



昆仑银行
Bank of Kunlun

BANK OF KUNLUN CO., LTD.

ANNUAL REPORT 2019

Company Profile

The Bank of Kunlun Co., Ltd. is a state-owned financial backbone enterprise held by the China National Petroleum Corporation Capital Co., Ltd. (CNPC Capital). As a specialized bank that integrates industry and finance, it shoulders important responsibilities in safeguarding national energy security, serving the real economy and promoting socio-economic and energy 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 the Bank of Kunlun (KLB). Upon the restructuring, the Bank of Kunlun has pursued a business strategy featuring integration of industry and finance, differentiated operation and characteristic development.

With the support and care of regulatory authorities, local governments, shareholders, and all sectors of society, the Bank has focused on the development strategy of integrating industry with finance since restructuring and has upheld the operational guideline of quality-priority, profit-oriented, and characteristic services, as well as coordinated development. With a constantly renewed track record of strong performance and consolidated comprehensive strength, the Bank has rapidly grown from a regional commercial bank into a national commercial bank with distinctive characteristics and nationwide influence. The assets grew from RMB 3.8 billion in 2008 to RMB 336.5 billion at the end of 2019, reflecting a compound annual growth rate (CAGR) of 50.32%. The total profits increased from RMB 45 million to RMB 4.183 billion, reflecting a CAGR of 50.98%. The Bank has established ten branch-level institutions in Xinjiang, Beijing, Shaanxi, Heilongjiang and other municipalities and provinces, and initiated and held shares of two rural banks in Leshan and Tacheng. The Bank has 84 branches, and 3,295 employees. In 2019, the regulatory rating of the Bank remained 2C. The honors of “Top 300 of Inter-Bank Local Currency Market Transactions in 2018” and “No.1 among Outstanding Units of Financial Statistics”, as well as other honors and awards, were granted to the Bank, fully demonstrating the recognition by regulatory agencies, market intermediaries, and customers.

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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.
The 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
The <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 the Bank of Kunlun Co., Ltd.
The Karamay City Commercial Bank	Karamay City Commercial Bank Co., Ltd.
PBOC	People's Bank of China
CBRC ¹	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

1. In March 2018, the duties of the China Banking Regulatory Commission and the China Insurance Regulatory Commission were integrated in order to establish the China Banking and Insurance Regulatory Commission in accordance with the State Council's institutional reform plan approved at the first meeting of the 13th National People's Congress.

II. Important Notice

The Board of Directors, the Board of Supervisors and all directors, supervisors and senior management of the Bank of Kunlun Co., Ltd. undertake that the information in this report contains no false records, misleading statements, or material omissions.

On 26 March, 2020, the *Annual Report 2019 of the Bank of Kunlun Co., Ltd.* and its abstract were deliberated and adopted at the ninth meeting of Bank of Kunlun's Fifth Board of Directors.

The Annual Financial Statements 2019 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 auditors' report.

Board of Directors of the Bank of Kunlun

Mr. Jiang Shangjun, the legal representative and Chairman of the Bank; Mr. Zuo Wei, President of the Bank; Mr. Tang Zongheng, the General Manager of the Department of Planning and Finance of the Bank, represent and warrant that the financial statements in the Annual Report 2019 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 Chinese Name:

昆仑银行股份有限公司

Legal English Name:

BANK OF KUNLUN CO., LTD.

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

For customer services and complaints, please call: 95379

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

4. Board Secretary: He Fang

Tel.: 0990-6230689

Fax: 0990-6230689

Email: ir@klb.com.cn

5. Information Disclosed at: The *Financial News*
Designated Website for Publication of the Annual Report: <http://www.klb.cn/>

Copies of this Annual Report are kept at: The office of the Board of Directors at the Bank

6. Legal Adviser: Beijing Jingda Law Firm

Office Address: A1706, Wuhua Building, No. A4 Chegongzhuang Avenue, Xicheng District, Beijing, China

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 the Certified Public Accountant

Engaged: 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 Scopes: Acquiring public deposits; granting short-term loans, medium-term loans and long-term loans; handling domestic and international settlements; handling bill acceptance and discounting; issuing financial bonds; issuing, redeeming and underwriting government debts as an agent; buying and selling government bonds and financial bonds; inter-bank borrowing; trading and agent trading of foreign exchange; bank card business; issuing letters of credit and offering guarantees; offering collection agency and insurance agency services; providing safe deposit services; other business 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 Important Notice

Financial data and indicators in this Annual Report are derived from the auditors' 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.

The Company implemented the following revised Accounting Standards for Business Enterprises issued by the Ministry of Finance, as well as related stipulations from 1 January, 2019: the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*, the *Accounting Standards for Enterprises No.24 - Hedging*, the *Accounting Standards for Enterprises No.37 - Presentation of Financial Instruments* (hereinafter referred to as the "New Accounting Standards for Financial Instruments"), and the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements for Financial Enterprises in 2018 (C.K.[2018] No.36) (hereinafter referred to as the "New Format of Financial Statements"), which mainly influenced the Bank in the following ways:

Unit: in RMB

Report Item	Amount as at the End of Last Year	Amount as at the Beginning of the Current Year	Total Difference	Adjustments for Changes in Accounting Policies
1.Total Assets	351,137,792,269.45	351,151,885,106.93	14,092,837.48	14,092,837.48
2.Total Liabilities	320,652,838,138.68	320,711,668,662.57	58,830,523.89	58,830,523.89
3.Total Equity Attributable to Shareholders of the Parent Company	30,392,461,118.49	30,347,723,432.08	(44,737,686.41)	(44,737,686.41)
Including: Paid-in Capital	10,287,879,258.43	10,287,879,258.43		
Capital Reserve	10,192,990,714.50	10,192,990,714.50		
Other Comprehensive Income	200,142,307.93	209,019,227.68	8,876,919.75	8,876,919.75
Surplus Reserve	2,116,209,057.06	2,110,847,596.44	(5,361,460.62)	(5,361,460.62)
General Risk Preparation	4,298,001,046.13	4,298,001,046.13		
Undistributed Profits	3,297,238,734.44	3,248,985,588.90	(48,253,145.54)	(48,253,145.54)
4.Minority Interests	92,493,012.28	92,493,012.28		
5.Total Operating Income	12,061,392,225.58	12,061,392,225.58		
6.Total Profits	3,822,231,016.72	3,822,231,016.72		
7.Net Profit Attributable to the Shareholders of the Parent Company	3,274,098,589.58	3,274,098,589.58		
8.Minority Gains of Losses	780,654.67	780,654.67		

4.2 Main Financial Data**Annual Operating Results**Unit: in RMB 10⁴

Item	2019	2018	2017
Net Interest Income	426,479	593,402	512,281
Net Fee and Commission Income	3,179	15,682	17,957
Operating Income	712,431	670,983	540,134
Operating and Administrative Expenses	204,089	189,278	171,326
Loss Of Credit Impairment	85,251	N/A	N/A
Impairment Losses on other Assets	(161)	N/A	N/A
Impairment Losses on Assets	N/A	95,133	13,914
Operating Profit	418,337	382,076	351,186
Profit Before Tax	418,252	382,223	350,924
Net Profit	358,871	327,488	296,839
Net Profit Attributable to the Shareholders of the Parent Company	358,724	327,410	295,815
Total Comprehensive Income Attributable to the Shareholders of the Parent Company	364,080	375,261	277,765
Net Cash Flow From Operating Activities	(3,099,042)	(79,221)	(2,055,565)

As at the End of the Reporting PeriodUnit: in RMB 10⁴

Item	31 December, 2019	31 December, 2018	31 December, 2017
Total Assets	33,648,398	35,113,779	31,752,487
Total Loans and Advances to Customers	14,616,602	12,679,353	11,110,498
Allowance for Impairment Losses on Loans	468,530	479,403	427,785
Net Investments	10,390,896	9,797,343	9,621,620
Total Liabilities	30,370,805	32,065,284	28,958,651
Due to Customers	18,415,997	15,580,460	15,098,814
Due to Banks and Other Financial Institutions	5,955,515	9,396,705	9,297,026
Placements from Banks and Other Financial Institutions	200,103	100,000	400,000
Equity Attributable to the Shareholders of the Parent Company	3,268,197	3,039,246	2,786,506
Share Capital	1,028,788	1,028,788	1,028,788
Net Core Tier 1 Capital ⁽¹⁾	3,261,877	3,033,433	2,780,986
Net Tier 1 Capital ⁽¹⁾	3,262,296	3,033,783	2,781,307
Net Capital ⁽¹⁾	3,556,796	3,296,973	2,989,853
Risk-weighted Assets ⁽¹⁾	25,204,521	22,623,158	18,146,303

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

Per Share Data

Unit: in RMB

Item	December 31, 2019	December 31, 2018	December 31, 2017
Net Assets Per Share ⁽¹⁾	3.18	2.95	2.71
Basic Earnings Per Share ⁽²⁾	0.35	0.32	0.29
Diluted Earnings Per Share ⁽²⁾	0.35	0.32	0.29
Net Cash Flow Per Share from Operating Activities	(3.01)	(0.08)	(2.00)

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.

4.3 Key Financial Indicators

Profitability

Item	2019	2018	2017
Return on Average Total Assets ⁽¹⁾ (%)	1.04	0.98	0.97
Weighted Average ROE ⁽²⁾ (%)	11.31	11.09	10.82
Weighted Average ROE after Deduction of Non-Recurring Gains and Losses ⁽²⁾ (%)	11.32	11.07	10.81
Net Interest Spread ⁽³⁾ (%)	1.61	1.65	1.57
Net Interest Margin ⁽⁴⁾ (%)	1.49	1.90	1.81
Ratio of Net Fee and Commission Income to Operating Income (%)	0.45	2.34	3.32
Cost-to-Income Ratio ⁽⁵⁾ (%)	28.65	28.21	31.72

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	2019	2018	2017
Non-performing Loan (NPL) Ratio ⁽¹⁾ (%)	1.09	1.36	1.57
Provision Coverage Ratio ⁽²⁾ (%)	293.66	278.24	245.95

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	2019	2018	2017
Core Tier 1 Capital Adequacy Ratio ⁽¹⁾ (%)	12.94	13.41	15.33
Tier 1 Capital Adequacy Ratio ⁽¹⁾ (%)	12.94	13.41	15.33
Capital Adequacy Ratio ⁽¹⁾ (%)	14.11	14.57	16.48
Total Equity to Total Assets Ratio (%)	9.74	8.68	8.80

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

V. Chairman's Statement

In 2019, the change of the world landscape accelerated rapidly. China-US trade frictions recurred, geopolitical tensions persisted, old international governance system was under attack, international currency situation shifted back to loose, global economic growth adjustment hit bottom, and international political and economic risks rose significantly. China achieved steady progress in economic growth with a slight decline. Influenced by the intertwined structural, institutional and cyclical problems, the effects of “three major trends”, and China's entering a pivotal stage of transforming growth model, improving economic structure, and fostering new drivers of growth, the Chinese economy was under mounting downward pressure. The frequently released financial supervision policies to strengthen weak links of the regulatory system, the loose monetary policies, the unprecedented cut in taxes and fees, the interest rate liberalization reform to smooth currency transmission mechanisms and the reduction of the real economy cost, all provided policy guarantee and system support for stabilizing employment, stabilizing finance, stabilizing foreign trade, stabilizing foreign capital, stabilizing investment, and stabilizing public expectations.

In 2019, the Bank, despite the complex and severe international and domestic situations, by working as one, making concentrated efforts to overcome difficulties, following the general principle of pursuing progress while ensuring stability and high-quality development, harvested improved operating efficiency and asset quality, optimized business structure, achievements of targets in terms of assets, profits and other indicators. In 2019 the consolidated assets arrived at RMB 336.5 billion and the consolidated profits reached RMB 4.183 billion, up 9.43% from the previous year. The consolidated ROA and ROE rose to 1.04% and 11.35% respectively; the consolidated balance of NPLs and the NPL ratio decreased to RMB 1.593 billion and 1.09%; the ROA, the provision coverage ratio, and other indicators were all above the industry average.

In 2019, the Bank, by focusing its business on industrial finance and implementing the “first-class and specialized” commercial bank development strategy, achieved steady development in the business market. First, steady progress was made in market expansion. The Bank achieved a rapid growth of its business, along with increase in the corporate and retail deposits and loans. Customers were acquired by direct banking, and other internet channels. Customer base was continuously strengthened. Also, the Bank made a breakthrough in the licenses for institutions: Shanghai International Business Settlement Center was opened as scheduled, and Beijing International Business Settlement Center obtained its qualifications in personal business and credit asset-backed securitization. The business development pattern of the Bank was further optimized. Second, the operation characteristics became more prominent. Our service fields continued to expand, with the corporate and retail products covering the full oil and gas industry chain. The CSCS new mode achieved primary results, and the ecosystem of “people, cars, and oil” was enriched constantly. Third, the operating efficiency improved constantly. The asset structure was continually optimized, along with significant increase in loan ratio of total asset and deposit ratio of total liability. With remarkable achievements in cost-cutting and efficiency-enhancing endeavor, the Bank also saw a dramatic year-on-year drop in the expenses for business entertainment, conference and vehicles, etc. The profitability of all institutions continued to improve, with new profit growth points emerging.

In 2019, the Bank, in constant pursuit of strict compliance and governance, focused more on high-quality development, continuously advanced reform and innovation, cemented its risk control foundation, and consolidated the foundation for sustainable development. First, the three institutional reforms entered the substantial stage, as evidenced by the optimized and improved post rank system, the establishment of the normalization adjustment mechanism for rank promotion, and the opening of the dual-sequence channel of management sum specialty. Second, the Bank orderly advanced the reform of risk management systems, optimized and adjusted the comprehensive risk management structure, clarified the risk management responsibility boundaries, improved the risks management policies, and highlighted the systematicness of risk control and the independence of credit approval. Third, the Bank made remarkable achievements in innovation of products and services, rolling out a host of systematic projects, such as the management platform for industry and finance margin, innovatively launching seven kinds of products including “Project Financing for Industry and Finance Petro Enterprise Program”. The Bank built up multiple types of Internet finance platform systems for network loan, electronic receipt, refueling top-up, etc. Fourth, steady progress was made in risk management and control. The Bank optimized the risk management preference policies and core risk management indicators, continuously improving the risk management tools, carrying out the research and practice in the big data risk control platform, and further strengthening its abilities in risk identification, early warning, prevention and control.

In 2019, the Bank performed its duties honestly, actively fulfilled its social responsibilities and qualified itself as a corporate citizen. Focusing on the overall goal of “maintaining social stability and long-term order and stability” in Xinjiang, the Bank supported Xinjiang in the economic and social development, and its institutions in Xinjiang issued loans of RMB 42.9 billion on a cumulative basis throughout the year. To implement national financial policies, the Bank formulated 23 measures to support private enterprises, small and micro businesses. The goal of “two increases and two controls” was achieved. In addition to more than ten events to protect consumer rights, the Bank strengthened client complaint management, registering a 95% customer service satisfaction rate in 2019. Committed to the initiative of “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts”, we redoubled efforts to help designated poverty-stricken villages, and won the title of Advanced Work Team by Xinjiang Uygur Autonomous Region under the endeavor. Meanwhile, we organized a series of thematic publicity and education activities to celebrate the 70th anniversary of the founding of the People’s Republic of China, coupled with a series of activities to celebrate the 10th anniversary of the restructuring of Bank of Kunlun, along with a variety of recreational and sports activities such as skills competition and the first sports meeting for employees. We also reviewed the 10-year entrepreneurial process after restructuring, in a bid to stimulate the enthusiasm of employees in dedication, and highlight the high spirit of all our staff.

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!

Looking forward, the bank will face more risks and challenges in development, and fiercer industrial

competition, but the development opportunities are broad. So, the Bank will surely usher in a bright future with great possibilities. We will always maintain our strategic focus, continually promote the construction of a “first-class characteristic” commercial bank, and strive to achieve the following goals at the end of the “Fourteenth Five-Year Plan”: ranking among the top in ROA and ROE; full implementation of digital transformation; greatly enhanced ability of comprehensive services; exceeding the risk indicators of industry average; improved corporate governance system; the management ability and operating efficiency at the advanced level of the industry; the industrial chain finance, green finance, consumer finance and technology finance becoming more characteristic; improved brand image; steady increase in the incomes of our staff; a happier sense of our staff and an increased sense of gain. We will always adhere to the problem orientation and bottom line thinking to continuously improve our comprehensive capability, and ensure the accomplishment of the strategic objectives and tasks.

The year 2020 is the final year for the “Thirteenth Five-Year Plan”, and the first year for Bank of Kunlun to start its new decade-journey. The Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; act in line with the objective and task of promoting the construction of a “first-class characteristic” commercial bank to a new level; follow Party leadership in all its work, and strengthen Party building and the general principle of pursuing progress while ensuring stability, and implement the new development concept; adhere to the sound development approach, promote the high-quality development; highlight the characteristic development, technology empowerment and risk control, so as to practically enhance our competition ability, innovation ability, control ability, influence and risk-resistance ability, win the battle against the epidemic, and complete the objectives in the “Thirteenth Five-Year Plan”. We will actively respond to the changes, comprehensively improve our abilities, and strive to open up a new outlook of reform and development, so as to create greater values for our shareholders and customers, and make new and larger contributions to the development of the Party and the country.

Chairman of the Board: Jiang Shangjun

VI. President's Statement

In 2019, the Bank followed Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guide to comprehensively implement the new development concept, and to conscientiously implement the decisions and policies finalized at the general meeting and the Board of Directors. The Bank upheld and strengthened overall Party leadership; stuck to the general principle of pursuing progress while ensuring stability and the fundamental requirements for high-quality development; adhered to the positioning of industrial finance, and strict compliance and governance; steadily advanced the construction of a “first-class characteristic” commercial bank; strengthened compliance and risk management; deepened reform in an all-round way; promoted transformation and development; continued to improve abilities for reform and innovation; vigorously carried forward the spirit of petroleum culture. As a result, the Bank continued to enhance the Party building; significantly improved operating benefits; steadily enhanced internal controls; improved development quality; enriched its products and services; gradually expanded its talent team; consolidated its development foundation; improved its brand image; increased employee income; and continuously strengthened its competitiveness.

Throughout the year, the Bank steadily promoted high-quality development, deepened the integration of industry and finance, continually expanded its blue-ocean market and cemented its foundation for further development.

First, we maintained a continuously improving development trend and achieved remarkable overall business performance. Our consolidated profits and combined assets totaled RMB 4.183 billion and RMB 336.5 billion respectively; the balance of deposits and that of loans reached RMB 181.0 billion (excluding accrued interest) and RMB 145.9 billion (excluding accrued interest) respectively; ROA, ROE and NPL ratio stood at 1.04%, 11.35% and 1.09% respectively; 34,000 corporate customers and 1.89 million personal customers were developed.

Second, in addition to emerging business highlights, we maintained a strong development momentum. Remarkable achievements had been made in the R&D and the launching of new business and new products; financial market business registered a record high in the contribution of profits; and notable results were achieved in the swap revenue generating in our international business. While maintaining a sustained high-speed growth in savings deposits, we made a rapid expansion of payroll credit business; smoothly built the credit card business and product system and realized a rapid increase; kept a rapid growth in the credit card business, and achieved remarkable results in network loan business, direct banking, on-line wealth management sales and collection of Party dues, and strongly expanded the CSCS new mode for integration of industry and finance in different fields, different branches and different segments.

Third, we continued to deepen transformation, and to advance the technology empowerment in an orderly way. By implementing the strategy of revitalizing the Bank, we continually enhanced our technological capacity to sustain and lead the transformation and development, successfully launched the network loan

platform and other key projects, and quickened the deployment in digital transformation.

Fourth, we optimized the development pattern and made a breakthrough in licenses for institutions. We continued to improve our ability for online and offline integration, achieved a balanced development of our institutions by launching a new layout of strategic business, such as the new mode for integration of industry and finance, expansion and deployment of new international business, new institutions for international settlement, new investment banking license, and internet financial credit card. Shanghai International Business Settlement Center was opened as scheduled, and Beijing International Business Settlement Center obtained its qualifications in personal business and asset-backed securitization. The business development pattern of the Bank was further optimized.

Fifth, we continued to deepen reform, and enhance our capability for risk prevention and control. While continually promoting comprehensive risk management, we also effectively carried out various tasks. We continually promoted the reform of three mechanisms, and especially further optimized the staff rank system, and conducted various reform tasks in an orderly manner.

It's impossible to make aforementioned achievements without the generous support of all shareholders and customers, the guidance of the government and regulatory authorities at all levels. Additionally, the achievements are inseparable from the hard work of all senior management and staff of the Bank. On behalf of the management, I would like to express my sincere gratitude to everyone for their guidance and support over the past year! I would also like to thank the employees of all ethnic groups for their devotion!

In 2020, the domestic and international situation will remain complex and volatile. Due to the COVID-19, the market competition will become fiercer, and the tasks of reform and development will become more arduous. Mindful of the new situations, new tasks, and new requirements, the Bank will, under the guidance of regulatory authorities and the correct leadership of the CPC Committee and the Board of Directors, work together with its staff to overcome difficulties and forge ahead. We will follow Party leadership in all work, enhance the strategic willpower, focus on practical outcome, capability and strategy, continue to improve the capacity for risk prevention and control, steadily and accurately advance the reform of system and mechanism, and continuously quicken the reform and innovation in order to promote steady, high-quality development, and build the Bank into a "First-class Characteristic" commercial bank.

President: Zuo Wei

VII. Rankings and Awards

The Bank ranked the 39th in the list of the “2019 Top 100 Banks in China” released by the China Banking Association.

The Bank was awarded the “X-Repo Best Progress Award”, the “Active Trader of the Year”, as well as the “Top 300 in Annual Transactions” issued by the National Interbank Funding Center.

The Bank was awarded the “Win-win Cooperation Award” by the Beijing Financial Assets Exchange.

The Direct Bank of the Bank was awarded the “Best Direct Banking User Experience Award” by the China Financial Certification Authority (CFCA).

The credit card business of the Bank was awarded the 2019 “Leap Award·Scale Star” by the UPDIndex.

The *Design and Implementation of New-generation Domestic Data Warehouse* of the Bank was awarded the “2019 Prominent Fintech Innovation - Development Innovation Contribution Award”.

The “Direct Sale and Co-building Project in the Sales Branch” of the Bank was awarded the 2019 Chinese Excellent Financial Information Innovative Case Award.

The Bank was awarded the “Excellent Service Financial Institution” in the Chinese Logistics and Supply Chain Finance in 2019.

The Bank was awarded the “Human Resource Management Excellence Award” by JOBS in the domestic human resources field in 2019.

The Bank was awarded the 2018-2019 Advanced Unit in Nationwide Financial System Ideological and Political Work.

The Bank was awarded the “Outstanding Contribution Award for Bank Card Business Management in Xinjiang Uygur Autonomous Region in 2019” by the China UnionPay Xinjiang Branch.

The Bank won the “No.1 among Outstanding Units of Financial Statistics in 2019” of Karamay Central Sub-branch of the People’s Bank of China.

VIII. Management Discussion and Analysis

8.1 Strategic Development Direction

Guiding philosophy: leading the team and the business with correct culture and ideas, and guaranteeing the team and facilitate the business with scientific systems and mechanisms, and using the harmonious culture and humane care of to rally support for entrepreneurship. The Bank will always maintain the correct development direction and action plan, coordinate long-term sustainable development, bring together development efforts, and stimulate the potential of all members of staff to ensure the vitality of development and a lively pattern of work in all areas.

Development philosophy: quality-priority, profit-oriented, and characteristic services, as well as coordinated development. Asset quality will always be placed at the forefront, while operations will be carried out in accordance with the principles of safety, liquidity, and efficiency. Safety is a particular priority in order to ensure steady improvement in efficiency and the stability and harmony of the overall situation.

Development orientation: draw on energy resources, base on the Silk Road, stay abreast of the world, support the real economy, and serve China. Drawing on energy resources means to firmly focus on strategic deployment of a national energy, deeply advance the integration of the industry and finance and financial internal coordination, vigorously expand the blue-ocean market, and make full utilization of the domestic and international markets and resources. As for basing ourselves on the Silk Road, we mean to strictly follow the national Belt and Road Initiative, give full play to geographical advantages, oil and gas resources in the registration place of the Bank of Kunlun, as well as the geographical advantages in regions along the border and railway. We shall comprehensively construct the main battlefield and main position of business development of the Bank of Kunlun. To stay abreast of the world, we should coordinate the “Going Global” strategy of China, positively participate in international competition, and effectively serve the overseas market expansion while comprehensively completing the domestic financial service. In terms of supporting the real economy, we should stick to serving and supporting the real economy, and be the professional, dedicated “banker” that we are supposed to be. To serve China, we should always adhere to “interests of the country over anything else”, implement the social responsibility of corporate citizenship, positively fulfill “inclusive finance”, and take “improving the ability to serve the economy modernization and social life of China” as the starting point and objective.

Development vision: build a “First-class Characteristic” commercial bank, and help CNPC to establish a world-class demonstration enterprise. And the connotation of a first-class commercial bank mainly covers six aspects: first-class Party building, achievements, talents, risk control, experience, abilities to perform the corporate social responsibility; the characteristic refers to: firmly upholding the characteristic and differentiated development path featuring the integration of the industry and finance, and highlighting the building of the distinctive industrial chain finance, green finance, consumer finance and technology finance.

8.2 Economic, Financial and Regulatory Environment

China's economic growth maintained stable with a slight decline, and the economic structure continued the process of optimization. Facing the prolonged and repeated China-US trade frictions, complex and severe external environment, and the tremendous pressure in domestic economy reform, China deepened the supply-side structural reform, reduced taxes and fees in a large scale, and strengthen the vitality of micro-entities in 2019, with the annual gross domestic product (GDP) reaching RMB 99 trillion, up by 6.1% from the previous year, and China's economic growth further declined. China's economy faced intertwined structural, institutional and cyclical problems, as well as the prominent downward pressure, but China's economic structure continued the process of optimization, and the new impetus for economic growth emerged. The domestic unified big market deepened gradually, the disposable income of residents increased in the same pace, the urban-rural gap was narrowed continually, and the consumption upgrade and differentiated consumption continued to develop. The proportion of contributions by the high-tech industry and high-end manufacturing industry rose continuously, the new industries, new business forms and new models emerged, and the contribution of scientific innovation to the economy continued to grow.

The monetary policy was flexible and moderate, and the interest rate liberalization was promoted significantly. The monetary policy maintained tight in the first quarter, and then the PBOC strengthened the preliminary and micro adjustment of the monetary policy under the condition of deepening China-US trade frictions and financial interbank risk exposure, accurately put the targeted funds in the key fields and weak environment of the real economy, smoothed the monetary credit transmission mechanism, lowered the required reserve ratio 3 times in the whole year, and formed the deposit reserve ratio framework of "three levels and two privileges" in the banking industry. The reform of the new LPR quotation mechanism pushed the interest rate liberalization to take a crucial step, and the total interest rate reduction in the 4 quotations reached 20BP throughout the year. In 2019, the overall money supply and social capital demand maintained steady growth, and the broad money (M2) stood at RMB 198.65 trillion, increasing by 8.7% year-on-year. The national debts and general bonds of local governments were included in the social financing, and the cumulative increase in social financing was RMB 25.58 trillion, increasing by RMB 3.08 trillion from last year.

The supply-side structural reform was deepened in finance, and the financial opening-up accelerated significantly. In 2019, the formulation of technical rules and regulations, and the bolstering of areas of weakness were strengthened in the financial supervision. Over 500 supervision policies were released, involving extensive fields such as supply-side reform in finance, financial opening-up, construction and improvement of financial infrastructure, improvement of financial laws and regulations, financial interbank business specifications, commercial bank capital supplement. The financial reform and opening-up accelerated significantly after the China-US trade relations eased in the third quarter, and the foreign-owned credit rating agencies, investment consulting agencies, payment agencies, securities companies, financing subsidiaries, etc. officially settled in China. The financial risks gradually exposed, some urban commercial banks and rural commercial banks suffered a run, the scale of defaults in debenture bonds achieved new high, the defaults of urban construction investment bonds emerged, and the financial risk situation became more severe.

The banking industry witnessed generally stable operations, and the interbank rigid redemption was broken. In 2019, the banking industry witnessed generally stable operations, the key performance indicators were in a reasonable range. The new RMB loans totaled RMB 16.88 trillion, surpassing the increase in the last year by RMB 1.1 trillion. The commercial banks paid more attention to serving the real economy, and increased their loans issued to private enterprises by RMB 4.25 trillion on a cumulative basis. The balance of loans to inclusive small and micro enterprises stood at RMB 11.6 trillion, reflecting an increase of over 25% year on year. In the middle of the year, the event of the Baoshang Bank marked the breaking of the rigid redemption, and the shadow banking and cross-financial risks explicit. The credit stratification was initiated in the banking industry, the problematic financial institutions were disposed orderly under the collaborative management by the PBOC and the supervision departments. In 2019, the asset quality of the banking industry was generally controllable and the balance of NPLs for the year stood at RMB 2.41 trillion, implying an NPL ratio of 1.86%. For small and medium-sized banks, the reduction of social financing cost and the narrowing of net interest margin became the deterministic trend, the financial disintermediation and financial technology was transforming the traditional business mode of banks profoundly, and the credit risks, market risks and interbank risks exposed continuously. The major banks shifted their business focus to the lower-level cities, and the small and medium-sized banks faced the increasing survival and competition pressure.

8.3 Analysis of Financial Statements

8.3.1 Analysis of the Income Statement

Changes of Key Items in the Income Statement

In 2019, the Company realized an operating income of RMB 7.124 billion, implying an increase of RMB 414 million, or 6.18% compared to the same period last year. The operating expenses were RMB 2.941 billion, implying an increase of RMB 52 million or 1.80% from the same period last year. Throughout the year, the Company realized a net profit of RMB 3.589 billion, implying an increase of RMB 314 million or 9.58% from the same period last year.

Unit: in RMB 10⁴

Item	2019	2018	Increase / Decrease	Rate of Change (%)
Net Interest income	426,479	593,402	(166,923)	(28.13)
Non-interest Income	285,952	77,582	208,370	268.58
Operating Income	712,431	670,983	41,447	6.18
Less: Operating Expenses	294,094	288,907	5,186	1.80
Including: Taxes and Surcharges	4,891	4,441	451	10.15
Operating and Administrative Expenses	204,089	189,278	14,810	7.82
Loss of Credit Impairment	85,251	N/A		
Impairment Losses on Other Assets	(161)	N/A		

Continued

Item	2019	2018	Increase / Decrease	Rate of Change (%)
Impairment Losses on Assets	N/A	95,133		
Other Operating Costs	24	55	(31)	(56.32)
Operating Profit	418,337	382,076	36,261	9.49
Add: Net Non-operating Income and Expenses	(85)	147	(232)	(158.15)
Profit before Tax	418,252	382,223	36,029	9.43
Less: Income Tax Expenses	59,381	54,735	4,646	8.49
Net Profit	358,871	327,488	31,383	9.58
Net Profit Attributable to the Shareholders of the Parent Company	358,724	327,410	31,314	9.56

Net Interest Income

In 2019, the Company realized a net interest income of RMB 4.265 billion, implying a decrease of RMB 1.669 billion or 28.13% as compared with the last year, accounting for 59.86% of the total operating income. The decrease of net interest income was mainly impacted by the following factors: asset scale, net interest spread, recognition of interest income of financial instruments (actually received) measured at fair value through the current profits and losses in the “return on investment”. Among them, the net interest spread was 1.61%, implying a decrease of 0.04 percentage point as compared with last year. The average rate of return on the interest-bearing assets was 3.73%, implying a decrease of 0.05 percentage points as compared with last year, and the average rate of interest payment from the interest-bearing liabilities was 2.12%, implying a decrease of 0.01 percentage point as compared with last year.

Non-interest Income

In 2019, the Company realized a non-interest income of RMB 2.860 billion, implying an increase of RMB 2.084 billion or 268.58% as compared with last year, accounting for 40.14% of the total operating income.

Unit: in RMB 10⁴

Item	2019	2018	Increase / Decrease	Rate of Change (%)
Fee and Commission Income	10,398	22,398	(12,000)	(53.58)
Less: Fee and Commission Expenses	7,219	6,716	502	7.48
Net Fee and Commission Income	3,179	15,682	(12,503)	(79.73)
Other Non-interest Related Income	282,773	61,900	220,873	356.82
Total	285,952	77,582	208,370	268.58

Net Fee and Commission Income

Unit: in RMB 10⁴

Item	2019		2018	
	Balance	Ratio (%)	Balance	Ratio (%)
Fee and Commission Income	10,398	100.00	22,398	100.00
Settlement Fee Income	2,202	21.17	7,552	33.72
Agency Fee Income	2,984	28.69	3,927	17.53
Bank Card Fee Income	3,591	34.54	2,536	11.32
Foreign Exchange Settlement Fee Income	614	5.90	1,823	8.14
Guarantee Business Fee Income	45	0.43	13	0.06
Wealth Management Fee Income	0	0.00	5,752	25.68
Syndicated Loan Fee Income	568	5.47	395	1.77
Consulting Service Fee Income	116	1.11	108	0.48
Internet Financial Fee Income	82	0.78	0	0.00
Other Fee Incomes	197	1.90	292	1.30
Fee and Commission Expenses	7,219	100.00	6,716	100.00
Settlement Fee Expenses	1,213	16.81	773	11.50
Bank Card Fee Expenses	2,498	34.61	3,006	44.76
Agency Fee Expenses	90	1.24	101	1.50
Business Voucher Fee Expenses	370	5.13	545	8.11
Collateral Business Fee Expenses	233	3.23	236	3.51
SMS Service Fee Expenses	557	7.71	464	6.90
Internet Financial Fee Expenses	453	6.28	0	0.00
Other Agency Fee Expenses	1,804	24.99	1,593	23.71
Net Fee and Commission Income	3,179		15,682	

Interest Expenses

Deposit Interest Expense

In 2019, the deposit interest expense of the Company amounted to RMB 3.388 billion, implying an increase of RMB 818 million or 31.82% as compared with RMB 2.571 billion in the same period last year.

Operating Expenses

Operating and Administrative Expenses

In 2019, the Company implemented strict cost management and control. Operating and administration expenses reached RMB 2.041 billion, up by RMB 148 million or 7.82% compared to the same period last

year, mainly due to increased staff costs.

Impairment Losses on Assets¹

In 2019, the impairment losses on assets of the Company were RMB 851 million, implying a decrease of RMB 100 million or 10.56% as compared with last year. The primary cause was that the scale of placements with banks and other financial institutions increased, which led to the provisioning of RMB 443 million; the scale of debt investment assets increased, which led to the provisioning of RMB 318 million; the provisioning for the expected credit loss of off-balance sheet guarantee was RMB 128 million.

Income Tax Expenses

Unit: in RMB 10⁴

Item	2019	2018
Current Income Tax Calculated According to the Tax Law and Relevant Provisions	65,802	54,503
Deferred Income Tax Adjustment	(6,422)	232
Others	0	0
Total	59,381	54,735

8.3.2 Analysis of the Balance Sheet

Assets

As at the end of 2019, the balance of assets of the Company amounted to RMB 336.484 billion, implying a decrease of RMB 14.654 billion or 4.17% as compared with the end of last year. Changes in the main assets: the balance of deposits with the banks and other financial institutions reached RMB 27.354 billion, implying a decrease of RMB 18.127 billion or 39.86% as compared to the end of last year; the balance of the placements with banks and other financial institutions was RMB 33.732 billion, reflecting an increase of RMB 5.408 billion or 19.09% as compared to the end of last year; the balance of the financial assets held under resale agreements reached RMB 2.956 billion, implying a decrease of RMB 27.713 billion or 90.36% as compared to the end of last year; the balance of the loans and advances to customers was RMB 141.481 billion², reflecting an increase of RMB 19.481 billion or 15.97% as compared to the end of last year.

1. According to the the Notice of on Revising and Issuing the Format of Financial Statements for Financial Enterprises in 2018 (C.K.[2018] 36) issued by the Ministry of Finance, the expected credit loss of various financial instruments accrued by the Company in this year was included in the “loss of credit impairment” item, and the impairment of non-financial assets accrued by the Company in this year was included in the “impairment losses on other assets” item in the 2019 annual financial statement. So, the “impairment losses on assets” included the “loss of credit impairment” and “impairment losses on other assets”.

2. The balance included the principal and the interest payable and allowance for impairment losses

Unit: in RMB 10⁴

Item	31 December, 2019		31 December, 2018	
	Balance	Ratio (%)	Balance	Ratio (%)
Cash and Balances with the Central Bank	2,504,083	7.44	2,279,900	6.49
Deposits with the Banks and Other Financial Institutions	2,735,418	8.13	4,548,156	12.95
Placements with the Banks and Other Financial Institutions	3,373,154	10.02	2,832,375	8.07
Financial Assets Held under Resale Agreements	295,642	0.88	3,066,947	8.73
Interest Receivable	N/A	N/A	212,908	0.61
Loans and Advances to Customers	14,148,072	42.05	12,199,950	34.74
Financial Investments	10,390,896	30.88	9,797,343	27.90
Trading Financial Assets	4,929,439	14.65	N/A	N/A
Debt Investments	3,649,540	10.85	N/A	N/A
Other Debt Investments	1,811,917	5.38	N/A	N/A
Financial Assets Measured at Fair Value through Profit or Loss	N/A	N/A	4,534,300	12.91
Available-for-sale Financial Assets	N/A	N/A	2,177,457	6.20
Held-to-maturity Investments	N/A	N/A	1,758,703	5.01
Investment Classified as Receivable	N/A	N/A	1,326,882	3.78
Fixed Assets	35,323	0.10	33,631	0.10
Construction in Progress	8,217	0.02	5,965	0.02
Intangible Assets	9,467	0.03	8,420	0.02
Deferred Income Tax Assets	75,038	0.22	64,550	0.18
Other Assets	73,089	0.22	63,634	0.18
Total Assets	33,648,398	100.00	35,113,779	100.00

Loans (excluding accrued interest)

As at the end of 2019, the total loans of the Company amounted to RMB 145.932 billion, implying an increase of RMB 19.139 billion or 15.09% as compared with last year. Specifically, the corporate loans were RMB 119.796 billion, implying an increase of RMB 9.106 billion or 8.23% as compared with last year; the personal loans were RMB 26.137 billion, implying an increase of RMB 10.032 billion or 62.30% as compared with last year.

Unit: in RMB 10⁴

Item	31 December, 2019		31 December, 2018	
	Balance	Ratio (%)	Balance	Ratio (%)
Loans and Advances to Customers	14,593,246	100.00	12,679,353	100.00
Including: Corporate	11,979,552	82.09	11,068,903	87.30
Personal	2,613,694	17.91	1,610,450	12.70

Continued

Item	31 December, 2019		31 December, 2018	
	Balance	Ratio (%)	Balance	Ratio (%)
Less: Allowance for Impairment Losses on Loans	467,886	100.00	479,403	100.00
Including: Corporate	448,908	95.94	459,962	95.94
Personal	18,977	4.06	19,441	4.06
Net Value of Loans and Advances to Customers	14,125,361	100.00	12,199,950	100.00
Including: Corporate	11,530,644	81.63	10,608,941	86.96
Personal	2,594,717	18.37	1,591,009	13.04

Liabilities

As at the end of 2019, the balance of liabilities of the Company amounted to RMB 303.708 billion, implying a decrease of RMB 16.945 billion or 5.28% as compared with the end of last year. Specifically, the balance of due to customers amounted to RMB 184.160 billion³, implying an increase of RMB 28.355 billion or 18.20% as compared with the end of last year; the balance of due to banks and other financial institutions reached RMB 59.555 billion, reflecting a decrease of RMB 34.412 billion or 36.62% as compared to the end of last year; the balance of financial assets sold under repurchase agreements was RMB 20.978 billion, implying a decrease of RMB 6.652 billion or 24.07% as compared to the end of last year.

Unit: in RMB 10⁴

Item	31 December, 2019		31 December, 2018	
	Balance	Ratio (%)	Balance	Ratio (%)
Due to the Central Bank	72,029	0.24	121,474	0.38
Due to Banks and Other Financial Institutions	5,955,515	19.61	9,396,705	29.30
Placements from Banks and Other Financial Institutions	200,103	0.66	100,000	0.31
Financial Assets Sold under Repurchase Agreements	2,097,783	6.91	2,762,952	8.62
Due to Customers	18,415,997	60.64	15,580,460	48.59
Employee Compensation Payable	3,002	0.01	2,750	0.01
Tax Payable	39,657	0.13	32,310	0.10
Interest Payable	N/A	N/A	273,933	0.85
Accrued Liabilities	18,661	0.06	0	0.00
Bonds Payable	3,104,086	10.22	3,376,012	10.53
Other Liabilities	463,971	1.53	418,688	1.31
Total Liabilities	30,370,805	100.00	32,065,284	100.00

3. The balance included the principal and the interest payable.

Due to Customers (Excluding Accrued Interest)

As at the end of 2019, the balance of due to customers of the Company was RMB 180.992 billion, implying an increase of RMB 25.187 billion or 16.17% as compared with the end of last year. In terms of customer structure, the balance of corporate deposits was RMB 118.895 billion, implying an increase of RMB 15.613 billion or 15.12% as compared with last year; the balance of personal deposits amounted to RMB 61.189 billion, implying an increase of RMB 12.853 billion or 26.59% as compared with last year; the balance of structured deposits amounted to RMB 908 million, implying a decrease of RMB 3.28 billion or 78.32% as compared with last year.

Unit: in RMB 10⁴

Item	31 December, 2019		31 December, 2018	
	Balance	Ratio (%)	Balance	Ratio (%)
I. Corporate Deposits	11,889,477	65.69	10,328,131	66.29
Fixed Deposits	6,445,100	35.61	3,803,003	24.41
Demand Deposits	3,918,195	21.65	5,422,690	34.80
Fiscal Deposits	3,161	0.02	3,422	0.02
Other Deposits	508,560	2.81	113,478	0.73
Margin Received	1,014,462	5.61	985,538	6.33
II. Personal Deposits	6,118,902	33.81	4,833,569	31.02
Fixed Deposits	4,208,209	23.25	3,123,152	20.05
Demand Deposits	1,910,693	10.56	1,710,417	10.98
III. Structured Deposits	90,800	0.50	418,760	2.69
Total	18,099,178	100.00	15,580,460	100.00

8.3.3 Analysis of the Statement of Cash Flows

As at the end of 2019, the cash and cash equivalents amounted to RMB 57.054 billion, implying a decrease of RMB 35.241 billion or 38.18% as compared with the beginning of the year. The primary cause was that the deposits with the banks and other financial institutions due within three months decreased RMB 17.853 billion, the placements with banks and other financial institutions due within three months increased RMB 18.350 billion, and the cash equivalents decreased RMB 35.748 billion respectively as compared with the last year.

Net Cash Flow from Operating Activities

The net cash flows from operating activities for the year amounted to RMB -30.990 billion, implying a decrease of RMB 30.198 billion or 3811.89% as compared with RMB -792 million last year. The primary cause was that the cash inflows from the net increase in due to customers, banks and other financial institutions decreased to some extent compared with the same period last year, and meanwhile the cash outflows from the net increase in deposits with the Central Bank and banks and other financial institutions increased to some extent compared with the same period last year.

Net Cash Flow from Investing Activities

The net cash flows from investing activities for the year amounted to RMB 810 million, implying a decrease of RMB 28.361 billion or 97.22% as compared with RMB 29.171 billion in the same period last year. The primary cause was that the net cash flows from investing activities declined due to the decrease in cash received from investment from the same period last year.

Net Cash Flow from Financing Activities

The net cash flow from financing activities for the year amounted to RMB -5.069 billion, implying an decrease of RMB 22.832 billion or 128.54% as compared with RMB 17.763 billion in the same period last year. The primary cause was that the cash receipts from issuance of bonds reached RMB 44.157 billion, the cash paid for repayment of bonds was RMB 46.814 billion, the distributed cash dividends and paid bond interest amounted to RMB 2.413 billion in this year.

