



**昆仑银行**  
Bank of Kunlun

**BANK OF KUNLUN**

**ABSTRACT OF 2023  
ANNUAL REPORT**



# Contents

I. Important Notice .....	2
II. General Information .....	3
III. Financial Highlights .....	4
IV. Management Discussion and Analysis .....	7
V. Changes in Share Capital and Shareholders .....	17
VI. Directors, Supervisors, Senior Management, Employees and Institutions .....	19
VII. Corporate Governance Report.....	22
VIII. Significant Events .....	25
IX. Financial Report .....	29
Schedule I .....	30
Schedule II .....	32
Schedule III.....	34
Schedule IV.....	36

## I. Important Notice

The Board of Directors, the Board of Supervisors, 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 18 April, 2024, the 2023 *Annual Report of Bank of Kunlun Co, Ltd.* and its abstract were reviewed and approved at the sixteenth meeting of Bank of Kunlun's sixth session of the Board of Directors.

The 2023 Annual Financial Report prepared by the Bank in accordance with PRC GAAP have been audited by ShineWing, which has issued a standard and unqualified auditor's report.

Mr. He Fang, Acting Chairman of the Bank; Ms. Huang Liping, Acting President of the Bank; Ms. Zhang Jianhui, in charge of finance and Mr. Zeng Shibin, in charge of Accounting Department, represent and warrant that the financial statements in the 2023 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:** Zhang Jianhui

**Tel:** 0990-6230689

**Email:** [ir@klb.com.cn](mailto:ir@klb.com.cn)

### III. Financial Highlights

Financial data and indicators in this Annual Report are derived from the audit reports 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 10<sup>4</sup>

Item	2023	2022	2021
Net Interest Income	762,989	707,762	564,890
Net Fee and Commission Income	(113,149)	(151,302)	(120,299)
Operating Income	776,137	674,356	603,184
Operating and Administrative Expenses	266,131	247,303	218,970
Impairment Losses on Credit Assets	161,680	90,181	72,520
Impairment Losses on Other Assets	3,738	1,754	0
Operating Profit	336,431	327,889	304,678
Pre-tax Profit	334,952	327,630	304,380
Net Profit	253,165	276,507 <sup>(1)</sup>	254,030
Net Profit Attributable to the Shareholders of the Parent Company	253,420	275,477 <sup>(1)</sup>	253,563
Total Comprehensive Income Attributable to the Shareholders of the Parent Company	283,683	271,702 <sup>(1)</sup>	260,999
Net Cash Flows from Operating Activities	150,225	255,830	119,400

Note: (1) The amount of a year before was adjusted according to the change in accounting policies in the Interpretation of Accounting Standards for Business Enterprises No. 16.

#### As at the End of the Reporting Period

Unit: in RMB 10<sup>4</sup>

Item	31 December, 2023	31 December, 2022	31 December, 2021
Total Assets	43,042,022	38,732,375 <sup>(5)</sup>	35,523,446
Total Loans and Advances to Customers <sup>(1)</sup>	22,035,285	19,831,028	17,695,776
Allowance for Impairment Losses on Loans <sup>(2)</sup>	728,159	624,683	547,351
Net Investments	12,751,118	10,688,570	8,899,134
Total Liabilities	39,154,552	35,016,195	31,978,259
Due to Customers <sup>(3)</sup>	25,972,824	24,279,256	20,903,362
Due to Banks and Other Financial Institutions	5,285,418	3,996,820	3,987,111

Continued

Item	31 December, 2023	31 December, 2022	31 December, 2021
Placements from Banks and Other Financial Institutions	0	0	150,130
Equity Attributable to the Shareholders of the Parent Company	3,876,683	3,705,138 <sup>(5)</sup>	3,535,176
Share Capital	1,028,788	1,028,788	1,028,788
Net Core Tier 1 Capital <sup>(4)</sup>	3,865,138	3,684,739	3,521,249
Net Tier 1 Capital <sup>(4)</sup>	3,865,686	3,685,269	3,521,799
Net Capital <sup>(4)</sup>	4,241,149	4,041,015	3,872,094
Risk-weighted Assets <sup>(4)</sup>	31,698,510	29,978,640	29,674,700

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).

(5) The amount of a year before was adjusted according to the change in accounting policies in the Interpretation of Accounting Standards for Business Enterprises No. 16.

## Per Share Data

Unit: in RMB

Item	31 December, 2023	31 December, 2022	31 December, 2021
Net Assets Per Share <sup>(1)</sup>	3.77	3.60	3.44
Basic Earnings Per Share <sup>(2)</sup>	0.25	0.27	0.25
Diluted Earnings Per Share <sup>(2)</sup>	0.25	0.27	0.25
Net Cash Flow Per Share from Operating Activities	0.15	0.25	0.12

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	2023	2022	2021
Return on Average Total Assets <sup>(1)</sup> (%)	0.62	0.74	0.72
Weighted Average ROE <sup>(2)</sup> (%)	6.67	7.62	7.33
Weighted Average ROE after Deduction of Non-Recurring Gains and Losses <sup>(2)</sup> (%)	6.69	7.48	7.33

Continued

Item	2023	2022	2021
Net Interest Spread <sup>(3)</sup> (%)	1.96	2.11	1.88
Net Interest Margin <sup>(4)</sup> (%)	2.03	2.18	1.94
Ratio of Net Fee and Commission Income to Operating Income (%)	(14.58)	(22.44)	(19.94)
Cost-to-Income Ratio <sup>(5)</sup> (%)	34.29	36.67	36.30

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	2023	2022	2021
Non-performing Loan (NPL) Ratio <sup>(1)</sup> (%)	1.29	0.98	0.95
Provision Coverage Ratio <sup>(2)</sup> (%)	256.30	321.06	325.83
Loan Provision Ratio <sup>(3)</sup> (%)	3.30	3.15	3.10

Note: (1) Calculated by dividing the balance of NPLs by 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 allowance for impairment on losses and loans by the total loans and advances to customers.

### Capital Adequacy

Item	2023	2022	2021
Core Tier 1 Capital Adequacy Ratio <sup>(1)</sup> (%)	12.19	12.29	11.87
Tier 1 Capital Adequacy Ratio <sup>(1)</sup> (%)	12.20	12.29	11.87
Capital Adequacy Ratio <sup>(1)</sup> (%)	13.38	13.48	13.05
Total Equity to Total Assets Ratio <sup>(%)</sup>	9.03	9.59	9.98

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



## IV. Management Discussion and Analysis

### 4.1 Review of Overall Operation

2023 was the first year for fully implementing the guiding principles from the 20th National Congress of the Communist Party of China (CPC), also a crucial year for the whole bank to continuously strive for “secondary entrepreneurship”. All cadres and employees of the Bank diligently executed the decisions and deployments of the CPC Central Committee and superior departments, fully implemented the business strategy of “strengthening control, expanding the market, and improving quality and efficiency”, and under the strong and powerful leadership of the CPC, served the real economy for stable and long-term development. The Bank took targeted steps in risk prevention, made solid progress in integration of industry and finance, and advanced high-quality and scaled development, with new highlights and new achievements in its “secondary entrepreneurship”. In 2023, the Company generated an operating income of RMB 7.761 billion, up 15.09% year on year (YoY), and realized a total profit of RMB 3.35 billion, up 2.23% YoY. As at the end of 2023, total assets reached RMB 430.42 billion, up 11.13% YoY while total liabilities amounted to RMB 391.546 billion, up 11.82% YoY, with a relatively good level of non-performing loan (NPL) ratio among peers.

