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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)

(Stock code: 3866)

(Preference shares stock code: 4611)

WORK REPORT OF THE BOARD OF DIRECTORS FOR 2017
WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2017
REPORT FOR FINAL FINANCIAL ACCOUNTS FOR 2017
PROFIT DISTRIBUTION PLAN FOR 2017
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SUPERVISORS FOR 2017
AND
NOTICE OF 2017 ANNUAL GENERAL MEETING
NOTICE OF 2018 FIRST H SHARE CLASS MEETING

The letter from the Board is set out on pages 4 to 20 of this circular.

The Bank will hold the 2017 AGM and the Class Meetings at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Tuesday, 15 May 2018. The notice, reply slip and proxy form dated 26 March 2018 of the 2017 AGM and the Class Meetings have been despatched to the Shareholders pursuant to the Hong Kong Listing Rules.

If you intend to attend and/or vote at the 2017 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 H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for Domestic Shareholder(s)) on or before Wednesday, 25 April 2018; 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 Domestic 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.*

23 April 2018

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DEFINITIONS

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

“2017 AGM”	the 2017 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 Tuesday, 15 May 2018
“2018 First H Share Class Meeting”	the 2018 first class meeting for H Shareholders of the Bank to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC immediately after the conclusion of the 2017 AGM and the 2018 first class meeting for Domestic Shareholders on Tuesday, 15 May 2018
“A Share(s)”	ordinary share(s) proposed to be issued by the Bank under the A Share Offering and subscribed for in RMB
“A Share Offering”	the Bank’s proposed initial public offering of no more than 1,000,000,000 A Shares, which will be listed on the Shenzhen Stock Exchange
“Articles of Association”	the Articles of Association of the Bank
“Company”	Bank of Qingdao Co., Ltd. and its subsidiaries and branches
“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
“CBIRC”	the China Banking and Insurance Regulatory Commission, which established by the China Banking Regulatory Commission (中國銀行業監督管理委員會) and the China Insurance Regulatory Commission (中國保險監督管理委員會) on 8 April 2018
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Class Meetings”	the 2018 first class meeting for Domestic Shareholders and the 2018 First H Share Class Meeting to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC immediately after the conclusion of the 2017 AGM on Tuesday, 15 May 2018
“Director(s)”	the director(s) of the Bank
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Domestic Shares”	ordinary shares of nominal value of RMB1.00 each issued by the Bank in the PRC, which are subscribed for in RMB
“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
“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
“Latest Practicable Date”	13 April 2018, being the Latest Practicable Date prior to the publication of this circular for ascertaining certain information contained herein
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“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 CBRC”	Qingdao Supervision and Administration Bureau of China Banking Regulatory Commission (中國銀行業監督管理委員會青島監管局)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Domestic 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  **青岛银行**
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(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 3866)

(Preference shares stock code: 4611)

Members of the Board:

Executive Directors:

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

Registered Address and

Address of Head Office:

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

Non-executive Directors:

ZHOU Yunjie
Rosario STRANO
WANG Jianhui
TAN Lixia
Marco MUSSITA
CHOI Chi Kin, Calvin

**Principal Place of Business
in Hong Kong:**

36th Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Independent Non-executive Directors:

WANG Zhuquan
WONG Tin Yau, Kelvin
CHEN Hua
DAI Shuping
Simon CHEUNG

To the Shareholders

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LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement of the Bank dated 23 March 2018. The Board of Directors invite you to attend the 2017 AGM and the 2018 First H Share Class Meeting to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Tuesday, 15 May 2018. This circular aims to provide more information on matters set out in the abovementioned announcement and the notices of the 2017 AGM and the 2018 First H Share Class Meeting.

II. MATTERS TO BE CONSIDERED AT THE 2017 AGM

1. Work Report of the Board of Directors for 2017

An ordinary resolution on the *Work Report of the Board of Directors of Bank of Qingdao Co., Ltd. for 2017* of the Bank will be proposed at the 2017 AGM for approval. For the Work Report of the Board of Directors for the year ended 31 December 2017, please refer to Appendix I of this circular.

2. Work Report of the Board of Supervisors for 2017

An ordinary resolution on the *Work Report of the Board of Supervisors of Bank of Qingdao Co., Ltd. for 2017* of the Bank will be proposed at the 2017 AGM for approval. For the Work Report of the Board of Supervisors for the year ended 31 December 2017, please refer to Appendix II of this circular.

3. Report for Final Financial Accounts for 2017

The Bank has prepared its annual financial statements for 2017 based on the PRC accounting standards and IFRS, respectively. KPMG Huazhen LLP and KPMG have audited such financial statements, respectively, and have issued their audit reports with unqualified opinions. The final financial accounts for 2017 of the Bank are reported as below:

(i) *Final financial accounts based on IFRS*

In 2017, the Company realized operating income of approximately RMB5,568 million, representing a year-on-year decrease of approximately RMB429 million or 7.15%; profit before tax of approximately RMB2,370 million, representing a year-on-year decrease of approximately RMB304 million or 11.37%; net profit of approximately RMB1,904 million, representing a year-on-year decrease of approximately RMB185 million or approximately 8.86%.

As at the end of 2017, total asset amounted to approximately RMB306,276 million, representing a growth of RMB28,288 million or 10.18% from the beginning of the year; the quality of assets was basically stable, with non-performing loan ratio of 1.69% and non-performing loan provision coverage of 153.52%.

LETTER FROM THE BOARD

(ii) Final financial accounts based on the PRC accounting standards

In 2017, the Company realized operating income of approximately RMB5,583 million, representing a year-on-year decrease of approximately RMB436 million or 7.25%; operating expense of approximately RMB3,209 million, representing a year-on-year decrease of approximately RMB136 million or 4.08%; total profit of approximately RMB2,370 million, representing a year-on-year decrease of approximately RMB304 million or 11.37%; net profit of approximately RMB1,904 million, representing a year-on-year decrease of approximately RMB185 million or approximately 8.86%.

As at the end of 2017, total asset amounted to approximately RMB306,276 million, representing a growth of RMB28,288 million or 10.18% from the beginning of the year; the quality of assets was basically stable, with non-performing loan ratio of 1.69% and non-performing loan provision coverage of 153.52%.

(iii) Differences between the PRC accounting standards and IFRS

The difference in operating income is attributable to the inclusion of other business expenses as well as non-operating income and expenses based on IFRS.

For details of the audited financial information for the year ended 31 December 2017 prepared based on IFRS, please refer to the financial statements as set out in the 2017 annual report to be published by the Bank.

4. Profit Distribution Plan for 2017

The financial statements of the Bank for 2017 prepared in accordance with China Accounting Standards for Business Enterprises (“CASBE”) have been audited by KPMG Huazhen LLP which has issued an audit report with unqualified opinions (KPMG Huazhen Shen Zi No. 1801065) and the financial statements of the Bank prepared in accordance with IFRS have been audited by KPMG which has issued audit report with unqualified opinions. The net profit realized by the Bank for 2017 recorded in both of the parent company-level financial statements prepared in accordance with CASBE and IFRS were RMB1,896,759,708.84.

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 2017 as below:

- (i) 10% of the net profit of the Bank shall be appropriated to the statutory reserve, amounting to RMB189,675,970.88;
- (ii) RMB273,361,895.26 shall be appropriated to the general reserve.

LETTER FROM THE BOARD

For the above items (i) and (ii), an aggregate of RMB463,037,866.14 shall be set aside. The remaining undistributed profit for the current year amounted to RMB1,433,721,842.70, plus the remaining undistributed profit of RMB1,166,358,392.66 for the previous years, the distributable profit totalled RMB2,600,080,235.36.

The Bank will distribute to ordinary Shareholders whose names appear in the register of members of the Bank on 24 May 2018, a cash dividend of RMB0.20 per Share (inclusive of tax), in aggregate amount of RMB811,742,549.80 calculated at the total share capital of 4,058,712,749 Shares.

The dividend for H Shares will be paid in Hong Kong dollars, and the applicable exchange rate shall be the average of the central parity rates in the interbank foreign exchange market of the five business days preceding the date of declaration of such dividends at the 2017 AGM (including the day when the 2017 AGM will be held) as announced by PBOC.

Taxation applying to dividends on ordinary Shares

(1) For Holders of Domestic Shares

The Bank's legal person holders of domestic shares shall handle their own income tax. According to the *Individual Income Tax Law of the PRC*, the Bank shall withhold and pay individual income tax at the rate of 20% for natural person shareholders whose names appear on the register of holders of domestic shares on 24 May 2018.

(2) For Holders of H 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 H-share register on 24 May 2018.

Pursuant to the *Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax After the Annulment of Document Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348) promulgated 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.

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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.

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

Closure of register of members and eligibility for final dividend distribution

The Share register for H Shares of the Bank will be closed from Saturday, 19 May 2018 to Thursday, 24 May 2018 (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 by no later than 4:30 p.m. on Friday, 18 May 2018. Shareholders whose names appear on the register of members of the Bank at the close of business on Thursday, 24 May 2018 are entitled to the final dividend distribution.

The Board is set to distribute the final dividends of 2017 on or before Wednesday, 13 June 2018. If there are any changes to the dividend payment date, an announcement will be published regarding such changes.

5. Engagement of Domestic and Foreign Auditors and their Remuneration for 2018

The Bank will propose to engage KPMG Huazhen LLP as the domestic auditor of the Bank for 2018 and KPMG as the foreign auditor of the Bank for 2018, and the audit fees for domestic and foreign financial statements for 2018 and the review fees for foreign half-yearly financial statements amount to RMB3.72 million in aggregate (inclusive of tax).

6. Proposed Election of Directors of the Seventh Session of the Board of Directors

The term of Directors of the sixth session of the Board has expired on 9 April 2018. According to the requirements of the laws and regulations such as the *Company Law of the PRC* and the *Guidelines on Corporate Governance of Commercial Banks* and the Articles of Association, the seventh session of the Board is proposed to consist of fifteen members, including six non-executive Directors, four executive Directors and five independent non-executive Directors. The list of candidates for Directors is as follows:

Candidates for non-executive Directors: Mr. ZHOU Yunjie, Mr. Rosario STRANO, Ms. TAN Lixia, Mr. Marco MUSSITA, Mr. DENG Youcheng and Mr. CHOI Chi Kin, Calvin

LETTER FROM THE BOARD

Candidates for executive Directors: Mr. GUO Shaoquan, Mr. WANG Lin, Mr. YANG Fengjiang and Ms. LU Lan

Candidates for independent non-executive Directors: Mr. WONG Tin Yau, Kelvin, Mr. CHEN Hua, Ms. DAI Shuping, Mr. Simon CHEUNG and Ms. FANG Qiaoling

Save for the adjustment pursuant to the requirements of the relevant policies and regulations, the Directors of the seventh session of Board shall have a term of three years, effective from the date of approval at the 2017 AGM. The qualification of Mr. DENG Youcheng and Ms. FANG Qiaoling shall be approved by Qingdao CBRC.

