



昆仑银行
Bank of Kunlun

BANK OF KUNLUN CO., LTD.

**ABSTRACT OF ANNUAL
REPORT 2021**

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I. Important Notice

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

This Abstract is extracted from the full Annual Report. For more information about the details, you should read the full Annual Report.

On 16 March, 2022, the *2021 Annual Report of Bank of Kunlun Co, Ltd.* and its abstract were reviewed and approved at the third meeting of Bank of Kunlun's sixth Board of Directors.

The 2021 Annual Financial Statements prepared by the Bank in accordance with PRC GAAP have been audited by BDO China Shu Lun Pan CPAs, which has issued a standard and unqualified auditor's report.

Mr. Wang Zhonglai, Legal Representative and Chairman of the Bank; Mr. He Fang, President of the Bank; Mr. Yan Jiu, in charge of finance and Mr. Meng Lin, in charge of Accounting Department, represent and warrant that the financial statements in the 2021 Annual Report are authentic, accurate and complete.

II. General Information

1. Legal Name in Chinese: 昆仑银行股份有限公司

Legal Name in English: BANK OF KUNLUN CORPORATION LIMITED

Abbreviation in Chinese: 昆仑银行

Abbreviation in English: Bank of Kunlun (KLB)

2. Legal Representative: Wang Zhonglai

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

Registered Address: No. 7 Century Avenue, Karamay City, Xinjiang

Postal Code: 834000

Business Enquiry and Complaint Hotline: 95379

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

4. Board Secretary: Yan Jiu

Tel: 0990-6230689

Email: ir@klb.com.cn

III. Financial Highlights

Financial data and indicators in this Annual Report are derived from the auditor's report of the Company 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 and are presented in RMB.

Annual Operating Results

Unit: in RMB 10⁴

Item	2021	2020	2019
Net Interest Income	564,890	393,988	426,479
Net Fee and Commission Income	(120,299)	516	3,179
Operating Income	603,184	592,005	712,431
Operating and Administrative Expenses	218,970	197,943	204,089
Impairment Losses on Credit Assets	72,520	45,509	85,251
Impairment Losses on Other Assets	0	74	(161)
Operating Profit	304,678	343,592	418,337
Pre-tax Profit	304,380	343,730	418,252
Net Profit	254,030	291,246	358,871
Net Profit Attributable to the Shareholders of the Parent Company	253,563	291,098	358,724
Total Comprehensive Income Attributable to the Shareholders of the Parent Company	260,999	262,148	364,080
Net Cash Flows From Operating Activities	119,400	(3,802,549)	(3,099,042)

As at the End of the Reporting Period

Unit: in RMB 10⁴

Item	31 December, 2021	31 December, 2020	31 December, 2019
Total Assets	35,523,446	34,988,398	33,648,398
Total Loans and Advances to Customers ⁽¹⁾	17,695,776	16,079,571	14,616,602
Allowance for Impairment Losses on Loans ⁽²⁾	547,351	502,667	468,530
Net Investments	8,899,134	11,322,946	10,390,896
Total Liabilities	31,978,259	31,594,597	30,370,805
Due to Customers ⁽³⁾	20,903,362	19,814,383	18,415,997
Due to Banks and Other Financial Institutions	3,987,111	5,152,058	5,955,515

Continued

Item	31 December, 2021	31 December, 2020	31 December, 2019
Placements from Banks and Other Financial Institutions	150,130	100,046	200,103
Equity Attributable to the Shareholders of the Parent Company	3,535,176	3,384,257	3,268,197
Share Capital	1,028,788	1,028,788	1,028,788
Net Core Tier 1 Capital ⁽⁴⁾	3,521,249	3,376,412	3,261,877
Net Tier 1 Capital ⁽⁴⁾	3,521,799	3,376,921	3,262,296
Net Capital ⁽⁴⁾	3,872,094	3,702,197	3,556,796
Risk-weighted Assets ⁽⁴⁾	29,674,700	27,724,858	25,204,521

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

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

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

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

Per Share Data

Unit: in RMB

Item	31 December, 2021	31 December, 2020	31 December, 2019
Net Assets Per Share ⁽¹⁾	3.44	3.29	3.18
Basic Earnings Per Share ⁽²⁾	0.25	0.28	0.35
Diluted Earnings Per Share ⁽²⁾	0.25	0.28	0.35
Net Cash Flow Per Share from Operating Activities	0.12	(3.70)	(3.01)

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 Information Disclosure and Compilation of Companies Publicly Issuing Securities No.9: Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 2010)* issued by CSRC.

Profitability

Item	2021	2020	2019
Return on Average Total Assets ⁽¹⁾ (%)	0.72	0.85	1.04
Weighted Average ROE ⁽²⁾ (%)	7.33	8.65	11.31
Weighted Average ROE after Deduction of Non-Recurring Gains and Losses ⁽²⁾ (%)	7.33	8.63	11.32
Net Interest Spread ⁽³⁾ (%)	1.88	1.34	1.61

Continued

Item	2021	2020	2019
Net Interest Margin ⁽⁴⁾ (%)	1.94	1.30	1.49
Ratio of Net Fee and Commission Income to Operating Income (%)	(19.94)	0.09	0.45
Cost-to-Income Ratio ⁽⁵⁾ (%)	36.30	33.44	28.65

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 Information Disclosure and Compilation of Companies Publicly Issuing Securities No.9: Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 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	2021	2020	2019
Non-performing Loan (NPLs) Ratio ⁽¹⁾ (%)	0.95	0.95	1.09
Provision Coverage Ratio ⁽²⁾ (%)	325.83	329.97	293.66
Loan Provision Ratio ⁽³⁾ (%)	3.10	3.13	3.21

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.

(3) Calculated by dividing the balance of the allowance for impairment losses on loans by the total loans and advances to customers.

Capital Adequacy

Item	2021	2020	2019
Core Tier 1 Capital Adequacy Ratio ⁽¹⁾ (%)	11.87	12.18	12.94
Tier 1 Capital Adequacy Ratio ⁽¹⁾ (%)	11.87	12.18	12.94
Capital Adequacy Ratio ⁽¹⁾ (%)	13.05	13.35	14.11
Total Equity to Total Assets Ratio ^(%)	9.98	9.70	9.74

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

IV. Management Discussion & Analysis

4.1 Review of Overall Operation

In 2021, under the strong leadership of the Board of Directors, and the guidance and help of the supervision departments, the Bank deeply implemented the decisions and deployment of the Central Party Committee and superior departments; adhered to the positioning of industrial finance, and the general principle of seeking progress while maintaining stability; applied a new vision of development based on the new development stage; comprehensively promoted the high-quality party building and strengthened the risk control; positively served the Group's main business and the real economy; and strived to achieve a good beginning of the secondary entrepreneurship. The Bank achieved the V-shape reversal in operating income and increased to RMB 6.032 billion, representing an increase of RMB 112 million; realized the total profits of RMB 3.044 billion, and total assets of RMB 355.2 billion; the NPLs ratio reached 0.95%, showing a good level in the same industry. Under the general background of narrowing interest rate spreads in the industry, the net interest spread increased by 54 BP to 1.88% against trend, and the performance growth trend became more solid.