8.3.4 Segment Analysis

Business Segment

Unit: in RMB 10⁴

Item	Corporate Banking Business	Personal Banking Business	Capital Business	Other Business	Total
I. Net Interest Income	209,247	119,926	97,306	0	426,479
Net Fee and Commission Income	2,087	1,093	0	0	3,179
Return on Investment	0	0	268,013	0	268,013
Gains from Changes in Fair Value	0	0	5,293	0	5,293
Foreign Exchange Gains	9,579	0	0	0	9,579
Gains from Disposal of Assets	0	0	0	(223)	(223)
Other Gains	0	0	0	56	56
Other Operating Income / Costs	0	0	0	31	31
Taxes and Surcharges	2,444	526	1,921	0	4,891
Operating and Administrative Expenses	73,013	29,667	101,338	71	204,089
Credit Impairment and Other Impairment	(11,462)	22,518	74,035	0	85,090
II. Operating Profit	156,918	68,308	193,319	(208)	418,337
Non-operating Income	0	0	0	414	414
Non-operating Expenses	0	0	0	500	500
III. Total Profits	156,918	68,308	193,319	(293)	418,252
Income Tax Expenses	22,278	9,698	27,446	(42)	59,381
IV. Net Profit	134,640	58,610	165,872	(252)	358,871

Geographical Segment

Unit: in RMB 10⁴

Item	Inside Xinjiang	Outside Xinjiang	Total
I. Net Interest Income	261,440	165,039	426,479
Net Fee and Commission Income	1,505	1,674	3,179
Return on Investment	268,013	0	268,013
Gains from Changes in Fair Value	5,293	0	5,293
Foreign Exchange Gains	9,412	167	9,579
Gains from Disposal of Assets	(2)	(221)	(223)
Other Gains	31	24	56
Other Operating Income / Costs	52	(21)	31
Taxes and Surcharges	2,835	2,056	4,891
Operating and Administrative Expenses	153,272	50,817	204,089
Credit Impairment and Other Impairment	60,995	24,095	85,090
II. Operating Profit	328,643	89,694	418,337
Non-operating Income	249	165	414
Non-operating Expenses	399	101	500
III. Total Profits	328,493	89,758	418,252
Income Tax Expenses	53,050	6,330	59,381
IV. Net Profit	275,443	83,428	358,871

8.4 Business Overview

8.4.1 Corporate Banking

The corporate banking of the Bank focused on the main task of high-quality development and value creativity improvement; adhered to the characteristic and differentiated development; put efforts into deeply exploring advantageous fields, highlighting key customers, expanding new marketing channels, and improving the product application, consolidating the basic management; highlighted services for high-quality large and medium-sized customers, strengthened customer marketing, vigorously developed assets services, and steadily advanced liability services; made efforts to promote service and product innovation to achieve sustainable development and build the corporate banking of a “First-class Characteristic” commercial bank.

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, gave fully play to the deposit growth advantages of international business settlement customers, strengthened the marketing of financial customers, and designed different product portfolio plans according to different demands and product characteristics of customers to effectively improve the customer viscosity and contribution degree. At the end of the period, corporate banking customers totaled 33,700, indicating a YOY increase of 3.63%. Among them, 9,843 or 29% of the total were from the petroleum and petrochemical industry chain. Most of these 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.

Corporate Banking Deposits

The Bank continued to strengthen its customer pool and optimize its deposit structure. We developed detailed customer marketing targets for large, medium and small customers, and paid a visit to financial customers, provident fund customers, and other institutional customers; researched and launched new deposit products such as large-sum deposit certificates with the interest settlement by month, and intelligent fixed deposits for group customers, significantly enhancing the service capabilities in deposit marketing, product portfolio, and personalized finance. The balance of the corporate banking deposits stood at RMB 118.323 billion.

Corporate Banking Loans (Including Integration of Industry and Finance)

The Bank’s corporate loans grew steadily and asset quality continued to improve. We classified our corporate customers, establish a classification and hierarchical marketing mode, combined the customer segmentation with the accurate marketing, and the strategic cooperation of marketing core customers with the real income to form the core customer groups in the corporate business. The balance of corporate bank loans (RMB, excluding discount) amounted to RMB 77.128 billion, implying an increase of RMB 3.188 billion, or 4.31% compared to the end of last year. The NPL ratio of corporate loans was 1.77%, decreasing by 0.45 percentage point compared to the end of last year.

Micro and Small Finance Services

The Bank achieved balanced improvements in customer acquisition capabilities, business processing efficiency, and risk management and control among small and micro enterprises, The unified loans to small and micro enterprises increased by RMB 970 million, implying an increase of 6 percentage points compared with other various loans; the number of loan borrowers of inclusive small and micro enterprises was 812, increasing by 128 compared with the beginning of the year, and we achieved the plan of “two increases and two controls”.

Green Financial Services

The development of the green finance business achieved initial success. Focusing on the construction of pilot zone of green finance reform and innovation in Xinjiang, the Bank actively expanded the new

green financial service fields, 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 financial service mechanisms. We improved the dynamically adjustable mechanism for the green project repository, a specially-assigned person was responsible for promoting marketing, establishing incentive schemes and stimulating the service enthusiasm. As at the end of 2019, the balance of green loans amounted to RMB 8.3 billion, implying an increase of RMB 1.3 billion as compared with the beginning of the year.

8.4.2 Integration of Industry and Finance

The Bank's corporate integration of industry and finance is in essence an implementation of the supply chain finance business for upstream and downstream enterprises along the industrial chain with CNPC at the core. In 2019, the Bank accelerated the development of the integration of industry and finance, and conducted more in-depth industry research, with the products covering the full industry chain, greatly improved its financial service capabilities, and continued to enhance its market influence.

Industrial Financing Customers and Exclusive Products

In 2019, the number of industrial financing corporate customers reached 9,843, up by 205 from the beginning of the year. The average daily balance of industrial financing deposits stood at RMB 53.833 billion, that of on-balance sheet loans RMB 20.871 billion, and the balance of exclusive credit products was stable at RMB 35.355 billion as at the end of the year, implying an increase of RMB 7.455 billion or 26.70% as compared with the beginning of the year.

In 2019, the Bank continued to optimize and improve the "Kunlun Express" product system featuring "Program" series upstream and "Loan" series downstream. For the upstream and downstream segments such as oilfield, oilfield service, fuel gas, sales and material purchase, the Bank launched targeted series of products such as "Equipment Financing Program", "Blue Sky Loan", "Oil Wholesale Loan", "E-commerce Program", "Block Cooperation Program", "Project Financing for Petro Enterprise Program", "Oil (Gas) Filling Station", "Project Financing for Oil Depot", comprehensively improving the brand value of "Kunlun Express".

The "Commercial Credit Program", as the hit product of the Bank, provides financing for holders by starting the commercial credit of China National Petroleum Corporation through commercial acceptance bills. The balance as at the end of the year was RMB 15.861 billion, implying an increase of RMB 4.127 billion from the beginning of the year.

The "Petro Enterprise Program", as the Bank's first exclusive industrial financing product, is aimed at addressing shortages in the "three commercial" funds upstream along the industry chain through pledge of accounts receivable. The balance as at the end of the year was RMB 8.598 billion, implying an increase of RMB 1.137 billion from the beginning of the year.

The Bank's "Gas Loan" aims to solve the shortage of construction funds or liquidity for users of urban pipe network construction and terminal users of natural gas. The financing balance as at the end of the year was

RMB 6.357 billion, implying an increase of RMB 844 million from the beginning of the year.

The Bank's "Promotion Loan" addresses financing difficulties for end users of natural gas, refined oil, and petrochemical products. The financing balance as at the end of the year was RMB 2.895 billion, implying an increase of RMB 606 million from the beginning of the year.

The "Blue Sky Loan" solves the shortage of capital in the daily operation and project construction of enterprises in power generation, cogeneration, distributed energy, heat supply, with the natural gas as the main fuel, and the cumulatively issued loans as at the end of the year reached RMB 384 million.

The "Equipment Financing Program" solves the financial gap of purchase of large and medium-sized equipment for the exploration and development segment, and the cumulatively issued loans as at the end of the year reached RMB 214 million. The launch of "Block Cooperation Program" and "Project Financing for Industry and Finance Petro Enterprise Program" further helped the financing demands for exploration and development.

The "Electronic Bidding" realized the online management of bidding and bidding fees. In 2019, the Bank launched "E-commerce Program" to provide online financial security for the non-production materials.

The "Petro Easy Loan" addressed difficult financing, expensive financing, and complicated financing procedures for downstream small and micro users in sales of refined oil, and realized the online instant loan for the purchase of oil products. The financing balance as at the end of the year was RMB 249 million, helping the sales of refined oil reach 47,800 tons.

Cooperation in Integration of Industry and Finance

The Bank fully utilized the coordination group platforms in the eight major areas of CNPC in the integration of industry and finance, actively promoted the follow-up and implementation of regional integration of industry and finance, fully discussed the methods for carrying out the work in the integration of industry and finance, took opportunities to understand the demands of core enterprises in the management work, so as to lay a solid foundation for the Bank to serve the customers in the upstream and downstream industry chains.

In 2019, the Bank held the first "Recommendation Activity for Financial Products of Oilfield Service Equipment Manufacturing Enterprises", a total of over 160 persons participated in the activity, including all drilling and equipment manufacturing enterprises of CNPC, nearly 50 domestic well-known oilfield service equipment manufacturing enterprises, and academic professionals in the industry, and the Bank signed a strategic cooperation agreement with a total of 13 oilfield service equipment manufacturing enterprises.

In the future, in order to further promote the development strategy of integrating industry and finance, tap the huge potential of the integration of industry and finance, and enhance the financial service capabilities,

the Bank will firmly promote the version 2.0 of the integration of industry and finance, on the basis of “CSCS”, and carry out the eight tasks in “building modes, improving mechanisms, building platforms, highlighting marketing, enriching product portfolio, strengthening risk control, heightening contributions, and upholding the Company flag”, so as to achieve new breakthroughs in industrial financing.

8.4.3 Personal Banking

In 2019, focusing on the retail finance demands of core customer groups, the Bank put efforts into increasing the number of effective customers, enhancing customer stickiness, and strengthening the business featuring the integration of industry and finance, and product innovation and development, continued to improve the on-line and off-line marketing channels, constructed a complete product and service system, further improving the retail service capability and level of the Bank.

Personal Deposit Business

We actively responded to the development of interest rates liberalization, elaborately organized the promotion and sales of the personal certificates of deposit, “Huixin No.1”, and other savings products, and realized steady growth in the deposit scale. We started the “Warm Salary Plan”, strengthened the maintenance of payroll credit customers based on the exclusive retail product portfolios, and increased the financing deposition. Meanwhile, we continued to enrich the on-line deposit products, and launched the personal certificates of deposits in the Direct Bank. As at the end of 2019, the Bank had 1.8915 million personal customers, up by 9.34% YOY; the balance of personal deposits reached RMB 60.269 billion, implying an increase of 26.34% YOY.

Personal Loan Business

We strictly implemented the classification requirement of supervision asset quality, included the loans with the overdue interest for over 60 days into the non-performing assets, further improved the management systems and operation specifications of various products, and strengthened the business risk control. As at the end of 2019, the balance of personal loans of the Bank amounted to RMB 18.5 billion, representing an increase of 23.72% as compared with last year, with an NPL ratio of 0.34%. Over the course of the year, the Bank issued 6,285 credit loans and “Salary Loans” with a total value of RMB 733 million to employees in the oil sector, and the balance registered at RMB 2.107 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 157 fund products, 101 insurance products, and 291 precious metal products on a commission basis. Our annual sales of personal wealth management products reached RMB 82.965 billion, up by 26.09% YOY; while our annual sales of funds, insurance, precious metals and other products on a commission basis were RMB 2.809 billion, and

the intermediate business income of wealth management reached RMB 64.7727 million.

Debit Card Business

We strengthened the promotion of mobile payment business of bank cards, and optimized the functions such as the “no-card quick payment”, and “small-value payment without password or signature”; strengthened the risk prevention and control, protect the legitimate rights and interests of customers, and realized the operation of the debit card risk monitoring system; adhered to the integration of industry and finance, and enriched the industrial application of financial IC cards. The Bank was awarded the “Outstanding Contribution Award for Bank Card Business Management in Xinjiang Uygur Autonomous Region in 2019” by the China UnionPay Xinjiang Branch. As at the end of 2019, we issued 212,900 new debit cards, putting the accumulated debit card stock at 2.8837 million, including 1.86 million financial IC cards. In the whole year, the number of debit card transactions in terms of deposits, withdrawals, and off-line consumption reached 15.67 million, and the total transaction volume reached RMB 78.066 billion, including RMB 10.561 billion in off-line consumption transactions.

8.4.4 International Business

In 2019, 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.

8.4.5 Financial Market Business

In 2019, under the general background of tightening supervision policies, the Bank always followed the principle of “security”, “fluidity” and “profitability”, and adhered to the positioning of “stabilizer, growth point and ballast” of the financial market business. As at the end of 2019, the on-balance sheet assets for the financial market business amounted to RMB 174.489 billion while the off-balance sheet assets registered at RMB 30.903 billion and the liabilities at RMB 73.609 billion.

Bond Business

The Bank took the market risk prevention as the main thrust for bond business, and kept the allocation structure of bank account bonds stable. The Bank effectively dealt with the changes in market interest rates, and expanded the means of income increase and arbitrage by comprehensive utilization of bonds and loans. In 2019, the balance of bond investments was 19.6 billion, while the weighted average remaining maturity

was 3.1 years, and the weighted returns rate was 3.91%. In this year, we conducted 439 bond transactions, with a trading volume of RMB 42.2 billion, including purchases of RMB 21.4 billion and sales of RMB 20.8 billion. We realized interest income of RMB 992 million and capital gains of RMB 63.13 million. In accordance with the annual investment plan, the Bank comprehensively used the abundant cash funds, actively grasped the occasion of a high return rate at the beginning of the year, and purchased interest rate bonds according to scale and in batches, completing the reinvestment of mature bonds of about RMB 6 billion in total, laying a solid foundation for the subsequent valuation of floating profit.

Capital Business

Facing the complex and fast-changing market environment, and the downward volatility trend in funds, 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 negotiable certificates of deposit to guarantee the bank-wide mobility security. As at the end of December 2019, a total of 106 interbank deposit receipts were issued, totaling RMB 44.790 billion, and the balance and the interbank transaction as at the end of the year stood at RMB 30.78 billion and RMB 300 billion respectively. The cumulative turnover of pledged repo reached RMB 5.6 trillion, up by 93% from the previous year. In 2019, the Bank won the “X-Repo Best Progress Award”, “Active Trader of the Year”, as well as “Top 300 in Annual Transactions” issued by the National Interbank Funding Center.

Interbank Business

In 2019, the interbank business of the Bank complied with the market and supervision trend, adhered to “returning to origins”, actively pushed the traditional capital business such as interbank deposits and interbank loans, and vigorously developed the standardized business such as the asset securitization investment; responded to the national calls, carried out the inclusive finance, arranged and expanded the consumer credit assets, the supply chain financing for small and medium-sized enterprises, and other investment varieties and channels. The interbank business assets and the liability scale maintained stable throughout the year. As at the end of 2019, the scale of interbank business assets reached RMB 64.925 billion, and that of interbank deposits registered at RMB 29.224 billion.

Bill Business

In 2019, relying on the Shanghai Commercial Paper Exchange Corporation Ltd., the Bank realized the upgrade and optimization of the billing system, and comprehensively promoted the electronic development of the bills of the Bank. The bill business continued to follow the overall development strategy of the Bank, and by drawing on energy resources, the Bank promoted the integration of the industry and finance, and further strengthened the bill-related financial services of subordinate enterprises of CNPC, as well as the upstream and downstream enterprises in the petroleum industry chain. The bill business made a major breakthrough in the development of market customers, bill financing, and the scale use efficiency of bills, and successfully realized the structural regulation and growth development of the business. As at the end of 2019, the scale of bill business reached RMB 42.544 billion, up by 23.98% YOY, while the bill business volume was RMB 562.14 billion, up by 185.31% YOY.

Wealth Management

In 2019, in line with the requirements of the new regulations on asset management, we actively promoted the wealth management reform, and achieved steady development in the wealth management. The cash management products were highly favored by wide customers, and the product scale realized a steady growth. The new launch of the closed net value products and the open non-net value products marked the new progress in the wealth management reform of the Bank. 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. As at the end of 2019, the Bank's wealth management balance reached RMB 30.915 billion, representing an increase of RMB 6.982 billion compared to the beginning of the year, all without principal guarantee. As at the end of the year, the scale of cash management products, the open non-net value products and the closed net value products reached RMB 9.408 billion, RMB 19.731 billion and RMB 1.777 billion respectively.

8.4.6 Investment Banking

In 2019, the Bank focused on the support for the real economy, strove to be customer-centered, pushed the "company + investment banking" mode, strengthened the business linkage and product portfolio, enhanced the comprehensive financial service capabilities of customers, satisfied the diversified financing demands of customers, continued the business innovation, and actively strove for relevant qualifications. The number of customers, varieties of business products and transaction modes showed a trend of diversity, and the investment banking achieved the orderly development.

Structured Finance Business

We actively supported the infrastructure and the projects for bolstering areas of weakness, strengthened the business mode innovation, utilized the collective plan business mode, and 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 2019, the balance of its structured financing business was RMB 7.002 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 2019, the balance of the M&A loan business was RMB 116 million.

Bond Underwriting Business

The Bank strengthened the corporate business linkage, combined the bond underwriting with the investment

by relying on the comprehensive credit plan, continued to increase the scale of the bond underwriting investment business, with the accumulated bond underwriting volume reaching RMB 1.140 billion throughout the year.

Credit Asset Securitization Business

In 2019, the Bank was officially approved to start the credit asset securitization business, and meanwhile actively promoted the first issue of credit asset securitization products. The credit asset securitization business would facilitate the activation of stock of credit assets, improve the allocation efficiency of resources, optimize the asset structure, and meanwhile reflect the innovative and ever-richer investment banking varieties of the Bank.

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.

8.4.7 Network Financial Services

In 2019, the network finance business of the Bank abided by the concept of “characteristic, innovation, inclusiveness and support”, and the Bank further enhanced its network inclusive finance service abilities by structural adjustment and reform, innovative development, improvement of quality, speed and efficiency in the process of conforming to the development trend of “service intelligence, business scenario, channel integration, fusion deepening”.

Direct Banking

In 2019, the Bank achieved a rapid development in direct banking, and the efficiency of the integration of industry and finance improved steadily. It cooperated with the sales branch of CNPC to successively launched QR code payment, Chonghuiying, Fuhuiying, and other exclusive products for the refueling customer groups, carried out various forms of propaganda and marketing activities by relying on the on-line refueling payment products to boost the transformation of industry customers into the financial customers. The Bank launched large-sum deposit certificates of the direct banking, and periodical wealth management products. As at the end of 2019, the Bank’s direct banking had reached 2.7901 million customers in total, and its intermediate business sales volume reached RMB 21.076 billion. The Kunlun Direct Bank was awarded the “Best Direct Banking User Experience Award” by the China Financial Certification Authority (CFCA) in 2019, which was the second China E-Bank Golden Award obtained by Kunlun Direct Bank after it was awarded the “Best Direct Banking Function Prize” in 2018.

WeChat Banking

In 2019, 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, stretched the emoji of Xiaokun, with nearly one hundred of official expressional materials. Meanwhile, the Bank organized a series of brand promotion activities, including “Kunlun Refueling Day” refueling scenario activity, sales promotion for “Instant Purchase Jilizou” products, “Kunlun Jinlizou” WeChat card binding activity, “Youni Youwo” on-line customer acquisition activity, “Xiaokun Recommendation Award” customer referral activity. The activity forms were refined into branding and normalization from the multiple topics and forms in the previous years, and formed the public praise of the internet financial business of the Bank. As at the end of 2019, the WeChat Bank had 7.7737 million followers, increasing by 2.7036 million, and released 175 posts across 47 issues. The posts were read 2.7158 million times, and forwarded 16,590 times; there were 5,424 customer messages and 3,927 replies.

E-banking

The Bank completed the relevant requirements and function construction of The People’s Bank of China and China UnionPay for the mobile payment and cutting of direct connection between third-party payment institutions and the banks in 2019, and was awarded the Best Partner Award of China UnionPay; added multiple functions such as the credit card payment for the network platform, completed the FIDO (fast identity online) biometric method promotion, and optimized the functions such as mobile small-value payment without password and verification; provided cooperation in the opening of Shanghai International Business Settlement Center, put the English version of Personal Online Banking into operation; the corporate online banking added the billing services such as customer direct payment for the treasurer system, including batch automatic collection, recourse, etc., and provided customers with convenient and quick direct payment mode for the discounted bills; and provided the batch transfer services, greatly improving the processing volume and service capabilities for the bank-wide and cross-bank transfer and payroll credit business.

Network Loan Platform

In January 2019, the Network Loan Platform was officially put into operation. The Bank successively carried out the loan aid business cooperation with Ping An, Wecash, JFU, Erxu, and other leading loan aid institutions, as well as Zhong’an Property Insurance, Ping An Insurance, PICC, China Continent Property & Casualty Insurance Company Ltd., Sunshine Surety, Sunshine Property and Casualty Insurance Co., Ltd. and other insurance companies, and successively launched 6 on-line personal comprehensive consumption loan products of credit insurance loan to quicken the transformational development of the asset business. As at the end of 2019, the cumulative number of loans issued by the network loan business of the Bank was 1.79 million, with the loan amount of RMB 10.171 billion. The Bank’s aggregate number of users of direct banking had reached 536,500 customers in total, the balance of the loan was RMB 6.047 billion as at the end of the year, and the daily average loan balance stood at RMB 2.367 billion, with the NPL ratio of 1.55%, and operating income of RMB 93.4518 million.

Wealth Management Platform

Relying on the wealth management platform, the Bank researched the personal investment product - Kunlun Wealth Plan based on the bill assets in the industry chain to solve the financing demands of enterprises in the petroleum industry chain, and improve the market competitiveness of personal investment products. In 2019, the Bank took Kunlun Wealth Plan product as the knockout product of the Direct Bank to expand customers and absorb savings to vigorously expand the business of Kunlun Wealth Plan. As at the end of 2019, 1,527 issues of products were released on a cumulative basis throughout the year, with the issuance amount exceeding RMB 1.1 billion, and investment customers of 12,500, drove the increase of the scale of personal liabilities and the corporate payroll credit customers, and the public-private linkage to jointly promote the development in the integration of industry and finance.

Party Building Platform

In view of the new characteristic of high concurrency for payment of party membership dues, the Bank implemented and realized the guideline of “steady operation and iterative upgrading”, quickened the organization and implementation of infrastructure upgrade, optimized the program logic. The usage of CPU and memory of the application and database server after system optimization is less than 40% in peak hours, and the mean response time is less than 3 seconds. At the beginning of August 2019, we launched the non-skip payment function to effectively solve the payment problem of party membership dues for some Party members. As at the end of 2019, the party membership dues were paid 211,300 times by the non-skip payment channel, totaling RMB 6.508 million. We organized an all-round service support system, continued to visit enterprises, carried out the business solution and hard problem processing online and offline simultaneously, and provided the Party member users with a green channel to simplify process and improve efficiency.

Kunlun Refueling Card Top-up Platform

In 2019, as the exclusive acquirer of 95504 Kunlun Refueling Card Top-up Platform, the Bank provided the platform with payment and settlement services. The receipt settlement service of the Bank was officially put into operation in November 2019, and completed the one-time switching between over 480 municipal companies under the sales branch of PetroChina and the settlement platform of the Bank. As at the end of 2019, the Bank had completed the payment and settlement services of on-line Kunlun Refueling Card Top-up for 262 municipal sales companies, involving 256 transactions totaling RMB 2.61 million.

8.4.8 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. We built an all-round consumption, payment and use scenario of “People·Cars·Oil”, and built a leading retail financing service platform in the energy industry. As at the end of 2019, we had issued a total of 194,929 credit cards, with an increase of 107,903 and an activation rate of 75.75%. The installment business volume increased by RMB 443 million, and the

balance of credit card loans was RMB 619 million. The credit card business of the Bank was awarded the 2019 “Leap Award·Scale Star” by the UPDIndex.

Product Innovation and Channel Development

The Head Office and branches jointly launched the all-in-one-card products of PetroChina Urumqi Petrochemical Company featuring the integration of industry and finance, and 4,399 cards had been issued as at the end of 2019. We enriched the mobile payment functions by cooperating with WeChat, Alipay and Jingdong Pay, and other channels, carried out business cooperation with Dongfeng Motor Group and Tuhu, and continued to optimize the business functions of credit card APP and official WeChat account.

Marketing and Brand Development

In 2019, we continued to focus on brand activities such as “Kunlun YOU Enjoy Day” and “Discount for Refueling”, and the activities had covered 14 provinces and regions throughout the country and the market influence continued to expand. As at the end of 2019, a total of 106,454 “Kunlun Refueling Credit Cards” - a credit card product featuring the integration of industry and finance were issued, the cumulative top-up value of fueling credit cards reached over 65 million, the cumulative consumption amount was over RMB 56 million, and the oil consumption reached 7.2 million liters. By conducting the marketing promotion for the credit card product activities of the Bank together with the CNPC New Media Platform, we constructed the points mall, carried out telemarketing and made various marketing activities to quicken and improve the scenario-based construction, and continued to enhance the credit card brand image.

8.4.9 Distribution Channel

The Bank enhanced its efforts to build a three-dimensional distribution channel network of “online plus offline, smart plus manual”, 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 2019, under the support of the regulatory authorities, the Bank established the branch-level exclusive institution - the Shanghai International Business Settlement Center, and completed the relocation and transformation of 7 sub-branches in accordance with the latest editions of intelligent construction standards. As at the end of 2019, the Bank had 84 branches and sub-branches, including 10 branch-level institutions, 64 traditional sub-branches and 10 community small and micro sub-branches. The Bank basically completed the intelligent upgrade and transformation of outlets, provided the outlets with different Kunlun super counters, mobile Pad terminals, high-speed cash ATMs, self-help receipt printers, and other intelligent equipment. The quantity of intelligent equipment per outlet increased to 5.20 as at the end of 2019 from 2.17

as at the end of 2018, and a total of over 160 different business handling and receipt print functions were realized, which play a positive role in improving the business processing rate, strengthening the business risk control, and improving the customer service experience.

Online Channel

Aimed at strengthening the integration of industry and finance, the corporate online banking (bank-corporate direct connection) remained focused on enriching business functions, expanding the platform service capability and enhancing the customer experience. We added the direct payment service for electronic bill customers to improve the processing volume and service capabilities for the bank-wide and cross-bank transfer and payroll credit business by batch transfer items; built a new standardized cash management platform to provide large and medium-sized customers with standardized and generalized cash management services including determination of expenditure by revenue, determination of excess expenditure, virtual account management, consignment loan fund pool, cross-bank fund pool, internal valuation; realized the customization of commission reduction and exemption mode, uploading of customized electronic payrolls of corporate online banking, optimization of electronic receipts, optimization of bank-corporate reconciliation, optimization of batch instruments of bank-corporate banking, etc. to further improve the usability and satisfy the corporate demands. As at the end of 2019, the number of corporate customers registered for online banking was 26,700, with the number of annual transactions of 2.7724 million, accounting for 8.78% of all channels.

The Personal Online Banking launched the functions of opening of Class II accounts and binding cards of other banks, cancellation of account transaction control, added the online verification of photo comparison for Class II and III accounts, launched the privacy policy notification confirmation, mobile phone number payment business, and added the function of self-help payment of heating cost for Hami Huadian. As at the end of 2019, there were 658,000 registered personal online banking customers, with annual transaction volume totaling 12.373 million, accounting for 32.8% of all channels.

The mobile banking further improved the secure payment system, and added the face recognition, OCR certificate recognition and other functions in the link of opening electronic accounts; enhanced the customer experience, and realized the functions of cross-bank fund concentration and self-help mobile phone number change. As at the end of 2019, there were over 600,000 mobile banking users, with a total of 4,245,825 transactions across the entire year, accounting for 15.58% of the combined volume of all channels.

In 2019, the SMS Platform sent a total of 158 million text messages. As at the end of 2019, the upgrade and transformation of the SMS Platform was officially started by setting a limit on reminders for personal account changes, and meanwhile the WeChat notifications, smartphone app push notifications and emails and other modes were adopted to achieve the diversion of messages, and reduce the cost of sending messages.

The Direct Bank launched QR code payment, Chonghuiying, Fuhuiying, and other exclusive products for the refueling customer groups, carried out various forms of propaganda and marketing activities by

relying on the on-line refueling payment products to boost the transformation of industry customers into the financial customers; and launched the large-sum deposit certificates of the direct banking, periodical wealth management products, and other products.

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, organized a series of brand promotion activities in the forms of branding and normalization, and formed the public praise of the internet financial business of the Bank.

8.4.10 Information Technology

In 2019, the Bank followed the general concept of “consolidating the foundation, improving services, and promoting transformation” in information technology work. Focusing on “five emphases and five promotions” in specific work, achieved safe and stable operation of our production system, and maintained the availability of primary system services at 99.9% and above. All undertakings advanced steadily, furnishing strong support for the healthy development of various businesses.

Information Technology Governance

Based on the 2018-2020 IT planning, the Bank made a detailed planning for key business fields, carried out the special research and planning for the deep integration of digital transformation research, new technologies and financial scenarios. We promoted the transformation of information system architecture and the implementation of middle office and opening bank, constructed the production cloud platform, implemented the basic platform migration, put the new-generation domestic data warehouse into operation, and won the financial technology development and innovation contribution award to accumulate technical reserves for the digital transformation. We carried out the information technology system and mechanism reform scheme, completed the organizational structure adjustment, established the supporting training assessment mechanisms and promoted their implementation to improve the core competitiveness of the information technology.

Security Infrastructure Construction

Adhering to the principle of “safety first”, we successfully carried out six theme activities of “security starts with me”, revised and released 19 systems and 43 technical specifications, improved the inspection standards and standards for violation point accumulation, completed the special on-site inspections and 247 emergency planning drills for the line information technology. We successfully completed the network attack and defense drill protection and special network security governance, carried out the classified protection work requirements, and actively participated in the network attack and defense competition and was awarded the winning prize. We introduced the emerging technologies including quantum encryption, 5G, cloud computing, big data and AI to guarantee the information security and prevent the business risks; continued to advance the construction of the integrated management platform for information security, business system transaction monitoring, domestic commercial password transformation, and other projects,

started the integrated operation and maintenance, machine room expansion, Phase III of three centers across two sites, unified identity authentication projects. We actively promoted the IPV6 network transformation, and took the lead in realizing the full support of IPV6 connection access for the internet application system Inside Xinjiang. We regularly carried out the vulnerability scanning and penetration testing, and closed down 4 phishing sites to ensure the secure and steady operation of the system.

Key Project Construction

The Bank comprehensively collated the construction process of information technology projects, specified the assignment of line responsibilities of all specialties, and strengthened the construction of organization level project management abilities. In accordance with the architecture reform goal of “Pure Channel, Emphasized Middle Office and Simplified Core”, the Bank fully advanced the construction of the key projects including core optimization, network loan platform, internet finance, industry chain; supported the traditional business, steadily pushed the implementation of credit card, wealth management and AFD loan projects; actively carried out the construction of emergency projects beyond the personal foreign currency business project of the International Business Settlement Center, the PBOC No.198 Document supervision and sending project, LPR loan market rate transformation, and other plans, and satisfied the supervision requirements; smoothly completed 8 major-version commissions, added 13 sets of systems including the network loan platform, credit risk warning, big data risk control, established the mechanism and architecture to deal with the high concurrency, improved the system processing efficiency and fully supported the main business development.

8.4.11 Service Improvement

Focusing on the theme of “Innovation, Exchange, Specification and Improvement”, the Bank profoundly fulfilled the “customer-oriented” service concept, realized “Internalization in Heart and Externalization in Action” in the service work, integrated the corporate culture and service work, and formed a service culture with its own characteristics.

The Bank strengthened service management through various forms and means, launching a series of service enhancement activities. First, the Bank carried out the service case promotion activities, established service optimization examples by studying the classical cases, played a leading role of model, and made the high-quality service concept strike root in hearts of employees; second, the Bank organized and carried out the activity of “Star Creation in Service”, Urumqi Petrochemical Company Sub-branch and Daqing Donghu Sub-branch was awarded the title of “Five-star Outlet” by the China Banking Association, Korla and Kashgar Branch Sales Departments were awarded the title of “Four-star Outlet”; third, conducted the gold leading activity, made a financial standardized service statement in public, comprehensively strengthened the standard implementation and appraisal feedback, continued to accelerate the integration between financial standardization and financial governance. The customer satisfaction survey results showed that the customer service satisfaction degree of the Bank reached 95%, and the service was widely recognized and highly appraised by customers.

8.5 Risk Management

8.5.1 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 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.

8.5.2 Credit Risks

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 the banks and other financial institutions, assets held under resale agreements, bank account bond investment, and receivable investments; off-balance sheet letter of guarantee, banker's acceptance bills, 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”, and earnestly launched the “Year of Post-Loan Management” and other activities, 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 2019, the Company continued to conduct the customer 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 centralized management of single customers; 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 2019, the Bank took into consideration national policies, monetary policies, and supervision stipulations, collated and revised management systems and measures, pushed business expansion, and optimized the management measures for operation workflow as well as the asset quality classification management measures. 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. Meanwhile, it improved assessments and post-loan management strengthened post-loan management training at branches and 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 institutional and 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 2019, 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

As at the end of 2019, the total loans and advances (excluding the accrued interest) issued by the Company amounted to RMB 145.932 billion, implying an increase of RMB 19.139 billion or 15.09% as compared with last year.

Asset Quality Classification of Loans and Advances to Customers

Unit: in RMB 10⁴

Five-tier Classification	31 December, 2019		31 December, 2018	
	Amount of Loans and Advances	Proportion in Total Amount (%)	Amount of Loans and Advances	Proportion in Total Amount (%)
Subtotal of PLs:	14,433,917	98.91	12,507,056	98.64
Normal	14,369,568	98.47	12,469,418	98.34
Special-mention	64,349	0.44	37,638	0.30
Subtotal of NPL:	159,329	1.09	172,297	1.36
Sub-standard	30,191	0.21	44,410	0.35
Doubtful	42,062	0.29	49,324	0.39
Loss	87,076	0.60	78,563	0.62
Total	14,593,246	100	12,679,353	100

As at the end of 2019, according to the five-category classification results, the normal loans of the Company were RMB 143.696 billion, and accounted for 98.47% of loans and advances, increasing by RMB 19.002 billion and 0.13 percentage point respectively as compared with last year. The special-mention loans were RMB 643 million, increasing by RMB 267 million as compared with the end of last year, and accounted for 0.44% of loans and advances with a increase of 0.14 percentage point. The balance of NPLs and NPL ratio were RMB 1.593 billion, and 1.09% respectively, with a decrease of RMB 130 million and 0.27 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, 2019	Ratio (%)	31 December, 2018	Ratio (%)
Credit Loans	3,405,963	23.34	3,434,908	27.09
Guaranteed Loans	2,035,977	13.95	1,748,901	13.79
Loans Secured by Mortgage	2,007,525	13.76	1,570,028	12.38
Loans Secured by Collaterals	2,939,269	20.14	2,562,284	20.21
Discount of Banker's Acceptance Bills	3,302,864	22.63	2,707,689	21.36
Discount of Commercial Acceptance Bills	901,647	6.18	655,542	5.17
Total	14,593,246	100	12,679,353	100

As at the end of 2019, the balance of credit loans of the Company was RMB 34.06 billion, and accounted for 23.34% of loans and advances, decreasing by RMB 289 million and 3.75 percentage points as compared

with the end of last year. The balance of guaranteed loans was RMB 20.36 billion, and accounted for 13.95% of loans and advances, increasing by RMB 2.871 billion and 0.16 percentage point respectively as compared with the end of last year. The balance of loans secured by mortgage was RMB 20.075 billion, and accounted for 13.76% of loans and advances, increasing by RMB 4.375 billion and 1.38 percentage points respectively as compared with the end of last year. The balance of loans secured by collaterals was RMB 29.393 billion, and accounted for 20.14% of loans and advances, increasing by RMB 3.770 billion and decreasing by 0.07 percentage point respectively as compared with the end of last year. The balance of discount of banker's acceptance bills was RMB 33.029 billion, and accounted for 22.63% of loans and advances, increasing by RMB 5.952 billion and 1.27 percentage points respectively as compared with the end of last year. The balance of commercial acceptance bill of the Company was RMB 9.016 billion, and accounted for 6.18% of loans and advances, increasing by RMB 2.461 billion and 1.01 percentage points as compared to the end of last year.

Concentration Degree of Credit Risks

Loans granted to the top 10 single customers of the Company and the Bank as at the end of 2019

Unit: in RMB 10⁴

Customer	Industry	Balance	Proportion in Total Loans and Advances (%)
Customer 1	Leasing and Commercial Service	200,000	1.37
Customer 2	Mining	138,700	0.95
Customer 3	Financial Services	132,723	0.91
Customer 4	Mining	130,000	0.89
Customer 5	Transport, Warehousing and Postal Service Industry	100,000	0.69
Customer 6	Financial Services	99,000	0.68
Customer 7	Real Estate Industry	98,000	0.67
Customer 8	Financial Services	96,800	0.66
Customer 9	Leasing and Commercial Service	95,000	0.65
Customer 10	Mining	91,000	0.62
Total		1,181,223	8.09

The total amount of loans granted by the company to the single largest customer accounted for 5.62% of the Bank's net capital; the total amount of loans granted to the top ten single customers accounted for 33.21% of the net capital and 8.09% of the total loans and advances of the Bank.

Overdue Loans

Unit: in RMB 10⁴

Overdue Period	31 December, 2019	31 December, 2018
1-90 Days	41,994	8,918
91-360 Days	15,016	29,762
1-3 Years	44,874	86,175
Over 3 Years	71,784	13,894
Total	173,667	138,748

As at the end of 2019, the total amount of overdue loans of the Company amounted to RMB 1.737 billion, increasing by RMB 349 million as compared with the end of last year.

8.5.3 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 was committed to establishing market risk management policies and procedures adaptable to the nature, scale and complexity of business to effectively recognize, measure, control, monitor and report market risks, and control the market risks within a reasonable scope which can be accepted by the Bank. 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.

8.5.3.1 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 2019, the Bank further refined the transaction account management requirements, 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.

8.5.3.2 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. Interest rate risks in the banking

book were included in the Bank's comprehensive risk management framework, and a specific management system was adapted 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 conducted business activities mainly by following the interest rate systems specified by the PBOC, and regularly measured the sensitivity gaps of banking book interest rates by adhering to the principle of prudence, and analyzed gaps to evaluate interest rate risks. As at the end of 2019, our banking book showed the asset sensitivity. Specifically, when the interest rate increased proportionally, 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 stress testing bank book interest rate risk based on volume, risk profiles, and business complexity, carried out regular stress tests. The Bank reduced potential adverse impacts of interest rate changes on profitability by rationally adjusting the maturity 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 2019, 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.

8.5.4 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. The operational risk management objective of the Bank is to establish operational risk management policies and procedures adaptable to the nature, scale, complexity degree and risk characteristics of the business, and controlled the operational risks within the scope which can be accepted by the Bank.

In 2019, the Board of Directors and the senior management of the Bank attached great importance to operational risk management, and effectively enhanced the operational risk management level. The Bank organized to carry out the activity of "Compliance Basis Reinforcement 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, improved the authorization level, carried out the annual compliance inspection and personnel behavior investigation, actively advanced the optimization of the projects including risk early warning system, ex-post monitoring system, electronic seal verification system, strengthened the technical protection system means for the operational risks of the Bank; organized and conducted different training to improve the operational skills, business management level and risk prevention awareness of the personnel.

8.5.5 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 2019, the PBOC insisted on the implementation of a prudent monetary policy, and flexibly used various monetary policy instruments to 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, constantly improved the liquidity risk management system, optimized the liquidity risk indicator monitoring & early warning and limit management mechanism and work flow, strengthened the liquidity risk contingency management, and improved the liquidity risk management information system function. In 2019, the Bank continued to implement a prudent strategy for liquidity risk management, closely monitored various factors influencing the situation, strengthened liquidity risk management, and actively increased the active risk management level. The liquidity risk prevention and management capabilities were steadily improved.

Liquidity Risk Management System and Governance Structure

The liquidity risk management system of the Bank was consistent with the overall development strategy and overall risk management system of the Bank, and adaptable to the business scale, business nature and complexity of the Bank, and 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; and a developed 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 a decision system, an implementation system and a supervision feedback system. The decision system is composed of the Board of Directors, the senior management and their committees; the implementation system is composed of Planning & Financing Department, Financial Market Department, International Business Department, Information Technology Department of the head office, and other relevant departments and all branches and sub-branches. The Planning & Financing Department of the head office 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.

According to function division, the above systems respectively perform decision, implementation, and supervision of the liquidity risk management .

Objectives, Strategies and Major Policies of Liquidity Risk Management

Objectives of liquidity risk management of the Bank: to establish a reasonable, 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 effectiveness.

The strategies and policies of liquidity risk of the Bank were established according to liquidity risk preferences. They cover all the businesses as well as all business departments, branches, sub-branches and holding enterprises that might cause a significant impact on liquidity risk, and include 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 Mode

The liquidity risk management mode is a consolidated management mechanism of liquidity risk based on the liquidity risk management of the legal person. Specifically, the Head Office conducted a unified, centralized management of liquidity risks of the Bank, and ensured the bank-wide liquidity security by dynamic adjustment of the total amount and structure of assets and liabilities. The holding institution undertook the chief management responsibilities for the liquidity management of the Institution, and corresponding responsibilities of liquidity risk management according to the requirements of leading liquidity risk management departments of the head office.

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 stress 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 at special time points. The stress 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

In 2019, the Bank paid close attention to changes in the international situation, the macroeconomic situation, the monetary policy, industry dynamics, changes of the market situation, and flexibly adjusted its strategy for domestic and international balance sheet businesses 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 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 stress testing, improved contingency management, and expanded the fund sources to ensure smooth market financing channels and abundant high-quality liquid assets.

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:

Main Supervision and Monitoring Indicators		Supervision Standards	31 December, 2019	31 December, 2018
Liquidity Ratio (%)	RMB	≥25	52.17	81.22
	Foreign Currency	≥25	386.64	531.15
	RMB and Foreign Currency	≥25	57.54	106.50
Liquidity Coverage Ratio (%)	RMB and Foreign Currency	≥100	329.12	535.54
Net Stable Fund Ratio (%)	RMB and Foreign Currency	≥100	108.24	110.14

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

(2) Liquidity coverage ratio = Qualified quality liquid assets/net cash outflows; the figures in the table are the data of the Company.

(3) Net stable fund ratio = Available stable fund/stable fund required; the figures in the Table are the data of the Company.

(4) 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, 2019	31 December, 2018
Liquidity Coverage Ratio (%)	329.12	535.54
Qualified Quality Liquid Assets	2,161,300	2,166,577
Net Cash Outflow of the Next 30 Days	656,684	404,557

Liquidity Gap Analysis

The Bank also assessed the liquidity risk status by regularly calculating and monitoring the liquidity gap. As at the end of 2019, the accumulative positive liquidity gap increased as compared with the end of last year and the overall liquidity 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, 2019	2,818,141	(2,001,558)	(36,348)	3,284,842	(2,422,935)	1,720,946	3,363,088
31 December, 2018	5,485,954	976,694	(295,061)	(3,862,448)	(697,804)	1,535,765	3,143,100

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.

8.5.6 Country Risks

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

The Bank established a country-specific risk management system with relative completeness, as well as implemented a country-specific quota management system. It established and gradually improved its country-specific risk monitoring mechanism, and implemented country-specific risk reporting mechanisms. In 2019, the Bank continued to deepen the construction of its country-specific risk management system, assessing potential risks in view of real-time changes in the international political and financial arena, 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.

8.5.7 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 2019, the Bank attached great importance to the reputational risk management, and continued to conduct the around-the-clock public opinion monitoring with the help of third-party organizations. 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 the 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; formulated emergency plans and regularly organized drills to proactively and effectively prevent reputational risks and respond to reputational events.

8.5.8 Strategic Risks

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

From the perspective of internal management, the efficient operation of the three-tier strategic risk management framework consisting of the Board of Directors, the senior management, and the strategic investment and development departments, ensured that the business strategy was scientific and reasonable, and the procedures were legal and compliant. In 2019, the Bank organized and carried out the post-assessment for the “13th Five-Year” Plan, held the special lectures and compilation training for the “14th Five-Year” Plan, made systematic and deep thinking of the strategic planning, specified the development orientation of “drawing on energy resources, basing on the Silk Road, staying abreast of the world, supporting the real economy, and serving China”, and the operational guideline of “quality-priority, profit-oriented, and characteristic services, as well as coordinated development” to provide the strategic guidance for its steady development.

