December, 2020	31 December, 2019
Deposits with Domestic Banks and Other Financial Institutions	15,430,794,902.45	26,980,377,731.88
Deposits with Overseas Banks and Other Financial Institutions	4,094,086.48	4,005,805.22
Subtotal	15,434,888,988.93	26,984,383,537.10
Add: Accrued Interest	77,184,496.40	185,847,456.07
Less: Allowance for Impairment	203,986,735.71	21,882,778.99
Total	15,308,086,749.62	27,148,348,214.18

(III) Placements with Banks and Other Financial Institutions

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Domestic Non-bank Financial Institutions	42,200,000,000.00	34,600,000,000.00
Subtotal	42,200,000,000.00	34,600,000,000.00
Add: Accrued Interest	526,242,334.08	423,922,222.23
Less: Allowance for Impairment	1,418,511,245.50	1,292,382,730.00
Total	41,307,731,088.58	33,731,539,492.23

(IV) Financial Assets Held under Resale Agreements**1. Classification by Counterparty**

Counterparty	The Company and the Bank	
	31 December, 2020	31 December, 2019
Interbank	104,125,119.26	999,600,000.00
Non-bank Financial Institutions		1,953,830,721.04
Subtotal	104,125,119.26	2,953,430,721.04
Add: Accrued Interest	8,732.77	3,593,081.71
Less: Allowance for Impairment		601,915.85
Total	104,133,852.03	2,956,421,886.90

2. Classification by Underlying Assets

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Bonds	104,133,852.03	2,956,421,886.90
Total	104,133,852.03	2,956,421,886.90

(V) Loans and Advances to Customers

1. Composition of Loans and Advances to Customers

(1) Loans and Advances to Customers Classified by the Measurement Mode

Category	The Company	
	31 December, 2020	31 December, 2019
Total Loans and Advances Measured at Amortized Cost	160,543,096,841.35	145,932,461,359.53
Accrued Interest on Loans and Advances Measured at Amortized Cost	252,611,474.10	233,562,461.95
Subtotal	160,795,708,315.45	146,166,023,821.48
Allowance for Impairment on Loans and Advances Measured at Amortized Cost	5,021,153,774.58	4,678,856,008.38
Allowance for Impairment on Accrued Interest on Loans and Advances Measured at Amortized Cost	5,513,259.88	6,446,667.63
Subtotal	5,026,667,034.46	4,685,302,676.01
Loans and Advances Measured at Amortized Cost	155,769,041,280.99	141,480,721,145.47
Loans and Advances Measured at Fair Value through Other Comprehensive Income		
Loans and Advances Measured at Fair Value through the Current Profits and Losses		
Total	155,769,041,280.99	141,480,721,145.47

Category	The Bank	
	31 December, 2020	31 December, 2019
Total Loans and Advances Measured at Amortized Cost	159,195,830,428.76	144,747,715,528.25
Accrued Interest on Loans and Advances Measured at Amortized Cost	237,972,168.70	220,269,792.89
Subtotal	159,433,802,597.46	144,967,985,321.14
Allowance for Impairment on Loans and Advances Measured at Amortized Cost	4,944,083,201.31	4,589,237,892.06
Allowance for Impairment on Accrued Interest on Loans and Advances Measured at Amortized Cost	5,513,259.88	6,446,667.63
Subtotal	4,949,596,461.19	4,595,684,559.69

Continued

Category	The Bank	
	31 December, 2020	31 December, 2019
Loans and Advances Measured at Amortized Cost	154,484,206,136.27	140,372,300,761.45
Loans and Advances Measured at Fair Value through Other Comprehensive Income		
Loans and Advances Measured at Fair Value through the Current Profits and Losses		
Total	154,484,206,136.27	140,372,300,761.45

(2) Loans and Advances to Customers Measured at Amortized Cost, Classified by Company and Individual (Excluding Accrued Interest)

Category	The Company			
	31 December, 2020		31 December, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Loans and Advances to Individuals	35,512,951,631.82	22.12	26,136,940,255.76	17.91
- Credit Card	836,872,487.19	0.52	618,929,436.34	0.42
- Residential Mortgage Loan	17,777,392,426.41	11.07	13,738,006,130.68	9.42
- Others	16,898,686,718.22	10.53	11,780,004,688.74	8.07
Loans and Advances to Companies	125,030,145,209.53	77.88	119,795,521,103.77	82.09
- Loans	65,885,872,173.46	41.04	54,906,294,529.84	37.63
- Discount	25,498,431,984.71	15.88	42,045,114,631.91	28.81
- Trade Financing	33,645,841,051.36	20.96	22,844,111,942.02	15.65
Total Loans and Advances	160,543,096,841.35	100.00	145,932,461,359.53	100.00
Less: Allowance for Impairment Losses on Loans	5,021,153,774.58		4,678,856,008.38	
Including: Phase 1	2,087,819,119.19		2,692,494,967.22	
Phase 2	1,749,995,558.98		783,763,927.16	
Phase 3	1,183,339,096.41		1,202,597,114.00	
Book Value of Loans and Advances	155,521,943,066.77		141,253,605,351.15	

Category	The Bank			
	31 December, 2020		31 December, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Loans and Advances to Individuals	34,454,854,407.56	21.64	25,165,649,024.48	17.39
- Credit Card	836,872,487.19	0.53	618,929,436.34	0.43
- Residential Mortgage Loan	17,756,571,026.41	11.15	13,713,232,630.68	9.48
- Others	15,861,410,893.96	9.96	10,833,486,957.46	7.48

Continued

Category	The Bank			
	31 December, 2020		31 December, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Loans and Advances to Companies	124,740,976,021.20	78.36	119,582,066,503.77	82.61
- Loans	65,596,702,985.13	41.21	54,692,839,929.84	37.78
- Discount	25,498,431,984.71	16.02	42,045,114,631.91	29.05
- Trade Financing	33,645,841,051.36	21.13	22,844,111,942.02	15.78
Total Loans and Advances	159,195,830,428.76	100.00	144,747,715,528.25	100.00
Less: Allowance for Impairment Losses on Loans	4,944,083,201.31		4,589,237,892.06	
Including: Phase 1	2,050,913,018.60		2,660,758,085.99	
Phase 2	1,743,100,340.61		772,795,987.17	
Phase 3	1,150,069,842.10		1,155,683,818.90	
Book Value of Loans and Advances	154,251,747,227.45		140,158,477,636.19	

(3) Loans and Advances Classified by Guarantee Method (Excluding Accrued Interest)

Guarantee Method	The Company			
	31 December, 2020	Ratio (%)	31 December, 2019	Ratio (%)
Credit Loans	55,715,983,148.20	34.71	34,059,630,811.26	23.34
Guaranteed Loans	23,206,894,826.65	14.46	20,359,772,075.90	13.95
Loans Secured by Mortgage	23,927,160,480.11	14.90	20,075,251,857.24	13.76
Loans Secured by Pledge	32,194,626,401.68	20.05	29,392,691,983.22	20.14
Discount of Banker's Acceptance Bills	16,359,296,907.08	10.19	33,028,643,271.76	22.63
Discount of Commercial Acceptance Bills	9,139,135,077.63	5.69	9,016,471,360.15	6.18
Total	160,543,096,841.35	100.00	145,932,461,359.53	100.00

Guarantee Method	The Bank			
	31 December, 2020	Ratio (%)	31 December, 2019	Ratio (%)
Credit Loans	55,598,747,240.64	34.92	33,422,974,320.40	23.09
Guaranteed Loans	22,216,113,947.61	13.96	20,057,408,035.44	13.86
Loans Secured by Mortgage	23,694,895,723.23	14.88	19,835,771,723.93	13.70
Loans Secured by Pledge	32,187,641,532.57	20.22	29,386,446,816.57	20.30
Discount of Banker's Acceptance Bills	16,359,296,907.08	10.28	33,028,643,271.76	22.82
Discount of Commercial Acceptance Bills	9,139,135,077.63	5.74	9,016,471,360.15	6.23
Total	159,195,830,428.76	100.00	144,747,715,528.25	100.00

(4) Corporate Loans and Advances Classified by Industry (Excluding Accrued Interest)

Industry	The Company			
	31 December, 2020		31 December, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Agriculture, Forestry, Animal Husbandry and Fishery	247,263,869.11	0.20	166,241,600.00	0.14
Mining	10,870,745,578.01	8.69	11,264,571,657.98	9.40
Manufacturing	10,996,503,858.70	8.80	12,603,472,383.37	10.53
Manufacturing and Supply Industry of Electricity, Heat, Gas and Water	17,809,249,225.64	14.24	12,742,995,457.55	10.64
Construction	7,363,127,468.33	5.89	3,807,935,118.39	3.18
Transport, Warehousing and Postal Service Industry	9,110,386,886.73	7.29	7,127,442,842.45	5.95
Information Transmission, Computer Service and Software Industry	523,549,407.47	0.42	388,089,900.00	0.32
Wholesale and Retail Industry	16,620,991,900.34	13.29	10,422,327,546.31	8.70
Accommodation and Catering	48,810,000.00	0.04	37,510,000.00	0.03
Financial Services	9,322,010,075.12	7.46	7,119,274,228.08	5.94
Real Estate	2,635,600,000.00	2.11	2,196,850,000.00	1.83
Leasing and Commercial Service	9,619,453,208.34	7.69	6,545,729,157.35	5.46
Scientific Research, Technical Services and Geological Survey Industry	1,701,827,160.78	1.36	906,168,265.31	0.76
Water Conservancy, Environment, Public Facilities Management and Investment Industry	2,611,983,426.88	2.09	1,621,151,315.07	1.35
Residents Services and Other Services	27,230,000.00	0.02	15,467,000.00	0.01
Education			15,000,000.00	0.01
Health, Social Security and Social Welfare Industry	20,000,000.00	0.02		
Culture, Sports and Entertainment Industry	2,981,159.37		23,100,000.00	0.02
Public Management and Social Organization			747,080,000.00	0.62
Discounted Assets	25,498,431,984.71	20.39	42,045,114,631.91	35.11
Total Corporate Loans	125,030,145,209.53	100.00	119,795,521,103.77	100.00

Industry	The Bank			
	31 December, 2020		31 December, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Agriculture, Forestry, Animal Husbandry and Fishery	102,000,000.00	0.08	93,390,000.00	0.08
Mining	10,870,745,578.01	8.71	11,264,571,657.98	9.42
Manufacturing	10,972,321,358.70	8.80	12,555,819,383.37	10.51
Manufacturing and Supply Industry of Electricity, Heat, Gas and Water	17,809,249,225.64	14.28	12,732,495,457.55	10.65
Construction	7,353,347,468.33	5.89	3,793,685,118.39	3.17
Transport, Warehousing and Postal Service Industry	9,110,386,886.73	7.30	7,127,442,842.45	5.96
Information Transmission, Computer Service and Software Industry	518,799,407.47	0.42	374,369,900.00	0.31
Wholesale and Retail Industry	16,572,060,240.49	13.29	10,422,327,546.31	8.72
Accommodation and Catering	11,800,000.00	0.01	2,400,000.00	
Financial Services	9,322,010,075.12	7.47	7,119,274,228.08	5.95
Real Estate	2,635,600,000.00	2.11	2,196,850,000.00	1.84
Leasing and Commercial Service	9,616,183,208.34	7.71	6,534,459,157.35	5.46
Scientific Research, Technical Services and Geological Survey Industry	1,701,827,160.78	1.36	906,168,265.31	0.76
Water Conservancy, Environment, Public Facilities Management and Investment Industry	2,611,983,426.88	2.09	1,616,151,315.07	1.35
Residents Services and Other Services	14,230,000.00	0.01	15,467,000.00	0.01
Education			15,000,000.00	0.01
Health, Social Security and Social Welfare Industry	20,000,000.00	0.02		
Culture, Sports and Entertainment Industry			20,000,000.00	0.02
Public Management and Social Organization			747,080,000.00	0.62
Discounted Assets	25,498,431,984.71	20.45	42,045,114,631.91	35.16
Total Corporate Loans	124,740,976,021.20	100.00	119,582,066,503.77	100.00

(5) Analysis of Changes in Overdue Loans (Excluding Accrued Interest)

Item	The Company					Total
	31 December, 2020					
	Overdue for 1-90 Days (Including 90 Days)	Overdue for 90 - 360 Days (Including 360 Days)	Overdue for 360 Days - 3 Years (Including 3 Years)	Overdue for Over 3 Years		
Credit Loans	114,031,425.67	28,411,815.69	30,254,451.25	19,999,999.00	192,697,691.61	
Guaranteed Loans	101,821,523.51	70,898,599.08	93,010,475.47	50,258,068.55	315,988,666.61	
Loans Secured by Mortgage	34,754,191.40	56,032,432.92	112,433,944.86	150,578,421.80	353,798,990.98	
Loans Secured by Pledge	77,012,588.28	22,789,724.75	90,219,089.22	605,743,979.50	795,765,381.75	
Total	327,619,728.86	178,132,572.44	325,917,960.80	826,580,468.85	1,658,250,730.95	

Item	The Company					Total
	31 December, 2019					
	Overdue for 1-90 Days (Including 90 Days)	Overdue for 90 - 360 Days (Including 360 Days)	Overdue for 360 Days - 3 Years (Including 3 Years)	Overdue for Over 3 Years		
Credit Loans	240,814,480.99	5,370,475.98	50,730,813.77	139,835.36	297,055,606.10	
Guaranteed Loans	124,178,566.33	25,604,558.82	195,082,337.29	50,801,285.04	395,666,747.48	
Loans Secured by Mortgage	40,916,634.00	59,439,796.32	62,605,562.95	170,584,200.43	333,546,193.70	
Loans Secured by Pledge	14,025,373.60	59,744,156.97	140,317,713.84	496,312,719.91	710,399,964.32	
Total	419,935,054.92	150,158,988.09	448,736,427.85	717,838,040.74	1,736,668,511.60	

2. Allowance for Impairment Losses on Loans

Item	The Company, for the Year Ended 31 December, 2020				Total
	Phase 1	Phase 2	Phase 3		
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)		
Balance as at the Beginning of the Year	2,698,941,634.85	783,763,927.16	1,202,597,114.00	4,685,302,676.01	
Transfer (Note):					
To Phase 1	(189,294,145.61)	170,995,709.67	18,298,435.94		
To Phase 2	482,761.42	(4,918,675.69)	4,435,914.27		
To Phase 3	69,943.05	3,305,090.39	(3,375,033.44)		

Continued

The Company, for the Year Ended 31 December, 2020				
Item	Phase 1	Phase 2	Phase 3	Total
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)	
Allowance in this Period	(416,867,814.64)	796,849,507.45	(81,045.69)	379,900,647.12
Reversal in this Period				
Carry-forward in this Period				
Write-off in this Period			(38,536,288.67)	(38,536,288.67)
Balance as at the End of the Year	2,093,332,379.07	1,749,995,558.98	1,183,339,096.41	5,026,667,034.46

The Company, for the Year Ended 31 December, 2019				
Item	Phase 1	Phase 2	Phase 3	Total
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)	
Balance as at the Beginning of the Year	2,992,692,330.96	191,788,346.50	1,550,715,990.00	4,735,196,667.46
Transfer (Note):				
To Phase 1	(4,817,254.15)	(31,499,991.85)	36,317,246.00	
To Phase 2	5,458,165.38	(34,990,981.74)	29,532,816.36	
To Phase 3	8,827,592.65	182,926,100.17	(191,753,692.82)	
Allowance in this Period	(303,219,199.99)	475,540,454.08	(190,101,355.68)	(17,780,101.59)
Reversal in this Period			645,103.49	645,103.49
Carry-forward in this Period				
Write-off in this Period			(32,758,993.35)	(32,758,993.35)
Balance as at the End of the Year	2,698,941,634.85	783,763,927.16	1,202,597,114.00	4,685,302,676.01

Note: the financial instruments at phase 1 were the financial instruments whose credit risks didn't increase significantly after the initial recognition; the financial instruments at phase 2 were financial instruments whose credit risks increased significantly but these financial instruments had no objective impairment evidence; the financial instruments at phase 3 were financial instruments which had objective impairment evidences on the balance sheet date.

The Bank, for the Year Ended 31 December, 2020				
Item	Phase 1	Phase 2	Phase 3	Total
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)	
Balance as at the Beginning of the Year	2,667,204,753.62	772,795,987.17	1,155,683,818.90	4,595,684,559.69
Transfer (Note):				
To Phase 1	(173,752,931.92)	170,343,559.73	3,409,372.19	
To Phase 1	153,961.42	(7,596,178.98)	7,442,217.56	
To Phase 3	69,943.05	120,090.39	(190,033.44)	
Allowance in this Period	(437,249,447.69)	807,436,882.30	(1,140,221.14)	369,047,213.47
Reversal in this Period				
Carry-forward in this Period				
Write-off in this Period			(15,135,311.97)	(15,135,311.97)
Balance as at the End of the Year	2,056,426,278.48	1,743,100,340.61	1,150,069,842.10	4,949,596,461.19
The Bank, for the Year Ended 31 December, 2019				
Item	Phase 1	Phase 2	Phase 3	Total
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)	
Balance as at the Beginning of the Year	2,965,611,022.04	169,028,400.00	1,513,054,600.01	4,647,694,022.05
Transfer (Note):				
To Phase 1	9,426,728.70	(32,935,191.85)	23,508,463.15	
To Phase 1	5,624,165.38	(23,201,254.06)	17,577,088.68	
To Phase 3	8,827,592.65	182,926,100.17	(191,753,692.82)	
Allowance in this Period	(322,284,755.15)	476,977,932.91	(193,867,242.15)	(39,174,064.39)
Reversal in this Period			635,687.25	635,687.25
Carry-forward in this Period				
Write-off in this Period			(13,471,085.22)	(13,471,085.22)
Balance as at the End of the Year	2,667,204,753.62	772,795,987.17	1,155,683,818.90	4,595,684,559.69

3. Analysis of Customer Concentration

Top 10 borrowers (including those of the same ranking) as at 31 December, 2020 (excluding accrued interest):

Customer	The Company and the Bank		
	Industry	Balance	Proportion in Total Loans and Advances (%)
Customer 1	Leasing and Commercial Service	2,700,000,000.00	1.68
Customer 2	Real Estate Industry	2,000,000,000.00	1.25
Customer 3	Financial Services	1,499,000,000.00	0.93
Customer 4	Financial Services	1,490,000,000.00	0.93
Customer 5	Mining	1,381,000,000.00	0.86
Customer 6	Leasing and Commercial Service	1,300,000,000.00	0.81
Customer 7	Transport, Warehousing and Postal Service Industry	1,277,500,000.00	0.80
Customer 8	Water Conservancy, Environment, Public Facility Management Industry	1,194,857,142.86	0.74
Customer 9	Leasing and Commercial Service	1,130,496,279.79	0.71
Customer 10-1	Construction	1,000,000,000.00	0.62
Customer 10-2	Transport, Warehousing and Postal Service Industry	1,000,000,000.00	0.62
Customer 10-3	Construction	1,000,000,000.00	0.62
Customer 10-4	Manufacturing and Supply Industry of Electricity, Heat, Gas and Water	1,000,000,000.00	0.62
Total		17,972,853,422.65	11.19

(VI) Financial Instruments

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Trading Financial Assets	57,282,900,149.28	49,294,392,550.11
Debt Investments	35,380,869,459.39	36,495,400,305.95
Other Debt Investments	20,565,694,617.40	18,119,165,951.71
Total	113,229,464,226.07	103,908,958,807.77

1. Trading Financial Assets

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
National Debts	108,094,656.00	985,610,500.43
Government Bonds	630,113,950.70	
Financial Bonds	6,668,383,036.95	1,515,799,610.36
Corporate Bonds	39,172,779,404.89	31,809,462,968.12
Asset-backed Securities	1,125,728,320.49	1,902,457,676.40
Fund Investment	9,547,707,747.48	12,334,888,673.62
Wealth Management Products		715,755,947.55
Others	30,093,032.77	30,417,173.63
Total	57,282,900,149.28	49,294,392,550.11

As at 31 December, 2020, see Note “VI/ (II) / 3” for pledge of some trading financial assets used for transactions under repurchase agreements, and all the rest investments had no significant realization limits.

2. Debt Investments

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
National Debts	101,077,775.04	101,328,502.66
Government Debts	663,717,498.87	1,044,827,926.06
Financial Debts	4,724,454,200.06	3,353,605,089.06
Corporate Debts	1,848,358,961.25	3,078,349,133.18
Asset-backed Securities	14,975,558,043.22	10,878,640,236.03
Trust Products	11,449,259,420.79	16,363,845,662.93
Asset Management Products	1,700,000,000.00	2,100,000,000.00
Subtotal	35,462,425,899.23	36,920,596,549.92
Add: Accrued Interest	375,521,168.80	270,694,762.50
Less: Allowance for Impairment	457,077,608.64	695,891,006.47
Total	35,380,869,459.39	36,495,400,305.95

Changes in Allowance for Impairment on Debt Investments

Item	The Company and the Bank, for the Year Ended 31 December, 2020			Total
	Phase 1	Phase 2	Phase 3	
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)	
Balance as at the Beginning of the Year	695,891,006.47			695,891,006.47
To Phase 1				
To Phase 1				
To Phase 3				
Allowance / Reversal in this Period	(238,813,397.83)			(238,813,397.83)
Balance as at the End of the Year	457,077,608.64			457,077,608.64

3. Other Debt Investments

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
National Debts	6,241,144,400.00	951,682,450.00
Government bonds		1,493,609,308.00
Financial Bonds	11,107,448,153.28	10,547,254,770.00
Corporate Bonds	2,568,462,874.70	4,772,016,197.93
Asset-backed Securities	269,864,002.56	
Subtotal	20,186,919,430.54	17,764,562,725.93
Add: Accrued Interest	379,005,100.33	354,841,190.73
Less: Allowance for Impairment on Accrued Interest	229,913.47	237,964.95
Total	20,565,694,617.40	18,119,165,951.71

Changes in Allowance for Impairment on Other Debt Investments

The Company and the Bank, for the Year Ended 31 December, 2020				
Item	Phase 1	Phase 2	Phase 3	Total
	Expected Credit Loss for the Next 12 Months	Expected Credit Loss During the Whole Duration (Non-incurred Loss of Credit Impairment)	Expected Credit Loss During the Whole Duration (Incurred Loss of Credit Impairment)	
Balance as at the Beginning of the Year	240,060,782.45			240,060,782.45
To Phase 1				
To Phase 1				
To Phase 3				
Allowance / Reversal in this Period	961,213.36			961,213.36
Balance as at the End of the Year	241,021,995.81			241,021,995.81

The Company recognizes the allowance for impairment on financial assets measured at fair value through other comprehensive income in other comprehensive income, includes the impairment losses or gains into the current profits and losses, and shall not decrease the book value of the financial assets in the balance sheet.

