



昆仑银行
Bank of Kunlun

SUMMARY OF ANNUAL REPORT FOR THE YEAR 2010

BANK OF KUNLUN CORPORATION







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Important Notice

1.1 The Board of Directors and its members, the Supervisory Board and its members and the senior management of Bank of Kunlun Co., Ltd. ("Bank of Kunlun") undertake that the information disclosed herein does not contain false statements, misrepresentations or major omissions and are jointly and severally liable for the truthfulness, accuracy and completeness of the information disclosed in the report. This Summary is extracted from the original annual report. Investors should carefully read the original for details.

1.2 BDO China SHU LUN PAN CPAS audited the Financial Report for the Year 2010 which was prepared based on the Accounting Standard for Business Enterprises and other regulations and issued audit report with standard audit opinion for Bank of Kunlun.

Bank of Kunlun Co., Ltd. (hereinafter referred to as “the Bank”) is formerly the Karamay Urban Credit Cooperatives that was established on December 9, 2002 as approved by the Karamay Center Branch of People’s Bank of China. On June 6, 2006, as approved by the Karamay Regulatory Bureau and Xinjiang Regulatory Bureau of the China Banking Regulatory Commission, the Bank reorganized the structure and took over all assets, liabilities and business of former Karamay Urban Credit Cooperatives, and renamed as Karamay City Commercial Bank Co., Ltd. (“KCCB”). In April of 2009, China National Petroleum Corporation (“CNPC”) reorganized KCCB by capital injection. As approved by the Xinjiang Regulatory Bureau of China Banking Regulatory Commission, KCCB increased capital again in April 2010, with registered capital of RMB4,203.87 million. On April 20, 2010, KCCB is renamed as Bank of Kunlun Co., Ltd. upon the approval by China Banking Regulatory Commission.

Legal name in Chinese: 昆仑银行股份有限公司

Legal name in English: BANK OF KUNLUN Co., Ltd

Chinese short name: 昆仑银行

English short name: BANK OF KUNLUN

English abbreviation: KLB

Legal representative: Wang Guoliang

Registered capital: RMB 4,203,872,560.05

Registered address: No. 7 Century Avenue, Karamay District, Karamay, Xinjiang

Post code: 834000

BOD Secretary: Xu Xinyuan

Telephone: 0990 – 6222789

Fax: 0990 – 6969902

Registered number of the Business License for Enterprise as a Legal Person:
650200040000052

Financial license organization code: B0226H365020001

Name of CPA firm: BDO China SHU LUN PAN CPAS

Office address: 4/F New Huang Pu Building, No. 61 Nanjing East Rd., Shanghai, China



Financial Highlights



3.1 Key profit indicators for the previous three years

Unit: RMB1000

Item	2010	2009	2008
Profit before tax	811,002	89,481	45,449
Net profit	688,537	70,014	38,193
Operating profit	810,980	88,421	45,523
Net cash flows from operating activities	35,977,435	3,443,959	448,014
Net incremental amount of cash and cash equivalents	17,126,934	3,492,130	463,170

Note: The financial statements disclose audited data for three consecutive years, in which, the audited data by end of year 2008, 2009 and 2010 all come from the respective annual audit reports. The reports are prepared based on the Accounting Standard for Business Enterprises which was enforced since 2008. Data disclosure in follow-up statements will be subject to the same principles.

3.2 Key financial data for the previous three years

Unit: RMB1000

Item	2010	2009	2008
Total assets	82,603,836	21,577,211	3,834,510
Shareholders' equity	6,504,096	3,106,827	238,547
Net interest income	1,053,984	149,967	42,578
Profit before tax	811,002	89,481	45,449
Total deposits	57,055,795	17,663,053	3,185,302
Total loans and advances	11,999,987	9,835,659	724,501

3.3 Earnings per share and rate of return on net assets

Item	2010	2009
Net profit attributable to equity shareholders of the bank (RMB1000)	688,537	70,014
Weighted average number of ordinary shares which are issued to the public (RMB1000)	3,556,631	1,663,365
Basic earnings per share (RMB)	0.19	0.04
Diluted earnings per share (RMB)	0.19	0.04
Net assets attributable to equity shareholders of the bank (RMB1000)	6,494,075	3,106,827
Fully diluted return on net assets (%)	10.60%	2.25%
Weighted average net assets (RMB1000)	5,282,646	2,141,020
Weighted average return on net assets (%)	13.03%	3.27%

3.4 Changes in shareholders' equity

Unit: RMB1000

	Share capital	Capital reserve	Surplus reserve	General reserve	Undistributed profit	Total owner's equity
As at Jan. 1 2010	2,262,148	719,789	15,070	61,225	48,595	3,106,827
Increase	1,941,725	757,008	68,843	489,147	130,525	3,397,269
Decrease	-	-	-	-	-	-
As at Dec. 31 2010	4,203,873	1,476,797	83,913	550,372	179,120	6,504,096

3.5 Key regulatory indicators for the previous three years

Item	Standard value	2010	2009	2008
Capital adequacy ratio	≥8%	17.16%	20.07%	20.75%
Core capital adequacy ratio	≥4%	16.36%	20.07%	20.48%
Loan-to-deposit ratio	≤75%	21.03%	55.68%	22.78%
NPL Ratio (five categories)	≤5%	0.06%	0.08%	1.09%

3.6 Summary of loans and advances with five-category classification for the previous three years

Unit: RMB1000

Class	2010	2009	2008
Standard	11,992,981	9,827,931	645,100
Special mention	299	248	71,520
Substandard	419	0	0
Doubtful	6,288	6,998	7,481
Loss	0	482	400
Total	11,999,987	9,835,659	724,501

3.7 Loans and advances balance for the top ten industries at the end of reporting period and their proportions

Unit: RMB1,000

Industry	Balance	Proportion
Manufacturing	3,099,148	26.19%
Production and supply of electric power, gas and water	1,867,000	15.78%
Transportation, Storage and Postal Services	1,515,459	12.81%
Management of water conservancy, environment and public facility	1,040,000	8.79%
Construction	1,013,468	8.57%
Mining	821,950	6.95%
Wholesale and retail	690,854	5.84%
Information transmission, computer and software services	535,600	4.53%
Leasing and business services	455,500	3.85%
Public management and social organization	452,733	3.83%



Changes of Capital and Shareholders



The capital increase plan of KCCB was approved by the Xinjiang Regulatory Bureau of China Banking Regulatory Commission in April 2010. The registered capital of the Bank increased from RMB2,262.15 million as at the end of 2009 to RMB4.2 billion as at the end of 2010. Up to the end of reporting period, CNPC holds 87.00% of total shares of the Bank, other 55 legal persons hold 12.999% of total shares and natural person shareholders hold 0.001% of total shares.