From the perspective of external environment, the world economic development was undergoing the most profound and unprecedented changes in a century, the downward risks of economic risks increased significantly, the trade frictions further aggravated, the strict financial regulation trend continued to intensify, and the financial technology became the emerging growth point in the global finance, and generated a far-reaching impact on the business development of the Bank. In response to external uncertainties, the Bank strengthened its situational and policy analysis, and formulated corresponding strategies in a timely manner, keeping strategic risks within control.

8.5.9 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. The objective of the legal risk management of the Bank is to establish a legal risk management system to effectively recognize and manage legal risks, minimize the losses caused by legal disputes, maintain the market confidence, build a good reputation and improve the market value of the Bank.

In 2019, the Bank continued to perfect its legal control system, and improved the legal risk management and assessment management mechanism; deepened legal reviews, and enhanced legal support of daily business development, new product development, and handling of major issues; improved the texts of format contracts, and specifically launched post-contract governance; strengthened its management of dispute cases, and specified the external lawyer management; established a supervision ledger for unclosed

major cases, and quarterly report the progress of stock cases, summarized and analyzed the case disposal, and bring into play the role of dispute case resources in improving management; strengthened law popularization, and carried out legal reviews, dispute case and contract management training; strengthened legal environment analysis and interpretation of regulatory policies, provided legal risk prompts and put forward solution suggestions to further standardize business operations, and urge compliance with the laws and regulations as they apply to its operations.

8.5.10 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 2019, the Bank adjusted the organizational structure of information technology risk management, provided full-time information technology risk management personnel, improved the risk management related systems and specifications, specified the key monitoring indicators and tolerance management objectives of the information technology risks. The Bank continuously monitored and analyzed the key risk indicators of information technology, carried out information technology risk investigations, implemented information technology projects, special network security governance, major outsourcing providers, as well as the annual information technology risk assessment, and constantly improved the construction of the information technology risk management system.

8.5.11 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 objective of the money laundering risk management of the Bank is to establish a money laundering risk management system to effectively recognize and manage its money laundering risks, and take corresponding management measures to avoid or reduce the probability of being used or possible losses to ensure the secure and steady running of the Bank.

The Bank put great efforts into anti-money laundering work in strict accordance with related laws and regulations of China. In 2019, the Bank steadily improved its anti-money laundering system and revised 7 regulations, including the *Administrative Measures for Money Laundering and Terrorist Financing of Bank of Kunlun Co., Ltd.*, in order to effectively implement the risk management requirements as they pertain to money laundering and terrorist financing. The Bank further optimized the anti-money laundering monitoring system, improved the monitoring rules and system monitoring functions for large and suspicious transaction, and strengthened the anti-money laundering monitoring abilities of the Bank. Meanwhile, the Bank continuously completed the large and suspicious transaction reporting, and strengthened manual

analysis and identification; practically and effectively conducted the anti-money laundering campaigns and training according to supervision requirements. The Bank also organized self-investigation and risk prevention for institutions at all levels based on the actual situation of the Bank.

8.6 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 an organic balance across capital, risk, and income. Drawing on the capital management mechanism, the Bank maintained a reasonable level of capital adequacy, and continued to meet the requirements of the regulatory authorities in terms of capital management, ensuring safe and prudent operation. It steadily improved its capital management mechanism to meet development requirements at the proper scale, as well as risk management needs. Capital was allocated rationally, thereby achieving operational safety and maximizing risk-adjusted capital gains. The Bank expanded capital replenishment channels, improved capital quality, and optimized 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 2019, the Bank continued to strengthen the capital management, optimized the management system and institutional system of capital management, improved the internal capital adequacy assessment process (ICAAP), intensified the construction of capital emergency management mechanism, increased its abilities to deal with and treat the major or emergent capital events, 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; 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 2019, 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 2019, the capital adequacy ratio of the core tier 1 capital of the Company was 12.94%; that of tier 1 capital was 12.94%, and the capital adequacy ratio was 14.11%, all meeting supervision requirements. The specific data are as shown below:

Capital Adequacy Ratio

Item	31 December, 2019		31 December, 2018	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated
Core Tier 1 Capital Adequacy Ratio (%)	12.94	12.93	13.41	13.39
Tier 1 Capital Adequacy Ratio (%)	12.94	12.93	13.41	13.39
Capital Adequacy Ratio (%)	14.11	14.10	14.57	14.55

Table of Capital Structure and Capital Adequacy Ratios

Unit: in RMB 10⁴

Item	31 December, 2019	31 December, 2018	Rate of Change (%)
Core Tier 1 Capital	3,271,342	3,041,871	7.54
Eligible Portion of Paid-in Capital	1,028,788	1,028,788	0
Eligible Portion of Capital Reserve	1,019,299	1,019,299	0
Surplus Reserve	246,995	211,621	16.72
General Risk Preparation	452,231	429,800	5.22
Undistributed Profits	494,626	329,724	50.01
Eligible Portion of Minority's Capital	3,145	2,625	19.80
Deduction Item of Core Tier 1 Capital Regulation	9,465	8,438	12.17
Other Intangible Assets (Excluding Land Use Right)	9,465	8,438	12.17
Net Core Tier 1 Capital	3,261,877	3,033,433	7.53
Other Tier 1 Capitals	419	350	19.80
Eligible Portion of Minority's Capital	419	350	19.80
Deduction Item of Tier 1 Capital Regulation	0	0	0.00
Net Tier 1 Capital	3,262,296	3,033,783	7.53
Tier 2 Capital	294,499	263,190	11.90
Allowance for Excess Loan Losses	293,661	262,490	11.88
Eligible Portion of Minority's Capital	839	700	19.80
Deduction Item of Tier 2 Capital Regulation	0	0	0.00
Net Capital	3,556,796	3,296,973	7.88
Total Risk-weighted Assets	25,204,521	22,623,158	11.41
Including: Credit Risk-weighted Assets	23,786,531	21,261,687	11.88
Market Risk-weighted Assets	215,215	276,907	(22.28)

Continued

Item	31 December, 2019	31 December, 2018	Rate of Change (%)
Operational Risk-weighted Assets	1,202,775	1,084,564	10.90
Core Tier 1 Capital Adequacy Ratio (%)	12.94	13.41	Down 0.47 Percentage Points
Tier 1 Capital Adequacy Ratio (%)	12.94	13.41	Down 0.47 Percentage Points
Capital Adequacy Ratio (%)	14.11	14.57	Down 0.46 Percentage Points

Note: (1) Calculated in accordance with the requirements in the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)* issued by CBRC, the figures in the table are the data of the Company.

(2) The investee financial institutions consolidated by the Company include Leshan Kunlun Village Bank Co., Ltd. and Tacheng Kunlun Rural Bank Co., Ltd.

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

(4) 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.

In accordance with relevant provisions of the *Administrative Measures for Leverage Ratio of Commercial Banks 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, 2019	31 December, 2018	Rate of Change (%)
Tier 1 Capital	3,271,761	3,042,221	7.55
Deduction of Tier 1 Capital	9,465	8,438	12.17
Net Tier 1 Capital	3,262,296	3,033,783	7.53
Balance of Adjusted On-balance Sheet Assets	32,579,459	30,998,917	5.10
Balance of Adjusted Off-balance Sheet Items	6,461,877	7,055,608	(8.42)
Balance of Adjusted on- and off-balance Sheet Items	39,041,336	38,054,526	2.59
Balance of Securities Financing Trading Assets	99,960	3,041,624	(96.71)
Leverage Ratio (%)	8.33	7.38	Up 0.95 Percentage Points

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

(2) The supervision indicators in this table are the data of the Bank, 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 2019, the credit risk-weighted assets of the Company stood at RMB 12.796 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 2019, the market risk capital requirements of the Company were RMB 172 million.

Operational Risk Exposure and Assessment

As at the end of 2019, the operational risk capital requirements of the Company based on the basic indicator approach were RMB 962.2202 million.

Internal Capital Adequacy Assessment

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

According to the regulations and the development strategies of the Bank, the Bank annually makes the capital planning work for the future three years, predict the capital demands and supplies in the future, measure the future capital adequacy, and formulate capital replenishment measures inside and outside. 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 2019, 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.

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

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.

8.7 Human Resource Management

In 2019, the Bank took Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guide, fully implemented the spirit of the 19th CPC National Congress and that of the meeting of the heads of Organization Department of the CPC Central Committee, focused on the development strategy of deepening the integration of industry and finance, upheld and strengthened the Party building, made efforts to advance the reform of three systems in personnel, continued to strengthen the basic management and team building, innovative management and vitality stimulation to provide human resources support for building a "First-class Characteristic" commercial bank. First, we adhered to the guidance in the Party building, firmly held

the campaign on the theme of “Staying True to Our Founding Mission”. Second, we adhered to both integrity and ability, and strove to cultivate competent and professional officials. Third, we vigorously promoted the reform of the three systems and realized the dual-track career development. Fourth, we adhered to the organic combination of selection and cultivation, and strove to build a professional talent team.

8.8 Social Responsibility

In 2019, the Bank adhered to the general tone of seeking progress while working to keep performance stable and the fundamental requirements for high-quality development, as well as the operation management policy of “quality-priority, profit-oriented, moderate scale, and coordinated development”, solidly advanced the construction of a “First-class Characteristic” commercial bank, focused on the general objective of social stability and lasting political stability, actively served the real economy, especially the economic and social development in Xinjiang, pushed the green financial development, carried out the propaganda 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, fully performed various social responsibilities, and maintained the national unity and social stability.

Active Service for Real Economy

The Bank fully implemented the national macro policies and supervision requirements, supported the supply-side structural reform, supported small and micro and private enterprises, developed green finance, and actively served the economic and social development in Xinjiang. As at the end of 2019, the balance of loans of the Bank stood at RMB 144.7 billion, implying an increase of RMB 19 billion or 15% as compared with the beginning of the year. Specifically, the general loans were RMB 102.7 billion, implying an increase of RMB 10.6 billion or 11% as compared with the beginning of the year. In 2019, 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 ensure the business could 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 project finance including fixed assets loans increased by RMB 2 billion and accounted for 21%, implying an increase of 5 percentage points YOY. The corporate loans were all issued to the entity enterprises; the loans to small and micro enterprises increased by RMB 970 million, implying an increase of 6 percentage points compared with other various loans; the number of loan borrowers of inclusive small and micro enterprises was 812, increasing by 128 compared with the beginning of the year, and we achieved the plan of “two increases and two controls”. The actual effect of structural adjustment became more evident, and the sustainable development capability improved.

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 2019, the branches Inside Xinjiang issued corporate loans of RMB 42.9 billion,

implying an increase of RMB 7 billion or 19% as compared with the end of last year. As at the end of 2019, the Bank paid taxes of RMB 7.629 billion in total, and the taxes paid Inside Xinjiang were RMB 6.190 billion, accounting for 81% of the total taxes paid by the Bank; the total number of employees of all ethnic groups Inside Xinjiang reached 1,902, accounting for 57.5% of the total number of employees, and this promoted the local employment.

Continuous Promotion 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 “seeking progress while working to keep performance stable, and steady development”, specified the green credit development strategy for the “13th Five-year” Plan period, 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 *2018 Guiding Opinions on Corporate Customer 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. In terms of the marketing promotion, the Bank issued the *Guiding Opinions on 2019 Green Financial Business Operation of the Bank of Kunlun*, and make specific arrangements of the green credit business operation development of the Bank in 2019 from various aspects including resource allocation, project reserve, green loan policy application, green sub-branch construction, and incentive mechanism. In terms of product innovation, the Bank released the *Administrative Measures for the Blue Sky Loan Business*, which played a positive role in developing the clean energy and winning the blue sky defense war. In terms of the internal control management, the Bank carried out the special inspection on the green credit to guarantee the compliance and accuracy of the green credit classification of the Bank. In addition, the Bank successfully completed the self-evaluation of green credit in 2018 according to the requirements of the Xinjiang Office of China Banking and Insurance Regulatory Commission, 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 Protection Work

In 2019, the Bank upheld the objective of “guaranteeing the rights of financial consumers and improving the quality of banking services”, further implemented the relevant requirements of consumer rights protection, established a harmonious and stable financial consumer relationship, actively fulfilled its social responsibilities, incorporated the consumer rights protection work planning for 2021-2025 into its “14th Five-Year” Development Plan and indicated a clear direction; the leading group for consumer rights

protection work reported the consumer rights protection of the Bank in 2019 to the Board of Directors, and provide a guidance basis for the supervision and management of consumer rights protection in the Bank; by strengthening the top management, continuing to improve the institutional system for the consumer rights protection, advancing the implementation of the industry standards for the complaints, standardizing the whole-process behavior management of products and services, intensifying the internal audit supervision, enhancing the public awareness and education, and carefully carrying out the rectification of chaos of encroaching on the legitimate rights and interests of consumers, we comprehensively promoted the in-depth and effective development of consumer rights protection. In the evaluation on the consumer rights protection work by the Xinjiang Office of China Banking and Insurance Regulatory Commission in 2018, the Bank obtained the result of “Class 2 A”, and ranked first among the banking corporate entities in Xinjiang.

In 2019, the Bank proactively fulfilled the Law of the People’s Republic of China on Protection of Consumer Rights and Interests and other laws and regulations, conscientiously implemented the relevant provisions of the financial industry on consumer rights protection, and strictly fulfilled information disclosure obligations. We provided consumers with contact information, product and service quantity and quality, prices and expenses, time limits and methods of performance, and safety precautions and risk warnings. Such measures eliminated cases of the Bank restricting consumer rights, reducing or exempting its own responsibilities, or increasing consumer responsibilities, while ruling out major issues leading to litigation or arbitration resulting from encroaching on the legitimate rights and interests of consumers.

“Understanding the People’s Situation, Benefiting the People’s Livelihoods, and Uniting the People’s Hearts” and Poverty Alleviation

In 2019, the Bank focused on the general objective of social stability and lasting political stability, and mobilized its staff and officials to support the initiative of “Understanding the People’s Situation, Benefiting the People’s Livelihoods, and Uniting the People’s Hearts”, as well as participation in poverty alleviation in the poverty-stricken areas of the four prefectures of southern Xinjiang, and further strengthened the support for deep poverty alleviation and “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts”. First, the Bank strengthened the organizational management. The Bank formulated its administrative measures for external donation, and standardized the donation related procedures and requirements; organized and carried out the grassroots work of leading officials, and the relevant departments and units went to the designated poverty-stricken villages to investigate 15 times; established a monthly information acquisition and sending mechanism for poverty alleviation and “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts”, and compiled a total of 6 issues of information dynamics of poverty alleviation and “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s Hearts” of the Bank. The Bank had been awarded the Advanced Work Team 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” for two consecutive years. Second, the Bank improved the welfare benefits for the resident personnel, and solved the expenses of the security and protection equipment for the working team in the “Understanding the People’s Situation, Benefiting the People’s Livelihood and Uniting the People’s

Hearts”. Third, the Bank conscientiously organized and carried out the “Poverty Alleviation Day” activity. The Bank organized a series of special activities such as charity donation, survey discussion and advanced commendation, which were highly appraised and recognized by the leading unit - the Department of Housing and Urban-Rural Development of Xinjiang Uygur Autonomous Region.

Continuous Strengthening of Social Services and Public Welfare Activities

The Bank continued to deliver social benefit services, and built up the responsible corporate image. The Bank cooperated with Karamay Municipal Government to improve the service quality and service efficiency, effectively provided the living payment services for citizens, and realized the whole-process financial services covering account opening, fund settlement, and convenient payment. Specifically, there had been 11 units in the public service payment platform researched and built by the Karamay Branch, and the living payment for citizens was supported by six channels and four payment modes.

The Bank firmly established the “Customer-oriented” service concept, focused on the services for special groups of customers, provided convenience for the old, weak, sick, and disabled and other special customers, set up charity counters in the outlet, and special channels and parking space for the disabled, specified outlets to provide sign language services for the disabled, and set “Special Seats for Environmental Protection Workers”, and offered the door-to-door financial services, etc. for oilfield personnel working in the deep desert.

On the occasion of celebrating the 70th anniversary of the founding of the New China, the Bank organized and carried out the a series of activities with the theme of “Devoting Youth to the Party, and Making Contributions in the New Era”, and organized the young volunteer activity of “Seeking Love in Dedication of Love” to accelerate the through exchanges and joint progress among the youth. Additionally, the normalized social benefit activities such as the bank-wide public tree-planting, green travel, and green office continued in the head office, all branches and sub-branches.

8.9 Outlook

2020 will be the final year for building a well-off society in an all-round way, and the “13th Five-Year” Plan. The Bank will use Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guide and carefully carry out the supervision requirements; act in response to the objective of constructing a “First-class Characteristic” commercial bank; adhere to Party leadership over all the work, and strengthen Party building and the general tone of seeking progress while working to keep performance stable, and implement the new development concept; adhere to the steady policy, and promote the high-quality development; adhere to the inheritance of the spirit of petroleum workers, condense the employee morale, and adhere to the positioning of industrial finance; highlight the main responsibilities and main work, innovation and efficiency, and risk control, so as to practically enhance our competition ability, innovation ability, control ability, influence and risk-resistance ability, resolutely win the epidemic prevention and control battle, and overall complete the objectives in the “13th Five-Year Plan”.

IX. Changes in Share Capital and Shareholders

9.1 Changes in Share Capital

In 2019, the Bank did not increase its capital or enlarge its share, and the register capital remained at RMB 10.288 billion.

9.2 Number of Shareholders and Proportion of Shareholding

As at 31 December, 2019, the total number of shareholders of the Bank was 77, 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%.

9.3 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.	506,215,821.98	4.92
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	Karamay City Finance Bureau	137,911,165.62	1.34
8	Xinjiang Uygur Autonomous Region Financing and Guarantee Co., Ltd.	129,173,508.49	1.26
9	Xinjiang 3U Investment Group Co., Ltd.	68,686,275.09	0.67
10	Xinjiang Taishengxinrong Investment Co., Ltd.	56,879,807.02	0.55

9.4 Controlling Shareholders

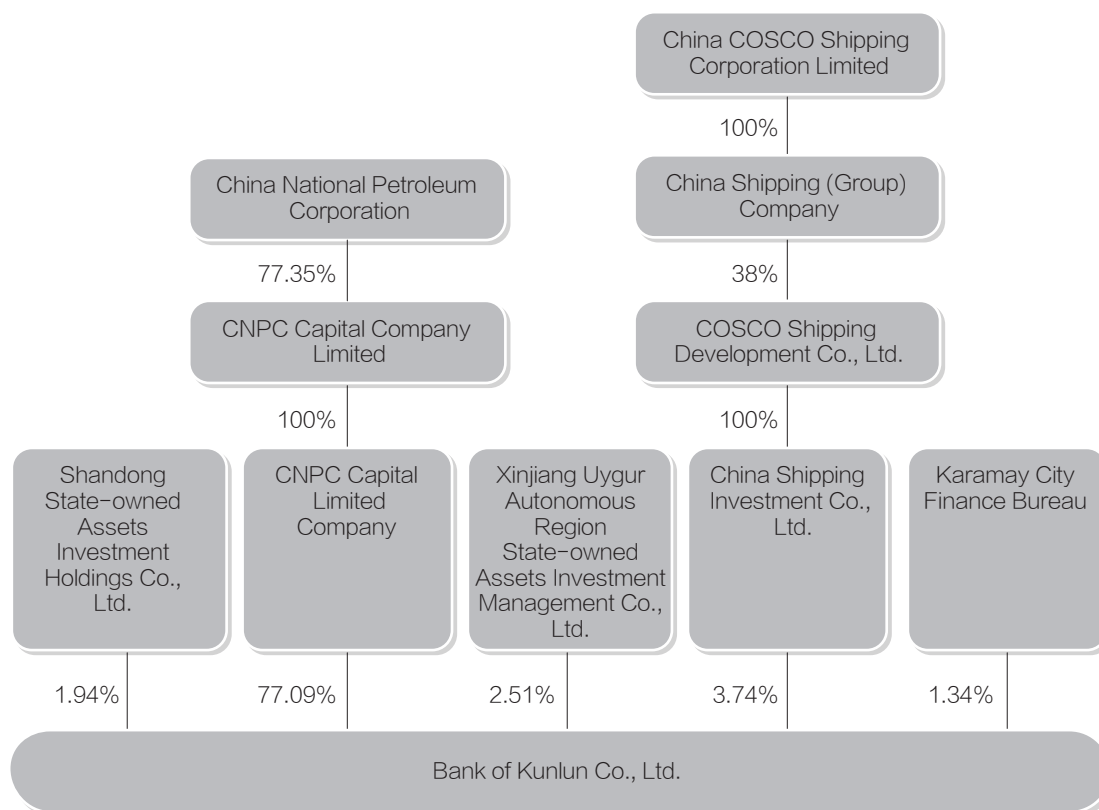
CNPC Capital is the controlling shareholder of the Bank. As at the end of 2019, CNPC Capital held 7.931 billion shares of the Bank, with a shareholding ratio of 77.09%. During the reporting period, neither the controlling shareholder nor the actual controller of the Bank changed.

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, CNPCCCL promotes the collaboration in integrating the industry and finance, enhances the cooperation among financial enterprises and realizes the sharing of resources.

9.5 Major Shareholders

Major shareholders of the Bank include: CNPC Capital holding over 5% of the equity in the Bank, as well as China Shipping Investment Co., Ltd., Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd., Shandong State-owned Assets Investment Holdings Co., Ltd., and Karamay City Finance Bureau assigning directors or supervisors to the Bank.

Structure Chart of Major Shareholders



Major Shareholders

Shareholders	Legal Representative/ Responsible Person	Establishment Date	Business Scope	Registered Capital (RMB)	Pledged Equity	Nominated Directors/ Supervisors
CNPC Capital Limited Company	Jiang Shangjun	27 May, 1997	Project investment; investment management; asset management; investment consultation; property management; rental of self-owned offices; corporate planning; corporate management consultation; public parking space services for vehicles.	RMB 18.39871 Billion	— —	Directors: Jiang Shangjun Yan Hong Zuo Wei
China Shipping Investment Co., Ltd.	Ming Dong	26 June, 1998	Industrial investment and equity investment (Service[s] subject to approval according to the law shall be carried out only after approval by the competent authority).	RMB 18.213 Billion	— —	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.	RMB 2.39707 Billion	— —	Director: Han Hua
Shandong State-owned Assets Investment Holdings Co., Ltd.	Li Guangqing	25 March, 1994	Operation management and disposal of state-owned property (equity); asset management; equity investment, management and operation; restructuring, acquisition and merger of enterprises; investment consultation. (Service[s] subject to approval according to the law shall be carried out only after approval by the competent authority)	RMB 4.5 Billion	— —	Supervisor: Diao Hanyu
Karamay City Finance Bureau	Su Wei	April 1992	— —	— —	— —	Director: Xu Xiping

9.6 Actual Controller of the Bank

Name: China National Petroleum Corporation (CNPC)

Nature: Central state-owned holding company

Type: Legal entity

Legal representative: Wang Yilin

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.)

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

CNPC Capital is the only shareholder holding 5% (including) or more of all shares of the Bank; and up to the reporting period, there is no pledge or on-hold shares of the Bank held by CNPC Capital.

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

10.1 Incumbent Directors, Supervisors, and Senior Management

Name	Position	Gender	Age	Date of Appointment
Jiang Shangjun	Secretary of CPC Committee, Chairman	Male	55	2018.04 (Secretary of CPC Committee) 2018.09 (Chairman)
Yan Hong	Director	Male	53	2017.03
Zuo Wei	Deputy Secretary of CPC Committee, Director and President	Male	52	2016.12 (Deputy Secretary of CPC Committee) 2017.06 (Director and President)
Han Hua	Director	Female	53	2018.12
Xu Xinping	Director	Female	52	2018.12
Ming Dong	Director	Male	48	2017.02
Liu Bo	Independent Director	Male	60	2018.12
Zhang Shengping	Independent Director	Male	54	2018.10
Xi Bo	Independent Director	Male	47	2018.10
Wang Zhonglai	Deputy Secretary of CPC Committee, Chief Supervisor, Commissioner of Discipline Inspection, Labor Union Chairman	Male	56	2017.01 (Chief Supervisor) 2018.04 (Deputy Secretary of CPC Committee, Secretary of Discipline Inspection Commission, Labor Union Chairman)
Diao Hanyu	Equity Supervisor	Female	49	2017.12
Zhou Maoqing	External Supervisor	Male	65	2016.04
Zhang Lijun	External Supervisor	Female	61	2016.04
Xin Bingren	Employee Supervisor	Male	58	2019.06
Yan Jiu	Member of the CPC Committee and Vice President	Male	50	2015.12 (Member of the CPC Committee) 2018.09 (Vice President)
He Fang	Member of the CPC Committee, Vice President and Board Secretary	Male	47	2015.12 (Member of the CPC Committee) 2016.07 (Vice President) 2018.07 (Board Secretary)

10.2 Resigned Directors, Supervisors, and Senior Management

Name	Position	Gender	Age	Date of Appointment and Retirement
Ruan Kaikui	Employee Supervisor	Male	61	2015.09-2019.06

10.3 Major Work Experience and Previous Positions or Concurrent Positions with Other Employers of Directors, Supervisors, Senior Management

Jiang Shangjun, the Secretary of CPC Committee and Chairman

Mr. Jiang Shangjun, a professor-level 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 three decades of expertise in financial work. Prior to beginning his work at the Bank, he served as General Manager and Deputy Secretary of CPC Committee of the CNPC Northwest Sales Branch. Since September 2012, he has been serving as Secretary of CPC Committee and Chairman of the Bank; since October 2016, as General Manager of CNPC Capital; since April 2017, as Secretary of CPC Committee, Deputy Chairman, and General Manager of CNPC Capital Co., Ltd.; since April 2018, as Secretary of CPC Committee of the Bank, and concurrently as the Chairman as of June 2018; since September 2018, as Secretary of CPC Committee, Vice Chairman and General Manager of CNPC Capital, as well as Secretary of CPC Committee and Chairman of the Bank.

Yan Hong, Director

Mr. Yan Hong, a professorate 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 CPC Committee of the Bank; since December 2016, as a Director of the Bank; since March 2017, as Secretary of CPC Committee and Chairman of the Bank; since April 2018, as Deputy Secretary of CPC Committee and Chairman of the Labor Union of CNPC Capital; since September 2018, as Deputy Secretary of CPC Committee, Chairman of the Board of Supervisors, Chairman of the Labor Union of CNPC Capital Co., Ltd., and Director of the Bank.

Zuo Wei, the Deputy Secretary of CPC Committee, Director and President

Mr. Zuo Wei, a senior economist, graduated from Wuhan University with a major in finance, and a master's degree in economics. Before he joined the Bank, Mr. Zuo served as a member of the CPC Committee and Vice President, Party Secretary of Business Department and General Manager of the Xinjiang Branch of China Construction Bank. He has been serving as Deputy Secretary of CPC Committee of the Bank since December 2016, and Deputy Secretary of CPC Committee, Director and President of the Bank since June 2017.

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, who graduated from Hebei University of Economics and Business with a bachelor's degree in Finance, is currently Secretary of 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 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 UOB in Singapore, President of Cred Holding 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 Keystone Risk Technologies, 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.

Wang Zhonglai, Deputy Secretary of CPC Committee, Chief Supervisor, Commissioner of Discipline Inspection, Labor Union Chairman

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 and President. He has been serving as a Chief Supervisor of the Bank since January 2017, and Deputy Secretary of CPC Committee, Chief Supervisor, Commissioner of Discipline Inspection, Labor Union Chairman of the Bank since April 2018.

Diao Hanyu, Equity Supervisor

Ms. Diao Hanyu is a senior accountant with a master's degree from Tianjin University in software engineering. She serves as the Vice President of Shandong State-owned Assets Investment Holdings Co., Ltd. She has been serving as a Supervisor of the Bank since December 2017.

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, he 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 CPC Committee and President in Daqing

Branch, and served as Head of CPC Committee Organization Department and General Manager of Human Resources Department, etc. in the Head Office.

Yan Jiu, Member of the CPC Committee and Vice President

Mr. Yan Jiu, a professor-level 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 29 years. He worked as the Chief Accountant and Member of the CPC Committee of PetroChina. From December 2015 to April 2018, he served as Member of the CPC Committee and Secretary of the Disciplinary Committee of the Bank. Since September 2018, he has served as Member of the CPC Committee and Vice President of the Bank.

He Fang, Member of the CPC Committee, Vice President and Board Secretary

Mr. He Fang, a senior economist. He 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 26 years. He used to serve as the Manager of International Business Department of China Petroleum Finance Co., Ltd., Vice President of Bank of Kunlun and General Manager of International Business Department. He has been serving as Member of the CPC Committee of the Bank since December 2015, member of the CPC Committee and Vice President of the Bank since July 2016, and Member of the CPC Committee, Vice President and Board Secretary of the Bank since July 2018.

10.4 Changes in Directors, Supervisors and Senior Management

Director Changes

None.

Supervisor Changes

In June 2019, Mr. Xin Bingren was elected as Employee Supervisor of the Bank and Mr. Ruan Kaikui ceased to serve as Employee Supervisor of the Bank in the third meeting of the second Workers' Congress of the Bank.

Changes in Senior Management

None.

10.5 Employees

As at the end of 2019, there were 3,295 employees altogether, including 522 at the Head Office, 276 at the Operation Service Center, 2,396 at branches, International Business Settlement Center and Business

Departments of Head Office, and 101 at rural banks. The average age of employees was 34.5. The employee structure of the Bank is continuously optimized, with a good quality overall - 3,033 employees (92.0%) have a bachelor's degree or above and 436 employees (13.2%) have a doctor's or master's degree.

10.6 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 employees of all kinds of institutions. And the payment of the performance-based salary is postponed for the senior management and the employees at the posts having a material effect on the risks, and the postponed payment period is three years. In 2019, the total salary of all institutions was RMB 683.75 million, and the performance allocation comprehensively considered the such factors as performance evaluation, total profit ratio, and area differentiation 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. In 2019, there were no deviations from the original salary plan, or deductions or deferred payments of performance pay.

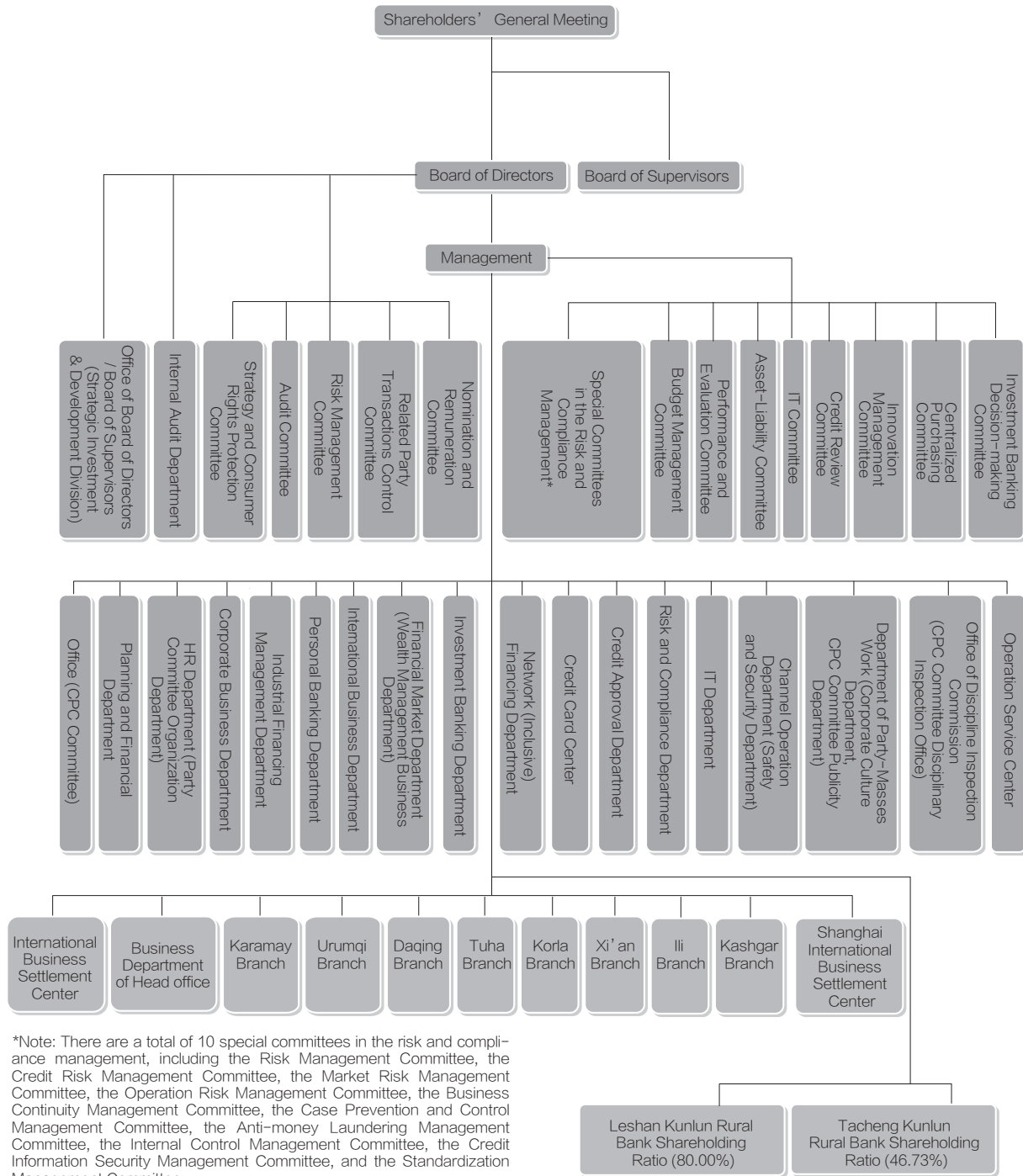
The salary standard for Independent Directors and External Supervisors of the Bank was executed in accordance with the resolution of the Shareholders' General Meeting of the Bank. In 2019, members of the Board of Directors, members of the Board of Supervisors, the senior management, and holders of other important risk-control posts on the payroll of the Bank were paid RMB 7.6006 million in remuneration in aggregate.

10.7 Institutions

In 2019, the Bank followed the structure of "Head office - Branch - Sub-branch" to steadily promote the construction of institutions at all levels. The Head Office established 19 functional departments, 1 subordinate Operation Service Center.

The Head Office owned a total of 10 branch-level institutions, namely Karamay Branch, Urumqi Branch, Tuha Branch, Korla Branch, Daqing Branch, Xi'an Branch, Ili Branch, and Kashgar Branch, International Business Settlement Center, and Shanghai International Business Settlement Center. As at the end of 2019, the Bank had 84 branches and sub-branches, decreasing by 1 as compared with 2018.

Please refer to this Organizational Structure for details:



List of Branches of Bank of Kunlun

As at 31 December, 2019

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

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Karamay Branch	No.7, Century Avenue, Karamay City, Xinjiang	0990-6969907	Nanjing Road Sub-Branch	No. 21, Nanjing Road, Dushanzi District, Karamay City, Xinjiang	0992-3687719
			Zhongxing Road Sub-Branch	No. 36, Huayuan Road, Baijiantan District, Karamay City, Xinjiang	0990-6923341
			Kunlun Road Sub-Branch	No. 115, Youyi Road, Karamay City, Xinjiang	0990-6221879
			Yuezhong Road Sub-Branch	No. 1, Yuezhong Road, Baijiantan District, Karamay City, Xinjiang	0990-6981937
			Jinlong Town Sub-Branch	No. 6, Yongsheng Road, Jinlong Town, Karamay City, Xinjiang	0990-6929722
			Youjian Sub-Branch	No. 8, Youjian Road, Karamay City, Xinjiang	0990-6926557
			Lvse Kangcheng Community Sub-Branch	No. 63-116, Jixiang Road, Karamay City, Xinjiang	0990-6988901
Urumqi Branch	No. 8, Minzhu Road, Urumqi, Xinjiang	0991-2360468	Branch Business Department	No. 8, Minzhu Road, Urumqi, Xinjiang	0991-2328114
			Shihua Sub-Branch	Zhongyi Street, Shihua Block 2, Midong District, Urumqi, Xinjiang	0991-6911321
			Shiyouxincun Sub-Branch	No. 2219, Xihuan North Road, Urumqi, Xinjiang	0991-3717861
			Xizuan Sub-Branch	Xibulvgu Building, No. 752, Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	0991-3717941

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Urumqi Branch	No. 8, Minzhu Road, Urumqi, Xinjiang	0991-2360468	Youhao Sub-Branch	Yinzuo, New Times Hotel, No. 739, Youhao North Road, Urumqi, Xinjiang	0991-4840932
			High-tech Industrial Development Zone Sub-Branch	No. 99 West Five Tianjin North Road, Urumqi High-tech Industrial Development Zone, Xinjiang	0991-6692754
			Zhundong Sub-Branch	Block 4, Zhundong Oil Base, Fukang, Xinjiang	0994-3830861
			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	0991-7586277
			Changji Sub-Branch	No. 69, Changning South Road, Changji, Xinjiang	0994-2586817
			Yingbin Road Community Sub-Branch	Rhine House, No. 1466, Yingbin Road, Urumqi, Xinjiang	0991-3790045
			Wuyi Road Sub-Branch	Floor 1, Hongfu Hotel, No. 160, Wuyi Road, Urumqi, Xinjiang	0991-5822050
			Qianjin Road Sub-Branch	Huijia Group Building, No. 58 Qianjin Road, Urumqi, Xinjiang	0991-2670057
			Changchun Road Small and Micro Sub-Branch	No. 119, North Floor 1, East Lane 1, Changchun South Road, Urumqi, Xinjiang	0991-6657224

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Urumqi Branch	No. 8, Minzhu Road, Urumqi, Xinjiang	0991-2360468	Fukang Yaochi Road Community Sub-Branch	Ground Floor, Yuansen International Garden, Fukang, Xinjiang	0994-3512110
			Henan West Road Sub-Branch	No. 192, Henan West Road, Urumqi High-tech Industrial Development Zone, Xinjiang	0991-3692320
Tuha Branch	Fossil Oil Base, Hami, Xinjiang	0902-2772543	Branch Business Department	Floor 1, South Side of Office Building, Property Company, Block 7, Fossil Oil Base, Hami, Xinjiang	0902-2769069
			Guangdong Road Sub-Branch	Floor 1, Lingxian Building, Guangdong Road, Hami, Xinjiang	0902-2209398
			Shanshan Oil Sub-Branch	Ground Floor, North of Information Industry Development Office, Shanshan Oil Base, Tuha Oilfield, Shanshan County Turpan Area, Xinjiang	0995-8378918
			Yingbin Road Sub-Branch	Ground Floor, Building 4, Qiulinkeyuan Community, Hongxing West Road, Hami, Xinjiang	0902-6980997
			Jianshe East Road Sub-Branch	No. 2, Jianshe East Road, Hami, Xinjiang	0902-2231539
			Oil Base South District Sub-Branch	Ground Floor, Information Industry Development Office, Tuha Oil Base, Hami, Xinjiang	0902-2769069

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Daqing Branch	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	0459-5958355	Branch Business Department	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	0459-6069500
			Lianhua Sub-Branch	No. 21, Chengfeng Xilu, Ma'anshan Street, Ranghulu District, Daqing City, Heilongjiang	0459-2616666
			Shihua Sub-Branch	No. 427, Xinghua Street, Longfeng District, Daqing, Heilongjiang	0459-6411733
			Longfeng Sub-Branch	No. 142, Longfeng Street, Longfeng District, Daqing, Heilongjiang	0459-6400880
			Yuanwang Sub-Branch	No. 18, Xihu Street, Ranghulu District, Daqing, Heilongjiang	0459-5956012
			Aolin Sub-Branch	Shop 10, Building D-04 and 05, Aolin International Apartment, Private Scientific & Technological Park, Ranghulu District, Daqing, Heilongjiang	0459-5960177
			Dongfeng Sub-Branch	No. 35, Dongfengxincun Wei'er Road, Ranghulu District, Daqing, Heilongjiang	0459-4600195
			Donghu Sub-Branch	Commercial Service No. 03, 04, 05 and 06, Building D, Shiyou Jiayuan, Ranghulu District, Daqing City, Heilongjiang	0459-5732688

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Daqing Branch	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	0459-5958355	Xinchao Sub-Branch	S3 Shop 2 and Shop 3, Xinchaojiayuan, Ranghulu District, Daqing, Heilongjiang	0459-5912355
			Dongcheng Yinzuo Sub-Branch	F-05-08, Beichen Green Home, Saertu District, Daqing City, Heilongjiang	0459-4319096
			Chengfeng Sub-Branch	No. 210, Chengfeng Street, Ranghulu District, Daqing, Heilongjiang	0459-5681716
			Ranghulu Sub-Branch	(4901) No.84, Central Avenue, Ranghulu District, Daqing, Heilongjiang	0459-5593272
			Dongcheng Lingxiu Sub-Branch	No. 202, No. 204 and No. 206 Longfeng North Street and No. 10 and No. 12 Longteng Road, Longfeng District, Daqing, Heilongjiang	0459-6405950
			Honggang Sub-Branch	Shop 4, Shop 5 and Shop 6, Building A1, Hongcheng International Subdistrict, Honggang District, Daqing, Heilongjiang	0459-6781100
			Babaishang Sub-Branch	No.8, Babaishang South Road, Honggang District, Daqing, Heilongjiang	0459-4989006

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Daqing Branch	No. 172 and 136, Xibin Road, Ranghulu District, Daqing, Heilongjiang	0459-5958355	Chuangye cheng 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	0459-4547071
			Beifang Branch	Floor 1, Kunlun Subsidiary Food Building, No. 120 Shengli Road, Ranghulu District, Daqing, Heilongjiang	0459-5995029
Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	029-86978855	Branch Business Department	Changqing Sulige Building B, No. 73 Fengchengsi Road, Xi'an	029-86978675
			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	029-86565276
			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	029-88993312

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	029-86978855	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 District, Xi'an	029-86022266
			Jingwei Science and Technology Industrial Park Sub-Branch	South of West Gate, Block 2, Jingxin Yuan, Jinghe Industrial Park, Gaoling District, Xi'an	029-86977333
			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	029-88777959
			Hanguang Road Sub-Branch	No. 232, Hanguang South Road, Xi'an	029-87306388
			Xingqing Road Sub-Branch	No. 97, Middle Section, Xingqing Road, Beilin District, Xi'an	029-83211002
			Weiyanghu Park Sub-Branch	Floor 1, Weiyang North Building, Weiyanghu Park Community, Dongfeng Road, Weiyang District, Xi'an	029-86573012
			Xixian New Area Qinhan Xincheng Sub-Branch	East Side of Date of Changqing Petrochemical Living Area, Jinxu Road, Qinhanxincheng, Xixian New Area, Shaanxi	029-38002222

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	029-86978855	Jingweiyuan Community Sub-Branch	No. 1 and 2 Shops, Second District, Changqing Jingweiyuan Community, South Jinghuan Road, New Jingwei City, Gaoling District, Xi'an	029-68602411
			Jingwei No.1 Region Community Sub-Branch	No. 1 Shop, Area A Square, Jingwei Community, Huncun 1 Road, Jingwei Industrial Zone, Gaoling District, Xi'an	029-68603662
			Longfeng Garden Community Sub-Branch	B-106, Feng Square, Changqing Longfeng Garden Community, Majiawan, Gaoling District, Xi'an	029-86024995
			Haibolanxuan Community Sub-Branch	No. 4-10103 Shop, Haibolanxuan Community, Northeast Corner of Crossroad of Fengcheng 9 Road and Wenjing Road, Weiyang District, Xi'an	029-86686718
			Yinghuayuan Community Sub-Branch	No.10109, Floor 1, Unit 1, Building 3, Zhixin Yinghuayuan Community, Guodu Township, Chang'an District, Xi'an	029-86978855
			Hubinhuayuan Sub-Branch	South side of Gongjian Shop, No. 1, Changqing Hubinhuayuan Huanhu North Road, Weiyang District, Xi'an	029-86568513

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Xi'an Branch	Changqing Sulige Building B, No. 73 Fengchengxi Road, Xi'an, Shaanxi	029-86978855	Sanqiao Sub-branch	Street-front Shop (No.1, Floor 1, Street-front Shop Building, 28# and 29#), Floor 1, Changqing hexing yuan Community, No.12, North Section, Jianzhang Road, Xi'an	029-89108891
Korla Branch	Floor 1-3, Huayu Business Building, Renmin East Road, Korla, Xinjiang	0996-2926906	Branch Business Department	Floor 1, Huayu Business Building, Renmin East Road, Korla, Bazhou, Xinjiang	0996-2926969
			Tarim Oil Sub-Branch	Multifunctional Hall, Block 3, Tazhi Community, Korla, Bazhou, Xinjiang	0996-2176964
			Tarim Oil Community Small and Micro Sub-Branch	Block 5, Tazhi Community, Korla, Bazhou, Xinjiang	0996-2174938
			Xincheng Sub-branch	Floor 1, Comprehensive Building, Geophysical Exploration Third Office, Airport Road, Korla, Bazhou, Xinjiang	0996-2192303
			Xiangli Road Sub-Branch	1-1-16,17, No.30, Xiangli Road, Korla, Xinjiang	0996-2692001
			East Renmin Road Sub-Branch	Floor 1, New Complex Building, Bazhou People's Hospital, No. 56, East Renmin Road, Korla, Xinjiang	0996-2953888

Continued

Branch-level Institutions			Outlets		
Institution	Address	Tel.	Sub-branch	Address	Tel.
Korla Branch	Floor 1-3, Huayu Business Building, Renmin East Road, Korla, Xinjiang	0996-2926906	Shihua Avenue Sub-Branch	Shops 14-19, Building 15, Milan Chuntian, No. 44, Shihua Avenue, Jianshe Prefecture, Korla, Bazhou, Xinjiang	0996-2699906
			Taxinan Oil Sub-Branch	No.8-2, Yingbin Road, Kuiyibage Town, Zepu County, Kashgar, Xinjiang	0998-7522372
Ili Branch	No.23, Stalin Street, Yining City, Xinjiang	0999-8062917	Branch Business Department	No.23, Stalin Street, Yining City, Xinjiang	0999-8062920
Kashgar Branch	Building 1, South Lake Xiushui Manor, No. 34, Banchao Road, Kashgar City, Kashgar, Xinjiang	0998-6850082	Branch Business Department	Building 1, South Lake Xiushui Manor, No. 34, Banchao Road, Kashgar City, Kashgar, Xinjiang	0998-6850100
Shanghai International Business Settlement Center	Floor 1, PetroChina Shanghai Tower, No. 1200, Century Avenue, Pudong New Area, Shanghai	021-20356618			

XI. Corporate Governance Report

11.1 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 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 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”

11.2 Overview of Corporate Governance

A sound corporate governance is not only the key 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 2019, the Bank 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 the scientificity of decision-making and the effectiveness of checks and balances. Meanwhile, the Bank continuously optimized the Company’s governance system, strengthened the construction of directors’ and supervisors’ duty performance, initiated the evaluation on the duty performance of directors, supervisors and the senior management, organized plentiful training, investigations and interbank exchange activities, made efforts in information disclosure and strengthened the investor relationship management. 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.