The Bank anchored the main track of industrial finance; steadily advanced the strategy of “serving small customers, completing difficult business, doing professional things, and making deep efforts”; consolidated the upper-stream and made efforts in the down-stream; promoted and researched on-line financing products such as “Petro Easy Loan”, “Gas Easy Loan” and “China Petroleum E Channel”. In the whole year, our customers in the industry chain increased 1,419, accounting for 80% of the newly added corporate customers, and the exclusive credit balance of industry and finance stood at RMB 55.325 billion, representing an increase of RMB 13.144 billion or 31.16% from the beginning of the year. The Bank followed the trend of the large retail industry; advanced the integration and specialization of financial services; took the “allfinanz assets” as the trunk line of development to realize the steady rise of financial assets and personal savings; elaborately organized the promotion and sales of the personal certificates of deposit, “Huixin No.2”, and other main products; adhered to the integration of industry and finance, technology empowerment and big data drive; quickened the construction of digital and intelligentized customer operation system. The total number of retail customers reached 4.4094 million, and the balance of personal deposits was RMB 82.162 billion, with a year-on-year increase of 11.07%. We continued to improve the profitability of financial market business; take strict precautions against the large exposure risks; adhere to the simultaneous development in scale and spreads; make the financing business larger, stronger and better; and advance the license declaration work for financing subsidiaries. We completed the reduction and disposal work of “old products”, with the net value ratio and financing balance respectively reaching 100% and RMB 37.224 billion.

We strengthened the responsibility, fulfilled social responsibilities, and effectively boosted rural revitalization and poverty alleviation and elimination. Meanwhile, we implemented the “Four Buzhai” work requirements of the central government on poverty alleviation village, forestalled the bottom line

of “ensuring no large-scale return to poverty”, and gave fully play to the financial assistance advantages. The balance of agro-related loans maintained a growth. The support for small and micro enterprises continuously increased. We gave full play to the advantages of industrial finance, the loan balance of inclusive small and micro enterprises was RMB 6.733 billion, representing an increase of RMB 2.509 billion or 59.40% from the beginning of the year, so we overfulfilled the evaluation indicator of the supervision. We continued to make efforts in green finance, focused on the construction of projects in the new energy industry of Xinjiang, and strengthened the issuance of credit resources. The balance of our green credit was RMB 14.219 billion, representing an increase of RMB 836 million from the beginning of the year. We continued to strengthen the customer rights protection, positively carried out the inspection and propaganda of customer rights protection, and solidly conducted the special rectification work for customer complaints. The degree of customer satisfaction continued to improve.

4.2 Risk Management

4.2.1 Organizational Structure of Risk Management

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 the Risk Management Committee (the Business Continuity Management Committee, the Credit Information Security Leading Group) to be responsible for implementing and supervising the risk management; the Risk Management Department at the Head Office is responsible for leading the overall risk management and the comprehensive promotion of risk management; the leading management departments of various risks of the Head Office are the subject of the risk management of the Bank, and responsible for recognition, measurement/assessment, monitoring/report, control/mitigation of such risks, and reporting the risk management of these risks to the Senior Management, and the comprehensive risk management department; all departments of the Head Office and branches specifically implement the policies related to risk management, recognize and manage the risks, and report the risk management work and risk events, etc. to all risk leading management departments and the 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.

4.2.2 Credit Risk

The Bank establishes a credit risk governance structure with a healthy organizational structure and a clear responsibility, and determines the tolerance and management objectives involved in the credit risks based on the supervision policies and the risk preference management policies of the Bank. 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. The Bank implemented the penetration principle to ensure that the credit risk management covered all the on-balance sheet and off-balance sheet credit risk assets. We continually improved the credit risk management system, deepened the adjustment of its credit structure, all in an effort to standardize post-loan management initiatives. We also strengthened risk monitoring and 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. As at the end of 2021, the total loans and advances issued by the Company amounted to RMB 176.512 billion, and the balance of NPLs reached RMB 1.678 billion, implying an increase of RMB 156 million compared with last year; the NPLs ratio was 0.95%, roughly the same with the end of last year.

Asset Quality Classification of Loans and Advances to Customers

Unit: in RMB 10⁴

Five-tier Classification	31 December, 2021		31 December, 2020	
	Amount of Loans and Advances	Proportion in Total Amount (%)	Amount of Loans and Advances	Proportion in Total Amount (%)
Subtotal of PLs:	17,483,425	99.05	15,902,142	99.05
Normal	17,402,137	98.59	15,846,465	98.71
Special-mention	81,288	0.46	55,677	0.35
Subtotal of NPLs:	167,778	0.95	152,168	0.95
Sub-standard	8,827	0.05	27,899	0.17
Doubtful	33,135	0.19	39,233	0.24
Loss	125,816	0.71	85,036	0.53
Total	17,651,203	100.00	16,054,310	100.00

4.2.3 Market Risk

The Bank classified all on-balance sheet and off-balance sheet assets and liabilities into trading books or banking books. The Bank has established a market risk management system for trading books covering risk identification, measurement, monitoring, reporting, and control to continuously monitor and control market risk in transactions and keep the market risk of trading books within a tolerable and reasonable level of the Bank. The Bank incorporated the interest rate risks in the banking book into the Bank's comprehensive risk management framework, and established a specific management system according to system importance, risk status, and business complexity, in order to strengthen the identification, measurement, monitoring, control, and mitigation of such risk. The Bank 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. As at the end of 2021, the balance of trading book of the Bank was 0.

4.2.4 Operational Risk

In 2021, the Bank attached great importance to operational risk management; organized and carried out “Internal Compliance Management and Construction Year” activities; continued to improve the effectiveness and pertinence of operational risk governance; and strengthened the compliance management atmosphere of complying with regulations and disciplines. The Bank adhered to the philosophy of risk prevention and control; strengthened the employee behavior control and business investigation; The Bank strictly implemented the risk investigation plan; established a ledger for the found problems; and timely supervised and urged the rectification, and track the rectification results. Meanwhile, the Bank strengthened the authorization control, and improved the authorization level; strengthened the risk event control to effectively intercept the risk events. The Bank continuously carried out the compliance inspection and personnel behavior investigation; organized all branches to carry out the special inspection; conducted the investigation of abnormal behaviors of employees, and case risks. The Bank actively promoted the construction of new counter, new core, and other systems to improve the comprehensive management capabilities of operational risks. The Bank promoted the standardized management level; printed and distributed two enterprise standards; signed standardized service contracts; and carried out the creation of enterprises with standardized good behaviors. The Bank strengthened the personnel management training to ensure the implementation of control measures for different operational risks. The Bank had no major cases in 2021.

4.2.5 Liquidity Risk

In line with changes in the macroeconomic situation, industry dynamics and supervision requirements, the Bank further improved the liquidity risk management position; continued to strengthen the liquidity risk management work; implemented and realized the liquidity supervision requirements; continued to intensify the daily management and strengthen the liquidity risk indicator monitoring & pre-warning, the liquidity risk emergency mechanism; and quarterly carried out the liquidity risk pressure test. The Bank paid close attention to changes in the epidemic situation, international situation, the macroeconomic situation, the monetary policy, industry dynamics, changes of the market situation, and flexibly adjusted its strategy for domestic and international assets and liabilities according to the regulations on liquidity, the status of its assets and liabilities, and the characteristics of its phased fund management, ensuring overall liquidity security. The Bank steadily monitored overall liquidity and the status of its assets and liabilities businesses, coordinated on-balance sheet and off-balance sheet liquidity risk management, strengthened intraday liquidity risk management, optimized the maturity of assets and liabilities, strengthened the liquidity risk monitoring and pre-warning, improved the quality of liquidity pressure testing, improved contingency management, and expanded the fund sources to ensure smooth market financing channels and abundant high-quality liquid assets. 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 pressure test results showed that under the set pressure scenarios, the Bank could achieve the minimum life expectancy as required by regulatory authorities, and the liquidity risks were always within the controllable scope. As at the end of 2021, the liquidity ratio of the Bank was 59.79%, liquidity coverage ratio 248.23%, net stable funding ratio 107.01%, and liquidity matching rate 107.02%.