For biographies of the candidates for Directors of the seventh session of the Board, please refer to Appendix III of this circular.

7. Proposed Election of Supervisors of the Seventh Session of the Board of Supervisors

The term of office of Supervisors of the sixth session of the Board of Supervisors has expired on 9 April 2018. In accordance with the requirements of laws and regulations (including the *Company Law of the PRC*, the *Guidelines on Corporate Governance of Commercial Banks* and *Working Guidelines of Board of Supervisors of Commercial Banks*) and the Articles of Association, the seventh session of the Board of Supervisors shall comprise seven members, including one Shareholder Supervisor, three external Supervisors and three employee Supervisors. Employee Supervisors are elected democratically by the employees of the Bank and the list of candidates for Shareholder Supervisor and external Supervisors is as follows:

The candidate for Shareholder Supervisor: ZHANG Lanchang

The candidates for external Supervisors: WANG Jianhua, FU Changxiang and HU Yanjing

Save for the adjustment pursuant to the requirements of the relevant applicable policies and regulations, the Supervisors of the seventh session of the Board of Supervisors shall have a term of three years, effective from the date of approval at the 2017 AGM.

For biographies of the candidates for Shareholder Supervisor and external Supervisors of the seventh session of the Board of Supervisors, please refer to Appendix IV of this circular.

8. Status Report on the Use of Previously Raised Funds as at 31 December 2017

According to the relevant regulatory requirements, when a listed company applies for the issuance of securities, the Board of Directors shall make a resolution on the status report on the use of previously raised funds and submit it to the general meeting for approval.

Upon verification of the use of previously raised funds, the Bank prepared the *Status Report on the Use of Previously Raised Funds of Bank of Qingdao Co., Ltd. as at 31 December 2017*. KPMG Huazhen LLP verified the Bank's status report on the use of the previously raised funds. For *Status Report on the Use of Previously Raised Funds of Bank of Qingdao Co., Ltd. as at 31 December 2017*, please refer to Appendix V of this circular.

LETTER FROM THE BOARD

9. Special Report on Related Party Transactions for 2017

An ordinary resolution on the *Special Report on Related Party Transactions of Bank of Qingdao Co., Ltd. for 2017* will be proposed at the 2017 AGM for approval, please refer to Appendix VI of this circular for the full text of the *Special Report on Related Party Transactions for 2017* of the Bank.

10. Matters in respect of the A Share Offering

Reference is made to the announcement dated 19 August 2016, the circular dated 27 September 2016, the poll results announcement dated 14 October 2016 and the announcement dated 12 December 2016, which set out, inter alia, relevant resolutions regarding the plan for the A Share Offering, the authorization to the Board to deal with matters relating to the A Share Offering. The resolution regarding the plan for the A Share Offering is set out as follows:

The Bank proposed the A Share Offering in order to further optimize the corporate governance structure of the Bank, develop domestic and overseas financing platforms and improve the liquidity of the Shares held by all Shareholders. Under the requirements of the relevant laws, regulations and regulatory documents, such as the *Company Law of the PRC*, the *Securities Law of the PRC*, and the *Measures for the Administration of Initial Public Offerings and Listing of Shares* and the *Opinions on Further Promoting the IPO System Reform* promulgated by the CSRC, the Bank has set out the following plan:

(a) *Class of Shares*

Ordinary shares (A Shares) in RMB

(b) *Nominal value per Share*

RMB1.00

(c) *Proposed stock exchange for the listing*

Shenzhen Stock Exchange

(d) *Offering size*

The number of Shares to be issued will be not more than 1,000,000,000 Shares, representing 43.56% and 24.64% of the Domestic Shares in issue and the total issued share capital of the Bank, respectively as at the Latest Practicable Date. The actual total offering size will be determined based on capital requirements of the Bank, communications with the regulatory authorities and the prevailing market conditions at the time of the offering.

LETTER FROM THE BOARD

(e) Target subscribers

Target subscribers will be qualified natural persons and institutional investors (excluding those in respect of which subscription has been prohibited under national laws and regulations). If any of the above target subscribers of the A Share Offering is a connected person of the Bank, the Bank will take all reasonable measures to comply with the relevant listing rule requirements of the jurisdictions at which the Shares are listed.

(f) Strategic placing

The Bank may carry out strategic placing at the time of the A Share Offering, as required, to investors who satisfy the requirements under applicable laws and regulations and the development strategy of the Bank. The specific placing ratio will be determined according to the requirements of laws and regulations and subject to market conditions at the time of such placing.

(g) Mode of offering

The offering will be conducted through a combination of placing to target subscribers at a price to be determined between the Bank and the subscribers on an offline basis and an offering to qualified public investors online at a fixed price, or through any other methods of offering as authorized by the CSRC.

(h) Pricing methodology

Taking into full account the interests of the existing Shareholders as a whole, and the actual conditions in the capital market and the Bank at the time of the A Share Offering, the issue price of the A Shares will be fixed through making enquiries with offline investors or fixed directly through negotiations between the Bank and the lead underwriter(s), or by any other legally practicable methods.

(i) Form of underwriting

The offering will be underwritten by an underwriting syndicate led by a lead underwriter on a standby commitment basis.

As at the Latest Practicable Date, the Bank has yet to confirm the members of the underwriting syndicate and enter into any underwriting agreement. In future, if there are members of the underwriting syndicate who are connected persons of the Bank, the Bank will perform the corresponding disclosure obligations to comply with the requirements of Chapter 14A of the Listing Rules.

(j) Conversion into a joint stock company with limited liability with domestic and overseas listed Shares

According to the plan for the A Share Offering and taking into account that Shares have been issued in the H Share market, the Bank will make an application to convert it into a joint stock company with limited liability with domestic and overseas listed Shares.

LETTER FROM THE BOARD

(k) Term of the offering plan

The offering plan shall be valid for 24 months from the date of approval by special resolution at a general meeting and the class meetings. In the event that the A Share Offering has not been completed within 12 months after the approval at such general meeting and the class meetings, relevant resolutions will be tendered by the Bank at a further general meeting and further class meetings for consideration and approval in respect of the new validity period of the offering plan and authorization period, which shall be a 12-month period after the approval at such further general meeting and further class meetings.

The plan for the A Share Offering was considered and approved by special resolution at the general meeting and the class meetings respectively convened on 14 October 2016 and is currently still subject to approval by the PRC securities regulatory authorities (including the CSRC) and other related regulatory authorities (including the Shenzhen Stock Exchange). The Bank has submitted application materials (including the prospectus) to the CSRC in respect of the A Share Offering. The Bank received a letter dated 9 December 2016 from the CSRC confirming its acceptance of the Bank's A Share Offering application. The A Share Offering application is currently under review by the CSRC.

10.1 Proposed Extension of the Validity Period of the Plan for the A Share Offering

Given that the validity period of the plan for the A Share Offering was extended to 10 May 2018 at the general meeting and the class meetings held on 11 May 2017, it is expected that the Bank's application for the A Share Offering will be still in progress until then. To ensure the ongoing progress of the initial public offering and listing of the A Shares of the Bank, a resolution will be proposed at the 2017 AGM and the 2018 First H Share Class Meeting to approve the re-extension of the validity period of the plan for the A Share Offering for another twelve months, namely the extension period from 11 May 2018 to 10 May 2019. Other information in the plan for the A Share Offering remains unchanged.

In the coming 12 months, the Bank will continue to supplement and update the A Share Offering application materials in accordance with the review progress and any requests made by the CSRC.

The above resolution is subject to consideration and approval at the 2017 AGM and the 2018 First H Share Class Meeting by way of a special resolution, respectively.

LETTER FROM THE BOARD

Impact of the A Share Offering on the Shareholding Structure of the Bank

Pursuant to the proposal regarding the A Share Offering, 2,295,677,769 existing Domestic Shares in issue of the Bank will be converted into A Shares upon the completion of the A Share Offering. Assuming that all the 1,000,000,000 A Shares under the A Share Offering are approved to be issued, and all are issued to non-core connected persons of the Bank and there are no changes to the share capital of the Bank prior to the completion of the A Share Offering, the shareholding structure of the Bank as at the Latest Practicable Date and immediately after the completion of the A Share Offering is set out as follows:

	As at the Latest Practicable Date		Immediately after completion of the A Share Offering	
	Number of Shares	Approximate percentage of the Bank's issued share capital	Number of Shares	Approximate percentage of the Bank's issued share capital
Domestic Shares	2,295,677,769⁽⁵⁾	56.56%	–	–
A Shares (at maximum)	–	–	3,295,677,769⁽⁶⁾	65.15%
A Shares to be held by the public ⁽¹⁾	–	–	1,977,058,013	39.08%
A Shares to be converted from Domestic Shares into A Shares to be held by core connected persons ⁽²⁾	–	–	1,318,619,756	26.07%
H Shares	1,763,034,980	43.44%	1,763,034,980	34.85%
H Shares held by the public ⁽³⁾	1,038,281,000	25.58%	1,038,281,000	20.52%
H Shares held by core connected persons ⁽⁴⁾	724,753,980	17.86%	724,753,980	14.33%
Total	4,058,712,749	100%	5,058,712,749	100%

Notes:

- (1) Assuming all proposed 1,000,000,000 A Shares (at maximum) are issued to the non-core connected persons of the Bank and save for the 2,848,843 A Shares held by the Directors, Supervisors and president of the Bank, the 812,214,572 A Shares in which Haier Group Corporation, a substantial Shareholder of the Bank, is interested and the 503,556,341 A Shares held by Qingdao Conson Development (Group) Co., Ltd. through its wholly-owned subsidiary Qingdao Conson Industrial Co., Ltd. after the completion of the A Share Offering, all other A Shares are held by the public.
- (2) Upon completion of the A Share Offering, A Shares to be converted from Domestic Shares and held by core connected persons refer to (i) the 812,214,572 A Shares in which Haier Group Corporation is interested; (ii) the 503,556,341 A Shares held by Qingdao Conson Development (Group) Co., Ltd. through its wholly-owned subsidiary Qingdao Conson Industrial Co., Ltd.; (iii) the 500,000 A Shares, 500,000 A Shares, 500,000 A Shares and 380,000 A Shares held by Directors GUO Shaoquan, WANG Lin, YANG Fengjiang and LU Lan, respectively; and (iv) the 500,000 A Shares, 272,822 A Shares and 196,021 A Shares held by Supervisors CHEN Qing, SUN Jigang and XU Wansheng, respectively.