Top ten shareholders after capital increase and change of shareholders' equity due to enlarging the number of shares by Bank of Kunlun are as follows:

Shareholder name	Number of shares		Shareholding proportion (%)	
	Before	After	Before	After
China National Petroleum Corporation	2,081,481,481.48	3,657,369,127.22	92.014%	87.000%
Karamay Municipal Bureau of Finance	41,396,089.46	209,927,735.02	1.830%	4.994%
Xinjiang Sanlian Investment Group Co., Ltd.	10,133,044.73	52,387,836.93	0.448%	1.246%
Karamay Urban Construction Investment Development Co., Ltd.	20,133,044.73	37,414,335.61	0.890%	0.890%
Finance Bureau of Karamay District, Karamay City	10,103,217.89	32,198,179.89	0.447%	0.766%
Xinjiang Taisheng Investment Co., Ltd.	9,026,608.95	26,841,754.06	0.399%	0.639%
Petroleum Administration Bureau of Xinjiang Uygur Autonomous Regions	20,430,184.88	20,594,442.31	0.903%	0.490%
Karamay Zhengcheng Co., Ltd.	3,000,000.00	18,997,882.49	0.133%	0.452%
Karamay Tiansheng Engineering and Construction Co., Ltd.	4,000,000.00	14,144,827.66	0.177%	0.336%
Finance Bureau of Dushanzi District Karamay City	2,937,252.52	12,169,866.03	0.130%	0.289%



Directors, Supervisors, Senior Management and Staff



5.1 Directors, supervisors and senior management

5.1.1 Directors

Name	Title	Gender	Age	Date of beginning
Wang Guoliang	Chairman	Male	58	July 16, 2009
Xie Geguo	Vice chairman	Male	58	April 2, 2010
Zhou Mingchun	Director	Male	43	May 20, 2009
Wen Qingshan	Director	Male	52	May 20, 2009
Tang Jian	Director	Male	61	May 20, 2009
Yang Jiasi	Independent director	Male	61	May 20, 2009
Yu Ying	Independent director	Female	41	May 20, 2009

5.1.2 Supervisors

Name	Title	Gender	Age	Date of beginning
Wei Guoliang	Supervisor	Male	45	April 24, 2009
Yu Zengbiao	External supervisor	Male	55	April 24, 2009
Yu Hanxin	Employee supervisor	Male	47	April 24, 2009
Zhang Li	Employee supervisor	Male	39	January 26, 2010

5.1.3 Senior management

Name	Title	Gender	Age	Date of beginning
Xie Geguo	Secretary of the Party committee	Male	58	October 20, 2009
Xu Xinyuan	Secretary to the Board	Female	54	May 20, 2009
Jing Lin	Chief finance officer	Male	46	May 20, 2009
Xie Pengfei	Deputy president	Male	46	May 20, 2009
Xie Haibing	Chief information officer	Male	39	May 20, 2009
Wang Zhonglai	Deputy president	Male	47	January 27, 2010

5.2 Changes of directors, supervisors and senior management

In 2010, Mr. Xie Geguo resigned from Chairman of Supervisory Committee and was elected as director and vice chairman. Besides, he acted for the President of the Bank as approved by the Board of Director since March 2010. The predecessor Ms. Zhang Haoruo resigned from director and the President. Mr. Zhang Li was co-opted as Employee Supervisor and Mr. Wang Zhonglai was elected as Deputy President of the Bank.

5.3 Staff

Up to the end of 2010, the Bank has 820 employees in total, increased by 247% than in the end of the previous year; in which, 641 employees have bachelors degrees or above, accounting for 78% of the total number of employees.



Corporate Governance



6.1 Corporate governance structure

In the year 2010, the Bank improved the corporate governance structure, including the separation of the Risk Management and Related Party Transaction Control Committee into the Risk Management Committee and Related Party Transaction Control Committee, election of Vice Chairman of the Board, replenishment of new directors, supervisors and more management members. which created a more scientific governance structure of “three boards and one management”. The Bank also ensured an effective operation of corporate governance through the revision of “Articles of Association”, formulation of eight new policies including Policies of Related Party Transaction, enhancement of management over authorization of the Board of Directors to the management, improvement of corporate governance structure, clarification of the responsibility division, and establishment of standardized decision-making rules and procedures. Meanwhile, the board strengthened the performance evaluation of the management by setting up incentive and constraint schemes. The Bank strengthened information disclosure and its transparency, as well as published Annual Report of 2009 for the first time. All concerned parties proactively performed their duties and an effective corporate governance has been achieved.

6.2 Shareholders' meeting

The Bank organized three shareholders' meetings in 2010. On February 25, 2010, the 2009 Annual General Meeting approved reports of the Board of Directors and the Board of Supervisors, report on performance assessment of independent directors and external supervisors, financial report, profit distribution plan, plan for capital increase, and modification of the Articles of Association. The first interim Shareholders Meeting for the year 2010 held on July 12, 2010, approved proposals on additional Independent directors. The second interim Shareholders Meeting for the year 2010 held on October 29, 2010 approved proposals on establishment of rural banks and “Investment Management Policy (Trial Edition)”, “Equity Investment Management Policy (Trial Edition)”, as well as framework plan for capital replenishment and other core policies, in order to ensure effective performance of responsibilities of the Shareholders Meeting to ensure right to information and ultimate policy-making rights of shareholders, and to ensure conformance of bank operation to related rules and regulations.

6.3 Board of Directors and its special committees

During the reporting period, the Board of Directors, fully utilizing its decision-making power, formulated the “12th Five-year Plan” and the development strategy featured in “Combination between Industry and Finance”. It was determined to construct a comprehensive risk management system under guidance of new Basel Accord to accelerate establishment of internal control and risk management systems by the management; Plans for capital injection in the year 2010 and the year 2011 were assessed; annual report, budget plan, final accounting plan, investment plan and profit distribution plan were approved; management over authorization of key related party transactions was strengthened; staff deployment in branch offices were clarified; Sophisticated fundamental rules for the Bank were established. Reports made by the management with regards to business operations, risk management, compliance, internal auditing, related party transaction and other related aspects were assessed. Through earnest, comprehensive and stringent implementation of various resolutions passed during the Shareholders Meeting, leadership of the management can be implemented actively.

During the reporting period, the Bank has five special committees under the leadership of the Board of Directors: Strategy Committee, Audit Committee, Risk Management Committee, Related Party Transaction Control Committee and Nomination and Remuneration Committee. Risk Management Committee and Related Party Transaction Control Committee was established in 2010 upon the separation of the original Risk management and Related

Party Transaction Control Committee. Separation of the Committee may strengthen management of the Board of Directors over risks and related party transactions. All these special committees have clear boundaries for specific responsibilities to provide supports for policy-making by the Board of Directors in specific fields through assessment of relevant proposals raised by the Board of Directors.

6.4 Board of Supervisors

Board of Supervisors of the Bank performed their responsibilities in accordance with laws, administrative rules, regulations and specific requirements of the Bank, or resolutions and authorization of the Shareholders Meeting. Members of the Board of Supervisors attended meetings of shareholders and meetings of Board of Directors. They actively explored new ways for supervision. They made relevant proposals independently and objectively on bases of comprehensive assessments of reports, available data and performance appraisals. As a supervisory institution, the Board of Supervisors played an active role in supervising and balancing performances of the Board of Directors, directors and senior management.

