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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bank of Qingdao Co., Ltd.*, you should at once hand this circular and the proxy form and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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BQD  **青岛银行**
Bank of Qingdao Co., Ltd.*
青 島 銀 行 股 份 有 限 公 司 *

(A joint stock company incorporated in the People's Republic of China with limited liability)

(H Shares Stock code: 3866)

(Preference Shares Stock code: 4611)

WORK REPORT OF THE BOARD OF DIRECTORS FOR 2018
WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2018
REPORT FOR FINAL FINANCIAL ACCOUNTS FOR 2018
PROFIT DISTRIBUTION PLAN FOR 2018
ENGAGEMENT OF EXTERNAL AUDITORS AND THEIR
REMUNERATION FOR 2019
SPECIAL REPORT ON RELATED PARTY TRANSACTIONS FOR 2018
ESTIMATED AMOUNT OF THE RECURRING RELATED PARTY
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GENERAL MANDATE FOR THE ISSUE OF SHARES
EVALUATION REPORT ON THE PERFORMANCE OF DUTIES
BY THE BOARD AND DIRECTORS FOR 2018
EVALUATION REPORT ON THE PERFORMANCE OF DUTIES
BY THE SUPERVISORS FOR 2018
PERFORMANCE REPORT OF THE
INDEPENDENT NON-EXECUTIVE DIRECTORS FOR 2018
AND
NOTICE OF 2018 ANNUAL GENERAL MEETING

The letter from the Board is set out on pages 3 to 15 of this circular.

The Bank will hold the 2018 AGM at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Friday, 17 May 2019. The notice, reply slip and proxy form of the 2018 AGM have been despatched to the Shareholders pursuant to the Hong Kong Listing Rules.

If you intend to attend and/or vote at the 2018 AGM, you are required to (i) complete such reply slip in accordance with the instructions printed thereon and return it to the Bank's H Share Registrar (for the Bank's H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) on or before Friday, 26 April 2019; and (ii) complete such proxy form in accordance with the instructions printed thereon and return it to the Bank's H Share Registrar (for H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) not less than 24 hours before the designated time for convening the related meeting or any adjournment thereof. Completion and return of the proxy form shall not affect your right to attend or vote at such meeting or any adjournment thereof in person.

* *Bank of Qingdao Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry out banking and/or deposit-taking business in Hong Kong.*

25 April 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2018 AGM”	the 2018 annual general meeting of the Bank to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Friday, 17 May 2019
“A Shareholder(s)”	holder(s) of A Shares
“A Share(s)”	the Bank’s ordinary shares of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (stock code: 002948) and traded in RMB
“Articles of Association”	the Articles of Association of the Bank
“Bank”	Bank of Qingdao Co., Ltd. and its branches
“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CAS”	China Accounting Standards
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	Bank of Qingdao Co., Ltd. and its subsidiaries and branches
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Bank
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange (stock code: 03866) and traded in Hong Kong dollars

DEFINITIONS

“Hong Kong dollars”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise revised from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“Independent Shareholder(s)”	Shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolution to be proposed at the 2018 AGM in relation to the estimated amount of the recurring related party transactions for 2019
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this circular, Hong Kong, Macau Special Administrative Region and Taiwan
“Preference Shares”	Non-cumulative perpetual overseas preference shares with a total size of US\$1.203 billion and dividend rate of 5.50% issued by the Bank
“Qingdao CBIRC”	Qingdao Supervision and Administration Bureau of China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會青島監管局)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Shares and/or H Shares of the Bank
“Shareholder(s)”	holder(s) of Shares
“Supervisor(s)”	the supervisor(s) of the Bank

In case of any discrepancy between the Chinese and English versions of this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD

BQD  **青島銀行**

Bank of Qingdao Co., Ltd.*

青島銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(H shares stock code: 3866)

(Preference shares stock code: 4611)

Members of the Board:

Executive Directors:

GUO Shaoquan (*Chairman*)
WANG Lin
YANG Fengjiang
LU Lan

Non-executive Directors:

ZHOU Yunjie
Rosario STRANO
TAN Lixia
Marco MUSSITA
DENG Youcheng
CHOI Chi Kin, Calvin

Independent Non-executive Directors:

WONG Tin Yau, Kelvin
CHEN Hua
DAI Shuping
Simon CHEUNG
FANG Qiaoling

Registered Address

and Address of Head Office:

Building No. 3, No. 6 Qinling Road
Laoshan District
Qingdao, Shandong Province
PRC

***Address of the Registered Office
in Hong Kong:***

31st Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

To the Shareholders

**WORK REPORT OF THE BOARD OF DIRECTORS FOR 2018
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LETTER FROM THE BOARD

I. INTRODUCTION

The Board of Directors invite you to attend the 2018 AGM to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Friday, 17 May 2019. This circular aims to provide more information on matters set out in the notice of the 2018 AGM.

II. MATTERS TO BE CONSIDERED AT THE 2018 AGM

1. Work Report of the Board of Directors for 2018

An ordinary resolution on the *Work Report of the Board of Directors of Bank of Qingdao Co., Ltd. for 2018* will be proposed at the 2018 AGM for approval. Please refer to Appendix I of this circular for the full text of the Work Report of the Board of Directors for the year 2018.

2. Work Report of the Board of Supervisors for 2018

An ordinary resolution on the *Work Report of the Board of Supervisors of Bank of Qingdao Co., Ltd. for 2018* will be proposed at the 2018 AGM for approval. Please refer to Appendix II of this circular for the full text of the Work Report of the Board of Supervisors for the year 2018.

3. Report for Final Financial Accounts for 2018

An ordinary resolution on the *Report for Final Financial Accounts of Bank of Qingdao Co., Ltd. for 2018* will be proposed at the 2018 AGM for approval.

The financial statements of the Company for 2018 prepared in accordance with CAS have been audited by KPMG Huazhen LLP which has issued an audit report with standard unqualified opinions and the financial statements of the Company for 2018 prepared in accordance with IFRS have been audited by KPMG which has issued an audit report with unqualified opinions. There is no difference in the net profit and the Shareholders' equity between the two sets of statements.

The final financial accounts for 2018 of the Company are reported as below (based on CAS):

In 2018, the Company realized operating income of RMB7,372 million, representing a year-on-year increase of RMB1,789 million or 32.04%; total profit of RMB2,476 million, representing a year-on-year increase of RMB106 million or 4.48%; net profit of RMB2,043 million, representing a year-on-year increase of RMB140 million or 7.34%.

LETTER FROM THE BOARD

As at the end of 2018, total asset amounted to RMB317,659 million, representing a growth of RMB11,382 million or 3.72% as compared with that as at the end of the previous year; asset quality remained stable and risk resistance was enhanced, with non-performing loan ratio of 1.68%, representing a decrease of 0.01 percentage point as compared with that as at the end of the previous year, and non-performing loan provision coverage of 168.04%, representing an increase of 14.52 percentage points as compared with that as at the end of the previous year.

For details of the audited financial information for the year ended 31 December 2018 prepared based on IFRS, please refer to the financial statements as set out in the 2018 annual report to be published by the Bank.

4. Profit Distribution Plan for 2018

An ordinary resolution on the *Profit Distribution Plan of Bank of Qingdao Co., Ltd. for 2018* will be proposed at the 2018 AGM for approval.

The financial statements of the Bank for 2018 prepared in accordance with CAS have been audited by KPMG Huazhen LLP which has issued an audit report with standard unqualified opinions and the financial statements for 2018 of the Bank prepared in accordance with IFRS have been audited by KPMG which has issued an audit report with unqualified opinions. Based on the above audited financial statements, the net profit realized by the Bank for 2018 recorded in both of the financial statements prepared in accordance with CAS and IFRS were RMB2.003 billion.

To this end, pursuant to the profit of the Bank, the Articles of Association and relevant regulatory requirements, the Bank intends to implement the profit distribution plan for 2018 as below:

- (i) 10% of the net profit of the Bank shall be appropriated to the statutory reserve amounting to RMB200 million;
- (ii) The Bank has distributed dividends of approximately RMB504 million (inclusive of tax) to the holders of offshore preference shares on 19 September 2018;
- (iii) The Bank shall distribute a cash dividend of RMB2.00 (inclusive of tax) for every 10 Shares held to all ordinary Shareholders. Based on the total share capital of the Bank of 4,509,690,000 Shares, the proposed total dividend payment is approximately RMB902 million. The dividends for H Shares will be paid in Hong Kong dollars, and the applicable exchange rate is the average of the central parity rates of Renminbi of the interbank foreign exchange market as announced by the PBOC on five working days preceding the date of declaration of the dividends at the AGM (inclusive of the date of the AGM); and
- (iv) The retained profit will be carried forward to the next year.

LETTER FROM THE BOARD

Taxation applying to dividends on ordinary Shares

In accordance with the *Enterprise Income Tax Law of the PRC* effective from 1 January 2008 and the related implementation provisions, the Company shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise Shareholders whose names appear on the register of holders of H Shares on 28 May 2019.

Pursuant to the *Notice on Issues Concerning Individual Income Tax After the Annulment of Document Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348) promulgated by the State Taxation Administration of the PRC on 28 June 2011, dividend received by overseas resident individual Shareholders from the Shares issued by domestic non-foreign invested enterprises in Hong Kong are subject to individual income tax, which shall be withheld and paid by withholding agents according to relevant laws; however, the overseas resident individual Shareholders of the Shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong/Macau.

In accordance with the above tax regulations, the Bank shall generally withhold and pay individual income tax at the rate of 10% for individual holders of H Shares of the Bank unless otherwise specified by the relevant tax regulations and tax agreements, in which case the Bank will conduct specific procedures according to the relevant regulatory requirements of tax authorities.

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Bank listed on Shenzhen Stock Exchange (the “**Shenzhen Southbound Trading**”), the Bank will distribute the dividends in RMB through the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such Shares. The Bank will withhold income taxes at the rate of 10% on behalf of the investors and will report to the competent tax authorities for the withholding. For investors of Shenzhen Southbound Trading involved in the enjoying of tax treaty (arrangement) treatment, the withholding will be implemented in accordance with the *Notice of the State Administration of Taxation on Issues about the Administrative Measures for Nonresidents to Enjoy the Treatments of Tax Treaties* (Notice of the State Administration of Taxation [2015] No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協議待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) and *Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)).

LETTER FROM THE BOARD

The record date and the distribution date of cash dividends and other arrangements for the investors of Shenzhen Southbound Trading will be the same as those for the A Shareholders of the Bank. Details of the payment of dividends to the A Shareholders of the Bank and related matters will be announced in due course.

For investors of the Shanghai Stock Exchange and the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Bank listed on the Hong Kong Stock Exchange (the “**Southbound Trading**”), China Securities Depository and Clearing Corporation Limited, as the nominee holders for the investors of the Southbound Trading, shall receive the cash dividend distributed by the Bank and distribute the cash dividends received from the Bank to the relevant investors of the Southbound Trading through their depository and clearing systems. The cash dividends for the investors of Southbound Trading will be paid in RMB. Pursuant to the *Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect* (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the *Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect* (Caishui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date and the distribution date of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the H Shareholders of the Bank.

The Bank held no liability in respect of any claims arising from any delay in, or inaccurate determination of the identity of the Shareholders or any disputes over the mechanism of withholding.

If in any doubt as to the above arrangement, the relevant Shareholders of the Bank may consult with their tax consultants on the advices of the tax implications in Mainland China, Hong Kong and other countries (regions) in respect of holding and disposing of the relevant Shares of the Bank.

LETTER FROM THE BOARD

The Bank will make a separate announcement regarding the payment of the 2018 final dividend to A Shareholders and any related matters.

Closure of register of members and eligibility for final dividend distribution

The Share register for H Shares of the Bank will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive). In order to be entitled to the final dividend distribution, the H Shareholders of the Bank who have not registered the transfer documents are required to deposit the transfer documents together with relevant Share certificates at the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 22 May 2019. Shareholders whose names appear on the register of members of the Bank at the close of business on Tuesday, 28 May 2019 are entitled to the final dividend distribution.

The Board is set to distribute the final dividends of 2018 on or before Tuesday, 16 July 2019. If there are any changes to the dividend payment date, an announcement will be published regarding such changes.

5. Engagement of External Auditors and their Remuneration for 2019

An ordinary resolution on the *Engagement of External Auditors and their Remuneration of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2018 AGM for approval.

The Bank proposes to continue to engage KPMG Huazhen LLP as the domestic auditor of the Bank for 2019 and KPMG as the foreign auditor of the Bank for 2019.

The audit fees for 2019 amounted to RMB5.10 million, of which: the audit fee for annual financial statements, the review fees for half-yearly financial statements and the fee for performing the agreed-upon procedure for the first and third quarter of A Shares amounted to RMB4.50 million, and the internal control audit fee amounted to RMB0.6 million. The fees include taxes and other miscellaneous expenses such as travel, office and travel allowance.