Construction of Corporate Governance Mechanism

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 the special committees of the Bank earnestly implemented the development strategy of integrating 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 2019, comprehensively planned important matters of future development of the 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 2019, the Board of Supervisors of the Bank performed its function and supervision responsibility by actively participating in major decision-making and supervising financial activities with lots of precious comments and suggestions. The Board gained hands-on experience at the grass-roots level for investigations on the survey of the development of network loan, personal loan and credit card business, and risk control; 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 governance of the Company and promoting compliance management and steady development of the Bank.

The Bank made efforts to advance compliance management and risk control. In 2019, the Bank improved its risk management framework, and further optimized the risk management mechanism; continued to improve the management and further consolidated the risk and compliance management basis; deeply applied the risk management tools and further increased the refined level of risk management; continued to carry out the credit risk governance, and further enhanced the asset quality; continued to improve the management mechanism and system, and achieved new results in the anti-money laundering work; took various measures to strengthen the legal risk control and continuously improved the legal service guarantee capacity. 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 2019, the internal audit, based on the strengthening of audit business management, driven by audit innovation, and focusing on the improvement of the audit result quality, further advanced the “auditing system standardization, project audit normalization, audit team specialization and audit management informatization”, and increased the internal audit working level. According to the supervision requirements and the management demands of the Bank, the Bank conscientiously carried out all kinds of project auditing, supervised the implementation of the rectification and accountability of problems found in the audit, accelerated the transformation of the audit results. The operation management level and operation risk prevention ability of the Bank continued to improve.

The Bank improved the construction of the incentive and disciplinary mechanism. In 2019, 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 the 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 Management, which organized operation and management activities within the authorization scope and regularly reported to the Board of Directors on its duty performance and operating management, including implementation of authorized matters, completion of annual target and risk management.

The Bank strengthened the information disclosure and investor-relationship management. In 2019, the Bank further enhanced information disclosure and investor relationship management, revised the administrative measures for information disclosure, disclosed the Annual Report according to the requirements of the China Banking and Insurance Regulatory Commission (CBIRC), 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, and equity holdings at other financial institutions of the major shareholders, as well as management of actual controllers and intra-bank related party transactions. The major shareholders of the Bank exercised the rights of investors in strict accordance with laws, regulations and the Articles of Association. They were able to explain their equity to the actual controllers layer by layer, and timely submit truthful, complete and effective information of shareholders and related persons. They hadn't been found to seek improper interests or violate laws and regulations. The Bank standardized equity transfer, conducting strictly qualification review for the shareholders of the intended transferee and timely communicated with the regulatory authorities. 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.

Construction of Corporate Governance Regulations

In 2019, the Bank continued to improve its governance system; revised the *Administrative Measures for Evaluation on Duty Performance of the Senior Management of the Bank of Kunlun Co., Ltd.* to further improve the restraint and supervision mechanism for the senior management, and urge them to work diligently; formulated the *Employee Supervisor Management Specification of the Bank of Kunlun Co., Ltd.* to give better play to the function of the employee supervisor to maintain the benefits of employees; and revised the *Administrative Measures for Related Party Transactions between Bank of Kunlun Co., Ltd. and Insider Shareholders, and the Implementation Rules for Related Party Transactions of Bank of Kunlun Co., Ltd.* to refine the operation flow and standardize the daily management.

11.3 Shareholders' General Meeting

11.3.1 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.

11.3.2 Meeting

During the reporting period, the Bank organized 1 annual meeting and 3 extraordinary general meetings in total, debriefed 2 reports and adopted 13 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

On 18 April, 2019, the Bank held the 2018 Annual General Meeting simultaneously in Beijing, Karamay, Urumqi and Shanghai through video. At the meeting, two reports were heard and 5 proposals were passed. 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 2018 annual financial report, the second half of year 2018 profit distribution plan, 2018 annual work report of the Board of Directors, work report of the Board of Supervisors and capitalization of undistributed profits of Tacheng Rural Bank. 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 10 January, 2019, the Bank held the first extraordinary general meeting simultaneously in Beijing, Karamay, Urumqi and Shanghai through video. At the meeting, two proposals of 2019 operating budget and investment framework plan were deliberated and adopted.

On 26 September, 2019, the Bank held the second extraordinary general meeting simultaneously in Beijing, Karamay, Urumqi and Shanghai through video. At the meeting, two proposals of the profit distribution plan of the first half of 2019, and issuance of the special financial debts for small and micro enterprises were deliberated and adopted.

On 26 December, 2019, the Bank held the third extraordinary general meeting simultaneously in Beijing, Karamay, Urumqi and Shanghai through video. At the meeting, 4 proposals of 2019 budgetary objective

adjustment, 2020 operation budget program, 2020 operation budget program, 2020 investment framework program, and issuance of corporate credit asset-backed securities and equity trust.

11.4 Special Committees of the Board of Directors

11.4.1 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 General Meeting of Shareholders, 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 9 directors including 6 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.

11.4.2 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 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.

11.4.3 Board Meeting

In 2019, the Bank held seven board meetings in total, at which 20 reports were heard and 46 proposals were deliberated. Details of the meetings were as follows:

On 28 March, 2019, the Bank held the second meeting of the fifth session of the Board of Directors, during which 4 reports were heard and 17 proposals were adopted. The meeting heard reports of the first

meeting of the fifth session of the Board of Directors in the resolution matter progress, 2018 consumer rights protection, green credit, external audit and so on. A series of proposals were deliberated and adopted including the appointment of the President and other senior management members, appointment of the secretary of the fifth session of the Board of Directors, 2018 annual work report of the Board of Directors, the President's work report, the evaluation on the directors' duty performance, the financial report, the second half of year 2018 profit distribution, the annual report, the information technology work report, planning capital management for 2019-2021, revision of the large exposure administrative measures of the Bank, revision of the risk preference policies of the Bank, revision of the Administrative Measures for Money Laundering and Terrorist Financing of Bank of Kunlun Co., Ltd., capitalization of undistributed profits of Tacheng Rural Bank, as well as the convening of the annual Shareholders' General Meeting.

From 10 April to 12 April, 2019, the Bank convened the third meeting of the fifth session of the Board of Directors, and the meeting deliberated and adopted the proposals on establishment of the branch-level exclusive institution of Bank of Kunlun Co., Ltd. in Shanghai.

On 4 June, 2019, the Bank held the fourth meeting of the fifth session of the Board of Directors, and the meeting deliberated and adopted the proposal on agreed transfer of inter-bank borrowing assets of Baoshang Bank.

On 4 July, 2019, the Bank held the fifth meeting of the fifth session of the Board of Directors, during which 4 reports were heard and 5 proposals were adopted. The meeting heard the reports of the second, the third and the fourth meetings of the fifth session of the Board of Directors in the resolution matter progress and the resolution implementation, the operation work report from January to May 2019, related party transaction work report, and the report of Karamay Office of China Banking and Insurance Regulatory Commission on the supervision of the Bank and the president's duty performance in 2018. A series of proposals were deliberated and adopted including the engagement of the external audit agency for 2019, strengthening of the special information disclosure of the Bank, revision of the Administrative Measures for Credit Assets Impairment Provision of Bank of Kunlun, formulation of the Regulations on Emergency Management of the Bank of Kunlun, and revision of the Administrative Measures for the Business Continuity of the Bank of Kunlun, and revision of the Administrative Measures for Deferred Payment of Remuneration.

On 10 September, 2019, the Bank held the sixth meeting of the fifth session of the Board of Directors, during which 5 reports were heard and 5 proposals were adopted. The meeting heard the report on the progress of resolution matters and the resolution implementation of the fifth meeting of the fifth session of the Board of Directors, the report on the evaluation on duty performance of the senior management in 2018, the operating report in the first half of 2019, and the comprehensive risk management report and the report on the supervision requirement implementation. The meeting deliberated and adopted the proposals including the profit distribution plan of the first half of 2019, verification of the credit limit of China National Petroleum Corporation, issuance of the special financial debts for small and micro enterprises, revision of the Administrative Measures for Information Disclosure of the Bank of Kunlun, and convening

of the second extraordinary general meeting in 2019.

From 11 November to 15 November, 2019, the Bank convened the seventh meeting of the fifth session of the Board of Directors, and the meeting deliberated and adopted the proposals on conducting related party transactions between the Bank of Kunlun and the Kunlun Financial Leasing Co., Ltd.

On 11 December, 2019, the Bank held the eighth meeting of the fifth session of the Board of Directors, during which 7 reports were heard and 16 proposals were adopted. The meeting heard the report on the progress of the resolution matters from the sixth and the seventh meetings of the fifth session of the Board of Directors, the operating report in the three quarters of 2019, the authorization management report in the first half of 2019, the report on the implementation of the comprehensive risk management organizational structure adjustment, the post rank system optimization report, the data governance work report in 2019, and the report on the contract disputes between Urumqi Branch and Beijing Shougang International Engineering Technology Co. Ltd., and other work reports. The meeting deliberated and adopted the proposals including 2019 budgetary objective adjustment and 2020 operation budget program, 2020 branch development plan, 2020 framework plan, formulation of 2020 authority guidelines of the Board of Directors for authorized management, the planning capital management for 2020-2022, formulation of the internal capital adequacy assessment process, the formulation of the management strategies for business continuity, revision of the comprehensive risks management stipulations of Bank of Kunlun, revision of the Administrative Measures for Evaluation on Duty Performance of the Senior Management of the Bank of Kunlun Co, Ltd., revision of the *Administrative Measures for the Related Party Transactions between the Bank of Kunlun and Their Insiders or Shareholders and the Implementation Rules for Related Party Transactions*, issuance of corporate credit asset-backed securities, the rectification plan for the transition period of wealth management business of the Bank of Kunlun, the share transfer of Karamay City Finance Bureau, equity trust, adjustment and nullification of some corporate governance related systems, as well as convening of the extraordinary general meeting.

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.

11.4.4 Implementation of Resolutions of Shareholders' General Meeting by the Board of Directors

The Board of Directors seriously, comprehensively and strictly implemented relevant resolutions 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.

11.4.5 Independence and Duty Performance of Independent Directors

During the reporting period, Mr. Liu Bo, Mr. Zhang Shengping, and Mr. Xi Bo, as independent directors of the Bank, carefully and responsibly devoted plenty of time and effort 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, and so forth. 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.

11.4.6 Special Committees of the Board of Directors

The Board of Directors has five special committees, namely the Strategy and Consumer 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 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

Its main responsibilities 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. During the reporting period, the Strategy and Consumer Rights Protection Committee of the Board of Directors consisted of five Directors, namely Mr. Jiang Shangjun, Mr. Zuo Wei, 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 adopted 2 proposals, namely the 2020 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 five directors during the reporting period, including Mr. Xi Bo, Mr. Yan Hong, 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 four meetings in total, at which 17 reports were heard and 9 proposals were deliberated. The meeting heard reports on internal control evaluation, compliance management, internal audit, external audit, case prevention and control, money laundering and terrorist financing risk management in 2018; business work and internal audit from January to May in 2019; business work, compliance management, internal audit and management of authorization in the first half of 2019; the operating report, internal audit work in the three quarters of 2019, and other reports. The meeting deliberated and adopted the financial report, profit distribution of the second half of year, annual report of 2018, the 2019 item program for internal audit, the appointment of an external audit agency and profit distribution plan in the first half of 2019, the adjustment of 2019 budget target, and 2020 operation budget program, strengthening of the special information disclosure work, and the capitalization of undistributed profits of Tacheng Rural Bank. 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 five directors, namely Mr. Liu Bo, Mr. Jiang Shangjun, Mr. Yan Hong, 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 4 meetings in total, at which 1 report was heard and 7 proposals were deliberated upon. The meeting heard the post rank system optimization report of the Bank of Kunlun; deliberated and adopted the evaluation on duty performance of the directors in 2018, the evaluation on duty performance of the senior management, the appointment of the President and other senior management members, the appointment of the secretary of the fifth session of the Board of Directors, revision of the Administrative Measures for Deferred Payment of Remuneration, and revision of the *Administrative Measures for Evaluation on Duty Performance of the Senior Management of the Bank of Kunlun Co, Ltd.*, and other proposals. 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 risks of Bank. The Risk Management Committee of the Bank consisted of five directors, namely Mr. Yan Hong, Ms. Han Hua, Ms. Xu Xiping, Mr. Ming Dong and Mr. Xi Bo. Mr. Yan Hong served as Director of the Committee.

During the reporting period, the Risk Management Committee held 3 meetings in total, at which 7 reports were heard and 14 proposals were deliberated. The meetings heard the reports on the 2018 comprehensive risk management, large exposure, authorization management, non-performing loan disposal, capital adequacy ratio, liquidity risk management, and the implementation of the comprehensive risk management organizational structure adjustment; deliberated and adopted the proposals including 2017 information technology work report, 2018 trading business strategies and market risk management strategies, and revision of the regulations on the capital management of the Bank of Kunlun. 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 five Directors, namely Mr. Zhang Shengping, Mr. Zuo Wei, 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 three meetings in total, at which three reports were heard and six proposals were deliberated upon. The Committee heard the work reports on related party transaction management of 2018, the first half of and the first quarter to the third quarter of 2019, deliberated and adopted a series of proposals on quarterly updating of the list of related party of the Bank, verification of the credit limit of China National Petroleum Corporation, and revision of the *Administrative Measures for the Related Party Transactions between the Bank of Kunlun and Their Insiders or Shareholders and the Implementation Rules for Related Party Transactions*. The Committee proposed the control methods and the business development requirement to guarantee the operation of the related party transaction in compliance with laws and regulations.

11.5 Board of Supervisors

11.5.1 Responsibilities and Composition 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 5 members, including 1 equity supervisor, 2 external supervisors and 2 employee supervisors. The Chief Supervisor of the Bank was Mr. Wang Zhonglai. All supervisors of the Bank are experienced in management with professional knowledge on finance and accounting.

11.5.2 Operation of the Board of Supervisors

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.

11.5.3 Board Meetings

In 2019, the Bank held four meetings of the Board of Supervisors in total, during which 50 reports were heard and 2 proposals were deliberated. The main reports and proposals were as follows:

On 28 March, 2019, the Bank held the second meeting of the fifth session of the Board of Supervisors, during which 22 reports were heard and 2 proposals were adopted. The meeting heard the progress of the resolutions and the comment implementation of the first meeting of the fifth session of the Board of Supervisors, 2018 President's Work Report, financial report, the profit distribution of the second half of 2018, internal audit work, external audit work, comprehensive risk management, internal control evaluation, compliance management, case prevention and control work, related party transactions management, non-performing loan disposal, authorization management, money laundering and terrorist financing risk management, large exposure, liquidity risk management, consumer rights protection work, green credit

work, capital adequacy ratio, annual report, revision of the risk preference management policies of the Bank of Kunlun, and the information technology and other reports. The Board deliberated and adopted proposals on the 2018 annual work report of the Board of Supervisors, in addition to conducting an evaluation on duty performance of directors and supervisors.

On 4 July 2019, the Bank held the third meeting of the fifth session of the Board of Supervisors, where the attendees heard 5 reports, namely, the progress of the resolutions and the comment implementation of the second meeting of the fifth session of the Board of Supervisors, operations from January to May 2019, internal auditing work, the related party transaction management, and the report of Karamay Office of China Banking and Insurance Regulatory Commission on the supervision of the Bank and the President's duty performance in 2018.

On 10 September, 2019, the Bank convened the fourth meeting of the fifth session of the Board of Directors, where the attendees heard the 13 reports, including the progress of the resolution matters of the third meeting of the fifth session of the Board of Supervisors, the operation in the first half of 2019, internal auditing work, comprehensive risk management, compliance management, case prevention and control management, money laundering and terrorist financing risk management, related party transaction management, profit distribution, implementation of supervision requirements, verification of the credit limit of China National Petroleum Corporation, the evaluation on duty performance of the senior management in 2018, and the rectification and accountability of problems found in the internal audit in 2018.

On December 11, 2019, the Bank convened the fifth meeting of the fifth session of the Board of Supervisors, where the attendees heard 10 reports, namely, the progress of the resolution matters of the fourth meeting of the fifth session of the Board of Supervisors, the authorization management in the first half of 2019, the operating report in the three quarters of 2019, internal audit work, related party transaction management, the implementation of the supervision requirements on the anti-money laundering, data governance work report, the implementation of the comprehensive risk management organizational structure adjustment, the disputes between Urumqi Branch and Beijing Shougang International Engineering Technology Co. Ltd., and the overall plan for the post rank system optimization.

11.5.4 Duty 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 meetings, presenting independent opinions on proposals and playing an effective role in independent supervision; strengthened the business training, made them understand the MPA assessment policies of the PBOC and constantly improve their abilities to perform duties. Meanwhile, the external supervisors actively participated in the survey of the Board of Supervisors, and went to the Business Department of Head Office and the International Business Settlement Center to conduct investigations to understand the operation conditions of the grass-roots unit from various aspects and directions, and make exchanges in the future development thinking and planning by the methods of hearing reports, visiting

the grassroots and reading materials; conducted investigations on the development of network loan, personal loan and credit card business, and risk control of the Bank, and probed into the external business environment and the operation of the Bank; conducted interbank exchanges, and exchanged with the Bank of Beijing on how the Board of Supervisors could play the supervisory role, and how the external directors could give full play to their role.

11.6 Senior Management

11.6.1 Composition and Responsibilities of the Senior Management

As the executive authority of the Bank, the senior management is accountable to the Board of Directors. It was composed of 3 members, namely Mr. Zuo Wei, the President; Mr. Yan Jiu, Vice President; and Mr. He Fang, Vice President and Board Secretary. 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 IT 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.

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

In 2019, 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 the 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.

11.7 Internal Control

During the reporting period, the Bank improved the construction of the internal control system and optimized the system process according to the *Guidelines for Internal Control of Commercial Banks in*

China, as well as the internal control management system requirements of the Bank, and in 2019 revised 268 systems and nullify 32 systems, with 897 valid systems in the whole bank. The Bank organized and carried out the annual internal control assessment work to comprehensively assess the internal control design reasonableness and running effectiveness of the Head Office and all units, and no significant or major defects were found in the assessment in this year. The risks were fully identified, the regulatory measures are suitable, the internal control is effective, and the problems found had been standardized via violation point accumulation, economic punishment, system improvement, and training enhancement and other measures.

11.8 Internal Audit

The Bank implemented an independent and vertical internal audit management system accountable to the Board of Directors. During the reporting period, by closely centering around the main tasks of the Bank, and taking the audit objective of “preventing risks, stabilizing security, promoting development, and improving quality and efficiency”, this Bank effectively advanced the internal audit work by following the overall work thinking of “12345”. According to the supervision requirements and banking management requirements, the Bank organized and implemented the audit of 24 items, including the economic responsibility, credit quality classification, bankcard payment-involved sensitive information security, wealth management, customer rights protection, salary system design and implementation, anti-money laundering and anti-terrorist financing, related party transactions, capital management, information technology risks, international business, operation management, 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 10 branches, basically realizing the full coverage of the operation business and agency audit. Through revealing problems, making summary, analyzing reasons, making proposals, supervising correction, the internal audit prompted the Bank’s stable operation and sustainable development.

11.9 Accounting Firm

In 2019, 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.

XII. 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, 2019.

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 & Analysis - Business Overview” in this Annual Report.

Profits and Dividends Distribution

The profits and financial status of the Bank as at 31 December, 2019 were presented in the appendix section headed “Auditors’ Report and Financial Statements” in this Annual Report.

As approved at the 2018 Annual General Meeting, the Bank distributed cash dividends for the second half of 2018 to all shareholders registered as at 31 December 2018, which amounted to a total of RMB 586,409,117.69 (pre-tax) (at the rate of RMB 0.57 per 10 shares, pre-tax).

As approved at the second extraordinary general meeting in 2019, the Bank distributed cash dividends for the first half of 2019 to all registered shareholders as at 30 June, 2019, which amounted to a total of RMB 720,151,548.09 (pre-tax) (at the rate of RMB 0.70 per 10 shares, pre-tax).

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).

Reserve

Changes in the reserves of the Bank as at 31 December, 2019 were presented in the section headed “Consolidated Statement of Changes in Shareholder’s Equity” in the Auditors’ Report in this Annual Report.

Summary of Financial Information

The three-year summary of the operating results, assets and liabilities as at 31 December, 2019 were presented in the section headed “Financial Highlights” in this Annual Report.

Fixed Assets

Changes in fixed assets as at 31 December, 2019 were presented in “Notes to the Financial Statements - Note V (9) Fixed Assets” in the Auditors’ Report in this Annual Report.

Subsidiaries

As at 31 December, 2019, 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 Auditors’ Report 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 2019, 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 2019 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 6 Related Party and Transactions” for particulars on the related-party transactions defined under relevant laws, regulations and accounting standards.

Liability Insurance of Directors, Supervisors and Senior Management

During the reporting period, the Bank has purchased the liability insurance of 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 2019 annual financial report prepared by the Bank in accordance with the Chinese Auditing Standards, and issued standard auditors' reports with unqualified opinions.

By the Order of the Board of Directors
Jiang Shangjun
Chairman

XIII. Report of the Board of Supervisors

13.1 Work of the Board of Supervisors

In 2019, 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 internal control of finances and 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 2019, 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 the board members and the senior management in the performance of their duties, by convening meetings, attending Shareholders' Meetings, sitting in on board meetings, hearing work reports, conducting on-site investigations and inspections, and reviewing periodic reports and internal and external inspection reports. It then put forward opinions and suggestions on several urgent issues in the Company's operation and management, comprehensively promoting supervisory undertakings of various types.

Constant Strengthening of Party Building Work and Giving Full Play to the Key Role of Party Organization

The Board of Supervisors is an important supervisory body of a bank and an important part of its corporate governance structure. In 2019, the Board of Supervisors of the Bank further studied, implemented and carried out Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, constantly strengthened the Party building work, integrated the leadership of the Party into the overall process of the corporate governance and operation management, and gave full play to the core role of the party organization in leadership and politics. Prior to deliberating on important issues and organizing important work, the Board of Supervisors made a point of seeking the advice of the CPC Committee in advance as required, and reporting development to it in a timely manner.

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

In 2019, the Bank convened 4 meetings of the Board of Supervisors in total, during which a total of 52 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, 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 discussion 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.

Special investigations. The Board of Supervisors of the Bank proposes to a theme to carry out special investigation activities according to the operation work and internal and external environment characteristics each year. In May 2019, the Board of Supervisors went to the Business Department of Head Office of the International Business Settlement Center to carry out the grassroots investigation. By the methods of visiting, report hearing and discussion exchange, etc., the Board of Supervisors probed into the basic situation, development status, existing problems, etc. of the International Business Settlement Center and the Business Department of Head Office, and made a communication in the future development thinking and planning. In October 2019, in view of the frequent occurrence of Internet finances, the Board of Supervisors investigated the internet loan, personal loan and credit card business development and risk control work in the Bank. The special investigations enabled the members of the Board of Supervisors to gain a deeper understanding of the external operation environment and the operation of the Bank, the supervision work of the Board of Supervisors to have a clearer goal, and further improved the actual effect of the supervision work.

Supervision of Duty Performance of Directors and the Senior Management. In 2019, 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 discussion, 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 Self-construction in Systems, Enhancement of Performance of Supervisors.

We improved the employee supervisor management system. In order to standardize the management of employees and better give full play to the function of the employee supervisors to maintain the benefits of employees, the Board of Supervisors of the Bank, together with the Trade Union of the Head Office, formulated the *Employee Supervisor Management Specification* to standardize the responsibilities, selection procedure, evaluation and treatment of the employee supervisors, improve the institutional system of the Board of Supervisors, and completed the selection of newly appointed employee supervisor according to the Specification. The Board of Supervisors held the business training to improve the abilities of supervisors to perform their duties. IN order to enable the members of the Board of Supervisors to understand the changes in the supervision policies and the counter measures of the Bank, the Board of Supervisors organized the supervisors to participate in the training on MPA assessment policies of the PBOC to improve the abilities of the members of the Board of Supervisors to perform their duties.

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 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 management to effectively improve the effectiveness of the supervision work. In 2019, the Board of Supervisors formed 4 comments, and put forward 15 matters of concern, involving the Party building, internal audit, international business, technology construction, risk management, corporate culture, employee care, basic management, anti-money laundering, and other aspects. For all the comments of the Board of Supervisors, the management regularly fed the implementation of the comments back to the Board of Supervisors to ensure every problem is responded and settled.

13.2 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 the 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.

Auditors' Report

BDO China Shu Lun Pan Certified Public Accountants LLP issued standard auditors' report with unqualified opinions the financial position and operation performances in 2019, the Board of Supervisors had no objection to that report.

Implementation of Resolutions Adopted at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors supervised the implementation of resolutions passed 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 neither false records, misleading statements nor material omissions.

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
Wang Zhonglai
Chief Supervisor

XIV. Significant Events

14.1 Top 10 Shareholders and Changes during the Reporting Period

The changes in the top 10 shareholders as at 31 December, 2019 were presented in the section headed “Changes in Share Capital and Shareholders - Top 10 Shareholders of the Bank and Shareholding Ratios”.

14.2 Increase or Decrease of Registered Capital

The registered capital of the Bank in 2019 didn't change.

14.3 Division or Merger

None.

14.4 Material Investment

None.

14.5 Major Asset Acquisition and Disposal

In May 2019, the PBOC and the CBIRC took over the Baoshang Bank, and the relevant assets held by the Bank in the Baoshang Bank were properly disposed according to relevant requirements.

14.6 Material Contracts and Performance

In 2019, the Bank had not held on trust to a material event or entered into any material sub contract in respect of assets of other corporations, and no other corporation had held on trust to a material event or entered into any material sub-contract in respect of the Bank's assets. Other than the financial guarantee businesses within approved business scope, the Bank had no other important guarantee matter requiring to be disclosed. The Bank had no material contracts required to be disclosed.

14.7 Significant Lawsuits and Arbitrations

In 2019, there were no lawsuits or arbitrations that have significant effects on operation.

14.8 Material Related Party Transactions

In 2019, the Bank has 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 2019, the credit balance of related party transactions between the Bank and CNPC was RMB 3.099 billion, which had not exceeded 15% of net capital of the Bank at the end of 2019. 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.

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 implemented after being deliberated by the Board of Directors.

In 2019, there were a total of 70 related party transactions of the service kind between the Bank and the CNPC and its subsidiaries, with the total transaction amount of RMB 553 million, and these transactions mainly include the lease of houses, property services and technical services. The main contract signing parties included: China National Petroleum Corporation, CNPC Capital Limited Company, Beijing Huafu Property Management Co., Ltd., CNPC Beijing Richfit Information Technology Co., Ltd., and other enterprises.

14.9 Penalties

In 2019, the Bank and its directors, supervisors and the senior management were not subject to any punishment of supervision authorities.

XV. Auditors' Report and Financial Statements

BDO China Shu Lun Pan Certified Public Accountants LLP has audited the 2019 annual financial report prepared by the Bank, and issued standard auditors' reports with unqualified opinions.

1. Auditors' Report
2. Audited Financial Statements
3. Notes to the Financial Statements

(See the Appendix for details)

XVI. Documents Available for Inspection

1. The accounting statements signed by the legal representative, the president, the financial director.
2. The original Auditor's Report 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.

XVII. Acknowledging Opinions of Directors and Senior Management on the Annual Report 2019

According to the *Guidelines on Corporate Governance of Commercial Banks*, we, as the directors and the senior management of Bank of Kunlun Co., Ltd., after fully understanding and reviewing the Annual Report 2019 and its abstract, give the following opinions:

I The Bank strictly implemented the Chinese Accounting Standards, and the Annual Report 2019 and its abstract fairly reflected the financial position and the operating results of the Bank for the year ending 31 December, 2019.



II The 2019 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 Auditors' Report.

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

Signatures of Directors and Senior Management:

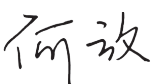
Jiang Shangjun  Yan Hong 

Zuo Wei  Han Hua 

Xu Xinping  Ming Dong 

Liu Bo  Zhang Shengping 

Xi Bo  Yan Jiu 

He Fang 

Bank of Kunlun Co., Ltd.

BANK OF KUNLUN CO., LTD.
Auditors' Report and Financial Statements 2019

Auditors' Report

PCPAR [2020] No. ZK20139

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

I. Opinion

We have audited the accompanying financial statements of the 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 Bank’s balance sheets as at 31 December, and the consolidated and the Bank’s income statements in 2019, the consolidated and the Bank’s statements of cash flows, and the consolidated and the Bank’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 financial position of the Bank as at 31 December, 2019, and of its consolidated financial performance and its consolidated 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 “Auditors’ Responsibilities for Audit of Financial Statements” of our report. We are independent of the 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 of the current period. 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. We determine that the followings are the key audit matters to be communicated in the Auditors’ Report.

(1) Allowance for Impairment on Loans and Advances to Customers

In March 2017, the Ministry of Finance of the People’s Republic of China revised and promulgated the *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, requiring to change the “incurred loss model” to the “expected credit loss model” for the measurement of

the impairment on financial assets.

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, 2019, the gross loans and advances to customers (including accrued interest) amounted to RMB 146.166 billion, representing 43.44% of total assets; the allowance for impairment on loans and advances to customers amounted to RMB 4.685 billion), the expected credit loss is considered as a key audit matter.

Relevant disclosures are included in “Note II (9) / 4”, “Note V / (6)” and “Note IX / (1)”.

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 approval credit management, credit grading, 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.

(2) 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 VIII”.

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. Other Information

The senior management of the Bank (hereinafter referred to as “the management”) is responsible for other information, which refers to the information included in this annual report exclusive the financial statements and our auditors’ report thereon.

Our opinions on the financial statements do not cover such other information, and we do not express any form of assurance conclusion thereon.

In combination with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we should report that fact. In this regard, we have nothing required to be reported.

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

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 controls as determined as necessary for ensuring that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the abilities of the Bank of Kunlun to continue as a going concern and use the going concern assumption.

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

VI. Auditors' Responsibilities for Audit of 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 auditors' report 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 skepticism throughout the audit. Meanwhile, we have also performed the following work:

- (1) 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.
- (2) 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.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or situations may cause the Bank to cease to continue as a going concern.

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

(6) 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 financial statements. We are responsible for the direction, supervision and performance of the Bank's audit, and take full responsibility of audit opinions.

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.

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



BDG China Shih Lun Pan
Certified Public Accountants
(LLP)

Chinese Certified Public
Accountant:(Project Partner)

Chinese Certified Public
Accountant:

Shanghai, China
26 March, 2020

Bank of Kunlun Co., Ltd.
Consolidated Balance Sheet

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

Item	Note V	31 December, 2019	31 December, 2018
Assets:			
Cash and Balances with the Central Bank	(1)	25,040,828,375.21	22,798,998,161.91
Deposits with the Banks and Other Financial Institutions	(2)	27,354,176,878.09	45,481,562,446.15
Precious Metals			
Placements with the Banks and Other Financial Institutions	(3)	33,731,539,492.23	28,323,750,000.00
Derivative Financial Assets			
Financial Assets Held under Resale Agreements	(4)	2,956,421,886.90	30,669,469,189.12
Interest Receivable	(5)	N/A	2,129,081,290.41
Loans and Advances to Customers	(6)	141,480,721,145.47	121,999,498,113.56
Financial Investments:			
Trading Financial Assets		49,294,392,550.11	N/A
Debt Investments		36,495,400,305.95	N/A
Other Debt Investments		18,119,165,951.71	N/A
Other Equity Instruments			N/A
Financial Assets Measured at Fair Value Through the Current Profits and Losses		N/A	45,343,004,946.98
Available-for-sale Financial Assets		N/A	21,774,565,940.50
Held-to-maturity Investments		N/A	17,587,034,484.94
Investment Classified as Receivable		N/A	13,268,824,086.39
Long-term Equity Investments			
Fixed Assets	(9)	353,227,082.69	336,309,627.78
Construction in Progress	(10)	82,173,322.66	59,652,194.53
Intangible Assets	(11)	94,672,109.95	84,195,525.57
Deferred Tax Assets	(12)	750,375,932.51	645,503,905.12
Other Assets	(13)	730,885,634.37	636,342,356.49
Total Assets		336,483,980,667.85	351,137,792,269.45
Liabilities and Equity			
Liabilities:			
Due to the Central Bank	(15)	720,288,443.99	1,214,737,092.38
Due to the Banks and Other Financial Institutions	(16)	59,555,146,190.88	93,967,052,189.47
Placements from the Banks and Other Financial Institutions	(17)	2,001,034,444.44	1,000,000,000.00
Trading Financial Liabilities			N/A
Financial Liabilities Measured at Fair Value Through the Current Profits and Losses		N/A	

Continued

Item	Note V	31 December, 2019	31 December, 2018
Derivative Financial Liabilities			
Financial Assets Sold under Repurchase Agreements	(18)	20,977,829,610.28	27,629,515,273.62
Due to Customers	(19)	184,159,970,894.72	155,804,596,128.12
Employee Compensation Payable	(20)	30,024,240.59	27,502,362.04
Tax Payable	(21)	396,571,129.27	323,100,881.73
Interest Payable	(22)	N/A	2,739,332,816.01
Accrued Liabilities	(23)	186,614,503.32	
Bonds Payable	(24)	31,040,856,818.66	33,760,119,540.12
Deferred Tax Liabilities	(12)		
Other Liabilities	(25)	4,639,710,844.32	4,186,881,855.19
Total Liabilities		303,708,047,120.47	320,652,838,138.68
Equity:			
Share Capital	(26)	10,287,879,258.43	10,287,879,258.43
Capital Reserve	(27)	10,192,990,714.50	10,192,990,714.50
Other Comprehensive Income	(28)	262,586,676.81	200,142,307.93
Surplus Reserve	(29)	2,469,945,263.01	2,116,209,057.06
General Risk Preparation	(30)	4,522,306,530.86	4,298,001,046.13
Undistributed Profits	(31)	4,946,259,302.25	3,297,238,734.44
Equity Attributable to the Shareholders of the Parent Company		32,681,967,745.86	30,392,461,118.49
Minority Interests	(32)	93,965,801.52	92,493,012.28
Total Equity		32,775,933,547.38	30,484,954,130.77
Total Liabilities and Equity		336,483,980,667.85	351,137,792,269.45

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

Legal Representative:  President: 

Director of Accounting Department: 

Bank of Kunlun Co., Ltd.
Balance Sheet

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


Item	Note V	31 December, 2019	31 December, 2018
Assets:			
Cash and Balances with the Central Bank	(1)	24,898,466,577.37	22,660,423,299.14
Deposits with the Banks and Other Financial Institutions	(2)	27,148,348,214.18	45,372,250,961.11
Precious Metals			
Placements with the Banks and Other Financial Institutions	(3)	33,731,539,492.23	28,323,750,000.00
Derivative Financial Assets			
Financial Assets Held under Resale Agreements	(4)	2,956,421,886.90	30,669,469,189.12
Interest Receivable	(5)	N/A	2,114,024,488.61
Loans and Advances to Customers	(6)	140,372,300,761.45	121,069,211,365.77
Financial Investments:			
Trading Financial Assets	(7)	49,294,392,550.11	N/A
Debt Investments		36,495,400,305.95	N/A
Other Debt Investments		18,119,165,951.71	N/A
Other Equity Instruments			N/A
Financial Assets Measured at Fair Value through the Current Profits and Losses		N/A	45,343,004,946.98
Available-for-sale Financial Assets		N/A	21,774,565,940.50
Held-to-maturity Investments		N/A	17,587,034,484.94
Investment Classified as Receivable		N/A	13,268,824,086.39
Long-term Equity Investments	(8)	57,500,000.00	57,500,000.00
Fixed Assets	(9)	337,903,062.79	320,292,459.53
Construction in Progress	(10)	81,906,102.66	59,652,194.53
Intangible Assets	(11)	94,672,109.95	84,195,525.57
Deferred Tax Assets	(12)	731,748,042.27	630,248,223.67
Other Assets	(13)	725,672,139.96	632,003,734.82
Total Assets		335,045,437,197.53	349,966,450,900.68
Liabilities and Equity			
Liabilities:			
Due to the Central Bank	(15)	674,157,360.65	1,164,737,092.38
Due to the Banks and Other Financial Institutions	(16)	59,850,378,474.72	94,220,876,436.15
Placements from the Banks and Other Financial Institutions	(17)	2,001,034,444.44	1,000,000,000.00
Trading Financial Liabilities			N/A
Financial Liabilities Measured at Fair Value Through the Current Profits and Losses		N/A	

Continued

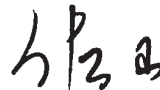
Item	Note V	31 December, 2019	31 December, 2018
Derivative Financial Liabilities			
Financial Assets Sold under Repurchase Agreements	(18)	20,977,829,610.28	27,629,515,273.62
Due to Customers	(19)	182,645,435,948.38	154,623,432,933.31
Employee Compensation Payable	(20)	29,531,759.34	26,825,403.59
Tax Payable	(21)	394,473,897.63	319,541,473.10
Interest Payable	(22)	N/A	2,722,377,763.85
Accrued Liabilities	(23)	186,614,503.32	
Bonds Payable	(24)	31,040,856,818.66	33,760,119,540.12
Deferred Tax Liabilities	(12)		
Other Liabilities	(25)	4,637,993,867.16	4,185,140,268.92
Total Liabilities		302,438,306,684.58	319,652,566,185.04
Equity:			
Share Capital	(26)	10,287,879,258.43	10,287,879,258.43
Capital Reserve	(27)	10,192,889,490.69	10,192,889,490.69
Other Comprehensive Income	(28)	262,586,850.17	200,142,481.29
Surplus Reserve	(29)	2,469,945,263.01	2,116,209,057.06
General Risk Preparation	(30)	4,511,466,714.70	4,287,161,229.97
Undistributed Profits	(31)	4,882,362,935.95	3,229,603,198.20
Total Equity		32,607,130,512.95	30,313,884,715.64
Total Liabilities and Equity		335,045,437,197.53	349,966,450,900.68

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

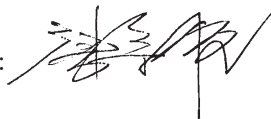
Legal Representative:



President:



Director of Accounting Department:



Bank of Kunlun Co., Ltd.
Consolidated Income Statement


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

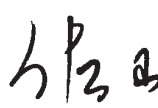
Item	Note V	2019	2018
I. Total Operating Income		7,124,308,615.04	6,709,834,348.24
Net Interest Income		4,264,786,924.00	5,934,016,212.88
Interest Income	(33)	10,695,652,715.77	11,836,878,051.40
Interest Expenses	(33)	6,430,865,791.77	5,902,861,838.52
Net Fee and Commission Income		31,793,127.47	156,818,892.28
Fee and Commission Income	(34)	103,979,252.53	223,983,477.35
Fee and Commission Expenses	(34)	72,186,125.06	67,164,585.07
Other Gains	(35)	556,172.38	6,521,431.68
Return on Investment (Loss is Indicated by "()")	(36)	2,680,131,670.55	132,317,954.49
Including: Return on Investment in Associated Enterprises and Joint Ventures			
Gains from Changes in Fair Value (Loss is Indicated by "()")	(37)	52,933,364.67	230,783,662.42
Gains from Disposal of Assets (Loss is Indicated by "()")	(38)	(2,228,711.25)	(1,607,978.98)
Foreign Exchange Gains (Loss is Indicated by "()")	(39)	95,791,086.28	250,453,476.64
Other Operating Income	(40)	544,980.94	530,696.83
II. Total Operating Expenses		2,940,937,071.27	2,889,072,644.65
Taxes and Surcharges	(41)	48,912,835.06	44,407,599.00
Operating and Administrative Expenses	(42)	2,040,887,642.89	1,892,783,538.93
Loss of Credit Impairment	(43)	852,510,771.66	N/A
Impairment Losses on Other Assets	(44)	(1,613,668.20)	N/A
Impairment Losses on Assets	(45)	N/A	951,333,185.97
Other Operating Costs		239,489.86	548,320.75
III. Operating Profit (Loss is Indicated by "()")		4,183,371,543.77	3,820,761,703.59
Add: Non-operating Income	(46)	4,144,433.10	5,527,813.44
Less: Non-operating Expenses	(47)	4,998,781.01	4,058,500.31
IV. Total Profit (Total Loss is Indicated by "()")		4,182,517,195.86	3,822,231,016.72
Less: Income Tax Expenses	(48)	593,806,876.19	547,351,772.47
V. Net Profit (Net Loss is Indicated by "()")		3,588,710,319.67	3,274,879,244.25
V-1 Classification by Business Continuity			
1. Net Profit from Continuing Operation (Net Loss is Indicated by "()")		3,588,710,319.67	3,274,879,244.25
2. Net Profit from Discontinued Operation (Net Loss is Indicated by "()")			
V-2 Classification by Ownership			

Continued

Item	Note V	2019	2018
1. Net Profit Attributable to the Shareholders of the Parent Company		3,587,237,530.43	3,274,098,589.58
2. Minority Gains or Losses		1,472,789.24	780,654.67
VI. After-tax Amount of Other Comprehensive Income	(49)	53,567,449.13	478,511,586.84
After-tax Net Amount of Other Comprehensive Income Attributable to the Owner of the Parent Company		53,567,449.13	478,511,586.84
VI-1 Other Comprehensive Income that May Not be Reclassified Subsequently to Profit or Loss			
VI-2 Other Comprehensive Income that May be Reclassified Subsequently to Profit or Loss		53,567,449.13	478,511,586.84
1. Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		54,281,159.25	
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income		(713,710.12)	
3. Gains or Losses from Changes in Fair Value of Available-for-sale Financial Assets			478,511,586.84
VII. Total Comprehensive Income		3,642,277,768.80	3,753,390,831.09
Total Comprehensive Income Attributable to the Shareholders of the Parent Company		3,640,804,979.56	3,752,610,176.42
Total Comprehensive Income Attributable to Minority Interests		1,472,789.24	780,654.67
VIII. Earnings per Share:	(50)		
VIII-1 Basic Earnings per Share (RMB/Share)		0.35	0.32
VIII-2 Diluted Earnings per Share (RMB/Share)		0.35	0.32

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

Legal Representative: 

President: 

Director of Accounting Department: 