In corporate banking, the Bank continued to focus on “serving small customers, completing difficult business, doing professional things, and making deep efforts”, actively promoted service innovation and product innovation, continuously strengthened fine management, and vigorously promoted online and platform development, with steadily growing business scale and more distinctive characteristics of industry and finance. As at the end of the reporting period, corporate banking customers amounted to 40.8 thousand, up 3.70% YoY; the balance of on-balance sheet loans for exclusive industry-finance products was RMB 48.946 billion, an increase of RMB 1.987 billion from the beginning of the year; 992 new industrial chain customers were added, accounting for 68.23% of the total increase in corporate customers. In retail banking, adhering to the customer-centric philosophy, the Bank deepened reform and transformation with pragmatic steps, strove to improve the competitiveness of the retail market, and launched new products such as “Kunlun Quick Loan”, “Petro Discount Loan” (You Hui Dai), “Benefiting Deposit” (Hui Min Cun) and “Huixiang No.1”, achieving good growth in various businesses. As at the end of the reporting period, the total number of retail customers reached 4.6255 million, the sales of intermediary business products reached RMB 45.934 billion, and a total of 3.6612 million debit cards and 295.0 thousand credit cards were issued, respectively. In financial market business, the Bank intensified risk control, promoted innovation and transformation, optimized business structure, strengthened technological empowerment, fully implemented regulatory policy requirements such as new regulations on asset management, wealth management, and cash management financial products, and achieved steady development. As at the end of the reporting period, the Bank’s balance of due to banks and other financial institutions was RMB 38.308 billion, and that of interbank loans was RMB 51.050 billion, the asset securitization product investment balance was RMB 6.858 billion, the credit bond investment balance was RMB 13.617 billion, and the balance of existing wealth management products was RMB 25.796 billion. In international business, with “serving and assisting domestic enterprises to go global” as its mission, the Bank actively maintained and

consolidated business channels, strictly controlled business risks, and continuously improved its service and management levels. In channel construction, adhering to the principle of “business oriented, channel first”, the Bank strove to build a three-dimensional service channel network with online and offline collaboration, further promoted digital and intelligent transformation, and in 2023, launched a new version of mobile banking 3.0 and created a “cloud-counter” service platform to build a closed loop of omni-channel services. In information technology, the Bank continued to advance the in-depth integration of technology and business, as well as technology and management, accelerated digital transformation and intelligent development, continuously promoted the transformation of “pure channels, solid middle office, and stable backend” application architecture, and deepened the application of emerging technologies such as artificial intelligence, blockchain, cloud computing and big data in channel construction, statistical management, customer service, industry-finance products, etc., further strengthening the defense line of network security and empowering high-quality development.

## **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, and 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) which are 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 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.

### **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 implemented the penetration principle to ensure that the credit risk management covered all the on-balance sheet and off-balance sheet credit risk assets. The Bank gradually established a unified credit risk management concept, continued to improve the credit risk management system, carried out the construction of the Credit Risk Management System 3.0 project, deepened the adjustment of its credit structure, standardized post-loan management initiatives, and effectively strengthened asset quality classification management to accelerate the implementation of the credit risk management system. As at the end of 2023, the total loans and advances issued by the Company amounted to RMB 219.643 billion, implying an increase of RMB 21.934 billion compared with last year, and the balance of NPLs reached RMB 2.837 billion, implying an increase of RMB 895 million compared with last year; the NPL ratio was 1.29%, an increase of 0.31 percentage points over the end of last year.

#### Asset Quality Classification of Loans and Advances to Customers

Unit: in RMB 10<sup>4</sup>

Five-tier Classification	31 December, 2023		31 December, 2022	
	Amount of Loans and Advances	Proportion in Total Amount (%)	Amount of Loans and Advances	Proportion in Total Amount (%)
Subtotal of PLs:	21,680,666	98.71	19,576,819	99.02
Normal	21,481,893	97.80	19,408,944	98.17
Special-mention	198,773	0.91	167,875	0.85
Subtotal of NPLs:	283,650	1.29	194,102	0.98
Sub-standard	58,318	0.27	34,119	0.17
Doubtful	15,185	0.07	35,382	0.18
Loss	210,147	0.96	124,601	0.63
Total	21,964,315	100.00	19,770,921	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 transaction account covering risk identification, measurement, monitoring, reporting, and control to continuously monitor and control market risk in transactions and keep the market risk of transaction account 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 2023, the balance of trading book of the Bank was 0; Interest rate risks in the banking book were generally under control, and showed asset sensitivity.

#### 4.2.4 Operational Risk

In 2023, the Bank's Board of Directors and senior management attached great importance to operational risk management; carried out "three basics" work, sorted out typical systems, optimized business processes, and updated the risk point database; 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, and strengthened the employee behavior control and business investigation. The Bank strictly implemented the risk investigation plan, established a ledger for the problems, and timely supervised and urged the rectification, and track the rectification results. The Bank continuously carried out the compliance inspection and personnel behavior investigation. The Bank strengthened the personnel management training, and established a hierarchical training mechanism to ensure the implementation of control measures for different operational risks. The Bank optimized the authorization management architecture, and refined authorization management. The Bank promoted the standardized management level; printed and distributed to enterprise standards; and earnestly promoted the pilot program for standardization. The Bank actively improved the construction of operational risk early warning system and other systems to improve ex ante technical prevention capabilities and comprehensive management capabilities of operational risk. The Bank had no major cases in 2023.

#### 4.2.5 Liquidity Risk

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. In terms of liquidity risk management, the Bank adhered to sound and prudent management philosophy, and liquidity risk preferences were generally robust. The strategies and policies of liquidity risk of the Bank covered various businesses as well as all business departments, units and sub-branches, and holding enterprises which might cause a significant impact on liquidity risk, and included liquidity risk management under normal and pressure scenes. The Bank strengthened forward-looking management and control of liquidity risk, adjusted its strategy for assets and liabilities as appropriate, and optimized the maturity of assets and liabilities. Meanwhile, the Bank further implemented the liquidity risk monitoring and pre-warning requirements, steadily carried out the liquidity risk pressure test, improved the liquidity risk emergency mechanism, 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 2023, the liquidity ratio of the Company was 40.09%, liquidity coverage ratio 246.90%, net stable funding ratio 114.72%, and the liquidity matching rate of the Bank was 114.18%.

#### 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 2023, the Bank continued to deepen the construction of its country-specific risk management system, assessing potential risks in view of 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. Sensitive information involving the Bank was monitored in a timely manner. The Bank paid continuous attention to and identified the development of reputational risks, actively responded to and resolved the negative public opinions, and no major public opinion risk events incurred. Meanwhile, the Bank continued to strengthen training for reputation risk to constantly 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**

The Bank strengthened its situational and policy analysis, and formulated corresponding strategies in a timely manner. Meanwhile, the Bank achieved a balance between strategic consistency and adaptability, and completed the mid-term evaluation and adjustment for its "14th Five-Year" Plan, and the three-year rolling plans (2024-2026). During the "14th Five-year" Plan period, the Bank would adhere to the development positioning of serving energy, serving Xinjiang, and serving China's overall development; 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; aiming to build 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 the Bank runs well and satisfies the 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. The Bank paid attention to the top-level design role of the articles of association in corporate governance, promoted major decisions to enter the track of the rule of law, and comprehensively advanced the establishment of demonstration enterprises for implementing the rule of law; deepened legal review, strengthened legal support, carried out special governance of banking business contracts, optimized full-process contract management, and promoted hierarchical management of dispute cases; strengthened publicity and education on the rule of law, and created a favorable law-abiding culture of compliance to laws and regulations throughout the Bank. Overall, the Bank's internal level of legal risks was low, and the risk development trend was stable.