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- (3) Save for the 624,753,980 H Shares held by Intesa Sanpaolo S.p.A., a substantial Shareholder of the Bank, and the 100,000,000 H Shares held by Qingdao Conson Development (Group) Co., Ltd., a core connected person of the Bank, through its indirect wholly-owned subsidiary Haitian (HK) Financial Development Limited as at the Latest Practicable Date, all other H Shares are held by the public based on publicly available information and to the best knowledge of the Directors.
- (4) H Shares held by core connected persons refer to the 624,753,980 H Shares held by Intesa Sanpaolo S.p.A., a substantial Shareholder of the Bank, and the 100,000,000 H Shares held by Qingdao Conson Development (Group) Co., Ltd., a core connected person of the Bank, through its indirect wholly-owned subsidiary Haitian (HK) Financial Development Limited.
- (5) All 2,295,677,769 existing Domestic Shares in issue of the Bank will be converted into A Shares upon the completion of the A Share Offering.
- (6) After the completion of the A Share Offering, the Bank will have a total of 3,295,677,769 A Shares, including 1,000,000,000 A Shares to be issued under the A Share Offering and the remaining 2,295,677,769 A Shares to be converted from existing Domestic Shares in issue of the Bank.

As at the Latest Practicable Date, based on publicly available information and to the best knowledge of the Directors, the Bank has maintained a public float of over 25% which satisfies the requirements under Rule 8.08 of the Hong Kong Listing Rules. The public float of the H Shares of the Company prior to the completion of A Share Offering is 25.58%. Assuming that all the 1,000,000,000 A Shares under the A Share Offering are approved to be issued, and all are issued to non-core connected persons of the Bank, it is expected that the number of A Shares held by the public will account for 39.08% of the total number of Shares upon issuance at maximum and the number of H Shares held by the public will account for 20.52% of the total number of Shares upon issuance at minimum. Following the completion of the A Share Offering, the number of the Shares of the Company held by the public (both A Shares and H Shares in aggregate) will account for 59.61% of the total number of the Shares of the Company upon issuance.

10.2 Proposed Extension of the Validity Period of the Authorisations to the Board to Deal with Specific Matters in respect of the A Share Offering

The authorisations in respect of the A Share Offering were approved at the general meeting and the class meetings convened on 14 October 2016. Given that the validity period of the plan for the A Share Offering was extended to 10 May 2018 at the general meeting and the class meetings held on 11 May 2017, it is expected that the Bank's application for the A Share Offering will be still in progress until then. To ensure the successful completion of the initial public offering and listing of the A Shares of the Bank, a resolution will be proposed at the general meeting and the class meeting to approve the re-extension of the validity period of the authorizations in respect of the A Share Offering for another twelve months, namely the extension period from 11 May 2018 to 10 May 2019. Other information of the authorizations in respect of A Share Offering remains unchanged.

The above resolution is subject to consideration and approval at the 2017 AGM and the 2018 First H Share Class Meeting by way of a special resolution, respectively.

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11. General Mandate to Issue Shares

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 2017 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 overseas-listed foreign Shares and/or Domestic Shares (including A Shares) as well as securities convertible into Shares during the Relevant Period (as defined below).

“Relevant Period” means the period from the date of passing this resolution on authorization by 2017 AGM until the earliest of: (1) the conclusion of 2018 annual general meeting of the Bank; (2) the expiration of the 12-month period following the passing of this resolution at the 2017 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.

- (2) The Board shall be authorized to issue, allocate or otherwise deal with the numbers of overseas-listed foreign Shares and Domestic Shares, and the respective amount shall not exceed 20% of the respective total number of issued class of Shares of overseas-listed foreign Shares and Domestic Shares of the Bank at the date on which this resolution is passed by the 2017 AGM (among which, the number of overseas-listed foreign Shares/Domestic Shares converted shall be counted for the issuance of securities convertible into Shares).
- (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)

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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 2017 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.

III. MATTERS TO BE REPORTED AT THE 2017 AGM

1. *Evaluation Report on the Performance of Duties by the Board and Directors for 2017*

The Board of Supervisors conducted supervision and evaluation of the performance of duties by the Board and Directors for 2017 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;

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- (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 CBRC 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 2017, 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, thus played a central role in corporate governance. 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 strategic management, risk management and internal control.

(iii) Evaluation of performance of duties by Directors

As at the end of 2017, 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 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 CBRC, 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 2017. Their performance evaluation results are all satisfactory.

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2. *Evaluation Report on the Performance of Duties by Supervisors for 2017*

The Board of Supervisors conducted supervision and evaluation of the performance of duties by the Supervisors for 2017 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 2017, the Board of Supervisors had a total of seven Supervisors, including a Shareholder Supervisor, three external Supervisors and three staff Supervisors, all of whom participated in this year's performance evaluation.

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 Board of Supervisors;
- (iii) Reading and feedback of the Supervisors regarding the information provided by the Bank;
- (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 CBRC 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 CBRC, 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 2017. Their performance evaluation results are all satisfactory.

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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 2017 AGM AND THE CLASS MEETINGS

The Bank intends to convene the 2017 AGM and the Class Meetings at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC, at 9:00 a.m. on Tuesday, 15 May 2018 to consider and, if thought fit, to pass matters as set out in the notice of the 2017 AGM and the Class Meetings. Notices, forms of proxies and reply slips of the 2017 AGM and the Class Meetings have been despatched to the Shareholders in accordance with the Hong Kong Listing Rules on 26 March 2018. The notices of the 2017 AGM and the Class Meetings are set out on pages 58 to 66 of this circular.

If you intend to attend the 2017 AGM and the Class Meetings, you are required to complete and return the reply slip to the H Share Registrar of the Bank on or before Wednesday, 25 April 2018.

Completion and return of the form(s) of proxy(ies) will not preclude you from attending and voting in person at the 2017 AGM and the Class Meetings 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 2017 AGM and the Class Meetings

The share register of members of the Bank will be closed from Sunday, 15 April 2018 to Tuesday, 15 May 2018 (both days inclusive), during which period no Share transfer will be registered. In order to be eligible to attend and vote at the 2017 AGM and the Class Meetings, 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 Friday, 13 April 2018. Shareholders whose name appears in the register of members of the Bank at the close of business on Sunday, 15 April 2018, will be eligible to attend and vote at the 2017 AGM and the Class Meetings.

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VI. METHODS OF VOTING AT THE 2017 AGM AND CLASS MEETINGS

Pursuant to the requirements of Rule 13.39(4) of the Hong Kong Listing Rules, voting by the Shareholders at the 2017 AGM and the Class Meetings shall be taken by the way of poll.

To the best knowledge of the Bank, no Shareholder or its associate is deemed to have a material interest in any of the resolutions at the 2017 AGM and the Class Meetings, and therefore no 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 2017 AGM and the Class Meetings, as well as the voting rights of the Director(s) nominated by such Shareholder at Board meetings shall be subject to restrictions.

VII. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the 2017 AGM and the Class Meetings 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 2017 AGM and the Class Meetings.

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

Shandong, the PRC, 23 April 2018

* *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 2017

In 2017, financial regulation was completely tightened. Commercial banks faced continued pressure in business operations, asset quality and profit growth under the dual pressure of cutting overcapacity of the industry and financial deleveraging, superimposed with the impact of interest rate liberalization and macro-prudential regulation. Faced with the new normal of economic and banking development, the Board of Directors of the Bank has fully played its role of strategic leadership and scientific decision-making to continuously push through strategic transformation, accelerate business development and innovation, continue to intensify risk management, improve upon the capital management system and steadily promote the operational development for the purpose of realizing sustained growth in management efficiency and shareholder values and gaining good operating performance.

By the end of 2017, the Bank's total assets amounted to RMB306.276 billion, representing a year-on-year increase of 10.18%; total deposits balance reached RMB160.084 billion, representing a year-on-year increase of 13.05%; gross loans reached RMB98.061 billion, representing a year-on-year increase of 12.50%; the accumulated net profit throughout the year registered RMB1.904 billion, representing a year-on-year decrease of 8.86%; the return on total assets was 0.65% and the return on average equity was 10.73%. All of the regulatory indicators met the regulatory requirements: the non-performing loan ratio was 1.69%, the provision coverage ratio was 153.52%, and the provision to gross loan ratio was 2.60%. We have received the "Five-Star Diamond Award", the highest honor for international service industry issued by the "World Brand Lab"; ranked No. 372 among the world's top 1,000 banks selected by The "Banker", a UK magazine; ranked 7th among the urban commercial banks in the "Gyro evaluation system" by China Banking Association; and won the "Golden Dragon Award" by the "Financial Times" for the seven consecutive years. Now, the Board presents the main work done in 2017:

I. SUMMARY OF THE MAIN WORK OF THE BOARD IN 2017

In 2017, the Board convened 13 meetings, 4 of which were on-site meetings and 9 of which were held by way of written communications voting, involving resolutions on 50 major matters including work report of the Board of Directors for 2016, work report of President, financial budget and final accounts reports, profit distribution plan, and annual periodic reports. At the meetings, 55 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) Accelerated operating transformation and innovative development and continued to play strategic leading role

In 2017, the Board regularly received operating management reports of the operating management to comprehensively understand the implementation of the annual operating plan in line with macro-economic situation and capital market preference, so as to steadily facilitate the Bank's operating transformation and innovative development and sustainably play a strategic leading role.

In retail banking, we accelerated the exploration and innovation in consumption finance, integrated online and offline platforms through crossover cooperation and further improved the service quality and efficiency of “the most convenient bank for customers” by “conducting service gold digging” and “making breakthroughs in efficiency”. By the end of the year, the retail deposits balance was RMB52.226 billion, representing a year-on-year increase of RMB3.560 billion or 7.31%; the number of retail customers reached 3.5768 million, representing a year-on-year net increase of 446,600 or 14.27%.

In corporate banking, we continued to promote investment banking transformation and featured transformation, positively participated in government projects bidding and corporate debt issuance, deepened people’s livelihood finance, listed finance, small and micro finance, innovatively developed cultural creative finance, technology finance and port finance and sought to build differentiated competitive advantages through professional and customized services. By the end of the year, the corporate deposits balance was RMB107.274 billion, representing a year-on-year increase of RMB14.625 billion or 15.79%; the number of corporate customers reached 124,900, representing a year-on-year increase of 16,700 or 15.45%.