Bank of Kunlun Co., Ltd.
Income Statement

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

Item	Note V	2019	2018
I. Total Operating Income		7,069,466,973.98	6,643,329,596.74
Net Interest Income		4,207,051,436.37	5,866,101,113.73
Interest Income	(33)	10,610,650,614.36	11,748,995,594.01
Interest Expenses	(33)	6,403,599,177.99	5,882,894,480.28
Net Fee and Commission Income		32,483,589.15	156,491,506.72
Fee and Commission Income	(34)	103,212,454.89	222,860,615.36
Fee and Commission Expenses	(34)	70,728,865.74	66,369,108.64
Other Gains	(35)	553,096.09	1,825,208.36
Return on Investment (Loss is Indicated by "()")	(36)	2,680,131,670.55	136,317,954.49
Including: Return on Investment in Associated Enterprises and Joint Ventures			
Gains from Changes in Fair Value (Loss is Indicated by "()")	(37)	52,933,364.67	230,783,662.42
Gains from Disposal of Assets (Loss is Indicated by "()")	(38)	(22,086.96)	826,024.86
Foreign Exchange Gains (Loss is Indicated by "()")	(39)	95,791,086.28	250,453,476.64
Other Operating Income	(40)	544,817.83	530,649.52
II. Total Operating Expenses		2,884,021,652.00	2,821,879,675.10
Taxes and Surcharges	(41)	48,608,468.23	44,052,374.94
Operating and Administrative Expenses	(42)	2,004,168,983.61	1,857,679,290.41
Loss of Credit Impairment	(43)	831,010,733.37	N/A
Impairment Losses on Other Assets	(44)		N/A
Impairment Losses on Assets	(45)	N/A	919,599,689.00
Other Operating Costs		233,466.79	548,320.75
III. Total Operating Profit (Loss is Indicated by "()")		4,185,445,321.98	3,821,449,921.64
Add: Non-operating Income	(46)	3,965,490.59	5,419,737.20
Less: Non-operating Expenses	(47)	4,284,341.53	4,010,936.92
IV. Total Profit (Total Loss is Indicated by "()")		4,185,126,471.04	3,822,858,721.92
Less: Income Tax Expenses	(48)	594,149,770.67	546,494,286.36
V. Net Profit (Net Loss is Indicated by "()")		3,590,976,700.37	3,276,364,435.56
V-1 Net Profit from Continuing Operation (Net Loss is Indicated by "()")		3,590,976,700.37	3,276,364,435.56
V-2 Net Profit from Discontinued Operation (Net Loss is Indicated by "()")			
VI. After-tax Amount of Other Comprehensive Income	(49)	53,567,449.13	478,511,586.84
VI-1 Other Comprehensive Income That May not Be Reclassified Subsequently to Profit or Loss			

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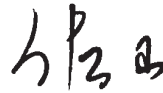
Item	Note V	2019	2018
VI-2 Other Comprehensive Income That May be Reclassified Subsequently to Profit or Loss		53,567,449.13	478,511,586.84
1. Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		54,281,159.25	
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income		(713,710.12)	
3. Gains or Losses from Changes in Fair Value of Available-for-sale Financial Assets			478,511,586.84
VII. Total Comprehensive Income		3,644,544,149.50	3,754,876,022.40
VIII. Earnings per Share:	(50)		
VIII-1 Basic Earnings per Share(RMB/Share)		0.35	0.32
VIII-2 Diluted Earnings per Share(RMB/Share)		0.35	0.32

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

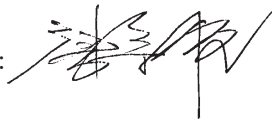
Legal Representative:



President:



Director of Accounting Department:



Bank of Kunlun Co., Ltd.
Consolidated Statement of Cash Flows

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

Item	Note V	2019	2018
I. Cash Flows from Operating Activities:			
Net Increase in Due to Customers, Banks and Other Financial Institutions			5,813,248,197.96
Net Increase in Due to the Central Bank			796,284,856.29
Net Decrease in Deposits with the Central Bank and Due from Banks and Other Financial Institutions			29,530,144,404.85
Net Increase in Placements from the Banks and Other Financial Institutions		13,800,000,000.00	
Net Increase in Financial Assets Sold under Repurchase Arrangements			6,301,707,706.85
Cash Receipts from Interest, Charges and Commissions		9,021,151,244.05	8,665,748,320.28
Other Cash Receipts Relating to Operating Activities	(51)	981,278,319.11	791,686,228.57
Sub-total of Cash Inflows from Operating Activities		23,802,429,563.16	51,898,819,714.80
Net Increase in Loans and Advances to Customers		19,112,219,420.59	15,688,547,739.24
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 the Banks and Other Financial Institutions			13,300,000,000.00
Net Increase in Financial Assets Measured at Fair Value through the Current Profits and Losses		7,699,659,773.22	16,010,199,789.79
Net Decrease in Financial Assets Sold under Repurchase Arrangements		8,523,508,737.06	
Cash Payments for Interest, Charges and Commissions		4,551,409,236.14	4,724,976,237.81
Cash Payments to and on Behalf of Employees		1,050,524,584.14	906,373,529.32
Payments of Various Types of Taxes		1,057,312,304.80	859,535,427.68
Other Cash Payments Relating to Operating Activities	(51)	833,228,378.94	1,201,398,557.31
Sub-total of Cash Outflows from Operating Activities		54,792,845,258.70	52,691,031,281.15
Net Cash Flow from Operating Activities		(30,990,415,695.54)	(792,211,566.35)
II. Cash Flows from Investing Activities:			
Cash Receipts from Disposals and Recovery of Investments		38,262,920,501.96	131,933,301,054.35
Cash Receipts from Return on Investment		2,680,131,670.55	3,048,652,362.88
Net Cash Receipts from Disposals of Fixed Assets, Intangible Assets and Other Long-term Assets		86,800.00	887,557.03
Other Cash Receipts Relating to Investing Activities			
Sub-total of Cash Inflows from Investing Activities		40,943,138,972.51	134,982,840,974.26
Cash Payments to Acquire or Construct Fixed Assets, Intangible Assets and Other Long-term Assets		91,362,547.29	199,347,453.12
Cash Payments to Acquire Investments		40,041,983,877.51	105,612,265,596.01

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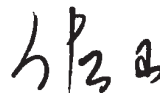
Item	Note V	2019	2018
Sub-total of Cash Outflows from Investing Activities		40,133,346,424.80	105,811,613,049.13
Net Cash Flow from Investing Activities		809,792,547.71	29,171,227,925.13
III. Cash Flows from Financing Activities:			
Cash Receipts from Investors			18,456,830.00
Including: Cash Receipts by Subsidiaries from Investments			18,456,830.00
Cash Receipts from Issuance of Bonds		44,157,226,135.98	60,656,024,198.14
Other Cash Receipts Relating to Financing Activities			
Sub-total of Cash Inflows from Financing Activities		44,157,226,135.98	60,674,481,028.14
Cash Repayments of Borrowings		46,813,840,390.00	40,765,449,770.00
Cash Payments for Distribution of Dividend or Profit or Settlement of Interest Expenses		2,412,729,869.91	2,146,158,954.14
Other Cash Payments Relating to Financing Activities			
Sub-total of Cash Outflows from Financing Activities		49,226,570,259.91	42,911,608,724.14
Net Cash Flow from Financing Activities		(5,069,344,123.93)	17,762,872,304.00
IV. Effect of Foreign Exchange Rate Changes on Cash		9,367,292.97	126,477,299.93
V. Net Increase in Cash and Cash Equivalents	(52)	(35,240,599,978.79)	46,268,365,962.71
Add: Balance of Cash and Cash Equivalents at the Beginning of the Period		92,294,476,222.89	46,026,110,260.18
VI. Balance of Cash and Cash Equivalents at the End of the Period		57,053,876,244.10	92,294,476,222.89

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

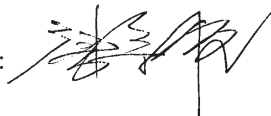
Legal Representative:



President:



Director of Accounting Department:



Bank of Kunlun Co., Ltd.
Statement of Cash Flows

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

Item	Note V	2019	2018
I. Cash Flows from Operating Activities:			
Net Increase in Due to Customers, Banks and Other Financial Institutions			5,912,495,125.41
Net Increase in Due to the Central Bank			806,284,856.29
Net Decrease in Deposits with the Central Bank and Due from Banks and Other Financial Institutions			29,188,625,230.61
Net Increase in Placements from the Banks and Other Financial Institutions		13,800,000,000.00	
Net Increase in Financial Assets Sold under Repurchase Arrangements			6,301,707,706.85
Cash Receipts from Interest, Charges and Commissions		9,130,594,512.79	8,577,963,326.49
Other Cash Receipts Relating to Operating Activities	(51)	751,901,953.71	761,206,086.46
Sub-total of Cash Inflows from Operating Activities		23,682,496,466.50	51,548,282,332.11
Net Increase in Loans and Advances to Customers		18,884,476,971.12	15,678,652,657.07
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 the Banks and Other Financial Institutions			13,300,000,000.00
Net Increase in Financial Assets Measured at Fair Value through the Current Profits and Losses		7,699,659,773.22	16,010,199,789.79
Net Decrease in Financial Assets Sold under Repurchase Arrangements		8,523,508,737.06	
Cash Payments for Interest, Charges and Commissions		4,537,141,802.13	4,698,295,478.80
Cash Payments to and on Behalf of Employees		1,026,795,849.50	885,242,067.28
Payments of Various Types of Taxes		1,049,982,618.08	848,477,953.47
Other Cash Payments Relating to Operating Activities	(51)	821,622,194.32	1,160,062,980.28
Sub-total of Cash Outflows from Operating Activities		54,531,366,061.82	52,580,930,926.69
Net Cash Flow from Operating Activities		(30,848,869,595.32)	(1,032,648,594.58)
II. Cash Flows from Investing Activities:			
Cash Receipts from Disposals and Recovery of Investments		38,262,920,501.96	131,933,301,054.35
Cash Receipts from Return on Investment		2,680,131,670.55	3,052,652,362.88
Net Cash Receipts from Disposals of Fixed Assets, Intangible Assets and Other Long-term Assets		38,834.95	887,557.03
Other Cash Receipts Relating to Investing Activities			
Sub-total of Cash Inflows from Investing Activities		40,943,091,007.46	134,986,840,974.26

Continued

Item	Note V	2019	2018
Cash Payments to Acquire or Construct Fixed Assets, Intangible Assets and Other Long-term Assets		90,481,921.62	198,433,288.55
Cash Payments to Acquire Investments		40,041,983,877.51	105,612,265,596.01
Sub-total of Cash Outflows from Investing Activities		40,132,465,799.13	105,810,698,884.56
Net Cash Flow from Investing Activities		810,625,208.33	29,176,142,089.70
III. Cash Flows from Financing Activities:			
Cash Receipts from Investors			
Including: Cash Receipts by Subsidiaries from Investments			
Cash Receipts from Issuance of Bonds		44,157,226,135.98	60,656,024,198.14
Other Cash Receipts Relating to Financing Activities			
Sub-total of Cash Inflows from Financing Activities		44,157,226,135.98	60,656,024,198.14
Cash Repayments of Borrowings		46,813,840,390.00	40,765,449,770.00
Cash Payments for Distribution of Dividend or Profit or Settlement of Interest Expenses		2,412,729,869.91	2,146,158,954.14
Other Cash Payments Relating to Financing Activities			
Sub-total of Cash Outflows from Financing Activities		49,226,570,259.91	42,911,608,724.14
Net Cash Flow from Financing Activities		(5,069,344,123.93)	17,744,415,474.00
IV. Effect of Foreign Exchange Rate Changes on Cash		9,367,292.97	126,477,299.93
V. Net Increase in Cash and Cash Equivalents	(52)	(35,098,221,217.95)	46,014,386,269.05
Add: Balance of Cash and Cash Equivalents at the Beginning of the Period		92,243,126,760.21	46,228,740,491.16
VI. Balance of Cash and Cash Equivalents at the End of the Period		57,144,905,542.26	92,243,126,760.21

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

Legal Representative:  President: 

Director of Accounting Department: 

Bank of Kunlun Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity


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

Item	2019						Total Equity	
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits		Minority Interests
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	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)
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	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	1,472,789.24	2,335,717,103.02
III-1 Total Comprehensive Income			53,567,449.13			3,587,237,530.43	1,472,789.24	3,642,277,768.80
III-2 Owners' Contributions and Reduction in Capital								
1. Owners' Contributions in Capital								
2. Share-based Payment Recognized in Owners' Equity								
3. Others								
III-3 Profit Distribution				359,097,666.57	224,305,484.73	(1,889,963,817.08)		(1,306,560,665.78)

Continued

Item	2019					Total Equity	
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation		Undistributed Profits
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)
4. Others							
III-4 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. Amount of Change Set in the Benefit Plan in Order to Carry Forward Retained Earnings							
5. 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	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: 

President: 

Director of Accounting Department: 

Bank of Kunlun Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Continued)
(Unless otherwise specified, the following amounts are all expressed in RMB)

Item	2018							
	Share Capital	Capital Reserve	Other Comprehensive Income	General Risk Preparation	Undistributed Profits	Minority Interests	Total Equity	
I. Balance as at the End of Last Year	10,287,879,258.43	10,193,943,406.89	(278,369,278.91)	1,788,418,680.95	3,834,694,545.20	2,038,494,653.71	73,302,835.22	27,938,364,101.49
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	10,193,943,406.89	(278,369,278.91)	1,788,418,680.95	3,834,694,545.20	2,038,494,653.71	73,302,835.22	27,938,364,101.49
III. Changes for the Current Year (Decrease is Indicated by "()")		(952,692.39)	478,511,586.84	327,790,376.11	463,306,500.93	1,258,744,080.73	19,190,177.06	2,546,590,029.28
III-1 Total Comprehensive Income			478,511,586.84			3,274,098,589.58	780,654.67	3,753,390,831.09
III-2 Shareholders' Contributions and Reduction in Capital		(952,692.39)					19,409,522.39	18,456,830.00
1. Owners' Contributions in Capital		(952,692.39)					19,409,522.39	18,456,830.00
2. Share-based Payment Recognized in Owners' Equity								
3. Others								
III-3 Profit Distribution				327,790,376.11	463,306,500.93	(2,015,354,508.85)	(1,000,000.00)	(1,225,257,631.81)
1. Withdrawal of Surplus Reserve				327,790,376.11		(327,790,376.11)		

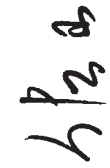
Continued

Item	2018						Total Equity
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	
2. Withdrawal of General Risk Preparation					463,306,500.93	(463,306,500.93)	
3. Distributions to Owners (or Shareholders)						(1,224,257,631.81)	(1,225,257,631.81)
4.Others							
III-4 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	200,142,307.93	2,116,209,057.06	4,298,001,046.13	3,297,238,734.44	92,493,012.28 30,484,954,130.77

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



Legal Representative:



President:



Director of Accounting Department:

Bank of Kunlun Co., Ltd.
Statement of Changes in Shareholders' Equity

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


Item	2019						Total Equity	
	Share Capital	Capital Reserve	Comprehensive Income	Other	Surplus Reserve	General Risk Preparation		Undistributed Profits
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 "(0)")			53,567,449.13	359,097,666.57	224,305,484.73	1,701,012,883.29	2,337,983,483.72	
III-1 Total Comprehensive Income			53,567,449.13			3,590,976,700.37	3,644,544,149.50	
III-2 Owners' Contributions and Reduction in Capital								
1. Owners' Contributions in Capital								
2. Share-based Payment Recognized in Owners' Equity								
3. Others								
III-3 Profit Distribution								
1. Withdrawal of Surplus Reserve								
				359,097,666.57	224,305,484.73	(1,889,963,817.08)	(1,306,560,665.78)	
				359,097,666.57		(359,097,666.57)		

Unit: in RMB

Continued

Item	2019					Total Equity			
	Share Capital	Capital Reserve	Comprehensive Income	Other	Surplus Reserve		General Risk Preparation	Undistributed Profits	Minority Interests
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)
4. Others									
III-4 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. Amount of Change Set in the Benefit Plan in Order to Carry Forward Retained Earnings									
5. 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: 

President: 

Director of Accounting Department: 

Bank of Kunlun Co., Ltd.

Statement of Changes in Shareholders' Equity (Continued)

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

Item	2018					Total Equity	
	Share Capital	Capital Reserve	Comprehensive Surplus Reserve	General Risk Preparation	Undistributed Profits		Minority Interests
I. Balance as at the End of Last Year	10,287,879,258.43	10,192,889,490.69	(278,369,105.55)	1,788,418,680.95	3,823,854,729.04	1,968,593,271.49	27,783,266,325.05
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	(278,369,105.55)	1,788,418,680.95	3,823,854,729.04	1,968,593,271.49	27,783,266,325.05
III. Changes for the Current Year (Decrease is Indicated by "(0)")							
III-1 Total Comprehensive Income		478,511,586.84	327,790,376.11	463,306,500.93	1,261,009,926.71	3,276,364,435.56	2,530,618,390.59
III-2 Owners' Contributions and Reduction in Capital							
1. Owners' Contributions in Capital							
2. Share-based Payment Recognized in Owners' Equity							
3. Others							
III-3 Profit Distribution							
1. Withdrawal of Surplus Reserve							
2. Withdrawal of General Risk Preparation							
3. Distributions to Owners (or Shareholders)							

Unit: in RMB

Continued

Item	2018					Total Equity		
	Share Capital	Capital Reserve	Comprehensive Surplus Reserve Income	Other	General Risk Preparation		Undistributed Profits	Minority Interests
4.Others								
III-4 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	200,142,481.29	2,116,209,057.06	4,287,161,229.97	3,229,603,198.20		30,313,884,715.64

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


Legal Representative:



President:



Director of Accounting Department:



Bank of Kunlun Co., Ltd.

Notes to the Financial Statements of 2019

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

I. Company Profile

I-1 Company Profile and History

The Bank of Kunlun Co., Ltd. (hereinafter referred to as the “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 the 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 the Bank of Kunlun Co., Ltd. for increase in Capital and Share in 2011*, the 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 finite 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 the Bank of Kunlun Co., Ltd. for increase in Capital and Shares in 2013*, the 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 the Bank of Kunlun Co., Ltd. for Increase in Capital and Shares in 2016*, the 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 institution code of Financial License is B0226H265020001.

I-2 Branches and Subsidiaries

As at 31 December, 2019, 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 International Business Settlement Center, the Business Department of Head Office and other agencies.

As at 31 December, 2019, the Company has two holding subsidiaries, namely, the Tacheng Kunlun Rural Bank Co., Ltd. and the Leshan Kunlun Rural Bank Co., Ltd.

I-3 Major Business and Relevant Services

Business Scope: Acquiring public deposits; granting short-term loans, medium-term loans and long-term loans; handling domestic and international settlements; handling bill acceptance and discounting; issuing financial bonds; issuing, redeeming and underwriting government debts as an agent; buying and selling government bonds and financial bonds; inter-bank borrowing; trading and agent trading of foreign exchange; bank card business; issuing letters of credit and offering guarantees; offering collection agency and insurance agency services; providing safe deposit services; other business approved by CBRC.

I-4 Scope of the Consolidated Financial Statements

As at 31 December, 2019, 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

II-1 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-2 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.

II-3 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, 2019 to 31 December, 2019.

II-4 Functional Currency

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

II-5 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.

II-6 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.

II-7 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.

II-8 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 the banks and other financial institutions and deposits with the 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.

II-9 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 kinds 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 through the current profits and losses.

The Bank 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 Bank 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 to manage the asset, 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 Bank aims at collecting contractual cash flows, and the cash flows are paid solely for the principal and interest. The Bank 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 the banks and other financial institutions, placements with the banks and other financial institutions measured at amortized cost, placements with the 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 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: 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 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. 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 income.

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 the current profits and losses

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

Since the revised Accounting Standards for Financial Instruments were first implemented on 1 January, 2019, the Company has used 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 asset indebtedness 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 Bank 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 de-recognize 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.

II-10 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 counter-party 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.

II-11 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).

II-12 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 vehicles, 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%

II-13 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.

II-14 Accounting 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

Bank 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.

II-15 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.

II-16 Fiduciary Business

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 wealth management 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.

II-17 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 Bank 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.

II-18 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.

II-19 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.

II-20 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 Group 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

Fee and commission income is usually recognized on an accrual basis when related services are offered.

3. Dividend Income

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

II-21 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 Government Grants Related to Income

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 grants 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.

II-22 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.

II-23 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.

II-24 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.

II-25 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 / (1) 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.

II-26 Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in Accounting Policies

The Company implemented the revised Accounting Standards for Business Enterprises issued by the Ministry of Finance in recent years, as well as related stipulations from 1 January, 2019:

- the *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised)*, the *Accounting Standards for Enterprises No.23 - Transfer of Financial Assets (Revised)*, the *Accounting Standards for Enterprises No. 24–Hedging (Revised)*, the *Accounting Standards for Enterprises No. 37–Presentation of Financial Instruments (Revised)* (hereinafter referred to as the “New Accounting Standards for Financial Instruments”).
- The *Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements for Financial Enterprises in 2018* (C.K. [2018] No. 36)(hereinafter referred to as the “New Format of Financial Statements”).
- The *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-Monetary Assets* (“Accounting Standards No. 7 (2019)”).
- The *Accounting Standards for Enterprises No. 12 - Debt Recombination (Revised)* (“Accounting Standards No. 12 (2019)”).

(1) Changes and Impacts Brought by Use of the New Accounting Standards for Financial Instruments

In terms of classification and measurement of financial assets, the New Accounting Standards for Financial

Instruments require that the financial assets are divided into three categories “financial assets measured at amortized cost”, “financial assets measured at fair value through other comprehensive income” and “financial assets measured at fair value through profit or loss” based on their contractual cash flow characteristics and business modes to manage such assets. The Company cancels the original classification of loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The equity instrument investments are generally classified into financial assets measured at fair value through profit or loss, and it is also allowed for the enterprises to designate the equity instrument investments as the financial assets measured at fair value through other comprehensive income, but the designation is irrevocable and the accumulated changes in fair value which are originally included in other comprehensive income shall not be carried forward to the current profits and losses at the disposal time.

In terms of the impairment of financial assets, the requirements in the New Accounting Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost and fair value through other comprehensive income, lease receivables, accounts receivable, contractual assets, as well as specific undrawn loan commitments and financial guarantee contracts. The New Accounting Standards for Financial Instruments require the substitution of the original incurred credit loss model with the expected credit loss model. The new impairment model requires a three-phase model, and the allowance for credit loss is accrued according to the expected credit loss within 12 months or that in the whole duration on the basis of whether the credit risks significantly increase after the initial recognition of relevant items.

If the recognition and measurement of financial instruments prior to 1 January, 2019 is inconsistent with the requirements of the New Accounting Standards for Financial Instruments, the Company will make coordinated adjustment according to the requirements of the New Accounting Standards for Financial Instruments. The Company will make no adjustment in case of inconsistency between the early comparative financial statements and the requirements of the New Accounting Standards for Financial Instruments. The difference between the original book value of the financial instruments and the new book value when the New Accounting Standards for Financial Instruments is implemented shall be included in the retained earnings or other comprehensive income on 1 January, 2019.

The management of the Company assessed its financial assets based on the existing facts and conditions on 1 January, 2019.

Based on the financial statements as at 31 December, 2018, the influences of various items of consolidated assets and liabilities of the Company on 1 January, 2019 according to the New Accounting Standards for Financial Instruments and the formats of financial statements are summarized as below:

Report Item	31 December, 2018	Reclassification	Recalculation	1 January, 2019
Assets:				
Cash and Balances with the Central Bank	22,798,998,161.91	8,907,170.32		22,807,905,332.23
Deposits with the Banks and Other Financial Institutions	45,481,562,446.15	76,102,595.03		45,557,665,041.18
Precious Metals				
Placements with the Banks and Other Financial Institutions	28,323,750,000.00	94,517,930.57	(123,462,500.00)	28,294,805,430.57
Derivative Financial Assets				
Financial Assets Held under Resale Agreements	30,669,469,189.12	68,463,585.44	(1,664,414.30)	30,736,268,360.26
Interest Receivable	2,129,081,290.41	(2,129,081,290.41)		
Loans and Advances to Customers	121,999,498,113.56	393,192,390.35		122,392,690,503.91
Financial Investments:				
—Trading Financial Assets		47,926,082,988.13		47,926,082,988.13
—Debt Investments		29,172,081,766.43	63,478,093.55	29,235,559,859.98
—Other Debt Investments		22,407,659,734.61	9,016,248.50	22,416,675,983.11
—Other Equity Instrument Investments				
—Financial Assets Measured at Fair Value through the Current Profits and Losses	45,343,004,946.98	(45,343,004,946.98)		
—Available-for-sale Financial Assets	21,774,565,940.50	(21,774,565,940.50)		
—Held-to-maturity Investments	17,587,034,484.94	(17,587,034,484.94)		
—Investment Classified as Receivable	13,268,824,086.39	(13,268,824,086.39)		
Long-term Equity Investments				
Investment Real Estate				
Fixed Assets	336,309,627.78			336,309,627.78
Construction in Progress	59,652,194.53			59,652,194.53
Intangible Assets	84,195,525.57			84,195,525.57
Deferred Tax Assets	645,503,905.12		7,894,885.84	653,398,790.96
Other Assets	636,342,356.49	14,333,112.23		650,675,468.72
Total Assets	351,137,792,269.45	58,830,523.89	(44,737,686.41)	351,151,885,106.93
Liabilities:				
Due to the Central Bank	1,214,737,092.38	92,430.56		1,214,829,522.94
Due to the Banks and Other Financial Institutions	93,967,052,189.47	253,824,245.68		94,220,876,435.15
Placements from the Banks and Other Financial Institutions	1,000,000,000.00	312,222.22		1,000,312,222.22

Continued

Report Item	31 December, 2018	Reclassification	Recalculation	1 January, 2019
Trading Financial Liabilities				
Derivative Financial Liabilities				
Financial Assets Sold under Repurchase Agreements	27,629,515,273.62	191,606,241.13		27,821,121,514.75
Due to Customers	155,804,596,128.12	2,282,181,009.80		158,086,777,137.92
Employee Compensation Payable	27,502,362.04			27,502,362.04
Tax Payable	323,100,881.73			323,100,881.73
Interest Payable	2,739,332,816.01	(2,739,332,816.01)		
Accrued Liabilities		58,830,523.89		58,830,523.89
Bonds Payable	33,760,119,540.12	11,316,666.62		33,771,436,206.74
Deferred Tax Liabilities				
Other Liabilities	4,186,881,855.19			4,186,881,855.19
Total Liabilities	320,652,838,138.68	58,830,523.89		320,711,668,662.57
Total Influences on Equity at the End of the Reporting Period			(44,737,686.41)	

Based on the financial statements as at 31 December, 2018, the book values of all items of originally consolidated assets and liabilities are adjusted to the book values classified and measured according to the New Accounting Standards for Financial Instruments, and the stipulations on the New Format of Financial Statements as below (hereinafter referred to as “New Accounting Standards and Stipulations”):

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Financial Assets Measured at Amortized Cost				
Cash and Balances with the Central Bank				
Balance Listed According to the Original Accounting Standards for Financial Instruments	22,798,998,161.91			
Add: Transfer-in from Interest Receivable		8,907,170.32		
Book Values Listed According to the New Accounting Standards and Stipulations				22,807,905,332.23
Deposits with the Banks and Other Financial Institutions				

Continued

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Balance Listed According to the Original Accounting Standards for Financial Instruments	45,481,562,446.15			
Add: Transfer-in from Interest Receivable		76,102,595.03		
Re-measurement: Allowance for Expected Credit Loss				
Book Values Listed According to the New Accounting Standards and Stipulations				45,557,665,041.18
Placements with the Banks and Other Financial Institutions				
Balance Listed According to the Original Accounting Standards for Financial Instruments	28,323,750,000.00			
Add: Transfer-in from Interest Receivable		94,517,930.57		
Re-measurement: Allowance for Expected Credit Loss			(123,462,500.00)	
Book Values Listed According to the New Accounting Standards and Stipulations				28,294,805,430.57
Financial Assets Held under Resale Agreements				
Balance Listed According to the Original Accounting Standards for Financial Instruments	30,669,469,189.12			
Add: Transfer-in from Interest Receivable		68,463,585.44		
Re-measurement: Allowance for Expected Credit Loss			(1,664,414.30)	
Book Values Listed According to the New Accounting Standards and Stipulations				30,736,268,360.26
Interest Receivable				
Balance Listed According to the Original Accounting Standards for Financial Instruments	2,129,081,290.41			
Less: Cash and Balances with the Central Bank		(8,907,170.32)		
Less: Deposits with the Banks and Other Financial Institutions		(76,102,595.03)		

Continued

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Less: Placements with the Banks and Other Financial Institutions		(94,517,930.57)		
Less: Financial Assets Held under Resale Agreements		(68,463,585.44)		
Less: Loans and Advances to Customers		(334,361,866.46)		
Less: Trading Financial Assets		(553,078,041.15)		
Less: Debt Investments		(346,223,195.10)		
Less: Other Debt Investments		(633,093,794.11)		
Less: Other Assets		(14,333,112.23)		
Book Values Listed According to the New Accounting Standards and Stipulations				N/A
Loans and Advances to Customers				
Balance Listed According to the Original Accounting Standards for Financial Instruments	121,999,498,113.56			
Less: Transfer-out to Loans and Advances to Customers Measured at Fair Value through Other Comprehensive Income				
Add: Transfer-in from Interest Receivable		334,361,866.46		
Reclassification: Allowance for Expected Credit Loss		58,830,523.89		
Book Values Listed According to the New Accounting Standards and Stipulations				122,392,690,503.91
Held-to-maturity Investments				
Balance Listed According to the Original Accounting Standards for Financial Instruments	17,587,034,484.94			
Add: Transfer to Trading Financial Assets				
Add: Transfer to Debt Investments		(17,587,034,484.94)		
Add: Transfer to other Debt Investments				
Book Values Listed According to the New Accounting Standards and Stipulations				N/A

Continued

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Investment Classified as Receivable				
Balance Listed According to the Original Accounting Standards for Financial Instruments	13,268,824,086.39			
Add: Transfer to Trading Financial Assets		(2,030,000,000.00)		
Add: Transfer to Debt Investments		(11,238,824,086.39)		
Add: Transfer to other Debt Investments				
Book Values Listed According to the New Accounting Standards and Stipulations				N/A
Debt Investments				
Balance Listed According to the Original Accounting Standards for Financial Instruments	N/A			
Add: Transfer-in from Financial Assets Measured at Fair Value through the Current Profits and Losses				
Add: Transfer-in from Available-for-sale Financial Assets				
Add: Transfer-in from Held-to-maturity Investments		17,587,034,484.94		
Add: Transfer-in from Investment Classified as Receivable		11,238,824,086.39		
Add: Transfer-in from Interest Receivable		346,223,195.10		
Re-measurement: Balance of Allowance for Expected Credit Loss According to the New Accounting Standards and Stipulations			63,478,093.55	
Book Values Listed According to the New Accounting Standards and Stipulations				29,235,559,859.98
Subtotal of Financial Assets Measured at Amortized Cost	282,258,217,772.48	(3,171,674,423.60)	(61,648,820.75)	279,024,894,528.13

Continued

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Financial Assets Measured at Fair Value through the Current Profits and Losses				
Financial Assets Measured at Fair Value through the Current Profits and Losses				
Balance Listed According to the Original Accounting Standards for Financial Instruments	45,343,004,946.98			
Add: Transfer to Trading Financial Assets		(45,343,004,946.98)		
Add: Transfer to Debt Investments				
Add: Transfer to other Debt Investments				
Book Values Listed According to the New Accounting Standards and Stipulations				N/A
Trading Financial Assets				
Balance Listed According to the Original Accounting Standards for Financial Instruments		N/A		
Add: Transfer-in from Financial Assets Measured at Fair Value through the Current Profits and Losses			45,343,004,946.98	
Add: Transfer-in from Available-for-sale Financial Assets				
Add: Transfer-in from Held-to-maturity Investments				
Add: Transfer-in from Investment Classified as Receivable			2,030,000,000.00	
Add: Transfer-in from Interest Receivable			553,078,041.15	
Re-measurement: Measurement at Amortized Cost to Measurement at Fair Value				
Book Values Listed According to the New Accounting Standards and Stipulations				47,926,082,988.13

Continued

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Subtotal of Financial Assets Measured at Fair Value through the Current Profits and Losses	45,343,004,946.98	2,583,078,041.15		47,926,082,988.13
Financial Assets Measured at Fair Value through Other Comprehensive Income				
Available-for-sale Financial Assets	21,774,565,940.50			
Add: Transfer to Trading Financial Assets				
Add: Transfer to Debt Investments				
Add: Transfer to Other Debt Investments		(21,774,565,940.50)		
Book Values Listed According to the New Accounting Standards and Stipulations				N/A
Other Debt Investments				
Add: Transfer-in from Financial Assets Measured at Fair Value through the Current Profits and Losses				
Add: Transfer-in from Available- for-sale Financial Assets		21,774,565,940.50		
Add: Transfer-in from Held-to- maturity Investments				
Add: Transfer-in from Investment Classified as Receivable				
Add: Transfer-in from Interest Receivable		633,093,794.11		
Re-measurement: Balance of Allowance for Expected Credit Loss According to the New Accounting Standards and Stipulations			9,016,248.50	
Book Values Listed According to the New Accounting Standards and Stipulations				22,416,675,983.11
Subtotal of Financial Assets Measured at Fair Value through Other Comprehensive Income	21,774,565,940.50	633,093,794.11	9,016,248.50	22,416,675,983.11

Continued

Report Item	Book Values Listed According to the Original Accounting Standards for Financial Instruments as at 31 December, 2018	Reclassification	Recalculation	Book Values Listed According to the New Accounting Standards and Stipulations on 1 January, 2019
Deferred Tax Assets	645,503,905.12		7,894,885.84	653,398,790.96
Other Assets				
Balance Listed According to the Original Accounting Standards for Financial Instruments	636,342,356.49			
Add: Transfer-in from Interest Receivable		14,333,112.23		
Book Values Listed According to the New Accounting Standards and Stipulations				650,675,468.72
Subtotal of Other Assets	636,342,356.49	14,333,112.23		650,675,468.72
Total	350,657,634,921.57	58,830,523.89	(44,737,686.41)	350,671,727,759.05

Influence of Expected Credit Loss

When first using the New Accounting Standards for Financial Instruments on 1 January, 2019, the Company adjusted the allowance for losses on relevant financial assets, loan commitments and guarantee contracts from the balance as at the end of 2018 to the balance at the beginning of 2019.

Item	31 December, 2018 Provision Balance (Before Revision of the Accounting Standards)	Reclassification	Provisions Re-measured by Retained Earnings	1 January, 2019 Provision Balance
Allowance for Impairment on Other Assets	31,515,785.31			31,515,785.31
Including: Allowance for Impairment on Other Receivables	5,288,915.40			5,288,915.40
Allowance for Impairment on Accrued Interest Receivable	26,226,869.91			26,226,869.91
Allowance for Impairment on Deposits with the Banks and Other Financial Institutions	25,254,191.98			25,254,191.98
Allowance for Impairment on Displacements with the Banks and other Financial Institutions	726,250,000.00		123,462,500.00	849,712,500.00
Allowance for Impairment on Financial Assets Held under Resale Agreements	15,208,118.00		1,664,414.30	16,872,532.30

Continued

Item	31 December, 2018 Provision Balance (Before Revision of the Accounting Standards)	Reclassification	Provisions Re-measured by Retained Earnings	1 January, 2019 Provision Balance
Allowance for Impairment on Loans and Advances to Customers	4,794,027,191.36	(58,830,523.89)		4,735,196,667.47
Allowance for Impairment on Debt Investments		441,764,768.61	(63,478,093.55)	378,286,675.06
Allowance for Impairment on Other Debt Investments		239,016,248.50	1,427,186.50	240,443,435.00
Allowance for Off-balance Sheet Expected Credit Loss		58,830,523.89		58,830,523.89
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)		
Total	6,273,036,303.76	0.00	63,076,007.25	6,336,112,311.01

(2) Changes and Impacts Brought by Use of the Revised Format of Financial Statements for Financial Enterprises

According to the requirements of the *Notice of on Revising and Issuing the Format of Financial Statements for Financial Enterprises in 2018* (C.K. [2018] No. 36), the Company, besides implementing the New Accounting Standards for Financial Instruments as well as the presentation changes brought by the new Revenue Standards, will include the interest of financial instruments accrued based on the effective interest rate method in the book value balance of the corresponding financial instruments, and reflect it in the relevant items such as “deposits with the Central Bank”, “deposits with the banks and other financial institutions”, “placements with the banks and other financial institutions”, “financial assets held under resale agreements”, “financial investments: debt investments”, “financial investments: other debt investments”, “loans and advances to customers”, “due to the banks and other financial institutions”, “financial assets sold under repurchase agreements”, “due to customers”, “bonds payable”, and the “interest receivable” item and “interest payable” item only reflect the due interest of relevant financial instruments which is receivable or payable but hasn’t been received or paid, and are listed in the “other assets” or “other liabilities” item. In addition, the Company also includes the interest generated by the financial instruments measured at fair value in the book value balance in the corresponding financial instruments. The presentation changes of the financial statement have no impact on the merger, the net profit and equity of the Company.

(3) Accounting Standards No. 7 (2019)

Accounting Standards No. 7 (2019) refined the application scope of the accounting standards for the exchange of non-monetary assets, specified the recognition time point of assets traded in and the de-recognition time

point of assets traded out, and stipulated the accounting methods when the two time points were inconsistent, revised the measurement principles when multiple assets were traded in or out simultaneously in the exchange of non-monetary assets based on the fair value, and meanwhile added the disclosure requirements on whether the exchange of non-monetary assets has commercial substance and the reason.

The Accounting Standards No. 7 (2019) was implemented since 10 June, 2019, the exchange of non-monetary assets occurring from 1 January, 2019 to the implementation date shall be adjusted according to Accounting Standards No. 7 (2019). The exchange of non-monetary assets occurring before 1 January, 2019 may not be retroactively adjusted according to the Accounting Standards No. 7. The use of the Accounting Standards No. 7 didn't have a major impact on the financial situation and operating results of the Company.

(4) Accounting Standards No. 12 (2019)

The Accounting Standards No. 12 (2019) revised the definition of debt restructuring, specified its application scope, and stipulated the recognition, measurement and presentation of applicable financial instruments involved in the debt restructuring. For the debt restructuring conducted by use of assets to pay off debts, the Accounting Standards No. 12 (2019) modified the measurement principle in the initial recognition of non-financial assets assigned by the creditor, and didn't

Present the gains and losses generated by the debtor in the debt restructuring by distinguishing the asset transfer profit and loss and debt restructuring profit and loss. For the debt restructuring conducted by transfer of debts to equity instruments, the Accounting Standards No. 12 (2019) modified the measurement principle for the enjoyed shares initially recognized by the creditor, and provided guidance for the measurement principle for the equity instruments initially recognized by the debtor.

The Accounting Standards No. 12 (2019) was implemented since 17 June, 2019, the debt restructuring occurring from 1 January, 2019 to the implementation date shall be adjusted according to Accounting Standards No. 12 (2019). The exchange of non-monetary assets occurring before 1 January, 2019 may not be retroactively adjusted. The use of the Accounting Standards No. 12 didn't have a major impact on the financial situation and operating results of the Company.

2. Changes in Accounting Estimates

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

III. Taxes

Major taxes and tax rates applicable to the Company are as follows:

Tax Category	Taxation Basis	Tax Rate
Value-added Tax	The Value-added Tax Payable Shall be the Difference Obtained by the Output Taxes Calculated on the Basis of the Revenue from the Sale of Goods and Taxable Services as Computed by Tax Laws Less the Input Taxes Allowed to be Deducted for the Current Period.	6% / 3%
Corporate Income Tax	Calculated and Paid Upon Taxable Income	15% / 25%

III-1 Value-added Tax

When it comes to the output tax, loan interest, fee and commission income, return on investment and other taxable incomes from primary business shall be levied at the rate of 6%, while parts of other business shall be levied at the VAT rate dropping from 16% to 13% and from 10% to 9% respectively, and other corresponding rates according to the policy since 1 April, 2019. In terms of the input tax, appropriate rates depend on specific type including purchase of goods, services and real estate.

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

III-2 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-3 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.

III-4 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 2019, 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 2018.

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 enterprise income tax at 15% for it is located within the west region.

IV. Business Combinations and Consolidated Financial Statements

IV-1 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

IV-2 Scope of and Change in Consolidated Statements

Scope of consolidation for the year of 2019 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 2018.

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

V-1 Cash and Balances with the Central Bank

Category	The Company	
	31 December, 2019	31 December, 2018
Cash on Hand	330,693,238.31	315,090,291.60
Statutory Reserve with the Central Bank	22,523,681,162.51	20,308,411,024.02
Excess Reserve with the Central Bank	2,164,998,732.46	2,170,425,846.29
Fiscal Deposits with the Central Bank	12,275,000.00	5,071,000.00
Subtotal	25,031,648,133.28	22,798,998,161.91
Add: Accrued Interest	9,180,241.93	N/A
Total	25,040,828,375.21	22,798,998,161.91

Category	The Bank	
	31 December, 2019	31 December, 2018
Cash on Hand	318,258,780.61	303,525,226.50
Statutory Reserve with the Central Bank	22,415,184,587.32	20,213,824,455.80
Excess Reserve with the Central Bank	2,151,695,336.85	2,140,007,616.84
Fiscal Deposits with the Central Bank	4,194,000.00	3,066,000.00
Subtotal	24,889,332,704.78	22,660,423,299.14
Add: Accrued Interest	9,133,872.59	N/A
Total	24,898,466,577.37	22,660,423,299.14

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

On 31 December, 2019 and 31 December, 2018, the ratio of general RMB deposit reserve of the Bank was 10.50% and 12.50% respectively; the ratios of general foreign currency deposit reserve of both were 5.00%;

The ratios of statutory RMB deposit reserve by the Leshan Kunlun Rural Bank with the PBOC were 7.50% and 9.00% respectively; the ratios of statutory RMB deposit reserve by the Tacheng Kunlun Rural Bank with the PBOC were 7.50% and 8.00%.

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

V-2 Deposits with the Banks and Other Financial Institutions

Category	The Company	
	31 December, 2019	31 December, 2018
Deposits with Domestic Banks and Other Financial Institutions	27,185,896,760.94	45,500,326,746.32
Deposits with Overseas Banks and Other Financial Institutions	4,005,805.22	6,489,891.81
Subtotal	27,189,902,566.16	45,506,816,638.13
Add: Accrued Interest	186,253,980.44	N/A
Less: Allowance for Impairment	21,979,668.51	25,254,191.98
Total	27,354,176,878.09	45,481,562,446.15

Category	The Bank	
	31 December, 2019	31 December, 2018
Deposits with Domestic Banks and Other Financial Institutions	26,980,377,731.88	45,390,960,578.19
Deposits with Overseas Banks and Other Financial Institutions	4,005,805.22	6,489,891.81

Continued

Category	The Bank	
	31 December, 2019	31 December, 2018
Subtotal	26,984,383,537.10	45,397,450,470.00
Add: Accrued Interest	185,847,456.07	N/A
Less: Allowance for Impairment	21,882,778.99	25,199,508.89
Total	27,148,348,214.18	45,372,250,961.11

V-3 Placements with the Banks and Other Financial Institutions

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Domestic Interbank		1,900,000,000.00
Domestic Non-bank Financial Institutions	34,600,000,000.00	27,150,000,000.00
Subtotal	34,600,000,000.00	29,050,000,000.00
Add: Accrued Interest	423,922,222.23	N/A
Less: Allowance for Impairment	1,292,382,730.00	726,250,000.00
Total	33,731,539,492.23	28,323,750,000.00

V-4 Financial Assets Held under Resale Agreements

1. Classification by Counterparty

Counterparty	The Company and the Bank	
	31 December, 2019	31 December, 2018
Interbank	999,600,000.00	24,790,045,782.48
Non-bank Financial Institutions	1,953,830,721.04	5,894,631,524.64
Subtotal	2,953,430,721.04	30,684,677,307.12
Add: Accrued Interest	3,593,081.71	N/A
Less: Allowance for Impairment	601,915.85	15,208,118.00
Total	2,956,421,886.90	30,669,469,189.12

2. Classification by Underlying Assets

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Bonds	2,956,421,886.90	30,352,196,731.51
Notes		317,272,457.61
Total	2,956,421,886.90	30,669,469,189.12

V-5 Interest Receivable

Category	The Company	
	31 December, 2019	31 December, 2018
Interest Receivable on Balances with the Central Bank	N/A	8,907,170.32
Interest Receivable on Deposits with the Banks and Other Financial Institutions	N/A	76,267,963.72
Interest Receivable on Displacements with the Banks and Other Financial Institutions	N/A	94,517,930.57
Interest Receivable on Purchase under Resale Agreements	N/A	68,463,585.44
Interest Receivable on Loans to Customers	N/A	348,536,479.91
Interest Receivable on Trading Bonds	N/A	508,957,975.83
Interest Receivable on Bonds Available for Sale	N/A	659,313,794.11
Interest on Investment Classified as Receivable	N/A	104,392,039.83
Interest Receivable on Held-to-maturity Investments	N/A	285,951,220.59
Total	N/A	2,155,308,160.32
Less: Allowance for Impairment	N/A	26,226,869.91
Subtotal	N/A	2,129,081,290.41

Category	The Bank	
	31 December, 2019	31 December, 2018
Interest Receivable on Balances with the Central Bank	N/A	8,853,073.39
Interest Receivable on Deposits with the Banks and Other Financial Institutions	N/A	75,987,062.01
Interest Receivable on Displacements with the Banks and Other Financial Institutions	N/A	94,517,930.57
Interest Receivable on Purchase under Resale Agreements	N/A	68,463,585.44
Interest Receivable on Loans to Customers	N/A	333,807,806.84
Interest Receivable on Trading Bonds	N/A	508,957,975.83
Interest Receivable on Bonds Available for Sale	N/A	659,313,794.11
Interest on Investment Classified as Receivable	N/A	104,392,039.83
Interest Receivable on Held-to-maturity Investments	N/A	285,951,220.59
Total	N/A	2,140,244,488.61
Less: Allowance for Impairment	N/A	26,220,000.00
Net Amount	N/A	2,114,024,488.61

As mentioned in Note II \ (26) \ (2), the interest receivable generated by the financial instruments of the Company had been included in the book value of relevant financial assets on 31 December, 2019, but the interest which hadn't been received on 31 December, 2019 was listed in other assets.