4.2.6 Country Risk

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 2021, 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. Overall, the Bank's internal level of country risks was low, and the risk development trend was stable.

4.2.7 Reputational Risk

The Bank attached great importance to the reputational risk management, and continued to conduct the around-the-clock public opinion monitoring. The monitoring objects cover the Bank's own public opinions, the public opinions of important credit customers, supervision policy dynamics and the public opinions of 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. The Bank actively responded to and resolved the negative public opinions, and no major public opinion risk events incurred. Meanwhile, we formulated the emergency plans and organized drills to increase the capabilities of the management personnel to respond to the public opinion, supporting stable development and further improving the reputation risk management.

4.2.8 Strategic Risk

In order to effectively deal with the uncertainty of the internal and external situation, the Bank strengthened the situation and policy analysis, timely formulated corresponding strategies, and completed the formulation work for the "14th Five-Year" Plan. During the "14th Five-year" Plan period, the Bank would adhere to the strategic positioning of industrial finance; steadily stick to the direction of "serving small customers, completing difficult business, doing professional things, and making deep efforts" in the integration of industry and finance; follow the "four adherences" strategy for corporate revitalization, the "four transformations" guideline for corporate governance, and the "four-essentials" requirements; and took the goal of "building the most competitive first-class commercial bank with unique characteristics in the energy field". Currently, the tertiary strategic risk management framework which constitutes the Board of Directors, the Senior Management and the Strategic Investment and Development Department of Bank of Kunlun run well and satisfied the Bank's strategic development requirements. The strategic risks of the Bank were overall controllable, showing a stable development trend.

4.2.9 Legal Risk

The Bank steadily strengthened the construction of its legal control system, and improved its working mechanisms; deepened its legal reviews, enhanced daily business development legal support, new product development, and handling of major issues, effectively preventing and resolving legal risks. Additionally,

it highlighted contract management, formulated and improved the texts of format contracts, specifically launched post-contract governance, and strengthened supervision and accountability, while at the same time it strengthened its management of dispute cases, strengthened the demonstration of dispute cases, compiled typical case studies, and shared legal resources, drawing on dispute cases to improve management. By holding the lectures on the rule of law, law management training, case analysis, online answering, the Bank enhanced legal dissemination and publicity, continued to improve professional capabilities, strengthened the legal compliance awareness and risk prevention and control abilities of employees, and created a favorable law-abiding culture of compliance to laws and regulations. Overall, the Bank's internal level of legal risks was low, and the risk development trend was stable.

4.2.10 Information Technology Risk

The Bank adjusted the organizational structure of information technology risk management, provided full-time information technology risk management personnel, and implemented the management of accredit risk teams in information technology. The Bank improved the policies related to risk management, specified the tolerance management objectives and key monitoring indicators of the information technology risks. The Bank updated and optimized the information technology risk repository and key risk indicator system; improved the risk measurement and risk assessment policies; continued to monitor the key risk indicators for information technology; carried out the special risk assessment and annual information technology risk assessment work such as project outsourcing risk, and risks before an important system is put into operation. The Bank formulated and released the overall plan for business continuity, drill plan for business continuity; carried out the re-examination of business impact analysis; updated the list of important business and important information system; improved the business continuity plan based on the list; completed the city-wide application level disaster recovery construction for all important information systems; successfully completed the city-wide disaster recovery switching drill for three batches of important information systems. The drill covered all important business and important information systems to effectively verify the availability of important information systems for city-wide disaster recovery environment, and the capabilities of truly taking over business. Overall, the Bank's internal level of information technology risks was low, and the risk development trend was stable.

4.2.11 Money Laundering Risk

The Bank strictly abided by the laws and regulations on anti-money laundering; actively implemented the supervision requirements on the risk-based anti-money laundering; seriously performed the social responsibilities and legal obligations of anti-money laundering; and tried to improve the risk management level of anti-money laundering and anti-terrorist financing. In 2021, the Bank followed the working idea of "consolidating the management basis, practically completing the risk monitoring, and further enhancing the compliant quality and efficiency" to continuously promote the money laundering and anti-terrorist financing risk management. The Bank optimized and improved the system function, established and adjusted various monitoring models; strengthened supervision and inspection, and continued to promote the problem rectification; practically completed the grassroots service work, carried out the activities of "anti-money laundering home teaching" in branches, and independently designed the anti-money laundering network

courses for broadcasting. Moreover, the Bank also actively cooperated with the Central Bank to complete the anti-money laundering investigation and survey, and provided powerful support for the Central Bank and the Public Security Department in fighting against money laundering and other illegal and criminal activities. Overall, the Bank's internal level of money laundering risks was low, and the risk development trend was stable.

4.3 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)*. According to the requirements, the credit risk-weighted assets are measured by weight method, market risk-weighted assets by standard method and the operational risk-weighted assets by the basic indicator method.

Table of Capital Structure and Capital Adequacy Ratios of the Company

Unit: in RMB 10⁴

Item	31 December, 2021	31 December, 2020	Rate of Change (%)
Core Tier 1 Capital	3,539,303	3,388,033	4.46
Eligible Portion of Paid-in Capital	1,028,788	1,028,788	0.00
Eligible Portion of Capital Reserve	1,019,299	1,019,299	0.00
Surplus Reserve	301,406	276,064	9.18
General Risk Preparation	459,447	456,154	0.72
Undistributed Profits	721,491	606,604	18.94
Eligible Portion of Minority's Capital	4,128	3,817	8.15
Regulation Deduction Item of Core Tier 1 Capital	18,054	11,621	55.36
Other Intangible Assets (Excluding Land Use Right)	18,054	11,621	55.36
Net Core Tier 1 Capital	3,521,249	3,376,412	4.29
Other Tier 1 Capitals	550	509	8.15
Eligible Portion of Minority's Capital	550	509	8.15
Regulation Deduction Item of Tier 1 Capital	0	0	0.00
Net Tier 1 Capital	3,521,799	3,376,921	4.29
Tier 2 Capital	350,294	325,276	7.69
Provision for Excess Loan Losses	349,193	324,258	7.69
Eligible Portion of Minority's Capital	1,101	1,018	8.15
Regulation Deduction Item of Tier 2 Capital	0	0	0.00
Total Net Capital	3,872,094	3,702,197	4.59
Total Risk-weighted Assets	29,674,700	27,724,858	7.03

Continued

Item	31 December, 2021	31 December, 2020	Rate of Change (%)
Including: Credit Risk-weighted Assets	28,284,664	26,264,904	7.69
Market Risk-weighted Assets	196,958	224,337	(12.20)
Total Market Risk Capital Requirements	15,757	17,947	(12.20)
Operational Risk-weighted Assets	1,193,079	1,235,617	(3.44)
Total Operational Risk Capital Requirements	95,446	98,849	(3.44)
Core Tier 1 Capital Adequacy Ratio (%)	11.87	12.18	Down 0.31 Percentage Point
Tier 1 Capital Adequacy Ratio (%)	11.87	12.18	Down 0.31 Percentage Point
Capital Adequacy Ratio (%)	13.05	13.35	Down 0.30 Percentage Point