In the financial market, in response to the regulation trend over the financial deleveraging and Macro Prudential Assessment (MPA) management, we timely adjusted investment strategies, optimized interbank liability structure, established a diversified and decentralized cooperative organization system and enhanced liquidity management and risk management and control capabilities. By the end of the year, the carrying value of financial investment was RMB164.410 billion, representing a year-on-year increase of RMB11.803 billion or 7.73%.

In risk control, we took the initiative to adjust the credit structure, improve the system establishment, strictly carry out compliance management, closely monitor overdue loans, and positively resolve non-performing loans. The non-performing loan ratio at the end of the year was 1.69%, which was lower than the average level of the banking industry in the PRC, Shandong Province and Qingdao City. It was not easy to maintain such level under the environment of the convention of drivers from old to new in Shandong Province.

In information technology, we have upgraded “science and technology excellence” to the Bank’s strategic level, invested heavily in the construction of information systems and training of scientific and technological personnel, and positively carry out cloud computing, big data, artificial intelligence, and mobile technology in the application of innovation in products, services, channels and business models.

(II) Implemented capital replenishment and dynamic management, and consolidated capital foundation of operation and development

In 2017, the Board conscientiously fulfilled its capital management duty and positively explored capital replenishment and optimized capital structure, periodically monitored capital management state, further intensified economic capital restriction, continued to improve the capability in shielding against risk and maintained a stable capital adequacy ratio.

Improvement of the dynamic management of capital. The Board attached great importance to the capital foundation of sustainable development, intensified the dynamic evaluation of capital, improved the capital management level, and improved the capital use planning and monitoring mechanism. First, in light of the development needs of the Bank, a multi-level capital replenishment plan was formulated, and the construction of a diversified capital replenishment channel was continuously intensified to ensure that the Bank's capital adequacy ratio maintained at a good level, the capital adequacy ratio reached 16.60% at the end of the year. Second, the Board pragmatically fulfilled the daily capital management duty and received the 2016 Internal Capital Adequacy Assessment Report of the Bank of Qingdao to understand the various indicators of the Bank's capital adequacy ratio and capital adequacy ratio stress test results, and assessed the management of various major risks related to our assets and the implementation state of the annual risk appetite and risk limits.

Thorough promotion of A-share listing. In 2017, the Board led the Bank to keep abreast of the regulatory and capital market trends, promoted the A-share listing in accordance with the prescribed process, and promptly supplemented and updated the application materials and reply an one-off feedback opinion from the CSRC. The Board fully mobilized relevant resources, closely followed the regulatory approval process, and promoted the Bank to obtain pre-approval from CSRC.

Completion of issuance of overseas preference shares. In 2017, the Board guided the Bank to continue to expand the exogenous capital replenishment channels. The Bank successfully completed the issuance of overseas preference shares of US\$1.203 billion in September through continuously intensifying the communication with the regulatory authorities, and replenished other Tier 1 capital of the Bank in a timely manner. The capital adequacy ratio has been improved, the capital structure has been optimized, and a solid foundation has been laid for business development.

Reinforcement of capital restriction mechanism. The Board, by taking the construction of a capital-saving bank as its goal, thoroughly implemented the philosophy of economic capital management, optimized economic capital distribution and appraisal mechanism, guided the Bank to restrict the increase of risk assets with economic capital and establish a connotative development mode. It required the Bank to rationally determine the increase in asset size, and supervised the Bank to employ capital in a scientific and efficient manner to expand energetically capital-saving businesses and improve capital use effectiveness by controlling risk assets.

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

In 2017, in response to the requirement of comprehensive risk management of the CBIRC, the Board positively fulfilled its comprehensive risk management responsibilities and established a compliance culture that is compliance-oriented, full-member responsible, risk-controllable, robust and efficient, and timely formulated and amended risk management policies by intensifying refined risk management capabilities, and consolidated the foundation of risk management in order to promote the transmission of risk management culture.

Formulation of overall risk management strategy. The Board comprehensively sorted out important links for risk prevention and control and focused on studying the consolidated management rules to effectively identify, measure, monitor and control the overall risk state. The Board made the 2017 Business Operation Risk Preference Plan of the Bank of Qingdao, took into considerations the principle of both management efficiency and asset quality, fully evaluated the assorted risk costs in its business expansion, and supervised the implementation of risk policies.

Implementation of comprehensive risk management. The Board shall bear the ultimate responsibility for the risk management of the Bank. It grasped the key areas of risk management, promoted the management to strengthen the construction of institutional measures, and implemented comprehensive risk management with the enhancement of professional capabilities. In credit risk, the Bank strengthened risk pre-judgment, implemented active management, optimized credit orientation, strengthened structural adjustment, strengthened exit management and ensured asset quality. In liquidity risk, it conducted regular pressure testing, strengthened dynamic management of assets and liabilities, reduced the risk of maturity mismatches, and improved contingency management strategies. In operational risks, it strengthened the establishment of a coordinated internal control management mechanism, elaborated risk identification and management, and promoted institutional development and cultural dissemination. In information technology risk, it strengthened the monitoring and evaluation of key risk indicators, implemented refined management, and improved information security. In reputational risks, the establishment of the management team and mechanism was strengthened, and management portals were moved forward and risk was collaboratively disposed of. During the year, the Bank's asset quality remained stable and its capability in shielding against risk continued to improve.

Standardization of related party transaction management. The Board regularly received related party transaction reports and reviewed material related party transactions in a timely manner to promote management to continuously improve the scientificity, effectiveness and comprehensiveness of related party transaction management. It revised the related party transaction management measures, carried out a review on fairness for each transaction on the basis of indicators monitoring, process control to further clarify the authority and responsibilities of the relevant parties. It regularly sorted out, verified and confirmed the list of related parties, implemented dynamic management, and consolidated the foundation of related party transaction management. It continuously optimized the related party transaction management system and standardized the areas such as monitoring, auditing, reporting and evaluation of related party transactions to ensure that the standardization of related party transaction management was effective. Regarding the related party transactions carried out this year, there was no violation of the principle of fairness or harm to the interests of the Bank and Shareholders.

Monitor of the various risk management conditions regularly. The Board received or reviewed six management reports regarding the Bank marketing risks and information technology risks, and other risks annually. It received or reviewed six management reports regarding the Bank's credit risks, liquidity risks, compliance risks, operational risks, and other risks semi-annually. With an accurate understanding of the effectiveness of our 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 Bank 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 2017, according to domestic and overseas monitoring regulations, the Board further improved the internal control rules and regulations system, kept strengthening the internal and external audit monitoring roles, and made the Bank continue to operate steadily in compliance with laws and regulations.

As to internal control, the Board exerted itself to improve the internal control compliance risk management system, continued to elevate the internal control management capability; guided the Bank 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 2016 and the first half of 2017; focused on the evaluation and corrective actions of the internal control of the Bank by regulators; reviewed the regulatory notifications, the on-the-spot inspection opinions of CBRC 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 Bank did not find material weaknesses in internal control design or implementation.

As to internal and external audits, the Board earnestly fulfilled its internal audit duty, objectively and effectively checked the Bank's operational activities and risk conditions, found problems in a timely manner, and supervised rectification and implementation; received internal and external audit work reports, guided the Bank to carry out special internal audit, and reviewed assorted special audit reports and rectification reports at fixed periods of time; made recommendations from the aspects of establishing risk audits, continuous audits, and improving the tracking and rectification process; normalized internal audit system and work management structure, and set up sound audit management system for the Bank and its branches; unceasingly expanded the audit scope and intensified the audit effort through on-site and off-site audit; enhanced the deterrence and effectiveness of the internal audit work, and effectively played the role of the third line of defense.

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

The Board further improved the discussion efficiency at meetings and decisions-making scientificity by scientifically arranging meetings, beefing up the executive force of meeting plans, and optimizing its meeting organization process. Taking into consideration the actual conditions of the Bank's operation and management, all the Directors seriously fulfilled their duties, attended the meetings on time, proactively participated in the discussion, and expressed their views cautiously, and entrusted another Director in writing to be present at the meeting and make comments on behalf of him/her if unable to be in attendance for certain reason.

In 2017, the Board took full account of the objectives and requirements of Board members' diversification and smoothly completed the work of changing independent Directors, laying a good foundation for building an efficient and professional Board. The executive Directors earnestly fulfilled their dual responsibilities for decision-making and execution, effectively played the role of a bond between the Board and management, carried out operations and management according to operating guidelines formulated by the Board, achieving desirably the operating targets set by the Board. Non-executive Directors performed their diligence and loyalty obligations conscientiously, ensured good communication between our Bank and substantial Shareholders, and guided the Bank to develop distinctive development goals and advance business transformation and upgrading. From the perspective of safeguarding the overall interests of the Bank and the minority Shareholders' legitimate rights and interests, independent Directors fully utilized their respective skills to issue objective and fair and independent opinions on six significant events including the deliberation of profit distribution to the Board, withdrawal of staff bonuses and senior management performance bonuses and material related party transactions.

During the year, all Directors enhanced their understanding and knowledge of macro economy, banking industry development and risk management, internal audit and other key areas of the Bank through participation in meetings, on-the-spot research, and learning and training, and continuously improved their performance levels, so as to put forward a lot of effective opinions and recommendations for the Bank's development, promoting the sustainable development of the Bank.

(VI) Improved the functioning of special committees and played a role in advising on decision-making

According to the actual demand of corporate governance and the work rules of the committee as well as laws and regulations, the Board special committees held meetings, and pragmatically played the roles of decision-making, thus laying a foundation for efficient discussions and scientific decision-making of the Board.

In 2017, the Board special committees organized 31 meetings, including 8 Audit Committee meetings, 2 Remuneration Committee meetings, 8 Related Party Transaction Control Committee meetings, 5 Risk Management Committee meetings, 3 Strategy Committee meetings, 3 Information Technology Committee meetings and 2 Nomination Committee meetings; deliberated 33 proposals; reviewed 26 reports of various types; and received 15 special reports on the spot.

The Board continued to improve the operating mechanism of each special committee and promoted their resumption efficiency. First, the Board overall considered the responsibility requirements of the special committees and the professional background of the Directors, gave full play to the experience and skills of each committee member, positively standardized the performance of duties, and provided strong support for the Board in making scientific decisions. Second, the Board continuously improved the operating mechanism of special committees, increased the frequency of on-the-spot meetings of special committees, and provided channels for full exchanges between Directors and management, so that Directors could better understand the Bank's risk management and internal control, and provided more targeted guidance opinions. The number of on-the-spot meetings of the Audit Committee and the Related Party Transaction Control Committee in 2017 has increased significantly compared with last year, from 2 and 4 to 8 and 8 respectively. Third, the Board pushed each special committee to formulate the 2017 annual work plan, organized meetings at fixed periods of time, continued to optimize the meeting topics and frequency standardization operating modes of special committees.