V-6 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, 2019	31 December, 2018
Total Loans and Advances Measured at Amortized Cost	145,932,461,359.53	126,793,525,304.92
Accrued Interest on Loans and Advances Measured at Amortized Cost	233,562,461.95	N/A
Subtotal	146,166,023,821.48	126,793,525,304.92
Allowance for Impairment on Loans and Advances Measured at Amortized Cost	4,678,856,008.38	4,794,027,191.36
Allowance for Impairment on Accrued Interest on Loans and Advances Measured at Amortized Cost	6,446,667.63	N/A
Subtotal	4,685,302,676.01	4,794,027,191.36
Loans and Advances Measured at Amortized Cost	141,480,721,145.47	121,999,498,113.56
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	141,480,721,145.47	121,999,498,113.56

Category	The Bank	
	31 December, 2019	31 December, 2018
Total Loans and Advances Measured at Amortized Cost	144,747,715,528.25	125,775,735,911.71
Accrued Interest on Loans and Advances Measured at Amortized Cost	220,269,792.89	N/A
Subtotal	144,967,985,321.14	125,775,735,911.71
Allowance for Impairment on Loans and Advances Measured at Amortized Cost	4,589,237,892.06	4,706,524,545.94
Allowance for Impairment on Accrued Interest on Loans and Advances Measured at Amortized Cost	6,446,667.63	N/A
Subtotal	4,595,684,559.69	4,706,524,545.94
Loans and Advances Measured at Amortized Cost	140,372,300,761.45	121,069,211,365.77
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	140,372,300,761.45	121,069,211,365.77

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

Category	The Company			
	31 December, 2019		31 December, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Loans and Advances to Individuals	26,136,940,255.76	17.91	16,104,495,875.09	12.70
— Credit Card	618,929,436.34	0.42	269,705,185.33	0.21
— Residential Mortgage Loan	13,738,006,130.68	9.42	9,950,874,018.12	7.85
— Others	11,780,004,688.74	8.07	5,883,916,671.64	4.64
Loans and Advances to Companies	119,795,521,103.77	82.09	110,689,029,429.83	87.30
— Loans	54,906,294,529.84	37.63	57,591,992,887.94	45.42
— Discount	42,045,114,631.91	28.81	33,632,305,312.10	26.53
— Trade Financing	22,844,111,942.02	15.65	19,464,731,229.79	15.35
Total Loans and Advances	145,932,461,359.53	100.00	126,793,525,304.92	100.00
Less: Allowance for Impairment Losses on Loans	4,678,856,008.38		4,794,027,191.36	
Including: Phase 1	2,692,494,967.22		N/A	
Phase 2	783,763,927.16		N/A	
Phase 3	1,202,597,114.00		N/A	
Individually Assessed	N/A		942,726,258.92	
Collectively Assessed	N/A		3,851,300,932.44	
Book Value of Loans and Advances	141,253,605,351.15		121,999,498,113.56	
Category	The bank			
	31 December, 2019		31 December, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Loans and Advances to Individuals	25,165,649,024.48	17.39	15,222,060,349.88	12.10
— Credit Card	618,929,436.34	0.43	269,705,185.33	0.21
— Residential Mortgage Loan	13,713,232,630.68	9.48	9,922,003,318.12	7.89
— Others	10,833,486,957.46	7.48	5,030,351,846.43	4.00
Loans and Advances to Companies	119,582,066,503.77	82.61	110,553,675,561.83	87.90
— Loans	54,692,839,929.84	37.78	57,456,639,019.94	45.68
— Discount	42,045,114,631.91	29.05	33,632,305,312.10	26.74
— Trade Financing	22,844,111,942.02	15.78	19,464,731,229.79	15.48
Total Loans and Advances	144,747,715,528.25	100.00	125,775,735,911.71	100.00
Less: Allowance for Impairment Losses on Loans	4,589,237,892.06		4,706,524,545.94	
Including: Phase 1	2,660,758,085.99		N/A	
Phase 2	772,795,987.17		N/A	

Continued

Category	The bank			
	31 December, 2019		31 December, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Phase 3	1,155,683,818.90		N/A	
Individually Assessed	N/A		942,726,258.92	
Collectively Assessed	N/A		3,763,798,287.02	
Book Value of Loans and Advances	140,158,477,636.19		121,069,211,365.77	

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

Guarantee method	The Company			
	31 December, 2019	Ratio (%)	31 December, 2018	Ratio (%)
Credit Loans	34,059,630,811.26	23.34	34,349,078,481.67	27.09
Guaranteed Loans	20,359,772,075.90	13.95	17,489,014,874.28	13.79
Loans Secured by Mortgage	20,075,251,857.24	13.76	15,700,283,874.12	12.38
Loans Secured by Collaterals	29,392,691,983.22	20.14	25,622,842,762.75	20.21
Discount of the Bank's Acceptance Bills	33,028,643,271.76	22.63	27,076,887,618.92	21.36
Discount of Commercial Acceptance Bills	9,016,471,360.15	6.18	6,555,417,693.18	5.17
Total	145,932,461,359.53	100.00	126,793,525,304.92	100.00

Guarantee method	The Bank			
	31 December, 2019	Ratio (%)	31 December, 2018	Ratio (%)
Credit Loans	33,422,974,320.40	23.09	34,286,615,968.01	27.26
Guaranteed Loans	20,057,408,035.44	13.86	16,774,299,913.60	13.34
Loans Secured by Mortgage	19,835,771,723.93	13.70	15,461,950,955.25	12.29
Loans Secured by Collaterals	29,386,446,816.57	20.30	25,620,563,762.75	20.37
Discount of the Bank's Acceptance Bills	33,028,643,271.76	22.82	27,076,887,618.92	21.53
Discount of Commercial Acceptance Bills	9,016,471,360.15	6.23	6,555,417,693.18	5.21
Total	144,747,715,528.25	100.00	125,775,735,911.71	100.00

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

Continued

Industry	The Company			
	31 December, 2019		31 December, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Agriculture, Forestry, Animal Husbandry and Fishery	166,241,600.00	0.14	18,840,000.00	0.02
Mining	11,264,571,657.98	9.40	8,145,887,878.54	7.36
Manufacturing	12,603,472,383.37	10.53	16,398,915,876.57	14.81
Manufacturing and Supply Industry of Electricity, Heat, Gas and Water	12,742,995,457.55	10.64	12,306,724,558.86	11.12
Construction	3,807,935,118.39	3.18	4,866,617,803.93	4.4
Transport, Warehousing and Postal Service Industry	7,127,442,842.45	5.95	8,315,296,541.96	7.51
Information Transmission, Computer Service and Software Industry	388,089,900.00	0.32	515,283,905.00	0.47
Wholesale and Retail Industry	10,422,327,546.31	8.70	12,513,441,025.72	11.31
Accommodation and Catering	37,510,000.00	0.03	35,010,000.00	0.03
Financial Services	7,119,274,228.08	5.94	4,675,823,333.00	4.22
Real Estate	2,196,850,000.00	1.83	1,411,600,000.00	1.28
Leasing and Commercial Service	6,545,729,157.35	5.46	4,304,802,025.31	3.89
Scientific Research, Technical Services and Geological Survey Industry	906,168,265.31	0.76	935,166,190.81	0.84
Water Conservancy, Environment, Public Facilities Management and Investment Industry	1,621,151,315.07	1.35	1,707,842,978.03	1.54
Residents Services and Other Services	15,467,000.00	0.01	31,292,000.00	0.03
Education	15,000,000.00	0.01		
Health, Social Security and Social Welfare Industry			95,000,000.00	0.09
Culture, Sports and Entertainment Industry	23,100,000.00	0.02	32,000,000.00	0.03
Public Management and Social Organization	747,080,000.00	0.62	747,180,000.00	0.68
Discounted Assets	42,045,114,631.91	35.11	33,632,305,312.10	30.37
Total Corporate Loans	119,795,521,103.77	100.00	110,689,029,429.83	100.00

Industry	The Bank			
	31 December, 2019		31 December, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Agriculture, Forestry, Animal Husbandry and Fishery	93,390,000.00	0.08	14,390,000.00	0.01
Mining	11,264,571,657.98	9.42	8,140,887,878.54	7.36
Manufacturing	12,555,819,383.37	10.51	16,328,639,521.44	14.77

Continued

Industry	The Bank			
	31 December, 2019		31 December, 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing and Supply Industry of Electricity, Heat, Gas and Water	12,732,495,457.55	10.65	12,306,724,558.86	11.13
Construction	3,793,685,118.39	3.17	4,862,622,803.93	4.40
Transport, Warehousing and Postal Service Industry	7,127,442,842.45	5.96	8,315,296,541.96	7.52
Information Transmission, Computer Service and Software Industry	374,369,900.00	0.31	510,033,905.00	0.46
Wholesale and Retail Industry	10,422,327,546.31	8.72	12,513,441,025.72	11.32
Accommodation and Catering	2,400,000.00			
Financial Services	7,119,274,228.08	5.95	4,675,823,333.00	4.23
Real Estate	2,196,850,000.00	1.84	1,411,600,000.00	1.28
Leasing and Commercial Service	6,534,459,157.35	5.46	4,298,429,512.44	3.89
Scientific Research, Technical Services and Geological Survey Industry	906,168,265.31	0.76	935,166,190.81	0.85
Water Conservancy, Environment, Public Facilities Management and Investment Industry	1,616,151,315.07	1.35	1,702,842,978.03	1.54
Residents Services and Other Services	15,467,000.00	0.01	31,292,000.00	0.03
Education	15,000,000.00	0.01		
Health, Social Security and Social Welfare Industry			95,000,000.00	0.09
Culture, Sports and Entertainment Industry	20,000,000.00	0.02	32,000,000.00	0.03
Public Management and Social Organization	747,080,000.00	0.62	747,180,000.00	0.68
Discounted Assets	42,045,114,631.91	35.16	33,632,305,312.10	30.41
Total Corporate Loans	119,582,066,503.77	100.00	110,553,675,561.83	100.00

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

Item	The Company				
	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	Total
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

Continued

The Company					
31 December, 2019					
Item	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	Total
Loans					
Secured by Collaterals	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

The Company					
31 December, 2018					
Item	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	Total
Credit Loans	223,750.95	52,576,513.26	706,832.02		53,507,096.23
Guaranteed Loans	52,274,731.10	73,797,424.07	218,401,000.00	50,887,285.04	395,360,440.21
Loans					
Secured by Mortgage	32,294,769.80	64,181,171.49	178,855,346.57	15,240,574.90	290,571,862.76
Loans					
Secured by Collaterals	4,389,028.22	107,061,031.89	463,785,847.17	72,808,061.73	648,043,969.01
Total	89,182,280.07	297,616,140.71	861,749,025.76	138,935,921.67	1,387,483,368.21

2. Allowance for Impairment Losses on Loans

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)	
1 January, 2019	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

Continued

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)	
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, 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)	
1 January, 2019	2,965,611,022.04	169,028,400.00	1,513,054,600.01	4,647,694,022.05
Transfer:				
To Phase 1	9,426,728.70	(32,935,191.85)	23,508,463.15	
To Phase 2	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

Item	The Company		
	2018		
	Individual	Portfolio	Total
Balance as at the Beginning of the Year	1,429,623,429.93	2,848,227,715.40	4,277,851,145.33
Allowance in this Period	(19,530,681.53)	1,006,072,892.06	986,542,210.53
Other Decreases in this Period	467,366,489.48		467,366,489.48
Write-off in this Period		2,999,675.02	2,999,675.02

Continued

Item	The Company		
	2018		
	Individual	Portfolio	Total
Reversal in this Period			
Balance as at the End of the Year	942,726,258.92	3,851,300,932.44	4,794,027,191.36

Item	The Bank		
	2018		
	Individual	Portfolio	Total
Balance as at the Beginning of the Year	1,429,623,429.93	2,787,786,056.39	4,217,409,486.32
Allowance in this Period	(19,530,681.53)	976,012,230.63	956,481,549.10
Other Decreases in this Period	467,366,489.48		467,366,489.48
Write-off in this Period			
Reversal in this Period			
Balance as at the End of the Year	942,726,258.92	3,763,798,287.02	4,706,524,545.94

3. Analysis of Customer Concentration

Top 10 borrowers as at 31 December, 2019 (excluding accrued interest):

Customer	The Company and the Bank		
	Industry	Balance	Proportion in Total Loans and Advances (%)
Customer 1	Leasing and Commercial Service	2,000,000,000.00	1.37
Customer 2	Mining	1,387,000,000.00	0.95
Customer 3	Financial Services	1,327,231,733.00	0.91
Customer 4	Mining	1,300,000,000.00	0.89
Customer 5	Transport, Warehousing and Postal Service Industry	1,000,000,000.00	0.69
Customer 6	Financial Services	990,000,000.00	0.68
Customer 7	Real Estate	980,000,000.00	0.67
Customer 8	Financial Services	968,000,000.00	0.66
Customer 9	Leasing and Commercial Service	950,000,000.00	0.65
Customer 10	Mining	910,000,000.00	0.62
Total		11,812,231,733.00	8.09

V-7 Financial Instruments

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Trading Financial Assets	49,294,392,550.11	N/A
Debt Investments	36,495,400,305.95	N/A
Other Debt Investments	18,119,165,951.71	N/A
Financial Assets Measured at Fair Value through the Current Profits and Losses	N/A	45,343,004,946.98
Available-for-sale Financial Assets	N/A	21,774,565,940.50
Held-to-maturity Investments	N/A	17,587,034,484.94
Investment Classified as Receivable	N/A	13,268,824,086.39
Total	103,908,958,807.77	97,973,429,458.81

1. Trading Financial Assets

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
National Debts	985,610,500.43	N/A
Financial Bonds	1,515,799,610.36	N/A
Corporate Bonds	31,809,462,968.12	N/A
Asset-backed Securities	1,902,457,676.40	N/A
Fund Investment	12,334,888,673.62	N/A
Wealth Management Products	715,755,947.55	N/A
Others	30,417,173.63	N/A
Total	49,294,392,550.11	N/A

As at 31 December, 2019, see Note “VII / (2) / 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, 2019	31 December, 2018
National Debts	101,328,502.66	N/A
Government Debts	1,044,827,926.06	N/A
Financial Debts	3,353,605,089.06	N/A
Corporate Debts	3,078,349,133.18	N/A

Continued

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Asset-backed Securities	10,878,640,236.03	N/A
Trust Products	16,363,845,662.93	N/A
Asset Management Products	2,100,000,000.00	N/A
Subtotal	36,920,596,549.92	N/A
Add: Accrued Interest	270,694,762.50	N/A
Less: Allowance for Impairment	695,891,006.47	N/A
Total	36,495,400,305.95	N/A

As at 31 December, 2019, see Note “VII / (2) / 3” for pledge of some debt investments used for transactions under repurchase agreements, and all the rest investments had no significant realization limits.

Changes in Allowance for Impairment on Debt Investments

Item	The Company and The Bank, for the Year Ended 31 December, 2019			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)	
1 January, 2019	378,286,675.06			378,286,675.06
To Phase 1				
To Phase 1				
To Phase 3				
Allowance / Reversal in this Period	317,604,331.41			317,604,331.41
31 December, 2019	695,891,006.47			695,891,006.47

3. Other Debt Investments

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
National Debts	951,682,450.00	N/A
Government bonds	1,493,609,308.00	N/A
Financial Bonds	10,547,254,770.00	N/A
Corporate Bonds	4,772,016,197.93	N/A
Subtotal	17,764,562,725.93	N/A

Continued

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Add: Accrued Interest	354,841,190.73	N/A
Less: Allowance for Impairment on Accrued Interest	237,964.95	N/A
Total	18,119,165,951.71	N/A

As at 31 December, 2019, see Note “VII / (2) / 3” for pledge of some of other debt investments used for transactions under repurchase agreements, and all the rest investments had no significant realization limits.

Changes in Allowance for Impairment on Other Debt Investments

Item	The Company and the Bank, for the Year Ended 31 December, 2019			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)	
1 January, 2019	240,443,435.00			240,443,435.00
To Phase 1				
To Phase 1				
To Phase 3				
Allowance / Reversal in this Period	(382,652.55)			(382,652.55)
31 December, 2019	240,060,782.45			240,060,782.45

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.

4. Financial Assets Measured at Fair Value through the Current Profits and Losses

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Trading Financial Assets		
Debt Investments	N/A	45,343,004,946.98
Including: Financial Bonds	N/A	1,146,574,640.00
Corporate Bonds	N/A	24,625,611,215.27
Asset-backed Securities	N/A	910,499,645.25

Continued

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Fund Investment	N/A	18,660,319,446.46
Equity Instruments	N/A	
Designated as Financial Assets Measured at Fair Value through the Current Profits and Losses	N/A	
Total	N/A	45,343,004,946.98

5. Available-for-sale Financial Assets

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
National Debts	N/A	695,592,080.00
Government bonds	N/A	2,535,076,514.00
Financial Bonds	N/A	14,096,712,270.00
Corporate Bonds	N/A	4,686,201,325.00
Subtotal	N/A	22,013,582,189.00
Less: Allowance for Impairment on Available-for-sale Financial Assets	N/A	239,016,248.50
Total	N/A	21,774,565,940.50

Category	The Company and the Bank		
	31 December, 2018		
	Bond Cost	Changes in Fair Value	Fair Value
National Debts	699,260,047.18	(3,667,967.18)	695,592,080.00
Government Bonds	2,360,784,695.70	174,291,818.30	2,535,076,514.00
Financial Bonds	14,061,635,756.00	35,076,514.00	14,096,712,270.00
Corporate Bonds	4,656,439,947.43	29,761,377.57	4,686,201,325.00
Total	21,778,120,446.31	235,461,742.69	22,013,582,189.00

5. Held-to-maturity Investments

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
National Debts	N/A	101,569,178.94
Government Bonds	N/A	3,408,632,981.52
Financial Bonds	N/A	4,397,945,479.94

Continued

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Corporate Bonds	N/A	3,387,115,605.94
Asset-backed Securities	N/A	6,298,799,000.00
Subtotal	N/A	17,594,062,246.34
Less: Allowance for Impairment on Held-to-maturity Investments	N/A	7,027,761.40
Total	N/A	17,587,034,484.94

6. Investment Classified as Receivable

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Bank Wealth Investment Products	N/A	2,000,000,000.00
Trust Products	N/A	10,973,561,093.60
Asset Management Products	N/A	700,000,000.00
Others	N/A	30,000,000.00
Subtotal	N/A	13,703,561,093.60
Less: Allowance for Impairment on Investment Classified as Receivable	N/A	434,737,007.21
Total	N/A	13,268,824,086.39

V-8 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, 2019	31 December, 2018
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, 2019	31 December, 2018
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

V-9 Fixed Assets

1. Details of Balance of Fixed Assets

Category	The Company	
	31 December, 2019	31 December, 2018
Original Cost of Fixed Assets	948,606,662.47	867,868,018.93
Accumulated Depreciation	595,307,992.25	531,486,803.62
Allowance for Impairment on Fixed Assets	71,587.53	71,587.53
Net Fixed Assets	353,227,082.69	336,309,627.78

Category	The Bank	
	31 December, 2019	31 December, 2018
Original Cost of Fixed Assets	924,790,265.55	843,893,196.31
Accumulated Depreciation	586,815,615.23	523,529,149.25
Allowance for Impairment on Fixed Assets	71,587.53	71,587.53
Net Fixed Assets	337,903,062.79	320,292,459.53

2. Statement of Changes in Fixed Assets

Category	The Company				
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	Total
1. Original Book Value					
(1) Balance as at the Beginning of the Year	149,001,742.88	18,950,444.15	689,765,283.38	10,150,548.52	867,868,018.93
(2) Increase in this Period	313,914.00	206,000.00	92,054,441.68		92,574,355.68
— Purchase					
— Construction in Progress Transferred in	313,914.00		92,054,441.68		92,368,355.68

Continued

Category	The Company				
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	Total
—Others		206,000.00			206,000.00
(3) Decrease in this Period	1,211,808.39		10,623,903.75		11,835,712.14
—Disposal or Retirement			10,623,903.75		10,623,903.75
—Others	1,211,808.39				1,211,808.39
(4) Balance as at the End of the Year	148,103,848.49	19,156,444.15	771,195,821.31	10,150,548.52	948,606,662.47
2. Accumulated Depreciation					
(1) Balance as at the Beginning of the Year	31,544,997.65	14,613,536.71	480,234,514.49	5,093,754.77	531,486,803.62
(2) Increase in this Period	4,553,199.53	952,731.02	67,492,170.39	929,701.82	73,927,802.76
— Allowance	4,553,199.53	952,731.02	67,492,170.39	929,701.82	73,927,802.76
(3) Decrease in this Period			10,106,614.13		10,106,614.13
—Disposal or Retirement			10,106,614.13		10,106,614.13
(4) Balance as at the End of the Year	36,098,197.18	15,566,267.73	537,620,070.75	6,023,456.59	595,307,992.25
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	111,934,063.78	3,590,176.42	233,575,750.56	4,127,091.93	353,227,082.69
(2) Book Value as at the Beginning of the Year	117,385,157.70	4,336,907.44	209,530,768.89	5,056,793.75	336,309,627.78
Category	The Bank				
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	Total
1.Original Book Value					
(1) Balance as at the Beginning of the Year	136,296,176.48	18,476,372.15	679,594,195.67	9,526,452.01	843,893,196.31
(2) Increase in this Period	313,914.00	206,000.00	90,967,907.62		91,487,821.62

Continued

Category	The Bank				Total
	Buildings and Constructions	Transportation Facilities	Electronic Equipment	Machinery and Office Equipment	
— Purchase					
— Construction in Progress Transferred in	313,914.00		90,967,907.62		91,281,821.62
— Others		206,000.00			206,000.00
(3) Decrease in this Period	1,005,900.00		9,584,852.38		10,590,752.38
— Disposal or Retirement			9,584,852.38		9,584,852.38
— Others	1,005,900.00				1,005,900.00
(4) Balance as at the End of the Year	135,604,190.48	18,682,372.15	760,977,250.91	9,526,452.01	924,790,265.55
2. Accumulated Depreciation					
(1) Balance as at the Beginning of the Year	30,764,446.29	14,308,162.40	473,718,084.46	4,738,456.10	523,529,149.25
(2) Increase in this Period	4,170,417.89	913,164.07	66,447,820.72	870,412.58	72,401,815.26
— Allowance	4,170,417.89	913,164.07	66,447,820.72	870,412.58	72,401,815.26
(3) Decrease in this Period			9,115,349.28		9,115,349.28
— Disposal or Retirement			9,115,349.28		9,115,349.28
(4) Balance as at the End of the Year	34,934,864.18	15,221,326.47	531,050,555.90	5,608,868.68	586,815,615.23
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	100,597,738.77	3,461,045.68	229,926,695.01	3,917,583.33	337,903,062.79
(2) Book Value as at the Beginning of the Year	105,460,142.66	4,168,209.75	205,876,111.21	4,787,995.91	320,292,459.53

3. Fixed Assets with Pending Certificates of Title

As at 31 December, 2019, the Company owned 1 building and construction (original value: RMB 12,029,248.79, book value: 6,755,594.47) with pending certificates of title mainly, and the certificates of title being handled.

V-10 Construction in Progress

Category	The Company					
	31 December, 2018	Increase in this Period	Amount Transferred to Fixed Assets	Amount Transferred to Intangible Assets	Other Decreases	31 December, 2019
Branches and Network Construction	6,548,260.01	16,888,160.60	6,227,952.62		8,262,468.09	8,945,999.90
Information Technology Construction	53,035,744.70	154,132,067.31	68,305,339.89	59,913,217.71	6,578,942.75	72,370,311.66
Office Operation and Security Construction	68,189.82	20,385,418.13	17,629,154.78		1,967,442.07	857,011.10
Total	59,652,194.53	191,405,646.04	92,162,447.29	59,913,217.71	16,808,852.91	82,173,322.66

Category	The Bank					
	31 December, 2018	Increase in this Period	Amount Transferred to Fixed Assets	Amount Transferred to Intangible Assets	Other Decreases	31 December, 2019
Branches and Network Construction	6,548,260.01	16,888,160.60	6,227,952.62		8,262,468.09	8,945,999.90
Information Technology Construction	53,035,744.70	154,132,067.31	68,305,339.89	59,913,217.71	6,578,942.75	72,370,311.66
Office Operation and Security Construction	68,189.82	17,362,608.15	16,748,529.11		92,477.76	589,791.10
Total	59,652,194.53	188,382,836.06	91,281,821.62	59,913,217.71	14,933,888.60	81,906,102.66

V-11 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	393,976,308.76	394,045,819.17
(2) Increase in this Period		59,913,217.71	59,913,217.71
— Purchase		59,913,217.71	59,913,217.71
— Internal R&D			
(3) Decrease in this Period			
— Disposal			
(4) Balance as at the End of the Year	69,510.41	453,889,526.47	453,959,036.88
2. Accumulated Amortization			
(1) Balance as at the Beginning of the Year	43,148.31	308,450,091.96	308,493,240.27

Continued

Category	The Company		
	Land Use Right	Software	Total
(2) Increase in this Period	2,341.02	49,434,292.31	49,436,633.33
— Allowance	2,341.02	49,434,292.31	49,436,633.33
(3) Decrease in this Period			
— Disposal			
(4) Balance as at the End of the Year	45,489.33	357,884,384.27	357,929,873.60
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	24,021.08	94,648,088.87	94,672,109.95
(2) Book Value as at the Beginning of the Year	26,362.10	84,169,163.47	84,195,525.57

Category	The Bank		
	Land Use Right	Software	Total
1. Original Book Value			
(1) Balance as at the Beginning of the Year	69,510.41	393,551,308.76	393,620,819.17
(2) Increase in this Period		59,913,217.71	59,913,217.71
— Purchase		59,913,217.71	59,913,217.71
— Internal R&D			
(3) Decrease in this Period			
— Disposal			
(4) Balance as at the End of the Year	69,510.41	453,464,526.47	453,534,036.88
2. Accumulated Amortization			
(1) Balance as at the Beginning of the Year	43,148.31	308,025,091.96	308,068,240.27
(2) Increase in this Period	2,341.02	49,434,292.31	49,436,633.33
— Allowance	2,341.02	49,434,292.31	49,436,633.33
(3) Decrease in this Period			
— Disposal			
(4) Balance as at the End of the Year	45,489.33	357,459,384.27	357,504,873.60
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			

Continued

Category	The Bank		
	Land Use Right	Software	Total
— 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	24,021.08	94,648,088.87	94,672,109.95
(2) Book Value as at the Beginning of the Year	26,362.10	84,169,163.47	84,195,525.57

V-12 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, 2019	31 December, 2018
I. Deferred Tax Assets		
Allowance for Assets Impairment	796,978,544.53	711,026,663.49
Subtotal	796,978,544.53	711,026,663.49
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	30,203,496.97
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	4,033,610.35	
Changes in Fair Value of Available-for-sale Financial Assets		35,319,261.40
Subtotal	46,602,612.02	65,522,758.37
Net Amount	750,375,932.51	645,503,905.12

Category	The Bank	
	31 December, 2019	31 December, 2018
I. Deferred Tax Assets		
Allowance for Assets Impairment	778,350,654.29	695,770,982.04
Subtotal	778,350,654.29	695,770,982.04
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	30,203,496.97
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	4,033,610.35	

Continued

Category	The Bank	
	31 December, 2019	31 December, 2018
Changes in Fair Value of Available-for-sale Financial Assets		35,319,261.40
Subtotal	46,602,612.02	65,522,758.37
Net Amount	731,748,042.27	630,248,223.67

2. Listed by Nature

Category	The Company			
	31 December, 2019		31 December, 2018	
	Deductible Temporary Differences	Deferred Tax Assets \ Liabilities	Deductible Temporary Differences	Deferred Tax Assets \ Liabilities
I. Deferred Tax Assets				
Allowance for Assets Impairment	5,290,307,422.92	796,978,544.53	4,720,560,930.63	711,026,663.49
Subtotal	5,290,307,422.92	796,978,544.53	4,720,560,930.63	711,026,663.49
II. Deferred Tax Liabilities				
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	283,793,344.46	42,569,001.67	201,356,646.46	30,203,496.97
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	26,890,735.64	4,033,610.35		
Changes in Fair Value of Available-for-sale Financial Assets			235,461,742.67	35,319,261.40
Subtotal	310,684,080.10	46,602,612.02	436,818,389.13	65,522,758.37
Net Amount	4,979,623,342.82	750,375,932.51	4,283,742,541.50	645,503,905.12

Category	The Bank			
	31 December, 2019		31 December, 2018	
	Deductible Temporary Differences	Deferred Tax Assets \ Liabilities	Deductible Temporary Differences	Deferred Tax Assets \ Liabilities
I. Deferred Tax Assets				
Allowance for Assets Impairment	5,189,004,361.93	778,350,654.29	4,638,473,213.60	695,770,982.04
Subtotal	5,189,004,361.93	778,350,654.29	4,638,473,213.60	695,770,982.04
II. Deferred Tax Liabilities				

Continued

Category	The Bank			
	31 December, 2019		31 December, 2018	
	Deductible Temporary Differences	Deferred Tax Assets \ Liabilities	Deductible Temporary Differences	Deferred Tax Assets \ Liabilities
Changes in Fair Value of Financial Assets Measured at Fair Value through the Current Profits and Losses	283,793,344.46	42,569,001.67	201,356,646.46	30,203,496.97
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	26,890,735.64	4,033,610.35		
Changes in Fair Value of Available-for-sale Financial Assets			235,461,742.67	35,319,261.40
Subtotal	310,684,080.10	46,602,612.02	436,818,389.13	65,522,758.37
Net Amount	4,878,320,281.83	731,748,042.27	4,201,654,824.47	630,248,223.67

3. Changes in Deferred Tax Assets and Liabilities

Category	The Company				
	31 December, 2018	Restated Balance as at the Beginning of the Year	Recognized in Profit or Loss in this Period	Recognized in Other Comprehensive Income in this Period	31 December, 2019
	I. Deferred Tax Assets				
Allowance for Assets Impairment	711,026,663.49	720,488,064.58	76,583,572.57	(93,092.62)	796,978,544.53
Subtotal	711,026,663.49	720,488,064.58	76,583,572.57	(93,092.62)	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	30,203,496.97	30,203,496.97	12,365,504.70		42,569,001.67
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		36,885,776.65		(32,852,166.30)	4,033,610.35
Changes in Fair Value of Available-for-sale Financial Assets	35,319,261.40				
Subtotal	65,522,758.37	67,089,273.62	12,365,504.70	(32,852,166.30)	46,602,612.02
Net Amount	645,503,905.12	653,398,790.96	64,218,067.87	32,759,073.68	750,375,932.51

Category	The Bank				31 December, 2019
	31 December, 2018	Restated Balance as at the Beginning of the Year	Recognized in Profit or Loss in this Period	Recognized in Other Comprehensive Income in this Period	
I. Deferred Tax Assets					
Allowance for Assets Impairment	695,770,982.04	705,232,383.13	73,211,363.78	(93,092.62)	778,350,654.29
Subtotal	695,770,982.04	705,232,383.13	73,211,363.78	(93,092.62)	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	30,203,496.97	30,203,496.97	12,365,504.70		42,569,001.67
Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income		36,885,776.65		(32,852,166.30)	4,033,610.35
Changes in Fair Value of Available-for-sale Financial Assets	35,319,261.40				
Subtotal	65,522,758.37	67,089,273.62	12,365,504.70	(32,852,166.30)	46,602,612.02
Net Amount	630,248,223.67	638,143,109.51	60,845,859.08	32,759,073.68	731,748,042.27

V-13 Other Assets

1. Details of Balance

Category	The Company	
	31 December, 2019	31 December, 2018
Unamortized Expenses	20,038,811.45	18,979,093.07
Other Receivables	44,106,822.89	44,126,814.07
Long-term Unamortized Expenses	48,951,542.36	72,524,863.97
Other Monetary Funds	591,499,185.72	499,216,638.97
Interest Receivable	7,470,104.34	N/A
Debt-offsetting Assets	18,819,167.61	1,494,946.41
Total	730,885,634.37	636,342,356.49

Continued

Category	The Bank	
	31 December, 2019	31 December, 2018
Unamortized Expenses	19,148,374.70	17,977,619.17
Other Receivables	43,588,267.93	43,040,415.07
Long-term Unamortized Expenses	46,680,946.05	71,349,894.00
Other Monetary Funds	591,499,185.72	499,216,638.97
Interest Receivable	5,936,197.95	N/A
Debt-offsetting Assets	18,819,167.61	419,167.61
Total	725,672,139.96	632,003,734.82

2. Other Receivables

(1) Details of Balance

Category	The Company	
	31 December, 2019	31 December, 2018
Advance Payment	2,217,997.73	1,164,971.53
Advances for Legal Costs	12,865,377.27	11,899,730.40
Cash Pledge	2,910,515.82	2,828,515.82
Others	33,560,670.49	33,522,511.72
Subtotal	51,554,561.31	49,415,729.47
Less: Allowance for Bad Debts of Other Receivables	7,447,738.42	5,288,915.40
Total	44,106,822.89	44,126,814.07

Category	The Bank	
	31 December, 2019	31 December, 2018
Advance Payment	2,217,997.73	1,140,469.53
Advances for Legal Costs	12,115,870.27	10,667,676.90
Cash Pledge	2,910,515.82	2,828,515.82
Others	33,558,898.83	33,522,511.72
Subtotal	50,803,282.65	48,159,173.97
Less: Allowance for Bad Debts of Other Receivables	7,215,014.72	5,118,758.90
Total	43,588,267.93	43,040,415.07

(2) Aging Analysis

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 Company			
	31 December, 2018			
	Amount	Ratio (%)	Allowance for Bad Debts	Net Amount
Within 1 Year	36,434,187.55	73.73		36,434,187.55
1-2 Years	3,005,589.66	6.08	276,654.98	2,728,934.68
2-3 Years	6,848,600.89	13.86	3,090,317.06	3,758,283.83
Over 3 Years	3,127,351.37	6.33	1,921,943.36	1,205,408.01
Total	49,415,729.47	100.00	5,288,915.40	44,126,814.07

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

Aging	The Bank			
	31 December, 2018			
	Amount	Ratio (%)	Allowance for Bad Debts	Net Amount
Within 1 Year	35,838,220.05	74.42		35,838,220.05
1-2 Years	2,860,897.66	5.94	262,185.78	2,598,711.88
2-3 Years	6,332,704.89	13.15	2,934,629.76	3,398,075.13
Over 3 Years	3,127,351.37	6.49	1,921,943.36	1,205,408.01
Total	48,159,173.97	100.00	5,118,758.90	43,040,415.07

(3) As at 31 December, 2019, there were no dues from shareholders with 5% or above of shares of the Company.

3. Long-term Unamortized Expenses

Category	The Company			
	Operating Lease Rent	Improvement Expenses for Fixed Assets under Operating Leases	Others	Total
Amount as at the Beginning of the Year	4,853,536.94	55,178,436.89	12,492,890.14	72,524,863.97
Increase in this Period	2,878,571.57	5,624,645.88	3,954,422.24	12,457,639.69
Amortization in this Period	4,464,221.84	24,834,940.16	6,731,799.30	36,030,961.30
Amount as at the End of the Year	3,267,886.67	35,968,142.61	9,715,513.08	48,951,542.36

Category	The Bank			
	Operating Lease Rent	Improvement Expenses for Fixed Assets under Operating Leases	Others	Total
Amount as at the Beginning of the Year	4,259,296.94	54,651,046.92	12,439,550.14	71,349,894.00
Increase in this Period	2,878,571.57	3,762,011.57	3,954,422.24	10,595,005.38
Amortization in this Period	4,128,061.84	24,404,092.19	6,731,799.30	35,263,953.33
Amount as at the End of the Year	3,009,806.67	34,008,966.30	9,662,173.08	46,680,946.05

4. Interest Receivable

Category	31 December, 2019	
	The Company	The Bank
Interest Receivable on Loans	7,478,276.11	5,936,197.95
Interest Receivable on Other Debt Investments	26,220,000.00	26,220,000.00
Subtotal	33,698,276.11	32,156,197.95
Less: Allowance for Impairment	26,228,171.77	26,220,000.00
Total	7,470,104.34	5,936,197.95

V-14 Details of Allowance for Impairment on Assets

Item	The Company						Balance as at the End of the Year
	2019			2018			
	Balance as at the End of the Last Year	Changes in Accounting Policies	Increase in this Period	Reversal Due to Value Recovery of Assets	Write-off in this Period	Other Decreases	
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 the Banks and Other Financial Institutions	25,254,191.98		(3,274,523.47)			21,979,668.51	
Allowance for Impairment on Displacements with the 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)					

Continued

Item	The Company						Balance as at the End of the Year
	2019						
	Balance as at the End of the Last Year	Changes in Accounting Policies	Increase in this Period	Reversal Due to Value Recovery of Assets	Write-off in this Period	Other Decreases	
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	32,758,993.35	98,052.50	7,157,937,833.66
Item	The Company						Balance as at the End of the Year
	2018						
	Balance as at the Beginning of the Year	Increase in this Period	Reversal Due to Value Recovery of Assets	Foreign Currency Translation Differences	Write-off in this Period	Other Decreases	
Allowance for Impairment on Interest Receivable	26,227,725.78	(855.87)					26,226,869.91
Allowance for Impairment on Other Receivables	2,286,137.96	5,061,880.90	741,690.27	(741,690.27)	3,542,484.00		5,288,915.40

Continued

The Company		2018					
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	Foreign Currency Translation Differences		Write-off in this Period
Allowance for Impairment on Deposits with the Banks and Other Financial Institutions	26,054,371.54	(800,179.56)					25,254,191.98
Allowance for Impairment on Displacements with the Banks and other Financial Institutions	442,500,000.00	283,750,000.00					726,250,000.00
Allowance for Impairment on Financial Assets Held under Resale Agreements	6,493,618.50	8,714,499.50					15,208,118.00
Allowance for Impairment on Loans and Advances to Customers	4,277,851,145.33	986,542,210.53			2,999,675.02	467,366,489.48	4,794,027,191.36
Allowance for Impairment on Available- for-sale Financial Assets	240,533,947.89	(1,517,699.39)					239,016,248.50
Allowance for Impairment on Held-to-maturity Investments	7,909,700.39	(881,938.99)					7,027,761.40
Allowance for Impairment on Investment Classified as Receivable	766,627,096.83	(331,890,089.62)					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	5,797,912,385.08	950,591,495.70	741,690.27	(741,690.27)	6,542,159.02	467,366,489.48	6,276,078,612.82

The Bank							
2019							
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	
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 the Banks and Other Financial Institutions	25,199,508.89		(3,316,729.90)				21,882,778.99
Allowance for Impairment on Displacements with the 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

The Bank							
2018							
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 Recovery of Assets	Foreign Currency Translation Differences		Write-off in this Period
Allowance for Impairment on Interest Receivable	26,220,000.00						26,220,000.00
Allowance for Impairment on Other Receivables	2,223,443.86	4,954,418.50	741,690.27	(741,690.27)		3,542,484.00	5,118,758.90
Allowance for Impairment on Deposits with the Banks and Other Financial Institutions	25,952,249.26	(752,740.37)					25,199,508.89
Allowance for Impairment on Displacements with the Banks and other Financial Institutions	442,500,000.00	283,750,000.00					726,250,000.00
Allowance for Impairment on Financial Assets Held under Resale Agreements	6,493,618.50	8,714,499.50					15,208,118.00
Allowance for Impairment Losses on Loans	4,217,409,486.32	956,481,549.10			467,366,489.48		4,706,524,545.94
Allowance for Impairment on Available- for-sale Financial Assets	240,533,947.89	(1,517,699.39)					239,016,248.50
Allowance for Impairment on Held-to- maturity Investments	7,909,700.39	(881,938.99)					7,027,761.40
Allowance for Impairment on Investment Classified as Receivable	766,627,096.83	(331,890,089.62)					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	5,737,298,183.91	918,857,998.73	741,690.27	(741,690.27)	467,366,489.48	3,542,484.00	6,186,730,589.70

V-15 Due to the Central Bank

Category	The Company	
	31 December, 2019	31 December, 2018
Due to the Central Bank	720,157,360.65	1,214,737,092.38
Interest Payable	131,083.34	N/A
Total	720,288,443.99	1,214,737,092.38

Item	The Bank	
	31 December, 2019	31 December, 2018
Due to the Central Bank	674,157,360.65	1,164,737,092.38
Interest Payable		N/A
Total	674,157,360.65	1,164,737,092.38

V-16 Due to the Banks and Other Financial Institutions

Category	The Company	
	31 December, 2019	31 December, 2018
Deposits with the Banks and Other Financial Institutions	45,473,373,535.00	66,330,750,972.44
Deposits with other Financial Institutions	13,780,579,224.94	27,636,301,217.03
Interest Payable	301,193,430.94	N/A
Total	59,555,146,190.88	93,967,052,189.47

Category	The Bank	
	31 December, 2019	31 December, 2018
Deposits with the Banks and Other Financial Institutions	45,768,601,166.43	66,584,575,219.12
Deposits with other Financial Institutions	13,780,579,225.03	27,636,301,217.03
Interest Payable	301,198,083.26	N/A
Total	59,850,378,474.72	94,220,876,436.15

V-17 Placements from the Banks and Other Financial Institutions

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Due from Banks	2,000,000,000.00	1,000,000,000.00
Interest Payable	1,034,444.44	N/A
Total	2,001,034,444.44	1,000,000,000.00

V-18 Financial Assets Sold under Repurchase Agreements

1. Classification by Collateral

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Bonds	9,816,129,262.36	18,845,072,688.44
Notes	11,161,700,347.92	8,784,442,585.18
Total	20,977,829,610.28	27,629,515,273.62

2. Classification by Counterparty

Counterparty	The Company and the Bank	
	31 December, 2019	31 December, 2018
Interbank	11,161,700,347.92	16,483,942,585.18
Other Financial Institutions	9,816,129,262.36	11,145,572,688.44
Total	20,977,829,610.28	27,629,515,273.62

V-19 Due to Customers

1. Classification

Item	The Company	
	31 December, 2019	31 December, 2018
Principal	180,991,784,604.47	155,804,596,128.12
Interest Payable	3,168,186,290.25	N/A
Total	184,159,970,894.72	155,804,596,128.12

Item	The Bank	
	31 December, 2019	31 December, 2018
Principal	179,508,534,718.36	154,623,432,933.31
Interest Payable	3,136,901,230.02	N/A
Total	182,645,435,948.38	154,623,432,933.31

2. Details of Principal Balance (Excluding Interest Payable)

Item	The Company	
	31 December, 2019	31 December, 2018
I. Corporate Deposits	118,894,769,090.56	103,281,309,107.12
Corporate Fixed Deposits	64,450,995,771.81	38,030,031,361.28
Corporate Demand Deposits	39,181,948,244.38	54,226,901,865.70
Fiscal Deposits	31,607,027.56	34,224,585.54
Other Deposits	5,085,597,261.74	1,134,775,659.60
Margin Received	10,144,620,785.07	9,855,375,635.00
II. Personal Deposits	61,189,015,513.91	48,335,687,021.00
Fixed Savings Deposits	42,082,087,682.40	31,231,519,789.29
Demand Savings Deposits	19,106,927,831.51	17,104,167,231.71
III. Structured Deposits	908,000,000.00	4,187,600,000.00
Total	180,991,784,604.47	155,804,596,128.12

Category	The Bank	
	31 December, 2019	31 December, 2018
I. Corporate Deposits	118,323,482,022.10	102,727,374,057.17
Corporate Fixed Deposits	63,970,942,081.64	37,601,177,784.23
Corporate Demand Deposits	39,119,088,561.57	54,138,855,595.80
Fiscal Deposits	23,520,066.63	26,196,056.32
Other Deposits	5,085,597,261.74	1,134,775,659.60
Margin Received	10,124,334,050.52	9,826,368,961.22
II. Personal Deposits	60,277,052,696.26	47,708,458,876.14
Fixed Savings Deposits	41,378,786,466.01	30,832,679,306.23
Demand Savings Deposits	18,898,266,230.25	16,875,779,569.91
III. Structured Deposits	908,000,000.00	4,187,600,000.00
Total	179,508,534,718.36	154,623,432,933.31

3. See Note VI / (7) for the details of the deposits of shareholders with 5% or above of shares of the Company as at 31 December, 2019.