#### 4.2.10 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, and constantly improved the risk management level of anti-money laundering and anti-terrorist financing. The Bank further optimized the anti-money laundering management structure and steadily promoted the construction of “dual centers of Head Office and Branch”; deepened technological empowerment and independently developed a data inspection system; improved the functions and models of the anti-money laundering system and continuously enhanced the value of transaction reports; issued the *Anti-Money Laundering Work Manual* and due diligence flow chart to provide operational guidance for business departments; carried out comprehensive inspections and targeted assistance to strengthen the effectiveness of business performance; established a hierarchical training and job certification mechanism to ensure that all employees could work with certificates; organized a series of activities titled “Leaders Lecture on Anti Money Laundering” to create a good anti-money laundering culture atmosphere; and carried out various anti-money laundering themed promotions, reaching an audience of 400,000 person-times. Overall, the Bank’s internal level of money laundering risks was low, and the risk development trend was stable.

#### 4.2.11 Information Technology Risk

The Bank continued to strengthen information technology risk management, maximized the role of accredit risk teams in information technology, and improved the efficiency of risk control. The Bank optimized risk management measures for IT outsourcing, IT risk database, risk monitoring indicator system, risk management work manual and other risk strategies; regularly conducted risk assessments in specialized areas such as IT project outsourcing, pre-production for critical systems, network security and business continuity as well as comprehensive risk assessment; built an IT risk monitoring platform, updating and publishing business impact analysis re-inspection results, business continuity risk assessment results and business continuity plans, and conducted real switch drills for business continuity and intra-city disaster recovery of vital information systems across the Bank. Overall, the Bank’s internal level of information technology risks was low, and the risk development trend was stable.

### 4.3 Capital Management

The Bank used capital to conduct management activities such as planning, measurement, evaluation, allocation, application, monitoring and reporting in accordance with relevance stipulations of the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*. According to the requirements, the credit risk-weighted assets are measured by the weighted method, market risk-weighted assets by standard method and the operational risk-weighted assets by the basic indicator method. The Bank disclosed the key prudential regulatory indicators and capital structure in consolidated tables under regulatory standards in accordance with the transition-period arrangements of the *Administrative Measures for the Capital Management of Commercial Banks*, with the specific data listed as follows:

## Key Prudential Regulatory Indicators in Consolidated Tables of the Company under Regulatory Standards

(Unit: in RMB 10<sup>4</sup>, %)

No.	Item	31 December, 2023	31 December, 2022	Rate of Change (%)
<b>Available Capital</b>				
1	Net Core Tier 1 Capital	3,865,138	3,684,739	4.90
2	Net Tier 1 Capital	3,865,686	3,685,269	4.90
3	Net Capital	4,241,149	4,041,015	4.95
<b>Risk-weighted Assets</b>				
4	Risk-weighted Assets	31,698,510	29,978,640	5.74
<b>Capital Adequacy Ratio</b>				
5	Core Tier 1 Capital Adequacy Ratio (%)	12.19	12.29	Down 0.10 Percentage Points
6	Tier 1 Capital Adequacy Ratio (%)	12.20	12.29	Down 0.09 Percentage Points
7	Capital Adequacy Ratio (%)	13.38	13.48	Down 0.10 Percentage Points
<b>Requirements for Other Tiers of Capitals</b>				
8	Requirements for Reserve Capital (%)	2.50	2.50	0.00
9	Capital Requirements in the Conversion Period (%)	0.00	0.00	-
10	Additional Capital Requirements for Global or Domestic Systematically Important Banks (%)	N/A	N/A	-
11	Requirements for Other Tiers of Capitals (%) (8+9+10)	2.50	2.50	0.00
12	Proportion of Net Core Tier 1 Capital to Risk-weighted Assets after Meeting Minimum Capital Requirements (%)	4.19	5.48	Down 1.29 Percentage Points
<b>Leverage Ratio</b>				
13	Balance of Adjusted On-Balance-Sheet and Off-Balance-Sheet Assets	46,959,328	43,361,337	8.30
14	Leverage Ratio (%)	8.23	8.50	Down 0.27 Percentage Points
14a	Leverage Ratio a (%)	8.23	8.50	Down 0.27 Percentage Points
<b>Liquidity Coverage Ratio</b>				
15	Qualified Quality Liquid Assets	2,637,585	2,847,328	(7.37)
16	Net Cash Outflow	1,068,276	560,844	90.48
17	Liquidity Coverage Ratio (%)	246.90	507.69	Down 260.79 Percentage Points
<b>Net Stable Fund Ratio</b>				
18	Total Available Stable Fund total	25,038,741	23,622,186	6.00
19	Total Required Stable Fund	21,825,851	21,257,234	2.67
20	Net Stable Fund Ratio (%)	114.72	111.13	Up 3.59 Percentage Points
<b>Liquidity Ratio</b>				
21	Liquidity Ratio (%)	40.09	58.89	Down 18.80 Percentage Points



## Capital Structure of the Company

(in RMB 10<sup>4</sup>, %)

No.	Item	31 December, 2023	31 December, 2022	Rate of Change (%)
<b>Core Tier 1 Capital</b>				
1	Portion of Paid-in Capital and Capital Reserve that Can be Included	2,048,087	2,048,087	0.00
2	Retained Earning	1,797,363	1,655,935	8.54
2a	Surplus Reserve	354,266	328,857	7.73
2b	General Risk Reserve	467,302	459,538	1.69
2c	Undistributed Profit	975,795	867,540	12.48
3	Accumulated Other Comprehensive Income	31,233	(6,000)	-
4	Eligible Portion of Minority's Capital	4,108	3,973	3.39
5	Net Core Tier 1 before Deduction	3,880,791	3,701,995	4.83
<b>Core Tier 1 Capital: Deduction Item</b>				
6	Other Intangible Assets (Excluding Land Use Right) (Deduction of Deferred Tax Liabilities)	15,653	17,256	(9.29)
7	Total Deduction Items of Core Tier 1 Capital	15,653	17,256	(9.29)
8	Net Core Tier 1 Capital	3,865,138	3,684,739	4.90
<b>Other Tier 1 Capitals</b>				
9	Eligible Portion of Minority's Capital	548	530	3.34
10	Other Tier 1 Capitals before Deduction	548	530	3.34
11	Total Deduction Items of Other Tier 1 Capitals	0	0	-
12	Net Amount of Other Tier 1 Capitals	548	530	3.34
13	Net Tier 1 Capital	3,865,686	3,685,269	4.90
<b>Tier 2 Capital</b>				
14	Eligible Portion of Minority's Capital	1,095	1,060	3.34
15	Excess Loss Provision that Can Be Included	374,368	354,687	5.55
16	Tier 2 Capital before Deduction	375,463	355,747	5.54
17	Total Deduction Items of Tier 2 Capital	0	0	-
18	Net Tier 2 Capital	375,463	355,747	5.54
19	Total Net Capital	4,241,149	4,041,015	4.95
20	Risk-weighted Assets	31,698,510	29,978,640	5.74



Continued

No.	Item	31 December, 2023	31 December, 2022	Rate of Change (%)
<b>Capital Adequacy Ratio and Requirements for Other Tiers of Capitals</b>				
21	Core Tier 1 Capital Adequacy Ratio	12.19	12.29	Down 0.10 Percentage Points
22	Tier 1 Capital Adequacy Ratio	12.20	12.29	Down 0.09 Percentage Points
23	Capital Adequacy Ratio	13.38	13.48	Down 0.10 Percentage Points
24	Requirements for Other Tiers of Capitals (%)	2.50	2.50	0.00
25	Including: Requirements for Reserve Capital	2.50	2.50	0.00
26	Proportion of Net Core Tier 1 Capital to Risk-weighted Assets after Meeting Minimum Capital Requirements (%)	4.19	4.29	Down 0.10 Percentage Points
<b>China's Minimum Regulatory Capital Requirements</b>				
27	Core Tier 1 Capital Adequacy Ratio	5.00	5.00	0.00
28	Tier 1 Capital Adequacy Ratio	6.00	6.00	0.00
29	Capital Adequacy Ratio	8.00	8.00	0.00
<b>Limit of Allowance for Excess Losses that Can Be Recorded in the Tier 2 Capital</b>				
30	Actually Accrued Amount of Allowance for Excess Loss under Weighting Approach	442,616	429,080	3.15
31	Amount of Allowance for Excess Losses that Can Be Recorded in the Tier 2 Capital under Weighting Approach	374,368	354,687	5.55

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

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

(3) 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.