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

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

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

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

Table of Leverage Ratios

Unit: in RMB 10⁴

Item	31 December, 2021	31 December, 2020	Rate of Change (%)
Tier 1 Capital	3,539,854	3,388,542	4.47
Deduction of Tier 1 Capital	18,054	11,621	55.36
Net Tier 1 Capital	3,521,799	3,376,921	4.29
Balance of Adjusted On-balance Sheet Assets	32,539,048	33,181,619	(1.94)
Balance of Adjusted Off-balance Sheet Items	7,189,562	7,510,732	(4.28)
Balance of Adjusted on- and off-balance Sheet Items	39,728,610	40,692,351	(2.37)
Balance of Securities Financing Trading Assets	1,761,840	0	-
Leverage Ratio (%)	8.49	8.30	Up 0.19 Percentage Point

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

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

4.5 Human Resource Management

In 2021, the Bank adhered to the guidance of Xi Jinping thought on socialism with Chinese characteristics for a new era, highlighted the political guidance, and comprehensively carried out the job responsibility system of party building in terms of the line of organization and human resources management. By focusing on the the strategic objective of the “secondary entrepreneurship” of the Party Committee in the Head Office and sticking closely to three highlights of “Performance, Effectiveness and Value”, the Bank continued to advance the reform of the three systems along the road of marketability; optimized and improved the organization system; strengthened the cultivation of young cadres; improved the employee allocation mechanism; optimized the incentive and restrictive mechanism; deeply implemented the cultivation of key talents; intensified the basic management; advanced the business reform and innovation, so as to provide guarantee of human resources for building the most competitive first-class commercial bank with unique characteristics in the energy field.

4.6 Social Responsibility

The Bank fully implemented the national macro policies and supervision requirements, and supported the development of the real economy; strengthened the support for the development of organizations in Xinjiang; promoted the service capabilities of local growth; continued to strengthen the support for small and micro enterprises; helped to solve the challenge of poverty alleviation and rural revitalization; positively explored and promoted the green finance development; and comprehensively strengthened the consumer protection work. The Bank launched a series of marketing activities and incentive programs to guide the corporate business through active adjustment of the customer and business structure to realize sustainable development.

V. Changes in Share Capital and Shareholders

5.1 Changes in Share Capital

In 2021, the Bank did not increase its capital or enlarge its share, and the register capital remained at RMB 10.288 billion.

5.2 Number of Shareholders and Proportion of Shareholding

As at 31 December, 2021, the total number of shareholders of the Bank was 75, and the total number of shares was 10.288 billion. The shareholding ratio of legal person shareholders was 99.9908% and that of natural person shareholders was 0.0092%.

5.3 Top 10 Shareholders of the Bank and Shareholding Ratios

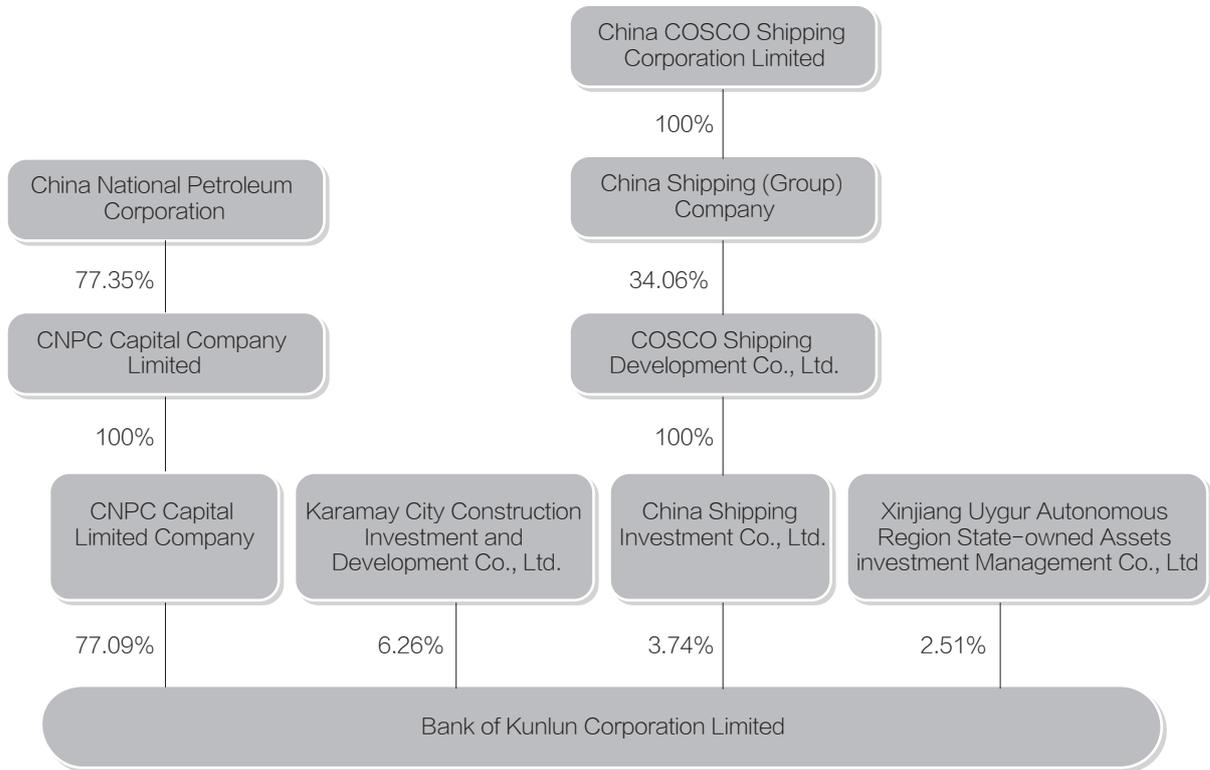
Unit: Share

No.	Name of Shareholder	Number of Shares Held	Shareholding Ratio (%)
1	CNPC Capital Limited Company	7,930,712,499.85	77.09
2	Karamay City Construction Investment and Development Co., Ltd.	644,126,987.60	6.26
3	China Shipping Investment Co., Ltd.	384,604,330.37	3.74
4	Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd.	258,347,016.97	2.51
5	Xinjiang Financial Investment Co., Ltd.	223,225,446.36	2.17
6	Shandong State-owned Assets Investment Holdings Co., Ltd.	199,829,696.98	1.94
7	Xinjiang Uygur Autonomous Region Financing and Guarantee Co., Ltd.	129,173,508.49	1.26
8	Shanghai Qisheng Enterprise Development Co., Ltd.	68,686,275.09	0.67
9	Karamay City Dushanzi District Tianding Investment Group Co., Ltd.	58,386,227.45	0.57
10	Xinjiang Taishengxinrong Investment Co., Ltd.	56,879,807.02	0.55

5.4 Major Shareholders

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

Structure Chart of Major Shareholders



5.5 Actual Controller of the Bank

Name: China National Petroleum Corporation (CNPC)