6. Special Report on Related Party Transactions for 2018

An ordinary resolution on the *Special Report on Related Party Transactions of Bank of Qingdao Co., Ltd. for 2018* will be proposed at the 2018 AGM for approval. Please refer to Appendix III of this circular for the full text of the *Special Report on Related Party Transactions for 2018* of the Bank.

LETTER FROM THE BOARD

7. Estimated Amount of the Recurring Related Party Transactions for 2019

An ordinary resolution on the *Estimated Amount of the Recurring Related Party Transactions of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2018 AGM for approval.

Pursuant to the relevant provisions of the CSRC, the Shenzhen Stock Exchange and the Bank's related party transaction management system, after the Bank makes reasonable estimates of the recurring related party transactions and fulfills the corresponding Board or general meeting approval and disclosure procedures, the related party transactions within the estimate scope of the year are exempted from the Board or general meeting approval and disclosure procedures, but shall be subject to the announcement, reporting and independent Shareholders' approval requirements under the Hong Kong Listing Rules when entering into the specific agreement (if applicable).

The Bank has estimated the recurring related party transactions in 2019. For details, please refer to Appendix IV of this circular.

8. General Mandate for the Issue of Shares

A special resolution on the *Resolution on General Mandate for the Issue of Shares of Bank of Qingdao Co., Ltd.* will be proposed at the 2018 AGM for approval.

With a view to fully leverage on the financing advantages of the capital market, capitalize on the financing channel in the market and promote the flexibility of capital management of the Bank, the Board, with reference to market practices, proposes to the 2018 AGM for the approval of granting a general mandate to issue Shares to the Board and further delegation of authority by the Board in accordance with the requirements of laws and regulations including Hong Kong Listing Rules and the provisions of the Articles of Association.

(i) Specific plan on the general mandate to issue Shares

- (1) Pursuant to the condition listed in (2) below and under the premise of compliance with the laws and regulations, the Board shall be authorized to separately or concurrently issue, allocate or otherwise deal with A Shares and/or ordinary share, preference share of H Shares during the Relevant Period (as defined below).

“Relevant Period” means the period from the date of passing this resolution on authorization by 2018 AGM until the earliest of: (1) the conclusion of 2019 annual general meeting of the Bank; (2) the expiration of the 12-month period following the passing of this resolution at the 2018 AGM of the Bank; (3) the date on which the authorization referred to in this resolution is revoked or varied by a special resolution at any general meeting of the Bank.

LETTER FROM THE BOARD

- (2) The Board shall be authorized to issue, allocate or otherwise deal with the numbers of A Shares and/or ordinary share, preference share of H Shares (among which, the number of preference share shall be calculated based on the number of A Shares and/or ordinary share of H Shares to be fully converted from preference shares at the mandatory conversion price), and the respective amount shall not exceed 20% of the respective total number of issued class of Shares of A Shares and/or ordinary share, preference share of H Shares of the Bank at the date on which this resolution is passed by the 2018 AGM.
- (3) The Board shall be authorized to: (1) formulate and implement the detailed issuing plan which includes, but without limitation, the class of Shares to be issued and allocated, the pricing method and/or the issue price (including a price range), the number of Shares to be issued, the target subscribers and the investment direction of the proceeds raised; to determine the timing of the issue, the issue period and the use of the proceeds raised, and to determine whether to offer to existing Shareholders; (2) deal with matters in relation to the increase in registered capital of the Bank as to reflect the Shares of the Bank to be issued under the authorization granted under this resolution, and make any amendments to clauses in the Articles of Association of the Bank in relation to issue of Shares and registered capital as it duly thinks necessary; (3) to consider and approve statutory documents submitted to relevant regulatory authorities related to the aforesaid issuance, and carry out relevant approval procedures under the requirements of regulatory authorities and the place where the Shares of the Bank are listed; (4) take any other necessary actions and proceed with other necessary procedures in order to implement the issue proposal and realize the increase in registered capital; (5) determine other matters related to the aforesaid issuance.

(ii) Relevant authorization

To increase the efficiency in decision-making, reduce the internal approval procedures and seize market opportunities, in relation to dealing with the matters on issuing Shares under the general mandate, it is proposed to the 2018 AGM for approval to authorize the Board, and the Board further to authorize the authorized person(s) of the Board, to deal with matters regarding the general mandate to issue Shares during the Relevant Period. The above authorization to the authorized person by the Board shall be determined by the Board upon the exercise of the general mandate under this resolution.

LETTER FROM THE BOARD

III. MATTERS TO BE REPORTED AT THE 2018 AGM

1. Evaluation Report on the Performance of Duties by the Board and Directors for 2018

The Board of Supervisors of the Bank conducted supervision and evaluation of the performance of duties by the Board and Directors for 2018 in accordance with the *Guidelines for Corporate Governance of Commercial Banks*, *Guidelines for Due Diligence of the Board of Directors of Joint-Stock Commercial Banks (Trial)*, *Measures on Evaluation of Performance of Duties by Directors of Commercial Banks (Trial)* and other regulatory regulations, as well as the *Articles of Association of the Bank of Qingdao Co., Ltd.* and the provisions of the *Measures on Evaluation of Performance of Duties by the Board and Directors of Bank of Qingdao Co., Ltd.* The evaluation report is hereby made as follows:

(i) *Evaluation basis*

The Board of Supervisors evaluated the annual performance of duties by the Board of Directors and Directors based on the following information:

- (1) Convening the meetings of the Board of Directors and the special committees;
- (2) Convening the general meetings;
- (3) During the intersessional period of the Board meetings and the special committee meetings, the work status of the Directors in the Bank, the opinions and suggestions made on the Bank's operation and management, and the reading and feedback on the information provided by the Bank;
- (4) The annual *Self-Evaluation Report on Performance of Duties by the Directors* signed by the Directors themselves; and
- (5) The supervision opinions of the Qingdao CBIRC on the performance of duties by the Board of Directors and Directors, and the opinions of the internal and external audit institutions on evaluation of the performance of duties by the Board of Directors and Directors.

(ii) *Evaluation of the performance of duties by the Board of Directors*

The Board of Supervisors is of the view that in 2018, the Board was able to perform its duties in accordance with laws and regulations and the Articles of Association, and the proceedings were legal and compliant. No violation of the laws and regulations and the Articles of Association was found during the performance of duties by the Board of Directors. However, the Board of Supervisors found in daily supervision that there is a need to continuously strengthen the role of the Board of Directors in equity management, comprehensive risk management and internal control.

LETTER FROM THE BOARD

(iii) Evaluation of performance of duties by Directors

As at the end of 2018, there were a total of fifteen Directors in the sixth session of the Board of Directors of the Bank, including four executive Directors, six non-executive Directors and five independent non-executive Directors, all of whom participated in this year's performance evaluation.

According to the daily supervision record of the Board of Supervisors, the self-evaluation of the Directors on their performance of duties, the supervision opinions of the Qingdao CBIRC, and the special reports of the external audit institutions, the Board of Supervisors is of the view that all Directors of the Bank have faithfully fulfilled their obligations and diligence in 2018. Their performance evaluation results are all satisfactory.

2. Evaluation Report on the Performance of Duties by the Supervisors for 2018

The Board of Supervisors of the Bank conducted supervision and evaluation of the performance of duties by the Supervisors for 2018 in accordance with the *Guidelines for Corporate Governance of Commercial Banks*, *Guidelines for Work of the Board of Supervisors of Commercial Banks* and other regulatory regulations, as well as the *Articles of Association of the Bank of Qingdao Co., Ltd.* and the provisions of the *Measures on Evaluation of Performance of Duties by the Supervisors of Bank of Qingdao Co., Ltd.* The evaluation report is hereby made as follows:

As at the end of 2018, the Board of Supervisors had a total of seven Supervisors, including a Shareholder Supervisor, three external Supervisors and three employee Supervisors, all of whom participated in this year's performance evaluation. The Board of Supervisors of the Bank has been re-elected in 2018, the newly appointed Shareholder Supervisor Mr. Zhang Lanchang and employee Supervisors Mr. Wang Dawei and Mr. Meng Xianzheng have been performing their duties since May 2018.

The Board of Supervisors evaluated the annual performance of duties by the Supervisors based on the following information:

- (i) Attendance at the meetings of the Board of Supervisors and the special committees by the Supervisors;
- (ii) Opinions expressed at the meetings of the Board of Supervisors by the Supervisors, and opinions or suggestions provided on the operation and management of the Bank during the intersessional period of the meetings of the Board of Supervisors;
- (iii) Reading and feedback of the Supervisors regarding the information provided by the Bank;

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- (iv) The *Self-Evaluation Report on Performance of Duties by the Supervisors* signed by the Supervisors themselves; and
- (v) The supervision opinions of the Qingdao CBIRC on the performance of duties by the Supervisors, and the opinions of the internal and external audit institutions on evaluation of the performance of duties by the Supervisors.

According to the daily supervision records of the Board of Supervisors, the self-evaluation of the Supervisors themselves on their performance of duties, the supervision opinions of the Qingdao CBIRC, and the special reports of the external audit institutions, the Board of Supervisors is of the view that all Supervisors of the Bank have faithfully fulfilled their obligations and diligence in 2018. Their performance evaluation results are all satisfactory.

3. Performance Report of the Independent Non-executive Directors for 2018

The *Performance Report of the Independent Non-executive Directors of Bank of Qingdao Co., Ltd. for 2018* will be proposed at the 2018 AGM for review by Shareholders, but no need for their approval. For the Performance Report of the Independent Non-executive Directors for 2018, please refer to Appendix V of this circular.

IV. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

V. THE 2018 AGM

The Bank intends to convene the 2018 AGM at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC, at 9:00 a.m. on Friday, 17 May 2019 to consider and, if thought fit, to pass matters as set out in the notice of the 2018 AGM. Notice, form of proxy and reply slip of the 2018 AGM dated 1 April 2019 have been published in accordance with the Hong Kong Listing Rules. The notice of the 2018 AGM is set out on pages 53 to 56 of this circular.

If you intend to attend the 2018 AGM, you are required to complete and return the reply slip to the H Share Registrar of the Bank on or before Friday, 26 April 2019.

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Completion and return of the form(s) of proxy(ies) will not preclude you from attending and voting in person at the 2018 AGM or at any adjournment, and completion and return of the reply slip do not affect the right of a Shareholder to attend and vote at the respective meeting.

Closure of Register of Members and Eligibility to Attend and Vote at the 2018 AGM

The share register of members of the Bank will be closed from Wednesday, 17 April 2019 to Friday, 17 May 2019 (both days inclusive), during which period no Share transfer will be registered. In order to be eligible to attend and vote at the 2018 AGM, H Shareholders of the Bank must lodge the Share transfer documents accompanied by the relevant Share certificates and other appropriate documents with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited (address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) no later than 4:30 p.m. on Tuesday, 16 April 2019. Shareholders whose names appear in the register of members of the Bank at the close of business on Wednesday, 8 May 2019, will be eligible to attend and vote at the 2018 AGM.

VI. METHODS OF VOTING AT THE 2018 AGM

Pursuant to the requirements of Rule 13.39(4) of the Hong Kong Listing Rules, voting by the Shareholders at the 2018 AGM shall be taken by the way of poll.

To the best knowledge of the Bank, Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd., Qingdao Haier Co., Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Haier Robot Co., Ltd, Qingdao Haier Air-Conditioner Co., Ltd., Qingdao Haier Special Refrigerator Co., Ltd., Intesa Sanpaolo S.p.A., Qingdao Conson Industrial Co., Ltd., Haitian (HK) Holdings Limited, AMTD Strategic Investment Limited, AMTD Investment Solutions Group Limited and Qingdao China Prosperity State-owned Capital Operation (Group) Co., Ltd. were deemed to have a material interest in the *Resolution on the Estimated Amount of the Recurring Related Party Transactions of Bank of Qingdao Co., Ltd. for 2019*, therefore, they should abstain from voting on the resolution. Save as disclosed above, no other Shareholder or its associate is deemed to have a material interest in any of the resolutions at the 2018 AGM, and no other Shareholder is required to abstain from voting on any resolutions.

Please be advised that pursuant to the Article 60 of the Articles of Association, where a Shareholder pledges 50% or more of his/her equity interests in the Bank, the voting rights of such Shareholder at the 2018 AGM shall be subject to restrictions.

LETTER FROM THE BOARD

VII. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the 2018 AGM are in the interests of the Bank and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of all resolutions to be proposed at the 2018 AGM.