#### 4.4 Human Resource Management

In 2023, the Bank organized personnel work around the overall situation of its secondary entrepreneurship, deeply promoted talent training program, focused on the selection and use of young talent, and intensified the evaluation and appointment of professional talents; for the first time, it established a standardized training and certification system for positions, as well as a systematic training model of “training + examination + certification + promotion”; solidly promoted the optimization and improvement of the organizational system, boosted the intensive reform of credit approval across the Bank, piloted the de-institutionalization and de-administration reform of business teams; optimized the method of linking the performance of operating institutions, strengthened precise incentives for core positions, expanded direct

performance targets from corporate customer managers to all customer managers, and realized full product pricing; systematically rebuilt the system for handling employee violations; and strove to improve the quality of grassroots Party building. All work achieved good results.

#### **4.5 Social Responsibility**

Adhering to the decisions and deployments of the CPC Central Committee and the State Council, the Bank actively implemented regulatory requirements, and through practical actions, benefited society and fulfilled its responsibilities. In terms of supporting the economic and social development of Xinjiang, the Bank closely followed Xinjiang's key development plans and actively integrated into Xinjiang's economic and social development and the improvement of people's livelihood, serving more than 15,000 large, medium and small enterprises in Xinjiang throughout the year and providing strong support for 8 key projects in Xinjiang. In terms of continuously strengthening support for micro and small enterprises (MSEs), the Bank fully leveraged the advantages of industrial finance and continued to increase support for MSEs; and as of the end of 2023, the balance of inclusive MSE loans was RMB 12.096 billion, with 89,945 inclusive MSE borrowers. In terms of continuing to promote the development of green finance, the Bank continued to innovate green financial systems, mechanisms, products and services, and achieved steady growth in the scale of green finance business for many consecutive years; and as of the end of 2023, the balance of green loans was RMB 14.937 billion. In terms of assisting the national rural revitalization, 14 persons were stationed at villages throughout the year to carry out regular assistance, and RMB 2.2992 million was donated to support rural revitalization projects such as targeted assistance, actively supporting the independent procurement of various consumer assistance products. In terms of continuously promoting consumer protection, the Bank further improved the system and mechanism for the protection of consumer rights and interests, and comprehensively improved the quality and efficiency of consumer protection, with decreased number of regulatory notifications and complaints throughout the year compared to the previous year.

## V. Changes in Share Capital and Shareholders

### 5.1 Changes in Share Capital

In 2023, 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, 2023, 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

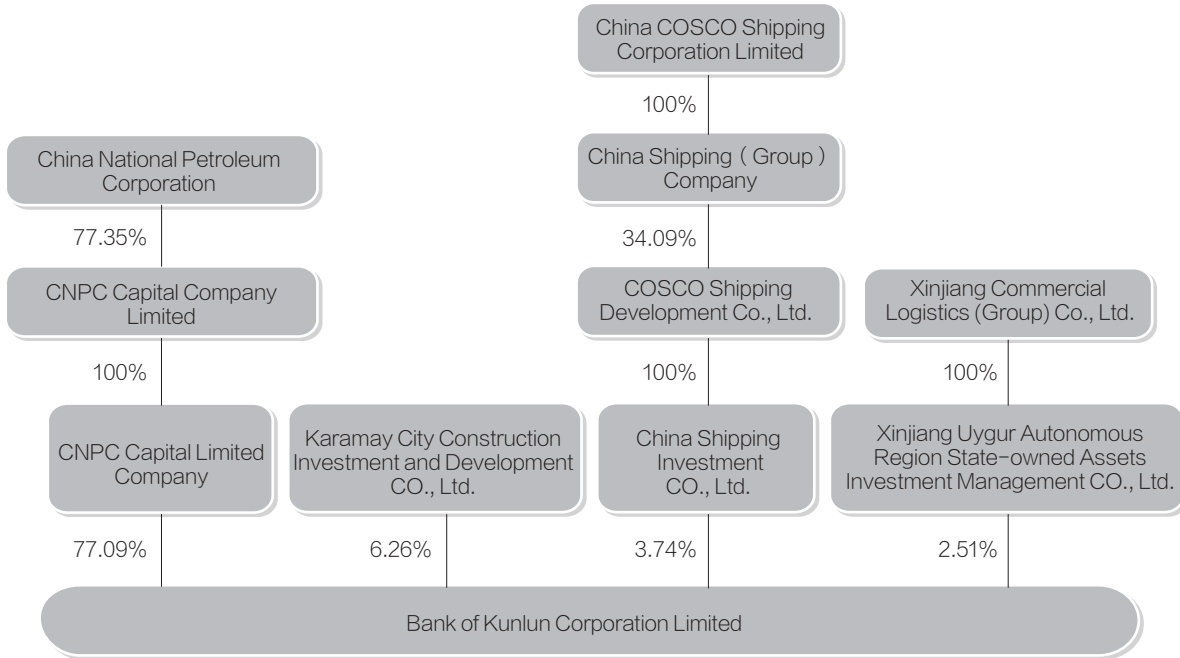
Unit: Share

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	Hainan JinlingShengshi 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 of the Bank: CNPC Capital Limited Company; 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
He Fang	Party Committee Secretary, Acting Chairman, Director	Male	51	2021.05 (Director) 2024.01 (Party Committee Secretary) 2024.04 (Acting Chairman)
Hao Guangmin	Director	Male	51	2023.10
Shi Yong	Director	Male	42	2023.10
Du Haiying	Director	Female	48	2022.11
Liu Bo	Independent Director	Male	64	2018.12
Zhang Shengping	Independent Director	Male	58	2018.10
Xi Bo	Independent Director	Male	51	2018.10
Yang Daxin	Deputy Party Committee Secretary, Chairman of the Board of Supervisors, Labor Union Chairman, Employee Supervisor	Male	57	2022.06 (Deputy Party Committee Secretary, Labor Union Chairman, Employee Supervisor) 2022.07 (Chairman of the Board of Supervisors)
Fan Hongbin	Employee Supervisor	Male	57	2023.11
Qu Anna	External Supervisor	Female	61	2021.11
Zhang Shanlin	External Supervisor	Male	61	2022.10
Pang Hong	External Supervisor	Female	68	2022.10
Huang Liping	Deputy Party Committee Secretary, Acting President	Female	46	2024.03 (Deputy Party Committee Secretary, Acting President)
Feng Dianjun	Member of the Party Committee, Secretary of Discipline Inspection Commission	Male	59	2020.03 (Member of the Party Committee, Secretary of Discipline Inspection Commission)
Wang Mingdong	Member of the Party Committee, Vice President and Chief Information Officer	Male	53	2021.05 (Member of the Party Committee) 2021.09 (Vice President) 2024.01 (Chief Information Officer)
Zhao Kui	Member of the Party Committee and Vice President	Male	49	2022.03 (Member of the Party Committee) 2022.07 (Vice President)
Zhang Jianhui	Member of the Party Committee, Vice President, Chief Accountant, Board Secretary	Female	50	2022.06 (Member of the Party Committee) 2022.11 (Vice President, Chief Accountant) 2023.02 (Board Secretary)
Ma Yuanhui	President Assistant	Male	54	2017.03
Zeng Shibing	General Manager of Assets and Liabilities Department (Planning and Financing Department)	Male	52	2022.04
Meng Lin	General Manager of Internal Audit Department	Male	53	2022.10