Nature: Central State-owned Holding Company

Type: Legal Entity

Legal Representative: Dai Houliang

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

6.1 Incumbent Directors, Supervisors, Senior Management

Name	Position	Gender	Age	Date of Appointment
Wang Zhonglai	Party Committee Secretary, Chairman	Male	58	2020.10 (Party Committee Secretary) 2021.07 (Chairman)
He Fang	Party Committee Deputy Secretary, Director and President	Male	49	2020.10 (Party Committee Deputy Secretary) 2021.05 (Director and President)
Han Hua	Director	Female	55	2018.12
Zhang Yi	Director	Male	49	2021.05
Liu Bo	Independent Director	Male	62	2018.12
Zhang Shengping	Independent Director	Male	56	2018.10
Xi Bo	Independent Director	Male	49	2018.10
Yan Hong	Party Committee Deputy Secretary, Chairman of the Board of Supervisors, Labor Union Chairman	Male	55	2020.10 (Party Committee Deputy Secretary, Labor Union Chairman) 2020.12 (Chairman of the Board of Supervisors)
Zhou Maoqing	External Supervisor	Male	67	2016.04
Zhang Lijun	External Supervisor	Female	63	2016.04
Qu Anna	External Supervisor	Female	59	2021.11
Wang Jinhai	Employee Supervisor	Male	58	2021.04
Yan Jiu	Member of the Party Committee, Vice President and Board Secretary	Male	52	2015.12 (Member of the Party Committee) 2018.09 (Vice President) 2021.09 (Board Secretary)
Feng Dianjun	Member of the Party Committee, Secretary of Discipline Inspection Commission	Male	57	2020.03 (Member of the Party Committee, Secretary of Discipline Inspection Commission)
Wang Zhengrong	Member of the Party Committee and Vice President	Male	48	2020.12 (Member of the Party Committee) 2021.06 Vice President
Wang Mingdong	Member of the Party Committee, Vice President and General Legal Advisor	Male	51	2021.05 (Member of the Party Committee) 2021.06 (General Legal Advisor) 2021.09 (Vice President)
Ma Yuanhui	President Assistant	Male	52	2017.03
Fan Hongbin	General Manager of Information Technology Department	Male	55	2021.06

6.2 Resigned Directors, Supervisors, and Senior Management

Name	Position	Gender	Age	Date of Appointment and Retirement
Jiang Shangjun	Chairman	Male	57	2018.09-2021.07
Xu Xinping	Director	Female	54	2018.12-2021.05
Ming Dong	Director	Male	50	2017.02-2021.11
Xin Bingren	Employee Supervisor	Male	60	2019.06-2021.11
He Fang	Board Secretary	Male	49	2018.07-2021.09
Wang Mingdong	President Assistant, General Manager of Information Technology Department	Male	51	2017.03-2021.05 (President Assistant) 2020.09-2021.05 (General Manager of Information Technology Department)
Wang Jinhai	General Manager of Internal Audit Department	Male	58	2010.04-2021.09
Tang Zongheng	General Manager of Assets and Liabilities Department	Male	51	2016.02-2021.09

6.3 Employee

As at the end of 2021, there were 3,253 employees altogether, including 556 at the Head Office, 235 at the Operation Service Center, 2,361 at branches, International Business Settlement Center and Business Departments of Head Office, and 101 at rural banks. The average age of employees was 36.1. The employee structure of the Bank is continuously optimized, with a good quality overall—3,061 employees (94.1%) have a bachelor's degree or above and 484 employees (14.9%) have a doctor's or master's degree.

6.4 Salary

The Bank has established the Nomination and Remuneration Committee of the Board of Directors in accordance with the Articles of Association. The committee reviews the payroll management system and policy of the whole bank. The salary policies of the Bank are adaptable to the corporate governance requirements, operation development strategies and talent competition strategies, uphold the objective of “improving and perfecting the incentive and restrictive mechanism and increasing the organization efficiency”, and pay proper attention to the steady operation and sustainable development while “focusing on achievements, preserving the key personnel and establishing a benchmark”. The salary of an employee is mainly composed of the basic salary and the performance-based salary, and the beneficiaries are all contract employees of all kinds of institutions. And the deferred payment and recourse charge-back system is established for the Senior Management and the employees at the posts having a material effect on the risks, and the postponed payment period is not less than three years. For personnel violating rules and disciplines or unnormal exposure of risk losses within the duties, the payment shall be stopped and the performance-based salary shall be recovered. In 2021, the total salary of all institutions was RMB 756.865 million, and

the distribution of total salaries adhered to the efficiency, total profit ratio, and there was no exception to the original salary plan, guarantee the salary of employees involved in the risk and compliance management work was independent of the business line performance supervised by these employees, realizing the full completion of the economic, risk, and social responsibility indicators.

The salary standards for Independent Directors and External Supervisors of the Bank shall be implemented according to the resolutions adopted at the General Meeting of Shareholders of the Bank. In 2021, members of the Board of Directors, the Board of Supervisors and Senior Management who received their salary from the Bank received the salary of RMB 9.1804 million.

6.5 Institution

The Bank owned a total of 10 branch-level institutions, namely Karamay Branch, Urumqi Branch, Daqing Branch, Tuha Branch, Korla Branch, Xi'an Branch, Ili Branch, and Kashgar Branch, International Business Settlement Center, and Shanghai International Business Settlement Center. As at the end of 2021, the Bank had 81 branches and sub-branches, two less as compared with 2020.

VII. Corporate Governance Report

7.1 Overview of Corporate Governance

In 2021, the Bank overcome the impact of the epidemic, strictly complied with related laws, regulations and regulatory requirements and insisted on enhancing the corporate governance as a major step for further development. It kept on optimizing the operating mechanism of corporate governance to enhance scientific decision-making and effective checks and balances. The Bank initiated the performance evaluation of Directors, Supervisors and Senior Management; made further efforts in information disclosure and investor relationship management; and carried out equity trusteeship and ownership affirmation work. The management efficiency of the Bank was improved; the interests of all parties had been effectively protected, and the corporate governance proved to be fruitful.

7.2 Shareholders' General Meeting

During the reporting period, the Bank organized 1 annual meeting and 2 extraordinary general meetings in total, heard 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.

7.3 Board of Directors and Special Committees

In 2021, the term of its fifth session of the Board of Directors expired, and the Bank carried out a re-election of its Board. By the end of the reporting period, its sixth session of the Board of Directors had officially begun performing its duties. The sixth session of the Board of Directors of the Bank had seven directors including two Executive Directors, two Equity Directors, three Independent Directors, and Mr. Wang Zhonglai 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.

In 2021, the Bank overcome the impact of the epidemic, and guaranteed the compliant performance of the Board of Directors and Special Committees by on-the-spot meeting in combination with video, telephone and writing, and other methods. The Bank held 9 meetings of the Board of Directors in total, at which 32 reports were heard and 42 proposals were deliberated.

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 Head Office Function Departments on operating and risk conditions of the Bank, giving relevant opinions and suggestions.

During the reporting period, the Special Committees held 10 meetings in total, at which 13 proposals were deliberated and adopted.

7.4 Board of Supervisors

In 2021, the term of the fifth session of the Board of Supervisors expired, and the Bank carried out a re-election of its Board. By the end of the reporting period, the sixth session of the Board of Supervisors had officially begun performing its duties. The sixth session of the Board of Supervisors consisted of 5 members, including 3 External Supervisors and 2 Employee Supervisors. The Chairman of the Board of Supervisors was Mr. Yan Hong. All supervisors of the Bank are experienced in management with professional knowledge on finance and accounting.

In 2021, the Bank overcome the impact of the epidemic, and guaranteed the compliant performance of the Board of Supervisor by on-the-spot meeting in combination with video, telephone and writing, and other methods. The Bank held 5 meetings of the Board of Supervisors in total, at which 42 reports were heard and 5 proposals were deliberated.