By order of the Board
Bank of Qingdao Co., Ltd.*
GUO Shaoquan
Chairman

Shandong, the PRC, 25 April 2019

- * *Bank of Qingdao Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry out banking and/or deposit-taking business in Hong Kong.*

**WORK REPORT OF THE BOARD OF DIRECTORS OF BANK OF
QINGDAO CO., LTD. FOR 2018**

In 2018, China's economy maintained stable with changes and worries under the dual pressure of external jitters and domestic woes, such as waning momentum of global economic growth, trade frictions between United States of America and Mainland China and the weak domestic demand, and the economic growth rate represented a moderately decrease as compared with the year of 2017. To cope with the impact, on the one hand, China gradually revised various domestic policies to further strengthen policy support; on the other hand, Chinese government implemented a proactive fiscal policy, and monetary policy gradually shifted to "stabilizing leverage, loosening monetary and stabilizing credit growth" to provide policy support for steady economic development. In this context, commercial Banks faced both opportunities and challenges. The Board of Directors of Bank of Qingdao Co., Ltd. (herein defined as the "**Company**" in this report) actively responded to changes in internal and external environment, adhered to the general tone of seeking improvement in stability, fully played the role of strategic leadership and scientific decision-making to push forward the completion of the Company's A-share listing, made a new strategic plan, promoted institutional product innovation, intensified comprehensive risk management, optimized the assessment and award colligation mechanism to steadily propel healthy development of all businesses and realised sustained growth in management efficiency and shareholder values. By the end of 2018, the Company's total assets amounted to RMB317.659 billion, representing a year-on-year increase of 3.72%; the accumulated net profit throughout the year amounted to RMB2.043 billion, representing a year-on-year increase of 7.34%; the non-performing loan ratio was 1.68%, representing a year-on-year decrease of 0.01 percentage point; capital adequacy ratio was 15.68%, representing a year-on-year decrease of 0.92 percentage point.

I. SUMMARY OF THE MAIN WORK OF THE BOARD IN 2018

In 2018, the Board convened 17 meetings, four of which were on-site meetings and 13 of which were held by way of written communications voting, involving resolutions on 53 major matters including work report of the Board of Directors for 2017, work report of President, financial final accounts report, integrated business plan, profit distribution plan, periodic reports, strategic plan, the election of the new session of the Board and remuneration system. At the meetings, 54 special reports were received or reviewed, including various risk management reports, internal and external audit reports, external auditors' recommendation letter to management and rectification reports.

(I) The successful implementation of A-share listing and new strategic plan led the Company into a period of the new era

In 2018, the Board spared no effort to push forward the completion of the Company's A-share listing and made a new strategic plan based on the changes of macroeconomic situation and regulatory policy in order to promote the Company's continuous business transformation for leading the Company into a new era of A+H.

Successful completion of A-share listing. The Board carefully studied the capital market dynamics, seized the favorable opportunity, and timely reviewed the proposals such as the extension of the validity period of the A-share listing program to push forward the completion of the Company’s updating on annual and semi-annual declaration documents at the earliest opportunity; the Company was required to face up to regulatory concerns and respond in a realistic manner and the Company obtained guidance from the Board to pass the review conducted by the Public Offering Review Committee of the CSRC, and obtained approval from CSRC for listing on 30 November 2018. On 16 January 2019, the Company was successfully listed on the Shenzhen Stock Exchange, becoming the first bank in Shandong province with its A Shares listed as well as the second city commercial bank in the PRC with its A Shares and H Shares listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively, and stepping into the new era.

Formation of new strategic plan. The Board conducted in-depth analysis and research on the macroeconomic situation, regional economic condition, regulatory situation and its own strengths and weaknesses that the Company was facing, made comprehensive discussion about the Company’s strategic objectives and the path to goal to continuously enrich and improve the strategic plan. The Board organized independent Directors to carry out special research and convened 2 meetings of the Strategy Committee of the Board for the purpose of discussing the first draft of strategic plan and proposing optimization suggestions; based on the combination of advices from all sides, the Board considered and approved “Strategic Plan for 2019-2021” to identify strategic vision, strategic targets for the next three years and guarantee to achieve the goal which indicates the development direction for the Company.

Perspective layout of wealth management subsidiary. The Board made accurate research and judgement on the requirements of new capital management regulations, development trend of domestic and overseas banking industry and the Company’s own business development level; considered the proposal on the establishment of wealth management subsidiaries to guide the Company’s forward-looking layout of wealth management subsidiaries and further improved principal business status and institutional framework of the Company’s wealth management business for the purpose of meeting the latest regulatory requirements and promoting the healthy development of wealth management business.

Continuous promotion of operating transformation. The Board supported the management in promoting reform and innovation in key areas and segments to propel the operating transformation continuously. Operation characteristics of the three business sections namely retail, corporate and the financial market business are increasingly prominent. The big retail banking represented continuous strength, interface banking strategy was blooming in multiple cities, a brand new internet customer acquisition model with “finance + scenarios” was used to issue credit card of Bank of Qingdao firstly, with 100,000 credit cards issued in only 66 days, loans and deposits in retail section and its accounting continuously improved, retail characteristics were further consolidated and strengthened. The corporate banking business took “transaction bank + investment bank” as its oriented development direction, focused on the customer’s need, targeted to acquire customers and further strengthened the advantages, made up its deficiency by expanding and penetrating into the core customer,

expanding the customers base and enhancing products support which achieved a solid growth on the corporate banking business scale merit. Financial market business actively responded to perplexing macroeconomic environment and financial situation at home and abroad; focused on serving the substantial economy and preventing financial risks, optimizing the assets and liabilities structure which effectively promoted the financial services and product innovation.

(II) Enhanced capital management, and consolidated the foundation of operation development

In 2018, the Board continued to advocate the refined capital management concept, regularly monitored the usage of capital, attached importance to capital efficiency improvement, supervised the Company to maintain a good capital adequacy ratio, and the Company's capital adequacy ratio was 15.68% by the end of the year.

Establishment of multi-level capital replenishment channel. The Board supported the Company to establish multi-level capital replenishment channel to promote the completion of the Company's A-share listing; opened up the domestic and overseas capital supplement channel and set up a multi-channel capital replenishment platform which laid out a solid capital foundation for business development.

Reinforcement of capital restriction mechanism. The Board carried out the refined capital management concept, supported the management to enhance capital restraint, transferred capital pressure and guided the Company to establish a connotative development model; supervised the Company to optimize assets and liabilities structure, rationally determined asset size growth rate, vigorously developed capital-conservation businesses which improved the utilization of the capital.

Monitoring the capital conditions regularly. The Board reviewed the 2017 Assessment Report of Internal Capital Adequacy to learn about the indicators and results of stress tests regarding capital adequacy ratio, risk appetite and implementation of capital planning and assessed management of various major risks related to its assets and the implementation of annual risk appetite and risk limits to ensure the Company's capital adequacy ratio to maintain a good level and continue to meet regulatory requirements.

(III) Promoted reform of risk management system and continuously intensified comprehensive risk management

In 2018, facing the still grim domestic and overseas economic environment and the policy environment with strict supervision, the Board adhered to a robust risk appetite and intensified active compliance to form a risk concept and value criterion that are suitable for the Company's business development and defended the bottom line of risk by focusing on credit risk control and liquidity risk index optimization.

Formulation of overall strategy of risk management. The Board scientifically predicted internal and external situations to make the 2018 Business Operation Risk Preference Plan prudently, determined risk control standard system on base of taking into considerations both risk and efficiency and conducted risk assessment and intensified tracking assessment and rectification through reviewing all risk management reports periodically.

Focusing on credit risk control and liquidity risk indictor optimization. The Board paid high attention to credit risk control to promote the Company's institutional reform and business innovation. The Board implemented the centralized business examination and approval in the Company comprehensively, advanced the asset preservation system reform steadily, conducted broken chain disposal mode innovation of cross-guaranteed loans, and completed the target that all non-accrued loans shall be included in the non-performing loan by the end of 2018 as required by the regulatory authority. The Board effectively controlled risks and optimized resource allocation to realize the balance among security, liquidity and profitability in relation to the Company's asset and liability management by paying close attention to optimization of liquidity risk indicators, professionally arranging asset and liability management, reasonably balancing the relationship between business development and regulatory compliance. The stability of the Bank's asset and liability structure was remarkably enhanced, liquidity indicators have improved significantly, and the gap rate and the net stable funding ratio met the regulatory requirements.

Compliance constraints intensification of related party transactions. The Board intensified the reporting, approval and disclosure processes in relation to related party transactions, enhanced the compliance constraints of related party transactions in accordance with the requirements of CBIRC and the Stock Exchange. The Board comprehensively updated and confirmed the list of related parties and made dynamic adjustment quarterly; reviewed the related party transaction reports quarterly and learned about the related party transaction progress, kept an eye on the supervision index variation; timely reviewed significant related party transaction and paid attention to its fairness on pricing. The supervision index of all related party transactions for the year met the requirement with absence of any violation of the fairness principle or damage to the interests of the Company and Shareholders.

Monitoring the various risk management conditions regularly. The Board received or reviewed eight management reports regarding the Company's outsourcing risk, reputation risk, financial market business risk annually. It received or reviewed seven management reports regarding the Company's credit risk, liquidity risk, off-balance sheet risk and operational risk semi-annually. With an accurate understanding of the effectiveness of its risk management measures through regular review of various risk management reports, the Board put forward requirements and recommendations on key risk management issues and regularly reviewed the implementation thereof. During the year, the Company had no major cases arising from internal or external events.

(IV) Strengthened internal control and internal and external audit supervision, and insisted to operate according to laws and regulations

In 2018, the Board further improved the internal control self-assessment mechanism, kept strengthening the roles of internal and external audit monitoring, and made the Company continue to operate steadily in compliance with laws and regulations.

As to internal control, the Board guided the Company to carry out internal control self-evaluation work in accordance with domestic and overseas regulatory requirements and considered and approved the self-assessment report on internal control in 2017 and the first half of 2018 to assess the effectiveness of internal control; focused on the regulators' opinions and the implementation of corrective actions of the Company on the internal control; reviewed the financial regulatory notifications and the report on corrective actions, the on-the-spot inspection opinions of Qingdao CBIRC and the report on corrective actions, and dynamically integrated finding problems with performing corrective actions and improving management, and constantly upgraded internal control mechanism. During the year, the Company did not find material weaknesses in internal control design or implementation.

As to internal and external audits, the Board emphasized the opinions of internal and external audit institutions. The Board supervised the Company's operational activities and risk conditions in virtue of the professional advantage of internal and external audit; received internal and external audit work reports, reviewed assorted special audit reports and rectification reports periodically; made recommendations to guide the Company from the aspects of intensification of off-site audit and enhancement of big data application in auditing. The Board strengthened the communication with external auditors, received external audit work report; understood the opinions of external auditors on the Company's finance and internal control, urged the management to implement the corrective actions to improve internal control effectiveness of the Company.

(V) Optimized incentive and constraint mechanism, and gave full play to the guiding role of remuneration in corporate governance

In 2018, the Board practically played an important role in the incentive and restraint mechanism. It formulated the measures on remuneration and performance management of senior management; enhanced the market competitiveness of senior management remuneration; determined the total bonuses and executive performance in accordance with the completion of performance indicators; constantly optimized the incentive and restraint mechanism.

Formulation of the remuneration and performance management system of senior management. On the basis of internal and external conditions and strategic development objectives as well as the principle of equaling the incentives and constraints, the Board formulated the remuneration and performance management system of senior management; established long-term incentives mechanism; optimized the market-based remuneration system for senior management and enhanced the market competitiveness of the Company's remuneration of senior management.

Determination of total employee bonuses and executive performance. The Board conducted comprehensive ability and quality assessment on the Chairman, president and chairman of the Board of Supervisors in accordance with the principle of “manage senior management, control total amount”; reviewed the total annual bonus amount and executive performance proposals to determine withdrawal plan of employee bonus and payment plan of executive performance.

(VI) Strengthened self-development of the Board and constantly enhanced efficiency of the Board

In 2018, the Board strengthened its self-development, smoothly completed the election of the new session of the Board; implemented the amendment to the Articles of Association according to the regulatory requirements; gave full play to professional duties of the special committees; improved Directors’ research and training and continuously improved the decision-making efficiency and level of the Board.

Smooth completion of the election of the new session of the Board. In 2018, the term of office of the sixth session of the Board expired. In order to complete the election of the new session of the Board smoothly and maintain work continuity, the Board determined the plan for election of the new session by strictly abiding by domestic and overseas regulations, comprehensively considering the interest demand of major Shareholders, diversification objectives of the Board and the actual situation of the Company. It successively completed the procedures of Director nomination, preliminary review and election; successfully elected new members of the Board. The Board meeting of the seventh session of the Board was convened in time in which it elected the Chairman, determined the composition of the special committees, appointed senior management so as to maintain the continuity and stability of corporate governance.

Implemented the amendments to the Articles of Association according to the regulatory requirements. In 2018, CBIRC issued *Interim Measures for the Equity Management of Commercial Banks* (《商業銀行股權管理暫行辦法》) in No. 1 file which clearly stipulates that the Board shall bear the ultimate responsibility for equity affairs management. The Board conscientiously studied the requirements of the measures to improve the management of equity; incorporated regulatory requirements for Shareholder management and the Shareholders’ rights and obligations into the Articles of Association in accordance with supervision requirement. The revised Articles of Association has been approved by Qingdao CBIRC.