## 6.2 Resigned Directors, Supervisors, and Senior Management

Name	Position	Gender	Age	Date of Appointment and Retirement
Wang Zhonglai	Party Committee Secretary, Chairman	Male	60	2020.10-2024.01 (Party Committee Secretary) 2021.07-2024.01 (Chairman)
He Fang	Deputy Party Committee Secretary, President	Male	51	2020.10-2024.01 (Deputy Party Committee Secretary) 2021.05-2024.03 (President)
Han Hua	Director	Female	57	2018.12-2024.04
Zhang Yi	Director	Male	51	2021.05-2023.04
Wang Jinhai	Employee Supervisor	Male	60	2021.04-2023.10

## 6.3 Employees

As at the end of 2023, there were 3,246 employees altogether, including 583 at the Head Office, 231 at the Operation Service Center, 2,333 at branches, International Business Settlement Center and Business Departments of Head Office, and 99 at rural banks. The average age of employees was 37.4. The employee structure of the Bank is continuously optimized, with a good quality overall: 3,054 employees (94.09%) have a bachelor's degree or above and 525 employees (16.17%) 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 formulation and adjustments of salary policies of the Bank conform strictly to relevant laws, regulations, and supervisory provisions. They 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 position 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 abnormal exposure of risk losses within the duties, the payment shall be stopped and the performance-based salary shall be recovered. In 2023, the total salary of all institutions was RMB 965.53 million, and the distribution of total salaries adhered to the efficiency orientation, and strengthened support for grassroots front-line employees, 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 2023, members of the Board of Directors, the Board of Supervisor and Senior Management who received their salary from the Bank received the salary of 12.9871 million.

## **6.5 Institutions**

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 2023, the Bank had 77 branches and sub-branches, three less as compared with 2022.

## VII. Corporate Governance Report

### 7.1 Overview of Corporate Governance

In 2023, the Bank strictly complied with related laws, regulations and supervision requirements and insisted on enhancing the corporate governance as a major step for further development. The Bank kept on optimizing the operating mechanism of corporate governance and the governance architecture 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, optimized equity management, and regulated related party transactions. Management efficiency of the Bank was improved, interests of all parties have been effectively protected, and the work of corporate governance was proved to be fruitful.

### 7.2 Shareholders' General Meeting

During the reporting period, the Bank organized one annual meeting and two extraordinary general meetings in total, debriefed five reports and adopted 18 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

By the end of the reporting period, the Board of Directors had nine directors including two Executive Directors, four Equity Directors, and three Independent Directors, with Mr. Wang Zhonglai as Chairman. After the reporting period until the disclosure of this annual report, Mr. Wang Zhonglai resigned from his positions as Chairman and Director of the Bank due to reaching retirement age, and Ms. Han Hua resigned from her positions as Director of the Bank due to work adjustments. Mr. He Fang was appointed to perform the duties of Chairman of the Bank in April 2024. 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 2023, the Bank held 5 meetings of the Board of Directors in total, at which 13 reports were heard and 43 proposals were deliberated.

The Board of Directors has five special committees, namely the Strategy and Consumer Protection and ESG 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 21 reports were heard and 22 proposals were deliberated.

#### **7.4 Board of Supervisors**

By the end of the reporting period, the Board of Supervisors consisted of five members, including three External Supervisors and two Employee Supervisors, with Mr. Yang Daxing as Chairman. All Supervisors of the Bank are experienced in management with professional knowledge on finance and accounting.

In 2023, the Bank held four meetings of the Board of Supervisors in total, at which 35 reports were heard and six proposals were deliberated.

#### **7.5 Senior Management**

The Senior Management sets up the Risk Management Committee (the Business Continuity Management Committee and the Credit Information Security Leading Group), the Internal Control and Compliance Management Committee (the Case Prevention and Control Management Committee, the Standardization Management Committee, and the Anti-money Laundering Leading Group), the Asset-Liability Committee, the Information Technology Management Committee (Data Governance Committee), the Performance and Evaluation Committee, the Corporate Business Promotion Committee, and the Production Safety Committee. In 2023, 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.

#### **7.6 Internal Control**

In 2023, the Bank conscientiously implemented the requirements of the central government, superior organizations and supervision departments; in combination with the strategic objective of the secondary entrepreneurship, continued to improve the internal control management system and issued the *KLB Internal Control Management Manual (2023)*; optimized the institutional management system of the Bank, carried out special business process sorting and compiled key business manuals; improved and updated the business risk database; strengthened the construction of internal control supervision mechanism, carried out a special internal control inspection and evaluation; refined authorization management, and increased the business response speed; adhered to the compliance concept of “Law Priority, Compliance First, Good Faith, and Safeguarding Rights in accordance with Law”, and effectively organized and carried out various activities such as “Chiefs’ Talks on Compliance”, “People and Things around Us” case warning

education, “Grassroots Leaders Talking on Compliance” essay solicitation activities, and “Compliance Speech Competition”, further consolidating the foundation of internal control and compliance culture. Upon evaluation, 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 Bank prioritized project audits as a crucial initiative, adhered to the principle of “focusing on the center and serving the overall situation”, and achieved practical results in strengthening the transformation of management thinking, technology empowerment, and talent review. The audit quality and efficiency were further improved, and the annual audit tasks were fully completed. Throughout the year, the Bank organized and implemented 29 audit items, and the audit contents covered all lines including corporate business, financial market business, retail business, information technology, credit management, risk management, and finance management.

### **7.8 Accounting Firm**

In 2023, the Bank engaged ShineWing (LLP) to provide annual audit service for the Bank, and the total audit fee aggregated RMB 1.1 million.

## VIII. Significant Events

### 8.1 Top 10 Shareholders and Changes during the Reporting Period

The changes in top ten shareholders as at December 31, 2023 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 2023 didn't change.

### 8.3 Division or Merger

N/A.

### 8.4 Material Investment Behaviors

N/A.

### 8.5 Material Asset Acquisition and Disposal

N/A.

### 8.6 Material Contracts and Performance

In 2023, the Bank had no material contracts required to be disclosed.

### 8.7 Significant Lawsuits and Arbitrations

In 2023, there were no lawsuits and arbitrations that have significant effects on operation.

### 8.8 Related Party Transaction

According to internal and external regulations such as the *Management Measures for Related Party Transactions of Banking and Insurance Institutions*, as well as the Bank's Articles of Association and its management measures for related party transactions, the Bank identifies related legal persons and natural persons based on the principles of substance over form and penetration. At the end of the reporting period, the Bank had a total of 2,874 related legal persons and 539 related natural persons. According to the definition of the National Financial Regulatory Administration (NFRA), the related party transactions of the

Bank were as follows:

### **Credit Related Party Transactions**

As at the end of the reporting period, the exposure balance of all related party credit business of the Bank after deducting margins and bank deposit certificates was RMB 5.701 billion, including RMB 5.693 billion for legal persons and RMB 8 million for individuals.