(VII) Long-term Equity Investments

1. Classification of Long-term Equity Investments

The Company has no investment in joint ventures and associated enterprises;

Category	The Bank	
	31 December, 2020	31 December, 2019
Investments in Subsidiaries	57,500,000.00	57,500,000.00
Investments in Joint Ventures		
Investments in Associated Enterprises		
Subtotal	57,500,000.00	57,500,000.00
Less: Allowance for Impairment		
Net Amount of Long-term Equity Investments	57,500,000.00	57,500,000.00

2. Investments in Subsidiaries

Subsidiaries	The Bank	
	31 December, 2020	31 December, 2019
Leshan Kunlun Rural Bank Co., Ltd.	40,000,000.00	40,000,000.00
Tacheng Kunlun Rural Bank Co., Ltd.	17,500,000.00	17,500,000.00
Subtotal	57,500,000.00	57,500,000.00
Less: Allowance for Impairment		
Net Amount of Long-term Equity Investments	57,500,000.00	57,500,000.00

(VIII) Fixed Assets

1. Details of Balance of Fixed Assets

Category	The Company	
	31 December, 2020	31 December, 2019
Original Cost of Fixed Assets	1,020,138,725.67	948,606,662.47
Accumulated Depreciation	652,702,238.88	595,307,992.25
Allowance for Impairment on Fixed Assets	71,587.53	71,587.53
Net Fixed Assets	367,364,899.26	353,227,082.69

Category	The Bank	
	31 December, 2020	31 December, 2019
Original Cost of Fixed Assets	995,774,426.04	924,790,265.55
Accumulated Depreciation	642,789,677.20	586,815,615.23
Allowance for Impairment on Fixed Assets	71,587.53	71,587.53
Net Fixed Assets	352,913,161.31	337,903,062.79

2. Statement of Changes in Fixed Assets

Category	The Company				Total
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	
1. Original Book Value					
(1) Balance as at the Beginning of the Year	148,103,848.49	19,156,444.15	771,195,821.31	10,150,548.52	948,606,662.47
(2) Increase in this Period	5,193,848.34	189,600.00	44,130,385.49	357,953,123.83	407,466,957.66
- Purchase					
- Construction in Progress Transferred in	5,193,848.34		42,616,338.03	53,393,460.76	101,203,647.13

Continued

Category	The Company				
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	Total
- Others		189,600.00	1,514,047.46	304,559,663.07	306,263,310.53
(3) Decrease in this Period		5,126,212.73	328,922,761.17	1,885,920.56	335,934,894.46
- Disposal or Retirement		5,126,212.73	24,363,098.10	371,873.10	29,861,183.93
- Others (Note)			304,559,663.07	1,514,047.46	306,073,710.53
(4) Balance as at the End of the Year	153,297,696.83	14,219,831.42	486,403,445.63	366,217,751.79	1,020,138,725.67
2. Accumulated Depreciation					
(1) Balance as at the Beginning of the Year	36,098,197.18	15,566,267.73	537,620,070.75	6,023,456.59	595,307,992.25
(2) Increase in this Period	4,596,187.98	789,128.81	74,221,385.63	238,939,097.89	318,545,800.31
- Allowance	4,596,187.98	789,128.81	73,232,305.19	7,102,284.78	85,719,906.76
- Others			989,080.44	231,836,813.11	232,825,893.55
(3) Decrease in this Period		4,772,909.42	255,031,856.78	1,346,787.48	261,151,553.68
- Disposal or Retirement		4,772,909.42	23,195,043.67	357,707.04	28,325,660.13
- Others			231,836,813.11	989,080.44	232,825,893.55
(4) Balance as at the End of the Year	40,694,385.16	11,582,487.12	356,809,599.60	243,615,767.00	652,702,238.88
3. Allowance for Impairment					
(1) Balance as at the Beginning of the Year	71,587.53				71,587.53
(2) Increase in this Period					
- Allowance					
(3) Decrease in this Period					
- Disposal or Retirement					
(4) Balance as at the End of the Year	71,587.53				71,587.53
4. Book Value					
(1) Book Value as at the End of the Year	112,531,724.14	2,637,344.30	129,593,846.03	122,601,984.79	367,364,899.26
(2) Book Value as at the Beginning of the Year	111,934,063.78	3,590,176.42	233,575,750.56	4,127,091.93	353,227,082.69

Note: According to the requirements of China National Petroleum Corporation, the new edition of the *Catalogue of Fixed Assets* was implemented from 1 September, 2020, so the sub-items of fixed assets were re-classified and adjusted.

Category	The Bank				Total
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	
1. Original Book Value					
(1) Balance as at the Beginning of the Year	135,604,190.48	18,682,372.15	760,977,250.91	9,526,452.01	924,790,265.55
(2) Increase in this Period	5,193,848.34	189,600.00	43,753,279.78	357,085,366.57	406,222,094.69
- Purchase					
- Construction in Progress Transferred in	5,193,848.34		42,239,232.32	53,168,460.76	100,601,541.42
- Others		189,600.00	1,514,047.46	303,916,905.81	305,620,553.27
(3) Decrease in this Period		5,126,212.73	328,225,800.91	1,885,920.56	335,237,934.20
- Disposal or Retirement		5,126,212.73	24,308,895.10	371,873.10	29,806,980.93
- Others			303,916,905.81	1,514,047.46	305,430,953.27
(4) Balance as at the End of the Year	140,798,038.82	13,745,759.42	476,504,729.78	364,725,898.02	995,774,426.04
2. Accumulated Depreciation					
(1) Balance as at the Beginning of the Year	34,934,864.18	15,221,326.47	531,050,555.90	5,608,868.68	586,815,615.23
(2) Increase in this Period	4,200,560.33	751,082.90	73,515,288.00	237,979,863.44	316,446,794.67
- Allowance	4,200,560.33	751,082.90	72,526,207.56	6,769,671.96	84,247,522.75
- Others			989,080.44	231,210,191.48	232,199,271.92
(3) Decrease in this Period		4,772,909.42	254,353,035.80	1,346,787.48	260,472,732.70
- Disposal or Retirement		4,772,909.42	23,142,844.32	357,707.04	28,273,460.78
- Others			231,210,191.48	989,080.44	232,199,271.92
(4) Balance as at the End of the Year	39,135,424.51	11,199,499.95	350,212,808.10	242,241,944.64	642,789,677.20
3. Allowance for Impairment					
(1) Balance as at the Beginning of the Year	71,587.53				71,587.53
(2) Increase in this Period					
- Allowance					
(3) Decrease in this Period					
- Disposal or Retirement					
(4) Balance as at the End of the Year	71,587.53				71,587.53
4. Book Value					
(1) Book Value as at the End of the Year	101,591,026.78	2,546,259.47	126,291,921.68	122,483,953.38	352,913,161.31
(2) Book Value as at the Beginning of the Year	100,597,738.77	3,461,045.68	229,926,695.01	3,917,583.33	337,903,062.79

3. Fixed Assets with Pending Certificates of Title

As at 31 December, 2020, the Company owned 2 building and construction (original value: RMB 17,223,097. 13, book value: 11,603,524. 36) with pending certificates of title, and the certificates of title being handled.

(IX) Construction in Progress

Category	The Company					
	31 December, 2019	Increase in this Period	Amount Transferred to Fixed Assets	Amount Transferred to Intangible Assets	Other Decreases	31 December, 2020
Information Technology Construction	72,637,531.66	193,668,196.25	80,975,159.99	72,702,764.92	18,021,112.40	94,606,690.60
Branches and Network Construction	8,945,999.90	30,545,017.54	12,816,397.22	1,389,710.13	19,000,179.07	6,284,731.02
Office Operation and Security Construction	589,791.10	11,602,062.01	7,412,089.92		112,784.58	4,666,978.61
Total	82,173,322.66	235,815,275.80	101,203,647.13	74,092,475.05	37,134,076.05	105,558,400.23
Category	The Bank					
	31 December, 2019	Increase in this Period	Amount Transferred to Fixed Assets	Amount Transferred to Intangible Assets	Other Decreases	31 December, 2020
Information Technology Construction	72,370,311.66	192,212,748.50	80,373,054.28	72,542,964.92	17,324,613.01	94,342,427.95
Branches and Network Construction	8,945,999.90	30,448,423.49	12,816,397.22	1,389,710.13	18,903,585.02	6,284,731.02
Office Operation and Security Construction	589,791.10	11,602,062.01	7,412,089.92		112,784.58	4,666,978.61
Total	81,906,102.66	234,263,234.00	100,601,541.42	73,932,675.05	36,340,982.61	105,294,137.58

(X) Intangible Assets

Category	The Company		
	Land Use Right	Software	Total
1.Original Book Value			
(1) Balance as at the Beginning of the Year	69,510.41	453,889,526.47	453,959,036.88
(2) Increase in this Period		74,092,475.05	74,092,475.05
- Purchase			
- Internal R&D		74,092,475.05	74,092,475.05
(3) Decrease in this Period			
- Disposal			
(4) Balance as at the End of the Year	69,510.41	527,982,001.52	528,051,511.93
2.Accumulated Amortization			
(1) Balance as at the Beginning of the Year	45,489.33	357,884,384.27	357,929,873.60
(2) Increase in this Period	2,341.02	52,397,199.43	52,399,540.45
- Allowance	2,341.02	52,397,199.43	52,399,540.45
(3) Decrease in this Period			
- Disposal			
(4) Balance as at the End of the Year	47,830.35	410,281,583.70	410,329,414.05
3.Allowance for Impairment			
(1) Balance as at the Beginning of the Year		1,357,053.33	1,357,053.33
(2) Increase in this Period			
- Allowance			
(3) Decrease in this Period			
- Disposal			
(4) Balance as at the End of the Year		1,357,053.33	1,357,053.33
4. Book Value			
(1) Book Value as at the End of the Year	21,680.06	116,343,364.49	116,365,044.55
(2) Book Value as at the Beginning of the Year	24,021.08	94,648,088.87	94,672,109.95

Category	The Bank		
	Land Use Right	Software	Total
1.Original Book Value			
(1) Balance as at the Beginning of the Year	69,510.41	453,464,526.47	453,534,036.88
(2) Increase in this Period		73,932,675.05	73,932,675.05
- Purchase			
- Internal R&D		73,932,675.05	73,932,675.05
(3) Decrease in this Period			
- Disposal			
(4) Balance as at the End of the Year	69,510.41	527,397,201.52	527,466,711.93
2.Accumulated Amortization			
(1) Balance as at the Beginning of the Year	45,489.33	357,459,384.27	357,504,873.60
(2) Increase in this Period	2,341.02	52,370,566.09	52,372,907.11
- Allowance	2,341.02	52,370,566.09	52,372,907.11
(3) Decrease in this Period			
- Disposal			
(4) Balance as at the End of the Year	47,830.35	409,829,950.36	409,877,780.71
3.Allowance for Impairment			
(1) Balance as at the Beginning of the Year		1,357,053.33	1,357,053.33
(2) Increase in this Period			
- Allowance			
(3) Decrease in this Period			
- Disposal			
(4) Balance as at the End of the Year		1,357,053.33	1,357,053.33
4. Book Value			
(1) Book Value as at the End of the Year	21,680.06	116,210,197.83	116,231,877.89
(2) Book Value as at the Beginning of the Year	24,021.08	94,648,088.87	94,672,109.95

(XI) Deferred Tax Assets and Deferred Tax Liabilities**1. Prior to Offsetting between the Company and the Bank, the Deferred Tax Assets and Liabilities, and Corresponding Temporary Differences are Listed as Below:**

Category	The Company	
	31 December, 2020	31 December, 2019
I. Deferred Tax Assets		
Allowance for Assets Impairment	748,957,938.73	796,978,544.53
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	40,868,712.76	
Subtotal	789,826,651.49	796,978,544.53
II. Deferred Tax Liabilities		
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	194,679,385.02	42,569,001.67
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		4,033,610.35
Subtotal	194,679,385.02	46,602,612.02
Net Amount	595,147,266.47	750,375,932.51

Category	The Bank	
	31 December, 2020	31 December, 2019
I. Deferred Tax Assets		
Allowance for Assets Impairment	732,003,566.45	778,350,654.29
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	40,868,712.76	
Subtotal	772,872,279.21	778,350,654.29
II. Deferred Tax Liabilities		
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	194,679,385.02	42,569,001.67
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		4,033,610.35
Subtotal	194,679,385.02	46,602,612.02
Net Amount	578,192,894.19	731,748,042.27

2. Listed by Nature

Category	The Company			
	31 December, 2020		31 December, 2019	
	Deductible Temporary Differences	Deferred Tax Assets / Liabilities	Deductible Temporary Differences	Deferred Tax Assets / Liabilities
I. Deferred Tax Assets				
Allowance for Assets Impairment	4,972,565,190.62	748,957,938.73	5,290,307,422.92	796,978,544.53
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	272,458,085.04	40,868,712.76		
Subtotal	5,245,023,275.66	789,826,651.49	5,290,307,422.92	796,978,544.53
II. Deferred Tax Liabilities				
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	1,297,862,566.82	194,679,385.02	283,793,344.46	42,569,001.67
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income			26,890,735.64	4,033,610.35
Subtotal	1,297,862,566.82	194,679,385.02	310,684,080.10	46,602,612.02
Net Amount	3,947,160,708.84	595,147,266.47	4,979,623,342.82	750,375,932.51
Category	The Bank			
	31 December, 2020		31 December, 2019	
	Deductible Temporary Differences	Deferred Tax Assets / Liabilities	Deductible Temporary Differences	Deferred Tax Assets / Liabilities
I. Deferred Tax Assets				
Allowance for Assets Impairment	4,880,023,776.33	732,003,566.45	5,189,004,361.93	778,350,654.29
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	272,458,085.04	40,868,712.76		
Subtotal	5,152,481,861.37	772,872,279.21	5,189,004,361.93	778,350,654.29
II. Deferred Tax Liabilities				
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	1,297,862,566.82	194,679,385.02	283,793,344.46	42,569,001.67
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income			26,890,735.64	4,033,610.35
Subtotal	1,297,862,566.82	194,679,385.02	310,684,080.10	46,602,612.02
Net Amount	3,854,619,294.55	578,192,894.19	4,878,320,281.83	731,748,042.27

3. Changes in Deferred Income Tax Assets and Liabilities

Category	The Company			31 December, 2020
	31 December, 2019	Recognized in Profit or Loss in this Period	Recognized in Other Comprehensive Income in this Period	
I. Deferred Tax Assets				
Allowance for Assets Impairment	796,978,544.53	(47,875,216.08)	(145,389.72)	748,957,938.73
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income			40,868,712.76	40,868,712.76
Subtotal	796,978,544.53	(47,875,216.08)	40,723,323.04	789,826,651.49
II. Deferred Tax Liabilities				
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	42,569,001.67	152,110,383.35		194,679,385.02
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	4,033,610.35		(4,033,610.35)	
Subtotal	46,602,612.02	152,110,383.35	(4,033,610.35)	194,679,385.02
Net Amount	750,375,932.51	(199,985,599.43)	44,756,933.39	595,147,266.47

Category	The Bank			31 December, 2020
	31 December, 2019	Recognized in Profit or Loss in this Period	Recognized in Other Comprehensive Income in this Period	
I. Deferred Tax Assets				
Allowance for Assets Impairment	778,350,654.29	(46,201,698.12)	(145,389.72)	732,003,566.45
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income			40,868,712.76	40,868,712.76
Subtotal	778,350,654.29	(46,201,698.12)	40,723,323.04	772,872,279.21
II. Deferred Tax Liabilities				
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	42,569,001.67	152,110,383.35		194,679,385.02
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	4,033,610.35		(4,033,610.35)	
Subtotal	46,602,612.02	152,110,383.35	(4,033,610.35)	194,679,385.02
Net Amount	731,748,042.27	(198,312,081.47)	44,756,933.39	578,192,894.19

(XII) Other Assets**1. Details of Balance**

Category	The Company	
	31 December, 2020	31 December, 2019
Unamortized Expenses	22,408,378.26	20,038,811.45
Other Receivables	107,128,154.03	44,106,822.89
Long-term Unamortized Expenses	48,075,569.50	48,951,542.36
Other Monetary Funds	513,122,210.90	591,499,185.72
Interest Receivable	2,291,502.44	7,470,104.34
Debt-offsetting Assets	48,859,396.32	18,819,167.61
Settled Funds	203,284,363.13	
Value-added Tax Paid and to Be Written-off	3,042,726.49	
Total	948,212,301.07	730,885,634.37

Category	The Bank	
	31 December, 2020	31 December, 2019
Unamortized Expenses	21,419,556.59	19,148,374.70
Other Receivables	106,236,150.77	43,588,267.93
Long-term Unamortized Expenses	45,250,296.88	46,680,946.05
Other Monetary Funds	513,122,210.90	591,499,185.72
Interest Receivable	948,005.02	5,936,197.95
Debt-offsetting Assets	42,193,222.32	18,819,167.61
Settled Funds	203,365,441.07	
Value-added Tax Paid and to Be Written-off	2,917,516.98	
Total	935,452,400.53	725,672,139.96

2. Other Receivables

(1) Details of Balance

Category	The Company	
	31 December, 2020	31 December, 2019
Advance Payment	12,699,756.96	2,217,997.73
Advances for Legal Costs	12,676,913.07	12,865,377.27
Cash Pledge	1,698,476.32	2,910,515.82
Others	88,896,695.09	33,560,670.49
Subtotal	115,971,841.44	51,554,561.31
Less: Allowance for Bad Debts of Other Receivables	8,843,687.41	7,447,738.42
Total	107,128,154.03	44,106,822.89

Category	The Bank	
	31 December, 2020	31 December, 2019
Advance Payment	12,699,756.96	2,217,997.73
Advances for Legal Costs	11,410,364.33	12,115,870.27
Cash Pledge	1,698,476.32	2,910,515.82
Others	88,885,900.37	33,558,898.83
Subtotal	114,694,497.98	50,803,282.65
Less: Allowance for Bad Debts of Other Receivables	8,458,347.21	7,215,014.72
Total	106,236,150.77	43,588,267.93

(2) Aging Analysis

Aging	The Company			
	31 December, 2020			
	Amount	Ratio (%)	Allowance for Bad Debts	Net Amount
Within 1 Year	102,411,392.67	88.31	114,524.68	102,296,867.99
1-2 Years	2,627,632.03	2.27	675,456.54	1,952,175.49
2-3 Years	1,032,405.13	0.89	434,912.73	597,492.40
Over 3 Years	9,900,411.61	8.53	7,618,793.46	2,281,618.15
Total	115,971,841.44	100.00	8,843,687.41	107,128,154.03

Aging	The Company			
	31 December, 2019			
	Amount	Ratio (%)	Allowance for Bad Debts	Net Amount
Within 1 Year	37,749,588.44	73.22	7,000.00	37,742,588.44
1-2 Years	1,614,004.63	3.13	166,687.31	1,447,317.32
2-3 Years	2,901,342.20	5.63	588,449.51	2,312,892.69
Over 3 Years	9,289,626.04	18.02	6,685,601.60	2,604,024.44
Total	51,554,561.31	100.00	7,447,738.42	44,106,822.89

Aging	The Bank			
	31 December, 2020			
	Amount	Ratio (%)	Allowance for Bad Debts	Net Amount
Within 1 Year	101,828,826.21	88.78	114,524.68	101,714,301.53
1-2 Years	2,520,392.03	2.20	663,410.34	1,856,981.69
2-3 Years	753,411.13	0.66	359,979.33	393,431.80
Over 3 Years	9,591,868.61	8.36	7,320,432.86	2,271,435.75
Total	114,694,497.98	100.00	8,458,347.21	106,236,150.77

Aging	The Bank			
	31 December, 2019			
	Amount	Ratio (%)	Allowance for Bad Debts	Net Amount
Within 1 Year	37,628,980.78	74.07	7,000.00	37,621,980.78
1-2 Years	1,332,030.63	2.62	138,489.91	1,193,540.72
2-3 Years	2,802,438.20	5.52	558,778.31	2,243,659.89
Over 3 Years	9,039,833.04	17.79	6,510,746.50	2,529,086.54
Total	50,803,282.65	100.00	7,215,014.72	43,588,267.93

(3) As at 31 December, 2020, there were no dues from shareholders with 5% or above of shares of the Company.

3. Long-term Unamortized Expenses

Category	The Company			Total
	Operating Lease Rent	Improvement Expenses for Fixed Assets under Operating Leases	Others	
Amount as at the Beginning of the Year	3,267,886.67	35,968,142.61	9,715,513.08	48,951,542.36
Increase in this Period	3,353,666.88	6,265,478.31	13,944,688.05	23,563,833.24
Amortization in this Period	3,831,837.35	14,300,016.07	6,307,952.68	24,439,806.10
Amount as at the End of the Year	2,789,716.20	27,933,604.85	17,352,248.45	48,075,569.50

Category	The Bank			Total
	Operating Lease Rent	Improvement Expenses for Fixed Assets under Operating Leases	Others	
Amount as at the Beginning of the Year	3,009,806.67	34,008,966.30	9,662,173.08	46,680,946.05
Increase in this Period	3,203,666.88	6,265,478.31	12,659,895.61	22,129,040.80
Amortization in this Period	3,564,590.66	13,708,559.86	6,286,539.45	23,559,689.97
Amount as at the End of the Year	2,648,882.89	26,565,884.75	16,035,529.24	45,250,296.88

4. Interest Receivable

Category	The Company	
	31 December, 2020	31 December, 2019
Interest Receivable on Loans	2,380,651.48	7,478,276.11
Interest Receivable on Other Debt Investments	24,420,000.00	26,220,000.00
Subtotal	26,800,651.48	33,698,276.11
Less: Allowance for Impairment	24,509,149.04	26,228,171.77
Total	2,291,502.44	7,470,104.34

Category	The Bank	
	31 December, 2020	31 December, 2019
Interest Receivable on Loans	1,032,388.43	5,936,197.95
Interest Receivable on Other Debt Investments	24,420,000.00	26,220,000.00
Subtotal	25,452,388.43	32,156,197.95
Less: Allowance for Impairment	24,504,383.41	26,220,000.00
Total	948,005.02	5,936,197.95

(XIII) Details of Allowance for Impairment on Assets

Item	The Company				
	2020				
	Balance as at the Beginning of the Year	Increase in this Period	Reversal Due to Value Recovery of Assets	Decrease in this Period	Balance as at the End of the Year
	Allowance in this Period	Write-off in this Period	Other Decreases		
	Other Increases	Other Decreases	Other Decreases		
Allowance for Impairment on Other Assets	33,675,910.19	(53,332.74)	269,741.00		33,352,836.45
Including: Allowance for Impairment on Other Receivables	7,447,738.42	1,665,689.99	269,741.00		8,843,687.41
Allowance for Impairment on Accrued Interest Receivable	26,228,171.77	(1,719,022.73)			24,509,149.04
Allowance for Impairment on Deposits with Banks and Other Financial Institutions	21,979,668.51	182,182,612.82			204,162,281.33
Allowance for Impairment on Displacements with Banks and other Financial Institutions	1,292,382,730.00	126,128,515.50			1,418,511,245.50
Allowance for Impairment on Financial Assets Held under Resale Agreements	601,915.85	(601,915.85)			
Allowance for Impairment Losses on Loans	4,685,302,676.01	379,900,647.12	38,536,288.67		5,026,667,034.46
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees	186,614,503.32	5,384,140.48			191,998,643.80
Allowance for Impairment on Debt Investments	695,891,006.47	(238,813,397.83)			457,077,608.64
Allowance for Impairment on Other Debt Investments	240,060,782.45	961,213.36			241,021,995.81
Allowance for Impairment on Intangible Assets	1,357,053.33				1,357,053.33
Allowance for Impairment on Fixed Assets	71,587.53				71,587.53
Allowance for Impairment on Debt-offsetting Assets		740,686.00			740,686.00
Total	7,157,937,833.66	455,829,168.86	38,806,029.67		7,574,960,972.85

The Company							
Item	Balance as at the End of the Last Year	Increase in this Period			Decrease in this Period		Balance as at the End of the Year
		Changes in Accounting Policies	Allowance in this Period	Other Increases	Reversal Due to Value Recovery of Assets	Write-off in this Period	
2019							
Allowance for Impairment on Other Assets	31,515,785.31		2,160,124.88	98,052.50	98,052.50		33,675,910.19
Including: Allowance for Impairment on Other Receivables	5,288,915.40		2,158,823.02	98,052.50	98,052.50		7,447,738.42
Allowance for Impairment on Accrued Interest Receivable	26,226,869.91		1,301.86				26,228,171.77
Allowance for Impairment on Deposits with Banks and Other Financial Institutions	25,254,191.98		(3,274,523.47)				21,979,668.51
Allowance for Impairment on Displacements with Banks and Other Financial Institutions	726,250,000.00	123,462,500.00	442,670,230.00				1,292,382,730.00
Allowance for Impairment on Financial Assets Held under Resale Agreements	15,208,118.00	1,664,414.30	(16,270,616.45)				601,915.85
Allowance for Impairment Losses on Loans	4,794,027,191.36	(58,830,523.89)	(17,780,101.59)	645,103.48	32,758,993.35		4,685,302,676.01
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees		58,830,523.89	127,783,979.43				186,614,503.32
Allowance for Impairment on Debt Investments		378,286,675.06	317,604,331.41				695,891,006.47
Allowance for Impairment on Other Debt Investments		240,443,435.00	(382,652.55)				240,060,782.45
Allowance for Impairment on Available-for-sale Financial Assets	239,016,248.50	(239,016,248.50)					
Allowance for Impairment on Held-to-maturity Investments	7,027,761.40	(7,027,761.40)					
Allowance for Impairment on Investment Classified as Receivable	434,737,007.21	(434,737,007.21)					
Allowance for Impairment on Intangible Assets	1,357,053.33						1,357,053.33
Allowance for Impairment on Fixed Assets	71,587.53						71,587.53
Allowance for Impairment on Debt-offsetting Assets	1,613,668.20	(1,613,668.20)					
Total	6,276,078,612.82	63,076,007.25	850,897,103.46	743,155.98	98,052.50	32,758,993.35	7,157,937,833.66