Gave full play to professional duties of the special committees. According to the work rules of the committee, the Board special committees formed the 2018 Work Plan and held meetings in accordance with laws and regulations, conducted pre-discussion on the matters to be submitted to the Board for approval; put forward constructive suggestions for the reference of the Board, and pragmatically played the roles of decision-maker, thus improved the scientificity and efficiency of the Board’s decision-making. In 2018, the Board special committees organized 41 meetings, including 8 Audit Committee meetings, 4 Remuneration

Committee meetings, 12 Related Party Transaction Control Committee meetings, 6 Risk Management and Consumer Protection Committee meetings, 5 Strategy Committee meetings, 4 Information Technology Committee meetings and 2 Nomination Committee meetings; deliberated 43 proposals; reviewed 26 reports of various types; and received 20 special reports on the spot.

Improvement of Directors' research and training. During the year, some independent Directors carried out special research on strategic planning, internal audit and related party transaction management, to raise the corresponding suggestions on strategic plan in relation to macro-economic situation, industry dynamic and fintech development and conducted discussion with relative sections about some issues such as responsibility positioning of internal audit, the application of high-tech methods in the prevention and control of related party transaction risks . All Directors attended the special training on domestic and overseas laws and regulations organized by the Company to acquire in-depth knowledge of newly revised corporate governance laws and regulations and responsibilities and obligations of the Directors, Supervisors and senior management after A-share listing. Some independent Directors participated in the qualification training for independent directors of listed company held by Shenzhen Stock Exchange and obtained the qualification certificate of independent director for listed company. The Directors improved their performance ability and gave full play to their professional guidance through participating in such training and research.

(VII) Strengthened information disclosure and the investor relationship management, and improved capital market value

In 2018, the Board diligently performed its duties of information disclosure and investor relations management, disclosed major decisions, operation and management and business development of the Company to the capital market in a timely manner, and by energetically performing its social responsibilities, constantly upgraded the Company's transparency and market reputation.

Disclosed information according to laws and regulations. The Board closely followed the principle of sincerity, accuracy, completeness, promptness and fairness, prepared and disclosed all periodic and provisional reports, constantly enhanced the effectiveness and transparency of information disclosure, and truly guaranteed the investors' right to know; timely and accurately updated and disclosed the listing documents such as prospectus to demonstrate to investors the Company's actual business situation and investment value according to A-share listing process; positively explored proactive information disclosure for the purpose of striving to provide investors with more sufficient and effective information. In 2018, the Company issued 73 announcements in the Hong Kong Stock Exchange and Shenzhen Stock Exchange. During the year, there was no case of inquiries from regulators due to issues of compliance with information disclosure.

Continuous enhancement of investor relationship management. The Board attached great importance to investor relationship management and market value management; supported the management to take effective measures to maintain investor relations; proactively promoted the Company's operation strategy, operating characteristics, business performance and the understanding of banking industry trends to investors through several manners such as results roadshow, analyst interviews, investor consultation reception to deliver investment value to the market. While safeguarding the rights and interests of investors, the Board strengthened good public relations with stock exchanges, regulators, industry associations and the media to safeguard the capital market image. After making effort in continuously nurturing the capital market, the H Share price of the Company has been maintained at a level of exceeding the net asset per share for a long time.

Positive fulfillment of social responsibility. The Board upheld the responsibility philosophy of "adhering to compliant development, exploring green development, promoting innovative development, realizing mutual development". While realizing stable development, the Board never forgets its social mission, actively fulfills its social responsibility. It focused on the state's supply side reform and the replacement of old drivers with new ones in Shandong province, practiced inclusive finance idea, strove to develop green finance, comprehensively reinforced financial consumer protection, actively carried out activities such as targeted poverty alleviation and financial aid programs through Bank of Qingdao Charitable Foundation with concrete actions to pay back the public.

(VIII) Rigidly enforced the resolutions of general meeting and safeguarded the Shareholders' legitimate rights and interests

In 2018, the Board held one annual general meeting and one extraordinary general meeting based on relevant laws and regulations, deliberated and approved 18 proposals such as the work report of the Board and the Board of Supervisors, final accounts report, profit distribution plan, the election of the new session of the Board and the Board of Supervisors, appointment of external auditor and amendments to Articles of Association, and 2 reports were received.

According to the resolutions of general meeting, the Board effectively pushed the Company to complete its 2017 profit distribution, further employment of accounting firms, and amendments to Articles of Association, proactively advanced the completion of the issue and listing of A share, successfully completed the election of the new session of the Board, put the resolutions made at the general meeting into practice, and safeguarded the Shareholders' legitimate rights and interests. By rigidly performing the resolutions of general meeting, the Board earnestly and efficiently fulfilled its duty as required in the Articles of Association, and safeguarded the legitimate rights and interests of all the Shareholders.

II. WORK PRIORITIES OF THE BOARD FOR 2019

In 2019, China's economy is still in a crucial period of "major adjustment", the central government will effectively focus on cutting taxes and fees, implement the proactive fiscal policy when faced with the resonance formed from superposition of external shocks and "major adjustment". The monetary policy will shift from "broadening monetary" to "widening credit". It will implement a prudent monetary policy, strengthen market expectation guidance, continue to fight for major risks prevention and mitigation, deepen financial reform and opening up and promote sustained and sound development of economy and finance. In 2019, it is the first year of the Company's A Shares and H Shares listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively, and the brand new year of the new strategic plan. The Board will adhere to the new development concept, actively respond to challenges and seize opportunities, adopt the guiding ideology of "strategic guidance, characteristic growth driver, compliance with rules and regulations, and continuous improvement", target the breakthrough and starting point, further explore transformation and innovation, strengthen overall risk management to promote the Company to achieve high-quality development. The work below will be stressed in 2019:

(I) Giving full play to strategic guidance, to achieve a good start for the new three-year strategic plan

In 2019, the Board will keep a close eye on the implementation of the new strategic plan through several ways such as receiving reports and carrying out research for the purpose of continuously tracking, monitoring and evaluating the effectiveness of strategic planning, identifying the problems in strategy implementation, analyzing the difficulties in implementing the strategy, timely putting forward relevant opinions and suggestions, preventing weakening of strategic execution or deviation of execution direction, promoting and serving the effective implementation of the Bank's strategy.

(II) Deepening operation transition, to realize operating transition to high quality development

In 2019, the Board will take "Innovative Finance, Brilliant Banking" as its long-term development vision, promote the Company's transition to development mode of "strengthening head-office-brain + improving branch-body + fin-tech empowerment", further optimize the assets and liabilities structure, strengthen the business structure of light capital, continue to expand the customer base, implement the complete transformation of big retail, strengthen the professional risk control ability and enhance financial technology ability construction, forge the four core competitiveness of excellent customer experience, leading financial technology, strong risk management and refined internal management to realize transition to high quality operating.

(III) Improving market value management, to demonstrate investment value to capital market

In 2019, the Board will guide the Company to explore and improve the market value management system, and gradually establish a distinctive value creation system and efficient communication mechanism of value delivery; regularly carry out results roadshows, organize diversified and targeted investor communication activities from time to time, actively publicize the highlights of the Company's development to the capital market, and guide investors to reasonably recognize the Company's investment value; further improve the information disclosure mechanism, continue to improve the quality of information disclosure, moderately increase the voluntary information disclosure, improve the capital market confidence on the Company and establish a good capital market image.

(IV) Taking initiatives to manage risks, to strengthen overall risk management

In 2019, the Board will continue to intensify the idea of proactive compliance, taking initiative to manage risks and strengthen overall risk management. It will promote risk management at strategic level, penetrate the risk management into the whole process of strategic decision-making and implementation; enhance the guiding role of risk appetite for the the Bank's whole business and strengthen the transmission and implementation of risk appetite; attach importance to infrastructure construction, promote unified management of risk data and IT system construction; focus on risks in key areas and regularly evaluate the effectiveness of risk management and control.

(V) Enhancing self-construction, to improve the effectiveness of corporate governance

In 2019, the Board will continue to upgrade its professional standards; comprehensively review the corporate governance system, timely revise relevant systems, and constantly improve the operational mechanism of corporate governance in accordance with regulatory requirements of A Shares; give full play to the decision-making support role of the Board special committees, carry out a series of thematic studies and in-depth discussions, and improve the quality and efficiency of pre-conference communication; take the thematic research, seminar discussion, professional training as the platform and continuously create conditions for Directors to improve their performance ability.

Please review.

WORK REPORT OF THE BOARD OF SUPERVISORS OF BANK OF QINGDAO CO., LTD. FOR 2018

In 2018, the Board of Supervisors of Bank of Qingdao Co., Ltd. (herein defined as the “**Company**” in this report) has achieved sound developments in various businesses by diligently performing its supervisory duties, legally issuing independent opinions, and driving the ongoing perfection of risk management and internal control in accordance with the requirements of domestic and foreign laws and regulations as well as the Articles of Association, for the purpose of safeguarding the legitimate interests of the Company, its Shareholders and other stakeholders. The major work is reported as follows:

I. MAJOR WORK OF THE BOARD OF SUPERVISORS IN 2018**(I) Successfully completing the election, ensuring a smooth transition**

In 2018, the term of office of the sixth session of the Board of Supervisors of the Company has expired. In order to ensure a smooth transition of the supervisory work, the Board of Supervisors has prepared plans for election in advance, examined and elected candidates for Shareholder Supervisors and external Supervisors before submitting to the general meeting of Shareholders for consideration and approval. It facilitated the employee assemblies being held regularly by the Company and elected employee Supervisors. The new session of the Board of Supervisors has convened meetings, elected the chairman of the Board of Supervisors, and determined the staff composition of each special committee in a timely manner, as well as performed its duties as scheduled, all of which helped smoothing the transition of work.

The seventh session of the Board of Supervisors includes one new Shareholder Supervisor and two new employee Supervisors, who have abundant experience in business management and banking risk control. The appointment of them has injected new energy into the Board of Supervisors, and effectively improved the professional quality and the level of performance of the Board of Supervisors as a whole.

(II) Focusing on key issues, supervising the whole process

In 2018, developing a new strategic plan was one of the focusing tasks of the Company. The Board of Supervisors has focused on the development of the strategic plan, and supervised the whole process. During the discussion of the strategic plan, the Supervisors actively participated in discussions organized by the senior management, and provided constructive opinions. During the considering stage, the Supervisors attended the Board meetings and the meetings of the strategic committee of the Board, hearing the Directors’ opinions and suggestions on the strategic plan, supervising the performance of the Board and Directors in the process of developing the strategic plan, and urging the senior management to perfect the strategic plan in accordance with the Directors’ opinions.

(III) Operating independently according to standards, diligently performing supervisory duties

In 2018, the Board of Supervisors legally convened meetings of the Board of Supervisors and its special committees in accordance with the provisions of the rules of procedure and the annual working plan. All Supervisors have attended the meetings and expressed opinions independently, effectively performing their supervisory duties. During the year, the Board of Supervisors has convened a total of eight meetings, including three on-site meetings and five meetings voted via written communications, at which 22 proposals were considered, including president's work report, periodic reports, profit distribution plan, self-evaluation reports of internal control, performance reports of Directors, Supervisors and the senior management, and 47 reports were received, including risk management reports, internal auditing reports, financial regulatory circulars and rectification reports; and the special committees of the Board of Supervisors convened a total of eight meetings, including six meetings convened by the supervision committee and two meetings by the nomination and evaluation committee, at which 16 proposals were considered and 35 reports were received.

(IV) Deepening supervision on duty performance, enhancing the effectiveness of duty performance evaluation

In 2018, the strict supervision policy has raised higher requirements for the duty performance of Directors, Supervisors and the senior management. As a result, the Board of Supervisors has deepened its supervision on performance, taking the supervision and inspection opinions as the starting point.

1. Continually conducting daily supervision. During the year, the Supervisors attended 1 annual general meeting, 1 extraordinary general meeting, four on-site Board meetings and certain meetings of its special committees, reviewed documents considered at 13 Board meetings voted via written communications. During such meetings, the Supervisors have supervised the convening procedures, the matters considered, the voting procedures and the duty performance of Directors. The employee Supervisors were also in-attendance at various meetings convened by the senior management, including president office meetings, operation analysis meetings and internal control review meetings to conduct process supervision on the management's duty performance and the implementation of resolutions of the Board, and provide objective and independent opinions and suggestions from the point of view of the Board of Supervisors.
2. Improving duty performance evaluation, enhancing the independence and effectiveness of duty performance evaluation. Based on the daily supervision, the Board of Supervisors has completed the duty performance evaluation of the Board and Directors and its members, the senior management and its members and the Supervisors for 2017, by reference with the self-evaluation reports of Directors, Supervisors and the senior management and opinions from regulatory authorities and external auditing institutions. In the performance assessment report, the Board

of Supervisors has expressly pointed out the deficiencies in the Directors' performance, provided suggestions for improving, and reported the results of evaluation at Board meetings and Shareholder's general meetings in order to urge the Directors to perform diligently.