### **Non-credit Related Party Transactions**

In 2023, the total amount of service transactions between the Bank and related parties was RMB 416 million. The transactions of interbank deposit business with related parties amounted to RMB 4.856 billion. By the end of 2023, the balance of agreed deposits, contracted deposits, and time deposits of related parties in the Bank totaled RMB 48.335 billion.

### **Major Related Party Transactions**

In March 2023, upon review at the first meeting of the Related Party Transactions Control Committee in 2023 and deliberation at the ninth meeting of the sixth Board of Directors of the Bank, it was approved that the Bank's legal-person related parties China National Petroleum Corporation (CNPC) and its affiliates, Karamay City Construction Investment and Development Co., Ltd. and its affiliates, China Shipping Investment Co., Ltd. and its affiliates, and Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd. and its affiliates had an upper limit of non-credit related party transactions of RMB 81 billion in 2023, including RMB 80 billion of deposit related transactions and RMB 1 billion of service related transactions.

In May 2023, upon review at the second meeting of the Related Party Transaction Control Committee in 2023 and deliberation at the tenth meeting of the sixth Board of Directors of the Bank, the *Proposal on the Signing of the Information Consulting Service Agreement between KLB and CNPC Shared Operations Co., Ltd.* was approved, and it was agreed to sign the *Information Consulting Service Agreement*, with the annual service fee expected to be no more than RMB 10 million during the validity period of the Agreement (31 December, 2024).

In August 2023, upon review at the third meeting of the Related Party Transaction Control Committee in 2023 and deliberation at the 12th meeting of the sixth Board of Directors of the Bank, it was approved that CNPC Capital Limited Company, CNPC, as well as the legal persons or unincorporated organizations that both parties control or exert significant influence on had an upper limit of non-credit related party transactions of RMB 6 billion in total; Karamay City Construction Investment and Development Co., Ltd. and the legal persons or unincorporated organizations it controls had an upper limit of non-credit related party transactions of RMB 3.5 billion in total; China Shipping Investment Co., Ltd., China COSCO Shipping Corporation Limited, as well as the legal persons or unincorporated organizations that both parties

control had an upper limit of non-credit related party transactions of RMB 2 billion in total; and Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd. and the legal persons or unincorporated organizations it controls had an upper limit of non-credit related party transactions of RMB 500 million in total in 2023. Either credit limit was valid for one year.

In August 2023, upon review at the third meeting of the Related Party Transaction Control Committee in 2023 and deliberation at the 12th meeting of the sixth Board of Directors of the Bank, it was approved that the legal-person related parties related to the Bank's major shareholders (including CNPC Capital Limited Company, CNPC, as well as the legal persons or unincorporated organizations that both parties control or exert significant influence on; Karamay City Construction Investment and Development Co., Ltd. and the legal persons or unincorporated organizations it controls; China Shipping Investment Co., Ltd., China COSCO Shipping Corporation Limited, as well as the legal persons or unincorporated organizations that both parties control; and Xinjiang Uygur Autonomous Region State-owned Assets Investment Management Co., Ltd. and the legal persons or unincorporated organizations it controls) had an upper limit of the unified transaction agreement of RMB 100 million in the second half of 2023 and RMB 150 million in 2024, mainly technical service fees and other service fees incurred between the Bank and related party enterprises for providing or receiving services.

## **8.9 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, and 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, and 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.

## **8.10 Distribution of Profits and Dividends**

The profits and financial status of the Bank as at 31 December, 2023 are presented in the appendix section of the annual report headed "Auditor's Report and Financial Statements" in this the Annual Report.

As approved at the 2022 Annual General Meeting, the Bank distributed cash dividends for the second half of 2022 to all shareholders registered as at 31 December, 2022, which amounted to a total of RMB 442,378,808.13 (pre-tax) (at a rate of RMB 0.43 per 10 shares, pre-tax).

As approved at the First Extraordinary General Meeting in 2023, the Bank distributed cash dividends for

the first half of 2023 to all registered shareholders as at 30 June, 2023, which amounted to a total of RMB 679,000,031.06 (pre-tax) (at the rate of RMB 0.66 per 10 shares, pre-tax).

As approved at the 2023 Annual General Meeting, the Bank distributed cash dividends for the second half of 2023 to all shareholders registered as at 31 December, 2023, which amounted to a total of RMB 339,500,015.56 (pre-tax) (at a rate of RMB 0.33 per 10 shares, pre-tax).

## **IX. Financial Report**

The 2023 Annual Financial Report prepared by the Bank in accordance with PRC GAAP have been audited by ShineWing (LLP), which has issued a standard and unqualified auditor's report.

## 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, 2023	31 December, 2022
<b>Assets:</b>		
Cash and Balances with the Central Bank	19,512,481,336.75	19,424,568,962.98
Deposits with Banks and Other Financial Institutions	16,111,922,561.13	15,598,952,086.53
Placements with Banks and Other Financial Institutions	51,705,871,775.16	49,269,651,901.68
Financial Assets Held under Resale Agreements	293,773,378.92	1,893,993,041.26
Loans and Advances to Customers	213,071,263,878.92	192,063,448,453.79
<b>Financial Investments:</b>		
Financial Assets Held for Trade	34,543,250,717.32	37,231,336,845.78
Debt Investments	62,137,625,394.19	47,225,235,031.21
Other Debt Investments	30,830,308,726.63	22,429,130,484.08
Other Equity Instrument investment		
Fixed Assets	292,750,523.99	291,657,265.20
Construction in Progress	28,583,182.78	31,733,167.87
Intangible Assets	156,593,495.42	172,652,599.49
Right-of-use Assets	598,202,840.47	777,884,462.93
Deferred Tax Assets	545,916,933.15	509,572,609.10
Other Assets	591,675,920.53	403,932,177.52
<b>Total Assets</b>	<b>430,420,220,665.36</b>	<b>387,323,749,089.42</b>
<b>Liabilities:</b>		
Due to the Central Bank	7,570,252,371.66	6,179,349,457.73
Due to Banks and Other Financial Institutions	52,854,176,508.59	39,968,195,426.43
Placements from Banks and Other Financial Institutions		
Financial Assets Sold under Repurchase Agreements	29,123,720,851.56	17,652,083,955.22
Due to Customers	259,728,237,530.48	242,792,555,410.35
Employee Compensation Payable	62,173,097.88	56,751,156.98
Tax Payable	928,297,333.40	462,183,304.57
Bonds Payable	37,234,205,328.16	37,977,770,719.49
Lease Liabilities	573,480,376.06	748,789,067.35
Accrued Liabilities	180,105,885.08	356,840,861.24
Deferred Income Tax Liabilities		
Other Liabilities	3,290,871,297.26	3,967,433,847.06



Continued

Item	31 December, 2023	31 December, 2022
<b>Total Liabilities</b>	391,545,520,580.13	350,161,953,206.42
<b>Equity:</b>		
Share Capital	10,287,879,258.43	10,287,879,258.43
Other Equity Instruments		
Including: Preferred Shares		
Perpetual Bonds		
Capital Reserve	10,192,990,714.50	10,192,990,714.50
Less: Treasury Stock		
Other Comprehensive Income	312,332,260.64	9,698,336.87
Special Reserves		
Surplus Reserve	3,542,660,312.25	3,288,715,760.92
General Risk Preparation	4,673,021,417.73	4,595,380,637.49
Undistributed Profits	9,757,950,942.73	8,676,716,292.93
<b>Total Equity Attributable to the Shareholders of the Parent Company</b>	38,766,834,906.28	37,051,381,001.14
Equity of Minority Shareholders	107,865,178.95	110,414,881.86
<b>Total Equity</b>	38,874,700,085.23	37,161,795,883.00
<b>Total Liabilities and Equity</b>	430,420,220,665.36	387,323,749,089.42