The Bank						
2020						
Item	Increase in this Period		Decrease in this Period		Balance as at the End of the Year	
	Balance as at the Beginning of the Year	Allowance in this Period	Other Increases	Reversal Due to Value Recovery of Assets		Write-off in this Period
Allowance for Impairment on Other Assets	33,435,014.72	(202,543.10)		269,741.00		32,962,730.62
Including: Allowance for Impairment on Other Receivables	7,215,014.72	1,513,073.49		269,741.00		8,458,347.21
Allowance for Impairment on Accrued Interest Receivable	26,220,000.00	(1,715,616.59)				24,504,383.41
Allowance for Impairment on Deposits with Banks and Other Financial Institutions	21,882,778.99	182,103,956.72				203,986,735.71
Allowance for Impairment on Displacements with Banks and Other Financial Institutions	1,292,382,730.00	126,128,515.50				1,418,511,245.50
Allowance for Impairment on Financial Assets Held under Resale Agreements	601,915.85	(601,915.85)				
Allowance for Impairment Losses on Loans	4,595,684,559.69	369,047,213.47		15,135,311.97		4,949,596,461.19
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees	186,614,503.32	5,384,140.48				191,998,643.80
Allowance for Impairment on Debt Investments	695,891,006.47	(238,813,397.83)				457,077,608.64
Allowance for Impairment on Other Debt Investments	240,060,782.45	961,213.36				241,021,995.81
Allowance for Impairment on Intangible Assets	1,357,053.33					1,357,053.33
Allowance for Impairment on Fixed Assets	71,587.53					71,587.53
Total	7,067,981,932.35	444,007,182.75		15,405,052.97		7,496,584,062.13

The Bank							
2019							
Item	Balance as at the End of the Last Year	Changes in this Period			Decrease in this Period		Balance as at the End of the Year
		Accounting Policies	Allowance in this Period	Other Increases	Reversal Due to Value Recovery of Assets	Write-off in this Period	
Allowance for Impairment on Other Assets	31,338,758.90		2,096,255.82	17,063.10	17,063.10		33,435,014.72
Including: Allowance for Impairment on Other Receivables	5,118,758.90		2,096,255.82	17,063.10	17,063.10		7,215,014.72
Allowance for Impairment on Accrued Interest Receivable	26,220,000.00						26,220,000.00
Allowance for Impairment on Deposits with Banks and Other Financial Institutions	25,199,508.89		(3,316,729.90)				21,882,778.99
Allowance for Impairment on Displacements with Banks and Other Financial Institutions	726,250,000.00	123,462,500.00	442,670,230.00				1,292,382,730.00
Allowance for Impairment on Financial Assets Held under Resale Agreements	15,208,118.00	1,664,414.30	(16,270,616.45)				601,915.85
Allowance for Impairment Losses on Loans	4,706,524,545.94	(58,830,523.89)	(39,174,064.39)	635,687.25	13,471,085.22		4,595,684,559.69
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees		58,830,523.89	127,783,979.43				186,614,503.32
Allowance for Impairment on Debt Investments		378,286,675.06	317,604,331.41				695,891,006.47
Allowance for Impairment on Other Debt Investments		240,443,435.00	(382,652.55)				240,060,782.45
Allowance for Impairment on Available-for-sale Financial Assets	239,016,248.50	(239,016,248.50)					
Allowance for Impairment on Held-to-maturity Investments	7,027,761.40	(7,027,761.40)					
Allowance for Impairment on Investment Classified as Receivable	434,737,007.21	(434,737,007.21)					
Allowance for Impairment on Intangible Assets	1,357,053.33						1,357,053.33
Allowance for Impairment on Fixed Assets	71,587.53						71,587.53
Total	6,186,730,589.70	63,076,007.25	831,010,733.37	652,750.35	17,063.10	13,471,085.22	7,067,981,932.35

(XIV) Due to the Central Bank

Category	The Company	
	31 December, 2020	31 December, 2019
Due to the Central Bank	2,624,070,103.61	720,157,360.65
Interest Payable	157,300.01	131,083.34
Total	2,624,227,403.62	720,288,443.99

Item	The Bank	
	31 December, 2020	31 December, 2019
Due to the Central Bank	2,527,107,003.61	674,157,360.65
Interest Payable		
Total	2,527,107,003.61	674,157,360.65

(XV) Due to Banks and Other Financial Institutions

Category	The Company	
	31 December, 2020	31 December, 2019
Domestic Interbank	12,882,403,431.55	15,525,366,595.07
Overseas Interbank	11,479,346,797.44	29,948,006,939.93
Deposits with other Financial Institutions	26,879,237,079.39	13,780,579,224.94
Interest Payable	279,593,615.77	301,193,430.94
Total	51,520,580,924.15	59,555,146,190.88

Category	The Bank	
	31 December, 2020	31 December, 2019
Domestic Interbank	13,421,388,511.81	15,820,594,226.50
Overseas Interbank	11,479,346,797.44	29,948,006,939.93
Deposits with other Financial Institutions	26,879,237,079.39	13,780,579,225.03
Interest Payable	279,698,569.10	301,198,083.26
Total	52,059,670,957.74	59,850,378,474.72

(XVI) Placements from Banks and Other Financial Institutions

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Due from Banks	1,000,000,000.00	2,000,000,000.00
Interest Payable	464,722.22	1,034,444.44
Total	1,000,464,722.22	2,001,034,444.44

(XVII) Financial Assets Sold under Repurchase Agreements**1. Classification by Collateral**

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Bonds	18,238,316,276.01	9,811,930,959.83
Notes	3,325,327,790.96	11,161,700,347.92
Interest Payable	8,324,456.68	4,198,302.53
Total	21,571,968,523.65	20,977,829,610.28

2. Classification by Counterparty

Counterparty	The Company and the Bank	
	31 December, 2020	31 December, 2019
Interbank	3,325,327,790.96	11,161,700,347.92
Other Financial Institutions	18,246,640,732.69	9,816,129,262.36
Total	21,571,968,523.65	20,977,829,610.28

In the transaction of financial assets sold under repurchase agreements, the financial assets transferred as collateral are not de-recognized.

(XVIII) Due to Customers**1. Classification**

Item	The Company	
	31 December, 2020	31 December, 2019
Principal	193,958,546,160.92	180,991,784,604.47
Interest Payable	4,185,286,964.40	3,168,186,290.25
Total	198,143,833,125.32	184,159,970,894.72

Item	The Bank	
	31 December, 2020	31 December, 2019
Principal	192,052,997,642.45	179,508,534,718.36
Interest Payable	4,135,543,189.12	3,136,901,230.02
Total	196,188,540,831.57	182,645,435,948.38

2. Details of Principal Balance (Excluding Interest Payable)

Item	The Company	
	31 December, 2020	31 December, 2019
I. Corporate Deposits	118,682,325,096.25	118,894,769,090.56
Corporate Fixed Deposits	70,265,231,948.88	64,450,995,771.81
Corporate Demand Deposits	38,039,625,185.91	39,181,948,244.38
Fiscal Deposits	80,636,835.69	31,607,027.56
Other Deposits	578,454,837.48	5,085,597,261.74
Margin Received	9,718,376,288.29	10,144,620,785.07
II. Personal Deposits	75,276,221,064.67	61,189,015,513.91
Fixed Savings Deposits	55,474,517,026.22	42,082,087,682.40
Demand Savings Deposits	19,801,704,038.45	19,106,927,831.51
III. Structured Deposits		908,000,000.00
Total	193,958,546,160.92	180,991,784,604.47

Category	The Bank	
	31 December, 2020	31 December, 2019
I. Corporate Deposits	118,065,776,713.04	118,323,482,022.10
Corporate Fixed Deposits	69,742,548,497.16	63,970,942,081.64
Corporate Demand Deposits	37,968,784,070.80	39,119,088,561.57
Fiscal Deposits	75,529,319.08	23,520,066.63
Other Deposits	578,454,837.48	5,085,597,261.74
Margin Received	9,700,459,988.52	10,124,334,050.52
II. Personal Deposits	73,987,220,929.41	60,277,052,696.26
Fixed Savings Deposits	54,436,004,008.93	41,378,786,466.01
Demand Savings Deposits	19,551,216,920.48	18,898,266,230.25
III. Structured Deposits		908,000,000.00
Total	192,052,997,642.45	179,508,534,718.36

3. See Note IX / (II) / (6) for the details of the deposits of shareholders with 5% or above of shares of the Company as at 31 December, 2020.

(XIX) Employee Compensation Payable

1. Presentation of Employee Compensation Payable

Category	The Company			
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period	Balance as at the End of the Year
Short-term Compensation	30,024,240.59	940,954,410.78	932,530,035.03	38,448,616.34
Post-employment Benefits- defined Contribution Plans		70,249,141.67	70,249,141.67	
Dismissal Benefits		143,095.18	143,095.18	
Other Benefits Due within One Year				
Total	30,024,240.59	1,011,346,647.63	1,002,922,271.88	38,448,616.34

Category	The Bank			
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period	Balance as at the End of the Year
Short-term Compensation	29,531,759.34	921,720,586.45	913,436,540.32	37,815,805.47
Post-employment Benefits- defined Contribution Plans		68,830,593.44	68,830,593.44	
Dismissal Benefits		143,095.18	143,095.18	
Other Benefits Due within One Year				
Total	29,531,759.34	990,694,275.07	982,410,228.94	37,815,805.47

2. Presentation of Short-term Compensation

Category	The Company		
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period
(1) Salary, Bonus, Allowance and Subsidy		724,234,839.19	724,234,839.19
(2) Employee Welfare		54,371,138.64	54,371,138.64
(3) Social Insurance Premiums		57,363,531.61	57,363,531.61
Including: Medical Insurance Premiums		52,187,168.14	52,187,168.14

Continued

Category	The Company			
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period	Balance as at the End of the Year
Work-related Injury Insurance Premiums		683,974.57	683,974.57	
Maternity Insurance Premiums		563,556.92	563,556.92	
Others		3,928,831.98	3,928,831.98	
(4) Housing Provident Funds		70,551,285.68	70,385,835.68	165,450.00
(5) Labor Union Expenditures and Employee Education Expenses	30,024,240.59	24,498,600.00	16,239,674.25	38,283,166.34
(6) Short-term Compensated Absences				
(7) Short-term Profit Sharing Plans				
(8) Others		9,935,015.66	9,935,015.66	
Total	30,024,240.59	940,954,410.78	932,530,035.03	38,448,616.34

Category	The Bank			
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period	Balance as at the End of the Year
(1) Salary, Bonus, Allowance and Subsidy		710,095,294.20	710,095,294.20	
(2) Employee Welfare		52,621,301.97	52,621,301.97	
(3) Social Insurance Premiums		56,315,286.60	56,315,286.60	
Including: Medical Insurance Premiums		51,264,830.72	51,264,830.72	
Work-related Injury Insurance Premiums		677,412.33	677,412.33	
Maternity Insurance Premiums		562,945.76	562,945.76	
Others		3,810,097.79	3,810,097.79	
(4) Housing Provident Funds		69,072,782.68	68,907,332.68	165,450.00
(5) Labor Union Expenditures and Employee Education Expenses	29,531,759.34	24,029,814.30	15,911,218.17	37,650,355.47
(6) Short-term Compensated Absences				
(7) Short-term Profit Sharing Plans				
(8) Others		9,586,106.70	9,586,106.70	
Total	29,531,759.34	921,720,586.45	913,436,540.32	37,815,805.47

3. Details of Defined Contribution Plans

Category	The Company			Balance as at the End of the Year
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period	
(1) Basic Endowment Insurance Premiums		17,652,407.51	17,652,407.51	
(2) Unemployment Insurance Premiums		631,734.12	631,734.12	
(3) Enterprise Annuity Payments		51,965,000.04	51,965,000.04	
Total		70,249,141.67	70,249,141.67	

Category	The Bank			Balance as at the End of the Year
	Balance as at the Beginning of the Year	Increase in this Period	Decrease in this Period	
(1) Basic Endowment Insurance Premiums		17,381,429.75	17,381,429.75	
(2) Unemployment Insurance Premiums		622,918.84	622,918.84	
(3) Enterprise Annuity Payments		50,826,244.85	50,826,244.85	
Total		68,830,593.44	68,830,593.44	

(XX) Tax Payable

Category	The Company	
	31 December, 2020	31 December, 2019
Corporate Income Tax	97,272,309.50	296,665,827.33
Value-added Tax	60,102,185.14	66,260,767.89
City Construction and Maintenance Tax	4,239,096.43	4,648,993.15
Education Surcharges	3,051,555.72	3,334,006.18
Individual Income Tax	15,014,422.36	18,726,274.56
Stamp Tax	142,063.30	399,426.20
Others/Embankment Fee/Land Use	2,076,612.23	6,535,833.96
Total	181,898,244.68	396,571,129.27

Category	The Bank	
	31 December, 2020	31 December, 2019
Corporate Income Tax	96,974,702.04	295,417,769.78
Value-added Tax	59,231,360.97	65,748,389.96
City Construction and Maintenance Tax	4,191,381.65	4,643,576.20
Education Surcharges	3,004,311.57	3,329,792.09
Individual Income Tax	14,887,290.31	18,399,109.44

Continued

Category	The Bank	
	31 December, 2020	31 December, 2019
Stamp Tax	142,063.30	399,426.20
Others / Embankment Fee / Land Use	2,076,612.23	6,535,833.96
Total	180,507,722.07	394,473,897.63

(XXI) Accrued Liabilities

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Allowance for Impairment Losses on Credit Commitments	191,998,643.80	186,614,503.32
Total	191,998,643.80	186,614,503.32

(XXII) Bonds Payable**1. Classification of Bonds Payable**

Category	The Company and the Bank	
	31 December, 2020	31 December, 2019
Green Financial Bonds, the First Issue in 2017		100,000,000.00
Green Financial Bonds, the First Issue in 2018	400,000,000.00	400,000,000.00
Interbank Negotiable Certificates of Deposit	36,719,165,212.60	30,529,540,152.12
Interest Payable	11,316,666.46	11,316,666.54
Total	37,130,481,879.06	31,040,856,818.66

2. Green Financial Bonds

The first issue of green finance bonds in 2017 had been redeemed on 20 December, 2020.

The first issue of green financial bonds in 2018 was released on 24 May, 2018, at an annually paid nominal rate of 4.85% for a period of three years.

All green financial bonds issued by the Company are all used for granting loans for the projects of green industry.

3. Interbank Negotiable Certificates of Deposit

As at 31 December, 2020, the Company (the Bank) had issued 141 interbank negotiable certificates of deposit in a total nominal value of RMB 37,200,000,000.00, which were all measured by amortized costs (70 interbank negotiable certificates of deposit as at 31 December, 2019 in a total nominal value of RMB 30,780,000,000.00).

(XXIII) Other Liabilities**1. Details of Balance**

Category	The Company	
	31 December, 2020	31 December, 2019
Dividends Payable	30,216.54	31,842.10
Other Payables	3,358,913,552.54	4,320,904,482.97
Liquidation Funds	23,046,007.41	127,741,941.32
Liabilities from Agency Business	159,985,302.61	190,906,653.45
Profit and Loss of Properties to be Settled	89,790.58	125,924.48
Total	3,542,064,869.68	4,639,710,844.32

Category	The Bank	
	31 December, 2020	31 December, 2019
Dividends Payable	30,216.54	31,842.10
Other Payables	3,358,281,577.66	4,319,458,156.26
Liquidation Funds	23,046,007.41	127,471,290.87
Liabilities from Agency Business	159,985,302.61	190,906,653.45
Profit and Loss of Properties to be Settled	89,790.58	125,924.48
Total	3,541,432,894.80	4,637,993,867.16

2. Other Payables**(1) Details of Balance**

Category	The Company	
	31 December, 2020	31 December, 2019
Payment Suspended for a Long Time	17,550,775.89	18,570,216.23
Temporary Payables	687,054,085.46	522,006,130.78
Wages Paying Payables and Settlement Funds	2,654,308,691.19	3,780,328,135.96
Total	3,358,913,552.54	4,320,904,482.97

Category	The Bank	
	31 December, 2020	31 December, 2019
Payment Suspended for a Long Time	17,536,863.16	18,531,303.05
Temporary Payables	686,442,344.79	520,896,250.65
Wages Paying Payables and Settlement Funds	2,654,302,369.71	3,780,030,602.56
Total	3,358,281,577.66	4,319,458,156.26

(2) As at 31 December, 2020, there were no other dues from shareholders with 5% or above of shares of the Company.

(XXIV) Share Capital

The equity structure of the Company and the Bank on the balance sheet date is as follows:

Name of Investor	31 December, 2019		31 December, 2020	
	Investment Amount	Ratio (%)	Investment Amount	Ratio (%)
CNPC Capital Limited Company	7,930,712,499.85	77.09	7,930,712,499.85	77.09
Other State-owned Shareholders	2,079,743,152.52	20.21	2,078,861,197.48	20.20
Collective Capital	276,475,083.12	2.69	277,357,038.16	2.70
Private Capital	948,522.94	0.01	948,522.94	0.01
Total	10,287,879,258.43	100.00	10,287,879,258.43	100.00

(XXV) Capital Reserve

Item	The Company			31 December, 2020
	1 January, 2019	Increase in this Period	Decrease in this Period	
1. Capital Premium (Stock Premium)				
(1) Capitals Invested by Investors	10,192,889,490.69			10,192,889,490.69
(2) Impact of Business Combination under the Same Control				
(3) Others	101,223.81			101,223.81
Subtotal	10,192,990,714.50			10,192,990,714.50
2. Other Capital Reserves				
Total	10,192,990,714.50			10,192,990,714.50

Item	The Bank			31 December, 2020
	1 January, 2019	Increase in this Period	Decrease in this Period	
1. Capital Premium (Stock Premium)				
(1) Capitals Invested by Investors	10,192,889,490.69			10,192,889,490.69
(2) Impact of Business Combination under the Same Control				
(3) Others				
Subtotal	10,192,889,490.69			10,192,889,490.69
2. Other Capital Reserves				
Total	10,192,889,490.69			10,192,889,490.69

(XXVI) Other Comprehensive Income

Item	The Company			
	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the End of the Last Year	Amount Incurred in this Period	Amount Attributable to the Shareholders of the Parent Company After Tax	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the End of the Year
I. Other Comprehensive Income that May Not be Reclassified Subsequently to Profit or Loss		Less: Amount Previously Recognized in Other Comprehensive Income and then Transferred into Current Profits and Losses		
II. Other Comprehensive Income that May be Reclassified Subsequently to Profit or Loss				
Including: Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	58,737,455.30	(299,348,820.73)	(44,902,323.11)	(231,775,557.52)
Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	203,849,394.87	2,124,714.88	145,389.72	204,859,455.23
Shares Enjoyed by the Invested Units in Other Comprehensive Income that May be Reclassified Subsequently to Profit or Loss under the Equity Method	(173.36)			(173.36)
Total Other Comprehensive Income	262,586,676.81	(632,639,441.78)	(44,756,933.39)	(26,916,275.65)

Item	The Bank			
	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the End of the Last Year	Amount Incurred in this Period	Amount Attributable to the Shareholders of the Parent Company After Tax	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the End of the Year
		Less: Amount Previously Recognized in Other Comprehensive Income and then Transferred into Current Profits and Losses	Less: Income Tax	
I. Other Comprehensive Income that May Not be Reclassified Subsequently to Profit or Loss				
II. Other Comprehensive Income that May be Reclassified Subsequently to Profit or Loss				
Including: Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	58,737,455.30	(299,348,820.73)	(44,902,323.11)	(231,775,557.52)
Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	203,849,394.87	2,124,714.88	145,389.72	204,859,455.23
Total Other Comprehensive Income	262,586,850.17	(298,379,555.93)	(44,756,933.39)	(26,916,102.29)

(XXVII) Surplus Reserve

Surplus Reserve of the Company and the Bank

Item	31 December, 2019	Withdrawal in this Period	31 December, 2020
Statutory Surplus Reserve	2,469,945,263.01	290,969,037.86	2,760,914,300.87

Item	31 December, 2018	Adjustments for Changes in Accounting Policies	Withdrawal in this Period	31 December, 2019
Statutory Surplus Reserve	2,116,209,057.06	(5,361,460.62)	359,097,666.57	2,469,945,263.01

(XXVIII) General Risk Preparation

Item	The Company		
	31 December, 2019	Withdrawal in this Period	31 December, 2020
General Risk Preparation	4,522,306,530.86	39,230,268.91	4,561,536,799.77

Item	The Company		
	31 December, 2018	Withdrawal in this Period	31 December, 2019
General Risk Preparation	4,298,001,046.13	224,305,484.73	4,522,306,530.86

Item	The Bank		
	31 December, 2019	Withdrawal in this Period	31 December, 2020
General Risk Preparation	4,511,466,714.70	39,230,268.91	4,550,696,983.61

Item	The Bank		
	31 December, 2018	Withdrawal in this Period	31 December, 2019
General Risk Preparation	4,287,161,229.97	224,305,484.73	4,511,466,714.70

According to the stipulations in the *Administrative Measures for the Provision of Reserves by Financial Enterprises* (C.J. [2012] No. 20), the Company established general risk preparation on the basis of withdrawal of allowance for asset impairment to cover the potential possible losses which are unidentified by the Bank and related with the risk assets. The assets of financial enterprises for bearing risks and losses include deposits with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, debt investments, other debt investments, long-term equity investments, debt-offsetting assets, other receivables, etc. As at 31 December, 2020, the general risk preparation after withdrawal by the Company according to the above Administrative Measures shall not be less than 1.50% of the balance of year-end risk assets.

(XXIX) Undistributed Profits

Item	The Company	
	2020	2019
Balance as at the Beginning of the Year	4,946,259,302.25	3,297,238,734.44
Changes in Accounting Policies		(48,253,145.54)
Add: Net Profit Attributable to the Owners of the Parent Company in this Period	2,910,981,904.77	3,587,237,530.43
Less: Withdrawal of Statutory Surplus Reserve	290,969,037.86	359,097,666.57
Withdrawal of General Risk Preparation	39,230,268.91	224,305,484.73
Distributions to Owners	1,460,878,854.65	1,306,560,665.78
Balance as at the End of the Year	6,066,163,045.60	4,946,259,302.25

Item	The Bank	
	2020	2019
Balance as at the Beginning of the Year	4,882,362,935.95	3,229,603,198.20
Changes in Accounting Policies		(48,253,145.54)
Add: Net profit in this Period	2,909,690,378.63	3,590,976,700.37
Less: Withdrawal of Statutory Surplus Reserve	290,969,037.86	359,097,666.57
Withdrawal of General Risk Preparation	39,230,268.91	224,305,484.73
Distributions to Owners	1,460,878,854.65	1,306,560,665.78
Balance as at the End of the Year	6,000,975,153.16	4,882,362,935.95

According to the resolutions at the 2019 general meeting of shareholders of the Bank, the dividends were distributed as 45.1% of the profit available for dividends in 2019. In the first half of the year, dividends of RMB 720,151,548.09 had been distributed, and dividends of RMB 720,151,548.08 had been distributed in the second half of the year. The cash dividends in total RMB 720,151,548.08 (tax included) are to be distributed at RMB 0.70/10 shares (tax included) based on the total 10,287.8793 million capital shares as at 31 December, 2019.

Upon the resolution of the first extraordinary general meeting in 2020, the cash dividends distributed at RMB 0.72/10 shares (tax included) from the profit available for distribution of the first half of year 2020 were RMB 740,727,306.57 (tax included).