(V) Strengthening supervision on financial position, ensuring the truthfulness and completeness of disclosed information

In 2018, the Board of Supervisors has focused on financial activities of the Company and the decisions and executions of material financial matters, by strengthening supervision on financial position in order to facilitate the improvement of the financial management level of the Company.

1. Carefully reviewing periodic reports. The Board of Supervisors has reviewed the 2017 annual report and the 2018 interim report, supervised the preparation and auditing procedures of periodic reports and the truthfulness and completeness of the contents of such reports, and concluded that the preparation and auditing procedures of such regular reports were in compliance with laws and regulations, and their contents were true, accurate and complete, and reflecting actual situations of the Company.
2. Focusing on the decision-making for material financial matters. The Board of Supervisors has reviewed the proposals of the profit distribution plan for 2017 and the appointment and remuneration of domestic and foreign auditors for 2018, supervised their decision-making processes, and had no disagreement upon the profit distribution plan and the appointment of auditors.
3. Regularly reviewing financial data, following up the financial performance in a timely manner. The Board of Supervisors has reviewed various financial indicators, such as deposits and loans, quality of assets and provision particulars, on a quarterly basis, for tracing the changes of such financial indicators in a timely manner and giving advice for improvement; financial reports are reviewed on a half-year basis, focusing on the performance of financial budgets, in order to make suggestions on how to strengthen the depth of financial management, explore follow-up methods for disposing written-off assets and increase yields from wealth management products.

(VI) Strengthening supervision on internal control measures for risks, promoting sound development of businesses

In 2018, the Board of Supervisors has been carefully monitoring the changes of the macroeconomic situations, continually strengthened supervision on risk management and internal control, steadily optimized the internal control mechanism and reinforced preventing methods.

1. Deepening the understanding of the risk management of the Bank under the economic new normal, and regularly receiving risk management reports on credit risks, market risks and liquidity risks, in order to get knowledge of the main situation of risk management of the Company in a timely manner. The focus was on the credit risk management, by continually monitoring various situations, such as resolution of loans with potential risks, quality control of new loans, management of non-performing loans and the progress of the credit management system reform, in order to make suggestions on the resolution of conflicts between business innovation and risk prevention as well as the prevention of exchange rate risks.
2. Focusing on the perfection of internal control measures and supervising the evaluation and rectification. The Board of Supervisors has reviewed reports of internal control assessment, supervised the effectiveness of the internal control system, and issued its audit opinions. Furthermore, it has carefully studied the annual regulatory circulars from regulatory authorities, regularly received reports from the internal auditing department, and reviewed special auditing reports and rectification reports for internal auditing department in time. By understanding opinions and suggestions from internal and external institutions concerning the internal control of the Company, it supervised and immediately followed up the rectification of significant issues by the management, so as to form a virtuous circle of supervision, improvement and feedback.
3. Monitoring the risk management and internal control of new businesses. In 2018, the micro-loan finance center of the Company has been upgraded to a tier 1 department of the head office from a tier 2 department of the credit department, responsible for the development of Internet finance, “Chain e-loan” (鏈e貸) and “Chuangyi finance” (創易融). In order to understanding the development and risk control of relevant businesses, the Board of Supervisors has conducted a specialized research on the micro-loan business. The research was conducted mainly by means of receiving reports and face to face communicating, the attended Supervisors listened to the introduction of the general situation of such businesses and of risk prevention of the featured product “Chain e-loan” (鏈e貸). After understanding the basic situation, product lines and risk control measures of the micro-loan finance center, they made suggestions on standardization of products, comprehensive utilization of financial methods, increasing deployment of fintech talents and optimizing the approval mechanism.

4. Utilizing the function of employee Supervisors, spreading the supervision. The chairman of Supervisors and employee Supervisors has fully understood issues in the process of operation and development, credit risk management, execution of regulatory policies of the branches by visits and researches, and reported to the Board and senior management in a timely manner.

(VII) Strengthening trainings and communications, improving the level of duty performance of Supervisors

In 2018, the Board of Supervisors has strengthened trainings on Supervisors and communications with peers according to the needs of duty performance and the progress of A-share listing, in order to steadily enhance the Supervisors' abilities of duty performing.

1. Organizing all the Supervisors to participate in trainings organized by the Company concerning domestic and foreign laws and regulations, including the revisions of the Listing Rules and the Corporate Governance Code in 2018, new rules enacted in 2018 by the CBIRC, obligations of the Directors, Supervisors and senior management for A-share listing companies, information disclosures and related party transactions. All the Supervisors had a deeper understanding of the newly revised laws and regulations for corporate governance, as well as the duties and obligations of the Directors, Supervisors, and senior management after the A-share listing.
2. Organizing some Supervisors to participate in the 47th Seminar for Strengthening the Ongoing Professional Development of Joint Members (第四十七期聯席成員強化持續專業發展講座) held by the the Hong Kong Institute of Chartered Secretaries, in order to understand the regulatory policies for listing overseas, compare the disclosures between Hong Kong and mainland, discuss the risk management and practices and the duties of the Directors, Supervisors and senior management, and discuss the corporate governance mechanism and governance ability with the peers.
3. Communicating and learning with the peers, sharing the experiences of the Board of Supervisors, in order to effectively promote the carrying out of daily work and the supervision function of the Board of Supervisors.

II. INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) Compliant operation

The business activities conducted by the Company in 2018 were in compliance with the requirements of the Company Law, the Commercial Bank Law and the Articles of Association of the Company, and decision-making procedures were legal and valid. The Directors and senior management have performed their duties loyally and diligently in the process of

business operation and management. Neither violation of laws, regulations or the Articles of Association nor harm to the interests of the Bank or Shareholders during performance of duties by the Directors or senior management of the Bank was identified.

(II) Truthfulness of the financial report

KPMG Huazhen LLP and KPMG LLP have separately audited the financial reports for 2018 prepared by the Company under the CAS and the IFRS respectively, and separately issued unqualified audit reports thereon. The Board of Supervisors was of the view that the financial reports provided a true, accurate and complete view of the financial position and operating results of the Company.

(III) The usage of raised funds

During the reporting period, the Company has not conducted any fund-raising activities.

(IV) Acquisition and disposition of assets

During the reporting period, the Board of Supervisors has not identified any insider trading and any conduct that damaged the interests of Shareholders and caused loss of assets in the process of acquisition and disposition of assets.

(V) Related party transactions

For the related party transactions occurred during the reporting period, the Board of Supervisors has not identified any conduct which was against the principle of fairness or detrimental to the interests of the Company and its Shareholders.

(VI) Internal control

The Board of Supervisors has reviewed the Internal Control Self-assessment Report of Bank of Qingdao Co., Ltd. for 2018, and had no disagreement upon the contents thereof. During the reporting period, no material weakness in respect of the completeness, reasonableness, validity and execution of the internal control system and mechanism was identified.

(VII) Implementation of resolutions of the Shareholders' general meeting

The Board of Supervisors had no disagreement upon any report and proposal submitted by the Board to the Shareholders' general meeting for consideration in 2018, has supervised the implementation of resolutions of the Shareholders' general meeting, and considered that the Board diligently implemented relevant resolutions passed at the Shareholders' general meetings.

III. WORK PLAN FOR 2019

Year 2019 is the first year of the Company's A+H listing, and first year of the Company's Strategic Plan for 2019-2021. The Board of Supervisors will strengthen its self construction, emphasize the focus of supervision, optimize the supervision mechanism, and steadily enhance the independence and effectiveness of supervision of the Board of Supervisors in accordance with the regulatory requirements of the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Guidelines on the Functioning of Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》) and the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the Small and Medium-Sized Enterprise Board (《深圳證券交易所中小企業板上市公司規範運作指引》).

(I) To strengthen self-construction in order to increase the level of supervision

1. To regularly carry out trainings for Supervisors, in order to extend the horizon of duty performance, enrich the ideas for work and improve the abilities for duty performance.
2. To increase the communications and information exchanges with the peers and learn advanced working experience from them, in order to perfect procedures and means of supervision.
3. To carefully study the regulatory laws and regulations and the opinions from the regulatory authorities, and actively carry out researches on corporate governance and risk monitoring under the guidance of the regulators, in order to improve the quality of theories.

(II) To emphasize the focus of supervision in order to enhance targeted supervision

1. To focus on the implementation of the strategic plan. Year 2019 is the first year to implement the new strategic plan of the company, the Board of Supervisors will focus on the implementation of the strategic plan, evaluate the reasonableness and effectiveness of the strategic plan, and inform the Board and senior management issues identified in the process of the implementation of the strategic plan, for the purpose of promoting the launch and optimization of the strategic plan.
2. To strengthen the supervision on information disclosure. After the A-share listing, the Company is facing more regulations and concerns from more aspects of the society, such as from the media. As a result, the Board of Supervisors will strengthen the supervision of the information disclosures by the Board and senior management, in order to ensure the accuracy, timeliness and completeness of the disclosures and protect the interest of the investors.
3. To focus on the rectification of the issues identified. The Board of Supervisors will review the regulatory opinions and the rectification reports in a timely manner, and urge the senior management to rectify the issues identified during supervision.

(III) To optimize the supervision mechanism in order to improve the quality and effectiveness of supervision

1. To regulate the convention of quarter meetings of the Board of Supervisors and increase the frequency of supervision. Meetings of the Board of Supervisors will be convened on a quarterly basis in accordance with the regulatory requirements, in order to review the financial reports, the president's report and the periodic reports, and provide suggestions on supervision. 2. To strengthen the professional duties on reviewing of the special committees in order to provide professional supports to the decision-making of the Board of Supervisors. To increase the frequency of meetings of the special committees, enrich the contents of such meetings and practically make the special committees functioned. 3. To make employee Supervisors functioned in order to extend the depth and breadth of the supervision. By taking advantage of the advantages of employee Supervisors who working in the Bank, to focus on the implementation of risk management and internal control by the business lines of the head office and the branches. 4. To carry out special researches on an ongoing basis and increase the frequency of researches. To carry out special researches on an ongoing basis with the focusing issues and the key issues in the process of business operation of the Company as the research direction and provide targeted opinions and suggestions, in order to increase the expertise and scientificity of the Board of Supervisors's supervision.

Please review.

**SPECIAL REPORT ON RELATED PARTY TRANSACTIONS OF
BANK OF QINGDAO CO., LTD. FOR 2018**

In 2018, the Bank continued to improve the management of related party transactions and to strictly implement the related party transaction approval procedures in accordance with the requirements of laws and regulations including the Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (《香港聯合交易所有限公司證券上市規則》). All indicators of related party transactions are controlled within the scope allowed by regulatory requirements. The related party transactions of the Bank for 2018 are reported below:

I. COMPOSITION OF RELATED PARTY TRANSACTIONS CONTROL COMMITTEE UNDER THE BOARD OF DIRECTORS AND SUMMARY OF CONVENING OF ANNUAL MEETING FOR 2018

The Related Party Transactions Control Committee under the Board of Directors of the Bank consists of 7 members and the post of chairman of the committee was held by an independent Director. The proportion of independent Directors set in the committee was more than half.

In 2018, the Related Party Transactions Control Committee under the Board of Directors of the Bank held 12 meetings in total and reviewed and approved 12 resolutions and received 3 reports, including the resolutions on confirmation of the list of related parties, the review on major related party transactions and understanding of quarterly report on related party transactions status.

II. MANAGEMENT MEASURES FOR RELATED PARTY TRANSACTIONS FOR 2018

In 2018, the Bank had increasing related parties and more complicated business lines in respect of related party transactions. Under the continuous situation of strict supervision, the Bank has strictly complied with the compliance regulations and prudently managed related party transactions. The specific measures are as follows:

1. Comprehensively updated the list of related parties

The Bank requested all related parties including major corporate Shareholders, Directors, senior management, employees who have the right to decide and participate in the credit business to report their identities, and conducted a comprehensive review and supplement for the related parties previously reported. The Bank has issued a letter to each reporting entity that sets forth the types of related parties required to report and raising concerns about possible

omission. In addition, the Bank has also adjusted the list of the related parties on a quarterly basis according to the circumstances such as the change of session of Board of Directors and Board of Supervisors and the addition of credit staff in new branches and sub-branches.

Through confirmation by the Related Party Transactions Control Committee under the Board of Directors, as at the end of 2018, there were 868 related legal persons or other organizations and 8,406 related natural persons of the Bank in specifications of CBIRC; there were 831 related legal persons or other organizations and 200 related natural persons of the Bank in specifications of the Stock Exchange.