7.5 Senior Management

The Senior Management has the Risk Management Committee (the Business Continuity Management Committee, the Credit Information Security Leading Group), Internal Control and Compliance Management Committee (the Case Prevention and Control Management Committee, the Standardization Management Committee, the Anti-money Laundering Leading Group), the Asset-Liability Committee, the Information Technology Committee, the Performance and Evaluation Committee, the Corporate Business Promotion Committee. In 2021, the Board of Directors evaluated the duty performance of the Senior Management in accordance with the Administrative Measures for Evaluation on Duty Performance of the Senior Management of Bank of Kunlun Co, Ltd. in order to strengthen the constraint and supervision system of the Senior Management, while also urging them to fulfill their responsibilities diligently.

7.6 Internal Control

In 2021, the Bank conscientiously implemented the requirements of the central government, superior organizations and supervision departments; effectively carried out various events including “Internal Compliance Management and Construction Year”, “Internal Control Effectiveness Self-evaluation”, “Compliance with You” in combination with the strategic objective of the secondary entrepreneurship, and firmly established the core concept of “Internal Control Priority, Compliance First”; and fostered

the prudent and steady operation culture by continuously strengthening the internal control management construction, and consolidated a high-quality development foundation. The Bank organized and carried out the annual internal control evaluation work, made analysis at the company level and process level, and comprehensively evaluated the design and running of internal control by comprehensive application of inquiry, observation, inspection and other methods, and focusing on internal environment, risk assessment, control activities, information and communication, internal supervision, flow control, and other factors. Upon evaluation, the violations of the Bank occurring in 2021 shall be classified as general defects according to the severity. The running of internal control in the Bank was effective from the overall internal control effect.

7.7 Internal Audit

The Bank implemented an independent and vertical internal audit management system accountable to the Board of Directors. During the reporting period, the internal audit work of the Bank firmly centered around the overall development and main tasks of the secondary entrepreneurship of the Party Committee of the Bank, and focused on risks and problems. While carrying out the requirements of supervision compliance, the Bank strove to capture the weak links and hidden risks reflected in the system & mechanism, institutional system and business flow, ensured accurate positioning and targeted efforts, and accelerated the management improvement and risk prevention in the Bank. Throughout the year, the Bank organized and implemented 39 audit items, and the audit contents covered all lines including corporate financing business, integration of industry and finance, financial market business, personal financing business, international business, network financing business, credit card business, information technology, credit management, risk management, operation management, and finance management. Through revealing problems, making summary, analyzing reasons, making proposals, supervising correction, the internal audit prompted the Bank's stable operation and sustainable development.

7.8 Accounting Firm

In 2021, 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, and the total audit fee aggregated RMB 862,000.

VIII. Significant Events

8.1 Top 10 Shareholders and Changes during the Reporting Period

The changes in top ten shareholders as at 31 December, 2021 are presented in the section headed “Changes in Share Capital and Shareholders - Top 10 Shareholders of the Bank and Shareholding Ratios”.

8.2 Increase or Decrease of Registered Capital

The registered capital of the Bank in 2021 didn't change.

8.3 Material Asset Acquisition and Disposal

N/A.

8.4 Material Contracts and Performance

In 2021, the Bank had no material contracts required to be disclosed.

8.5 Significant Lawsuits and Arbitrations

In 2021, there were no lawsuits and arbitrations that have significant effects on operation.

8.6 Material Related Party Transaction

In 2019, the Bank had deliberated and adopted proposals on providing the highest credit line of RMB 4.9 billion to CNPC, valid until 14 August, 2022. As at the end of 2021, the credit balance of related party transactions between the Bank and CNPC was RMB 2.332 billion, and all the correlation indexes were 6.06%, which had not exceeded 15% of net capital of the Bank at the end of 2021.

In 2021, there were a total of 183 related party transactions of the service kind newly signed between the Bank and subordinate units of CNPC, with the contract subject amount of RMB 832 million, and these transactions mainly include the lease of houses, property services, and information technology services. The main contract counter parties included: CNPC Capital Co., Ltd., Beijing Huafu Property Management Co., Ltd., Kunlun Digital Technology Co. Ltd.

On 22 January, 2021, the fourteenth meeting of the fifth session of the Board of Directors of the Bank deliberated and adopted the Proposal on Conducting Material Related Party Transactions between Bank of Kunlun and Kunlun Financial Leasing Co., Ltd. (Tianjin Metro), and carried out the factoring business with

Kunlun Financial Leasing Co., Ltd., with an amount of RMB 500 million.

On 21 July, 2021, the seventeenth meeting of the fifth session of the Board of Directors of the Bank deliberated and adopted the Proposal on Conducting the Second Related Party Transaction between Bank of Kunlun and Kunlun Financial Leasing Co., Ltd. (Tianjin Metro), and carried out the factoring business with Kunlun Financial Leasing Co., Ltd., with an amount of RMB 500 million. As at the end of 2021, the amount was not issued.

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.

8.7 Penalties

During the reporting period, the Bank and its Directors, Supervisors, Senior Management members, Controlling Shareholders were not subject to compulsory measures taken according to law, criminal punishment, or major administrative punishment by competent authorities due to that they were suspected of committing crimes; the Bank's Directors, Supervisors, Senior Management members, Controlling Shareholders were not subject to retention measures taken by discipline inspection and supervision authorities, and their performance of responsibilities was not impacted due to that they were suspected of serious violation of discipline and law or job-related crimes; the Bank's Directors, Supervisors, Senior Management members were not subject to compulsory measures taken by other competent authorities, and their performance of responsibilities was not impacted due to that they were suspected of violation of laws and regulations.

8.8 Profits and Dividends Distribution

The profits and financial status of the Bank as at 31 December, 2021 were presented in the appendix section headed "Auditor's Report and Financial Statements" in this Annual Report.

As approved at the 2020 Annual General Meeting, the Bank distributed cash dividends for the second half of 2020 to all shareholders registered as at 31 December, 2020, which amounted to a total of RMB 432,090,928.82 (pre-tax) (at a rate of RMB 0.42 per 10 shares, pre-tax).

As approved at the Second Extraordinary General Meeting in 2021, the Bank distributed cash dividends for the first half of 2021 to all registered shareholders as at 30 June, 2021, which amounted to a total of RMB 668,712,151.72 (pre-tax) (at the rate of RMB 0.65 per 10 shares, pre-tax).

As approved at the 2021 Annual General Meeting, the Bank distributed cash dividends for the second half of 2021 to all shareholders registered as at 31 December, 2021, which amounted to a total of RMB 349,787,894.77 (pre-tax) (at a rate of RMB 0.34 per 10 shares, pre-tax).

IX. Financial Report

BDO China Shu Lun Pan Certified Public Accountants LLP has audited the 2021 Annual Financial Report prepared by the Bank, and issued standard auditor's report with unqualified opinions.