## Schedule II

### Bank of Kunlun Corporation Limited

#### Consolidated Income statement

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

Item	2023	2022
<b>I. Operating Income</b>	7,761,373,549.12	6,743,560,072.88
Net Interest Income	7,629,891,052.60	7,077,623,791.81
Interest Income	15,667,326,498.13	14,203,623,673.89
Interest Expenses	8,037,435,445.53	7,125,999,882.08
Net Fee and Commission Income	(1,131,488,213.81)	(1,513,020,843.69)
Fee and Commission Income	414,632,797.14	256,358,511.43
Fee and Commission Expenses	1,546,121,010.95	1,769,379,355.12
Return on Investment (Loss is Indicated by “0”)	1,013,551,228.98	1,167,889,576.97
Including: Return on Investment in Associated Enterprises and Joint Ventures		
Return from De-recognition of Financial Assets Measured at Amortized Cost	1,334,058.90	144,306.16
Other Gains	59,203,230.82	50,394,045.92
Gains from Changes in Fair Value	153,216,931.17	(237,750,905.85)
Foreign Exchange Gains	34,104,037.59	187,851,081.25
Other Operating Incomes	2,850,980.98	2,297,780.70
Gains from Disposal of Assets	44,300.79	8,275,545.77
<b>II. Operating Cost</b>	4,397,068,387.47	3,464,668,750.95
Taxes and Surcharges	79,103,006.52	71,352,322.68
Operating and Administrative Expenses	2,661,309,427.32	2,473,029,813.09
Loss of Credit Impairment	1,616,803,835.22	901,806,372.85
Impairment Losses on Assets	37,379,931.97	17,536,688.34
Other Operating Costs	2,472,186.44	943,553.99
<b>III. Operating Profit (Loss is Indicated by “0”)</b>	3,364,305,161.65	3,278,891,321.93
Add: Non-operating Income	4,154,534.84	6,134,051.25
Less: Non-operating Expenses	18,937,562.02	8,728,312.15
<b>IV. Total Profit (Total Loss Is Indicated by “0”)</b>	3,349,522,134.47	3,276,297,061.03
Less: Income Tax Expenses	817,873,016.82	511,222,321.28
<b>V. Net Profit (Net Loss Is Indicated by “0”)</b>	2,531,649,117.65	2,765,074,739.75
(I) Classification by Business Continuity	2,531,649,117.65	2,765,074,739.75
1. Net Profit from Continuing Operation (Net Loss Is Indicated by “0”)	2,531,649,117.65	2,765,074,739.75
2. Net Profit from Discontinued Operation (Net Loss Is Indicated by “0”)		

Continued

Item	2023	2022
(II) Classification by Ownership	2,531,649,117.65	2,765,074,739.75
1. Net Profit Attributable to the Shareholders of the Parent Company (Net Loss is Indicated by “( )”)	2,534,198,820.56	2,754,771,628.18
2. Minority Gains or Losses (Net Loss is Indicated by “( )”)	(2,549,702.91)	10,303,111.57
<b>VI. After-tax Amount of Other Comprehensive Incomes</b>	302,633,923.77	(37,746,916.83)
After-tax Net Amount of Other Comprehensive Incomes Attributable to the Shareholders of the Parent Company	302,633,923.77	(37,746,916.83)
(I) Other Comprehensive Incomes that May Not be Reclassified Subsequently to Profit or Loss		
1. Changes Arising from the Remeasurement of Defined Benefit Plan		
2. Other Comprehensive Income that May not Be Transferred into Profit or Loss under Equity Method		
3. Changes in Fair Value of Investment in Other Equity Instruments		
4. Changes in Fair Value Arising from Corporate Credit Risk		
5. Others		
(II) Other Comprehensive Income That May be Reclassified Subsequently to Profit or Loss	302,633,923.77	(37,746,916.83)
1. Other Comprehensive Income that May Be Transferred into Profit or Loss under Equity Method		
2. Changes in Fair Value of Other Debt Investments	472,852,680.48	(46,884,413.21)
3. Other Comprehensive Income Reclassified into Financial Assets		
4. Credit Impairment Provision Arising from Other Debt Investments	(170,218,756.71)	9,137,496.38
5. Cash Flow Hedging Reserves (Effective Portion of Gains or Losses from Cash Flow Hedging)		
6. Difference Arising from Translation of Foreign Currency Statements		
7. Others		
After-tax Net Amount of Other Comprehensive Incomes Attributable to Minority Shareholders		
<b>VII. Total Comprehensive Income</b>	2,834,283,041.42	2,727,327,822.92
Total Comprehensive Income Attributable to the Shareholders of the Parent Company	2,836,832,744.33	2,717,024,711.35
Total Comprehensive Income Attributable to Minority Shareholders	(2,549,702.91)	10,303,111.57
<b>VIII. Earnings per Share:</b>		
(I) Basic Earnings per Share (RMB/Share)	0.25	0.27
(II) Diluted Earnings per Share (RMB/Share)	0.25	0.27

## Schedule III

### Bank of Kunlun Corporation Limited Consolidated Cash Flow Statement

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

Item	2023	2022
<b>I. Cash Flows from Operating Activities:</b>		
Net Increase in Due to Customers, Banks and Other Financial Institutions	29,409,038,900.66	33,166,883,278.77
Net Increase in Due to the Central Bank	1,390,311,508.22	
Net Increase in Placements from the Banks and Other Financial Institutions	170,000,000.00	
Net Decrease in Financial Assets Held for Trading		3,730,946,304.93
Cash Receipts from Interest, Charges and Commissions	13,951,120,882.41	12,960,114,806.86
Other Cash Receipts Relating to Operating Activities	315,393,927.23	209,321,046.97
<b>Sub-total of Cash Inflows from Operating Activities</b>	<b>45,235,865,218.52</b>	<b>50,067,265,437.53</b>
Net Increase in Loans and Advances to Customers	21,937,121,152.75	21,197,302,911.69
Net Decrease in Due to the Central Bank		1,674,787,635.51
Net Increase in Deposits with the Central Bank and Due from Banks and Other Financial Institutions	2,568,231,337.45	2,703,252,994.96
Net Increase in Financial Assets Held for Trading	2,530,498,316.43	
Net Decrease in Placements from the Banks and Other Financial Institutions		10,920,000,000.00
Cash Payments for Interest, Charges and Commissions	8,412,593,546.57	7,588,166,600.76
Net Decrease in Financial Assets Sold under Repurchase Arrangements	4,289,409,036.96	715,862,449.01
Cash Payments to and on Behalf of Employees	1,438,140,961.43	1,246,844,949.22
Payments of Various Types of Taxes	1,058,757,989.47	904,645,705.62
Other Cash Payments Relating to Operating Activities	1,498,862,443.67	558,098,926.90
<b>Sub-total of Cash Outflows from Operating Activities</b>	<b>43,733,614,784.73</b>	<b>47,508,962,173.67</b>
<b>Net Cash Flow from Operating Activities</b>	<b>1,502,250,433.79</b>	<b>2,558,303,263.86</b>
<b>II. Cash Flows from Investing Activities:</b>		
Cash Receipts from Disposals and Recovery of Investments	35,255,843,421.68	5,999,298,689.15
Cash Receipts from Return on Investment	2,426,492,919.63	2,250,867,880.94
Net Cash Receipts from Disposals of Fixed Assets, Intangible Assets and Other Long-term Assets	516,496.88	163,362.00
Net Cash Receipts from Sales of Subsidiaries and Other Business Units		
Other Cash Receipts Relating to Investing Activities		
<b>Sub-total of Cash Inflows from Investing Activities</b>	<b>37,682,852,838.19</b>	<b>8,250,329,932.09</b>
Cash Payments to Acquire or Construct Fixed Assets, Intangible Assets and Other Long-term Assets	125,124,603.65	106,189,782.78