2. Prudently judged new related party transactions

As its businesses expanded, in 2018, the Bank had new types of related party transactions, such as entrusted loan business, factoring business, credit business of related parties as guarantors and bill financing business of related parties as acceptors. Under the situations where the regulatory requirements are not clear, the Bank has carried out analysis and judgment on whether it is a credit-related related party transaction in the terms of business substance in a proactive compliance and prudent manner by studying business mechanism and studying industry-leading practices.

3. Thoroughly analyzed of the fairness of related party transactions

For each major related party transaction reviewed in 2018, the Bank was able to establish a mechanism for different business operations theories and pricing, which conducts a detailed analysis on the fairness of related party transactions in the resolution by comparing with non-related parties and general market conditions, so as to provide a basis for the Board's consideration and the opinions of the independent Directors.

4. Performed information disclosure obligations of related party transactions

The Bank performed relevant information disclosure obligations of related party transactions in accordance with regulatory regulations, to guarantee the shareholders' right to know about related party transactions. First, the annual report and interim report disclosed the status of approval and balance of major related party transactions. Second, the Bank issued a special report on related party transactions to the general meeting, including the operation of the Related Party Transactions Control Committee under the Board of Directors, the management measures of related party transactions, the approval of related party transactions, and the statistics of related party transactions at the end of the year.

III. APPROVAL OF RELATED PARTY TRANSACTIONS FOR 2018

In accordance with commercial principles, the Bank approved related party transactions on conditions not more favorable than those for comparable transactions with non-related parties. The terms of the transactions were fair and reasonable and in the interest of all Shareholders and the Bank as a whole. The Bank implemented the corresponding approval process and approval requirements for the related party transactions in specifications of CBIRC and the Stock Exchange. The details are as follows:

(I) Related party transactions in specifications of CBIRC

In 2018, the Bank strictly complied with regulatory requirements. It did not issue unsecured loans to related parties, did not provide credits to related parties using the Bank's equity as a pledge, and did not provide guarantees for financing activities of related parties.

In respect of the approval of major related party transactions, in 2018, there were a total of 8 major related party transactions approved by the Board of Directors, namely related party transactions with Haier Consumer Finance Co., Ltd., Haier Group Finance Co., Ltd., Qingdao Conson Financial Holdings Co., Ltd., Haier Financial Factoring (Chongqing) Co., Ltd., Haier Group (Qingdao) Finance Holding Co., Ltd., Qingdao Haier Real Estate Group Co., Ltd., Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. and Qingdao Haier Home Integration Co., Ltd., respectively, with the amount of RMB4.55 billion approved under the credit-related business and the amount of RMB3.00 million approved under the non-credit-related business. The major related party transactions of the Bank were reviewed by the Related Party Transactions Control Committee under the Board of Directors and submitted to the Board of Directors for approval, and reported to the Board of Supervisors and the Qingdao CBIRC within ten working days upon approval. Independent Directors of the Bank issued written opinions on the fairness of major related party transactions and the performance of internal approval procedures.

For approval of general related party transactions, the Bank approved general related party transactions in accordance with internal authorization procedures, and submitted the general related party transactions to the Related Party Transactions Control Committee under the Board of Directors annually for filings through making special reports on related party transactions.

(II) Related party transactions in specifications of the Stock Exchange

In 2018, the related party transactions in specifications of the Stock Exchange carried out by the Bank were exempted from submission to the Board of Directors and the general meeting for review and from disclosure. The transactions were approved according to the internal authorization procedures of the Bank.

IV. STATISTICS OF RELATED PARTY TRANSACTIONS AT THE END OF 2018

The statistics of the Bank's related party transactions at the end of the year was categorized into related party transactions in specifications of CBIRC and related party transactions in specifications of the Stock Exchange, the details of which are as follows:

(I) Related party transactions in specifications of CBIRC

1. Credit related party transactions

As at the end of 2018, the total credit balance of the Bank's credit related party transactions in specifications of CBIRC amounted to RMB6.91 billion. The transaction interest rate or handling fee was determined based on general commercial principles and standards not more favorable than those for similar transactions with non-related parties. The nature of the equity of the related parties in the transaction was debts, with the proportion of 100%. The details of which are as follows:

Names of Related Parties	Types of Transactions	Transaction Balance (RMB100 million)	Interest	Income from
			rate/Handling Fee Rate (%) ¹	Annual Interest/ Handling Fees (RMB10 Thousand) ²
Major related party transactions	-	51.96	-	25,547.30
Qingdao Conson Financial Holdings Co., Ltd.	Loan	15.00	5.225/5.80/6.00	6,400.37
Qingdao Changyuan Land Co., Ltd.	Non-standard debt	9.60	5.90	5,832.31
Qingdao Haier Chanchengchuang Group Limited (青島海爾產城創集團有限公司)	Non-standard debt and factoring	8.16	6.00	4,714.17
Haier Consumer Finance Co., Ltd.	Interbank borrowing	8.00	7.00	6,255.28
Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.	Loan	4.50	5.10	2,287.42
Haier Financial Factoring (Chongqing) Co., Ltd.	Loan	3.00	6.30	57.75
Qingdao Haier Home Integration Co., Ltd.	Letter of guarantee	2.12	-	-
Haier Group Finance Co., Ltd.	Interbank bill credit	1.58	-	-
General related party transactions	-	17.14	-	15,072.72
Total	-	69.10	-	40,620.02

- Notes:* 1. Interest rate/handling fee rate refers to the interest rate or handling fee rate applicable to the business with transaction balance at the end of the year. As at the end of 2018, the major related party transactions of Qingdao Conson Financial Holdings Co., Ltd. with transaction balance in the Bank were all loan businesses, and the applicable loan interest rates were 5.22%, 5.80% and 6.00%; the handling fee rate for the letter of guarantee business of Qingdao Haier Home Integration Limited handled by the Bank was nil. In the factoring business with Qingdao Haier Chanchengchuang Group Limited, interbank bill credit business with Haier Group Finance Co., Ltd., the income were all derived from non-related party customers, thus the income from related parties was nil.
2. The income from annual interest/handling fee refers to the interest income or income from handling fee actually obtained from the related party transactions between the Bank and its related parties during the year on a cash basis.

In 2018, credit related party transactions were mainly loan businesses and non-standard debt investment businesses. In respect of major related party transactions, the Bank's loans granted to the related parties accounted for 1.78% of the total loans, and the non-standard debt investment of related parties accounted for 1.18% of the total investments. The non-performing ratio of loans for related parties has remained nil, and the quality of credit facilities granted to related parties was better than the average quality of credit facilities granted by the Bank. The Bank judged that the existing credit related party transactions would have no material impact on the normal operation of the Bank.

As at the end of 2018, the related party with the Bank's largest balance of credit facilities was Qingdao Conson Financial Holdings Co., Ltd., accounting for 4.16% of the net capital; the related party group with the largest balance of credit facilities was Haier Group, accounting for 9.01% of the net capital; and the balance of credit facilities granted to all related parties accounted for 19.18% of the net capital. The above indicators have not exceeded the regulatory limits as required by CBIRC.

2. Non-credit-related related party transactions

In 2018, the non-credit-related related party transactions in specifications of CBIRC were primarily the entrusted loan services provided to related parties, bond active management by related parties to the Bank etc., with a total transaction amount of RMB38.7052 million, and all of them were general related party transactions. The prices of non-credit-related related party transactions were determined based on general commercial principles and standards not more favorable than those for similar transactions with non-related parties.

(II) Related party transactions in specifications of the Stock Exchange

In 2018, the Bank's related party transactions in specifications of the Stock Exchange during the year were primarily the funds established by related parties relevant to wealth management fund investment with a total transaction amount of RMB5.4154 million.

In 2019, the Bank will strictly comply with the laws and regulations as well as the requirements of the administrative measures on related party transactions of the Bank and its implementation rules. The Bank will continuously regulate its management on related party transactions and disclose information of related party transactions on a timely basis to ensure the legality and compliance of its related party transactions and to firmly safeguard the interests of the Bank and the Shareholders as a whole.

Please review.

ESTIMATED AMOUNT OF THE RECURRING RELATED PARTY
TRANSACTIONS OF BANK OF QINGDAO CO., LTD. FOR 2019I. ESTIMATED CLASSIFICATION AND AMOUNT OF THE RECURRING
RELATED PARTY TRANSACTIONS

The recurring related party transactions of the Bank are the regular banking businesses within the scope of operation. The Bank conducts related party transactions on terms that are not superior to those of similar transactions of non-related parties. The terms of the transactions are fair and reasonable, and the pricing follows general business principles and market principles. The estimated amount of the recurring related party transactions between the Bank and its related parties are as follows:

No.	Related party	Contents of Related Party Transactions	2019 Estimated Amount	Trading Balance as at the End of Last Year
1	Haier Group Corporation and its related parties	Credit businesses such as structured financing, bill financing, interbank borrowing, interbank bill credit, general corporate loans, guarantees, debt financing plans	RMB3,600 million	RMB3,246 million
2	Intesa Sanpaolo S.p.A. and its related parties	Credit businesses such as inter-bank lending and guarantees	RMB400 million	RMB26 million
		Non-credit businesses such as public funds and special account product investment	RMB7.20 million	RMB4.82 million
3	Qingdao Conson Development (Group) Co., Ltd. and its related parties	Credit businesses such as general corporate loans and bond investments	RMB2,000 million	RMB1,785 million
		Non-credit businesses such as trust products consignment, trust remuneration, name fees, site services fee	RMB56.43 million	RMB9.5 million
4	AMTD Group Company Limited and its related parties	Non-credit businesses such as active bond management	RMB30 million	RMB24.02 million

APPENDIX IV**ESTIMATED AMOUNT OF THE RECURRING
RELATED PARTY TRANSACTIONS FOR 2019**

No.	Related party	Contents of Related Party Transactions	2019 Estimated Amount	Trading Balance as at the End of Last Year
5	Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. and its related parties	Credit businesses such as general corporate loans, bond investments, bill investments, bank acceptance bills, debt assets investments	RMB1,805 million	RMB1,300 million
		Non-credit businesses such as entrusted loan, medium-term notes underwriting	RMB1.55 million	RMB0.96 million
6	Shandong State-owned Assets Investment Holdings Co., Ltd.	Credit businesses such as debt assets investments	RMB240 million	RMB240 million
7	BQD Financial Leasing Company Limited	Credit businesses such as interbank loans	RMB700 million	RMB100 million
8	Related natural persons	Credit businesses such as personal loans, credit cards, business cards	RMB353 million	RMB201 million
Sub-total of credit businesses			<u>RMB9,098 million</u>	<u>RMB6,898 million</u>
Sub-total of non-credit businesses			<u>RMB95.18 million</u>	<u>RMB39.30 million</u>

Note: The estimated amount above does not constitute the Bank's credit commitment to its customers. When the related party transaction within the estimated amount actually occurs, the business risk approval and related party transaction approval will be implemented in accordance with the Bank's authorization system. The actual transaction plan shall be subject to the written documents issued by the Bank's authorized examination and approval authority.

II. INTRODUCTION OF THE RELATED PARTIES AND RELATED RELATIONSHIP**(I) Haier Group Corporation****1. Basic information**

Haier Group Corporation, with Zhang Ruimin as its legal representative, has a registered capital of RMB311.18 million. It is principally engaged in the production of household appliances, electronic products, communication equipments, electronic computers and accessories, general machinery, kitchen appliances and industrial robots; domestic commercial wholesale and retail; import and export business; economic technology consultancy; and research, development and transfer of technological

achievements. Its domicile is located in Haier Industrial Park, Qingdao City, Shandong Province. In 2018, Haier Group Corporation's global turnover reached RMB266,100 million, representing a year-on-year increase of 10%, and its global profits and taxes were RMB33,100 million, representing a year-on-year increase of 10%. In 2018, Haier Group Corporation recorded an annual ecological income of RMB15,100 million, representing a year-on-year increase of 75%.

2. *Related relationship with the Bank*

Haier Group Corporation is a substantial Shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders*.

3. *Duty performance analysis*

The above-mentioned related party has good financial indicators, strong operating strength, continuous growth in turnover and income, and good duty performance ability.

(II) Qingdao Conson Development (Group) Co., Ltd.

1. *Basic information*

Qingdao Conson Development (Group) Co., Ltd., with Wang Jianhui as its legal representative, has a registered capital of RMB3 billion. It is principally engaged in the investment, construction and operation of major infrastructure projects in urban and rural areas and major public welfare programs of the government; and engaged in businesses covering real estate, tourism, land development, non-banking financial and other service industries. Its domicile is located at No. 15 Donghai West Road, Shinan District, Qingdao City, Shandong Province. As at the end of September 2018, the total asset was RMB61,177 million and the net asset was RMB23,310 million. Realizing main business income of RMB1,699 million and net profit of RMB243 million in the first nine months of the year.

2. *Related relationship with the Bank*

Qingdao Conson Development (Group) Co., Ltd. is a substantial Shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders*.