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

In 2017, the Board held one annual general meeting and 2 extraordinary general meetings based on relevant laws and regulations and the provisions of the Articles of Association, deliberated and approved 33 proposals such as issue of Tier 2 capital bonds, overseas preference shares, 2016 work report of the Board and the Board of Supervisors, 2016 final accounts report and profit distribution plan.

According to the resolutions of general meeting, the Board faithfully pushed the Bank to complete its 2016 profit distribution, further employment of accounting firms, and changes of Directors, proactively advanced the issue of Tier 2 capital bonds and overseas preference shares and A-share listing application, 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.

(VIII) Completed information disclosure in a compliant and efficient manner, strengthened the investor relationship management, and continuously enhanced market image

In 2017, the Board paid high attention to information disclosure and investor relationship management, disclosed major decisions, operation and management and business development of the Bank to the capital market in a timely manner, and by energetically performing its social responsibilities, constantly upgraded the Bank's transparency and market image.

Continuous enhancement of information disclosure mechanism. The Board closely followed the principle of sincerity, accuracy, completeness and promptness, established a dynamic promotion mechanism for the preparation of periodic reports, released 17 periodic reports and 41 statutory provisional announcements according to laws and regulations, constantly enhanced the pertinence, effectiveness and transparency of information disclosure, and truly guaranteed the investors' right to know; positively explored voluntary information disclosure, introduced 3 voluntary provisional announcements involving major strategic cooperation with Meituan Dianping, and the commencement of BQD Financial Leasing Company Limited; continuously normalized information disclosure from basic principles, disclosure contents and deadline, announcement making and review procedure. During the year, there was no case of inquiries from regulators such as the Hong Kong Stock Exchange due to issues of compliance with information disclosure.

Enhancement of investor relationship management. The Board energetically carried out investor relationship management and strengthened contact and communication with investors through multiple channels to deliver investment value to the market as per domestic and foreign laws and regulations and regulatory requirements. First, the Board fully used performance presentation and analyst exchange meetings and other channels to communicate in time with the media, analysts and investors at home and abroad, demonstrated the Bank's operating characteristics, carried out in-depth discussion of business cooperation, promoted the Bank's investment value and enhanced market confidence in investment. Second, the Board strengthened the study of the capital market, enhanced the collection of data from periodic reports on listed banks and hotspot information that the market was concerned, and provided information support for targeted investor relationship work. Third, 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 promoting the market and continuously nurturing the capital market, the Bank's market image was unanimously affirmed by the capital market.

Positive fulfillment of social responsibility. The Board upheld the philosophy of a financial service entity economy, closely integrated business management with fulfillment of social responsibility, positively participated in public welfare, developed green finance, paid attention to welfare and charity, practiced corporate citizen responsibility, and strived to create greater economic value, social value and environmental value. Through setting up Bank of Qingdao Charitable Foundation, it has provided a platform for caring companies and caring people to dedicate love and also honoured the Bank's 21st anniversary and the relocation of the head office.

II. WORK PRIORITIES OF THE BOARD FOR 2018

In 2018, the external economic environment was not optimistic. The continued deepening of regulation put forward higher compliance requirements for the banking industry; challenges such as financial and technological impacts, still existing credit risks, unabated debt pressures, and other challenges further intensified the competition pressure that the banking industry faced. The Bank's Board should adopt the guiding ideology of "deepening management, proactive compliance, transforming and innovating, and progressing steadily" to highlight strategic leadership, promote management improvement, explore transformation and innovation, enhance risk management and control, and continue to push forward the Bank's steady operations. The work below will be stressed in 2018:

(i) Further improved strategic management and continuously exert strategic driving force

In 2018, the Board will take the opportunity of formulating and implementing a new round of strategic planning to further give play to its strategic leadership role, agglomerate the consensus of the Bank, and prudentially determine the Bank's goal of development, market positioning, direction of transformation, system reforms, and business strategies and other major issues; guide the Bank to continue to maintain strategic strength, continue to consolidate the foundation of business development, improve the risk management system, enhance business support capabilities, persevere in the target market to accumulate comparative advantages in all areas, strive to transform comparative advantages into differentiated core competitiveness, promote the Bank's steady and sustainable development.

(ii) Continuously enhanced capital management and optimized capital management thought and management mode

In 2018, the Board will guide the Bank to make the most of the funds raised to complete the medium and long-term capital management system, ensuring the perceptiveness and systematicness of the Board's capital management; positively adapt to stricter capital constraints under the new capital management measures and MPA assessment conditions, use capital to set assets, and strengthen capital planning, capital management and capital assessment; apply the project implementation results under the new capital agreement, strengthen capital management and constraints, increase the efficiency of capital use, and enhance the endogenous accumulation of capital; continue to explore diversified capital replenishment methods, select opportunities to carry out exogenous capital replenishment, further strengthen capital strength, and meet the Bank's capital needs and regulatory requirements.

(iii) Strengthened information disclosure and investor relationship management and demonstrated investment value to the capital market

In 2018, the Board will further optimize the information disclosure mechanism, continuously improve the standards and quality of information disclosure work, and guide the market's rational expectations with higher transparency; continue to explore and implement multi-level, multi-channel, diversified information communication channels, improve investors' exchange platform, strengthen communication with investors, and safeguard the legitimate rights and interests of investors; analyze and grasp the market value opportunity by taking the market value management as the direction, improve the operation and management strategies, and guide investors to reasonably understand the investment value of the Bank.

(iv) Consolidated the foundation of risk management work and pushed forward continuous improvement of operating capability

In 2018, the Board will continue to strengthen the philosophy of active compliance, strengthen the awareness of active compliance, strictly enforce the compliance risk management system, earnestly implement penalties and accountability mechanisms, and strengthen the seriousness of system implementation; guide and supervise the Bank in carrying out comprehensive risk management, continuously enhance the perceptiveness and effectiveness of risk management and control, accurately locate assets with hidden dangers, focus on resolving defective assets, and continuously strengthen risk identification capabilities, risk mitigation capabilities and risk offset capabilities; regularly assess risk management structure and system, urge the management to continuously improve the risk management system, enhance the effectiveness of risk management, and ensure that all risk management measures are implemented in place; guide our Bank to transform from compliance audit to internal control audit, innovate audit methodology, strengthen data analysis, and improve the ability and efficiency of discovering problems.

(v) Constantly strengthened the Board's building and promoted steady, healthy and effective corporate governing system

In 2018, the Board will continue to optimize a variety of operating mechanisms, form a norm-and market-based operation pattern, and build a corporate governing system that is more market-oriented, more special, and more transparent. According to the overall work plan of the change of Board of the Bank, taking the compliance with the law, diligence and due diligence as the principle, the Board will timely complete the change of Directors. Taking the on-the-spot inspection opinions of the regulators as the starting point, the approved and market-recognized excellent listed companies as benchmarks, continuously optimize corporate governance. It will optimize the operation of the Board and special committees, fully exert the latter's professional guiding role, further improve the scientificity and effectiveness of the Board's decision-making; organize the Directors to carry out professional training, subject research and inter-bank exchanges, improve their understanding of the Bank's business condition, enrich the Directors in carrying out their functions and enhance their capacity of carrying out their functions; assist the Directors in increasing time for resumption, provide favorable conditions

for them to do so, and lay a solid foundation for scientific decision-making; heighten the construction of assessment mechanism after decision-making, and forge a dynamic and uniform corporate governing system of “decision-making, implementation, supervision and feedback”, and promote transformational development and value enhancement.

In 2018, the Board of the Bank will pay close attention to the macro economy and changes in the market, work together with the management to perform their duties with diligence and dedication, identify and grasp their own development orientation, maintain their strategies, accelerate the transformation and development, and strive for better performance rewards and support from Shareholders and community.

Please review.

**WORK REPORT OF THE BOARD OF SUPERVISORS OF
BANK OF QINGDAO CO., LTD. FOR 2017**

In 2017, the Board of Supervisors of the Bank operated independently and normatively and fulfilled its supervisory responsibility, conducted supervision on performance, financial position, internal control and risk management in an in-depth manner, and gave independent opinions according to law, in line with the Bank's key emphasis in work and annual work plan of the Board of Supervisors, for the purpose of safeguarding the legitimate rights and interests of the Bank, its Shareholders and other stakeholders and in accordance with the responsibilities conferred by laws, regulations and the Articles of Association, which has played a positive role in pushing forward sound development of the business of the Bank, strengthening risk management and control and improving corporate governance. The major work is reported as follows:

I. SUMMARY OF THE MAJOR WORK IN 2017

(I) Operated and performed issue discussion and supervision duties in an independent and regulated manner

In 2017, the Board of Supervisors convened meetings of the Board of Supervisors and its special committees in time according to the rules of procedure of the Board of Supervisors and the annual work plan, carried out special research activities, attended the general meetings, participated in board meetings and president office meetings, and fully fulfilled their duties of supervision and management.

Firstly, meetings of the Board of Supervisors and its special committees were convened according to laws and regulatory requirements so as to perform issue discussion and supervision duties. During the year, the Board of Supervisors convened a total of 8 meetings, including 2 on-site meetings and 6 meetings voted via written communications, at which 18 proposals were considered and 50 reports were received; and the special committees of the Board of Supervisors convened a total of 7 meetings, including 5 meetings convened by the Supervision Committee and 2 meetings convened by the Nomination and Evaluation Committee, at which 15 proposals were considered and 38 reports were received. By performing its responsibilities seriously, the Board of Supervisors ensured its effective functioning of issue discussion.

Secondly, the Board of Supervisors carried out special investigation and research activities to develop a better understanding of the Bank's credit approval and to make corresponding recommendations. To deepen the risk management and supervision functions of the Board of Supervisors and understand the Bank's credit approval and authorization of the branches in other places, the Board of Supervisors conducted special investigation and research on credit approval and authorization of the branches in other places in the year. The investigation and research was conducted by receiving special reports and in-depth on-site exchanges at the branches so as to understand the basic situation of the Bank's corporate credit risk management and control from the headquarter and branches, as well as the credit approval

and authorization of other branches, analyze the advantages and disadvantages of the current authorization system, and put forward recommendations on aspects such as authorization management, system construction and the organization and implementation of risk control.