6.5 Internal control system development

6.5.1 Internal control environment

We are committed to develop the Bank towards a “commercial bank integrating industry and finance”. It is our core business objective to increase corporate value and to benefit our shareholders in a sustainable manner. An internal control management framework composed of the internal control decision-making group, construction implementation group, and supervision/assessment group has been established. An internal control management pattern featuring leadership of leaders from branches and functional departments and all-staff participation has taken shape. A documented internal control system consisting of general regulations, specific regulations and supervision/assessment regulations has been put in place. The board of directors and top management actively advocated and promoted our internal control culture, and advocated the internal control concept of “management through systems, operation through rules, and decision-making based on procedures” and “giving top priority to internal control and systems”.

6.5.2 Risk identification and assessment

The Bank established and improved a comprehensive risk management framework, improved the duties of the risk management committee in the branch offices and head office, and strengthened management over the operation of the committee; The bank has established and implemented a series of new regulations and measures in terms of the management of credit risk, market risk, operational risk and liquidity risk and improved the enterprise risk management system; The bank has made sustainable efforts in improving its risk reporting system, enhancing its risk reporting capacity, and conducting credit risk assessment, operational risk assessment, and liquidity risk assessment; in accordance with our “Internal Control Management Manual”, we conducted effective risk identification, assessment and control and established special management measures and operation procedures for major risk sources such as important blank vouchers and various kinds of authorization.

6.5.3 Internal control measures

Supported by a scientific, strict internal control system and using advanced techniques and control manners, we made great efforts to ensure the all-round coverage and whole-process control of internal control over all operations, effectively guarding against all types of risks. We distributed Internal Control Management Manual (for



trial implementation), defined duties of internal management for the board of directors, management, and functional departments, and comprehensively developed a network for internal control compliance; a regulation system covering all business areas has been put in place; 225 regulations of 13 categories have been established and distributed; an authorization management system covering all levels and major business operations has been primarily established. Authorization management documents including authorization management measures and authorization management authority schedules at board of directors and management have been formulated. We prepared “A Collection of Legal Documents on Banking Business”; we strengthened legal compliance inspection, conducted compliance inspection in a sustainable manner, made special efforts in promoting criminal case prevention and control and anti-money laundering. We established a long-term working mechanism of supervision and liaison. As a result, we gradually regulated management of related party transactions.

6.5.4 Supervision, assessment and correction

We established and improved an inspection and supervision system featuring the monitoring and warning mechanism and joint supervision at various levels, in multiple dimensions, and through various channels so as to supervise the effectiveness of internal control. With this system, we successfully performed advance warning, concurrent control, and subsequent supervision, comprehensively completed internal control inspection and supervision on schedule in compliance with the supervision regulations and the general requirement for improving the corporate governance structure and strengthening internal control system construction of the Bank. We strengthened internal control inspection, established management measures for internal control supervision and inspection, clearly defined the organization structure, job duties, work processes, and supervision reports, and unified inspection assessment standards. We conducted independent internal control supervision and inspection, strengthened the inspection over high-risk business and new business, and effectively guarded against operational risk.

6.5.5 Information communications and feedback

The Bank improved the mechanism of information exchange and communications, which enabled timely information transfer through the Intranet, formal documents, and internal information publications with respect to major problems and issues in the process of operation. We established platforms for information exchange and

communications. Through information exchange platforms such as the electronic document exchange system, E-mail system, formants hot-line telephone and complaint mailbox, the departments and divisions at all levels in the head office can transfer information on the strategy, policies, systems, and relevant regulations to employees in a timely manner. At the same time, these platforms also enabled employees to report any problem arising from business operation, internal control and risk management to the management at all levels in good time. We constantly improved information disclosure, strictly implemented supervision and management, and faithfully fulfilled the obligations of information disclosure. During daily operations, we designated special organizations and personnel to report to the competent regulatory bodies on our business performance and to fill out supervision statistics forms and other reports as required by the regulatory body. As a result, we regulated information disclosure and enhanced the transparency of corporate governance.

6.6 Internal audit

In 2010, we actively promoted the development of our internal audit system, accelerated the establishment of internal audit systems and a professional team of auditors, and primarily established an effective supervision mechanism for internal audit; we effectively conducted internal audit, and fully facilitated external audit and inspection by regulatory departments; we took corrective actions to solve various types of problems identified during audit inspection and reported corrections to the Board of Directors in a timely manner. We met regulatory requirements and actively participated in performance assessment; we identified deficiencies in our operation and management, summarized problems and put forward management suggestions. Based on the problems with bidding and tendering, we timely put forward suggestions, and effectively promoted bidding and tendering management in a standard manner; through internal audit, we promoted sustainable improvements in corporate governance, internal control, risk management and business operations in a standard manner.



Management Discussion and Analysis

7.1 Business Overview

The year 2010 marks the end of the “11th Five-year Plan”, and the great importance to achieve a full-scale victory over global financial crisis, to ensure stable and fast economic development and to establish a sound foundation for the start of the “12th Five-year Plan”. Though faced with complicated and volatile domestic and international economic and financial situations, together with frequent enactment of macro-economic adjustment and control policies, banking industry achieved significant development, with relatively rapid growth of asset, steady increase of deposits, loans and profitability, improvement of asset quality, and a higher level of capital adequacy and provision coverage.

In the year after re-organization, the Bank persisted in the principles of “High starting point; Rapid and sustainable development” to construct a bank featuring “Combination of industry and finance”. Through the efforts in marketing big financial institutions and key projects as well as corporate deposits and SME. The retail business, supported by petroleum and petrochemical industries, bank cards, salary payment, sales of wealth management products, housing loans and other business operations, has increased for several times. The financial market operations promoted fund operation efficiency by means of active conducting of bond repurchasers operations, bond trading, deposit with financial institutions and other operations. With continuous increase of correspondence banks, international settlement, cross-board RMB settlement and foreign exchange business, achieved material progresses.

Five branches were opened in the year to facilitate geographical expansions. During the same time, ten branches and six self-service banks were newly constructed or re-constructed. By the end of the year, there are seven independently operated regional branches and 19 branches available for services. Capabilities for providing services have been increased. All these branches are in sound operation with superior performances.

7.2 Financial overview

7.2.1 Operating results

The Bank moved forward management of businesses steadily in 2010 and witnessed obvious improvement in profitability. Operating income for the whole year was RMB1.11 billion, up by 441.14% year on year; operating expenditure of RMB297 million, up by 155.22% year on year; total profit of RMB811 million, up by 806.34% year on year.

7.2.2 Asset-liability

The asset-liability scale of the Bank witnessed great improvement in 2010. Total assets of the Bank was RMB82.61 billion, up by 2.8 times than the beginning of the year, or 21 times of that before reorganization; total liabilities was RMB76.10 billion, up by 3 times than in the beginning of the year; net assets of RMB6.50 billion, double of the amount in the beginning of the year.