(XXX) Minority Interests

Subsidiaries	Proportion of Minority Interests	31 December, 2020	31 December, 2019
Leshan Kunlun Rural Bank	20.00%	15,980,795.10	15,980,338.81
Tacheng Kunlun Rural Bank	53.27%	79,464,270.17	77,985,462.71
Total		95,445,065.27	93,965,801.52

(XXXI) Net Interest Income

Item	The Company	
	2020	2019
Interest Income	10,765,675,216.38	10,695,652,715.77
Deposits with Banks and Other Financial Institutions	222,466,560.50	526,637,926.06
Deposits with the Central Bank	356,144,836.19	366,963,338.10
Placements with Banks and Other Financial Institutions	1,258,777,807.58	1,275,687,528.62
Financial Assets Held under Resale Agreements	170,613,702.08	461,911,315.43
Loans and Advances to Customers	6,562,848,601.68	6,070,537,901.17
Including: Corporate Loans and Advances	3,758,759,103.40	3,649,777,897.00
Loans and Advances to Individuals	1,522,261,118.50	1,075,303,441.44
Notes Discounted	1,281,828,379.78	1,345,456,562.73
Debt Instrument Investments	2,194,823,708.35	1,993,914,706.39
Interest Expenses	6,825,791,629.56	6,430,865,791.77
Due to Banks and Other Financial Institutions	1,196,488,834.06	1,451,245,580.95
Due to the Central Bank	29,958,642.20	20,497,479.47
Placements from Banks and Other Financial Institutions	16,464,194.44	18,769,499.99
Due to Customers	4,118,313,378.44	3,388,484,404.41
Financial Assets Sold under Repurchase Agreements	533,212,560.02	494,300,485.03
Debt Securities Issued	931,354,020.40	1,057,568,341.92
Net Interest Income	3,939,883,586.82	4,264,786,924.00

Item	The Bank	
	2020	2019
Interest Income	10,672,851,355.84	10,610,650,614.36
Deposits with Banks and Other Financial Institutions	217,610,344.22	522,843,356.21
Deposits with the Central Bank	354,350,563.12	365,233,066.06
Placements with Banks and Other Financial Institutions	1,258,777,807.58	1,275,687,528.62
Financial Assets Held under Resale Agreements	170,613,702.08	461,911,315.43
Loans and Advances to Customers	6,476,675,230.49	5,991,060,641.65
Including: Corporate Loans and Advances	3,744,213,788.31	3,637,244,818.06
Loans and Advances to Individuals	1,450,633,062.40	1,008,359,260.86
Notes Discounted	1,281,828,379.78	1,345,456,562.73
Debt Instrument Investments	2,194,823,708.35	1,993,914,706.39
Interest Expenses	6,781,567,346.96	6,403,599,177.99
Due to Banks and Other Financial Institutions	1,202,619,037.82	1,456,393,360.41
Due to the Central Bank	28,235,664.09	19,090,472.52

Continued

Item	The Bank	
	2020	2019
Placements from Banks and Other Financial Institutions	16,464,194.44	18,769,499.99
Due to Customers	4,069,681,870.19	3,357,477,018.12
Financial Assets Sold under Repurchase Agreements	533,212,560.02	494,300,485.03
Debt Securities Issued	931,354,020.40	1,057,568,341.92
Net Interest Income	3,891,284,008.88	4,207,051,436.37

As mentioned in Note II \ (XXII) \ (1), the interest income of financial instruments measured at fair value through the current profits and losses was recognized in the “return on investment”.

(XXXII) Net Fee and Commission Income

Item	The Company	
	2020	2019
Fee and Commission Income	146,664,436.36	103,979,252.53
Settlement Fee Income	12,900,600.77	22,015,415.72
Agency Fee Income	31,295,731.62	29,835,017.23
Bank Card Fee Income	56,204,906.30	35,911,830.15
Foreign Exchange Settlement Fee Income	15,198,215.28	6,136,757.95
Guarantee Business Fee Income	118,514.15	448,650.75
Syndicated Loan Fee Income	26,088,864.15	5,683,962.27
Consulting Service Fee Income	931,699.39	1,159,362.12
Internet Financial Fee Income	2,662,396.71	815,644.16
Other Fee Incomes	1,263,507.99	1,972,612.18
Fee and Commission Expenses	141,501,993.22	72,186,125.06
Settlement Fee Expenses	16,711,641.63	12,134,377.72
Bank Card Fee Expenses	30,639,930.08	24,983,997.90
Agency Fee Expenses	818,251.80	895,497.72
Business Voucher Fee Expenses	1,448,349.13	3,704,905.17
Collateral Business Fee Expenses	4,276,516.65	2,330,985.67
SMS Service Fee Expenses	5,155,450.76	5,567,569.94
Internet Financial Fee Expenses	68,312,729.28	4,531,319.27
Other Agency Fee Expenses	14,139,123.89	18,037,471.67
Net Fee and Commission Income	5,162,443.14	31,793,127.47

Item	The Bank	
	2020	2019
Fee and Commission Income	145,275,460.50	103,212,454.89
Settlement Fee Income	12,862,791.71	21,972,742.94
Agency Fee Income	30,014,451.91	29,353,586.41
Bank Card Fee Income	56,138,689.14	35,911,830.15
Foreign Exchange Settlement Fee Income	15,198,215.28	6,136,757.95
Guarantee Business Fee Income	118,514.15	448,650.75
Syndicated Loan Fee Income	26,088,864.15	5,683,962.27
Consulting Service Fee Income	931,699.39	1,158,384.76
Internet Financial Fee Income	2,662,396.71	815,644.16
Other Fee Incomes	1,259,838.06	1,730,895.50
Fee and Commission Expenses	141,173,709.90	70,728,865.74
Settlement Fee Expenses	16,383,358.31	10,677,118.40
Bank Card Fee Expenses	30,639,930.08	24,983,997.90
Agency Fee Expenses	818,251.80	895,497.72
Business Voucher Fee Expenses	1,448,349.13	3,704,905.17
Collateral Business Fee Expenses	4,276,516.65	2,330,985.67
SMS Service Fee Expenses	5,155,450.76	5,567,569.94
Internet Financial Fee Expenses	68,312,729.28	4,531,319.27
Other Agency Fee Expenses	14,139,123.89	18,037,471.67
Net Fee and Commission Income	4,101,750.60	32,483,589.15

(XXXIII) Other Gains

Item	The Company	
	2020	2019
Government Grants	4,810,168.54	3,000.00
Withholding Fees Chargeable to Individual Income Tax Refund	1,057,447.91	553,172.38
Total	5,867,616.45	556,172.38

Item	The Bank	
	2020	2019
Government Grants	3,819,300.00	
Withholding Fees Chargeable to Individual Income Tax Refund	1,055,677.17	553,096.09
Total	4,874,977.17	553,096.09

Details about Government Grants of the Company and the Bank

Details about Government Grants	Amount	Remarks
Government running allowance and rent allowance collected by Shanghai International Business Settlement Center	2,876,000.00	Related to Income
PBOC interest rate swap reward income	1,925,768.54	Related to Income
First loan awards & subsidies of customers and loan awards & subsidies for targeted poverty alleviation collected from and transferred to increase	8,400.00	Related to Income
Total	4,810,168.54	

(XXXIV) Return on Investment

Item	The Company and the Bank	
	2020	2019
Income during the Holding Period of Interest Income of Trading Financial Assets	675,226,234.50	2,247,469,205.78
Spread Return of Trading Financial Assets	270,192,961.83	398,718,475.96
Spread Return of Other Debt Investments	101,353,676.91	33,943,988.81
Total	1,046,772,873.24	2,680,131,670.55

(XXXV) Gains from Changes in Fair Value

Item	The Company and the Bank	
	2020	2019
Trading Financial Instruments	1,012,131,976.24	52,933,364.67

(XXXVI) Gains from Disposal of Assets

Item	The Company	
	2020	2019
Gains from Disposal of Other Non-current Assets	521,693.37	
Losses from Disposal of Other Non-current Assets		(2,228,711.25)
Total	521,693.37	(2,228,711.25)

Item	The Bank	
	2020	2019
Gains from Disposal of Other Non-current Assets	521,693.37	
Losses from Disposal of Other Non-current Assets		(22,086.96)
Total	521,693.37	(22,086.96)

(XXXVII) Foreign Exchange Gains

Item	The Company and the Bank	
	2020	2019
Foreign Currency Translation Gains and Losses	(93,239,949.64)	24,396,900.15
Foreign Currency Transaction Gains and Losses	1,286,235.92	71,394,186.13
Total	(91,953,713.72)	95,791,086.28

(XXXVIII) Other Operating Income

Item	The Company	
	2020	2019
Rental Income of Other Assets	1,151,054.53	536,697.25
Others	510,325.62	8,283.69
Total	1,661,380.15	544,980.94

Item	The Bank	
	2020	2019
Rental Income of Other Assets	1,151,054.53	536,697.25
Others	510,090.53	8,120.58
Total	1,661,145.06	544,817.83

(XXXIX) Taxes and Surcharges

Item	The Company	
	2020	2019
Business Tax		5,407.80
Urban Construction Tax	23,719,586.46	24,568,315.79
Education Surcharges	10,193,074.97	10,545,406.66
Local Education Surcharges	6,795,383.50	7,030,271.01
Others	8,033,126.32	6,763,433.80
Total	48,741,171.25	48,912,835.06

Item	The Bank	
	2020	2019
Business Tax		5,407.80
Urban Construction Tax	23,585,418.62	24,499,802.12
Education Surcharges	10,115,357.16	10,507,937.58

Continued

Item	The Bank	
	2020	2019
Local Education Surcharges	6,743,571.57	7,005,291.69
Others	7,825,672.50	6,590,029.04
Total	48,270,019.85	48,608,468.23

(XL) Operating and Administrative Expenses

Item	The Company	
	2020	2019
Employee Expenses	1,011,346,647.63	1,053,046,462.69
Daily Business Expenses	296,456,632.97	331,017,553.00
Depreciation of Fixed Assets	85,719,906.76	73,927,802.76
Amortization of Long-term Unamortized Expenses	24,439,806.10	36,030,961.30
Amortization of Intangible Assets	52,399,540.45	49,436,633.33
Operating Expenses for Electronic Equipment	160,891,199.22	155,274,268.39
Security Protection Expenses	34,194,883.37	35,728,224.78
Property Management Fees	33,915,958.32	31,661,447.43
Rental Fees	280,060,872.71	274,764,289.21
Total	1,979,425,447.53	2,040,887,642.89

Item	The Bank	
	2020	2019
Employee Expenses	990,694,275.07	1,029,502,205.25
Daily Business Expenses	289,958,640.65	324,780,582.43
Depreciation of Fixed Assets	84,247,522.75	72,401,815.26
Amortization of Long-term Unamortized Expenses	23,559,689.97	35,263,953.33
Amortization of Intangible Assets	52,372,907.11	49,436,633.33
Operating Expenses for Electronic Equipment	159,500,168.67	154,106,925.50
Security Protection Expenses	32,117,321.78	33,876,584.24
Property Management Fees	33,885,244.68	31,626,202.09
Rental Fees	278,644,280.96	273,174,082.18
Total	1,944,980,051.64	2,004,168,983.61

(XLI) Loss of Credit Impairment

Item	The Company	
	2020	2019
Impairment Losses on other Assets	(53,332.74)	2,160,124.88
Impairment Losses on Deposits with Banks and Other Financial Institutions	182,182,612.82	(3,274,523.47)
Impairment Losses on Placements with Banks and Other Financial Institutions	126,128,515.50	442,670,230.00
Impairment Losses on Financial Assets Held under Resale Agreements	(601,915.85)	(16,270,616.45)
Impairment Loss on Loans and Advances Measured at Amortized Cost	379,900,647.12	(17,780,101.59)
Impairment Loss on Debt Investments	(238,813,397.83)	317,604,331.41
Impairment Loss on other Debt Investments	961,213.36	(382,652.55)
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees	5,384,140.48	127,783,979.43
Total	455,088,482.86	852,510,771.66

Item	The Bank	
	2020	2019
Impairment Losses on other Assets	(202,543.10)	2,096,255.82
Impairment Losses on Deposits with Banks and Other Financial Institutions	182,103,956.72	(3,316,729.90)
Impairment Losses on Placements with Banks and Other Financial Institutions	126,128,515.50	442,670,230.00
Impairment Losses on Financial Assets Held under Resale Agreements	(601,915.85)	(16,270,616.45)
Impairment Loss on Loans and Advances Measured at Amortized Cost	369,047,213.47	(39,174,064.39)
Impairment Loss on Debt Investments	(238,813,397.83)	317,604,331.41
Impairment Loss on other Debt Investments	961,213.36	(382,652.55)
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees	5,384,140.48	127,783,979.43
Total	444,007,182.75	831,010,733.37

(XLII) Impairment Losses on Other Assets

Item	The Company	
	2020	2019
Losses on Depreciation of Debt-offsetting Assets	740,686.00	(1,613,668.20)
Total	740,686.00	(1,613,668.20)

(XLIII) Non-operating Income

Item	The Company	
	2020	2019
Total Gains from Disposal of Non-current Assets	11,813.56	38,834.95
Including: Gains from Disposal of Fixed Assets	11,813.56	38,834.95
Income from Penalty Settlement	23,340.00	45,943.53
Income from Government Grants	4,360,615.70	3,053,029.24
Other Gains	560,114.50	1,006,625.38
Total	4,955,883.76	4,144,433.10

Item	The Bank	
	2020	2019
Total Gains from Disposal of Non-current Assets	11,813.56	38,834.95
Including: Gains from Disposal of Fixed Assets	11,813.56	38,834.95
Income from Penalty Settlement	20,006.00	31,183.53
Income from Government Grants	4,323,192.58	3,031,599.44
Other Gains	436,040.25	863,872.67
Total	4,791,052.39	3,965,490.59

Note: all the incomes from government grants were all subsidies for post stabilization received by each branch and the Leshan Kunlun Rural Bank from the local government.

(XLIV) Non-Operating Expenses

Item	The Company	
	2020	2019
Total Losses from Disposal of Non-current Assets	1,109,066.44	455,674.74
Including: Losses on Disposal of Fixed Assets	1,109,066.44	455,674.74
Donation Expenditures	2,453,311.68	2,303,205.64
Penalties and Overdue Fines	1,892.73	884,904.03
Others	11,909.71	1,354,996.60
Total	3,576,180.56	4,998,781.01

Item	The Bank	
	2020	2019
Total Losses from Disposal of Non-current Assets	1,107,164.56	412,025.39
Including: Losses on Disposal of Fixed Assets	1,107,164.56	412,025.39
Donation Expenditures	2,446,031.68	2,295,205.64

Continued

Item	The Bank	
	2020	2019
Penalties and Overdue Fines		452,131.96
Others	11,887.21	1,124,978.54
Total	3,565,083.45	4,284,341.53

(XLV) Income Tax Expenses

Item	The Company	
	2020	2019
Current Income Tax Expenses	324,850,703.3	658,024,944.06
Deferred Tax Expenses	199,985,599.43	(64,218,067.87)
Total	524,836,302.73	593,806,876.19

Item	The Bank	
	2020	2019
Current Income Tax Expenses	325,226,665.44	654,995,629.75
Deferred Tax Expenses	198,312,081.47	(60,845,859.08)
Total	523,538,746.91	594,149,770.67

Relationship between Income Tax and Profit of This Year

Item	The Company	
	2020	2019
Total Profits	3,437,297,471.25	4,182,517,195.86
Income Tax Expenses Calculated Upon Statutory / Applicable Tax Rate	515,594,620.69	627,377,579.38
Affects from Different Tax Rates Applicable to Subsidiaries	91,073.50	537,624.76
Affects from Adjustments to Income Taxes of Previous Period	16,202,704.81	8,712,932.55
Affects from Non-taxable Income	(76,140,893.18)	(123,925,826.23)
Affects from Non-deductible Costs, Fees and Losses	69,088,796.91	83,455,729.67
Effect of Deductible Loss of Unrecognized Deferred Tax Assets at the Prior Period of Use		
Effect of Deductible Temporary Differences or Deductible Loss of Deferred Tax Assets Unrecognized in the Current Period		(2,351,163.94)
Total	524,836,302.73	593,806,876.19

Item	The Bank	
	2020	2019
Total Profits	3,433,229,125.54	4,185,126,471.04
Income Tax Expenses Calculated Upon Statutory / Applicable Tax Rate	514,984,368.83	627,768,970.66
Affects from Different Tax Rates Applicable to Subsidiaries		
Affects from Adjustments to Income Taxes of Previous Period	17,199,743.87	8,654,870.62
Affects from Non-taxable Income	(76,140,893.18)	(123,876,298.95)
Affects from Non-deductible Costs, Fees and Losses	67,495,527.39	81,602,228.34
Total	523,538,746.91	594,149,770.67

(XLVI) After-tax Amount of Other Comprehensive Income

Item	The Company and the Bank	
	2020	2019
1. Change (Loss) Amount in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	(634,764,156.66)	127,720,374.70
Affects from Income Tax for Changes in Fair Value	(44,902,323.11)	9,579,028.10
Net Amount Previously Recognized in Other Comprehensive Income and then Transferred into Current Profits and Losses	(299,348,820.73)	63,860,187.35
Subtotal	(290,513,012.82)	54,281,159.25
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	2,124,714.88	(1,679,317.92)
Affects from Income Tax for Allowance for Impairment	145,389.72	(125,948.84)
Net Amount Included in the current Profits and Losses	969,264.80	(839,658.96)
Subtotal	1,010,060.36	(713,710.12)
Total	(289,502,952.46)	53,567,449.13

(XLVII) Earnings per Share**1. Table of Earnings per Share**

Item	The Company			
	2020 (RMB / Share)		2019 (RMB / Share)	
	Diluted Earnings per Share	Basic Earnings per Share	Diluted Earnings per Share	Basic Earnings per Share
Net Profit Attributable to Ordinary Shareholders of the Company	0.28	0.28	0.35	0.35

Process of Basic Earnings per Share and Diluted Earnings per Share

Item	The Company	
	2020	2019
Net Profit Attributable to the Shareholders of the Parent Company	2,910,981,904.77	3,587,237,530.43
Net Profit After Deduction of Non-recurring Gains and Losses	2,904,894,318.58	3,589,131,168.36
Total Shares at the Beginning of the Period (Share)	10,287,879,258.43	10,287,879,258.43
New Shares Issued during the Period (Share)		
Number of Months within the Period	12	12
Number of Months From the End of Share Issuing Month to the End of the Period		
Weighted Average of Outstanding Ordinary Shares (Share)	10,287,879,258.43	10,287,879,258.43
Weighted Average of Earnings per Share (RMB)	0.28	0.35
Basic Earnings per Share after Deduction of Non-recurring Gains and Losses (RMB)	0.28	0.35

There was no diluted potential ordinary share from year 2019 to year 2020, so that the diluted earnings per share was equal to the basic earnings per share.

2. Return on Equity

Item	The Company	
	2020	2019
Net Profit Attributable to the Shareholders of the Parent Company	2,910,981,904.77	3,587,237,530.43
Net Profit After Deduction of Non-recurring Gains and Losses	2,904,894,318.58	3,589,131,168.36
Net Assets as at the End of the Year	33,842,567,843.52	32,681,967,745.86
Weighted Average of Net Assets	33,657,463,971.55	31,713,795,498.67
Weighted average ROE	8.65%	11.31%
Weighted Average ROE After Deduction of Non-recurring Gains and Losses	8.63%	11.32%

Item	Fully Diluted Return on Equity of the Company	
	2020	2019
Net Profit Attributable to Ordinary Shareholders of the Company	8.60%	10.98%
Net Profit Attributable to Ordinary Shareholders of the Company after Deduction of Nonrecurring Gains and Losses	8.58%	10.98%

(XLVIII) Notes to the Statement of Cash Flows**1. Other Cash Receipts Relating to Operating Activities**

Item	The Company	
	2020	2019
Temporary Receipts to be Transferred	521,693.37	419,711,729.97
Government Grants	10,228,232.15	3,609,201.62
Rental Income	1,661,380.15	544,980.94
Others	595,268.06	557,412,406.58
Total	13,006,573.73	981,278,319.11

Item	The Bank	
	2020	2019
Temporary Receipts to be Transferred	521,693.37	306,516,305.80
Government Grants	9,198,169.75	3,584,695.53
Rental Income	1,661,145.06	544,817.83
Others	467,859.81	441,256,134.55
Total	11,848,867.99	751,901,953.71

2. Other Cash Payments Relating to Operating Activities

Item	The Company	
	2020	2019
Payments to be Cleared or Settled	1,250,926,833.08	
Non-operating Expenses (Exclusive of Losses from Disposal of Assets)	2,467,114.12	4,543,106.27
Payments for Business Expenses	805,519,240.59	828,445,782.81
Others	107,449,900.14	239,489.86
Total	2,166,363,087.93	833,228,378.94

Item	The Bank	
	2020	2019
Payments to be Cleared or Settled	1,275,049,130.72	
Non-operating Expenses (Exclusive of Losses from Disposal of Assets)	2,457,918.89	3,872,316.14
Payments for Business Expenses	773,452,978.18	817,564,376.44
Others	86,021,937.55	185,501.74
Total	2,136,981,965.34	821,622,194.32

(II) Supplementary Information to the Statement of Cash Flows**1. Cash and Cash Equivalents**

Item	The Company	
	2020	2019
I. Cash	15,637,062,148.72	43,725,307,008.88
Including: Cash on Hand	339,716,495.00	330,693,238.31
Deposits with the Central Bank Available for Payment	235,575,960.01	2,164,998,732.46
Deposits with Banks and Other Financial Institutions with the Contract Period within Three Months	11,261,769,693.71	19,529,615,038.11
Loans to Banks and Other Financial Institutions with the Contract Period within Three Months	3,800,000,000.00	21,700,000,000.00
II. Cash Equivalents	9,438,959,344.24	13,328,569,235.22
Including: Financial Assets Held under Resale Agreements Due within Three Months Upon Acquisition		999,600,000.00
Financial Assets Held for Trading Due within Three Months Upon Acquisition	9,438,959,344.24	12,328,969,235.22
III. Balance of Cash and Cash Equivalents at the End of the Period	25,076,021,492.96	57,053,876,244.10

Item	The Bank	
	2020	2019
I. Cash	15,269,164,324.76	43,816,336,307.04
Including: Cash on Hand	332,107,115.60	318,258,780.61
Deposits with the Central Bank Available for Payment	204,548,276.71	2,151,695,336.85
Deposits with Banks and Other Financial Institutions with the Contract Period within Three Months	10,932,508,932.45	19,646,382,189.58
Loans to Banks and Other Financial Institutions with the Contract Period within Three Months	3,800,000,000.00	21,700,000,000.00
II. Cash Equivalents	9,438,959,344.24	13,328,569,235.22
Including: Financial Assets Held under Resale Agreements Due within Three Months Upon Acquisition		999,600,000.00
Financial Assets Held for Trading Due within Three Months Upon Acquisition	9,438,959,344.24	12,328,969,235.22
III. Balance of Cash and Cash Equivalents at the End of the Period	24,708,123,669.00	57,144,905,542.26