Thirdly, the Board of Supervisors prepared and issued the supervisory recommendation letters to put forward its recommendations made during the process of supervision conducted by Supervisors to the management for reference. During the year, the Board of Supervisors prepared and issued a total of 2 supervisory recommendation letters, and whereby the Supervisors' recommendations on various matters, including financial management, risk prevention and control, talent cultivation and other related aspects, were submitted to the management for reference.

Fourthly, the Board of Supervisors designated its members to attend the general meetings, and to be in attendance at the Board meetings and meetings convened by the management, aiming at enhancing supervision efficiency. During the year, the Supervisors attended 1 annual general meeting of Shareholders, 2 extraordinary general meetings of Shareholders and 4 on-site Board meetings, and reviewed documents considered at 9 Board meetings voted via written communications, and supervised the proceedings of the meeting, the contents of the motion and voting procedures according to law. Moreover, the Board of Supervisors attended president office meeting, business analysis meeting, internal control review meeting and other related meetings of the management to conduct process supervision over management's performance of responsibilities and implementation of resolutions of the Board of Directors.

(II) Deepened supervision on the Bank's priorities

In 2017, the Board of Supervisors performed its duties diligently, played its professional expertise, supervised performance of responsibilities, financial condition, internal control and risk management, and played an important role in maintaining stable operation of the Bank with focus on key works of the Bank.

1. Strengthening supervision on performance of responsibilities and promoting perfection of corporate governance

Firstly, Directors, Supervisors and senior management were organized to conduct self-assessment on performance of responsibilities in 2017. 23 self-assessment reports on performance of responsibilities were received in total, and comprehensive analysis and assessment of the self-assessment report was made to provide reference for performance assessment.

Secondly, external audit institution continued to be employed to conduct external assessment on annual performance of responsibilities of the Directors and Supervisors, and communicated with the external audit institution for the process and content of performance assessment to improve the effectiveness of external assessment continually.

Thirdly, based on strengthened daily supervision as well as the self-assessment reports of the Directors, Supervisors and senior management and the external assessment reports, the Board of Supervisors completed its assessment on performance of responsibilities of the Board of Directors and its members, the senior management and its members and the Supervisors in 2016 by participating in meetings, reviewing the documents and hearing reports. Based on the above, the performance assessment report was subsequently prepared, and then the Board of Supervisors reported the performance assessment results to the Board of Directors, senior management and regulators, and briefed the same at the Shareholders' general meeting.

2. Enhancement of supervision over financial position, and ensuring truth and accuracy of disclosed information

In 2017, the Board of Supervisors conducted supervision on financial position in an in-depth manner with key emphasis in preparation, audit and disclosure of regular financial reports, major financial decisions and important financial activities for the purpose of pushing forward continuous improvement in financial management level of the Bank.

Firstly, the Board of Supervisors supervised the procedures for preparing and auditing the annual report for 2016 as well as the decision-making process of the profit distribution plan. The Board of Supervisors was of the view that the procedures for preparing and auditing the annual report were in compliance with laws and regulations, and the contents thereof gave a true, accurate and complete view of the actual conditions of the Bank. As such, the Board of Supervisors had no disagreement upon the profit distribution plan.

Secondly, the Board of Supervisors participated in the business analysis meeting of the management, received the annual and quarterly operating status report, understand the important business activities and major financial decisions and trend of business changes, and particularly focus on the control of the effectiveness, completion of scale indicators, liquidity and other regulatory indicators.

Thirdly, the Board of Supervisors reviewed the reports on financial budget and final accounts in a regular manner to get to know the implementation status of the Bank's financial budget and final accounts, and recommended to promote transformation of business mode, improve the risk prevention system, and explore measures to resolve malpractices.

Fourthly, the Board of Supervisors reviewed the *Newsletters for Directors and Supervisors* (《董監事通訊》) on a quarterly basis to keep abreast of the changes in the Bank's financial indicators such as loans and deposits, net profit, asset quality and provision particulars, so as to timely track the financial operation condition and effectively monitor the financial operations of the Bank.

Fifthly, the Board of Supervisors supervised and conducted real-time tracking of the rectification of major problems completed by the management based on various types of reports submitted by internal audit departments and external audit institution, forming a virtuous cycle of supervision-improvement-feedback.

3. *Strengthening supervision over internal control and risk management, and facilitating stable and healthy operation*

In 2017, the Board of Supervisors paid close attention to the new changes in macroeconomic policies and regulatory requirements, comprehensively understood the Bank's implementation of regulatory requirements and internal control measures for risks, and strengthened supervision over risk management and internal control.

Firstly, the Board of Supervisors continued to increase the frequency of supervision over the main risk management by reviewing reports on management of main risks semi-annually so as to keep abreast of the management of the main risks associated with the Bank in a timely manner, and to put forward recommendations from fully understanding the severity of the economic situation and exploring new business development approaches.

Secondly, the Board of Supervisors attached importance to the improvement of the Bank's internal control governance structure, conscientiously studied the annual supervisory opinions, considered the self-assessment report on internal control, reviewed the external auditor's management letter, urged related departments to formulate detailed rectification plans for internal control defects, and continuously kept track of the implementation of rectification.

Thirdly, the completeness of the Bank's comprehensive risk management system was emphasized. The regulatory report and rectification report for 2016 issued by Qingdao CBRC, on-site inspection opinions for 2017 issued by Qingdao CBRC and special audit reports and rectification reports issued by internal audit institutions were reviewed to learn about the assessment results of internal and external organizations on the risk management system of the Bank. Main problems found in regulatory inspections, the implementation of rectification and the establishment of accountability mechanism were paid with attention.

(III) Strengthened the building of the Board of Supervisors and continuously improved its operation efficiency

Firstly, information communication channels were unblocked. The information communication mechanism among the Board of Directors, Board of Supervisors and senior management was further improved. The feedback of supervisory opinions of the Board of Supervisors was effectively provided to the Board of Directors in time, and management was guided to carry out business management activities effectively; the communication and cooperation mechanism with external audit institutions was improved, and the professional power of external audit institutions was utilized to improve the effectiveness of supervision of the Board of Supervisors.

Secondly, the deliberating function of the special committee was fully played. As an important professional support to the Board of Supervisors, the special committee under the Board of Supervisors had deep discussion on the various proposals and reports and put forward professional opinions and recommendations, formed resolutions with legal force of the Board of Supervisors after the relevant proposals and reports were submitted to the Board of Supervisors for review to ensure to fully play the deliberating function of the Board of Supervisors.

Thirdly, Supervisors were diligent and fulfilled their supervision duties carefully. Supervisors attended the meetings of the Board of Supervisors and meetings of the special committees according to laws and regulations, deliberated the proposals and reviewed the reports carefully and gave their professional opinions in an independent and objective way. They actively participated in the research activities organized by the Board of Supervisors to have a deep understanding of the corporate credit risk management and control of the Bank and gave their specific suggestions. Besides, they attended the meeting of the Board of Directors and meetings of the senior management, mastered the operation management condition of the Bank timely and laid a foundation for effective performance of their duties. In 2017, the attendance rate of the meetings of the Board of Supervisors was 100%, which effectively guaranteed the effectiveness of supervision.

II. INDEPENDENT OPINIONS ON MAJOR OPERATING DECISIONS

In 2017, with the principle of being accountable to all Shareholders and other stakeholders, the Board of Supervisors carried out its work independently, lawfully and in compliance with the regulations, and fulfilled its supervision functions conscientiously and effectively, which have played an important role for the stable development of the Bank.

(I) Compliance operation

The business activities conducted by the Bank in 2017 were in compliance with the provisions of the *Company Law*, the *Commercial Bank Law* and the Articles of Association, and decision-making procedures were legal and valid. The Directors and senior management personnel of the Bank were cautious, earnest and diligent in their business operations and management. Neither violation of laws, regulations or the provisions of the Articles of Association nor harm to the interests of the Bank and Shareholders during performance of duties by the Directors or senior management of the Bank was identified.

(II) Preparation of annual reports

The preparation and audit processes of annual report of the Bank for 2017 were in compliance with laws, regulations and regulatory provisions and the contents of the report truthfully, accurately and completely reflected the financial condition and business performance of the Bank.

(III) Truthfulness of the financial report

KPMG Huazhen LLP audited the annual financial reports of the Bank for 2017 prepared in accordance with the Chinese accounting standards and issued unqualified audit report. The Board of Supervisors deemed that the financial reports have truthfully, objectively and accurately reflected the financial condition and business performance of the Bank and no false records and major omissions were found.

(IV) Implementation of information disclosure

In 2017, the Bank fulfilled its obligation of information disclosure in strict compliance with regulatory policies, carefully implemented various information disclosure management systems, and disclosed information in a timely and fair manner. No false records, misleading statements or major omissions were found in the disclosed information.

(V) Related party transactions

For related party transactions of the Bank contemplated in the year of 2017, the processes of deliberation, voting, disclosure, and fulfillment were in compliance with national laws, regulations and the provisions of the Articles of Association, and the Board of Supervisors found no behaviors against the fairness principle or harming the interests of the Bank and Shareholders.

(VI) Internal Control

In 2017, the Bank focused on strengthening internal control, establishing and implementing relatively complete and reasonable internal control systems. The internal control system was basically sound and effective. The Board of Supervisors reviewed “the 2017 Self-assessment Report on internal control of Bank of Qingdao” and posted no objection against the contents of the report.

(VII) Implementation of resolutions of the general meeting

The Board of Supervisors posed no objection against various reports and proposals submitted by the Board of Directors to the Bank’s general meeting for consideration in 2017, and supervised the implementation of resolutions made at the general meeting and it deems that the Board of Directors has faithfully implemented relevant resolutions made at the general meetings.

III. WORK PLAN FOR 2018

In 2018, the Board of Supervisors will continue to improve the standardized and institutionalized operational mechanism, strengthen supervision of performance of duties, positively innovate supervision ways and duty-performing methods to enhance the independence and effectiveness of the supervision of the Board of Supervisors in accordance with the Guidelines on Corporate Governance of Commercial Banks, Guidelines on Work of Board of Supervisors of Commercial Banks and the duties granted by the Articles of Association.