7.2.3 Asset quality

In 2010, the asset quality of the Bank continued to improve and core regulatory indicators have met the standard for branches. Capital adequacy ratio of the Bank was 17.16%, core capital adequacy ratio was 16.36%; liquidity ratio reached 58.30%; rate of non-performing loans ratio was 0.06%, 0.02% lower than that of the beginning of the year; provision coverage reached 1861.00%; the largest single-customer loan concentration was 8.37%, a decrease of 1.29% over that in the beginning of the year.

7.3 Brief introduction of business

7.3.1 Financial highlights

By the end of 2010, the balance of corporate loans reached RMB11.83 billion, increased by RMB2.12 billion or up by 21.79% over the beginning of the year. The balance of corporate deposits was RMB54.08 billion, up by 2.2 times; accumulative revenue of corporate intermediary business for the whole year amounted to RMB66.29 million; accumulative new accounts reached 508 accounts.

Corporate loan increased healthily. Through strengthening the marketing to premium customers like central government affiliated enterprises and state-owned enterprises and expanding the financial business with small and medium-sized enterprises aggressively, the assets structure has been further improved. By the end of year, the balance of trade finance products of supply chain for CNPC that were developed in the year was RMB531 million, accounting for 1/4 of the total net increase of loan in the year; By proactive marketing to other banks and key projects, positive participation and expansion of syndicated loaning business, the Bank operated syndicated loan for three customers, with tranche of RMB1 billion, and actually dispursed RMB643 million in 2010.

Deposits of the Banks increased greatly. Up to 2010, the balance of corporate deposits was RMB54.08 billion, increased by RMB37.15 billion, or up by 2.2 times over the beginning of the year.

7.3.2 Small and medium-sized enterprise business

By the end of 2010, the balance of loans to small and medium-sized enterprises was RMB2.84 billion, up by RMB295 million over the beginning of the year. Among the loans, balance of loans to small enterprises was RMB632 million, increased by RMB442 million over the beginning of the year or up by 232%, so the Bank has unswervingly implemented the requirements of “two not-lower-than” for small enterprises required by the China Banking Regulatory Commission.

7.3.3 Personal finance business

By end of 2010, the balance of retail loans reached RMB168.15 million, increased by 39% year on year, with interest income of RMB8.87 million; provided salary distribution service for 137,997 people accumulatively, up by 18.6 times year on year; 273,331 cards were issued, up by 10.08 times year on year; The Bank realized RMB1.98 million of income in personal intermediary business.

Saving deposit maintained fairly stable and rapid growth. By end of 2010, the Bank realized overall deposits of RMB2,613.34 million (incl. saving deposits of RMB2,424.08 million, accumulative sales of financial products of RMB237.88 million, balance of RMB188.60 million and sales of insurance as agent of RMB1.16 million), up by 254% year on year.

Wealth management business witnessed new progress. The Bank designed and developed “Smartlink” business and accomplished the design of “Baoshihua Wealth” RMB financial products, successfully sold the financial products for Kunlun Trust Co., Ltd., China Everbright Bank and Industrial Bank Co., Ltd. on a commission basis, so cooperative partners in wealth management business has been expanded.

The quantity of cards issued continued to increase, with rate of card using up to 99.4%. Meanwhile, through interactive communication with UnionPay, the Bank obtained qualification of POS business in advance and formally started to operate the POS business. 84 automatic machines (71 ATM and 13 CRS) and 13 POS in total were situated.



7.3.4 Money Financial market business

In 2010, the Bank developed bond repurchase, bond investment service, bond distribution, due from banks, etc., as a result, the operational efficiency of capital was improved greatly. By end of the year, capital allocation of RMB37.2 billion has been finished, with account allocation meeting management requirements, weighted years to maturity of bond inventory was 2.8 years, rate of return on non-trading account was 3.4%, whole-year interest income of bonds for non-trading account was about RMB670 million, interest income of trading account was RMB300 million, and whole-year interest income of repurchase and due to banks was about RMB600 million. The money market business realized revenue of RMB760 million for the whole year.

7.3.5 International settlement

Since April 27, 2010, when the Bank started international settlement business, the Bank has made outstanding achievements in international business. The application for qualification of foreign exchange business and sales of foreign exchange at sight has been approved. The Bank has bought US\$20 million as foreign exchange operating fund. RMB settlement for cross-border trade has been launched and personal settlement and sales of foreign exchange is currently under preparation. The Bank obtained membership of Society for Worldwide Interbank Financial Telecommunication (SWIFT) and membership of China Foreign Exchange Trade System. Foreign exchange business has been launched formally.

Up to now, the Bank has established correspondent bank relationships with 58 banks in 22 countries and opened capital settlement accounts in major international clearing centers like America, France, Germany, Britain, Japan as well as Hong Kong, China, which basically meets the needs in developing international settlement business.

7.3.6 E-banking

E-banking witnessed great breakthrough. On August 20, 2010, a new SMS platform was put into service and SMS covers all operators around China, which met the requirements of sending and receiving short messages for application systems integration, identity authentication and marketing. On September 26, 2010, the official launching of E-banking and telephone banking which enriched the service channels of on-line banking enabled the bank to provide customers with service of account management, remittance and bank transfer, wealth management, loss reporting, business consultation and business customization. Customers can enjoy safe and convenient financial service at home, free of the limits of time and space. Up to the end of 2010, the bank had 1,2000 users of internet

banking, dealt with business through telephone for 85000 times and sent 2.67 million short messages. The E-banking system has basically taken shape.

7.4 Risk management

In 2010, the Bank defined the objectives of enterprise risk management (ERM), established the management framework and concepts of enterprise risks and other risks, established the “12th Five-Year” risk management development plan, ERM regulations, and risk management manual, and formed a multi-level, perfect system for risk management policies and systems.

In 2010, the Bank gradually improved the ERM system. With regard to credit risk management, the Bank established uniform credit policies, completed the concepts and framework of credit risk management for international operations; in terms of market risk management, the Bank focused on the development of regulations and system construction; in terms of operational risks, the Bank established a mechanism to collect loss data and to conduct self-evaluation over risks and control, gradually implemented and promoted the monitoring and management of key risk indicators, and timely conducted pilot programs of capital measurement of operational risks.

In 2010, under the ERM system framework, the Bank became the first among city commercial banks to promote measurement projects under the New Basel Capital Accord. At present, non-retail credit risks, retail credit risks, operational risk and market risk measurement, and management optimization are in smooth progress.

7.4.1 Credit risk management

The Bank has made remarkable achievements in promoting the credit risk management system. Under the management concept of “general credit management”, we clearly defined the duties of various departments in the front, middle and back offices of credit risk management, effectively integrated corporate and retail credit risk management, and achieved the uniform management and effective balance of credit risks. We established and distributed uniform credit policies, which helped develop a common understanding and a shared management concept on the operations and development of credit business throughout the bank and guide the orderly development of the credit business throughout the bank. In line with our strategy of international operations and business development and in light of regulatory policies, we integrated international operations into the uniform risk management system; we regulated international operation processes, gradually established and improved the credit risk management system for international operations, and promoted the construction of an international business management system.