3. *Duty performance analysis*

The above-mentioned related party is a high-quality large-scale state-owned enterprise engaged in the investment and operation of state-owned capital. Its major financial indicator is good, and the business operations in various fields are stable and have good duty performance ability.

(III) **Intesa Sanpaolo S.p.A.**

1. *Basic information*

Intesa Sanpaolo S.p.A., with Gian Maria GROS-PIETRO as its legal representative, has a registered capital of EUR9,084 million. It is principally engaged in commercial banking business. Its domicile is located in Piazza San Carlo, 156 10121 Torino. As at the end of September 2018, the total asset was EUR796.962 billion and the net asset was EUR52.473 billion. Realizing main business income of EUR13.685 billion and net profit of EUR3.012 billion in the first nine months of the year.

2. *Related relationship with the Bank*

Intesa Sanpaolo S.p.A. is a substantial Shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders*.

3. *Duty performance analysis*

The above-mentioned related party is a large multinational bank headquartered in Milan, Italy, with good major financial indicators. It has a leading position in fields of retail banking, corporate banking and wealth management, and has good duty performance ability.

(IV) **AMTD Group Company Limited**

1. *Basic information*

AMTD Group Company Limited, with Wang Ruiqiang as its legal representative, has a registered capital of US\$10,001. It is principally engaged in investment banking business, asset management business, corporate insurance brokerage, risk solutions and investment strategy consultancy. Its domicile is located in 23 & 25/F, Nexxus Building, 41 Connaught Road Central, Central, Hong Kong. As at the end of December 2018, the total asset was RMB17.705 billion and the net asset was RMB13.103 billion. Realizing main business income of RMB1,203 million and net profit of RMB811 million in the year.

2. *Related relationship with the Bank*

AMTD Group Company Limited is a substantial Shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders*.

3. *Duty performance analysis*

The above-mentioned related party is a leading financial group in the industry. It is one of the largest investment banks, asset management companies and investment companies in Hong Kong. It has good financial indicators and good duty performance ability.

(V) **Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.**

1. *Basic information*

Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd., with Jiang Peisheng as its legal representative, has a registered capital of RMB2 billion. It is principally engaged in the investment and operation of modern manufacturing industry and modern service industry; state-owned equity holding and capital operation; restructuring of state-owned assets, claims and debts; enterprise relocation and reform and land consolidation and development; and financial and economic consulting business. Its domicile is located at No. 66 Haikou Road, Laoshan District, Qingdao City, Shandong Province. As at the end of September 2018, the total asset was RMB25,606 million and the net asset was RMB8,988 million. Realizing main business income of RMB1,145 million and net profit of RMB41 million in the first nine months of the year.

2. *Related relationship with the Bank*

Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. is a substantial Shareholder of the Bank by assigning Supervisors to the Bank, which is in line with the related relationship as set out in the provisions of Article 32 of the *Interim Measures for the Equity Management of Commercial Banks*.

3. *Duty performance analysis*

The company is mainly engaged in state-owned equity holding and capital operation. It has good major financial indicators, sound and stable operation and promising development trend. Its asset scale is gradually expanding with steady growth in operating income, and it has good duty performance ability.

(VI) Shandong State-owned Assets Investment Holdings Co., Ltd.**1. Basic information**

Shandong State-owned Assets Investment Holdings Co., Ltd., with Li Guangqing as its legal representative, has a registered capital of RMB4.5 billion. It is principally engaged in the operation and management of state-owned property (share) rights authorized or entrusted by the Shandong Provincial State-owned Assets Supervision and Administration Commission, responsible for the financing, investment and operational management of major industrial projects, the transaction of state-owned property rights, and major investment and financing platforms for the disposal of state-owned non-performing assets. Its domicile is located in Building 5, Golden Times Square, No. 9999 Jingshi Road, Lixia District, Jinan City, Shandong Province. As at the end of September 2018, the total asset was RMB78,780 million and the net asset was RMB25,771 million. Realizing main business income of RMB43,195 million and net profit of RMB1,023 million in the first nine months of the year.

2. Related relationship with the Bank

Mr. Chen Hua, the Director of the Bank, acts as a director of the company, which is in line with the related relationship as set out in the provisions of Article 10.1.3 (3) of *the Rules Governing Listing of Stocks on Shenzhen Stock Exchange*.

3. Duty performance analysis

The company is a state-owned property rights and equity management unit in Shandong Province. Its main business income has steadily increased year by year. The company is in good operation and has good duty performance ability.

(VII) BQD Financial Leasing Company Limited**1. Basic information**

BQD Financial Leasing Company Limited, with Yang Changde as its legal representative, has a registered capital of RMB1 billion. It is principally engaged in the financial leasing of large and medium-sized equipment in medical health, cultural tourism, public utilities and other industries, and provision of new financial leasing services such as financing capitals and financing goods, asset management and economic consulting to meet the needs of lessees in purchasing equipment, promoting sales, revitalizing assets, balancing tax burden, improving financial structure and other aspects. As at the end of December 2018, on the basis of management account, the total asset was RMB7,856 million and the net asset was RMB1,045 million. Realizing main business income of RMB185 million and net profit of RMB41.18 million in the year.

2. *Related relationship with the Bank*

Mr. Yang Changde, vice president of the Bank, serves as the chairman of the board of directors of the company, which is in line with the related relationship as set out in the provisions of Article 8(3) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders*.

3. *Duty performance analysis*

The company is the first financial leasing company in Qingdao City with good major financial indicators, solid risk control, steady operation and duty good performance ability.

(VIII) **Related Natural Persons**

According to the provisions of the *Administrative Measures for the Information Disclosure of Listed Companies*, the *Rules Governing Listing of Stocks on Shenzhen Stock Exchange*, the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and Shareholders*, the *Interim Measures for the Equity Management of Commercial Banks* and the administrative measures for related party transactions of the Bank, the related natural persons of the Bank include:

1. natural persons directly or indirectly holding more than 5% of the Shares of the Bank;
2. the Directors, Supervisors and senior management of the Bank;
3. senior managers of the branches of the Bank and other officers of the Bank who have the right to decide or participate in the grant of credit and asset transfer of the Bank;
4. the directors, supervisors and senior management of the legal persons or other organizations which have direct or indirect control over the Bank;
5. the related legal persons of the Bank or the controlling natural-person shareholders, directors and key members of the management of other organizations; the related legal persons or other organizations as referred to in this paragraph shall not include the legal persons or other organizations controlled directly, indirectly or jointly or possibly materially influenced by a commercial bank's insiders and substantial natural-person shareholders and their close relatives;
6. a close family member of persons specified in paragraphs 1 and 2 and a close relative of persons specified in paragraphs 1 to 3;

7. natural persons involved in one of the circumstances mentioned above (except for paragraphs 3 and 5) in the past 12 months or in the next 12 months under relevant agreements and arrangements;
8. any other natural persons who have such a special relationship with the Bank as may make the Bank tilted towards his/her interests, as determined by the CBIRC, the CSRC, and the Shenzhen Stock Exchange in accordance with the principle that essence is more important than form.

III. MAIN CONTENTS OF RELATED PARTY TRANSACTIONS

The estimated recurring related party transactions for 2019 of the Bank are mainly bank credit and non-credit businesses. Specific transaction terms are established according to business nature, transaction amount and duration, relevant national policies and regulations and applicable industry practices and the pricing follows general business principles and market principles.

IV. THE PURPOSE OF RELATED PARTY TRANSACTIONS AND THEIR IMPACT ON THE BANK

The above-mentioned recurring related party transactions are normal businesses within the normal business scope of the Bank, and the counterparties are quality customers of the Bank. In accordance with the general business principles and market principles, the Bank conducts fair review from the aspects of business pricing and guarantee methods, and conducts related party transactions on terms that are not superior to those of similar transactions of non-related parties. It is in line with the overall interests of the Bank and Shareholders, and does not affect the independence of the Bank. The Bank's main business will not depend on the related parties for such transactions.

PERFORMANCE REPORT OF THE INDEPENDENT
NON-EXECUTIVE DIRECTORS OF BANK OF
QINGDAO CO., LTD. FOR 2018

In 2018, the Bank's independent non-executive directors performed their duties loyally and diligently in accordance with the *Company Law*, *Guidelines for Corporate Governance of Commercial Banks*, the *Rules Governing the Listing of Securities on the Hong Kong Stock Exchange* and the Bank's *Articles of Association*, expressed opinions on the matters considered by the Board independently, objectively and fairly, as well as safeguarded the legitimate rights and interests of the Bank, minority Shareholders and other stakeholders.

I. BASIC INFORMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

As of the end of 2018, the Bank had a total of five independent non-executive Directors, namely Mr. WONG Tin Yau, Kelvin, Mr. CHEN Hua, Ms. DAI Shuping, Mr. Simon CHEUNG and Ms. FANG Qiaoling. In 2018, the Bank completed the change of Board session, Mr. WANG Zhuquan ceased to act as independent non-executive Director of the Bank due to expiry of the term of office. Upon the elected by the Board and the general meeting, and obtained the approval of the qualification from Qingdao CBIRC, Ms. FANG Qiaoling was newly appointed as the independent non-executive Director of the Bank and began to perform her duties since 27 June 2018.

Mr. WONG Tin Yau, Kelvin, born in October 1960, holds a doctoral degree in business administration from the Hong Kong Polytechnic University. Mr. WONG was appointed as an independent non-executive Director of the Bank on 10 April 2015 and has been an executive director and a deputy managing general manager of COSCO SHIPPING Ports Limited since July 1996.

Mr. CHEN Hua, born in July 1967, holds a doctorate degree in economics of the finance major of Suzhou University and is a professor. Mr. CHEN was appointed as an independent non-executive Director of the Bank on 10 April 2015. He has been the head of the modern finance research institute of Shandong University of Finance and Economics since August 2014. Mr. CHEN was the head of the finance and taxation institute of Shandong Economic University and the head of the center of economics research of Shandong University of Finance etc.

Ms. DAI Shuping, born in June 1960, holds a master's degree in business administration of Inter American University. Ms. DAI was appointed as an independent non-executive Director of the Bank on 14 October 2016. Ms. DAI has served as the dean of Shenzhen Qianhai Institute of Financial Management Limited since July 2015 and adviser to the chairman and dean since December 2017. Ms. DAI worked in China Merchants Bank, serving as the general manager of headquarter credit management department, the general manager of headquarter credit approval department, the general manager of headquarter legal and compliance department and the general manager of headquarter audit department etc.

Mr. Simon CHEUNG, born in July 1970, holds a bachelor of Arts degree in computer science of University of Wisconsin – Madison. Mr. CHEUNG was appointed as an independent non-executive Director of the Bank on 11 May 2017, and served as the chief technology officer of WeShare (Shenzhen) Ltd. from December 2017 to February 2018. Mr. CHEUNG was the deputy general manager at China Ping An Insurance (Group) Co., Ltd., the IT architectural planning director at SF Express (Group) Co., Ltd., the deputy general manager at Shenzhen Qianhai Webank Co., Ltd. and the chief information officer at Shenzhen Qianhai Dashu Financial Services Co., Ltd. etc.

Ms. FANG Qiaoling, born in October 1975, holds a doctorate degree in management from Renmin University of China, and is a professor. Ms. FANG was appointed as an independent non-executive Director of the Bank on 15 May 2018. Ms. FANG has been working in Management College of Ocean University of China since July 1999, her current position is professor and doctoral supervisor.

II. PERFORMANCE OF DUTIES IN 2018

(I) Attendance of meetings

In 2018, the Board convened 2 general meetings, including 1 annual general meeting and 1 extraordinary general meeting, at which 18 resolutions were considered and 2 reports were received; the Board convened 17 meetings, 4 of which were on-site meetings and 13 of which were held by way of written communications voting, at which 53 resolutions were considered and 54 reports were received or reviewed; the Board special committees organized 41 meetings, including 8 Audit Committee meetings, 4 Remuneration Committee meetings, 12 Related Party Transaction Control Committee meetings, 6 Risk Management and Consumer Protection Committee meetings, 5 Strategy Committee meetings, 4 Information Technology Committee meetings and 2 Nomination Committee meetings, at which 43 resolutions were considered and 46 reports were received or reviewed. Independent non-executive Directors actively participated in the general meetings, Board meetings and special committee meetings. They carefully reviewed the meeting documents before the meeting, and expressed their opinions objectively and independently at the meeting, which played a positive role in improving the decision-making level and decision-making efficiency of the Board. The attendance at the meetings was as follows:

Name	Actual attendance/Number of meetings requiring attendance									
	General meetings		Board special committee meetings						Risk Management and Consumer Protection Committee meetings	Information Technology Committee meetings
	General meetings	Board meetings	Strategy Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Related Party Transaction Control Committee meetings	Audit Committee meetings			
WONG Tin										
Yau, Kelvin	2/2	16/17	3/5	3/4	2/2	12/12	7/8	-	-	
CHEN Hua	2/2	17/17	5/5	4/4	-	12/12	8/8	6/6	-	

Name	Actual attendance/Number of meetings requiring attendance								
	General meetings	Board meetings	Strategy Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Board special committee meetings Related Party Transaction Control Committee meetings	Audit Committee meetings	Risk Management and Consumer Information Protection Committee meetings	Technology Committee meetings
DAI Shuping Simon	2/2	17/17	5/5	1/1	2/2	12/12	8/8	-	-
CHEUNG FANG	2/2	17/17	-	4/4	2/2	12/12	-	-	4/4
Qiaoling	1/1	9/9	-	-	-	7/7	4/4	3/3	-

Note: Actual number of attendance does not include attendance by proxy. The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.