2. Net Profit Adjusted to Cash Flows from Operating Activities

Item	The Company	
	2020	2019
1. Net Profit of the Parent Company in this Period	2,910,981,904.77	3,587,237,530.43
Minority Interest Income	1,479,263.75	1,472,789.24
Net Profit (Loss Is Indicated in “()”)	2,912,461,168.52	3,588,710,319.67
Add: Allowance for Impairment on Assets	455,829,168.86	850,897,103.46
Depreciation of Fixed Assets	85,719,906.76	73,927,802.76
Amortization of Intangible Assets	52,399,540.45	49,436,633.33
Amortization of Long-term Unamortized Expenses	24,439,806.10	36,030,961.30
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	(521,693.37)	2,228,711.25
Losses on Retirement of Fixed Assets (Gain Is Indicated by “()”)	1,109,066.44	455,674.74
Losses from Changes in Fair Value (Income Is Indicated by “()”)	(1,012,131,976.24)	(52,933,364.67)
Investment Losses (Income Is Indicated by “()”)	(2,296,177,385.26)	(4,674,046,365.27)
Decrease in Deferred Tax Assets	7,151,893.04	(88,418,976.14)
Increase in Deferred Tax Liabilities	148,076,773.00	16,399,115.05
Decrease in Loans	(14,649,171,770.49)	(19,112,219,420.59)
Increase in Deposits	12,966,761,556.45	25,488,381,907.29
Net Decrease in Interbank Lending	(26,500,000,000.00)	13,800,000,000.00
Decrease in Operating Receivables	(3,585,073,076.37)	(12,114,107,354.53)
Increase in Operating Payables	(5,278,124,857.60)	(39,831,191,175.88)
Decrease in Other Operating Assets	(225,811,564.78)	523,245,179.79
Increase in Other Operating Liabilities	(1,132,430,868.44)	452,787,552.90
Net Cash Flow From Operating Activities	(38,025,494,312.93)	(30,990,415,695.54)
2. Changes in Net Cash and Cash Equivalents:		
Cash Balance as at the End of the Year	15,637,062,148.72	43,725,307,008.88
Less: Cash Balance as at the Beginning of the Year	43,725,307,008.88	43,217,920,776.43
Add: Cash Equivalents Balance as at the End of the Year	9,438,959,344.24	13,328,569,235.22
Less: Cash Equivalents Balance as at the Beginning of the Year	13,328,569,235.22	49,076,555,446.46
Net Increase in Cash and Cash Equivalents	(31,977,854,751.14)	(35,240,599,978.79)

Item	The Bank	
	2020	2019
1. Net Profit (Loss Is Indicated in “()”)	2,909,690,378.63	3,590,976,700.37
Add: Allowance for Impairment on Assets	444,007,182.75	831,010,733.37
Depreciation of Fixed Assets	84,247,522.75	72,401,815.26
Amortization of Intangible Assets	52,372,907.11	49,436,633.33
Amortization of Long-term Unamortized Expenses	23,559,689.97	35,263,953.33
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	(521,693.37)	22,086.96
Losses on Retirement of Fixed Assets (Gain Is Indicated by “()”)	1,107,164.56	412,025.39
Losses from Changes in Fair Value (Income Is Indicated by “()”)	(1,012,131,976.24)	(52,933,364.67)
Investment Losses (Income Is Indicated by “()”)	(2,296,177,385.26)	(4,674,046,365.27)
Decrease in Deferred Tax Assets	5,478,375.08	(85,046,767.35)
Increase in Deferred Tax Liabilities	148,076,773.00	16,399,115.05
Decrease in Loans	(14,448,114,900.51)	(18,884,476,971.12)
Increase in Deposits	12,544,462,924.09	25,186,299,868.31
Net Decrease in Interbank Lending	(26,500,000,000.00)	13,800,000,000.00
Decrease in Operating Receivables	(3,975,305,974.86)	(11,685,407,172.86)
Increase in Operating Payables	(5,135,759,111.03)	(40,024,580,193.57)
Decrease in Other Operating Assets	(233,801,719.34)	522,586,146.14
Increase in Other Operating Liabilities	(1,096,213,698.09)	452,812,162.01
Net Cash Flow From Operating Activities	(38,485,023,540.76)	(30,848,869,595.32)
2. Changes in Net Cash and Cash Equivalents:		
Cash Balance as at the End of the Year	15,269,164,324.76	43,816,336,307.04
Less: Cash Balance as at the Beginning of the Year	43,816,336,307.04	43,166,571,313.75
Add: Cash Equivalents Balance as at the End of the Year	9,438,959,344.24	13,328,569,235.22
Less: Cash Equivalents Balance as at the Beginning of the Year	13,328,569,235.22	49,076,555,446.46
Net Increase in Cash and Cash Equivalents	(32,436,781,873.26)	(35,098,221,217.95)

(L) Segment Reporting

The business of the Company covers the following four segments:

The corporate banking business refers to the banking business service provided for corporate customers, including deposits, loans, and RMB intermediary services. The personal banking business refers to the banking business service provided for personal customers, including savings, personal loans, credit card and settlement business. The capital business includes deposits/placements with banks, resale / repo business, investment business, etc. The other business refers to other branches which can't form individual reports apart from corporate business, personal business and capital business, or assets, liabilities, revenues and expenditures failing to be allocated reasonably.

Item	Corporate Banking Business	Personal Banking Business	Capital Business	Other Business	Total
I. Net Interest Income	2,361,938,834.98	734,695,826.54	843,248,925.30		3,939,883,586.82
Net Fee and Commission Income	51,550,253.95	(45,240,807.11)	(1,147,003.70)		5,162,443.14
Return on Investment			1,046,772,873.24		1,046,772,873.24
Gains from Changes in Fair Value			1,012,131,976.24		1,012,131,976.24
Foreign Exchange Gains	(91,953,713.72)				(91,953,713.72)
Gains from Disposal of Assets				521,693.37	521,693.37
Other Gains				5,867,616.45	5,867,616.45
Other Operating Income / Costs				1,527,080.15	1,527,080.15
Taxes and Surcharges	20,795,447.60	6,280,425.41	21,658,385.43	6,912.81	48,741,171.25
Operating and Administrative Expenses	776,847,068.41	439,999,804.46	761,483,916.76	1,094,657.90	1,979,425,447.53
Credit Impairment and Other Impairment	342,244,433.46	43,727,707.40	69,857,028.00	0.00	455,829,168.86
II. Operating Profit	1,181,648,425.74	199,447,082.16	2,048,007,440.89	6,814,819.26	3,435,917,768.05
Non-operating Income	0.00	0.00	0.00	4,955,883.76	4,955,883.76
Non-operating Expenses	0.00	0.00	0.00	3,576,180.56	3,576,180.56
III. Total Profits	1,181,648,425.74	199,447,082.16	2,048,007,440.89	8,194,522.46	3,437,297,471.25
Income Tax	180,424,300.22	30,453,305.27	312,707,486.69	1,251,210.55	524,836,302.73
IV. Net Profit	1,001,224,125.52	168,993,776.89	1,735,299,954.20	6,943,311.91	2,912,461,168.52
Total Assets	135,276,193,155.76	42,926,117,028.36	171,452,251,662.43	229,418,014.76	349,883,979,861.31
Total Liabilities	120,425,540,418.14	78,022,112,844.69	113,917,699,610.67	3,580,614,079.02	315,945,966,952.52
V. Supplementary Information					
Depreciation and Amortization Expenses	65,425,692.70	34,199,928.60	62,843,733.82	89,898.19	162,559,253.31
Capital Expenditure	40,808,033.34	21,331,555.98	39,197,585.52	56,072.29	101,393,247.13

Business Segments of the Company in 2019

Item	Corporate Banking Business	Personal Banking Business	Capital Business	Other Business	Total
I. Net Interest Income	2,092,466,126.41	1,199,262,196.15	973,058,601.44		4,264,786,924.00
Net Fee and Commission Income	20,865,295.22	10,927,832.25			31,793,127.47
Return on Investment			2,680,131,670.55		2,680,131,670.55
Gains from Changes in Fair Value			52,933,364.67		52,933,364.67
Foreign Exchange Gains	95,791,086.28				95,791,086.28
Gains from Disposal of Assets				(2,228,711.25)	(2,228,711.25)
Other Gains				556,172.38	556,172.38
Other Operating Income / Costs				305,491.08	305,491.08
Taxes and Surcharges	24,439,833.08	5,261,269.77	19,209,270.87	2,461.34	48,912,835.06
Operating and Administrative Expenses	730,126,228.00	296,669,113.54	1,013,382,553.08	709,748.27	2,040,887,642.89
Credit Impairment and Other Impairment	(114,624,726.30)	225,175,060.82	740,346,768.94		850,897,103.46
II. Operating Profit	1,569,181,173.13	683,084,584.27	1,933,185,043.77	(2,079,257.40)	4,183,371,543.77
Non-operating Income				4,144,433.10	4,144,433.10
Non-operating Expenses				4,998,781.01	4,998,781.01
III. Total Profits	1,569,181,173.13	683,084,584.27	1,933,185,043.77	(2,933,605.31)	4,182,517,195.86
Income Tax	222,782,244.98	96,979,953.50	274,461,172.11	(416,494.40)	593,806,876.19
IV. Net Profit	1,346,398,928.15	586,104,630.77	1,658,723,871.66	(2,517,110.91)	3,588,710,319.67
Total Assets	131,698,640,873.74	34,794,272,808.15	169,851,235,242.80	139,831,743.16	336,483,980,667.85
Total Liabilities	120,491,942,205.95	64,054,162,940.05	114,492,068,976.20	4,669,872,998.27	303,708,047,120.47
V. Supplementary Information					
Depreciation and Amortization Expenses	57,023,599.84	23,170,159.03	79,146,206.47	55,432.05	159,395,397.39
Capital Expenditure	32,684,891.92	13,280,714.40	45,365,168.31	31,772.66	91,362,547.29

VI. Contingencies, Commitments and Main Off-balance Sheet Events

(I) Contingencies Arising from Litigation

As at 31 December, 2020, the Bank as the plaintiff had 81 pending lawsuits with the amount totaling RMB 35.3754 million; while the Bank as the defendant had eight pending lawsuits with the amount totaling RMB 212.5172 million. In the opinion of the management of the Bank, the final judgment or execution results of these lawsuits will not constitute significant impacts on the financial situation or operating results of the Bank.

(II) Commitments

1. Commitments on Operating Lease

As at the end of each period, the minimum rental payments for irrevocable agreements on leasing business premises and office buildings of the Company in future are:

Item	31 December, 2020	31 December, 2019
Within 1 Year	298,206,855.15	298,736,631.61
1-2 Years	231,720,080.04	250,476,958.97
2-3 Years	60,041,221.14	83,370,657.70
3-4 Years	35,991,327.69	51,427,295.44
4-5 Years	25,507,250.50	30,290,382.11
Over 5 Years	24,915,740.40	24,044,391.25
Total	676,382,474.92	738,346,317.08

2. Capital Expenditure Commitments

Item	31 December, 2020	31 December, 2019
Decoration Work - Contract Signed	14,524,253.92	22,249,253.46
Electronic System Purchase - Contract Signed	121,913,009.88	101,995,444.13
Total	136,437,263.80	124,244,697.59

3. Commitments to Pledge of External Assets

(1) Part of the Company's assets are pledged as collaterals with other banks and financial institutions under the repurchase agreements, treasury deposit agreements, and borrowing agreements with the PBOC. At the end of each period, the party accepting the discounted notes as collaterals under a repurchase agreement is entitled to sell or re-pledge such notes. The party accepting the government bonds and financial bonds as collaterals under a repurchase agreement does not have such rights. The balances on the date of balance sheet are listed below:

Item	31 December, 2020	31 December, 2019
Bonds	19,158,970,000.00	23,397,191,000.00
Notes	5,285,524,177.22	11,855,923,594.12
Loans		9,436,000.00

(III) Main Off-balance Sheet Items About Contingent Risks

1. Banker's Acceptance Bills and Letters of Guarantee

Item	31 December, 2020		
	Amount	Margin	Margin Proportion
Banker's Acceptance Bills	8,313,589,649.02	1,627,530,731.97	19.58%
Letters of Guarantee Issued	2,367,158,813.28	529,457,320.69	22.37%
Letters of Credit Issued	1,098,309,440.10	803,242,811.92	73.13%

Item	31 December, 2019		
	Amount	Margin	Margin Proportion
Banker's Acceptance Bills	7,427,560,599.53	2,456,339,554.48	33.07%
Letters of Guarantee Issued	3,236,125,308.41	952,363,272.61	29.43%
Letters of Credit Issued	3,018,143.30	3,018,143.30	100.00%

Banker's acceptance bills belong to the credit business issued by the payee or the payer (or the applicant for acceptance), which are applied to the Company by the applicant for acceptance and examined and approved by the Company to accept commercial bills.

Letters of guarantee issued refer to the credit business that the Company promises, by issuing a letter of guarantee at the request of the applicant or the client, to the beneficiary to perform obligations or bear responsibilities as agreed in the letter of guarantee when the applicant fails to perform the obligations agreed or events committed in the contract.

The letter of credit issued refers to a written document by which the Company (issuing bank) pays a third party (beneficiary) or its designated party with a stipulated document itself or according to the requirements of a customer (applicant) under the premise of meeting the letter of credit clauses. It means that the letter of credit is a kind of conditional written document for commitment issued by the Bank.

2. Loans and Other Commitments

Item	31 December, 2020	31 December, 2019
Loan Commitments	17,062,330,929.67	15,141,871,255.78
Including: Irrevocable Loan Commitment	9,750,028,184.64	9,296,907,008.41
Credit Card's Credit Limit not Used	5,654,793,312.81	4,756,077,963.66
Total	22,717,124,242.48	19,897,949,219.44

VII. Interests in Other Entities

(I) Interests in Subsidiaries and Consolidated Structured Entities

See Note IV / (I) for the subsidiaries of the Bank.

The Company has no joint ventures.

(II) Interests in Unconsolidated Structured Entities

1. Unconsolidated Structured Entities Sponsored by the Company (the Bank)

The Company (the Bank) acquires interest income from the unconsolidated structured entities sponsored by the Company (the Bank), which mainly include the wealth management products, trust beneficiary rights (fund trust plans) and asset management plans issued and managed by independent third parties.

The book values and the maximum loss risk exposures of the assets from the interests held by the Company (the Bank) in the unconsolidated structured entities are listed as follows:

Period	Name	Book Value	Maximum Loss Exposure (Note)
31 December, 2020	Asset Management Plans	1,700,000,000.00	1,700,000,000.00
	Trust Products	11,449,259,420.79	11,449,259,420.79
	Others	30,093,032.77	30,093,032.77
Total		13,179,352,453.56	13,179,352,453.56
31 December, 2019	Wealth Management Products	715,755,947.55	715,755,947.55
	Asset Management Plans	16,363,845,662.93	16,363,845,662.93
	Trust Products	2,100,000,000.00	2,100,000,000.00
	Others	30,417,173.63	30,417,173.63
Total		19,210,018,784.11	19,210,018,784.11

Note: The maximum loss exposures of the wealth management products, asset management plans and trust products are those recognized in the balance sheet at their amortized costs or fair values.

The Company (the Bank) had not provided any financial support for such structured entities.

2. Unconsolidated Structured Entities Managed by the Company (the Bank)

Wealth Management Products

The unconsolidated structured entities managed by the Company (the Bank) are mainly the wealth management products released and managed by the Company (the Bank) as an agency. The Company (the Bank), based on the analysis and study of potential customers, designed for and provided certain fund investment and management plans to the defined target customers, and then invested the wealth management funds raised in the relevant financial markets or financial products, with the investment income allocated to the investors according to the agreements with them. The Company (the Bank) obtained the income from the sales fees and management fees. There were no significant amounts recognized in the book values of such management fees of the Company (the Bank) reflected in the consolidated balance sheets for the period ended 31 December, 2020 and 31 December, 2019. The Company (the Bank) had not recognized these structured entities in its consolidated financial statements according to the definition of "Control" in ASBE No. 33 (2014) and based on the principles specified in Note II / (XXVII) / 4.

Period	Unconsolidated Structured Entities	Total Scale (RMB)
2020	Wealth Management Products	37,311,400,793.72
2019	Wealth Management Products	30,902,408,750.00

The Company (the Bank) had not provided any financial support for such structured entities classified as wealth management products.

(III) Consolidated Structured Entities

Since the Company, as the manager or investment consultant of the following structured entities, makes investment decisions and makes full investments in them, bears the vast majority of the risks and enjoys the vast majority of variable returns of such products, the structured entities are included in the consolidated scope of the Bank's financial statements.

The book values of the recognizable assets and liabilities of these structured entities are listed as follows:

Item	Fair Value as at 31 December, 2020 (Unaudited)	Fair Value as at 31 December, 2019 (Unaudited)
Total Assets	50,307,394,207.10	44,414,342,007.82
Total Liabilities	18,335,094,207.10	10,164,342,007.82
Net Assets	31,972,300,000.00	34,250,000,000.00

The consolidated structured entities of the Company are listed as follows:

Structured Entities as at 31 December, 2020	Structured Entities as at 31 December, 2019
Bosera Funds - Bank of Kunlun Bond No. 1 Asset Management Plan	Bosera Funds - Bank of Kunlun Bond No. 1 Asset Management Plan
Truvalue Asset Management - Bank of Kunlun No. 1 Asset Management Plan	Truvalue Asset Management - Bank of Kunlun No. 1 Asset Management Plan
Harvest Fund - Bank of Kunlun Bond No. 1 Asset Management Plan	Harvest Fund - Bank of Kunlun Bond No. 1 Asset Management Plan
China Southern Asset Management - Bank of Kunlun Bond No. 1 Asset Management Plan	China Southern Asset Management - Bank of Kunlun Bond No. 1 Asset Management Plan
Penghua Fund - Bank of Kunlun Bond No. 1 Asset Management Plan	Penghua Fund - Bank of Kunlun Bond No. 1 Asset Management Plan
General China - Bond Selection No. 5 Asset Management Product	General China - Bond Selection No. 5 Asset Management Product
China Securities - Bank of Kunlun Bond No. 1 Directional Assets Management Plan	China Securities - Bank of Kunlun Bond No. 1 Directional Assets Management Plan
EverBright Securities Asset Management - Bank of Kunlun Bond No.1 Directional Assets Management Plan	EverBright Securities Asset Management - Bank of Kunlun Bond No.1 Directional Assets Management Plan
ZhongRong Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan	ZhongRong Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan
ZhongRong Fund - Bank of Kunlun Bond No. 2 Single Asset Management Plan	ZhongRong Fund - Bank of Kunlun Bond No. 2 Single Asset Management Plan
Rongtong Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan	Rongtong Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan
Rongtong Fund - Bank of Kunlun Bond No. 2 Single Asset Management Plan	Rongtong Fund - Bank of Kunlun Bond No. 2 Single Asset Management Plan
Life AMP Asset Management Co., Ltd. - Bank of Kunlun Bond No. 1 Single Asset Management Plan	Life AMP Asset Management Co., Ltd. - Bank of Kunlun Bond No. 1 Single Asset Management Plan
E Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan	E Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan
Zhong Ou Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan	Zhong Ou Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan
Bank of Beijing Scotiabank Asset - Bank of Kunlun Bond No. 1 Single Asset Management Plan	Bank of Beijing Scotiabank Asset - Bank of Kunlun Bond No. 1 Single Asset Management Plan
Bosera Funds - Kunying No.1 Asset Management Plan	
EverBright Securities Asset Management - Kunxiang No.1 Single Asset Management Plan	
Guotai Junan Securities Asset Management 2682 Single Asset Management Plan	
Life AMP Asset Management Co., Ltd. - Bank of Kunlun Bond No. 5 Single Asset Management	
Life AMP Asset Management Co., Ltd. Ruiji No. Single Asset Management Plan	
Minsheng Royal Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan	

Continued

Structured Entities as at 31 December, 2020	Structured Entities as at 31 December, 2019
Minsheng Royal Fund - Bank of Kunlun Bond No. 3 Single Asset Management Plan	
Pengyang Asset Management Co.,Ltd. - Bank of Kunlun Bond No. 1 Single Asset Management Plan	
Pengyang Asset Management Co., Ltd. - Kunze No. 2 Single Asset Management Plan	
Pengyang Asset Management Co., Ltd. - Kunze No. 3 Single Asset Management Plan	
CIB Fund Management Co.,Ltd. - Bank of Kunlun No. 1 Single Asset Management Plan	
ZhongRong Fund - Rongli No. 1 Single Asset Management Plan	
China Securities - Steady Profit Increase No. 7 Single Asset Management Plan	
General China - Bond Selection No. 7 Asset Management Product	
	General China - Bond Selection No. 3
	Dacheng Fund - Bank of Kunlun Bond No.1 Assets Management Plan
	Minsheng Royal Fund - Bank of Kunlun Bond No. 1 Single Asset Management Plan
	Life AMP Asset Management Co., Ltd._ Bank of Kunlun Bond No. 2

VIII. Risks of Financial Instruments

The goal of financial risk management of the Company is to optimize the capital configuration and maximize the benefits of shareholders within the scope of acceptable risks on the premise of the stable operation requirements of the supervision department, depositor and other stakeholders on banks. The Company analyzes, identifies, measures, monitors and reports risks by formulating risk management policies, setting appropriate risk limits and control procedures and using related information systems.

As the supreme managing and decision-making authority in the Bank's risk management structure, the Board of Directors is responsible for examining and approving the major risk management policies and procedures; the Board of Supervisors is responsible for supervising the performance and diligence of the Board of Directors and Senior Management in risk management, and urging them to make rectification; the Senior Management established ten committees: the Risk Management Committee, the Credit Risk Management Committee, the Market Risk Management Committee, the Operation Risk Management Committee, the Business Continuity Management Committee, the Case Prevention and Control Management Committee, the Anti-money Laundering Management Committee, the Internal Control Management Committee, the Credit Information Security Management Committee, and the Standardization Management Committee are responsible for implementing and supervising the risk management; the

Risk and Compliance Department at the Head Office is responsible for the overall risk management and the comprehensive promotion of risk management; the leading management departments of various risks of the Head Office are the subject of the risk management of the Bank, and responsible for recognition, measurement/assessment, monitoring/report, control/mitigation of such risks, and reporting the risk management of these risks to the Senior Management, and the comprehensive risk management department; all departments of the Head Office and branches specifically implement the policies related to risk management, recognize and manage the risks, and report the risk management work and risk events, etc. to all risk leading management departments and leading comprehensive risk management departments; the Internal Audit Department makes independent and objective supervision, inspection, appraisal and report for the risk management effect of the Bank. In this process, the Company will face various risks. The major risks are described and analyzed as follows:

(I) Credit Risks

1. Credit Risk Management

Credit risks represent the risks caused by borrowers or counterparties that fail to perform the obligations stipulated in the contract or the credit quality changes, which affects the value of financial products. Credit risks are prominent in operating activities of the Company, and the management took prudent principles on managing credit risk exposure.

The main sources of credit risk include on-balance sheet loans, capital business (including deposits and placements with banks and other financial institutions, financial assets held under resale agreements, and all kinds of investments), discount, etc.; off-balance sheet of banker's acceptance bills, letters of guarantee, letters of credit, commitments, etc.

The Company strictly observes the guidance of CBIRC regarding credit risk management and other relevant requirements; earnestly executes strategic decisions and objectives under the leadership of the Board of Directors and the Senior Management, and continuously optimizes credit procedures. The Board of Directors takes the final responsibility for the effectiveness of credit risk management. The Senior Management and its Risk Management Committee, the decision-making and coordinating authorities of the Company to manage credit risk, are responsible for the approval of action plan and the coordination for the execution of action plan. The Corporate Business Department, Industrial Financing Management Department, Investment Banking Department, Personal Banking Department, International Business Department, Financial Market Department, Network (Inclusive) Financing Department, Credit Card Center and other related departments, as the first defense line of credit risk management, are responsible for marketing, due diligence, and specific post-loan management and post-investment management. The Credit Approval Department is responsible for taking lead in the credit management work of the credit business of corporate customers of the whole bank. The Risk and Compliance Department, as the leading department for credit risk management of the whole bank, takes lead in the credit risk management, and is responsible for setting up risk preference, researching and implementing credit risk management methodology and promoting the non-performing loan management. The Internal Audit Department is responsible for

independent examination and evaluation on the appropriateness, effectiveness and efficiency of the risk management policy, mechanism and procedures.

The Company actively took advantage of the achievements of the internal rating system for credit risk, publicized and implemented the philosophy of integrated credit risk management; measured, monitored and reported risk through information management system; sufficiently used customer credit rating in approving loans; further popularized credit risk measurement tools; put corporate credit risk early warning function model into production.

The Company kept promoting the development of the credit risk management system and kept implementing these achievements. Through “home teaching”, tour guidance, field investigation, and so forth, the Company vigorously publicized and implemented the results of constructing the credit risk management system, and ensured that every risk management tool has been put into use correctly and effectively.

Credit Risk Management of Corporate Loans:

In 2020, the Company continued to promote credit culture construction, reinforced inspection and supervision, and raised the awareness of compliance and management. The Company also reinforced the collection and disposals of non-performing loans and took many measures to reduce non-performing loans including cash collection, recovering loans according to laws, and restructuring and conversion.