7.4.2 Market risk management

The bank has made remarkable achievements in the development of market risk management regulations and systems. During the establishment of market risk management regulations, we prepared and distributed a series of market risk regulations, and established a three-dimensional, all-directional, multi-tiered system for market risk management policies and regulations, which was based on the strategy and policy of market risk management, governance, organizational structure, staff, internal control and audit, risk preference, and quota management and focused on the identification, measurement, reporting, control of market risks, including authorization and transaction, capital measurement, scenario analysis, stress testing, models, data management, internal control and audit. During the development of the market risk management system, we initiated financial market business and market management systems, introduced the OPICS system provided by MISYS, a specialized system provider, and established a whole-process system with complete functions covering financial market business, risk management, and capital settlement. With the great support of the competent authorities, our capital transaction management

system was successfully launched in October.

7.4.3 Liquidity risk management

The Bank has established basic measures for liquidity risk management. The fundamental principle of liquidity risk management is “centralized arrangement, uniform scheduling, classified management and self-balance”. The Bank regulated the capital reporting system and process, daily capital management system, capital forecasting system, provisions management and deposit reserve system, and financing system. At the same time, the Bank established emergency preplan and reporting system for working capital and designed relevant statement templates. Meanwhile, the Bank established the liquidity risk management system and conducted stress testing in line with the Guidelines for the Management of Liquidity Risk formulated by the China Banking Regulatory Commission.

7.4.4 Operational risk management

By introducing operational risk management technical tools, the Bank preliminarily established the operational risk management system, including 6 operational risk management policies. An operational risk management framework based on 3 defense lines has been set up; operational risk management methods and means have been developed; in light of the actual conditions and based on the industrial indicators database, the Bank preliminarily established corporate key risk indicators (KRIs); two branches and three business management divisions of the head office were selected for pilot programs of loss data collection and self-evaluation of risks and control; in order to meet future regulatory requirements of the China Banking Regulatory Commission for operational risk capital measurement, the Bank designed the method to measure operational risk capital through standard measurement and the measurement procedure; the Bank also designed a concept framework model for operational risk marts and discussed and prepared the manual of business demands for the operational risk management information system.

7.4.5 Compliance risk management

The bank has made remarkable achievements in guarding against compliance risks. The Bank conducted on-site inspection over the key areas of our branches and business offices. Through inspection, the Bank identified and summarized problems, put forward suggestions for improvement, and asked branches to take corresponding corrective actions. The Bank strengthened case prevention and control, and established relevant regulations on the principle of “business motivation, centralized management, and sustainable optimization”. In order to ensure the smooth progress of anti-money laundering, the Bank strengthened anti-money laundering management, established an anti-money laundering working group, and defined major duties of the working group, anti-money laundering divisions, and relevant departments.

7.5 Human resources management

In 2010, the Bank made great efforts to develop human resources, strengthen leadership, establish and improve many systems and working regulations such as employment of cadres at all levels, application for senior manager titles, and leader accountability system. The Bank adjusted and improved organizational and position structures of the branches and head office, made attempts to centralized management of regional business, recruited employees through different channels and means, strengthened training and assessment with regard to new employees, new business, and professional qualifications, enhanced the basic skills and professional quality of employees in a faster manner, and established the management system of classified training at different levels.

The Bank established four systems such as carder exchanges and rotations of major positions as well as measures for holiday and attendance management, and further regulated employee management; the Bank established the performance assessment and compensation management system, completed job arrangements

and position grading for all employees, conducted monthly performance assessment, and gradually established the performance assessment concept of “more contributions, more incomes, securing positions through competition”; a system for social insurance, additional insurance and commercial insurance largely covering all employees has taken shape. The HR ERP information system and annual compensation management system have been completed, laying a solid foundation for team stability and enhanced HR management.

7.6 Information system management

In 2010, the Bank achieved a qualitative leap or remarkable progress in the development of the application systems, infrastructures, and IT systems. In terms of the development of application systems, the Bank started E-bank, customer service centers, international settlement, electronic commercial drafts, cash management, capital transactions, township banking, and POS service; core, credit and SMS platforms were successfully upgraded and optimized; comprehensive money management, super e-currency and Kunlun Bankcard items were in orderly progress; the service capacity was enhanced substantially, effectively satisfying the demand for rapid business growth. In terms of infrastructure development, the Bank completed the building of the Beijing Data Center, successfully achieved the transfer of the production system, fundamentally improved infrastructure conditions, and effectively ensured daily operations. In terms of IT governance, regulations were further regulated, the IT team was gradually expanded, and the measures for risk prevention and control considerably improved. IT supporting system covering the whole bank has taken shape.

7.7 Profit distribution plan

The audited net profit in 2010 was RMB688.43 million. Pursuant to the Company Law of the People's Republic of China, Articles of Association of BANK OF KUNLUN CO., LTD, and Financial Rules for Financial Enterprises, the Board of Directors of the Bank established the following profit distribution plan for year 2010:

1. Withdraw statutory surplus reserve of RMB68.84 million;
2. Withdraw general reserve of RMB550.37 million;
3. The undistributed profit at the end of 2010 was RMB179.04 million and the dividends distributed were RMB89.52 million. At the end of 2010, there were 4,203,872,560.05 shares, RMB0.21 cash dividends for every 10 shares (before tax).



Significant Issues



8.1 Change in registered capital, change of name

KCCB increased its registered capital to RMB4,203.87 million in April 2010. On April 20, 2010, with the approval of the China Banking Regulatory Commission, KCCB changed its name to Bank of Kunlun Co., Ltd. On October 29, 2010, the “Framework Proposal for Capital Increase of Bank of Kunlun Co., Ltd. in Year 2011” was approved at the second interim Shareholders’ General Meeting. The Bank plans to continue the capital increase plan in 2011.

8.2 Employment and dismissal of the accounting firm

In 2010, BDO CHINA SHU LUN PAN CPAS was designated as our audit agency to provide semiannual and annual audit.

8.3 Significant related party transactions

The “Proposal for Providing China National Petroleum Corporation with RMB900 million of Line Of Credit” was approved at the Meeting of Related-Party Transaction Control Committee under the Board of Directors and ad hoc Board of Director’s Meeting on October 28, 2010. CNPC was rated as Grade AAA in credit rating, with a line of credit of RMB900 million, all being general lines of credit for CNPC and its subsidiaries both in home and foreign currency. By the end of 2010, the Bank had issued 15 guarantees for CNPC and its branches (subsidiaries), including 2 RMB guarantees, whose counterpart was Xinjiang Petroleum Engineering Construction Limited Liability Company, with a transaction balance of RMB36.25 million; 6 USD guarantees, with a balance of US\$43.72 million; 7 EURO guarantees, with a balance of EURO 1.06 million, their transaction counterparts being respectively China National Logging Corporation (CNLC), CNPC Greatwall Drilling Engineering Company Limited and China Petroleum Technology & Development Corporation (CPTDC).