(II) Research activities

In addition to attending meetings of the Board and special committees, independent non-executive Directors also actively communicated with the line management department through investigations, seminars, etc., put forward constructive opinions and suggestions based on the duties of the Board and special committees and their own advantages, played the professional guidance role of independent non-executive Directors.

In May 2018, independent Directors Mr. CHEN Hua, Ms. DAI Shuping and Mr. Simon CHEUNG carried out a special survey on strategic planning, and made targeted suggestions on macroeconomic situation, peer dynamics and financial technology development. In November 2018, Ms. FANG Qiaoling, an independent Director, conducted a special investigation on internal auditing, and discussed with the head of internal audit about the responsibility positioning of internal audit. In December 2018, Mr. CHEN Hua, an independent Director, conducted a special investigation on related party transactions, and discussed the use of scientific and technological means to prevent and control the risk of related party transactions with the lead management department of related party transactions.

(III) Trainings

Independent non-executive Directors have actively participated in the training programs organized by the regulatory authorities and the Bank to continuously improve their capabilities to fulfill their duties.

In November 2018, Ms. DAI Shuping and Mr. Simon CHEUNG participated in the qualification training of independent directors of listed companies organized by the Shenzhen Stock Exchange and obtained the qualification certificate of independent directors of listed companies. In December 2018, all the independent non-executive Directors attended special training on domestic and overseas laws and regulations organized by the Bank, including the revision of Hong Kong Listing Rules and Corporate Governance Code in 2018, new regulations

issued by the CBIRC in 2018, the duties of directors, supervisors and senior management, information disclosure and related party transactions of of A Share listed companies, and gained deep understanding in respect of the newly amended corporate governance laws and regulations as well as responsibilities and obligations of directors, supervisors and senior management after listing of A Shares.

III. ISSUANCE OF INDEPENDENT OPINIONS

In 2018, the independent non-executive Directors focused on the lawfulness and fairness of major related party transactions, the profit distribution plan and the appointment of senior management, and issued independent opinions pursuant to the Articles of Association. The details are as follows:

1. On 20 March 2018, in response to the resolutions considered at the 36th meeting of the sixth session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Haier Consumer Financing Company Limited.
2. On 23 March 2018, in response to the resolutions considered at the 37th meeting of the sixth session of the Board, four independent opinions were issued in relation to the 2017 Profit Distribution Plan of Bank of Qingdao Co., Ltd., the Resolution on the Appointment of Domestic and Overseas auditors of the Bank of Qingdao Co., Ltd. and their remuneration for 2018, the Resolution in Relation to the Withdrawal of Staff Bonuses and Senior Management Performance Bonuses of Bank of Qingdao Co., Ltd. for 2017 and the Resolution in Relation to the Candidates for Directors of the Seventh Session of the Board of the Bank of Qingdao Co., Ltd.
3. On 11 May 2018, in response to the resolutions considered at the 39th meeting of the sixth session of the Board, independent opinions were issued on the related party transactions between Bank of Qingdao Co., Ltd. and Haier Group Finance Co., Ltd.
4. On 31 May 2018, in response to the resolutions considered at the first meeting of the seventh session of the Board, independent opinions were issued in respect of the appointment of senior management of Bank of Qingdao Co., Ltd..
5. On 25 June 2018, in relation to the resolutions considered at the third meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Haier Financial Factoring (Chongqing) Co., Ltd. and the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Conson Financial Holdings Co., Ltd.
6. On 9 July 2018, in relation to resolutions considered at the fourth meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Haier Group (Qingdao) Financial Holdings Limited.

7. On 24 August 2018, in relation to the resolutions considered at the sixth meeting of the seventh session of the Board, independent opinions were issued on the dividend distribution of the offshore preference Shares.
8. On 3 September 2018, in relation to the resolutions considered at the seventh meeting of the seventh session of the Board, independent opinions were issued on the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haier Real Estate Group Co., Ltd.
9. On 7 December 2018, in relation to the resolutions considered at the tenth meeting of the seventh session of the Board, independent opinions were issued on the *Administrative Measures on Remuneration and Performance of Senior Management of Bank of Qingdao*.
10. On 5 December 2018, in relation to the resolutions considered at the eleventh meeting of the seventh session of the Board, independent opinions were issued on the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao China Prosperity State-owned Capital Operation (Group) Co., Ltd.
11. On 24 December 2018, in response to the resolutions considered at the twelfth meeting of the seventh session of the Board, independent opinions were issued on the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haier Home Integration Limited.

IV. OTHERS

In 2018, the independent non-executive directors did not conduct on-site inspection, propose to convene a Board meeting, appoint or dismiss the accounting firm, or engage an external auditor and consulting institution independently.

In 2019, the independent non-executive directors of the Bank will continue to devote sufficient time and efforts to enhance their learning and improve their performance levels on an ongoing basis. They will attend meetings earnestly and express opinions independently and objectively to perform their duties in a diligent manner. They will actively conduct special research and provide suggestions and advice for the development of the Bank to promote the high-quality development of the Bank as well as protect legitimate rights and interests of the Bank and its Shareholders, in particular the minority Shareholders.

Independent non-executive Directors of Bank of Qingdao Co., Ltd.
WONG Tin Yau, Kelvin, CHEN Hua, DAI Shuping, Simon CHEUNG, FANG Qiaoling

17 May 2019

NOTICE OF 2018 ANNUAL GENERAL MEETING

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BQD  **青岛银行**
Bank of Qingdao Co., Ltd.*
青島銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(H shares stock code: 3866)

(Preference shares stock code: 4611)

NOTICE OF 2018 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 annual general meeting (the “**2018 AGM**”) of Bank of Qingdao Co., Ltd. (the “**Bank**”) will be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the People's Republic of China (the “**PRC**”), at 9:00 a.m. on Friday, 17 May 2019 for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. to consider and approve the work report of the board of directors of Bank of Qingdao Co., Ltd. for 2018
2. to consider and approve the work report of the board of supervisors of Bank of Qingdao Co., Ltd. for 2018
3. to consider and approve the final financial accounts of Bank of Qingdao Co., Ltd. for 2018
4. to consider and approve the profit distribution plan of Bank of Qingdao Co., Ltd. for 2018
5. to consider and approve the resolution on the engagement of external auditors and their remuneration of Bank of Qingdao Co., Ltd. for 2019
6. to consider and approve the special report on related party transactions of Bank of Qingdao Co., Ltd. for 2018
7. to consider and approve the resolution on the estimated amount of the recurring related party transactions of Bank of Qingdao Co., Ltd. for 2019

NOTICE OF 2018 ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

8. to consider and approve the resolution on the general mandate for the issue of shares by Bank of Qingdao Co., Ltd.

MATTERS TO BE REPORTED

1. evaluation report on the performance of duties by the board and directors of Bank of Qingdao Co., Ltd. for 2018
2. evaluation report on the performance of duties by the supervisors of Bank of Qingdao Co., Ltd. for 2018
3. performance report of the independent non-executive directors of Bank of Qingdao Co., Ltd. for 2018

The Bank will despatch the circular of the 2018 AGM to shareholders on or before 25 April 2019.

By order of the Board
Bank of Qingdao Co., Ltd.*
Guo Shaoquan
Chairman

Qingdao, Shandong, the PRC, 1 April 2019

As at the date of this notice, the Board comprises Mr. Guo Shaoquan, Mr. Wang Lin, Mr. Yang Fengjiang and Ms. Lu Lan as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita, Mr. Deng Yucheng and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Wong Tin Yau, Kelvin, Mr. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung and Ms. Fang Qiaoling as independent non-executive directors.

* *Bank of Qingdao Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry out banking and/or deposit-taking business in Hong Kong.*

NOTICE OF 2018 ANNUAL GENERAL MEETING

Notes:

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), all resolutions proposed at the meeting shall be voted by poll, except for those related to procedural or administrative matters to be voted by a show of hands as permitted by the chairman. Results of the poll voting will be published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Bank (www.qdccb.com) as required by the Listing Rules.

2. **Closure of register of members and eligibility for attending and voting at the 2018 AGM**

H Shareholders are advised that the share register will be closed from Wednesday, 17 April 2019 to Friday, 17 May 2019 (both days inclusive). To be eligible for attending and voting at the 2018 AGM, the transfer documents together with relevant share certificates and other appropriate documents must be deposited at the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 16 April 2019. Shareholders whose names appear on the register of members of the Bank at the close of business on Wednesday, 8 May 2019 are entitled to attend and vote at the 2018 AGM. Pursuant to the requirement of the Articles of Association of the Bank, where a shareholder pledges 50% or more of his/her equity interests in the Bank, the voting rights of such shareholder at the 2018 AGM shall be subject to restrictions.

3. **Arrangement on dividend distribution**

The board of directors of the Bank has recommended the distribution of a final cash dividend of RMB0.20 (inclusive of tax) per share for the year ended 31 December 2018, amounting to a total of RMB901,938,000 (inclusive of tax). Subject to approval of the proposal at the 2018 AGM, the dividend will be paid to A Shareholders and H Shareholders whose names appear on the register of members of the Bank at the close of business on the respective record dates. The proposed dividends payable are denominated in Renminbi, and will be paid to A Shareholders in Renminbi and H Shareholders in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the average of central parity rates of Renminbi to Hong Kong dollars of the interbank foreign exchange market as announced by the People’s Bank of China on five working days preceding the date of declaration of the dividend at the 2018 AGM (including the day the 2018 AGM will be held).

4. **Closure of register of members and eligibility for final dividend distribution**

The H share register of the Bank will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive). In order to be entitled to the final dividend distribution, the H Shareholders of the Bank who have not registered are required to deposit the transfer documents together with relevant share certificates at the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 22 May 2019. Shareholders whose names appear on the register of members of the Bank on Tuesday, 28 May 2019 are entitled to the final dividend distribution.

5. **Reply slip**

Shareholders who intend to attend and vote at the 2018 AGM in person or by proxy are required to complete and return the enclosed reply slip to the Bank’s H Share registrar (for H Shareholder(s)) or the Bank’s PRC registered office and principal place of business (for A Shareholder(s)) on or before Friday, 26 April 2019. The reply slip may be delivered by hand, by post or by fax to Computershare Hong Kong Investor Services Limited, the Bank’s H Share registrar (for H Shareholder(s)), or the Bank’s PRC registered office and principal place of business (for A Shareholder(s)).

In the event that shareholders do not return the reply slips, and the reply slips state that the number of shares with voting right represented by those shareholders intending to attend the 2018 AGM does not amount to half of the total number of shares with voting right of the Bank, the 2018 AGM may be adjourned.

NOTICE OF 2018 ANNUAL GENERAL MEETING

6. Proxy

Any shareholder entitled to attend and vote at the 2018 AGM is entitled to appoint one or more persons (whether such person is a shareholder of the Bank or not) as his/her proxy or proxies to attend and vote on his/her behalf at the 2018 AGM. As far as all joint shareholders of any shares are concerned, only the joint shareholder whose name appears first in the share register of members has the right to receive the share certificate of the relevant shares from the Bank, to receive notices of the Bank and any notice served on such a shareholder shall be treated as having been served on all the other joint shareholders of those shares. In the case of joint shareholders, any one shareholder may sign the proxy form(s). The vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the share register of members in respect of the joint shareholding.

The appointment of a proxy must be in writing with a form under the hand of the appointer or his/her attorney duly authorised in writing. For a corporate appointer, the proxy form must be affixed with the common seal or signed by its director or attorney duly authorised in writing. To be valid, the instrument appointing a proxy together with the power of attorney or other authorisation document (if any) or a notarially certified copy of that power of attorney or other authorisation document must be completed and returned to the Bank's H Share registrar (for H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) not less than 24 hours before the designated time for the holding of the 2018 AGM or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude shareholders from attending and voting in person at the 2018 AGM or at any adjournment if he/she so wishes.

7. Others

- (1) The 2018 AGM is estimated to last no longer than half a working day. Shareholders who attend the meeting in person or by proxy shall bear their own traveling and accommodation expenses.

Address of Computershare Hong Kong Investor Services Limited:

17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

Address of the PRC registered office and principal place of business of the Bank:

No. 6 Qinling Road
Laoshan District
Qingdao
Shandong Province
PRC
Telephone: +86 40066 96588 ext 6
Fax: +86 (532) 8578 3866