The Company continued to improve the credit risk management policies, rules and optimized the credit management process. In 2020, the Bank continued to conduct the credit policy in a prudent, conservative manner. It was indicated in the policy that the Company adopted classified management to different industries, offered full support for relevant industries in accordance with the Company’s development strategy and strictly controlled loan issuance to sensitive industries; actively expanded the industrial financing customer market, and the credit scale of small and micro customers and private economic customers by the exclusive products for industrial financing; steadily expanded the credit business for non-industrial financing customers, and mainly supported the Bank’s high credit rating customers and major projects of rating AA- and above. Under the unified guidance of credit policies of the Bank, each branch tried to establish its own advantages and encourage business innovation while paying close attention to potential risks in combination with the characteristics of regional economy. In addition, the Bank clarified and revised several policies and procedures involving the credit risk management; optimized the credit system and the credit management work flow; continuously improved credit approval, post-lending management and other fundamental matters.

Credit Risk Management of Investment Business:

The Company continued to strengthen the management of the duration of credit debts, tracked and reported downgrades of bond issuing bodies and major risk events that may affect the solvency of the bond issuing bodies. The Company actively disposed the bonds whose results of the credit risk investigation show

significantly deteriorated solvency and significantly increased credit risk, market inquiries and sold bonds at the right time to effectively reduce credit risk.

As to interbank investment business, the Company strictly screened counterparties and carefully judged market environment and industry dynamics to strictly control credit risks. Counterparties were dominated by quality commercial banks and trust companies with low risk of default; investment projects were dominated by the projects of state-owned and central enterprises with high repayment ability and low risk of default; investment subjects involve wide distribution of industries. For investment in real estate and platform assets, the Company strictly require pre-management of risks, effectively control business access. The real estate assets were mostly large well-known domestic real estate companies; and platform assets were dominated by national or developed areas.

Credit Risk Management of Retail Loans:

In 2020, for regulatory policy adjustments, the Company promptly adjusted and improved the implementing rules and applied differentiated management in the region where each branch was located; improved approval process for personal loan business beyond authorization and established and enhanced the personal loan business authorization mechanism; standardized the management of collateral of commercial housing mortgage loans to further control operational risk; strengthened the pre-loan investigation and post-loan management, in order to prevent from non-performing loans; strengthened troubleshoot of overall risk, reasonably decentralized the structure of products and strictly controlled the launch of high risk products. The Bank strengthened the fund flow management of consumption type and business type retail loans, and strictly prevented from irregular flow of the funds to the real estate market.

2. Credit Risk Control and Mitigation Measures

The Company regularly evaluates the existing and potential customers' repayment ability, properly adjusts credit limit, and promptly develops risk control measures to control credit risks mainly through preparing and implementing strict investigation, examination, approval and granting. Meanwhile, obtaining collateral and guarantee is also a way adopted by the Company to control credit risks.

(1) Credit Risk Limit Management

1) Loans and Advances to Customers

The Company has formulated credit management policies for corporate customers, which specify the upper credit limit of a single customer, a single group, region and industry, and specifically monitoring and managing loan borrowers. In view of working capital loans, the Company forecasts needs of working capital of customers and gradually increases the level of credit risk management in accordance with the *Administrative Measures for Working Capital Loans*.

The Company implements credit management according to personal business, corporate business, indirect syndicated loans or purchase of credit assets of other banks:

① Personal Business

The personal credit business of the Company includes personal consumption loans, personal business loans, individual housing loans and other business. For personal credit business of the Company, the Business Management Department is responsible for the control of the whole process of personal credit, strictly follows hierarchical authorization and approval, and implements real-time risk monitoring.

② Corporate Business

Corporate credit business includes short-term, medium-term and long-term loans, discount and other balance sheet credit business, issuance of Banker's acceptance bills, issuance of a letter of guarantee, a letter of credit and other off-balance sheet credit business.

With guidance of the Risk Management Committee and under the unified credit authorization of credit management department, the Bank carries out product marketing and business activities according to the variety of credit products, business characteristics and risk control; internal horizontal and vertical authorization of decision-making of loan is implemented for credit activities; implements centralized and unified monitoring on risk within the whole process, including acceptance, investigation, review, approval, granting and post-granting management of each credit activity.

③ Syndicated Loans or Purchase of Credit Assets from Other Banks

Syndicated loans, sometimes also called participated syndicated loans, refer to the syndicated loans managed by the leading bank which constitutes a consortium with the transferee and acts as the agent bank; the leading bank separately signs a loan contract with the borrower and grants loans or promises to grant loans to the borrower; then the leading bank arranges other potential banks to grant loans by transferring the remaining loans or promised loans.

Purchase of credit assets from other banks refers to interbank financing business where the Company and other banking financial institutions independently transfer unexpired credit assets within their business scope in accordance with laws and regulations according to the agreement.

The Credit Approval Department examines and approves activities of participating in syndicated loan business and buying out credit assets by the Company. The Company grants credit limits to the borrower independent of the leading bank or the transferor. The limit of transferred credit assets never exceeds that of the borrower determined by the Company. In addition, the Company carries out the relevant requirements of the China Banking and Insurance Regulatory Commission on the business of credit assets transfer and further standardize purchase of credit assets.

2) Bond Investment

The Company sets limits for bond investment portfolio, limits for issuers, limits for a single issuance and other structure limits to control credit risks of bonds at the portfolio level.

(2) Risk Mitigation Measures Include:**1) Loan Guarantees, Mortgage and Pledge**

The Company requires the borrower to provide a guarantor or mortgage and pledge as risk mitigation according to degree of credit risks. As a guarantee method, the mortgage and pledge are generally used in credit business. Mortgage and pledge accepted by the Company mainly include negotiable documents, bonds, equities, real estate, land use rights, machinery equipment, and transportation facilities.

Professional appraisal agencies designated by the Company appraise the mortgage/pledge. In the process of business review, appraisal reports issued by professional appraisal agencies are generally used as reference for decision-making.

For loans with third-party guarantee, the Company assesses the guarantor's financial position, credit records and ability to perform the obligations according to the same procedures and standards as those of the main borrower.

2) Credit Commitments

Credit commitments are mainly expected to provide customers with necessary funds. The Company issues a letter of credit, a letter of guarantee or provides irrevocable guarantee for draft acceptance; that is to say, the Company will pay the loan when the customer cannot fulfill its payment obligations to a third party, so the Company undertakes the same credit risks. In some cases, the Company will collect guarantee deposits to reduce credit risks arising from providing the service. The margin is collected at a certain percentage of committed amounts according to the customer's credit capacity, business credit rating and other risk degrees.

3) Analysis on Impairment of Credit Assets and Policies for Provision of Reserves

According to the provisions of accounting policies, if there is objective evidence that the expected future cash flows of loans have been reduced and the reduced amount can be estimated, the Company shall recognize that the customer's loan has been impaired; as a result, the provision for impairment shall be made.

3. Measurement of Expected Credit Loss**Division of Risk Phases of Financial Instruments**

The Company divides the financial instruments into three risk phases, and uses the "expected credit loss model" to respectively measure their loss reserves and recognize their expected credit losses based on whether the credit risks of financial instruments have increased significantly after the initial recognition:

Phase 1: the credit risks of financial instruments don't increase significantly after the initial recognition, the financial instruments are at Phase 1 in terms of losses, and the allowance for impairment on the financial assets is measured according to the expected credit loss of the financial assets in the next 12 months;

Phase 2: the credit risks of financial instruments increase significantly after the initial recognition, but the financial instruments are not deemed to have incurred credit impairment, the financial instruments are at Phase 2 in terms of losses, and the allowance for impairment on the financial assets is measured according to the expected credit loss amount of the financial assets in the whole estimated duration;

Phase 3: the financial instruments which have had incurred credit impairment, the financial instruments are at Phase 3 in terms of losses, and the allowance for impairment on the financial assets is measured according to the expected credit loss amount of the financial assets in the whole estimated duration.

Significant Increase of Credit Risks

The Company shall assess whether the credit risks of relevant financial instruments have increased significantly after the initial recognition at least quarterly. When dividing the risk phases of the financial instruments, the Company shall fully consider different reasonable and sound information which reflects whether the credit risks of financial instruments change significantly, including the proactive information. The main factors to be considered include the regulatory and operating environment, internal and external credit ratings, solvency, operating capacity, loan contract terms, repayment behaviors, etc.

Based on the individual financial instruments or the portfolio of financial instruments with similar credit risk characteristics, the Company determines the changes of default risks of financial instruments in the estimated duration by comparing the default risks on the balance sheet date and the default risks on the initial recognition date. The Company judges whether the credit risks of financial instruments have increased significantly after the initial recognition based on whether the probability of default of financial instruments rises substantially, the number of overdue days and whether the market price continue to decline, and other conditions showing the significant increase of credit risks.

Definitions of Default and Incurred Credit Impaired Assets

When the financial assets are impaired, the Company defines that the financial assets default. Generally speaking, it is deemed that the debtor defaults when the overdue period of any principal, advance, interest or corporate bonds invested by the Company exceeds 90 days.

To determine whether the credit impairment occurs under the Accounting Standards for Financial Instruments, the Company utilizes the definition standard which is consistent with the internal management objective of credit risks of relevant financial instruments, and mean considers the quantitative and qualitative indexes. When assessing whether the debtor has credit impairment, the Company determines the credit assets meeting one more conditions as incurred credit impaired assets.

Description of Parameters, Assumptions and Valuation Techniques

Based on whether the credit risks increase significantly, and whether the financial instruments have credit impairment, the Company recognizes the loss reserves of different financial instruments respectively by the expected credit loss within 12 months or in the whole duration.

Based on the internal rating system used by the current risk management, the Company considers the quantitative analysis and the proactive information of historical statistical data (such as counterparty rating, guarantee method and mortgage & pledge category, and repayment method) according to the requirements of the Accounting Standards for Financial Instruments, establishes the probability of default (PD), exposure at default (EAD) and loss given default (LGD) model.

For the deposits and placements with banks and other financial institutions, the Company mainly considers the interbank scale, financial position, internal and external credit risk rating results to determine the credit position of the counterparty. Considering the current unfavorable credit market condition, the Company has implemented a variety of measures to better manage and report credit risks, has regularly or irregularly convene meetings to discuss the impact of market changes on the credit risk exposure of the Company as well as counter measures, and has formulated a list of concerns based on the counterparty risks.

The credit risks of bonds originate from the changes of credit spread, default rate and loss rate as well as credit quality of underlying assets, etc. The following items aim to identify the credit risk exposure: the management of bond credit risks by the Company, the credit rating of bonds by major external agencies, internal credit ratings of bond issuers, credit quality of underlying assets of securitized products (including inspection of default rate and repayment rate), industry and region condition, loss coverage rate and counterparty risks.

For the credit risks of credit business and off-balance sheet financial instruments, the Company comprehensively considers the business types and risk characteristics, collateral types, borrower industry, etc., divides the credit assets into different portfolios, respectively estimates the probability of default (PD), loss given default (LGD) and other risk parameters of each portfolio respectively, and estimates the expected credit loss based on the risk parameters of the portfolios.

The risk parameter model method is used for the credit assets of personal customers, as well as those of corporate customers at Phase 1 and Phase 2. The discounted cash flow model method is used for the corporate credit assets at Phase 3.

In the process of portfolio classification of the credit assets, the Company first considers the risk characteristic factors such as customer type, business variety, industry type and loan usage to preliminarily group the credit assets; then analyzes the historical data of each group based on the preliminary grouping results, and make necessary adjustment or integration of the preliminary grouping results to further determine the grouping results. The grouping results will be properly adjusted according to the actual situation of the credit assets of the Company.

Proactive adjustment. Based on the forecast of future economic environment, the Company seeks the relation between the economic variable and the probability of default by the statistical method, so as to get the influence of the macroeconomic variable on the probability of default changes, so as to further make proactive adjustment of the probability of default in the combination test. The selected macroeconomic variables mainly include gross domestic product (GDP), consumer price index (CPI), producer price index (PPI) and money supply, etc., and different macroeconomic variables are selected for different credit portfolios according to the economic significance and statistical test of the model.

The impact of these economic indicators on the probability of default and the loss given default is different for different business types. The Company forecasts these economic indicators at least once per year, and determines the impact of these economic indicators on the probability of default and the loss given default by the regression analysis.

The New Accounting Standards require the measurement of expected credit loss based on the weighted average probability, and the measurement of the expected credit loss shall reflect different possibilities of the incurred credit loss but doesn't necessarily recognize all possible situations. Therefore, in the proactive adjustment of the probability of default, the Company increased or decreased 0.84 standard deviation (corresponding to confidence interval 80% of standard normal distribution) as the parameter value of optimistic or pessimistic scenario for each macroeconomic variable involved in the equation, so as to further get the probability of default under different scenarios. In view of the impact caused by COVID-19 on the macro-economic development, the weights of optimistic, benchmark and pessimistic scenarios were adjusted to 20%, 40% and 40% from the beginning of the first quarter of 2020.

Loss Given Default (LGD) and Exposure at Default (EAD)

The loss given default refers to the loss amount caused to the creditor by the debtor's default, namely, the severity of loss. For the portfolios of corporate loans, in order to guarantee the stability of impairment provision accrual, the Company determines one reference value according to the loss given default of individual tests of assets at Phase 3, and periodically monitors the changes of the loss given default of individual tests. When the loss given default deviates far from the reference value, the reference value is adjusted appropriately. The adjustment of the reference value of loss given default shall be submitted to the President's Office Meeting for deliberation. Other portfolios all use the standard loss given default of 45% issued by the China Banking and Insurance Regulatory Commission.

The exposure at default refers to total exposure of the expected on-balance sheet/off-balance sheet items in case of default of the debtor. For the on-balance sheet assets, the exposure at default refers to the mitigated amount of the book value balance of assets after deduction of the qualified credit risk mitigation instruments; for the off-balance sheet assets, the exposure at default refers to the mitigated amount of the book value balance of assets multiplied by the credit conversion factor (CCF) after deduction of the qualified credit risk mitigation instruments. For the qualified credit risk mitigation instruments and the credit conversion factor, refer to relevant CCF data in the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*.

For all the corporate credit assets at the impairment Phase 3, the impairment test is conducted one by one according to the discounted cash flow model, and for other assets at Phase 3, the expected credit loss is calculated according to $ECL=LGD \times EAD$. The discounted cash flow model is a method to calculate the present value of the cash flow at the discount rate to determine the realizable value of credit assets based on the future obtained cash flow amount of a single credit asset and the estimated result at the occurrence time.

The Company shall monitor and check the assumptions related to calculation of the expected credit loss at least once half a year, including the changes of the probability of default and the loss given default in each period.

During the reporting period, the valuation techniques or key assumptions had no significant changes.

4. Maximum Credit Risk Exposure

The Company's maximum credit risk exposure without mortgage, pledge and other credit enhancement measures as at 31 December, 2020 is listed as follows. For items in the balance sheet, risk exposure of assets is the book value on the balance sheet date.

Item	The Company	
	31 December, 2020	31 December, 2019
Credit Risk Exposure of Items in the Balance Sheet Includes:		
Deposits with Banks and Other Financial Institutions	15,569,280,327.49	27,354,176,878.09
Placements with Banks and Other Financial Institutions	41,307,731,088.58	33,731,539,492.23
Financial Assets Held under Resale Agreements	104,133,852.03	2,956,421,886.90
Loans and Advances to Customers	155,769,041,280.99	141,480,721,145.47
Trading Financial Assets	57,174,805,493.28	48,308,782,049.68
Debt Investments	35,279,646,684.35	36,393,927,595.64
Other Debt Investments	14,211,341,049.05	17,152,592,243.70
Others	877,728,353.31	681,934,092.01
Subtotal	320,293,708,129.08	308,060,095,383.72
Off-balance Sheet Credit Risk Exposure Includes:		
Banker's Acceptance Bills	8,188,885,804.28	7,316,147,190.54
Letters of Guarantee Issued	2,329,284,272.27	3,187,583,428.78
Letters of Credit Issued	1,081,834,798.50	3,018,143.30
Loans and Other Credit Commitments	22,704,178,626.03	19,871,290,004.74
Subtotal	34,304,183,501.08	30,378,038,767.36
Total	354,597,891,630.16	338,438,134,151.08

5. Concentration of Maximum Credit Risk Exposure

The capabilities of fulfilling contract obligations of a certain number of customers will be affected by the same economic trends if they conduct the same business activities, or are located within the same geographic area or classified in the same industry or similar industries. The concentration degree of credit risk reflects the sensitivity of the performance of the Company to a certain industry or geographic area.

Refer to Note V / (5) for the industries of customers to whom the Company issued loans.

6. Collaterals and Other Credit Enhancement Measures

The Company determines the amounts and types of collaterals required according to the credit risk assessments of counterparties.

The collaterals mainly include:

Notes and negotiable securities, for transactions of purchase for resale;

Real estates, inventories, equities or receivables, for commercial loans;

Residential housing for personal loans.

The management monitors the market values of such collaterals, requests to provide additional collaterals according to the related agreements, and checks the changes in the market values of collaterals during the reviews on the adequacy of loss allowances.

Item	The Company	
	31 December, 2020	31 December, 2019
Amount of Obtained Debt-offsetting Assets	48,859,396.32	18,819,167.61
Amount of Disposed Mortgage and Pledge		2,689,447.00

7. Credit Quality

(1) As at 31 December, 2020, the Risk Phases of Financial Instruments of the Company Were Divided As Follows:

Item	The Company							
	Book Balance			Provision for Expected Credit Impairment				
	Phase 1	Phase 2	Phase 3	Total	Phase 1	Phase 2	Phase 3	Total
Assets:								
Cash and Balances with the Central Bank	21,771,681,174.57			21,771,681,174.57				
Deposits with Banks and Other Financial Institutions	15,581,700,770.32	191,741,838.50	15,773,442,608.82	12,420,442.83	191,741,838.50	204,162,281.33		
Placements with Banks and Other Financial Institutions	42,726,242,334.08		42,726,242,334.08	1,418,511,245.50		1,418,511,245.50		
Financial Assets Held under Resale Agreements	104,133,852.03		104,133,852.03					
Loans and Advances to Customers	149,250,704,980.52	10,023,323,227.13	1,521,680,107.80	160,795,708,315.45	2,093,332,379.07	1,749,995,558.98	1,183,339,096.41	5,026,667,034.46
Debt Investments	35,837,947,068.03		35,837,947,068.03	457,077,608.64				457,077,608.64
Other Debt Investments	20,565,924,530.87		20,565,924,530.87	241,021,995.81				241,021,995.81
Other Assets	822,601,379.19	51,240,047.80	37,980,448.77	911,821,875.76	944,359.72	33,149,162.73		34,093,522.45
Total On-balance Sheet Credit Risk Exposure	286,660,936,089.61	10,074,563,274.93	1,751,402,395.07	298,486,901,759.61	4,222,363,671.85	1,750,939,918.70	1,408,230,097.64	7,381,533,688.19
Total Off-balance Sheet Risk Exposure	34,496,182,144.88		34,496,182,144.88	191,998,643.80				191,998,643.80
Total Credit Risk Exposure	321,157,118,234.49	10,074,563,274.93	1,751,402,395.07	332,983,083,904.49	4,414,362,315.65	1,750,939,918.70	1,408,230,097.64	7,573,532,331.99

As at 31 December, 2019, the Risk Phases of Financial Instruments of the Company Were Divided As Follows:

Item	The Company				
	Phase 1	Phase 2	Phase 3	Total	Provision for Expected Credit Impairment
Assets:					
Cash and Balances with the Central Bank	25,040,828,375.21		25,040,828,375.21		
Deposits with Banks and Other Financial Institutions	27,185,987,917.68	190,168,628.92	27,376,156,546.60	16,274,609.64	5,705,058.87
Placements with Banks and Other Financial Institutions	35,023,922,222.23		35,023,922,222.23	1,292,382,730.00	
Financial Assets Held under Resale Agreements	2,957,023,802.75		2,957,023,802.75	601,915.85	
Loans and Advances to Customers	124,224,911,627.38	20,348,243,880.23	1,592,868,313.87	146,166,023,821.48	2,698,941,634.85
Debt Investments	37,191,291,312.42		37,191,291,312.42	695,891,006.47	
Other Debt Investments	18,119,403,916.66		18,119,403,916.66	240,060,782.45	
Other Assets	652,223,728.10	26,297,443.72	37,088,830.38	715,610,002.20	15,171.77
Total On-balance Sheet Credit Risk Exposure	270,395,592,902.43	20,564,709,952.87	1,629,957,144.25	292,590,259,999.55	4,944,152,679.26
Total Off-balance Sheet Risk Exposure	30,564,653,270.68		30,564,653,270.68	186,614,503.32	
Total Credit Risk Exposure	300,960,246,173.11	20,564,709,952.87	1,629,957,144.25	323,154,913,270.23	5,130,767,182.58
					789,484,157.80
					1,236,257,852.42
					7,156,509,192.80

(2) Loans and Advances to Customers

1) Maturity Analysis of Loans and Advances to Customers Overdue But Not Impaired

Item	The Company		
	31 December, 2020		
	Corporate Loans	Personal Loans	Total
Overdue for 1-90 Days (Including 90 Days)	5,224,869.11	127,681,855.51	132,906,724.62
Overdue for 90 - 360 Days (Including 360 Days)		7,780,000.00	7,780,000.00
Overdue for 360 Days - 3 Years (Including 3 Years)			
Overdue for Over 3 Years			
Total	5,224,869.11	135,461,855.51	140,686,724.62
Allowance for Impairment	522,486.91	9,813,484.89	10,335,971.81
Net Value	4,702,382.20	125,648,370.62	130,350,752.81

Item	The Company		
	31 December, 2019		
	Corporate Loans	Personal Loans	Total
Overdue for 1-90 Days (Including 90 Days)	4,025,373.60	88,821,298.77	92,846,672.37
Overdue for 90 - 360 Days (Including 360 Days)			
Overdue for 360 Days - 3 Years (Including 3 Years)			
Overdue for Over 3 Years			
Total	4,025,373.60	88,821,298.77	92,846,672.37
Allowance for Impairment	61,185.68	1,852,061.42	1,913,247.10
Net Value	3,964,187.92	86,969,237.35	90,933,425.27

2) Classification of Loans and Advances to Customers Impaired by Guarantee Types

Guarantee Method	The Company	
	31 December, 2020	31 December, 2019
Credit Loans	139,291,325.30	104,048,252.36
Guaranteed Loans	43,278,534.61	270,067,377.62
Loans Secured by Mortgage	265,814,791.20	381,978,157.28
Loans Secured by Pledge	1,073,295,456.69	836,774,526.61
Total	1,521,680,107.80	1,592,868,313.87
Less: Allowance for Impairment	1,183,339,096.35	1,202,597,208.90
Net Value	338,341,011.45	390,271,104.97

8. Investment Bonds

Rating distribution of bonds of the Company held by external rating agencies

31 December, 2020	Bonds Held for Trading	Debt Investments	Other Debt Investments
AAA	22,199,916,069.84	1,642,930,082.41	2,240,598,016.84
AA- to AA+	16,447,487,102.56	785,668,153.43	687,150,414.92
A- to A+	2,517,388,946.23		29,975,790.00
Below A	54,684,090.41		20,271,080.00
Unrated	16,033,330,907.47	19,884,568,242.60	17,208,924,128.78
Including: National Debts	108,094,656.00	101,077,775.04	6,703,607,130.00
Local Government Bonds		113,700,000.00	
Financial Bonds	5,980,732,523.99	4,694,232,424.34	10,456,387,313.28
Asset-backed Securities	396,795,980.00	14,975,558,043.22	48,929,685.50
Fund Investment	9,547,707,747.48		
Total	57,252,807,116.51	22,313,166,478.44	20,186,919,430.54

31 December, 2019	Bonds Held for Trading	Debt Investments	Other Debt Investments
AAA	18,522,276,949.70	2,117,609,214.12	3,949,610,225.73
AA- to AA+	13,287,186,018.42	870,907,373.97	822,405,972.20
A- to A+			
Below A			
Unrated	16,738,756,460.81	15,378,401,753.81	12,992,546,528.00
Including: National Debts	985,610,500.43	101,328,502.66	951,682,450.00
Local Government Bonds		1,044,827,926.06	1,493,609,308.00
Financial Bonds	1,515,799,610.36	3,353,605,089.06	10,547,254,770.00
Asset-backed Securities	1,902,457,676.40	10,878,640,236.03	
Fund Investment	12,334,888,673.62		
Total	48,548,219,428.93	18,366,918,341.90	17,764,562,725.93

(II) Liquidity Risk

The liquidity risks refer to the risks originating from the failure of the Company to obtain adequate fund in time or at reasonable cost so as to repay the matured debts or other payment obligations and meet the needs of other funds for other normal business development. Based on the specific reasons for the generation of risks, the liquidity risk includes premature drawing risk, early withdrawal risk, delay risk, risk of mismatching the period of assets and liabilities, the risk of asset realization, the risk of operating losses, and bank liquidity risks from subsidiary related risks and the liquidity risk resulting from other system failure.