PetroChina Company Limited issued the second, third and fourth tranches of medium term notes (MTNs) respectively on May 19 and June 5. Through the primary market underwriter, the Bank respectively purchased RMB3 billion and RMB2 billion of MTNs at issue prices and sold them on May 24 and June 10. Pursuant to regulatory and internal management requirements, the Bank submitted the “Proposal for Deliberation on PetroChina Bonds Transaction” to the Related-Party Transaction Control Committee under the Board of Directors and the Board of Directors, which was approved. On July 31, the above transaction was concluded with a total of revenue of RMB36.65 million.

8.4 Major investment activities

Pursuant to the resolution adopted at the 2nd shareholders' general meeting in 2010, the Bank established Leshan Kunlun Village & Township Bank Co., Ltd. with a registered capital of RMB50 million. The capital contributions paid by the Bank were RMB40 million, roughly accounting for 80% of the total. The bank has been approved by the China Banking Regulatory Commission and started its operations on December 2, 2010.



Financial Report

BDO China SHU LUN PAN CPAS audited the Financial Report for Year 2010 which was prepared based on the Accounting Standard for Business Enterprises and issued standard opinion audit report for Bank of Kunlun.

Appendix I: Consolidated Statement and Statement of Financial Position

Appendix II: Consolidated Statement and Statement of Comprehensive Income

Appendix III: Consolidated Statement and Statement of Cash Flows

Appendix IV: Consolidated Statement of Changes in Equity

Appendix V: Statement of Changes in Equity

Consolidated Statement and Statement of Financial Position

As at December 31, 2010

Expressed in RMB unless otherwise stated

Assets	Consolidated statement of financial position		Statement of financial position	
	2010	2009	2010	2009
Assets:				
Cash and deposits with central bank	13,319,408,393.05	2,826,945,625.81	13,318,334,977.85	2,826,945,625.81
Deposits with banks and non-bank financial institutions	18,386,049,596.82	3,249,864,688.74	18,357,854,830.17	3,249,864,688.74
Precious metals				
Placements with banks and non-bank financial institutions				
Financial assets at fair value through profit or loss	760,574,880.01		760,574,880.01	
Derivative financial assets				
Financial assets held under resale agreements	5,923,747,662.48	1,186,202,610.68	5,923,747,662.48	1,186,202,610.68
Interest receivable	788,201,829.14	93,558,355.49	788,184,760.12	93,558,355.49
Loans and advances to customers	11,875,176,587.82	9,780,907,526.01	11,875,176,587.82	9,780,907,526.01
Available-for-sale financial assets	13,089,926,905.00	2,099,314,190.00	13,089,926,905.00	2,099,314,190.00
Held-to-maturity investments	18,210,775,453.23	2,259,872,242.13	18,210,775,453.23	2,259,872,242.13
Debt securities classified as receivables				
Long-term equity investment			40,000,000.00	
Investment properties				
Fixed assets	136,183,096.98	30,653,808.21	134,572,084.98	30,653,808.21
Construction in progress	40,099,961.03		40,099,961.03	
Intangible assets	13,756,375.79	10,800,023.75	13,756,375.79	10,800,023.75
Deferred income tax assets	37,437,735.32	4,400,059.27	37,437,735.32	4,400,059.27
Other assets	22,497,794.94	34,691,952.52	22,052,794.94	34,691,952.52
Total	82,603,836,271.61	21,577,211,082.61	82,612,495,008.74	21,577,211,082.61

Consolidated Statement and Statement of Financial Position (Cont'd)

As at December 31, 2010

Expressed in RMB unless otherwise stated

Liabilities and owners' equity (or shareholders' equity)	Consolidated statement of financial position		Statement of financial position	
	2010	2009	2010	2009
Liabilities:				
Borrowing from the Central Bank				
Amount due from banks and non-bank financial institutions	12,682,465,302.29	80,000,024.27	12,709,262,228.07	80,000,024.27
Placements from banks and non-bank financial institutions				
Financial liabilities at fair value through profit or loss				
Negative fair value of derivatives				
Financial assets sold under repurchase agreements	6,201,500,000.00	601,400,000.00	6,201,500,000.00	601,400,000.00
Deposits from customers	57,055,795,409.22	17,663,052,591.05	57,048,126,265.48	17,663,052,591.05
Payroll payable	1,475,879.92	5,684,934.69	1,475,879.92	5,684,934.69
Taxes payable	5,804,979.45	26,484,634.20	5,744,660.80	26,484,634.20
Interest payable	68,119,353.88	44,087,790.22	68,118,486.55	44,087,790.22
Estimated liabilities				
Bond payable				
Other liabilities	84,578,902.97	49,674,547.02	84,276,902.97	49,674,547.02
Total liabilities	76,099,739,827.73	18,470,384,521.45	76,118,504,423.79	18,470,384,521.45
Owners' equity (or shareholders' equity):				
Paid-in capital (or capital)	4,203,872,560.05	2,262,147,727.81	4,203,872,560.05	2,262,147,727.81
Capital reserve	1,476,797,058.64	719,788,810.93	1,476,797,058.64	719,788,810.93
Less: Treasury stock				
Surplus reserve	83,913,289.76	15,070,195.38	83,913,289.76	15,070,195.38
General reserve	550,372,070.16	61,224,875.42	550,372,070.16	61,224,875.42
Undistributed profit	179,120,293.48	48,594,951.62	179,035,606.34	48,594,951.62
Converted difference in foreign currency statements				
Total equity attributable to equity shareholders of the bank	6,494,075,272.09	3,106,826,561.16		
Non-controlling interests	10,021,171.79			
Total equity (or shareholders')	6,504,096,443.88	3,106,826,561.16	6,493,990,584.95	3,106,826,561.16
Total liabilities and equity (or shareholders' equity)	82,603,836,271.61	21,577,211,082.61	82,612,495,008.74	21,577,211,082.61