Continued

Item	2023	2022
Cash Payments to Acquire Investments	38,114,372,314.91	35,082,232,677.07
Other Cash Payments Relating to Investment Activities		
<b>Sub-total of Cash Outflows from Investing Activities</b>	<b>38,239,496,918.56</b>	<b>35,188,422,459.85</b>
<b>Net Cash Flow from Investing Activities</b>	<b>(556,644,080.37)</b>	<b>(26,938,092,527.76)</b>
<b>III. Cash Flows from Financing Activities:</b>		
Cash Receipts from Investors		
Including: Cash Received by Subsidiaries from Minority Investments		
Cash Received from Loans		
Cash Receipts from Issuance of Bonds	58,441,624,725.27	52,540,842,490.00
<b>Sub-total of Cash Inflows from Financing Activities</b>	<b>58,441,624,725.27</b>	<b>52,540,842,490.00</b>
Cash Repayments of Borrowings	59,208,616,228.34	52,176,964,819.89
Cash Payments for Distribution of Dividend or Profit or Settlement of Interest Expenses	2,030,015,919.67	1,850,653,347.24
Other Cash Payments Relating to Financing Activities	290,080,670.62	284,687,815.05
<b>Sub-total of Cash Outflows from Financing Activities</b>	<b>61,528,712,818.63</b>	<b>54,312,305,982.18</b>
<b>Net Cash Flow from Financing Activities</b>	<b>(3,087,088,093.36)</b>	<b>(1,771,463,492.18)</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>34,104,037.59</b>	<b>187,851,081.25</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>(2,107,377,702.35)</b>	<b>(25,963,401,674.83)</b>
Add: Balance of Cash and Cash Equivalents at the Beginning of the Year	17,517,767,164.04	43,481,168,838.87
<b>VI. Balance of Cash and Cash Equivalents at the End of the Year</b>	<b>15,410,389,461.69</b>	<b>17,517,767,164.04</b>

## Schedule IV

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

Item	2023								
	Equity Attributable to the Shareholders of the Parent Company							Minority Interests	Total Equity
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal		
<b>I. Balance as at the End of Last Year</b>	10,287,879,258.43	10,192,990,714.50	9,698,336.87	3,288,715,760.92	4,595,380,637.49	8,676,716,292.93	37,051,381,001.14	110,414,881.86	37,161,795,883.00
Add: Adjustments for Changes in Accounting Policies									
Corrections of Accounting Errors in the Prior Year									
Business Combination under the Same Control									
Others									
<b>II. Balance as at the Beginning of the Current Year</b>	10,287,879,258.43	10,192,990,714.50	9,698,336.87	3,288,715,760.92	4,595,380,637.49	8,676,716,292.93	37,051,381,001.14	110,414,881.86	37,161,795,883.00
<b>III. Changes for the Current Year (Decrease is Indicated by "("))</b>			302,633,923.77	253,944,551.33	77,640,780.24	1,081,234,649.80	1,715,453,905.14	(2,549,702.91)	1,712,904,202.23
(I) Total Comprehensive Income			302,633,923.77			2,534,198,820.56	2,836,832,744.33	(2,549,702.91)	2,834,283,041.42
(II) Shareholders' Contributions and Reduction in Capital									
(III) Profit Distribution				253,944,551.33	77,640,780.24	(1,452,964,170.76)	(1,121,378,839.19)		(1,121,378,839.19)
1. Withdrawal of Surplus Reserve				253,944,551.33		(253,944,551.33)			
2. Withdrawal of General Risk Preparation					77,640,780.24	(77,640,780.24)			

Continued

Item	2023								
	Equity Attributable to the Shareholders of the Parent Company							Minority Interests	Total Equity
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal		
3. Distribution to Shareholders						(1,121,378,839.19)	(1,121,378,839.19)		(1,121,378,839.19)
4. Others									
(IV) Internal Carry-over of Shareholders' Equity									
1. Capital Reserves Converting into Share Capital									
2. Surplus Reserves Converting into Share Capital									
3. Deficit Covered by Surplus Reserves									
4. Amount of Change Set in the Benefit Plan in Order to Carry Forward Retained Earnings									
5. Carry-over of Retained Earnings on Other Comprehensive Income									
6. Others									
(V) Special Reserves									
1. Withdrawal in Current Year									
2. Used in Current Year									
(VI) Others									
<b>IV. Balance as at the End of the Current Year</b>	10,287,879,258.43	10,192,990,714.50	312,332,260.64	3,542,660,312.25	4,673,021,417.73	9,757,950,942.73	38,766,834,906.28	107,865,178.95	38,874,700,085.23

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

Item	2022								
	Equity Attributable to the Shareholders of the Parent Company							Minority Interests	Total Equity
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal		
<b>I. Balance as at the End of Last Year</b>	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
Add: Adjustments for Changes in Accounting Policies				109,796.10		988,675.43	1,098,471.53	582.02	1,099,053.55
Corrections of Accounting Errors in the Prior Year									
Business Combination under the Same Control									
Others									
<b>II. Balance as at the Beginning of the Current Year</b>	10,287,879,258.43	10,192,990,714.50	47,445,253.70	3,014,168,604.81	4,594,472,006.15	7,215,900,498.75	35,352,856,336.34	100,111,770.29	35,452,968,106.63
<b>III. Increase/decrease of current year (“( )” for decrease)</b>			(37,746,916.83)	274,547,156.11	908,631.34	1,460,815,794.18	1,698,524,664.80	10,303,111.57	1,708,827,776.37
(I) Total Comprehensive Income			(37,746,916.83)			2,754,771,628.18	2,717,024,711.35	10,303,111.57	2,727,327,822.92
(II) Shareholders' Contributions and Reduction in Capital									
(III) Profit Distribution				274,547,156.11	908,631.34	(1,293,955,834.00)	(1,018,500,046.55)		(1,018,500,046.55)
1 Withdrawal of Surplus Reserve				274,547,156.11		(274,547,156.11)			
2. Withdrawal of General Risk Preparation					908,631.34	(908,631.34)			
3. Distribution to Shareholders						(1,018,500,046.55)	(1,018,500,046.55)		(1,018,500,046.55)



Continued

Item	2022								
	Equity Attributable to the Shareholders of the Parent Company							Minority Interests	Total Equity
	Share Capital	Capital Reserve	Other Comprehensive Income	Surplus Reserve	General Risk Preparation	Undistributed Profits	Subtotal		
4. Others									
(IV) Internal Carry-over of Shareholders' Equity									
1. Capital Reserves Converting into Share Capital									
2. Surplus Reserves Converting into Share Capital									
3. Deficit Covered by Surplus Reserves									
4. Amount of Change Set in the Benefit Plan in Order to Carry Forward Retained Earnings									
5. Carry-over of Retained Earnings on Other Comprehensive Income									
6. Others									
(V) Special Reserves									
1. Withdrawal in Current Year									
2. Used in Current Year									
(VI) Others									
<b>IV. Balance as at the End of the Current Year</b>	10,287,879,258.43	10,192,990,714.50	9,698,336.87	3,288,715,760.92	4,595,380,637.49	8,676,716,292.93	37,051,381,001.14	110,414,881.86	37,161,795,883.00