Schedule I

Bank of Kunlun Corporation Limited

Consolidated Balance Sheet

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

Item	31 December, 2021	31 December, 2020
Assets:		
Cash and Balances with the Central Bank	18,460,764,495.14	21,771,681,174.57
Deposits with Banks and Other Financial Institutions	13,198,445,618.29	15,569,280,327.49
Precious Metals		
Placements with Banks and Other Financial Institutions	42,633,553,488.23	41,307,731,088.58
Derivative Financial Assets		
Contractual Assets		
Financial Assets Held under Resale Agreements	18,188,285,945.58	104,133,852.03
Loans and Advances to Customers	171,484,249,304.36	155,769,041,280.99
Financial Investments:		
Trading Financial Assets	47,972,422,050.07	57,282,900,149.28
Debt Investments	29,426,368,928.87	35,380,869,459.39
Other Debt Investments	11,592,548,744.58	20,565,694,617.40
Other Equity Instruments Investments		
Long-term Equity Investments		
Fixed Assets	338,492,072.21	367,364,899.26
Construction in Progress	52,595,937.91	105,558,400.23
Intangible Assets	180,664,861.80	116,365,044.55
Right-of-use Assets	695,756,819.65	N/A
Deferred Income Tax Assets	497,535,975.32	595,147,266.47
Other Assets	512,773,807.37	948,212,301.07
Total Assets	355,234,458,049.38	349,883,979,861.31
Liabilities:		
Due to the Central Bank	7,887,485,182.84	2,624,227,403.62
Due to Banks and Other Financial Institutions	39,871,108,684.95	51,520,580,924.15
Placements from Banks and Other Financial Institutions	1,501,302,777.78	1,000,464,722.22
Trading Financial Liabilities		
Derivative Financial Liabilities		
Financial Assets Sold under Repurchase Agreements	18,939,208,240.34	21,571,968,523.65
Due to Customers	209,033,620,142.96	198,143,833,125.32
Employee Compensation Payable	44,313,670.26	38,448,616.34

Continued

Item	31 December, 2021	31 December, 2020
Tax Payable	299,564,600.96	181,898,244.68
Bonds Payable	37,613,893,049.38	37,130,481,879.06
Contractual Liabilities		
Lease Liabilities	688,173,494.03	N/A
Accrued Liabilities	337,832,126.37	191,998,643.80
Deferred Income Tax Liabilities		
Other Liabilities	3,566,087,026.43	3,542,064,869.68
Total Liabilities	319,782,588,996.30	315,945,966,952.52
Equity:		
Share 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	47,445,253.70	(26,916,275.65)
Surplus Reserve	3,014,058,808.71	2,760,914,300.87
General Risk Preparation	4,594,472,006.15	4,561,536,799.77
Undistributed Profits	7,214,911,823.32	6,066,163,045.60
Equity Attributable to the Owners of the Parent Company	35,351,757,864.81	33,842,567,843.52
Minority Interests	100,111,188.27	95,445,065.27
Total Equity	35,451,869,053.08	33,938,012,908.79
Total Liabilities and Equity	355,234,458,049.38	349,883,979,861.31

Schedule II

Bank of Kunlun Corporation Limited

Consolidated Income Statement

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

Item	2021	2020
I. Total Operating Income	6,031,839,049.18	5,920,047,855.69
Net Interest Income	5,648,895,761.54	3,939,883,586.82
Interest Income	12,542,829,849.43	10,765,675,216.38
Interest Expenses	6,893,934,087.89	6,825,791,629.56
Net Fee and Commission Income	(1,202,993,901.84)	5,162,443.14
Fee and Commission Income	219,764,595.27	146,664,436.36
Fee and Commission Expenses	1,422,758,497.11	141,501,993.22
Other Gains	3,460,361.19	5,867,616.45
Return on Investment (Loss is Indicated by “()”)	526,492,676.86	1,046,772,873.24
Including: Return on Investment in Associated Enterprises and Joint Ventures		
Return on Investment from De-recognition of Financial Assets Measured at Amortized Cost (Loss is Indicated by “()”)	42,226,309.89	
Gains from Changes in Fair Value (Loss is Indicated by “()”)	1,132,975,606.41	1,012,131,976.24
Gains from Disposal of Assets (Loss is Indicated by “()”)	10,533.16	521,693.37
Foreign Exchange Gains (Loss is Indicated by “()”)	(78,749,690.53)	(91,953,713.72)
Other Operating Incomes	1,747,702.39	1,661,380.15
II. Total Operating Expenses	2,985,055,149.53	2,484,130,087.64
Taxes and Surcharges	70,152,854.66	48,741,171.25
Operating and Administrative Expenses	2,189,696,364.94	1,979,425,447.53
Impairment Losses on Credit Assets	725,198,027.72	455,088,482.86
Impairment Losses on Other Assets		740,686.00
Other Operating Costs	7,902.21	134,300.00
III. Operating Profit (Loss is Indicated by “()”)	3,046,783,899.65	3,435,917,768.05
Add: Non-operating Income	5,268,790.28	4,955,883.76
Less: Non-operating Expenses	8,251,383.89	3,576,180.56
IV. Total Profit (Total Loss Is Indicated by “()”)	3,043,801,306.04	3,437,297,471.25
Less: Income Tax Expenses	503,503,610.56	524,836,302.73
V. Net Profit (Net Loss Is Indicated by “()”)	2,540,297,695.48	2,912,461,168.52
(I) Classification by Business Continuity		
1. Net Profit from Continuing Operation (Net Loss Is Indicated by “()”)	2,540,297,695.48	2,912,461,168.52
2. Net Profit from Discontinued Operation (Net Loss Is Indicated by “()”)		

Continued

Item	2021	2020
(II) Classification by Ownership		
1. Net Profit Attributable to the Shareholders of the Parent Company (Net Loss is Indicated by “()”)	2,535,631,572.48	2,910,981,904.77
2. Minority Gains or Losses (Net Loss is Indicated by “()”)	4,666,123.00	1,479,263.75
VI. After-tax Net Amount of Other Comprehensive Incomes	74,361,529.35	(289,502,952.46)
After-tax Net Amount of Other Comprehensive Incomes Attributable to the Owner of the Parent Company	74,361,529.35	(289,502,952.46)
(I) Other Comprehensive Incomes that May Not be Reclassified Subsequently to Profit or Loss		
(2) Other Comprehensive Incomes that May be Reclassified Subsequently to Profit or Loss	74,361,529.35	(289,502,952.46)
1. Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Incomes	77,425,044.98	(290,513,012.82)
2. Allowance for Credit Loss on Financial Assets Measured at Fair Value through Other Comprehensive Incomes	(3,063,515.63)	1,010,060.36
After-tax Net Amount of Other Comprehensive Incomes Attributable to Minority Shareholders		
VII. Total Comprehensive Income	2,614,659,224.83	2,622,958,216.06
Total Comprehensive Income Attributable to the Shareholders of the Parent Company	2,609,993,101.83	2,621,478,952.31
Total Comprehensive Income Attributable to Minority Interests	4,666,123.00	1,479,263.75
VIII. Earnings per Share		
(I) Basic Earnings per Share (RMB/Share)	0.25	0.28
(II) Diluted Earnings per Share (RMB/Share)	0.25	0.28