Consolidated Statement and Statement of Comprehensive Income

For the year ended December 31, 2010
Expressed in RMB unless otherwise stated

	Consolidated statement of comprehensive income		Statement of comprehensive income	
	2010	2009	2010	2009
Operating income	1,107,777,892.47	204,713,551.25	1,107,700,731.29	204,713,551.25
Net interest income	1,053,984,273.29	149,967,228.77	1,053,907,349.27	149,967,228.77
Interest income	1,545,063,775.82	220,380,673.54	1,544,985,337.95	220,380,673.54
Interest expense	491,079,502.53	70,413,444.77	491,077,988.68	70,413,444.77
Net fee and commission income	31,961,073.26	8,425,928.40	31,960,836.10	8,425,928.40
Fee and commission income	69,043,759.72	9,034,406.32	69,042,770.56	9,034,406.32
Fee and commission expense	37,082,686.46	608,477.92	37,081,934.46	608,477.92
Net gain arising from investment securities (Loss expressed with "-")	36,126,783.13	57,690,794.60	36,126,783.13	57,690,794.60
Including: income from associates				
Net trading gain (Loss expressed with "-")	-12,664,215.00	-11,424,400.52	-12,664,215.00	-11,424,400.52
Exchange earnings Loss expressed with "-"	-1,630,072.21		-1,630,072.21	
Other operating revenue	50.00	54,000.00	50.00	54,000.00
II. Operating expense	296,797,465.05	116,292,564.85	296,258,449.11	116,292,564.85
Sales tax and extra charges	33,061,937.03	12,642,426.04	33,061,904.69	12,642,426.04
Operating and administrative expenses	193,201,770.26	59,324,806.85	192,662,786.66	59,324,806.85
Impairment loss	70,533,757.76	44,321,731.96	70,533,757.76	44,321,731.96
Other operating expense		3,600.00		3,600.00
III. Operating profit Loss expressed with "-"	810,980,427.42	88,420,986.40	811,442,282.18	88,420,986.40
non-operating revenue	772,343.27	1,186,910.00	169,343.27	1,186,910.00
Less: non-operating expenditure	750,691.03	126,457.00	750,691.03	126,457.00
loss on disposal of non-current assets				
IV. Profit before tax (Loss expressed with "-")	811,002,079.66	89,481,439.40	810,860,934.42	89,481,439.40
Less: income tax expense	122,465,276.89	19,467,733.93	122,429,990.58	19,467,733.93
V. Net profit (net loss expressed with "-")	688,536,802.77	70,013,705.47	688,430,943.84	70,013,705.47
Net profit of the party to be merged before merger				
Net profit attributable to equity shareholders of the bank	688,515,630.98	70,013,705.47		
(Loss)/profit of non-controlling interests	21,171.79			
VI. Earnings per share				
(i) basic EPS	0.19	0.04	0.19	0.04
(ii) diluted EPS	0.19	0.04	0.19	0.04
VII. Other comprehensive income	-194,436,920.05	-11,733,668.76	-194,436,920.05	-11,733,668.76
VIII. Total comprehensive income	494,099,882.72	58,280,036.71	493,994,023.79	58,280,036.71
Total comprehensive income attributable to equity shareholders of the Bank	494,078,710.93	58,280,036.71		
Total comprehensive income attributable to non-controlling interests	21,171.79			

Consolidated Statement and Statement of Cash Flows

For the year ended December 31, 2010
Expressed in RMB unless otherwise stated

	Consolidated statement of cash flows		Statement of cash flows	
	2010	2009	2010	2009
I. Cash flow from operating activities:				
Net increase in deposits and due from banks	51,968,976,108.56	14,229,750,944.35	51,988,103,890.60	14,229,750,944.35
Net increase in borrowing from central bank				
Net increase in borrowing from other banks				
Cash received from interests, fees and commissions	807,697,834.89	217,338,497.21	807,635,476.88	217,338,497.21
Cash received relating to other operating activities	42,986,644.34	2,255,128.04	42,383,644.34	2,255,128.04
Subtotal of cash flow of operating activities	52,819,660,587.79	14,449,344,569.60	52,838,123,011.82	14,449,344,569.60
Net increase in loans and advances	2,133,826,860.78	9,136,129,813.79	2,133,826,860.78	9,136,129,813.79
Net increase in due from central bank and due from banks	13,869,714,161.02	1,751,136,037.23	13,869,714,161.02	1,751,136,037.23
Cash paid for interest, charges and commissions	473,270,625.33	50,744,315.10	473,269,226.81	50,744,315.10
Cash paid to and for employees	99,406,422.91	26,995,816.57	99,406,422.91	26,995,816.57
Cash paid for taxes and surcharges	189,383,730.88	14,212,149.43	189,383,730.88	14,212,149.43
Cash paid for other operating activities	76,623,723.44	26,167,098.40	75,949,739.84	26,167,098.40
Sub-total of cash outflows for operating activities	16,842,225,524.36	11,005,385,230.52	16,841,550,142.24	11,005,385,230.52
Net cash flows from operating activities	35,977,435,063.43	3,443,959,339.08	35,996,572,869.58	3,443,959,339.08
II. Cash flow from investing activities:				
Cash received from disposal of investments	10,221,151,376.06	40,243,297,272.68	10,221,151,376.06	40,243,297,272.68
Cash received from investments income	153,907,301.48		153,907,301.48	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	59,484.11		59,484.11	
Net cash received from disposal of subsidiaries and other companies				
Cash received relating to other investing activities				
Sub-total of cash inflows on investment	10,375,118,161.65	40,243,297,272.68	10,375,118,161.65	40,243,297,272.68

	Consolidated statement of cash flows		Statement of cash flows	
	2010	2009	2010	2009
Cash paid to acquire fixed assets, intangible assets and other long-term assets	156,650,379.83	9,921,381.83	155,056,367.83	9,921,381.83
Cash paid to investment	37,570,608,467.87	43,596,390,822.10	37,610,608,467.87	43,596,390,822.10
Net increase in mortgage loan				
Cash paid for other investing activities				
Sub-total of cash outflows on investment	37,727,258,847.70	43,606,312,203.93	37,765,664,835.70	43,606,312,203.93
Net cash flow from investing activities	-27,352,140,686.05	-3,363,014,931.25	-27,390,546,674.05	-3,363,014,931.25
III. Cash flow from financing activities				
Cash received from capital contribution	2,903,170,000.00	2,810,000,000.00	2,893,170,000.00	2,810,000,000.00
Including: Cash received from non-controlling interests' capital contributions to subsidiaries	10,000,000.00			
Cash received from bond issuing				
Cash received relating to other financing activities	5,600,100,000.00	601,400,000.00	5,600,100,000.00	601,400,000.00
Sub-total of cash inflows of financing activities	8,503,270,000.00	3,411,400,000.00	8,493,270,000.00	3,411,400,000.00
Repayments of borrowings				
Dividends paid, profit distributed or interest paid		214,903.96		214,903.96
Including, dividends paid and profit distributed by subsidiaries to non-controlling interests:				
Cash payments relating to other financing activities				
Sub-total of cash outflows of financing activities		214,903.96		214,903.96
Net cash flow from financing activities	8,503,270,000.00	3,411,185,096.04	8,493,270,000.00	3,411,185,096.04
IV. Effect of exchange rate changes on cash and cash equivalents	-1,630,072.21		-1,630,072.21	
V. Net incremental amount of cash and cash equivalent	17,126,934,305.17	3,492,129,503.87	17,097,666,123.32	3,492,129,503.87
Plus: opening balance of cash and cash equivalents	4,917,274,001.83	1,425,144,497.96	4,917,274,001.83	1,425,144,497.96
VI. Balance of cash and cash equivalent at end of period	22,044,208,307.00	4,917,274,001.83	22,014,940,125.15	4,917,274,001.83