Liquidity Risk Management:

The Company has established a sound governance structure of liquidity risk management; has defined the duties of the Board of Directors, the Board of Supervisors, Senior Management and subordinate Special Committee, and the relevant administrative departments in the liquidity risk management, and has improved the strategies, policies and procedures for the liquidity risk management. The Board of Directors of the Company bears the ultimate responsibility of liquidity risk management, while other staff are in charge of their respective functions of liquidity risk management and supervision.

The Company attached great importance to the liquidity risk management. The objectives were to realize full identification, accurate measurement, continuously monitoring and effective control of the liquidity risks of the group and legal person, the subsidiaries, the branches and business lines by establishing a complete and healthy liquidity risk management system to ensure that the demands for liquidity could be satisfied at a reasonable costs under normal operating conditions and stress.

Taking into accounts the changes in internal and external situation, the Company actively promoted the management of liquidity risks in accordance with relevant regulatory requirements of the *Administrative Measures for the Liquidity Risk of Commercial Banks* (2018 CBIRC Decree No. 3) issued by China Banking and Insurance Regulatory Commission and in combination of the practical business management needs. The liquidity was abundant as a whole. During the reporting period, the Company mainly took the following measures for the liquidity risk management: firstly, improving the organizational structure of liquidity risks, optimizing the liquidity risk management system, implementing the liquidity limit management, conducting regular stress tests and carrying out emergency drills to ensure the effectiveness of emergency plans for liquidity risk management and to strengthen the liquidity risk reporting mechanism; secondly, reasonably arranging the structure of assets and liabilities to ensure a steady increase and a harmonious development of main assets and liabilities, and a substantial match of the use of the source of funds; thirdly, strengthening the management of active debts to ensure smooth financing channels including currency market, interbank deposit certificates, interbank deposits and the use of funds of PBOC, and actively expanding large-sum deposit certificates and other innovative business varieties, diversified sources of active debts and supported asset business; fourthly, making daily liquidity management, dynamically adjusting liquidity portfolio management, strengthening the liquidity excess reserve management to maintain a reasonable level of excess reserves and improve day capital management efficiency. Fifthly, actively promoting the construction of the liquidity risk management system and improving the level of automation and refinement of liquidity risk management.

1. Maturity Dates of Assets and Liabilities as at 31 December, 2020

The table below presented on the balance sheet date of 2020 presents the analysis on maturity date of assets and liabilities.

Item	The Company						Total
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
Assets:							
Cash and Balances with the Central Bank		632,527,179.06	8,876,550.08			21,130,277,445.43	21,771,681,174.57
Deposits with Banks and Other Financial Institutions		10,948,311,043.98	1,551,945,318.82	3,069,023,964.69			15,569,280,327.49
Placements with Banks and Other Financial Institutions			12,712,598,112.58	28,595,132,976.00			41,307,731,088.58
Financial Assets Held under Resale Agreements			104,133,852.03				104,133,852.03
Loans and Advances to Customers	462,769,161.82	801,026,144.43	27,110,731,330.19	68,575,758,165.83	20,923,662,403.34	37,895,094,075.38	155,769,041,280.99
Trading Financial Assets		9,547,707,747.48	50,191,501.91	5,779,582,630.14	17,010,685,213.44	24,894,733,056.31	57,282,900,149.28
Debt Investments			2,783,478,280.40	9,751,936,597.29	19,212,495,457.12	3,632,959,124.58	35,380,869,459.39
Other Debt Investments			788,915,794.85	907,520,519.84	17,753,076,972.71	1,116,181,330.00	20,565,694,617.40
Fixed Assets and Construction in Progress						472,923,299.49	472,923,299.49
Intangible Assets						116,365,044.55	116,365,044.55
Deferred Income Tax Assets						595,147,266.47	595,147,266.47
Other Assets	2,291,502.44	716,406,574.03	102,296,867.99	71,267,774.58	4,831,286.04	51,118,295.99	948,212,301.07
Total Assets	465,060,664.26	22,645,978,688.98	45,213,167,608.85	116,750,222,628.37	74,904,751,332.65	89,904,798,938.20	349,883,979,861.31
Liabilities:							
Due to the Central Bank			1,618,869,951.91	1,005,357,451.71			2,624,227,403.62

Continued

Item	The Company						Total
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
Due to Banks and Other Financial Institutions	12,988,041,027.44	15,306,620,000.00	23,225,919,896.71				51,520,580,924.15
Placements from Banks and Other Financial Institutions		1,000,464,722.22					1,000,464,722.22
Financial Assets Sold under Repurchase Agreements		3,325,327,790.96	18,246,640,732.69				21,571,968,523.65
Due to Customers	63,046,498,700.60	36,599,111,601.39	32,872,124,501.94	65,622,391,548.23	3,706,773.16	198,143,833,125.32	
Employee Compensation Payable		38,448,616.34					38,448,616.34
Tax Payable	84,625,935.18	97,272,309.50					181,898,244.68
Accrued Liabilities	37,602,372.39	44,387,715.13	91,375,279.66	8,163,104.07	10,470,172.55	191,998,643.80	
Bonds Payable		11,341,988,785.68	25,788,493,093.38				37,130,481,879.06
Deferred Tax Liabilities							
Other Liabilities	23,046,007.41	2,814,414,000.92	687,054,085.46	17,550,775.89			3,542,064,869.68
Total Liabilities	76,179,814,043.02	72,186,905,494.05	101,916,965,041.55	65,648,105,428.19	14,176,945.71	315,945,966,952.52	
Net Amount of liquidity	465,060,664.26	(53,533,835,354.04)	(26,973,737,885.20)	14,833,257,586.82	9,256,645,904.46	89,890,621,992.49	33,938,012,908.79

2. Maturity Dates of Assets and Liabilities as at 31 December, 2019

The table below presented on the balance sheet date of 2019 presents the analysis on maturity date of assets and liabilities.

Item	The Company					Total	
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years		Over 5 Years
Assets:							
Cash and Balances with the Central Bank		2,508,094,059.06	9,053,153.64			22,523,681,162.51	25,040,828,375.21
Deposits with Banks and Other Financial Institutions		18,946,896,108.99	6,166,156,452.59	2,241,124,316.51			27,354,176,878.09
Placements with Banks and Other Financial Institutions			21,178,549,492.23	12,552,990,000.00			33,731,539,492.23
Financial Assets Held under Resale Agreements			2,956,421,886.90				2,956,421,886.90
Loans and Advances to Customers	399,325,132.55	605,425,851.31	31,609,214,813.77	63,846,201,817.35	17,721,846,993.59	27,298,706,536.90	141,480,721,145.47
Trading Financial Assets		12,334,888,673.62	8,461,914,790.44	10,849,718,085.08	17,647,871,000.97		49,294,392,550.11
Debt Investments			4,458,356,348.45	10,388,857,869.94	18,151,415,143.63	3,496,770,943.93	36,495,400,305.95
Other Debt Investments			851,003,180.51	2,538,425,253.69	10,909,338,648.99	3,820,398,868.52	18,119,165,951.71
Fixed Assets and Construction in Progress						435,400,405.35	435,400,405.35
Intangible Assets						94,672,109.95	94,672,109.95
Deferred Income Tax Assets						750,375,932.51	750,375,932.51
Other Assets	7,470,104.34	591,499,185.72	37,742,588.44	38,857,979.06	6,364,234.45	48,951,542.36	730,885,634.37
Total Assets	406,795,236.89	34,986,803,878.70	75,728,412,706.97	102,456,175,321.63	64,436,836,021.63	58,468,957,502.03	336,483,980,667.85
Liabilities:							

Continued

Item	Repayment on Demand					The Company			
	Overdue	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	Total			
Due to the Central Bank		378,704,879.83	341,583,564.16			720,288,443.99			
Due to Banks and Other Financial Institutions	5,313,540,699.57	8,708,596,722.22	17,082,057,564.50	28,450,951,204.59		59,555,146,190.88			
Placements from Banks and Other Financial Institutions		2,001,034,444.44				2,001,034,444.44			
Financial Assets Sold under Repurchase Agreements		11,161,700,347.92	9,816,129,262.36			20,977,829,610.28			
Due to Customers	67,672,375,185.74	29,214,741,535.54	32,009,143,486.79	55,256,630,589.85	7,080,096.80	184,159,970,894.72			
Employee Compensation Payable		30,024,240.59				30,024,240.59			
Tax Payable		99,905,301.94	296,665,827.33			396,571,129.27			
Accrued Liabilities	51,543,185.60	40,779,631.49	75,203,542.63	10,973,484.75	8,114,658.85	186,614,503.32			
Bonds Payable		19,000,494,639.77	11,629,177,019.20	411,185,159.69		31,040,856,818.66			
Deferred Tax Liabilities									
Other Liabilities	127,741,941.32	3,971,392,555.99	522,006,130.78	18,570,216.23		4,639,710,844.32			
Total Liabilities	73,165,201,012.23	74,607,374,299.73	71,771,966,397.75	84,148,310,655.11	15,194,755.65	303,708,047,120.47			
Net Amount of liquidity	406,795,236.89	(38,178,397,133.53)	1,121,038,407.24	30,684,208,923.88	(19,711,474,633.48)	58,453,762,746.38			
						32,775,933,547.38			

3. Analysis on Maturity Date of Off-balance Sheet Credit Commitments in Each Period

31 December, 2020	The Company and the Bank						Total
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
Banker's Acceptance Bills		16,581,249.02	2,672,253,800.00	5,624,754,600.00			8,313,589,649.02
Letters of Guarantee Issued		1,881,385,413.28	186,422,900.00	52,293,000.00	247,057,500.00		2,367,158,813.28
Letters of Credit Issued		772,321,953.63	233,827,486.47	92,160,000.00			1,098,309,440.10
Loans and Other Commitments		5,654,793,312.81	805,108,935.36	4,809,310,417.24	3,283,150,140.32	8,164,761,436.75	22,717,124,242.48
Total		8,325,081,928.74	3,897,613,121.83	10,578,518,017.24	3,530,207,640.32	8,164,761,436.75	34,496,182,144.88
31 December, 2019	The Company and the Bank						Total
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
Banker's Acceptance Bills		111,670,600.00	2,678,674,799.60	4,566,867,899.93	70,347,300.00		7,427,560,599.53
Letters of Guarantee Issued		2,899,729,808.41	39,967,300.00	40,389,500.00	256,038,700.00		3,236,125,308.41
Letters of Credit Issued			2,736,000.00	282,100.00			3,018,100.00
Loans and Other Commitments		4,756,077,963.66		4,548,958,656.22	4,536,279,967.31	6,056,632,632.25	19,897,949,219.44
Total		7,767,478,372.07	2,721,378,099.60	9,156,498,156.15	4,862,665,967.31	6,056,632,632.25	30,564,653,227.38

4. Analysis on Contractual Cash Flows

The table below presents the distribution of cash flows of financial assets and financial liabilities in the balance sheet of the Company during the remaining maturity period. The remaining maturity period refers to the maturity period as at the balance sheet date to the maturity date stipulated in the contract. Amounts of items listed in each period are undiscounted contractual cash flows.

Item	Analysis on Contractual Cash Flows of the Company as at 31 December, 2020					Total	
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years		Over 5 Years
Financial Assets:							
Cash and Balances with the Central Bank		632,527,179.06	148,058,193.02	272,580,579.05	1,453,763,088.24	21,493,718,217.49	24,000,647,256.86
Deposits with Banks and Other Financial Institutions	191,741,838.51	10,957,076,705.34	1,589,327,027.77	3,124,293,630.80			15,862,439,202.42
Placements with Banks and Other Financial Institutions			13,328,280,000.00	30,272,760,000.00			43,601,040,000.00
Financial Assets Held under Resale Agreements			104,133,852.03				104,133,852.03
Loans and Advances to Customers	1,071,334,640.83	836,872,487.19	30,559,357,926.16	73,882,113,165.65	29,779,753,680.01	65,337,795,867.91	201,467,227,767.75
Trading Financial Assets		9,597,899,249.39	50,493,584.10	6,509,935,672.32	18,158,511,266.79	25,590,333,056.31	59,907,172,828.91
Debt Investments			2,794,613,698.88	9,970,374,088.17	22,242,028,395.73	3,643,743,176.90	38,650,759,359.68
Other Debt Investments			791,048,727.73	1,395,840,520.54	18,379,573,089.99	1,199,507,000.00	21,765,969,338.26
Total Financial Assets	1,263,076,479.34	22,024,375,620.98	49,365,313,009.69	125,427,897,656.53	90,013,629,520.76	117,265,097,318.61	405,359,389,605.91
Financial Liabilities:							
Due to the Central Bank			1,623,072,370.00	1,018,014,663.38			2,641,087,033.38
Due to Banks and Other Financial Institutions		12,988,041,027.44	15,620,233,581.82	23,770,000,000.00			52,378,274,609.26
Placements from Banks and Other Financial Institutions			1,000,663,888.89				1,000,663,888.89
Financial Assets Sold under Repurchase Agreements			3,330,279,499.02	18,295,298,441.31			21,625,577,940.33
Due to Customers		63,046,498,700.60	36,965,102,717.40	33,858,288,237.00	66,934,839,379.19	3,743,840.89	200,808,472,875.08
Bonds Payable			11,400,000,000.00	26,219,400,000.00			37,619,400,000.00

Continued

Item	Analysis on Contractual Cash Flows of the Company as at 31 December, 2020					Total	
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years		Over 5 Years
Total Financial Liabilities		76,034,539,728.04	69,939,352,057.13	103,161,001,341.69	66,934,839,379.19	3,743,840.89	316,073,476,346.94
Net Contractual Cash Flows in the Balance Sheet	1,263,076,479.34	(54,010,164,107.06)	(20,574,039,047.44)	22,266,896,314.84	23,078,790,141.57	117,261,353,477.72	89,285,913,258.97
Financial Assets:							
Cash and Balances with the Central Bank		2,508,094,059.06	109,126,829.00	290,555,487.00	1,549,629,264.00	22,911,088,478.51	27,368,494,117.57
Deposits with Banks and Other Financial Institutions		18,953,613,572.09	6,305,746,052.32	2,145,980,128.99			27,405,339,753.40
Placements with Banks and Other Financial Institutions			21,889,875,000.00	13,012,875,000.00			34,902,750,000.00
Financial Assets Held under Resale Agreements			2,957,023,802.75				2,957,023,802.75
Loans and Advances to Customers	1,380,352,385.68	608,896,561.71	35,406,588,087.40	67,938,578,968.42	24,223,583,404.98	36,193,747,417.28	165,751,746,825.47
Trading Financial Assets		12,334,888,673.62	9,567,460,000.00	11,417,077,878.11	19,836,910,000.00		53,156,336,551.73
Debt Investments			5,569,272,845.44	11,067,241,407.99	20,055,930,232.84	4,311,222,184.00	41,003,666,670.27
Other Debt Investments	230,000,000.00		862,974,000.00	2,704,860,724.91	11,736,604,412.84	4,268,777,000.00	19,803,216,137.75
Total Financial Assets	1,610,352,385.68	34,405,492,866.48	82,668,066,616.91	108,577,169,595.42	77,402,657,314.66	67,684,835,079.79	372,348,573,858.94
Financial Liabilities:							
Due to the Central Bank			379,607,789.14	344,402,978.57			724,010,767.71
Due to Banks and Other Financial Institutions		5,313,540,699.57	8,770,250,972.22	17,426,654,698.80	28,491,254,173.89		60,001,700,544.48
Placements from Banks and Other Financial Institutions			2,001,182,222.22				2,001,182,222.22
Financial Assets Sold under Repurchase Agreements			11,178,697,951.42	9,914,290,554.98			21,092,988,506.40
Due to Customers		67,642,058,500.00	28,900,943,560.15	31,915,255,474.09	56,561,533,875.31	7,090,688.00	185,026,882,097.55
Bonds Payable			19,080,000,000.00	11,825,400,000.00	419,400,000.00		31,324,800,000.00
Total Financial Liabilities		72,955,599,199.57	70,310,682,495.15	71,426,003,706.44	85,472,188,049.20	7,090,688.00	300,171,564,138.36
Net Contractual Cash Flows in the Balance Sheet	1,610,352,385.68	(38,550,106,333.09)	12,357,384,121.76	37,151,165,888.98	(8,069,530,734.54)	67,677,744,391.79	72,177,009,720.58

(III) Market Risks

The market risks refer to the risks that cause losses to on-balance sheet and off-balance sheet business of a bank due to adverse changes in market prices (interest rate, exchange rate, share price, commodity price, etc.). The Bank classified all on-balance sheet and off-balance sheet assets and liabilities into trading books or banking books. Trading books refer to financial instruments and commodity positions which are available for free transactions and held by the Bank for the purpose of transactions or evading the risks of other items of trading books, and other kinds of positions are transferred into banking books. In view of different book categories, corresponding methods are utilized for control. The main market risks encountered by the Bank during the operation process include interest rate risk of trading book, interest rate risk and exchange rate risk of banking book, without share price risk and commodity price risk.

1. Market Risks in the Trading Book

The Bank has established a market risk management system for trading books covering risk identification, measurement, monitoring, reporting, and controls to continuously monitor and control market risk in transactions, as well as keep the market risk of trading book within a tolerable and reasonable level of the Bank. In 2020, the Bank further promoted the application of risk measurement results in its services and management, set restrictions on positions and stop-loss, and strengthened the monitoring, early warning system and reporting of trade book market risks based on market analysis.

2. Market Risks in the Banking Book

Exchange Rate Risks

The exchange rate risks refer to the risks that cause losses to on-balance sheet and off-balance sheet business of a bank due to adverse changes in exchange rate. The exchange rate risks of the Bank were manifested as the risks of causing losses by adverse changes of exchange rate to the foreign currency exposure generated by currency structures mismatch between foreign currency assets and foreign exchange liabilities in banking book. In 2020, the Bank set the foreign exchange exposure limit, risk value limit, strengthened analysis of foreign exchange rate changes, conducted monitoring, early warning and reporting of exchange rate risk situation.

Interest Rate Risks

Due to the fluctuation in market interest rates, the Company's interest margin may increase or decrease, even causing losses as unpredictable changes. The Company mainly operates the business in compliance with the interest rate system prescribed by the PBOC. Based on historical experience, the PBOC generally adjusts benchmark interest rates of interest-bearing loans and interest-bearing deposits (but the range of changes may vary), so the Company mainly controls its interest rate risks through the distribution of the maturity date of loans and deposits.

With the development of foreign currency business of the Company, the Company pays close attention to the trend of domestic and foreign interest rates, keeps up with changes in the market interest rate and promptly adjusts allocation of assets and liabilities in domestic and foreign currencies to prevent interest rate risks to the best of its ability.

① Effects on net income and equities due to the analysis of interest rate fluctuation by the Company upon sensitivity

Effects of interest rate fluctuation on banking books:

2020			
Item	Sensitivity of Net Interest Income (in RMB 10⁴)	Sensitivity of Equities (in RMB 10⁴)	Proportion of Changes in Net Value in Net Capital
An Increase of Interest of 200 Basis Points	492,312.23	(80,400.45)	(2.1717%)

2019			
Item	Sensitivity of Net Interest Income (in RMB 10⁴)	Sensitivity of Equities (in RMB 10⁴)	Proportion of Changes in Net Value in Net Capital
An Increase of Interest of 200 Basis Points	10,346.00	(125,497.65)	(3.5284%)

② The table below summarizes the interest rate risk exposure of the Company. Assets and liabilities in the balance sheet shall be classified according to the earlier of re-pricing date of the contract and the maturity date while financial assets are measured at book value.

Analysis on interest rate risk exposure of re-pricing date or expiration date (whichever is earlier) of assets and liabilities as at 31 December, 2020

Item	The Company					Overdue / Non-accrual	Total
	Within 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years		
Assets:							
Cash and Balances with the Central Bank	292,773,960.01			21,130,277,445.43	348,629,769.13	21,771,681,174.57	
Deposits with Banks and Other Financial Institutions	12,052,511,043.98	374,760,000.00	3,063,677,638.71		78,331,644.80	15,569,280,327.49	
Placements with Banks and Other Financial Institutions	6,380,880,000.00	6,090,840,000.00	28,327,240,000.00		508,771,088.58	41,307,731,088.58	
Financial Assets Held under Resale Agreements	104,127,275.11				6,576.92	104,133,852.03	
Loans and Advances to Customers	10,017,264,553.63	27,110,731,330.19	92,802,504,797.12	10,443,883,018.92	14,684,790,205.09	155,769,041,280.99	
Trading Financial Assets	9,547,707,747.48	50,191,501.91	5,779,582,630.14	17,010,685,213.44	24,894,733,056.31	57,282,900,149.28	
Debt Investments	1,386,201,350.66	1,311,050,043.01	9,465,525,916.37	19,212,495,457.12	3,632,959,124.58	35,380,869,459.39	
Other Debt Investments	29,951,809.37	449,976,330.72	837,732,987.74	17,753,076,972.71	1,116,181,330.00	20,565,694,617.40	
Fixed Assets and Construction in Progress					472,923,299.49	472,923,299.49	
Intangible Assets					116,365,044.55	116,365,044.55	
Deferred Income Tax Assets					595,147,266.47	595,147,266.47	
Other Assets					948,212,301.07	948,212,301.07	
Total Assets	39,811,417,740.24	35,387,549,205.83	140,276,263,970.08	64,420,140,662.19	65,458,941,161.41	349,883,979,861.31	
Liabilities:							
Due to the Central Bank	426,449,132.03	1,192,420,819.88	1,005,226,368.37		131,083.34	2,624,227,403.62	

Continued

Item	The Company						Total
	Within 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	Overdue / Non-accrual	
Due to Banks and Other Financial Institutions	15,132,148,600.00	12,887,563,995.65	23,221,274,712.73			279,593,615.77	51,520,580,924.15
Placements from Banks and Other Financial Institutions	1,000,000,000.00					464,722.22	1,000,464,722.22
Financial Assets Sold under Repurchase Agreements	3,325,327,790.96		18,238,316,276.01			8,324,456.68	21,571,968,523.65
Due to Customers	89,997,635,200.00	8,501,868,600.00	31,857,849,160.92	63,597,600,800.00	3,592,400.00	4,185,286,964.40	198,143,833,125.32
Employee Compensation Payable						38,448,616.34	38,448,616.34
Tax Payable						181,898,244.68	181,898,244.68
Accrued Liabilities						191,998,643.80	191,998,643.80
Bonds Payable		11,341,988,785.68	25,777,176,426.84			11,316,666.54	37,130,481,879.06
Deferred Tax Liabilities							
Other Liabilities						3,542,064,869.68	3,542,064,869.68
Total Liabilities	109,881,560,722.99	33,923,842,201.21	100,099,842,944.87	63,597,600,800.00	3,592,400.00	8,439,527,883.45	315,945,966,952.52
Interest Rate Sensitivity Gap	(70,070,142,982.75)	1,463,707,004.62	40,176,421,025.21	822,539,862.19	65,455,348,761.41	---	---

Analysis on interest rate risk exposure of re-pricing date or expiration date (whichever is earlier) of assets and liabilities as at 31 December, 2019