Schedule III

Bank of Kunlun Corporation Limited Consolidated Statement of Cash Flows

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

Item	2021	2020
I. Cash Flows from Operating Activities:		
Net Increase in Due to Customers, Banks and Other Financial Institutions		4,953,796,104.89
Net Increase in Due to the Central Bank	5,227,672,331.67	1,903,912,742.96
Net Decrease in Deposits with the Central Bank and Due from Banks and Other Financial Institutions	7,978,951,308.73	4,575,488,722.40
Net Decrease in Financial Assets Held for Trading	8,945,606,504.94	
Net Increase in Financial Assets Sold under Repurchase Arrangements		2,443,835,781.34
Cash Receipts from Interest, Charges and Commissions	11,236,091,666.21	9,132,010,686.40
Other Cash Receipts Relating to Operating Activities	888,691,481.87	13,006,573.73
Sub-total of Cash Inflows from Operating Activities	34,277,013,293.42	23,022,050,611.72
Net Increase in Loans and Advances to Customers	15,929,444,183.13	14,649,171,770.49
Net Increase in Deposits with the Central Bank and Due from Banks and Other Financial Institutions		
Net Decrease in Due to Customers, Banks and Other Financial Institutions	1,748,768,297.91	
Net Decrease in Due to the Central Bank		
Net Decrease in Placements from the Banks and Other Financial Institutions	1,700,000,000.00	26,500,000,000.00
Net Increase in Financial Assets Held for Trading		10,608,324,528.32
Net Decrease in Financial Assets Sold under Repurchase Arrangements	3,099,888,267.39	
Cash Payments for Interest, Charges and Commissions	6,064,715,160.45	5,142,731,075.89
Cash Payments to and on Behalf of Employees	1,169,796,158.98	1,002,922,577.88
Payments of Various Types of Taxes	910,746,163.29	978,031,884.14
Other Cash Payments Relating to Operating Activities	2,459,654,085.44	2,166,363,087.93
Sub-total of Cash Outflows from Operating Activities	33,083,012,316.59	61,047,544,924.65
Net Cash Flows From Operating Activities	1,194,000,976.83	(38,025,494,312.93)
II. Cash Flows from Investing Activities:		
Cash Receipts from Disposals and Recovery of Investments	43,576,589,684.29	67,608,085,367.72
Cash Receipts from Return on Investment	1,922,295,218.17	2,166,083,282.55
Net Cash Receipts from Disposals of Fixed Assets, Intangible Assets and Other Long-term Assets	290,074.22	250,955.00

Continued

Item	2021	2020
Other Cash Receipts Relating to Investing Activities		
Sub-total of Cash Inflows from Investing Activities	45,499,174,976.68	69,774,419,605.27
Cash Payments to Acquire or Construct Fixed Assets, Intangible Assets and Other Long-term Assets	59,896,750.51	101,393,247.13
Cash Payments to Acquire Investments	26,740,580,180.88	67,413,893,213.13
Sub-total of Cash Outflows from Investing Activities	26,800,476,931.39	67,515,286,460.26
Net Cash Flow from Investing Activities	18,698,698,045.29	2,259,133,145.01
III. Cash Flows from Financing Activities:		
Cash Receipts from Investors		
Including: Cash Receipts by Subsidiaries from Investments		
Cash Receipts from Issuance of Bonds	53,473,825,947.89	71,544,811,064.83
Other Cash Receipts Relating to Financing Activities		
Sub-total of Cash Inflows from Financing Activities	53,473,825,947.89	71,544,811,064.83
Cash Repayments of Borrowings	52,540,432,020.00	65,455,186,004.35
Cash Payments for Distribution of Dividend or Profit or Settlement of Interest Expenses	2,140,369,711.73	2,301,802,340.21
Other Cash Payments Relating to Financing Activities	205,540,937.27	
Sub-total of Cash Outflows from Financing Activities	54,886,342,669.00	67,756,988,344.56
Net Cash Flow from Financing Activities	(1,412,516,721.11)	3,787,822,720.27
IV. Effect of Foreign Exchange Rate Changes on Cash	(75,034,955.10)	683,696.51
V. Net Increase in Cash and Cash Equivalents	18,405,147,345.91	(31,977,854,751.14)
Add: Balance of Cash and Cash Equivalents at the Beginning of the Period	25,076,021,492.96	57,053,876,244.10
VI. Balance of Cash and Cash Equivalents at the End of the Period	43,481,168,838.87	25,076,021,492.96

Schedule IV

Bank of Kunlun Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
(Unless otherwise specified herein, the following amounts are all expressed in RMB)

Item	2021								Total Equity	
	Equity Attributable to the Owners of the Parent Company									Minority Interests
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal			
I. Balance as at the End of Last Year	10,287,879,258.43	10,192,990,714.50	(26,916,275.65)	2,760,914,300.87	4,561,536,799.77	6,066,163,045.60	33,842,567,843.52	95,445,065.27	33,938,012,908.79	
Add: Adjustments for Changes in Accounting Policies										
Corrections of Accounting Errors in the Prior Year										
II. Balance as at the Beginning of the Current Year	10,287,879,258.43	10,192,990,714.50	(26,916,275.65)	2,760,914,300.87	4,561,536,799.77	6,066,163,045.60	33,842,567,843.52	95,445,065.27	33,938,012,908.79	
III. Changes for the Current Year (Decrease Is Indicated by "()")			74,361,529.35	253,144,507.84	32,935,206.38	1,148,748,777.72	1,509,190,021.29	4,666,123.00	1,513,856,144.29	
(I) Total Comprehensive Income			74,361,529.35			2,535,631,572.48	2,609,993,101.83	4,666,123.00	2,614,659,224.83	
(II) Owners' Contributions and Reduction in Capital										
1. Owners' Contributions in Capital										
2. Capital Invested by Holder of Other Equity Instruments										

Continued

Item	2021									
	Equity Attributable to the Owners of the Parent Company									
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal	Minority Interests	Total Equity	
3. Share-based Payment Recognized in Owners' Equity										
4. Others										
(III) Profit Distribution				253,144,507.84	32,935,206.38	(1,386,882,794.76)	(1,100,803,080.54)			(1,100,803,080.54)
1. Withdrawal of Surplus Reserve				253,144,507.84		(253,144,507.84)				
2. Withdrawal of General Risk Preparation					32,935,206.38	(32,935,206.38)				
3. Distributions to Owners (or Shareholders)						(1,100,803,080.54)	(1,100,803,080.54)			(1,100,803,080.54)
4. Others										
(IV) Transfers within Owners' Equity										
1. Capitalization of Capital Reserve (or Share Capital)										
2. Capitalization of Surplus Reserve (or Share Capital)										
3. Loss Offset by Surplus Reserve										
4. Others										
IV. Balance as at the End of the Current Year	10,287,879,258.43	10,192,990,714.50	47,445,253.70	3,014,058,808.71	4,594,472,006.15	7,214,911,823.32	35,351,757,864.81	100,111,188.27		35,451,869,053.08

Bank of Kunlun Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity (Continued)

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

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

Continued

Item	2020								
	Equity Attributable to the Owners of the Parent Company								
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal	Minority Interests	Total Equity
(III) Profit Distribution				290,969,037.86	39,230,268.91	(1,791,078,161.42)	(1,460,878,854.65)		(1,460,878,854.65)
1. Withdrawal of Surplus Reserve				290,969,037.86		(290,969,037.86)			
2. Withdrawal of General Risk Preparation					39,230,268.91	(39,230,268.91)			
3. Distributions to Owners (or Shareholders)						(1,460,878,854.65)	(1,460,878,854.65)		(1,460,878,854.65)
4. Others									
(IV) Transfers within Owners' Equity									
1. Capitalization of Capital Reserve (or Share Capital)									
2. Capitalization of Surplus Reserve (or Share Capital)									
3. Loss Offset by Surplus Reserve									
4. Others									
IV. Balance as at the End of the Current Year	10,287,879,258.43	10,192,990,714.50	(26,916,275.65)	2,760,914,300.87	4,561,536,799.77	6,066,163,045.60	33,842,567,843.52	95,445,065.27	33,938,012,908.79