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010
Expressed in RMB unless otherwise stated

Item	Equity attributable to equity shareholders of the Bank						Non-controlling interests	Total owner's equity
	Paid-in capital (capital stock)	Capital reserve	Less: treasury shares	Surplus reserve	General reserve	Undistributed profit		
I. As at Dec.31,2009	2,262,147,727.81	719,788,810.93		15,070,195.38	61,224,875.42	48,594,951.62		3,106,826,561.16
Plus: accounting policy changes								
Corrections of Prior Period Errors								
II. As at Jan.1,2010	2,262,147,727.81	719,788,810.93		15,070,195.38	61,224,875.42	48,594,951.62		3,106,826,561.16
III. Increase and decrease of this year (decrease expressed with "-")	1,941,724,832.24	757,008,247.71		68,843,094.38	489,147,194.74	130,525,341.86	10,021,171.79	3,397,269,882.72
(i) Net profit						688,515,630.98	21,171.79	688,536,802.77
(ii) Gain and loss directly recorded in owner's equities		-194,436,920.05						-194,436,920.05
(a) Net change in fair value of financial assets available for sale		-226,908,742.22						-226,908,742.22
(b) effects by other owner's equities changes to the investee under equity method								
(c) effect of income tax relating to items record in owner's equities		32,471,822.17						32,471,822.17
(d) others								
Subtotal of (i) and (ii)		-194,436,920.05				688,515,630.98	21,171.79	494,099,882.72
(iii) Investment by owners and capital reduction	1,941,724,832.24	951,445,167.76					10,000,000.00	2,903,170,000.00
(a) capital investment by owners	1,941,724,832.24	951,445,167.76						2,893,170,000.00
(b) amount of share-based payment recorded in owner's equities								
(c) others								
(iv) Profit distribution				68,843,094.38	489,147,194.74	-557,990,289.12	10,000,000.00	10,000,000.00
(a) withdraw surplus reserve				68,843,094.38		-68,843,094.38		
(b) withdraw general reserve					489,147,194.74	-489,147,194.74		
(c) distribution to owners (or share holders)								
(d) others								
(v) Inner carry forward of owner's equities								
(a) Capitalized capital reserve (or capital stock)								
(b) Capitalized surplus reserve (or capital stock)								
(c) surplus reserve for making up losses								
(d) others								
IV. As at Dec. 31, 2010	4,203,872,560.05	1,476,797,058.64		83,913,289.76	550,372,070.16	179,120,293.48	10,021,171.79	6,504,096,443.88

Consolidated Statement of Changes in Equity(Cont'd)

For the year ended December 31, 2010
Expressed in RMB unless otherwise stated

Item	Equity attributable to equity shareholders of the Bank						Amount of previous year
	Paid-in capital (capital stock)	Capital reserve	Less: treasury shares	Surplus reserve	General reserve	Undistributed profit	
I. As at Dec.31, 2008	180,666,246.33	3,003,961.17		8,068,824.83	18,224,875.42	28,582,616.70	238,546,524.45
Plus: accounting policy changes							
Corrections of Prior Period Errors							
II. As at Jan.1, 2009	180,666,246.33	3,003,961.17		8,068,824.83	18,224,875.42	28,582,616.70	238,546,524.45
III. Current increase and decrease of this year (decrease expressed with "-")	2,081,481,481.48	716,784,849.76		7,001,370.55	43,000,000.00	20,012,334.92	2,868,280,036.71
(i) Net profit						70,013,705.47	70,013,705.47
(ii) Gain and loss directly recorded in owner's equities		-11,733,668.76					-11,733,668.76
(a) Net change in fair value of financial assets available for sale		-15,644,891.68					-15,644,891.68
(b) effects by other owner's equities changes to the investee under equity method							
(c) effect of income tax relating to items record in owner's equities		3,911,222.92					3,911,222.92
(d) others							
Subtotal of (i) and (ii)		-11,733,668.76				70,013,705.47	58,280,036.71
(iii) Investment by owners and capital reduction	2,081,481,481.48	728,518,518.52					2,810,000,000.00
(a) capital investment by owners							
(b) amount of share-based payment recorded in owner's equities	2,081,481,481.48	728,518,518.52					2,810,000,000.00
(c) others							
(iv) Profit distribution				7,001,370.55	43,000,000.00	-50,001,370.55	
(a) withdraw surplus reserve							
(b) withdraw general reserve				7,001,370.55		-7,001,370.55	
(c) distribution to owners (or share holders)					43,000,000.00	-43,000,000.00	
(d) others							
(v) Inner carry forward of owner's equities							
(a) Capitalized capital reserve (or capital stock)							
(b) Capitalized surplus reserve (or capital stock)							
(c) surplus reserve for making up losses							
(d) others							
IV. As at Dec.31, 2009	2,262,147,727.81	719,788,810.93		15,070,195.38	61,224,875.42	48,594,951.62	3,106,826,561.16

Statement of Changes in Equity

For the year ended December 31, 2010
Expressed in RMB unless otherwise stated

Item	2010			
	Paid-in capital (capital stock)	Capital reserve	Surplus reserve	Total owner's equity
I. As at Dec.31,2009	2,262,147,727.81	719,788,810.93	15,070,195.38	3,106,826,561.16
Plus: accounting policy changes				
Corrections of Prior Period Errors				
II. As at Jan.1,2010	2,262,147,727.81	719,788,810.93	15,070,195.38	3,106,826,561.16
III. Current increase and decrease of this year (decrease expressed with "-")	1,941,724,832.24	757,008,247.71	68,843,094.38	3,387,164,023.79
(i) Net profit				
(ii) Gain and loss directly recorded in owner's equities		-194,436,920.05		688,430,943.84
(a) Net change in fair value of financial assets available for sale		-226,908,742.22		-194,436,920.05
(b) effects by other owner's equities changes to the investee under equity method				-226,908,742.22
(c) effect of income tax relating to items record in owner's equities		32,471,822.17		32,471,822.17
(d) others				
Subtotal of (i) and (ii)		-194,436,920.05		493,994,023.79
(iii) Investment by owners and capital reduction				
(a) capital investment by owners	1,941,724,832.24	951,445,167.76		2,893,170,000.00
(b) amount of share-based payment recorded in owner's equities	1,941,724,832.24	951,445,167.76		2,893,170,000.00
(c) others				
(iv) Profit distribution				
(a) withdraw surplus reserve			68,843,094.38	-68,843,094.38
(b) withdraw general reserve				
(c) distribution to owners (or share holders)			489,147,194.74	-489,147,194.74
(c) others				
(v) Inner carry forward of owner's equities				
(a) Capitalized capital reserve (or capital stock)				
(b) Capitalized surplus reserve (or capital stock)				
(c) surplus reserve for making up losses				
(d) others				
IV. As at Dec.31, 2010	4,203,872,560.05	1,476,797,058.64	83,913,289.76	6,493,990,584.95
			550,372,070.16	179,035,606.34



昆仑银行
Bank of Kunlun