Item	The Company						Total
	Within 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	Overdue / Non-accrual	
Assets:							
Cash and Balances with the Central Bank	2,177,273,732.46			22,523,681,162.51		339,873,480.24	25,040,828,375.21
Deposits with Banks and Other Financial Institutions	19,937,112,975.36	4,989,797,114.27	2,241,124,316.51			186,142,471.95	27,354,176,878.09
Placements with Banks and Other Financial Institutions	6,909,010,000.00	13,861,260,000.00	12,552,990,000.00			408,279,492.23	33,731,539,492.23
Financial Assets Held under Resale Agreements	2,933,048,019.48					23,373,867.42	2,956,421,886.90
Loans and Advances to Customers	4,511,501,285.29	8,388,893,207.89	107,882,624,046.53	7,560,827,753.99	12,510,433,924.90	626,440,926.87	141,480,721,145.47
Trading Financial Assets	12,539,552,851.09	8,257,250,612.97	10,849,718,085.08	17,647,871,000.97			49,294,392,550.11
Debt Investments	2,726,094,239.39	1,660,667,667.70	10,193,736,885.20	18,151,415,143.63	3,496,770,943.93	266,715,426.10	36,495,400,305.95
Other Debt Investments	286,102,327.03	411,312,570.49	2,337,410,310.90	10,909,338,648.99	3,820,398,868.52	354,603,225.78	18,119,165,951.71
Fixed Assets and Construction in Progress						435,400,405.35	435,400,405.35
Intangible Assets						94,672,109.95	94,672,109.95
Deferred Income Tax Assets						750,375,932.51	750,375,932.51
Other Assets						730,885,634.37	730,885,634.37
Total Assets	52,019,695,430.10	37,569,181,173.32	146,057,603,644.22	54,269,452,547.58	42,351,284,899.86	4,216,762,972.77	336,483,980,667.85
Liabilities:							
Due to the Central Bank	124,326,723.23	254,247,073.26	341,583,564.16			131,083.34	720,288,443.99

Continued

Item	The Company							Overdue / Non-accrual	Total
	Within 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years				
Due to Banks and Other Financial Institutions	8,978,871,731.46	4,953,508,368.48	16,937,890,500.00	28,383,682,160.00			301,193,430.94	59,555,146,190.88	
Placements from Banks and Other Financial Institutions	2,000,000,000.00						1,034,444.44	2,001,034,444.44	
Financial Assets Sold under Repurchase Agreements	10,170,846,557.12	990,853,790.80	9,811,930,959.83				4,198,302.53	20,977,829,610.28	
Due to Customers	85,620,262,400.00	10,732,882,904.47	31,487,257,900.00	53,144,456,900.00	6,924,500.00		3,168,186,290.25	184,159,970,894.72	
Employee Compensation Payable							30,024,240.59	30,024,240.59	
Tax Payable							396,571,129.27	396,571,129.27	
Accrued Liabilities							186,614,503.32	186,614,503.32	
Bonds Payable	4,162,550,964.34	14,837,943,675.43	11,629,045,512.35	400,000,000.00			11,316,666.54	31,040,856,818.66	
Deferred Tax Liabilities									
Other Liabilities							4,639,710,844.32	4,639,710,844.32	
Total Liabilities	111,056,858,376.15	31,769,435,812.44	70,207,708,436.34	81,928,139,060.00	6,924,500.00		8,738,980,935.54	303,708,047,120.47	
Interest Rate Sensitivity Gap	(59,037,162,946.05)	5,799,745,360.88	75,849,895,207.88	(27,658,686,512.42)	42,344,360,399.86		--	--	

(IV) Fair Value of Financial Assets and Liabilities

The fair value refers to the price received from an asset or paid for transfer of a liability by a market participant in an orderly transaction on the measurement date. Fair value estimation is performed according to the relevant market information and information relating to various financial instruments at a specific time. The valuation of fair value estimate for various financial instruments is based on the following methods and assumptions:

Financial instruments measured at fair value are divided into the following three levels. When open market quotes are unavailable, the Company recognizes the fair value of financial instruments through a number of valuation techniques or inquiries.

Level 1: Using quotes of the identical assets or liabilities in active markets, including securities traded in some exchanges and some government bonds.

Level 2: Using valuation techniques - directly or indirectly use all observable inputs other than market quotes of assets or liabilities in Level 1, including the majority of over-the-counter derivative contracts and bonds of which price (including valuations and settlement of CCDC) is obtained from price providers or the site of China Central Depository & Clearing Co., Ltd. (CCDC).

Level 3: Using valuation techniques - use any input not based on observable market data (unobservable inputs).

(1) Financial Instruments Measured at Fair Value

On 31 December, 2020, the financial instruments of the Company and the Bank measured at fair value are listed according to the above three levels:

Item	The Company and the Bank			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Trading Financial Assets	57,252,807,116.51		30,093,032.77	57,282,900,149.28
Including: Trading Bonds Investment	47,705,099,369.03			47,705,099,369.03
Trading Fund Investment	9,547,707,747.48			9,547,707,747.48
Others			30,093,032.77	30,093,032.77
Other Debt Investments	20,565,694,617.40			20,565,694,617.40
Total	77,818,501,733.91		30,093,032.77	77,848,594,766.68

On 31 December, 2019, the financial instruments measured at fair value are listed according to the above three levels:

Item	The Company and the Bank			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Trading Financial Assets	48,548,219,428.93	746,173,121.18	49,294,392,550.11	
Including: Trading Bonds Investment	36,213,330,755.31		36,213,330,755.31	
Trading Fund Investment	12,334,888,673.62		12,334,888,673.62	
Others		746,173,121.18	746,173,121.18	
Other Debt Investments	18,119,165,951.71		18,119,165,951.71	
Total	66,667,385,380.64	746,173,121.18	67,413,558,501.82	

For a financial instrument for which there is an active market, its fair value is recognized upon its price quoted on such active market. For a financial instrument for which there is no active market, its fair value is recognized by using a valuation technique. The valuation techniques include reference to the price to be used in the transactions by the voluntary parties who are familiar with the instruments in recent market transactions, or the current fair value of other substantially identical assets or liabilities, or determined by using discounted cash flow, etc. Related valuation assumptions consist of prepayment rates, estimated credit loss rate, interest rate or discount rate. The bonds held by the Company were listed and traded in China's interbank bond market and their pricing and trading all adopt the relevant parameters of SHIBOR interbank interest rate curve recognized by the market.

(2) Fair Value of Financial Instruments not Measured at Fair Value of the Company and the Bank

Item	31 December, 2020			31 December, 2019		
	Book Value	Fair Value	Level	Book Value	Fair Value	Level
Debt Investments - Bonds	22,313,166,478.44	22,383,951,575.44	Level 2	18,456,750,886.99	18,017,809,539.42	Level 2
Bonds Payable	37,119,165,212.60	36,824,288,836.46	Level 2	31,040,856,818.66	30,806,174,730.00	Level 2

Except for the above items, so far there is still no fair value for other financial instruments due to short term or no active market, there is still no fair value.

(V) Agency Business

The Company, being an agent or engaging in other custody businesses, holds and manages assets for other institutions. The financial information does not include the information on the custody assets that the Company (as a trustee, custodian, or agent) merely assumes the obligations and promises to return to the customer and the revenues arising therefrom.

The Company grants entrusted loans and makes investments on behalf of the third party client. The Company (as an intermediary) grants entrusted loans and makes investments based on the will of the third party client who provides funds and signs a contract with the third party client to agree to be responsible for the management and recovery of loans or investments. The third party client may, at its sole discretion, decide the requirements and terms of entrusted loans, including purpose, amount, interest rate and repayment schedule of the loans or investments. The service fees for entrusted loans or investments collected by the Company shall be duly recognized as revenue at the rendering of services, but the risks arising from losses on the loans or investments shall be borne by the third party client.

Amounts of entrusted loans and deposits of the Company at the end of the reporting period are as follows:

Item	31 December, 2020	31 December, 2019
Entrusted Funds	21,394,059,386.82	20,917,335,235.08
Entrusted Loans	21,394,059,386.82	20,917,335,235.08

Including: Refer to Note IX / (II) / (7) for the deposits of entrusted loans of China National Petroleum Corporation and its holding subsidiaries as at 31 December, 2020.

IX. Related-Party Relationship and Transactions

(I) Main Related Parties

1. Parent Company of the Company:

Name of the Parent Company	Registered Address	Nature of Business	Economic Nature	Legal Representative	Registered Capital (RMB 10 ⁸)	Shareholding Ratio of the Parent Company in the Enterprise
CNPC Capital Limited Company	Room 1902, Floor 19, Building 1, Financial Street, Xicheng District, Beijing	Investment Management etc.	Limited Liability Company	Jiang Shangjun	183.99	77.09%

Registered Capital of the Parent Company and its Changes

Name of Related Party	Unit: in RMB 10 ⁸			
	31 December, 2019	Increase in this Period	Decrease in this Period	31 December, 2020
CNPC Capital Limited Company	183.99			183.99

Shareholding Ratio of the Parent Company and its Changes

Unit: in RMB 10⁴

Name of Related Party	31 December, 2020		31 December, 2019	
	Amount of Shares Held	Shareholding Ratio	Amount of Shares Held	Shareholding Ratio
CNPC Capital Limited Company	793,071.25	77.09%	793,071.25	77.09%

2. Ultimate Controller of the Company

The ultimate controller of the Company is China National Petroleum Corporation (CNPC).

3. Other Major Shareholders

Shareholders	Shareholding in the Bank	
	31 December, 2020	31 December, 2019
Karamay City Construction Investment and Development Co., Ltd.	6.26%	4.92%
China Shipping Investment Co., Ltd.	3.74%	3.74%
Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd.	2.51%	2.51%

The above companies are major shareholders recognized according to the Accounting Standards for Business Enterprises and relevant regulations in the *Interim Administrative Measures for Stock Equity of Commercial Banks* promulgated by the former CBRC on 5 January, 2018.

3. Other Major Shareholders - Continued

According to relevant regulations in the *Interim Administrative Measures for Stock Equity of Commercial Banks*, the major shareholders of commercial banks refer to the shareholders who hold or control over 5% of the shares of commercial banks or the voting rights, or hold less than 5% of the total capital or capital stock but have a significant impact on the operation management of commercial banks. The significant impacts include but are not limited to dispatching of directors, supervisors or senior management to commercial banks, and the impacts on finance and operation management decisions of commercial banks by agreements or other methods.

The related parties of the Company also include key managers of the Company or their family members with a close relationship therewith, and other companies controlled or jointly controlled by them.

4. Relevant Information of Subsidiaries of the Company

See Note IV / (I).

(II) Related Party Transactions

The Ministry of Finance released the *Interpretation of Accounting Standards for Business Enterprises - No.13* (CK (2019) No. 21, hereinafter referred to as the “Interpretation No.13”) on 10 December, 2019, and implemented it from 1 January, 2020, without retroactive adjustment. The Company implemented the Interpretation No.13 from 1 January, 2020, and didn’t adjust the comparative statement. The implementation of the Interpretation No.13 didn’t have a major impact on the financial situation and operating results of the Company.

The Company calculates and recognizes the related party transactions at prices not lower than those of non-related-party transactions based on the commercial principles and according to the general accounting policies of China, as well as the applicable banking regulatory and management rules.

1. Major Transactions between the Company and China National Petroleum Corporation and Related Parties:**(1) Interest Paid to Related Parties**

Unit: in RMB 10 ⁴		
Company Name	2020	2019
China National Petroleum Corporation and the Companies Controlled by it	104,039.23	114,824.29
Other Related Parties Subordinate to China National Petroleum Corporation	2,833.14	1.34
Other Major Shareholders and the Companies Controlled by Them	1,503.82	
Total	108,376.19	114,825.63
Range of Interest Rates	0.00%~4.125%	0.00%~4.125%

(2) Interest Charged on Related Parties

Unit: in RMB 10 ⁴		
Company Name	2020	2019
China National Petroleum Corporation and the Companies Controlled by it	3,886.97	2,952.02
Other Related Parties Subordinate to China National Petroleum Corporation	6,016.09	
Other Major Shareholders and the Companies Controlled by Them	1,741.17	
Range of Interest Rates	3.60%~4.90%	4.35%~6.30%

(3) Fee Income

Unit: in RMB 10⁴

Company Name	2020	2019
China National Petroleum Corporation and the Companies Controlled by it	1,092.94	555.37
Other Related Parties Subordinate to China National Petroleum Corporation	0.08	

(4) Rent Paid to Related Parties

Unit: in RMB 10⁴

Company Name	2020	2019
China National Petroleum Corporation and the Companies Controlled by it	23,517.37	22,990.58

(5) Property Management Fees and Other Expenses Paid to Related Parties

Unit: in RMB 10⁴

Company Name	2020	2019
China National Petroleum Corporation and the Companies Controlled by it	4,006.07	4,072.64

(6) Balance of Related Parties

Unit: in RMB 10⁴

Name of Related Party	Name of Item	31 December, 2020		31 December, 2019	
		Balance	Proportion of Similar Transactions	Balance	Proportion of Similar Transactions
China National Petroleum Corporation and the Companies Controlled by it	Loans and Advances to Customers	140,741.02	0.90%	33,542.01	0.24%
	Due to Customers	5,374,302.46	27.12%	4,821,681.15	26.18%
	Due to Banks and Other Financial Institutions	114,169.69	2.22%	53,188.18	0.89%
	Deposits with Banks and Other Financial Institutions	53,234.24	3.42%	52,386.91	1.92%
	Other Payables	0.18		42.23	0.01%
Other Related Parties Subordinate to China National Petroleum Corporation	Loans and Advances to Customers	189,266.90	1.22%		
	Due to Banks and Other Financial Institutions	3.00		23.13	
	Due to Customers	141,798.21	0.72%	4.30	
Other Major Shareholders and the Companies Controlled by Them	Loans and Advances to Customers (Note 1)	43,369.84	0.28%		
	Due to Customers	104,677.98	0.53%		

Note 1: As at 31 December, 2020, the balance of loans from shareholders with 5% or above shares of the Company was RMB 433.6984 million.

(7) Entrusted Loan Business

Unit: in RMB 10 ⁴		
Name of Entrusting Party	31 December, 2020	31 December, 2019
China National Petroleum Corporation and the Companies Controlled by it	11,247,310,000.00	1,067,741.18

(8) Guarantee Business - Letters of Guarantee Issued

Unit: in RMB 10 ⁴		
Name of Guaranteed Company	31 December, 2020	31 December, 2019
China National Petroleum Corporation and the Companies Controlled by it	160,820.79	193,196.17

(9) Guarantee Business - Banker's Acceptance bills

Unit: in RMB 10 ⁴		
Company Name	31 December, 2020	31 December, 2019
China National Petroleum Corporation and the Companies Controlled by it	48,773.38	4,000.00

(10) Guarantee Business - Letter of Credit

Unit: in RMB 10 ⁴		
Company Name	31 December, 2020	31 December, 2019
China National Petroleum Corporation and the Companies Controlled by it	20.00	

(III) Major Related Party Transactions

The major related party transactions refer to the transactions with the amount of a single transaction of the Bank with a related party accounting for more than 1% of the net capital, or the balance of a transaction of the Bank with the related party after a transaction accounting for more than 5% of the net capital.

In 2020, the transactions between the Bank and China National Petroleum Corporation and the companies controlled by it were recognized as major related party transactions, and the above related party transactions with China National Petroleum Corporation and the companies controlled by it were all major related party transactions.

(IV) Transactions between the Bank and Subsidiaries

The amount of major transactions between the Bank and subsidiaries during the report period was as follows:

Unit: in RMB 10 ⁴		
Item	2020	2019
Interest Expenses	641.98	583.83

The balance of major receivables and payables between the Bank and subsidiaries during the report period is as follows:

Unit: in RMB 10 ⁴		
Item	31 December, 2020	31 December, 2019
Deposits with Banks and Other Financial Institutions	55,919.56	31,541.12

The balance of receivables and payables, and transactions between the Bank and subsidiaries were all offset in the consolidated financial statement.

X. Capital Management

The capital management of the Company aims to guarantee the sustainable and stable operation, satisfy supervision requirements and maximize the return on capital. The Company regularly reviews the capital status and the implementation of relevant capital management strategies, specifies the capital management mechanism, and effectively transmits supervision requirements; continues to research on the capital utilization efficiency and improve the return level; pays attention to the endogenous capital supplement, continues to consolidate the Bank wide capital base, and enhances the abilities to support the development of the real economy; coordinates, allocates and utilizes the capital and promotes the sustainable and healthy development of various businesses. The Company submits the information required for capital adequacy ratio to the banking regulatory department on a quarterly basis.

The calculation of weighted risk assets indicates the predicted credit, market and other related risk based on each asset, counterparty and nature of any eligible collateral. This calculation method is also applicable to off-balance sheet exposures, as well as some adjustments to reflect the characteristics or that with loss contingencies.

According to the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)* issued by the CBRC and other relevant stipulations, the Company discloses the following:

Unit: in RMB 10⁴

Item	The Company	
	31 December, 2020	31 December, 2019
Net Core Tier 1 Capital	3,376,412.00	3,261,876.75
Net Tier 1 Capital	3,376,920.89	3,262,296.05
Tier 2 Capital	325,275.85	294,499.48
Net Capital	3,702,196.74	3,556,795.53
Risk-weighted Assets	27,724,857.81	25,204,520.84
Core tier 1 Capital Adequacy Ratio	12.18%	12.94%
Tier 1 Capital Adequacy Ratio	12.18%	12.94%
Capital Adequacy Ratio	13.35%	14.11%

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2020	31 December, 2019
Net Core Tier 1 Capital	3,359,272.89	3,245,498.25
Net Tier 1 Capital	3,359,272.89	3,245,498.25
Tier 2 Capital	322,909.52	292,519.21
Net Capital	3,682,182.41	3,538,017.46
Risk-weighted Assets	27,603,908.81	25,098,606.25
Core tier 1 Capital Adequacy Ratio	12.17%	12.93%
Tier 1 Capital Adequacy Ratio	12.17%	12.93%
Capital Adequacy Ratio	13.34%	14.10%

The CBIRC requires that the capital adequacy ratio of commercial banks shall not be lower than 10.5%, the tier 1 capital adequacy ratio not lower than 8.5%, and core tier 1 capital adequacy ratio not lower than 7.5%. Currently, the Company fully satisfies various legal supervision requirements.

1. Composition of Tier 1 CapitalUnit: in RMB 10⁴

Item	The Company	
	31 December, 2020	31 December, 2019
Paid-in Capital	1,028,787.93	1,028,787.93
Eligible Portion of Capital Reserve	1,019,299.06	1,019,299.06
Surplus Reserve	276,091.43	246,994.53
General Reserve	456,153.68	452,230.65
Undistributed Profits	606,616.30	494,625.93
Eligible Portion of Minority's Capital	3,776.25	3,144.77
Others	(2,691.63)	26,258.69
Total Core Tier 1 Capital	3,388,033.02	3,271,341.56
Core tier 1 Capital Adjustment Items	11,621.02	9,464.81
Net Core Tier 1 Capital	3,376,412.00	3,261,876.75
Other Tier 1 Capitals	508.89	419.30
Net Tier 1 Capital	3,376,920.89	3,262,296.05

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2020	31 December, 2019
Paid-in Capital	1,028,787.93	1,028,787.93
Eligible Portion of Capital Reserve	1,019,288.95	1,019,288.95
Surplus Reserve	276,091.43	246,994.53
General Reserve	455,069.70	451,146.67
Undistributed Profits	600,097.51	488,236.29
Eligible Portion of Minority's Capital		
Others	(2,691.61)	26,258.69
Total Core Tier 1 Capital	3,376,643.91	3,260,713.06
Core tier 1 Capital Adjustment Items	17,371.02	15,214.81
Net Core Tier 1 Capital	3,359,272.89	3,245,498.25
Other Tier 1 Capitals		
Net Tier 1 Capital	3,359,272.89	3,245,498.25

2. Composition of Tier 2 Capital

Unit: in RMB 10⁴

Item	The Company	
	31 December, 2020	31 December, 2019
Eligible Portion of Tier 2 Capital Instruments and their Premiums		
Allowance for Excess Loan Losses	324,258.07	293,660.87
Eligible Portion of Minority's Capital	1,017.78	838.61
Tier 2 Capital Adjustment Items		
Net Tier 2 Capital	325,275.85	294,499.48
Net Capital	3,702,237.17	3,556,795.53

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2020	31 December, 2019
Eligible Portion of Tier 2 Capital Instruments and their Premiums		
Allowance for Excess Loan Losses	322,909.52	292,519.21
Eligible Portion of Minority's Capital		
Tier 2 Capital Adjustment Items		
Net Tier 2 Capital	322,909.52	292,519.21
Net Capital	3,682,182.41	3,538,017.46

3. Composition of Risk Assets

Unit: in RMB 10⁴

Item	The Company	
	31 December, 2020	31 December, 2019
Credit Risk-weighted Assets	26,264,903.57	23,786,530.51
Market Risk-weighted Assets	224,337.17	215,215.05
Operational Risk-weighted Assets	1,235,617.06	1,202,775.28
Total Risk-weighted Assets	27,724,857.81	25,204,520.84

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2020	31 December, 2019
Credit Risk-weighted Assets	26,155,671.32	23,694,056.11
Market Risk-weighted Assets	224,337.17	215,215.05
Operational Risk-weighted Assets	1,223,900.32	1,189,335.08
Total Risk-weighted Assets	27,603,908.81	25,098,606.25

Since its establishment, the Company had always paid attention to the capital management work, and used capital to conduct management activities such as planning, measurement, allocation, and application in accordance with the capital supervision requirements of the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*. Overall objectives of capital management of the Company were to maintain a reasonable balance between capital, risk and profit, including utilization of different capital instruments, optimization of book capital structure, and reduction of capital financing cost; to keep a reasonable capital adequacy ratio level by the capital management mechanism, and continue to satisfy various supervision requirements of supervision departments on capital management to ensure the safe and steady operation; and to keep improving the capital management mechanism to satisfy the scale development and risk management requirements of the Bank. Reasonable allocation of capitals should achieve safe operation and maximization of capital income after risk adjustment.

XI. Events after the Balance Sheet Date

(I) Profit Distribution

On 15 April, 2021, the fifteenth meeting of the fifth session Board of Directors passed the proposal concerning the profit distribution for the second half of year 2020:

1. Withdrawal of Statutory Surplus Reserve. To withdraw the statutory surplus reserve RMB 290,969,037.86.

2. Withdrawal of General Risk Reserve. According to the *Administrative Measures for the Provision of Reserves by Financial Enterprises (C.J. [2012] No. 20)*, to withdraw general risk reserve in total RMB 30,727,477.21.

3. Distribution of Cash Dividends. To distribute the dividends as 45.3% of the profit available for divided in 2020. In the first half of the year, dividends of RMB 740,727,306.57 have been distributed, and dividends of RMB 432,090,928.82 have been distributed in the second half of the year.

The cash dividends in total RMB 432,090,928.82 (tax included) are to be distributed at RMB 0.42/ 10 shares (tax included) based on the total 10,287.8793 million capital shares as at 31 December, 2020.

(II) In 2018, the Ministry of Finance issued the revised *Accounting Standards for Business Enterprises No. 21 - Leases* (hereinafter referred to as the “New Lease Accounting Standards”), and the New Lease Accounting Standards raised new requirements on the definition and recognition of lease, and accounting treatment of tenant. The Company would adopt the New Lease Accounting Standards from the fiscal year starting from 1 January, 2021. Based on the stipulations on the linkage with New Lease Accounting Standards, the Company didn’t need to restate the earlier comparable figures. The adjustment of differences between the implementation of new standards on the first day and the original standards shall be included in the beginning retained earnings. The Company estimated that the adoption of the New Accounting

Standards would not have a major impact on the retained earnings on 1 January, 2021.

Except for the above matters, the Company didn't need to disclose any matters after the date of significant balance sheet up to the approval date of the financial statements.

XII. Approval of the Financial Statements

The financial statements are provided upon the approval by all directors of the Bank.

BANK OF KUNLUN CO., LTD.

15 April, 2021

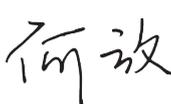
The Notes to the Financial Statements from Page 131 to 266 are signed by:

Legal Representative:

Acting President:

Director of Accounting Department:

Signature: 

Signature: 

Signature: 