V-20 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	27,502,362.04	916,654,791.08	914,132,912.53	30,024,240.59
Post-employment Benefits-defined Contribution Plans		136,333,342.61	136,333,342.61	
Dismissal Benefits		58,329.00	58,329.00	
Other Benefits Due within One Year				
Total	27,502,362.04	1,053,046,462.69	1,050,524,584.14	30,024,240.59

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	26,825,403.59	896,256,206.27	893,549,850.52	29,531,759.34
Post-employment Benefits - defined Contribution Plans		133,187,669.98	133,187,669.98	
Dismissal Benefits		58,329.00	58,329.00	
Other Benefits Due within One Year				
Total	26,825,403.59	1,029,502,205.25	1,026,795,849.50	29,531,759.34

2. Presentation of Short-term Remuneration

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
(1) Salary, Bonus, Allowance and Subsidy		713,262,893.57	713,262,893.57	
(2) Employee Welfare		50,383,636.37	50,383,636.37	
(3) Social Insurance Premiums		57,896,602.67	57,896,602.67	
Including: Medical Insurance Premiums		48,998,659.08	48,998,659.08	
Work-related Injury Insurance Premiums		1,519,169.81	1,519,169.81	
Maternity Insurance Premiums		3,698,413.81	3,698,413.81	

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
Others		3,680,359.97	3,680,359.97	
(4) Housing Provident Funds		59,786,834.48	59,786,834.48	
(5) Labor Union Expenditures and Employee Education Expenses	27,502,362.04	28,146,211.96	25,624,333.41	30,024,240.59
(6) Short-term Compensated Absences				
(7) Short-term Profit Sharing Plans				
(8) Others		7,178,612.03	7,178,612.03	
Total	27,502,362.04	916,654,791.08	914,132,912.53	30,024,240.59

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		697,531,719.44	697,531,719.44	
(2) Employee Welfare		49,161,754.05	49,161,754.05	
(3) Social Insurance Premiums		56,590,166.66	56,590,166.66	
Including: Medical Insurance Premiums		47,920,567.83	47,920,567.83	
Work-related Injury Insurance Premiums		1,465,483.37	1,465,483.37	
Maternity Insurance Premiums		3,636,368.14	3,636,368.14	
Others		3,567,747.32	3,567,747.32	
(4) Housing Provident Funds		58,417,693.88	58,417,693.88	
(5) Labor Union Expenditures and Employee Education Expenses	26,825,403.59	27,584,693.32	24,878,337.57	29,531,759.34
(6) Short-term Compensated Absences				
(7) Short-term Profit Sharing Plans				
(8) Others		6,970,178.92	6,970,178.92	
Total	26,825,403.59	896,256,206.27	893,549,850.52	29,531,759.34

3. Details of Defined Contribution Plans

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
(1) Basic Endowment Insurance Premiums		87,116,986.14	87,116,986.14	
(2) Unemployment Insurance Premiums		3,177,201.35	3,177,201.35	
(3) Enterprise Annuity Payments		46,039,155.12	46,039,155.12	
Total		136,333,342.61	136,333,342.61	

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) Basic Endowment Insurance Premiums		85,067,027.56	85,067,027.56	
(2) Unemployment Insurance Premiums		3,112,261.26	3,112,261.26	
(3) Enterprise Annuity Payments		45,008,381.16	45,008,381.16	
Total		133,187,669.98	133,187,669.98	

V-21 Tax Payable

Category	The Company	
	31 December, 2019	31 December, 2018
Corporate Income Tax	296,665,827.33	247,496,706.46
Value-added Tax	66,260,767.89	44,136,590.24
City Construction and Maintenance Tax	4,648,993.15	2,048,096.28
Education Surcharges	3,334,006.18	1,475,591.08
Property Tax		18,864.06
Land Use Tax		531.92
Individual Income Tax	18,726,274.56	22,189,103.29
Stamp Tax	399,426.20	407,348.85
Others / Embankment Fee / Land Use	6,535,833.96	5,328,049.55
Total	396,571,129.27	323,100,881.73

Category	The Bank	
	31 December, 2019	31 December, 2018
Corporate Income Tax	295,417,769.78	244,400,854.20
Value-added Tax	65,748,389.96	43,875,445.08
City Construction and Maintenance Tax	4,643,576.20	2,036,019.56
Education Surcharges	3,329,792.09	1,462,382.15
Property Tax		18,864.06
Individual Income Tax	18,399,109.44	22,022,870.43
Stamp Tax	399,426.20	396,456.15
Others / Embankment Fee / Land Use	6,535,833.96	5,328,581.47
Total	394,473,897.63	319,541,473.10

V-22 Interest Payable

Category	The Company	
	31 December, 2019	31 December, 2018
Interest Payable on the Due to the Central Bank	N/A	92,430.56
Interest Payable on Placements from the Banks and Other Financial Institutions	N/A	312,222.22
Interest Payable on Due to the Banks and Other Financial Institutions	N/A	315,327,838.37
Interest Payable on Financial Assets Sold under Repurchase Agreements	N/A	191,491,267.24
Interest Payable on Deposits	N/A	2,220,792,391.00
Interest Payable on Bonds	N/A	11,316,666.62
Total	N/A	2,739,332,816.01

Category	The Bank	
	31 December, 2019	31 December, 2018
Interest Payable on Placements from the Banks and Other Financial Institutions	N/A	312,222.22
Interest Payable on Due to the Banks and Other Financial Institutions	N/A	315,114,849.71
Interest Payable on Financial Assets Sold under Repurchase Agreements	N/A	191,491,267.24
Interest Payable on Deposits	N/A	2,204,142,758.06
Interest Payable on Bonds	N/A	11,316,666.62
Total	N/A	2,722,377,763.85

As mentioned in Note II \ (26) \ (2), the interest payable generated by the financial instruments of the Company had been included in the book value of relevant financial liabilities on 31 December, 2019.

V-23 Accrued Liabilities

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Allowance for Impairment Losses on Credit Commitments	186,614,503.32	N/A
Total	186,614,503.32	

V-24 Bonds Payable

1. Classification of Bonds Payable

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Green Financial Bonds, the First Issue in 2017	100,000,000.00	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	30,529,540,152.12	33,260,119,540.12
Interest Payable	11,316,666.54	N/A
Total	31,040,856,818.66	33,760,119,540.12

2. Green Financial Bonds

The first issue of green financial bonds in 2017 was released on 20 December, 2017, at an annually paid nominal rate of 6.00% for a period of three years.

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, 2019, the Company (the Bank) had issued 70 interbank negotiable certificates of deposit in a total nominal value of RMB 30,780,000,000.00, which were all measured by amortized costs (66 interbank negotiable certificates of deposit as at 31 December, 2018 in a total nominal value of RMB 33,910,000,000.00).

V-25 Other Liabilities**1. Details of Balance**

Category	The Company	
	31 December, 2019	31 December, 2018
Dividends Payable	31,842.10	41,436.23
Other Payables	4,320,904,482.97	3,786,505,825.39
Deferred Income		7,920,945.54
Liquidation Funds	127,741,941.32	246,426,171.25
Liabilities from Agency Business	190,906,653.45	145,987,476.78
Profit and Loss of Properties to be Settled	125,924.48	
Total	4,639,710,844.32	4,186,881,855.19

Category	The Bank	
	31 December, 2019	31 December, 2018
Dividends Payable	31,842.10	41,436.23
Other Payables	4,319,458,156.26	3,785,153,975.84
Deferred Income		7,920,945.54
Liquidation Funds	127,471,290.87	246,036,434.53
Liabilities from Agency Business	190,906,653.45	145,987,476.78
Profit and Loss of Properties to be Settled	125,924.48	
Total	4,637,993,867.16	4,185,140,268.92

2. Other Payables

(1) Details of Balance

Category	The Company	
	31 December, 2019	31 December, 2018
Payment Suspended for a Long Time	18,570,216.23	18,876,467.92
Temporary Payables	522,006,130.78	232,158,117.99
Wages Paying Payables	3,780,328,135.96	3,535,471,239.48
Total	4,320,904,482.97	3,786,505,825.39

Category	The Bank	
	31 December, 2019	31 December, 2018
Payment Suspended for a Long Time	18,531,303.05	18,034,246.68
Temporary Payables	520,896,250.65	231,923,978.60
Wages Paying Payables	3,780,030,602.56	3,535,195,750.56
Total	4,319,458,156.26	3,785,153,975.84

(2) As at 31 December, 2019, there were no other dues from shareholders with 5% or above of shares of the Company.

3. Deferred Income

Category	The Company and the Bank	
	31 December, 2019	31 December, 2018
Government Grants Related to Income:		
Operational Support Funds Received by Urumqi Economic and Technological Development Zone		7,535,989.74
Steady Post Subsidy		384,955.80
Total		7,920,945.54

V-26 Share Capital

The equity structure of the Company and the Bank on the balance sheet date is as follows:

Name of Investor	31 December, 2018		31 December, 2019	
	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	2,078,343,152.52	20.20	2,079,743,152.52	20.21
Collective Capital	277,875,083.12	2.70	276,475,083.12	2.69
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

V-27 Capital Reserve

Item	The Company			31 December, 2019
	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 (e.g. Capital Reserve Formed by Minority's Capital Increase)	101,223.81			101,223.81
Subtotal	10,192,990,714.50			10,192,990,714.50
2. Other Capital Reserves				
(1) Original Institutional Capital Reserve Transfer in				
(2) Balance of Relocation Compensation Paid by the Government Due to Relocation for Public Interests				
Subtotal				
Total	10,192,990,714.50			10,192,990,714.50

Item	The Bank			31 December, 2019
	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 (e.g. Capital Reserve Formed by Donation of Controlling Shareholders and Debt Exemption)				
Subtotal	10,192,889,490.69			10,192,889,490.69
2. Other Capital Reserves				
(1) Original Institutional Capital Reserve Transfer in				
(2) Balance of Relocation Compensation Paid by the Government Due to Relocation for Public Interests				
Subtotal				
Total	10,192,889,490.69			10,192,889,490.69

V-28 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	Adjustments for Changes in Accounting Policies	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the Beginning of the Year	Amount Incurred in this Period	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	
		Amount Incurred in this Period	Less: Shareholders of the Parent Company After Tax	Amount Attributable to Minority After 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	4,642,481.29	127,720,374.70	63,860,187.35	9,579,028.10	54,281,159.25
Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	204,376,919.75	(1,679,317.92)	(839,658.96)	(125,948.84)	(713,710.12)
After-tax Amount of Changes in Fair Value of Available-for-sale Financial Assets	200,142,481.29	(200,142,481.29)			
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	200,142,307.93	8,876,919.75	209,019,227.68	126,041,056.78	63,020,528.39
				9,453,079.26	53,567,449.13
					262,586,676.81

Item	The Bank				
	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the End of the Last Year	Adjustments for Changes in Accounting Policies	Balance of Other Comprehensive Income Attributable to the Shareholders of the Parent Company as at the Beginning of the Year	Amount incurred in this period	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	
		Amount Incurred in this Period Before Income Tax	Less: Income Tax	Amount Attributable to the Shareholders of the Parent Company After Tax	Amount 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					
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	4,642,481.29	127,720,374.70	63,860,187.35	9,579,028.10	54,281,159.25
Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	204,376,919.75	(1,679,317.92)	(839,658.96)	(125,948.84)	(713,710.12)
After-tax Amount of Changes in Fair Value of Available-for-sale Financial Assets	200,142,481.29	(200,142,481.29)			
Total Other Comprehensive Income	200,142,481.29	8,876,919.75	209,019,401.04	126,041,056.78	63,020,528.39
				9,453,079.26	53,567,449.13
					262,586,850.17

V-29 Surplus Reserve

Surplus Reserve of the Company and the Bank

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

Item	31 December, 2017	Withdrawal in this Period	31 December, 2018
Statutory Surplus Reserve	1,788,418,680.95	327,790,376.11	2,116,209,057.06

V-30 General Risk Preparation

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 Company		
	31 December, 2017	Withdrawal in this Period	31 December, 2018
General Risk Preparation	3,834,694,545.20	463,306,500.93	4,298,001,046.13

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

Item	The Bank		
	31 December, 2017	Withdrawal in this Period	31 December, 2018
General Risk Preparation	3,823,854,729.04	463,306,500.93	4,287,161,229.97

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 the banks and other financial institutions, placements with the 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, 2019, the general risk

preparation after withdrawal by the Company according to the above Administrative Measures shall not be less than 1.5% of the balance of year-end risk assets.

V-31 Undistributed Profits

Item	The Company	
	2019	2018
Balance as at the Beginning of the Year	3,297,238,734.44	2,038,494,653.71
Changes in Accounting Policies	(48,253,145.54)	
Add: Net Profit Attributable to the Owners of the Parent Company in this Period	3,587,237,530.43	3,274,098,589.58
Less: Withdrawal of Statutory Surplus Reserve	359,097,666.57	327,790,376.11
Withdrawal of General Risk Preparation	224,305,484.73	463,306,500.93
Distributions to Owners	1,306,560,665.78	1,224,257,631.81
Balance as at the End of the Year	4,946,259,302.25	3,297,238,734.44

Item	The Bank	
	2019	2018
Balance as at the Beginning of the Year	3,229,603,198.20	1,968,593,271.49
Changes in Accounting Policies	(48,253,145.54)	
Add: Net profit in this Period	3,590,976,700.37	3,276,364,435.56
Less: Withdrawal of Statutory Surplus Reserve	359,097,666.57	327,790,376.11
Withdrawal of General Risk Preparation	224,305,484.73	463,306,500.93
Distributions to Owners	1,306,560,665.78	1,224,257,631.81
Balance as at the End of the Year	4,882,362,935.95	3,229,603,198.20

According to the resolutions at the 2018 general meeting of shareholders of the Bank, the dividends were distributed as per 48% of the profit available for dividends in 2018. In the first half of the year, dividends of RMB 720,151,548.12 had been distributed, and dividends of RMB 586,409,117.69 shall be distributed in the second half of the year. The cash dividends in total RMB 586,409,117.69 (tax included) were to be distributed at RMB 0.57/10 shares (tax included) based on the total 10,287.8793 million capital shares as at 31 December, 2018.

Upon the resolution of the second extraordinary general meeting in 2019, the cash dividends distributed at RMB 0.70/10 shares (tax included) from the profit available for distribution of the first half of year 2019 were RMB 720,151,548.09 (tax included).

V-32 Minority Interests

Subsidiaries	Proportion of Minority Interests	31 December, 2019	31 December, 2018
Leshan Kunlun Rural Bank	20.00%	15,980,338.81	17,591,419.27
Tacheng Kunlun Rural Bank	53.27%	77,985,462.71	74,901,593.01
Total		93,965,801.52	92,493,012.28

V-33 Net Interest Income

Item	The Company	
	2019	2018
Interest Income	10,695,652,715.77	11,836,878,051.40
Deposits with the Banks and Other Financial Institutions	526,637,926.06	570,632,642.54
Deposits with the Central Bank	366,963,338.10	353,304,622.34
Placements with the Banks and Other Financial Institutions	1,275,687,528.62	1,215,262,773.35
Financial Assets Held under Resale Agreements	461,911,315.43	299,032,212.14
Loans and Advances to Customers	6,070,537,901.17	5,723,588,961.94
Including: Loans and Advances	4,725,081,338.44	4,358,121,973.52
Notes Discounted	1,345,456,562.73	1,365,466,988.42
Debt Instrument Investments	1,993,914,706.39	3,675,056,839.09
Interest Expenses	6,430,865,791.77	5,902,861,838.52
Due to the Banks and Other Financial Institutions	1,451,245,580.95	1,829,965,247.64
Due to the Central Bank	20,497,479.47	19,931,567.94
Placements from the Banks and Other Financial Institutions	18,769,499.99	64,458,574.70
Due to Customers	3,388,484,404.41	2,570,536,625.51
Financial Assets Sold under Repurchase Agreements	494,300,485.03	496,067,584.16
Debt Securities Issued	1,057,568,341.92	921,902,238.57
Net Interest Income	4,264,786,924.00	5,934,016,212.88

Item	The Bank	
	2019	2018
Interest Income	10,610,650,614.36	11,748,995,594.01
Deposits with the Banks and Other Financial Institutions	522,843,356.21	568,803,216.83
Deposits with the Central Bank	365,233,066.06	351,619,541.81
Placements with the Banks and Other Financial Institutions	1,275,687,528.62	1,215,262,773.35
Financial Assets Held under Resale Agreements	461,911,315.43	299,032,212.14
Loans and Advances to Customers	5,991,060,641.65	5,639,221,010.79
Including: Loans and Advances to Customers	4,645,604,078.92	4,273,754,022.37
Notes Discounted	1,345,456,562.73	1,365,466,988.42
Debt Instrument Investments	1,993,914,706.39	3,675,056,839.09
Interest Expenses	6,403,599,177.99	5,882,894,480.28
Due to the Banks and Other Financial Institutions	1,456,393,360.41	1,836,568,204.40
Due to the Central Bank	19,090,472.52	18,491,026.27
Placements from the Banks and Other Financial Institutions	18,769,499.99	59,704,472.16
Due to Customers	3,357,477,018.12	2,550,160,954.72
Financial Assets Sold under Repurchase Agreements	494,300,485.03	496,067,584.16
Debt Securities Issued	1,057,568,341.92	921,902,238.57
Net Interest Income	4,207,051,436.37	5,866,101,113.73

As mentioned in Note II \ (20) \ (1), the interest income of financial instruments measured at fair value through the current profits and losses was recognized in the “return on investment” in 2019.

V-34 Net Fee and Commission Income

Item	The Company	
	2019	2018
Fee and Commission Income:	103,979,252.53	223,983,477.35
Settlement Fee Income	22,015,415.72	75,519,791.91
Agency Fee Income	29,835,017.23	39,273,332.19
Bank Card Fee Income	35,911,830.15	25,356,920.61
Foreign Exchange Settlement Fee Income	6,136,757.95	18,225,441.46
Guarantee Business Fee Income	448,650.75	127,979.15
Wealth Management Fee Income		57,518,790.29
Syndicated Loan Fee Income	5,683,962.27	3,954,716.98

Continued

Item	The Company	
	2019	2018
Consulting Service Fee Income	1,159,362.12	1,084,130.10
Internet Financial Fee Income	815,644.16	
Other Fee Incomes	1,972,612.18	2,922,374.66
Fee and Commission Expenses	72,186,125.06	67,164,585.07
Settlement Fee Expenses	12,134,377.72	7,725,547.67
Bank Card Fee Expenses	24,983,997.90	30,061,184.09
Agency Fee Expenses	895,497.72	1,006,173.02
Business Voucher Fee Expenses	3,704,905.17	5,448,930.81
Collateral Business Fee Expenses	2,330,985.67	2,360,059.84
SMS Service Fee Expenses	5,567,569.94	4,636,344.97
Internet Financial Fee Expenses	4,531,319.27	
Other Agency Fee Expenses	18,037,471.67	15,926,344.67
Net Fee and Commission Income	31,793,127.47	156,818,892.28

Item	The Bank	
	2019	2018
Fee and Commission Income	103,212,454.89	222,860,615.36
Settlement Fee Income	21,972,742.94	75,453,426.38
Agency Fee Income	29,353,586.41	38,557,763.01
Bank Card Fee Income	35,911,830.15	25,356,920.61
Foreign Exchange Settlement Fee Income	6,136,757.95	18,225,441.46
Guarantee Business Fee Income	448,650.75	127,979.15
Wealth Management Fee Income		57,518,790.29
Syndicated Loan Fee Income	5,683,962.27	3,954,716.98
Consulting Service Fee Income	1,158,384.76	1,084,130.10
Internet Financial Fee Income	815,644.16	
Other Fee Incomes	1,730,895.50	2,581,447.38
Fee and Commission Expenses	70,728,865.74	66,369,108.64
Settlement Fee Expenses	10,677,118.40	6,930,071.24
Bank Card Fee Expenses	24,983,997.90	30,061,184.09
Agency Fee Expenses	895,497.72	1,006,173.02
Business Voucher Fee Expenses	3,704,905.17	5,448,930.81

Continued

Item	The Bank	
	2019	2018
Collateral Business Fee Expenses	2,330,985.67	2,360,059.84
SMS Service Fee Expenses	5,567,569.94	4,636,344.97
Internet Financial Fee Expenses	4,531,319.27	
Other Agency Fee Expenses	18,037,471.67	15,926,344.67
Net Fee and Commission Income	32,483,589.15	156,491,506.72

V-35 Other Gains

Item	The Company	
	2019	2018
Government Grants	3,000.00	5,889,600.00
Withholding Fees Chargeable to Individual Income Tax Refund	553,172.38	631,831.68
Total	556,172.38	6,521,431.68

Item	The Bank	
	2019	2018
Government Grants		1,214,200.00
Withholding Fees Chargeable to Individual Income Tax Refund	553,096.09	611,008.36
Total	553,096.09	1,825,208.36

Details about Government Grants of the Company and the Bank

Details about Government Grants	Amount	Remarks
Economic Construction Subsidies Received by the Leshan Kunlun Rural Bank from Financial Payment by Jiajiang County	3,000.00	Related to Income
Total	3,000.00	

V-36 Return on Investment

Item	The Company	
	2019	2018
Interest Income and Spread Return / (Loss) of Trading Financial Assets	2,646,187,681.74	2,551,957.29
Spread Return of Other Debt Investments	33,943,988.81	
Spread Return of Debt Investments		
Spread Return of Available-for-sale Financial Assets		129,765,997.20
Total	2,680,131,670.55	132,317,954.49

Item	The Bank	
	2019	2018
Interest Income and Spread Return / (Loss) of Trading Financial Assets	2,646,187,681.74	2,551,957.29
Spread Return of Other Debt Investments	33,943,988.81	
Spread Return of Debt Investments		
Spread Return of Available-for-sale Financial Assets		129,765,997.20
Return on Long-term Equity Investments Calculated under Cost Method		4,000,000.00
Total	2,680,131,670.55	136,317,954.49

V-37 Gains from Changes in Fair Value

Item	The Company and the Bank	
	2019	2018
Trading Financial Instruments	52,933,364.67	230,783,662.42

V-38 Gains from Disposal of Assets

Item	The Company	
	2019	2018
Gains from Disposal of Other Non-current Assets		887,557.03
Losses from Disposal of Other Non-current Assets	(2,228,711.25)	(2,495,536.01)
Total	(2,228,711.25)	(1,607,978.98)

Item	The Bank	
	2019	2018
Gains from Disposal of Other Non-current Assets		887,557.03
Losses from Disposal of Other Non-current Assets	(22,086.96)	(61,532.17)
Total	(22,086.96)	826,024.86

V-39 Foreign Exchange Gains

Item	The Company and the Bank	
	2019	2018
Income from Foreign Exchange Services	24,396,900.15	77,505,753.56
Expenses from Foreign Exchange Services	71,394,186.13	172,947,723.08
Total	95,791,086.28	250,453,476.64

V-40 Other Operating Incomes

Item	The Company	
	2019	2018
Rental Income of Other Assets	536,697.25	362,700.00
Others	8,283.69	167,996.83
Total	544,980.94	530,696.83

Item	The Bank	
	2019	2018
Rental Income of Other Assets	536,697.25	362,700.00
Others	8,120.58	167,949.52
Total	544,817.83	530,649.52

V-41 Taxes and Surcharges

Item	The Company	
	2019	2018
Business Tax	5,407.80	
Urban Construction Tax	24,568,315.79	21,482,198.89

Continued

Item	The Company	
	2019	2018
Education Surcharges	10,545,406.66	9,214,206.44
Local Education Surcharges	7,030,271.01	6,142,649.85
Others	6,763,433.80	7,568,543.82
Total	48,912,835.06	44,407,599.00

Item	The Bank	
	2019	2018
Business Tax	5,407.80	
Urban Construction Tax	24,499,802.12	21,391,835.61
Education Surcharges	10,507,937.58	9,166,819.26
Local Education Surcharges	7,005,291.69	6,111,212.83
Others	6,590,029.04	7,382,507.24
Total	48,608,468.23	44,052,374.94

V-42 Operating and Administrative Expenses

Item	The Company	
	2019	2018
Employee Expenses	1,053,046,462.69	914,318,061.92
Daily Business Expenses	331,017,553.00	345,873,995.08
Depreciation of Fixed Assets	73,927,802.76	68,565,967.25
Amortization of Long-term Unamortized Expenses	36,030,961.30	40,683,790.47
Amortization of Intangible Assets	49,436,633.33	41,794,665.78
Operating Expenses for Electronic Equipment	155,274,268.39	135,947,064.09
Security Protection Expenses	35,728,224.78	37,420,341.89
Property Management Fees	31,661,447.43	32,830,377.40
Rental Fees	274,764,289.21	275,349,275.05
Total	2,040,887,642.89	1,892,783,538.93

Item	The Bank	
	2019	2018
Employee Expenses	1,029,502,205.25	893,038,592.48
Daily Business Expenses	324,780,582.43	342,056,381.87
Depreciation of Fixed Assets	72,401,815.26	66,908,323.54
Amortization of Long-term Unamortized Expenses	35,263,953.33	40,063,697.90
Amortization of Intangible Assets	49,436,633.33	41,664,804.78
Operating Expenses for Electronic Equipment	154,106,925.50	134,726,653.48
Security Protection Expenses	33,876,584.24	32,799,730.40
Property Management Fees	31,626,202.09	32,799,730.40
Rental Fees	273,174,082.18	273,621,375.56
Total	2,004,168,983.61	1,857,679,290.41

V-43 Loss of Credit Impairment

Item	The Company	
	2019	2018
Impairment Losses on Other Assets	2,160,124.88	N/A
Impairment Losses on Deposits with the Banks and Other Financial Institutions	(3,274,523.47)	N/A
Impairment Losses on Placements with the Banks and Other Financial Institutions	442,670,230.00	N/A
Impairment Losses on Financial Assets Held under Resale Agreements	(16,270,616.45)	N/A
Impairment Loss on Loans and Advances Measured at Amortized Cost	(17,780,101.59)	N/A
Impairment Loss on Debt Investments	317,604,331.41	N/A
Impairment Loss on other Debt Investments	(382,652.55)	N/A
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees	127,783,979.43	
Total	852,510,771.66	N/A

Item	The Bank	
	2019	2018
Impairment Losses on Other Assets	2,096,255.82	N/A
Impairment losses on Deposits with the Banks and Other Financial Institutions	(3,316,729.90)	N/A
Impairment Losses on Placements with the Banks and Other Financial Institutions	442,670,230.00	N/A

Continued

Item	The Bank	
	2019	2018
Impairment Losses on Financial Assets Held under Resale Agreements	(16,270,616.45)	N/A
Impairment Loss on Loans and Advances Measured at Amortized Cost	(39,174,064.39)	N/A
Impairment Loss on Debt Investments	317,604,331.41	N/A
Impairment Loss on Other Debt Investments	(382,652.55)	N/A
Expected Credit Loss of Off-balance Sheet Credit Commitments and Guarantees	127,783,979.43	N/A
Total	831,010,733.37	N/A

According to the *Notice of on Revising and Issuing the Format of Financial Statements for Financial Enterprises in 2018* (C.K. [2018] No. 36) issued by the Ministry of Finance, the expected credit loss of various financial instruments accrued by the Company in this year was included in the “loss of credit impairment” item in the 2019 annual financial statement.

V-44 Impairment Losses on Other Assets

Item	The Company	
	2019	2018
Losses on Depreciation of Debt-offsetting Assets	(1,613,668.20)	N/A
Total	(1,613,668.20)	

According to the *Notice of on Revising and Issuing the Format of Financial Statements for Financial Enterprises in 2018* (C.K. [2018] No. 36) issued by the Ministry of Finance, the impairment of non-financial assets accrued by the Company in this year was included in the “impairment losses on other assets” item in the 2019 annual financial statement.

V-45 Impairment Losses on Assets

Item	The Company	
	2019	2018
Losses on Bad Debts of Interest Receivable	N/A	(855.87)
Losses on Bad Debts of Other Receivables	N/A	5,803,571.17
Losses on Bad Debts of Deposits with the Banks and Other Financial Institutions	N/A	(800,179.56)
Losses on Bad Debts of Displacements with the Banks and Other Financial Institutions	N/A	283,750,000.00

Continued

Item	The Company	
	2019	2018
Losses on Bad Debts of Financial Assets Held under Resale Agreements	N/A	8,714,499.50
Losses on Impairment of Loans	N/A	986,542,210.53
Losses on Impairment of Available-for-sale Financial Assets	N/A	(1,517,699.39)
Losses on Impairment of Held-to-maturity Investments	N/A	(881,938.99)
Losses on Impairment of Investment Classified as Receivable	N/A	(331,890,089.62)
Losses on Depreciation of Debt-offsetting Assets	N/A	1,613,668.20
Total		951,333,185.97

Item	The Bank	
	2019	2018
Losses on Bad Debts of Other Receivables	N/A	5,696,108.77
Losses on Bad Debts of Deposits with the Banks and Other Financial Institutions	N/A	(752,740.37)
Losses on Bad Debts of Displacements with the Banks and Other Financial Institutions	N/A	283,750,000.00
Losses on Bad Debts of Financial Assets Held under Resale Agreements	N/A	8,714,499.50
Losses on Impairment of Loans	N/A	956,481,549.10
Losses on Impairment of Available-for-sale Financial Assets	N/A	(1,517,699.39)
Losses on Impairment of Held-to-maturity Investments	N/A	(881,938.99)
Losses on Impairment of Investment Classified as Receivable	N/A	(331,890,089.62)
Total	N/A	919,599,689.00

V-46 Non-operating Income

Item	The Company	
	2019	2018
Total Gains from Disposal of Non-current Assets	38,834.95	
Including: Gains from Disposal of Fixed Assets	38,834.95	
Income from Penalty Settlement	45,943.53	29,150.00
Income from Government Grants	3,053,029.24	
Other Gains	1,006,625.38	5,498,663.44
Total	4,144,433.10	5,527,813.44

Item	The Bank	
	2019	2018
Total Gains from Disposal of Non-current Assets	38,834.95	
Including: Gains from Disposal of Fixed Assets	38,834.95	
Income from Penalty Settlement	31,183.53	15,000.00
Income from Government Grants	3,031,599.44	
Other Gains	863,872.67	5,404,737.2
Total	3,965,490.59	5,419,737.2

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.

V-47 Non-operating Expenses

Item	The Company	
	2019	2018
Total Losses from Disposal of Non-current Assets	455,674.74	642,275.36
Including: Losses on Disposal of Fixed Assets	455,674.74	642,275.36
Donation Expenditures	2,303,205.64	1,406,805.28
Penalties and Overdue Fines	884,904.03	871,792.36
Others	1,354,996.60	1,137,627.31
Total	4,998,781.01	4,058,500.31

Item	The Bank	
	2019	2018
Total Losses from Disposal of Non-current Assets	412,025.39	625,907.86
Including: Losses on Disposal of Fixed Assets	412,025.39	625,907.86
Donation Expenditures	2,295,205.64	1,391,805.28
Penalties and Overdue Fines	452,131.96	855,611.86
Others	1,124,978.54	1,137,611.92
Total	4,284,341.53	4,010,936.92

V-48 Income Tax Expenses

Item	The Company	
	2019	2018
Current Income Tax Expenses	658,024,944.06	545,032,307.19
Deferred Tax Expenses	(64,218,067.87)	2,319,465.28
Total	593,806,876.19	547,351,772.47

Item	The Bank	
	2019	2018
Current Income Tax Expenses	654,995,629.75	538,748,616.33
Deferred Tax Expenses	(60,845,859.08)	7,745,670.03
Total	594,149,770.67	546,494,286.36

Relationship between Income Tax and Profit of This Year

Item	The Company	
	2019	2018
Total Profits	4,182,517,195.86	3,822,231,016.72
Income Tax Expenses Calculated Upon Statutory / Applicable Tax Rate	627,377,579.38	573,334,652.51
Affects from Different Tax Rates Applicable to Subsidiaries	537,624.76	921,576.44
Affects from Adjustments to Income Taxes of Previous Period	8,712,932.55	10,653,781.85
Affects from Non-taxable Income	(123,925,826.23)	(43,892,819.31)
Affects from Non-deductible Costs, Fees and Losses	83,455,729.67	6,334,580.98
Effect of Deductible Loss of De-recognized 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	593,806,876.19	547,351,772.47

Item	The Bank	
	2019	2018
Total Profits	4,185,126,471.04	3,822,858,721.92
Income Tax Expenses Calculated Upon Statutory / Applicable Tax Rate	627,768,970.66	573,428,808.29
Affects from Different Tax Rates Applicable to Subsidiaries		
Affects from Adjustments to Income Taxes of Previous Period	8,654,870.62	10,653,781.85
Affects from Non-taxable Income	(123,876,298.95)	(43,865,909.75)
Affects from Non-deductible Costs, Fees and Losses	81,602,228.34	6,277,605.97
Total	594,149,770.67	546,494,286.36

V-49 After-tax Amount of Other Comprehensive Income

Item	The Company and the Bank	
	2019	2018
1. Change (Loss) Amount in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income	127,720,374.70	
Affects from Income Tax for Changes in Fair Value	9,579,028.10	
Net Amount Previously Recognized in Other Comprehensive Income and then Transferred into Current Profits and Losses	63,860,187.35	
Subtotal	54,281,159.25	
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	(1,679,317.92)	
Affects from Income Tax for Allowance for Impairment	(125,948.84)	
Net Amount Included in the current Profits and Losses	(839,658.96)	
Subtotal	(713,710.12)	
3. Gains / Losses from Available-for-sale Financial Assets		1,125,909,616.10
Less: Affects from Income Tax for Available-for-sale Financial Assets of this Year		84,443,221.21
Net Amount Previously Recognized in Other Comprehensive Income and then Transferred into Current Profits and Losses		562,954,808.05
Subtotal		478,511,586.84
Total	53,567,449.13	478,511,586.84

V-50 Earnings Per Share**1. Table of Earnings Per Share**

Item	The Company			
	2019 (RMB / Share)		2018 (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	0.35	0.35	0.32	0.32

Item	The Company	
	2019	2018
Net Profit Attributable to the Shareholders of the Parent Company	3,587,237,530.43	3,274,098,589.58
Net Profit After Deduction of Non-recurring Gains and Losses	3,589,131,168.36	3,269,246,708.86
Total Shares at the Beginning of the Period (Share)	10,287,879,258.43	10,287,879,258.43

Continued

Item	The Company	
	2019	2018
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)	0.35	0.32
Basic Earnings per Share after Deduction of Non-recurring Gains and Losses (RMB)	0.35	0.32

There was no diluted potential ordinary share from year 2018 to year 2019, so that the diluted earnings per share was equal to the basic earnings per share.

2. Return on Equity

Item	Weighted Average ROE of the Company (%)	
	2019	2018
Net Profit Attributable to Ordinary Shareholders of the Company	11.37	11.01

Item	The Company	
	2019	2018
Net Profit Attributable to the Shareholders of the Parent Company	3,587,237,530.43	3,274,098,589.58
Net Profit After Deduction of Non-recurring Gains and Losses	3,589,131,168.36	3,269,246,708.86
Net Assets as at the End of the Year	32,681,967,745.86	30,392,461,118.49
Weighted Average of Net Assets	31,713,795,498.67	29,741,366,354.48
Weighted average ROE	11.31%	11.09%
Weighted Average ROE After Deduction of Non-recurring Gains and Losses	11.32%	11.07%

V-51 Notes to the Statement of Cash Flows

1. Other Cash Receipts Relating to Operating Activities

Item	The Company	
	2019	2018
Temporary Receipts to be Transferred	419,711,729.97	113,328,498.18
Government Grants	3,609,201.62	6,521,431.68
Rental Income	544,980.94	530,696.83

Continued

Item	The Company	
	2019	2018
Others	557,412,406.58	671,305,601.88
Total	981,278,319.11	791,686,228.57

Item	The Bank	
	2019	2018
Temporary Receipts to be Transferred	306,516,305.80	105,204,653.35
Government Grants	3,584,695.53	1,825,208.36
Rental Income	544,817.83	530,649.52
Others	441,256,134.54	653,645,575.23
Total	751,901,953.71	761,206,086.46

2. Other Cash Payments Relating to Operating Activities

Item	The Company	
	2019	2018
Payments to be Cleared or Settled		302,851,810.69
Non-operating Expenses (Exclusive of Losses from Disposal of Assets)	4,543,106.27	3,416,224.95
Payments for Business Expenses	828,445,782.81	827,421,053.51
Others	239,489.86	67,709,468.16
Total	833,228,378.94	1,201,398,557.31

Item	The Bank	
	2019	2018
Payments to be Cleared or Settled		302,851,810.69
Non-operating Expenses (Exclusive of Losses from Disposal of Assets)	3,872,316.14	3,385,029.06
Payments for Business Expenses	817,564,376.44	816,003,871.71
Others	185,501.74	37,822,268.82
Total	821,622,194.32	1,160,062,980.28

V-52 Supplementary Information to the Statement of Cash Flows

1. Cash and Cash Equivalents

Item	The Company	
	2019	2018
I. Cash	43,725,307,008.88	43,217,920,776.43
Including: Cash on Hand	330,693,238.31	315,090,291.60
Deposits with the Central Bank Available for Payment	2,164,998,732.46	2,170,425,846.29
Deposits with the Banks and Other Financial Institutions with the Contract Period within Three Months	19,529,615,038.11	37,382,404,638.54
Loans to the Banks and Other Financial Institutions with the Contract Period within Three Months	21,700,000,000.00	3,350,000,000.00
II. Cash Equivalents	13,328,569,235.22	49,076,555,446.46
Including: Financial Assets Held under Resale Agreements Due within Three Months Upon Acquisition	999,600,000.00	30,416,236,000.00
Financial Assets Held for Trading Due within Three Months Upon Acquisition	12,328,969,235.22	18,660,319,446.46
III. Balance of Cash and Cash Equivalents at the End of the Period	57,053,876,244.10	92,294,476,222.89

Item	The Bank	
	2019	2018
I. Cash	43,816,336,307.04	43,166,571,313.75
Including: Cash on Hand	330,693,238.31	303,525,226.50
Deposits with the Central Bank Available for Payment	2,151,695,336.85	2,140,007,616.84
Deposits with the Banks and Other Financial Institutions with the Contract Period within Three Months	19,633,947,731.88	37,373,038,470.41
Loans to the Banks and Other Financial Institutions with the Contract Period within Three Months	21,700,000,000.00	3,350,000,000.00
II. Cash Equivalents	13,328,569,235.22	49,076,555,446.46
Including: Financial Assets Held under Resale Agreements Due within Three Months Upon Acquisition	999,600,000.00	30,416,236,000.00
Financial Assets Held for Trading Due within Three Months Upon Acquisition	12,328,969,235.22	18,660,319,446.46
III. Balance of Cash and Cash Equivalents at the End of the Period	57,144,905,542.26	92,243,126,760.21

Item	The Company	
	2019	2018
1. Net Profit of the Parent Company in this Period	3,587,237,530.43	3,274,098,589.58
Minority Gains or Losses	1,472,789.24	780,654.67

Continued

Item	The Company	
	2019	2018
Net Profit (Loss is Indicated in "()")	3,588,710,319.67	3,274,879,244.25
Add: Allowance for Impairment on Assets	850,897,103.46	951,333,185.97
Depreciation of Fixed Assets	73,927,802.76	68,565,967.25
Amortization of Intangible Assets	49,436,633.33	41,794,665.78
Amortization of Long-term Unamortized Expenses	36,030,961.30	40,683,790.47
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	2,228,711.25	(887,557.03)
Losses on Retirement of Fixed Assets (Gain is Indicated by "()")	455,674.74	642,275.36
Losses on Changes in Fair Value	(52,933,364.67)	(230,783,662.42)
Investment Losses	(4,674,046,365.27)	(2,923,575,546.84)
Decrease in Deferred Tax Assets	(88,418,976.14)	(27,884,031.69)
Increase in Deferred Tax Liabilities	16,399,115.05	30,203,496.97
Decrease in Loans	(19,112,219,420.59)	(15,688,547,739.24)
Increase in Deposits	25,488,381,907.29	4,816,456,604.13
Net Decrease in Interbank Lending	13,800,000,000.00	(13,300,000,000.00)
Decrease in Operating Receivables	(12,114,107,354.53)	15,931,434,140.63
Increase in Operating Payables	(39,831,191,175.88)	5,512,463,591.60
Decrease in Other Operating Assets	523,245,179.79	(302,765,070.17)
Increase in Other Operating Liabilities	452,787,552.90	1,013,775,078.63
Net Cash Flow from Operating Activities	(30,990,415,695.54)	(792,211,566.35)
2. Changes in Net Cash and Cash Equivalents:		
Cash Balance as at the End of the Year	43,725,307,008.88	43,217,920,776.43
Less: Cash Balance as at the Beginning of the Year	43,217,920,776.43	23,050,592,806.69
Add: Cash Equivalents Balance as at the End of the Year	13,328,569,235.22	49,076,555,446.46
Less: Cash Equivalents Balance as at the Beginning of the Year	49,076,555,446.46	22,975,517,453.49
Net Increase in Cash and Cash Equivalents	(35,240,599,978.79)	46,268,365,962.71

Item	The Bank	
	2019	2018
1. Net Profit (Loss is Indicated in "()")	3,590,976,700.37	3,276,364,435.56
Add: Allowance for Impairment on Assets	831,010,733.37	919,599,689.00
Depreciation of Fixed Assets	72,401,815.26	66,908,323.54
Amortization of Intangible Assets	49,436,633.33	41,664,804.78
Amortization of Long-term Unamortized Expenses	35,263,953.33	40,063,697.90

Continued

Item	The Bank	
	2019	2018
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	22,086.96	(887,557.03)
Losses on Retirement of Fixed Assets (Gain is Indicated by "(O)")	412,025.39	625,907.86
Losses on Changes in Fair Value	(52,933,364.67)	687,440.03
Investment Losses	(4,674,046,365.27)	(2,923,575,546.84)
Decrease in Deferred Tax Assets	(85,046,767.35)	(22,457,826.94)
Increase in Deferred Tax Liabilities	16,399,115.05	30,203,496.97
Decrease in Loans	(18,884,476,971.12)	(15,678,652,657.07)
Increase in Deposits	25,186,299,868.31	4,831,650,118.51
Net Decrease in Interbank Lending	13,800,000,000.00	(13,300,000,000.00)
Decrease in Operating Receivables	(11,685,407,172.86)	14,542,777,692.68
Increase in Operating Payables	(40,024,580,193.58)	6,729,074,653.85
Decrease in Other Operating Assets	522,586,146.14	(340,187,290.93)
Increase in Other Operating Liabilities	452,812,162.01	753,492,023.55
Net Cash Flow from Operating Activities	(30,848,869,595.32)	(1,032,648,594.58)
2. Changes in Net Cash and Cash Equivalents:		
Cash Balance as at the End of the Year	43,816,336,307.04	43,166,571,313.75
Less: Cash Balance as at the Beginning of the Year	43,166,571,313.75	23,253,223,037.67
Add: Cash Equivalents Balance as at the End of the Year	13,328,569,235.22	49,076,555,446.46
Less: Cash Equivalents Balance as at the Beginning of the Year	49,076,555,446.46	22,975,517,453.49
Net Increase in Cash and Cash Equivalents	(35,098,221,217.95)	46,014,386,269.05

V-53 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 the 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.