(I) To improve operational mechanisms of the Board of Supervisors and enhance supervision level

1. To complete the change of the session of the Board of Supervisors smoothly. In accordance with the general work plan for the change of the session of the Board of Supervisors of the Bank, the Board of Supervisors will complete the change of the session of Supervisors in a timely manner as per the principle of compliance with the laws, regulations, good faith and due diligence.
2. In accordance with the requirements of the Articles of Association and based on its work needs, the Board of Supervisors will convene at least one meeting of the Board of Supervisors each quarter, review financial reports, President's work report and internal control reports on a regular basis, and propose supervision opinions and suggestions at proper time. The Board of Supervisors will also convene meetings for its special committees in due course to give play to their professional supporting role, so as to constantly improve the efficiency of the Board of Supervisors in discussing about issues.
3. To strengthen exchanges with its peers and regulatory authorities. The Board of Supervisors will carry out exchanges with the Board of Supervisors of its peers in due course, and positively learn relevant supervision methods and operational experience of its peers, thereby improving the effectiveness of duty performance of the Board of Supervisors. The Board of Supervisors will also diligently study supervision regulations and reports, and strengthen its communication with regulatory authorities so as to keep abreast of regulatory policies and regulatory priorities in due course and strive for more guidance and support.
4. To provide trainings for the Supervisors so as to improve their performance of duties. The Board of Supervisors will organize its members to attend the annual training by the regulatory authorities; engage the regulatory authorities and industry experts to perform professional interpretations on the economic situation at home and abroad, new regulatory regulations, and development state of the banking industry so as to improve the performance ability of the Supervisors; positively acquire and systemize the information and data related to corporate governance and duty performance to provide supports and services for Supervisors to perform their duties.

(II) To explore effective ways to perform duties and effectively improve supervision effectiveness

1. To explore new forms for the Board of Supervisors to perform duties. In addition to the existing forms including attending meetings, receiving reports and conducting investigation and research, the Board of Supervisors will innovate supervision methods and means such as holding forums and carrying out special inspections to perform its supervision duties; enhance the communication with regulatory authorities to know the opinions of regulatory authorities on duty performance of Directors, Supervisors and senior management in a timely manner; strengthen the communication with external audit institutions, elaborate the duty-performing assessment process, and pay attention to the supervision on the process of duty performance.
2. To highlight supervision focus. After the completion of the previous round of strategic planning of the Bank, it is extremely necessary to scientifically formulate a new round of strategic planning on the basis of overall consideration and in combination with the development demand of the market, investors and the Bank. The Board of Supervisors will focus on monitoring the formulation of the new strategic plans of the Board of Directors and the implementation status of such plans by the management, give full play to its role in the supervision on strategic decision-making, and regularly track the implementation of related work.
3. To deepen special supervision and investigation and research. The Board of Supervisors will focus on key issues in the Bank's operations and management to carry out special supervision and special investigations and researches, and allocate relevant professionals of the Bank to provide support and assistance for effective performance of duties of the Board of Supervisors so as to improve the professionalism and scientificity of supervision of the Board of Supervisors.

Please review.

Biographies and related information of the candidates for Directors of the seventh session of the Board are as follows:

Candidates for Non-executive Directors

Mr. ZHOU Yunjie, aged 51, holds a doctorate degree in business administration from Xi'an Jiaotong University, and is a senior engineer.

Mr. ZHOU was appointed as a non-executive Director on 10 April 2015 and has been the president and deputy chairman of the board of Haier Group since December 2016. He is currently a representative of the 13th National Congress of the Communist Party of China. Mr. ZHOU worked at Qingdao Refrigerator Factory and served as the chief of the sales division, director of the second factory, head of the quality department, vice general manager and general manager from 1988 to 2000. Since 2000, he has been working at Haier Group and served as vice president, senior vice president, executive vice president and chief marketing officer successively. He has been an alternative president and deputy chairman of the board of Haier Group from 2013 to 2016.

Mr. ZHOU has been serving as an executive director and general manager of Haier Electronics Group Co., Ltd. in November 2009, and chief executive officer of the abovementioned company from March 2013 to August 2017 and chairman of the board of the abovementioned company since June 2013.

Mr. Rosario STRANO, aged 54, holds a bachelor's degree in law from the University of Bari in Italy.

Mr. STRANO was appointed as a non-executive Director on 10 April 2012 and has served as the chief operating officer of ISP since January 2018. Mr. STRANO worked at Banca di Roma, Alitalia, Grand Hotel Baglioni, Agenzia Nazionale Stampa Associata and Poste Italiane successively from January 1989 to October 2002, serving as manager and head of departments. He also served as the head of human resources and organisation department of Italian and international subsidiary banks division of Banca Intesa (now known as ISP) from October 2002 to December 2006. He held the positions of the head of human resources and organisation department, human resources department and resources and corporate governance department at the international subsidiary banks division of ISP from January 2007 to January 2010. He also has been the supervisor of Privredna Banka Zagreb and the director of KMB Bank since April 2009. He was a vice president of Crédit Agricole Cariparma from January 2010 to May 2010. Since May 2010, he has been working at ISP, serving as the head of resources and corporate governance department at the international subsidiary banks division and chief human resources officer successively, during which he also served as a non-executive director of Intesa Sanpaolo Bank-Albania from March 2011 to April 2016.

Ms. TAN Lixia, aged 47, holds a master's degree in business administration from Europe International Business School in Shanghai, and is a senior engineer, a distinguished management accountant of Ministry of Finance (enjoying the subsidy granted by the State Council), a Chartered Global Management Accountant (CGMA), a Certified Public Accountant (CPA) in Australia and a certified senior international internal control officer.

Ms. TAN was appointed as a non-executive Director on 10 April 2012. She has been the executive vice president and chief financial officer of Haier Group and the chairman of the board of Haier Group (Qingdao) Financial Holdings Limited since January 2016 and February 2014, respectively. Since August 1992, Ms. TAN has been working at Haier Group and served as the deputy head and head of department of overseas market development, vice president, head of department of financial management, chief financial officer and senior vice president successively.

Ms. TAN has been serving as a non-executive director of Haier Electronics Group Co., Ltd. since November 2013 and deputy chairman of the board of Qingdao Haier Co., Ltd. since 2011.

Mr. Marco MUSSITA, aged 58, holds a bachelor's degree in oriental literature and language from Università Ca' Foscari Venezia (Ca' Foscari University of Venice) in Italy.

Mr. MUSSITA was appointed as a non-executive Director on 16 September 2011 and has been the director of OMR (China) Automotive Components Co., Ltd. since June 2007. Mr. MUSSITA worked at Banca Commerciale Italiana (now known as ISP) and successively served as an assistant to the chief representative of the Beijing office, assistant to the vice-president of the New York branch, manager of the credit department of the Hong Kong branch, vice general manager of the Shanghai branch and vice general manager of the Tokyo branch from April 1987 to August 2003. He was the general manager and director of Shanghai Zhongyi Business Consulting Co., Ltd. from September 2003 to April 2008. He was the general manager of Eurizon (Beijing) Business Consultation Co., Ltd. from May 2008 to March 2015 and the director of Union Life Insurance Co., Ltd. from May 2008 to July 2017. He has been the supervisor of MeccanotecnicaUmbraS.p.A. (Qingdao) Mechanical Seal Co., Ltd. since May 2012 and the supervisor of Qingdao Yicai Wealth Management Co., Ltd. since September 2016.

Mr. DENG Youcheng, aged 47, holds a master's degree in business administration from Tongji University, and is a certified accountant, a certified public valuer, a senior auditor, a senior consultant and an accountant.

Mr. DENG has been a director and vice general manager of Qingdao Conson Development (Group) Co., Ltd. since December 2015. Mr. DENG worked at Qingdao Steel Ball Factory from July 1991 to August 1993. He served as the head of the accounting department of Qingdao Kuimu Electronic Company Limited from August 1993 to March 1995. He worked at Shandong Daxin Accounting Firm and successively held the positions of department director, an assistant to the general manager, vice general manager and general manager from March 1995 to March 2009. Mr. DENG served as vice general manager of Qingdao Conson Jiaozhouwan Transportation Co., Ltd. from March 2009 to June 2013. He successively served as the general manager and chairman of the board of Qingdao Conson Financial Holdings Co., Ltd. from October 2013 to May 2017.

Mr. CHOI Chi Kin, Calvin, aged 39, holds a bachelor of Arts degree from University of Waterloo in Canada majoring in chartered accountants.

Mr. CHOI was appointed as a non-executive Director on 14 October 2016. He has been a chairman, president and managing director of AMTD Group since January 2016. Mr. CHOI was a senior manager of audit department of Hong Kong and Beijing office of PricewaterhouseCoopers from December 2000 to August 2005, an executive director of investment banking division and chief strategy officer of China region of Citigroup Inc. from August 2005 to December 2008, a director of Hong Kong corporate finance department of PricewaterhouseCoopers from January 2009 to October 2010, a managing director of investment banking division of Union Bank of Switzerland and member of the Asian-Pacific Committee of Global family office from October 2010 to January 2016.

Mr. CHOI has been a vice chairman of the Hong Kong Youth Association since February 2014 and a vice chairman of the Hong Kong Federation of Professions since March 2017. He was awarded the title of “Young Global Leaders” by the World Economic Forum in March 2017.

The Bank will enter into a service contract with each non-executive Director. During his/her tenure as a non-executive Director, he/she will receive non-executive Director allowance of RMB80,000 per year and a subsidy of RMB5,000 for each meeting attended. Such allowance and subsidy are determined in accordance with applicable laws, regulations and relevant remuneration policy of the Bank. Apart from the aforesaid allowance and subsidy, each non-executive Director will not receive any other remuneration from the Bank.

Save as disclosed above, each non-executive Director has not held any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas during the past three years, nor held any other position in the Bank or its subsidiaries. Each non-executive Director does not have any relationship with any other Directors, Supervisors, members of senior management, substantial Shareholders or controlling Shareholders of the Bank, or any interests in the Shares of the Bank within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

Save as disclosed in this circular, each non-executive Director does not have any other information that is required to be disclosed under Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Listing Rules, nor any other matters that are required to be disclosed under the abovementioned rule at present or in the past. Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders.

Candidates for Executive Directors

Mr. GUO Shaoquan, aged 55, holds an EMBA degree from Nankai University and an EMBA degree from Peking University, and is a senior economist.

Mr. GUO was appointed as an executive Director on 6 January 2010 and has been appointed as our Chairman in January 2010. Mr. GUO joined our Bank in November 2009 as secretary of the party committee. Prior to joining our Bank, Mr. GUO worked at the Qingdao branch of China Construction Bank from December 1980 to April 2000, successively as deputy head and head of the sub-branch and deputy head of the branch, and he also worked at China Merchants Bank from April 2000 to November 2009, successively as head of the Qingdao branch and head of the Tianjin branch.

Mr. WANG Lin, aged 54, holds an EMBA degree from Peking University, and is a senior economist.

Mr. WANG was appointed as an executive Director on 16 September 2011 and as the President of the Bank in March 2012. He joined our Bank in July 2011 as the deputy secretary of the party committee. Prior to joining our Bank, Mr. WANG worked with the Nanjing branch of Agricultural Bank of China from July 1984 to December 1996 as an assistant to the director and deputy director of the office as well as deputy general manager of the international department. He also worked at China Merchants Bank from December 1996 to July 2011 as head of the sub-branch, assistant to the head, deputy head and head of the branch as well as general manager of the pension finance department of the head office, respectively.