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

V-53 Segment Reporting - continued

Business Segments of the Company in 2018

Item	Corporate Banking Business	Personal Banking Business	Capital Business	Other Business	Total
I. Net Interest Income	3,144,702,502.12	879,048,172.86	1,910,265,537.90		5,934,016,212.88
Net Fee and Commission Income	104,004,365.47	(4,704,263.48)	57,518,790.29		156,818,892.28
Return on Investment			132,317,954.49		132,317,954.49
Gains from Changes in Fair Value			230,783,662.42		230,783,662.42
Foreign Exchange Gains	250,453,476.64				250,453,476.64
Gains from Disposal of Assets			(1,607,978.98)		(1,607,978.98)
Other Gains			6,521,431.68		6,521,431.68
Other Operating Income / Costs			(17,623.92)		(17,623.92)
Taxes and Surcharges	19,258,373.13	2,750,838.28	22,398,524.33	(136.74)	44,407,599.00
Operating and Administrative Expenses	796,164,298.75	252,806,143.46	842,873,083.21	940,013.51	1,892,783,538.93
Impairment Losses on Assets	523,592,429.53	470,366,164.50	(42,625,408.06)		951,333,185.97
II. Operating Profit	2,160,145,242.82	148,420,763.14	1,508,239,745.62	3,955,952.01	3,820,761,703.59
Non-operating Income				5,527,813.44	5,527,813.44
Non-operating Expenses				4,058,500.31	4,058,500.31
III. Total Profits	2,160,145,242.82	148,420,763.14	1,508,239,745.62	5,425,265.14	3,822,231,016.72
Income Tax	309,337,484.38	21,254,175.22	215,983,203.13	776,909.74	547,351,772.47
IV. Net Profit	1,850,807,758.44	127,166,587.92	1,292,256,542.49	4,648,355.40	3,274,879,244.25
Total Assets	122,993,628,750.90	21,821,471,999.13	206,185,006,764.50	137,684,754.92	351,137,792,269.45
Total Liabilities	108,750,602,000.47	49,453,847,287.00	158,233,844,172.32	4,214,544,678.89	320,652,838,138.68
V. Supplementary Information					
Depreciation and Amortization Expenses	63,534,036.01	20,173,969.93	67,261,404.34	75,013.22	151,044,423.50
Capital Expenditure	83,851,809.76	26,625,475.02	88,771,166.37	99,001.97	199,347,453.12

VI. Related-Party Relationship and Transactions

VI-1 Related Parties and Related-party Relationship

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

Unit: in RMB 10⁸

Name of Related Party	31 December, 2018	Increase in this Period	Decrease in this Period	31 December, 2019
CNPC Capital Limited Company	141.99	42.00		183.99

Shareholding Ratio of the Parent Company and its Changes

Unit: in RMB 10⁴

Name of Related Party	31 December, 2019		31 December, 2018	
	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. Shareholders with 5% or Above of Shares of the Company

Except the parent company of the Company, as at 31 December, 2019, there were no other shareholders with 5% or above shares of the Company.

VI-2 Relevant Information of Subsidiaries of the Company

See Note IV / (1).

VI-3 Relationship with Other Related Parties

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.

Other related parties under control by the same ultimate controller as the Company in 2019 are listed as follows:

Company Name	Relationship
CNPC Urumqi General Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Research Institute of Engineering Co., Ltd.	Controlled by the Same Ultimate Controller
Xinjiang Tarim Petroleum Exploration and Development Headquarters Co., Ltd.	Controlled by the Same Ultimate Controller
Guangzhou Petroleum Training Center	Controlled by the Same Ultimate Controller
Chinese Petroleum Society	Controlled by the Same Ultimate Controller
China Petroleum Offshore Engineering Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Southwest Pipeline Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Auditing Service Center	Controlled by the Same Ultimate Controller
Dalian West Pacific Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
Strait Energy Investment Co., Ltd.	Controlled by the Same Ultimate Controller
Beijing Petroleum Machinery Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum Materials Co., Ltd.	Controlled by the Same Ultimate Controller
Jidong Petroleum Development Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Research Institute of Tubular Goods	Controlled by the Same Ultimate Controller
CNPC Bohai Petroleum Equipment Manufacturing Co., Ltd.	Controlled by the Same Ultimate Controller
Beijing Petroleum Managers Training Institute	Controlled by the Same Ultimate Controller
CNPC Xibu Pipeline Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Jichai Power Co., Ltd.	Controlled by the Same Ultimate Controller
Sichuan Petroleum Administration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC (Beijing) Technology Development Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Dalian Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Pension Assets Management Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Oilfield Technology Service Co., Ltd.	Controlled by the Same Ultimate Controller
International Business Department of CNPC	Controlled by the Same Ultimate Controller
CNPC Jinxi Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
Petrochina Daqing Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller

Continued

Company Name	Relationship
CNPC Engineering Consulting Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Liaoyang Petrochemical Fiber Co., Ltd.	Controlled by the Same Ultimate Controller
PetroChina Guangxi Oil Storage Co., Ltd.	Controlled by the Same Ultimate Controller
Jilin Petroleum Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Economics & Technology Research Institute	Controlled by the Same Ultimate Controller
Baoji Oilfield Machinery Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum Hong Kong Co., Ltd.	Controlled by the Same Ultimate Controller
PetroChina (Ningxia) Chemical Co., Ltd.	Controlled by the Same Ultimate Controller
Beijing Huachang Real Estate Co., Ltd.	Controlled by the Same Ultimate Controller
Changqing Petroleum Exploration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC HSE Research Institute Co., Ltd.	Controlled by the Same Ultimate Controller
Xinjiang Tuha Petroleum Exploration & Development Co., Ltd.	Controlled by the Same Ultimate Controller
Xinjiang Dushanzi Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
Beijing Huamei Shiji International Technology Co., Ltd.	Controlled by the Same Ultimate Controller
China Huaming International Investment Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum News	Controlled by the Same Ultimate Controller
Baoji Petroleum Steel Pipe Co., Ltd.	Controlled by the Same Ultimate Controller
Qinghai Petroleum Administration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
Yumen Petroleum Administration Co. Ltd.	Controlled by the Same Ultimate Controller
Petroleum Industry Press Co., Ltd.	Controlled by the Same Ultimate Controller
China National United Oil Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Jinzhou Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
Jilin Chemical Group Corp Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Lanzhou Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Bohai Drilling Engineering Co., Ltd.	Controlled by the Same Ultimate Controller
BGP INC., China National Petroleum Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum Logging Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Chuanqing Drilling Engineering Co., Ltd.	Controlled by the Same Ultimate Controller
PetroChina Linyuan Refinery Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Offices Service Center	Controlled by the Same Ultimate Controller
North China Petroleum Administration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum Technology & Development Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Fushun Petrochemical Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Research Institute of Science and Technology, Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Transportation Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Greatwall Drilling Co., Ltd.	Controlled by the Same Ultimate Controller

Continued

Company Name	Relationship
CNPC Capital Co., Ltd.	Controlled by the Same Ultimate Controller
Xinjiang Petroleum Administration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum Group Engineering Service Co., Ltd.	Controlled by the Same Ultimate Controller
Dagang Oilfield Group Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum Engineering Co., Ltd.	Controlled by the Same Ultimate Controller
Daqing Petroleum Administration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
China Petroleum International Exploration and Development Co., Ltd.	Controlled by the Same Ultimate Controller
Liaohe Petroleum Exploration Bureau Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Xibu Drilling Engineering Co., Ltd.	Controlled by the Same Ultimate Controller
China Huayou Group Co., Ltd.	Controlled by the Same Ultimate Controller
CNPC Harbin Refinery Co., Ltd.	Controlled by the Same Ultimate Controller
PetroChina Co., Ltd.	Controlled by the Same Ultimate Controller
China National Petroleum Corporation Middle East FZE	Controlled by the Same Ultimate Controller

VI-4 Related Party Transactions

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. Interest Paid to Related Parties

Company Name	Interest Expense in the Current Year (RMB 10 ⁴)	Interest Expenses in Last Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	114,824.29	101,607.34
Other Related Parties Subordinate to China National Petroleum Corporation	1.34	0.69
Total	114,825.63	101,608.03
Range of Interest Rates	0.00% ~ 4.125%	0.315% ~ 4.125%

2. Interest Charged on Related Parties

Company Name	Interest Income in the Current Year (RMB 10 ⁴)	Interest Income in the Last Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	2,952.02	2,433.45
Range of Interest Rates	4.35% ~ 6.30%	4.75%

VI-5 Rent paid to Related Parties

Company Name	Expenditure in the Current Year (RMB 10 ⁴)	Expenditure in the Last Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	22,990.58	22,793.81

VI-6 Property Management Fees and Other Expenses Paid to Related Parties

Company Name	Expenditure in the Current Year (RMB 10 ⁴)	Expenditure in the Last Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	4,072.64	4,588.44

VI-7 Balances of Related Parties

Name of Related Party	Name of Item	Amount as at the End of the Year		Amount as at the Beginning of the Year	
		Balance (RMB 10 ⁴)	Proportion of Similar Transactions (%)	Balance (RMB 10 ⁴)	Proportion of Similar Transactions (%)
China National Petroleum Corporation and the Companies Controlled by it	Loans and Advances to Customers (Note 1)	33,542.01	0.24	7,000.00	0.06
	Due to Customers	4,821,681.15	26.18	4,987,906.25	32.01
	Due to the Banks and Other Financial Institutions	53,188.18	0.89	326,251.29	3.47
	Interest Payable (Note 2)			15,762.57	5.75
	Deposits with the Banks and Other Financial Institutions	52,386.91	1.92	52,892.50	1.16
	Other Payables	42.23	0.01	417.33	0.11
	Interest Receivable (Note 2)			48.35	0.02
Other Related Parties Subordinate to China National Petroleum Corporation	Due to the Banks and Other Financial Institutions	23.13			
	Due to Customers	4.30			

Note 1: As at 31 December, 2019, the balance of loans from shareholders with 5% or above shares of the Company was zero (2018: zero).

Note 2: As mentioned in Note II \ (26) \ (2), as at 31 December, 2019, the interest receivable and interest payable generated by the financial instruments of the Company had been included in the book value of relevant financial assets and financial liabilities, and the related parties had no interest which was receivable but hadn't been received.

VI-8 Entrusted Loan Business

Name of Entrusting Party	Balance as at the End of the Year (RMB 10 ⁴)	Balance as at the Beginning of the Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	1,067,741.18	1,104,000.00

VI-9 Fee Income

Company Name	Amount in the Current Year (RMB 10 ⁴)	Amount in the Last Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	555.37	600.00

VI-10 Guarantee Business - Letters of Guarantee Issued

Name of Guaranteed Company	Balance as at the End of the Year (RMB 10 ⁴)	Balance as at the Beginning of the Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	193,196.17	188,658.97

VI-11 Guarantee Business - Bank's Acceptance bills

Company Name	Amount in the Current Year (RMB 10 ⁴)	Amount in the Last Year (RMB 10 ⁴)
China National Petroleum Corporation and the Companies Controlled by it	4,000.00	

VI-12 Major Related Party Transactions

The Bank didn't have any major related party transactions in the year of 2019 (2018: zero).

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.

VII. Contingencies, Commitments and Main Off-balance Sheet Events

VII-1 Contingencies Arising from Litigation

As at 31 December, 2019, the Bank as the plaintiff had 84 pending lawsuits with the amount totaling RMB 72.2829 million; while the Bank as the defendant had eight pending lawsuits with the amount totaling RMB 180.2954 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.

VII-2 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, 2019	31 December, 2018
Within 1 Year	298,736,631.61	285,823,450.00
1-2 Years	250,476,958.97	210,773,026.98
2-3 Years	83,370,657.70	62,718,751.57
3-4 Years	51,427,295.44	59,499,423.77
4-5 Years	30,290,382.11	24,955,625.14
Over 5 Years	24,044,391.25	40,064,318.19
Total	738,346,317.08	683,834,595.65

2. Capital Expenditure Commitments

Item	31 December, 2019	31 December, 2018
Decoration Work - Contract Signed	22,249,253.46	13,681,320.96
Electronic System Purchase - Contract Signed	101,995,444.13	78,007,378.30
Total	124,244,697.59	91,688,699.26

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, 2019	31 December, 2018
Bonds	23,397,191,000.00	20,080,905,700.00
Notes	11,855,923,594.12	9,976,049,620.22
Loans	9,436,000.00	

(2) Part of the Company's bonds were lent to other banks and financial institutions. The balances on the date of balance sheet are listed below:

Item	31 December, 2018
Held-to-maturity Investments	680,000,000.00
Including: Financial Bonds	680,000,000.00
Available for Sale	1,480,000,000.00
Including: Financial Bonds	420,000,000.00
National Debts	710,000,000.00
Government bonds	350,000,000.00
Total	2,160,000,000.00

VII-3 Main Off-balance Sheet Items About Contingent Risks

1. Bank's Acceptance Bills and Letters of Guarantee

Item	31 December, 2019		
	Amount	Margin	Margin Proportion (%)
Bank'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

Item	31 December, 2018		
	Amount	Margin	Margin Proportion (%)
Bank's Acceptance Bills	5,288,403,144.87	1,863,217,463.47	35.23
Letters of Guarantee Issued	4,058,940,693.19	1,432,021,363.73	35.28

Bank'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, 2019	31 December, 2018
Loan Commitments	15,141,871,255.78	9,417,824,399.83
Credit Card's Credit Limit not Used	4,756,077,963.66	2,749,994,314.67
Total	19,897,949,219.44	12,167,818,714.50

VIII. Interests in Other Entities

VIII-1 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, 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
31 December, 2018	Wealth Management Products	2,000,000,000.00	2,000,000,000.00
	Asset Management Plans	700,000,000.00	700,000,000.00
	Trust Products	10,973,561,093.60	10,973,561,093.60
	Others	30,000,000.00	30,000,000.00
Total		13,703,561,093.60	13,703,561,093.60

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)

(1) 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, 2019 and 31 December, 2018. 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 / (25) / 4.

Period	Unconsolidated Structured Entities	Total Scale (RMB)
2019	Wealth Management Products	30,902,408,750.00
2018	Wealth Management Products	23,932,579,066.00

The Company (the Bank) had not provided any financial support for such structured entities classified as wealth management products.

VIII-2 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, 2019 (Unaudited)	Fair Value as at 31 December, 2018 (Unaudited)
Total Assets	44,414,342,007.82	33,498,086,292.11
Total Liabilities	10,164,342,007.82	11,498,086,292.11
Net Assets	34,250,000,000.00	22,000,000,000.00

The consolidated structured entities of the Company are listed as follows:

Structured Entities as at 31 December, 2019	Structured Entities as at 31 December, 2018
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. 3	General China - Bond Selection No. 3
General China - Bond Selection No. 5	General China - Bond Selection No. 5
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
Dacheng Fund - Bank of Kunlun Bond No.1 Assets Management Plan	Dacheng Fund - Bank of Kunlun Bond No.1 Assets 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	
Minsheng Royal 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	
Life AMP Asset Management Co., Ltd._ Bank of Kunlun Bond No. 1	
Life AMP Asset Management Co., Ltd._ Bank of Kunlun Bond No. 2	
Fangda 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	

VIII-3 Interests in Subsidiaries and Consolidated Structured Entities

See Note IV / (1) for the subsidiaries of the Bank.

The Company has no joint ventures.

IX. 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.

The Board of Directors is the supreme managing and decision-making authority in the company's risk management structure. 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 set up the Risk Management Committee and the Credit, Market and Operating Special Committees to be responsible for implementing and supervising the risk management of the Company. The Risk and Compliance Department of the head office is responsible for the overall risk management and the comprehensive promotion of risk management. The leading administrative departments of various risks of the head office are the subject of the risk management of the Company. All departments of the head office and branches specifically implement the policies related to risk management. In this process, the Company will face various risks. The major risks are described and analyzed as follows:

IX-1 Credit Risks

1. Credit Risk Management

The 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 Company, and the management took prudent principles on managing credit risk exposure.

The main sources of credit risk facing the Company include loans, capital business (including deposits and placements with the banks and other financial institutions, financial assets held under resale agreements and bonds investment), letters of guarantee, discount and bank's acceptance bills, etc.

The Company strictly observes the guidance of China Banking Regulatory Commission 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 effective credit

risk management. The senior management and its Risk Management and Internal Control Committee, the decision-making and coordinating body of the Company to manage credit risks, are responsible for the approval of action plan and the coordination for the execution of action plan. The Corporate Business Department, Integration of Industry and Finance 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 2019, 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 2019, the Bank continued to conduct the customer 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 credit scale of medium, small and micro customers and private economic customers; under the unified

guidance of credit policies of the Company, each branch researched and formulated its implementing rules for credit policies based on the situation of the Company and the characteristics of regional economy, and tried to establish its own advantages and encourage business innovation while paying close attention to potential risks. 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. For the bonds whose results of the credit risk investigation show significantly deteriorated solvency and significantly increased credit risks, the Company actively carried out market inquiries and sold bonds at the right time to effectively reduce credit risks.

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 risks of default; investment projects were dominated by the projects of state-owned and central enterprises with high repayment ability; and low risks 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 2019, 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.

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 Interim 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 Bank's acceptance bills, issuance of a letter of guarantee 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 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 and the Credit Examination Committee shall examine and approve 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 shall never exceed that of the borrower determined by the Company. In addition, the Company will carry out the relevant requirements of the *Circular of the China Banking Regulatory Commission on Further Regulating the Credit Asset Transfer Business of Banking Financial Institutions* (Y.J.F. [2010] No. 102) promulgated by the China Banking Regulatory Commission 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 will require 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 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 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 portfolio of individual financial instruments or 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, whether the number of overdue days and 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 the 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 convenience 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. The Company believes that the future economic prospect is neutral, and gives weights of 20%, 60% and 20% to the optimistic, benchmark and pessimistic scenarios to calculate the weighted probability of default parameters.

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.

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, 2019 is listed as follows. For items in the balance sheet, the risk exposure of assets is the book value on the balance sheet date.

Item	The Company	
	31 December, 2019	31 December, 2018
Credit Risk Exposure of Items in the Balance Sheet Includes:		
Deposits with the Banks and Other Financial Institutions	27,354,176,878.09	45,481,562,446.15
Placements with the Banks and Other Financial Institutions	33,731,539,492.23	28,323,750,000.00
Financial Assets Held under Resale Agreements	2,956,421,886.90	30,669,469,189.12
Loans and Advances to Customers	141,480,721,145.47	121,999,498,113.56
Trading Financial Assets	48,308,782,049.68	N/A
Debt Investments	36,393,927,595.64	N/A
Other Debt Investments	17,152,592,243.70	N/A
Financial Assets Measured at Fair Value through Profit or Loss	N/A	45,343,004,946.98
Available-for-sale Financial Assets	N/A	21,078,973,860.50
Held-to-maturity Investments	N/A	17,485,465,306.00
Investment Classified as Receivable	N/A	13,268,824,086.39
Interest Receivable	N/A	2,103,857,884.47
Others	681,934,092.01	543,343,453.04
Subtotal	308,060,095,383.72	326,297,749,286.21
Off-balance Sheet Credit Risk Exposure Includes:		
Bank's Acceptance Bills	7,316,147,190.54	5,288,403,144.87
Letters of Guarantee Issued	3,187,583,428.78	4,058,940,693.19
Letters of Credit Issued	3,018,143.30	
Loans and Other Credit Commitments	19,871,290,004.74	12,167,818,714.50
Subtotal	30,378,038,767.36	21,515,162,552.56
Total	338,438,134,151.08	347,812,911,838.77

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 / (6) 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, 2019	31 December, 2018
Amount of Obtained Debt-offsetting Assets	18,819,167.61	3,108,614.61
Amount of Disposed Mortgage and Pledge	2,689,447.00	

7. Credit Quality

(1) As at 31 December, 2019, 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	25,040,828,375.21		25,040,828,375.21					
Deposits with the 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			21,979,668.51
Placements with the Banks and Other Financial Institutions	35,023,922,222.23		35,023,922,222.23	1,292,382,730.00				1,292,382,730.00
Financial Assets Held under Resale Agreements	2,957,023,802.75		2,957,023,802.75	601,915.85				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	783,763,927.16	1,202,597,114.00	4,685,302,676.01
Debt Investments	37,191,291,312.42		37,191,291,312.42	695,891,006.47				695,891,006.47
Other Debt Investments	18,119,403,916.66		18,119,403,916.66	240,060,782.45				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	33,660,738.42	33,675,910.19
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	789,484,157.80	1,236,257,852.42	6,969,894,689.48
Total Off-balance Sheet Risk Exposure	30,564,653,270.68		30,564,653,270.68	186,614,503.32				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

Credit quality of assets subject to credit risks as at 31 December, 2018.

Item	The Company				Total
	Not Overdue or Impaired	Overdue but Not Impaired	Impaired	Allowance for Impairment	
Deposits with the Banks and Other Financial Institutions	45,506,816,638.13			25,254,191.98	45,481,562,446.15
Placements with the Banks and Other Financial Institutions	29,050,000,000.00			726,250,000.00	28,323,750,000.00
Financial Assets Measured at Fair Value through Profit or Loss	45,343,004,946.98				45,343,004,946.98
Financial Assets Held under Resale Agreements	30,684,677,307.12			15,208,118.00	30,669,469,189.12
Interest Receivable	2,103,864,754.38		26,220,000.00	26,226,869.91	2,103,857,884.47
Loans and Advances to Customers	125,007,048,032.58	63,507,296.71	1,722,969,975.63	4,794,027,191.36	121,999,498,113.56
Available-for-sale Financial Assets	21,087,990,109.00		230,000,000.00	239,016,248.50	21,078,973,860.50
Held-to-maturity Investments	17,492,493,067.40			7,027,761.40	17,485,465,306.00
Investment Classified as Receivable	13,703,561,093.60			434,737,007.21	13,268,824,086.39
Other Assets	541,353,727.97		7,278,640.47	5,288,915.40	543,343,453.04
Total	330,520,809,677.16	63,507,296.71	1,986,468,616.10	6,273,036,303.76	326,297,749,286.21

(2) Loans and Advances to Customers

1) Maturity Analysis of Loans and Advances to Customers Overdue But Not Impaired

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

Item	The Company		
	31 December, 2018		
	Corporate Loans	Personal Loans	Total
Overdue for 1-90 Days (Including 90 Days)	7,022,512.87	56,484,783.84	63,507,296.71
Overdue for 90-360 Days (Including 360 Days)			
Overdue for 360 Days-3 Years (Including 3 Years)			
Overdue for Over 3 Years			
Total	7,022,512.87	56,484,783.84	63,507,296.71
Allowance for Impairment	210,675.39	1,141,979.16	1,352,654.55
Net Value	6,811,837.48	55,342,804.68	62,154,642.16

2) Classification of Loans and Advances to Customers Impaired by Guarantee Types

Guarantee Method	The Company	
	31 December, 2019	31 December, 2018
Credit Loans	104,048,252.36	53,283,345.28
Guaranteed Loans	270,067,377.62	360,191,756.74
Loans Secured by Mortgage	381,978,157.28	281,722,464.01
Loans Secured by Collaterals	836,774,526.61	1,027,772,409.60
Total	1,592,868,313.87	1,722,969,975.63
Less: Allowance for Impairment	1,202,597,208.90	1,354,661,825.72
Net Value	390,271,104.97	368,308,149.91

8. Investment Bonds

Rating distribution of bonds of the Company held by external rating agencies

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

31 December, 2018	Bonds Held for Trading	Available-for-sale Financial Assets	Held-to-maturity Investments
AAA	13,265,696,414.68	5,772,410,491.76	4,670,291,786.04
AA- to AA+	12,088,027,928.41	1,246,733,547.24	1,977,120,054.79
A- to A+			
Below A			
Unrated	19,989,280,603.89	14,994,438,150.00	10,946,650,405.51
Including: National Debts		695,592,080.00	101,569,178.94
Local Government Bonds		202,133,800.00	148,600,000.00
Financial Bonds	443,308,530.52	14,096,712,270.00	4,397,682,226.57
Asset-backed Securities	885,652,626.91		6,298,799,000.00
Fund Investment	18,660,319,446.46		
Total	45,343,004,946.98	22,013,582,189.00	17,594,062,246.34

IX-2 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 affiliate 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 affiliates, 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, 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 the 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 the 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 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:							
Due to the Central Bank			378,704,879.83	341,583,564.16			720,288,443.99
Due to the 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 the 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

Continued

Item	The Company						Total
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	
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

2. Maturity Dates of Assets and Liabilities as at 31 December, 2018

The table below presented on the balance sheet date of 2018 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		2,490,587,137.89				20,308,411,024.02	22,798,998,161.91
Deposits with the Banks and Other Financial Institutions		37,246,668,523.74	2,183,302,944.53	6,051,590,977.88			45,481,562,446.15
Placements with the Banks and Other Financial Institutions			9,993,750,000.00	18,330,000,000.00			28,323,750,000.00
Financial Assets Measured at Fair Value through Profit or Loss		18,660,319,446.46	140,183,200.00	199,870,850.00	26,342,631,450.52		45,343,004,946.98
Financial Assets Held under Resale Agreements			30,401,027,882.00	268,441,307.12			30,669,469,189.12
Interest Receivable		14,333,112.23	1,215,446,941.93	899,301,236.25			2,129,081,290.41
Loans and Advances to Customers		322,096,037.88	259,839,415.60	25,355,119,287.30	53,855,541,231.07	21,875,194,551.61	20,331,707,590.10
Available-for-sale Financial Assets			4,239,836,090.02	1,613,353,395.37	14,106,764,803.62	1,814,611,651.49	21,774,565,940.50
Held-to-maturity Investments			1,105,707,882.37	2,784,264,657.26	9,700,116,108.48	3,996,945,836.83	17,587,034,484.94

Continued

Item	The Company					Total
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	
Investment Classified as Receivable		2,437,500,000.00	4,777,500,000.00	6,053,824,086.39		13,268,824,086.39
Fixed Assets and Construction in Progress					395,961,822.31	395,961,822.31
Intangible Assets					84,195,525.57	84,195,525.57
Deferred Tax Assets					645,503,905.12	645,503,905.12
Other Assets	499,216,638.97	689,047.90	35,852,899.65	2,917,347.66	97,666,422.31	636,342,356.49
Total Assets	336,429,150.11	59,156,631,162.66	77,072,563,276.05	88,815,716,554.60	47,675,003,777.75	351,137,792,269.45
Liabilities:						
Due to the Central Bank			1,001,167,271.03	213,569,821.35		1,214,737,092.38
Due to the Banks and Other Financial Institutions	63,748,003,766.18	5,700,998,931.90	24,340,696,521.76	177,352,969.63		93,967,052,189.47
Placements from the Banks and Other Financial Institutions		1,000,000,000.00				1,000,000,000.00
Financial Assets Sold under Repurchase Agreements		16,483,942,585.18	11,145,572,688.44			27,629,515,273.62
Due to Customers	77,680,832,759.03	18,631,428,900.00	27,549,064,069.09	31,940,028,800.00	3,241,600.00	155,804,596,128.12
Employee Compensation Payable		27,502,362.04				27,502,362.04
Tax Payable		75,604,175.27	247,496,706.46			323,100,881.73
Interest Payable	145,746,066.00	515,230,370.55	1,225,118,129.63	853,151,663.29	86,586.54	2,739,332,816.01
Bonds Payable		6,478,327,947.65	26,781,791,592.47	500,000,000.00		33,760,119,540.12
Deferred Tax Liabilities						
Other Liabilities		246,036,434.53	3,535,471,239.48	386,497,713.26	18,876,467.92	4,186,881,855.19
Total Liabilities	141,820,619,025.74	53,449,673,783.10	91,889,807,242.46	33,489,409,900.84	3,328,186.54	320,652,838,138.68
Net Amount of Liquidity	336,429,150.11	(82,663,987,863.08)	23,622,889,492.95	(3,074,090,687.86)	44,592,038,447.44	30,484,954,130.77

3. Analysis on Maturity Date of Off-balance Sheet Credit Commitments in Each Period

	The Company and the Bank						
	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	Total
31 December, 2019							
Bank'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
31 December, 2018							
Bank's Acceptance Bills	169,219,093.69	2,402,309,058.18	2,716,874,993.00				5,288,403,144.87
Letters of Guarantee Issued	3,026,777,266.32	440,193,016.93	509,405,199.16	72,182,010.78	10,383,200.00		4,058,940,693.19
Loans and Other Commitments	2,749,994,314.67	862,017,208.32	1,870,324,372.83	3,404,407,168.16	3,281,075,650.52		12,167,818,714.50
Total	5,945,990,674.68	3,704,519,283.43	5,096,604,564.99	3,476,589,178.94	3,291,458,850.52		21,515,162,552.56

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, 2019						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		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 the 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 the 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 the 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 the 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

Analysis on Contractual Cash Flows of the Company as at 31 December, 2018							
Item	Overdue	Repayment on Demand	Within 3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	Total
Financial Assets:							
Cash and Balances with the Central Bank		2,490,587,137.89	87,326,167.40	261,978,502.21	1,397,218,678.45	20,657,715,693.63	24,894,826,179.58
Deposits with the Banks and Other Financial Institutions		37,272,333,203.33	2,201,678,110.00	6,148,784,822.03			45,622,796,135.36
Placements with the Banks and Other Financial Institutions			10,530,709,697.22	19,082,582,611.11			29,613,292,308.33
Financial Assets Measured at Fair Value through Profit or Loss		18,660,319,446.46	151,750,066.67	1,261,447,791.22	30,477,793,215.40		50,551,310,519.75
Financial Assets Held under Resale Agreements			30,500,961,809.54	276,494,546.33			30,777,456,355.87
Loans and Advances to Customers	1,401,531,642.79	269,705,185.33	26,699,993,083.07	57,775,048,814.22	28,775,629,173.95	34,692,991,754.43	149,614,899,653.79
Available-for-sale Financial Assets	230,000,000.00		4,639,652,970.00	2,022,083,210.00	15,002,018,649.00	2,023,606,920.00	23,917,361,749.00
Held-to-maturity Investments			1,230,300,390.00	3,213,485,774.00	11,282,154,109.39	5,058,795,341.96	20,784,735,615.35
Investment Classified as Receivable			2,500,615,562.50	4,905,098,480.83	6,309,866,818.04		13,715,580,861.37
Total Financial Assets	1,631,531,642.79	58,692,944,973.01	78,542,987,856.40	94,947,004,551.95	93,244,680,644.23	62,433,109,710.02	389,492,259,378.40
Financial Liabilities:							
Due to the Central Bank			1,003,942,597.26	215,140,220.26			1,219,082,817.52
Due to the Banks and Other Financial Institutions		63,748,003,766.18	5,713,380,320.79	24,922,087,987.47	201,541,278.20		94,585,013,352.64
Placements from the Banks and Other Financial Institutions			1,000,312,222.22				1,000,312,222.22
Financial Assets Sold under Repurchase Agreements			16,511,650,780.52	11,160,581,040.05			27,672,231,820.57
Due to Customers		77,680,832,759.03	18,754,632,269.79	27,923,530,865.39	33,993,705,577.78	3,319,398.40	158,356,020,870.39
Bonds Payable			6,520,000,000.00	27,390,000,000.00	544,800,000.00		34,454,800,000.00
Total Financial Liabilities		141,428,836,525.21	49,503,918,190.58	91,611,340,113.17	34,740,046,855.98	3,319,398.40	317,287,461,083.34
Net Contractual Cash Flows in Balance Sheet	1,631,531,642.79	(82,735,891,552.20)	29,039,069,665.82	3,335,664,438.78	58,504,633,788.25	62,429,790,311.62	72,204,798,295.06

IX-3 Market Risks

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 bank accounts. Transaction accounts 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 bank accounts. In view of different account 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 bank account, without share price risk and commodity price risk.

1. Market Risks of 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 2019, 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 of Banking Books

Exchange Rate Risks

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 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 bank account. In 2019, 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 Risk

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:

2019			
Item	Sensitivity of Net Interest Income (RMB 10 ⁴)	Sensitivity of Equities (RMB 10 ⁴)	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%)

2018			
Item	Sensitivity of Net Interest Income (RMB 10 ⁴)	Sensitivity of Equities (RMB 10 ⁴)	Proportion of Changes in Net Value in Net Capital
An Increase of Interest of 200 Basis Points	11,414.00	(174,713.70)	(5.3287%)

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, 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	2,507,966,970.77			22,523,681,162.51		9,180,241.93	25,040,828,375.21
Deposits with the 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 the 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						353,227,082.69	353,227,082.69
Intangible Assets						94,672,109.95	94,672,109.95
Deferred Tax Assets						750,375,932.51	750,375,932.51
Other Assets						730,885,634.37	730,885,634.37
Total Assets	52,350,388,668.41	37,569,181,173.32	146,057,603,644.22	54,269,452,547.58	42,351,284,899.86	3,803,896,411.80	336,401,807,345.19
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
Due to the 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 the Banks and Other Financial Institutions	2,000,000,000.00					1,034,444.44	2,001,034,444.44

Continued

Item	The Company						Total
	Within 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years	Overdue / Non-accrual	
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	(58,706,469,707.74)	5,799,745,360.88	75,849,895,207.88	(27,658,686,512.42)	42,344,360,399.86	--	--

Analysis on interest rate risk exposure of re-pricing date or expiration date (whichever is earlier) of assets and liabilities as at 31 December, 2018

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	2,170,425,846.29				20,308,411,024.02	320,161,291.60	22,798,998,161.91
Deposits with the Banks and Other Financial Institutions	38,916,119,813.24	513,851,655.03	6,051,590,977.88				45,481,562,446.15
Placements with the Banks and Other Financial Institutions	5,460,000,000.00	4,533,750,000.00	18,330,000,000.00				28,323,750,000.00
Financial Assets Measured at Fair Value through the Current Profits and Losses	18,660,319,446.46	140,183,200.00	199,870,850.00	26,342,631,450.52			45,343,004,946.98
Financial Assets Held under Resale Agreements	30,145,527,882.00	255,500,000.00	268,441,307.12				30,669,469,189.12

Continued

Item	The Company						Overdue / Non-accrual	Total
	Within 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years			
Interest Receivable							2,129,081,290.41	2,129,081,290.41
Loans and Advances to Customers	8,047,891,344.79	17,567,067,358.11	65,527,119,248.43	21,620,576,732.97	8,914,747,391.38	322,096,037.88	121,999,498,113.56	
Available-for-sale Financial Assets	2,152,150,077.83	2,087,686,012.19	1,613,353,395.37	14,106,764,803.62	1,814,611,651.49		21,774,565,940.50	
Held-to-maturity Investments		1,105,707,882.37	2,784,264,657.26	9,700,116,108.48	3,996,945,836.83		17,587,034,484.94	
Investment Classified as Receivable	1,267,500,000.00	1,170,000,000.00	4,777,500,000.00	6,053,824,086.39			13,268,824,086.39	
Fixed Assets and Construction in Progress						395,961,822.31	395,961,822.31	
Intangible Assets						84,195,525.57	84,195,525.57	
Deferred Tax Assets						645,503,905.12	645,503,905.12	
Other Assets						636,342,356.49	636,342,356.49	
Total Assets	106,819,934,410.61	27,373,746,107.70	99,552,140,436.06	77,823,913,181.98	35,034,715,903.72	4,533,342,229.38	351,137,792,269.45	
Liabilities:								
Due to the Central Bank	478,540,500.00	522,626,771.03	213,569,821.35				1,214,737,092.38	
Due to the Banks and Other Financial Institutions	63,748,003,766.18	5,700,998,931.90	24,340,696,521.76	177,352,969.63			93,967,052,189.47	
Placements from the Banks and Other Financial Institutions	1,000,000,000.00						1,000,000,000.00	
Financial Assets Sold under Repurchase Agreements	13,865,946,800.00	2,617,995,785.18	11,145,572,688.44				27,629,515,273.62	
Due to Customers	84,293,712,759.03	12,018,548,900.00	27,549,064,069.09	31,940,028,800.00	3,241,600.00		155,804,596,128.12	
Employee Compensation Payable						27,502,362.04	27,502,362.04	
Tax Payable						323,100,881.73	323,100,881.73	
Interest Payable						2,739,332,816.01	2,739,332,816.01	
Bonds Payable	149,800,951.25	6,328,526,996.40	26,781,791,592.47	500,000,000.00			33,760,119,540.12	
Deferred Tax Liabilities							0.00	
Other Liabilities						4,186,881,855.19	4,186,881,855.19	
Total Liabilities	163,536,004,776.46	27,188,697,384.51	90,030,694,693.11	32,617,381,769.63	3,241,600.00	7,276,817,914.97	320,652,838,138.68	
Interest Rate Sensitivity Gap	(56,716,070,365.85)	185,048,723.19	9,521,445,742.95	45,206,531,412.35	35,031,474,303.72	--	--	

IX-4 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 and some government bonds traded in some exchanges.

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, 2019, 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:				
Financial Assets Held for Trading	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

On 31 December, 2018, 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:				
Financial Assets Held for Trading		45,343,004,946.98		45,343,004,946.98
Including: Trading Bonds Investment		26,682,685,500.52		26,682,685,500.52
Trading Fund Investment		18,660,319,446.46		18,660,319,446.46
Available-for-sale Financial Assets		22,013,582,189.00		22,013,582,189.00
Total		67,356,587,135.98		67,356,587,135.98

For a financial instrument for which there is an active market, the quotation in the active market shall be used to determine such the fair values thereof. 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 of the Company and the Bank not measured at fair value

Item	31 December, 2018			31 December, 2017		
	Book Value	Fair Value	Level	Book Value	Fair Value	Level
Debt Investments - Bonds	18,456,750,886.99	18,017,809,539.42	Level 2	N/A	N/A	
Bonds Payable	31,040,856,818.66	30,806,174,730.00	Level 2	33,760,119,540.12	33,468,830,640.00	Level 2
Held-to-maturity Investments	N/A	N/A		17,594,062,246.34	17,074,579,224.28	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.

IX-5 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 and the Bank at the end of the reporting period are as follows:

Item	31 December, 2019	31 December, 2018
Entrusted Funds	20,917,335,235.08	34,665,481,345.58
Entrusted Loans	20,917,335,235.08	34,665,481,345.58

Including: Refer to Note VI / (8) for the deposits of entrusted loans of China National Petroleum Corporation and its holding subsidiaries as at 31 December, 2019.

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 Bank 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, 2019	31 December, 2018
Net Core Tier 1 Capital	3,261,876.75	3,033,432.77
Net Tier 1 Capital	3,262,296.05	3,033,782.72
Tier 2 Capital	294,499.48	263,189.86
Net Capital	3,556,795.53	3,296,972.58
Risk-weighted Assets	25,204,520.84	22,623,158.40
Core tier 1 Capital Adequacy Ratio	12.94%	13.41%
Tier 1 Capital Adequacy Ratio	12.94%	13.41%
Capital Adequacy Ratio	14.11%	14.57%

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2019	31 December, 2018
Net Core Tier 1 Capital	3,245,498.25	3,017,200.49
Net Tier 1 Capital	3,245,498.25	3,017,200.49
Tier 2 Capital	292,519.21	261,543.41
Net Capital	3,538,017.46	3,278,743.89
Risk-weighted Assets	25,098,606.25	22,533,274.16
Core tier 1 Capital Adequacy Ratio	12.93%	13.39%
Tier 1 Capital Adequacy Ratio	12.93%	13.39%
Capital Adequacy Ratio	14.10%	14.55%

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 Capital

Unit: in RMB 10⁴

Item	The Company	
	31 December, 2019	31 December, 2018
Paid-in Capital	1,028,787.93	1,028,787.93
Portion of Capital Reserve that Can be Included	1,019,299.06	1,019,299.05
Surplus Reserve	246,994.53	211,620.91
General Reserve	452,230.65	429,800.10
Undistributed Profits	494,625.93	329,723.87
Eligible Portion of Minority's Capital	3,144.77	2,624.63

Continued

Item	The Company	
	31 December, 2019	31 December, 2018
Others	26,258.69	20,014.27
Total Core Tier 1 Capital	3,271,341.56	3,041,870.76
Core tier 1 Capital Adjustment Items	9,464.81	8,437.99
Net Core Tier 1 Capital	3,261,876.75	3,033,432.77
Other Tier 1 Capital	419.30	349.95
Net Tier 1 Capital	3,262,296.05	3,033,782.72

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2019	31 December, 2018
Paid-in Capital	1,028,787.93	1,028,787.93
Portion of Capital Reserve that Can be Included	1,019,288.95	1,019,288.95
Surplus Reserve	246,994.53	211,620.91
General Reserve	451,146.67	428,716.12
Undistributed Profits	488,236.29	322,960.32
Eligible Portion of Minority's Capital		
Others	26,258.69	20,014.25
Total Core Tier 1 Capital	3,260,713.06	3,031,388.48
Core tier 1 Capital Adjustment Items	15,214.81	14,187.99
Net Core Tier 1 Capital	3,245,498.25	3,017,200.49
Other Tier 1 Capital		
Net Tier 1 Capital	3,245,498.25	3,017,200.49

2. Composition of Tier 2 Capital

Unit: in RMB 10⁴

Item	The Company	
	31 December, 2019	31 December, 2018
Eligible Portion of Tier 2 Capital Instruments and their Premiums		
Allowance for Excess Loan Losses	293,660.87	262,489.96
Eligible Portion of Minority's Capital	838.61	699.90
Tier 2 Capital Adjustment Items		
Net Tier 2 Capital	294,499.48	263,189.86
Net Capital	3,556,795.53	3,296,972.58

Item	The Bank	
	31 December, 2019	31 December, 2018
Eligible Portion of Tier 2 Capital Instruments and their Premiums		
Allowance for Excess Loan Losses	292,519.21	261,543.41
Eligible Portion of Minority's Capital		
Tier 2 Capital Adjustment Items		
Net Tier 2 Capital	292,519.21	261,543.41
Net Capital	3,538,017.46	3,278,743.89

3. Composition of Risk Assets

Unit: in RMB 10⁴

Item	The Company	
	31 December, 2019	31 December, 2019
Credit Risk-weighted Assets	23,786,530.51	21,261,686.79
Market Risk-weighted Assets	215,215.05	276,907.43
Operational Risk-weighted Assets	1,202,775.28	1,084,564.18
Total Risk-weighted Assets	25,204,520.84	22,623,158.40

Unit: in RMB 10⁴

Item	The Bank	
	31 December, 2019	31 December, 2019
Credit Risk-weighted Assets	23,694,056.11	21,185,016.19
Market Risk-weighted Assets	215,215.05	276,907.43
Operational Risk-weighted Assets	1,189,335.08	1,071,350.54
Total Risk-weighted Assets	25,098,606.25	22,533,274.16

Since its establishment, the Bank 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

XI-1 Profit Distribution

On 26 March 2020, the ninth meeting of the fifth session Board of Directors passed the proposal concerning the profit distribution for the second half of year 2019:

1. Withdrawal of statutory surplus reserve: to withdraw the statutory surplus reserve RMB 359,097,666.57.
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 39,230,268.91.
3. Distribution of cash dividends: to distribute the dividends as per 45.1% of the profit available for divided in 2019. In the first half of the year, dividends of RMB 720,151,548.09 have been distributed, and dividends of RMB 720,151,548.08 shall be 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.

XI-2 Considerations of the Impact of COVID-19

The COVID-19 infection cases occurred before the end of 2019, and broke out on a large scale at the beginning of 2020. The prevention and control of COVID-19 epidemic is being carried out throughout the country. The Company will earnestly implement and realize various requirements in the *Notice on Further Strengthening Financial Support for the Prevention and Control of the Epidemic Caused by COVID-19* jointly released by The People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission (CBIRC), the China Securities Regulatory Commission (CSRC) and State Administration of Foreign Exchange to strengthen the financial support for the prevention and control of the epidemic. The COVID-19 will cause a certain effect on some provinces and cities including Hubei Province, and the business operation in some industries, as well as the whole economical operation, and may further impact the asset quality or asset income level of the credit assets of the Company and the financial instruments of trust plans for the real economy. The effect degree will depend on the prevention & control and duration of the epidemic, as well as the implementation of various regulatory policies. The Company will continue to pay close attention to the development of the epidemic, assess and actively respond to the its impact on the Company's financial position, and results of operations.

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.