Mr. YANG Fengjiang, aged 53, holds a bachelor's degree in economics from Shaanxi Financial College majoring in finance, and is a senior economist.

Mr. YANG was appointed as an executive Director on 10 April 2012 and as the Vice President of the Bank in June 2007. Mr. YANG joined our Bank in July 2003 and served as general manager of our treasury operation department and an assistant to the President. Prior to joining our Bank, Mr. YANG served as a teacher in Shandong Banking School from July 1985 to November 1989. He worked at the Qingdao branch of the People's Bank of China from November 1989 to May 1993 as a senior staff member. Mr. YANG served successively as deputy manager and general manager of the business development department of the Qingdao Securities Trading Center from May 1993 to April 1999. He also served as the general manager of the investment banking department and bond department of Qingdao Wantong Securities Co., Ltd. from April 1999 to July 2003.

Ms. LU Lan, aged 53, holds a master's degree in law from Nankai University majoring in sociology.

Ms. LU was appointed as an executive Director on 14 October 2016 and has been appointed as our secretary to the Board in August 2010. She joined the Bank in August 2010. Prior to joining the Bank, she was an editor of the China Society Press from June 1990 to

August 1995. She served as a project manager of Jardine Fleming's Beijing office from August 1995 to August 1997. She was a practicing lawyer working with Fuzhou Junli Law Firm from August 1997 to October 2001. She worked at China Merchants Bank as a senior manager of the office of Board of Directors from October 2001 to July 2010.

The Bank will enter into a service contract with each executive Director. The remuneration of each executive Director shall be determined in accordance with the remuneration standard for senior management of the Bank, and each executive Director will not receive additional Director allowance for his/her position as the executive Director of the Bank.

Save as disclosed above, each executive Director has not held any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas during the past three years, nor held any other position in the Bank or its subsidiaries. Each executive Director does not have any relationship with any other Directors, Supervisors, members of senior management, substantial Shareholders or controlling Shareholders of the Bank. As at the Latest Practicable Date, Mr. GUO Shaoquan, Mr. WANG Lin and Mr. YANG Fengjiang held 500,000 domestic Shares of the Bank respectively and Ms. LU Lan held 380,000 domestic Shares of the Bank.

Save as disclosed in this circular, each executive Director does not have any other information that is required to be disclosed under Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Listing Rules, nor any other matters that are required to be disclosed under the abovementioned rule at present or in the past. Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders.

Candidates for Independent Non-executive Directors

Mr. WONG Tin Yau, Kelvin, aged 57, holds a doctoral degree in business administration from The Hong Kong Polytechnic University.

Mr. WONG was appointed as an independent non-executive Director on 10 April 2015 and has been an executive director and a deputy managing general manager of COSCO SHIPPING Ports Limited since July 1996. He worked at the Wing Lung Bank, the Bank of Tokyo, Credit Lyonnais Hong Kong (Finance) Limited and Credit Lyonnais Securities (Asia) Ltd. in France from August 1985 to February 1991, successively as a credit analyst, the supervisor of the 4th division of the loan department of Hong Kong office, an assistant manager in multinational banks division and a research analyst. From June 1992 to December 1994, Mr. WONG was the senior manager in the corporate finance and affairs division of Chuang's China Investments Limited. He was the general manager in enterprise development of Termbray Industries International (Holdings) Limited from October 1994 to July 1996. Mr. WONG served as an assistant to the president of COSCO (H.K.) Group Limited from June 1996 to April 2005.

Mr. WONG has been serving as an independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd., Huarong International Financial Holdings Limited, Shanghai Fosun Pharmaceutical (Group) Co., Ltd., China ZhengTong Auto Services Holdings Limited and I.T Limited since October 2016, October 2015, June 2015, November 2010 and August 2007, respectively. He successively served as an independent non-executive director of Asia Investment Finance Group Limited from October 2016 to February 2018, an independent non-executive director of AAG Energy Holdings Limited from June 2015 to April 2016, an independent non-executive director of CIG Yangtze Ports PLC in April 2016 and from September 2005 to October 2015 and an independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd. from June 2011 to June 2016.

Mr. CHEN Hua, aged 50, holds a doctorate degree in economics of the finance major of Soochow University and is a professor.

Mr. CHEN was appointed as an independent non-executive Director 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 served as the deputy head of a sub-branch and a department manager of a branch of the Industrial and Commercial Bank of China from July 1989 to September 2002. He studied in Soochow University from September 2002 to June 2005. He was the head of the finance and taxation institute of Shandong Economic University from March 2005 to October 2011. He was the head of the center of economics research of Shandong University of Finance and Economics from November 2011 to July 2014.

Mr. CHEN served as an independent non-executive director of Shanda Wit Science and Technology Co., Ltd., an independent non-executive director of Jining Rural Commercial Bank, an external director of Shandong State-owned Assets Investment Holdings Co., Ltd., an independent non-executive director of Shandong BoCon International Port Co., Ltd. and a honorary deputy director of the Management Committee of the Binhai New District of Weifang since March 2013, September 2016, August 2017, December 2017 and December 2017, respectively. He was an independent non-executive director of Shandong Communication and Transportation Group from May 2016 to August 2017.

Ms. DAI Shuping, aged 57, holds a master's degree in business administration of Inter American University.

Ms. DAI was appointed as an independent non-executive Director on 14 October 2016. Ms. DAI has served as the dean of Shenzhen Qianhai Institute of Financial Management Limited since July 2015. Ms. DAI worked in the Urumqi Sub-branch of the People's Bank of China and the Industrial and Commercial Bank of China from December 1979 to December 1984. She worked in the Shekou Sub-branch, Shenzhen Branch of the Industrial and Commercial Bank of China as the deputy chief etc. from January 1985 to October 1988. She worked in China Merchants Bank from November 1988 to July 2015, serving as the assistant to the general manager of headquarter credit management department, the general manager of credit department under Shenzhen administrative division, the deputy general manager of

headquarter corporate banking department, the deputy general manager of headquarter risk management department, 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. During the period, she ever served as an executive council member of China Banking Law Society and a council member of China Banking Audit Association.

Mr. Simon CHEUNG, aged 47, holds a bachelor of Arts degree in computer science of University of Wisconsin – Madison.

Mr. CHEUNG was appointed as an independent non-executive Director on 11 May 2017. He has been serving as the chief technology officer at WeShare (Shenzhen) Limited since December 2017. Mr. CHEUNG successively worked in University of Wisconsin Hospital and Clinics in the United States of America, Ministry of Social Services in Canada, Modatech Systems Inc. in Canada, Cheung Simon and Associates in the United States of America as a program analyst, a database administrator and the managing partner etc. from September 1988 to October 2007. He served as a senior manager at Oracle Limited (Hong Kong) from November 2007 to August 2009. He served as the deputy general manager at China Ping An Insurance (Group) Co., Ltd. from August 2009 to November 2012. He served as the IT architectural planning director at SF Express (Group) Co., Ltd. from November 2012 to June 2014. He served as the deputy general manager at Shenzhen Qianhai Webank Co., Ltd. from June 2014 to December 2015. He served as the chief information officer at Shenzhen Qianhai Dashu Financial Services Co., Ltd. from February 2016 to December 2017.

Ms. FANG Qiaoling, aged 43, holds a doctorate degree in management from Renmin University of China, and is a professor.

Ms. FANG has been a professor of Management College of Ocean University of China since December 2013. Ms. FANG has been working in Management College of Ocean University of China, successively as a tutor, a lecturer and an associate professor etc. since July 1999. During the period, she was a visiting scholar of Drexel University in the United States of America from August 2014 to August 2015.

Ms. FANG has been an independent director of Triangle Tire Co., Ltd. since July 2017. Ms. FANG has been a council member of the Finance Cost Branch of Accounting Society of China since 2010 and has been an executive council member of Business Accounting Society of Qingdao since 2012. She has been a council member of Auditing Education Branch of China Audit Society since October 2017.

The Bank will enter into a service contract with each independent non-executive Director. During his/her tenure as an independent non-executive Director of the Bank, he/she will receive independent non-executive Director allowance of RMB120,000 per year and a subsidy of RMB5,000 for each meeting attended. These allowance and subsidy are determined in accordance with applicable laws, regulations and relevant remuneration policy of the Bank. Apart from the aforesaid allowance and subsidy, each independent non-executive Director will not receive any other remuneration from the Bank.

Save as disclosed above, each independent non-executive Director has not held any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas during the past three years, nor held any other position in the Bank or its subsidiaries. Each independent non-executive Director does not have any relationship with any other Directors, Supervisors, members of senior management, substantial Shareholders or controlling Shareholders of the Bank, or any interests in the Shares of the Bank within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

Save as disclosed in this circular, each independent non-executive Director does not have any other information that is required to be disclosed under Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Listing Rules, nor any other matters that are required to be disclosed under the abovementioned rule at present or in the past. Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders.

**APPENDIX IV BIOGRAPHICAL DETAILS OF SUPERVISOR CANDIDATES
FOR THE SEVENTH SESSION OF THE BOARD OF SUPERVISORS**

Biographies and related information of the candidates for Shareholder Supervisor and external Supervisors of the seventh session of the Board of Supervisors are as follows:

Mr. ZHANG Lanchang, aged 53, obtained an EMBA degree from Shanghai University of Finance and Economics and is a senior engineer.

Mr. ZHANG has been a member of the Party Committee and the deputy general manager of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. since September 2014. Mr. ZHANG successively held various positions in Qingdao Turbine Plant and Qingdao Jieneng Power Group from July 1987 to April 2000, including deputy director of the office, secretary of the Youth League Committee, chairman of the labor union, and deputy general manager. He served successively as the director of the Party Committee office and administration office, organization director and deputy general manager of Qingdao Machinery Industry Corporation from April 2000 to May 2011, during which he also concurrently served as the director of Qingdao Shipyard and general manager of Qingdao Yangfan Shipbuilding Co., Ltd. From May 2011 to March 2015, he served as the deputy secretary of the Party Committee and deputy director of Qingdao Collective Enterprise Cooperative Society. He concurrently served as the secretary of the Party Committee and director of Qingdao Collective Enterprise Cooperative Society, secretary of the Party Committee, chairman and general manager of Qingdao Huatong Military Investment Co., Ltd., secretary of the Party Committee and chairman of Qingdao Textile Co., Ltd. and the secretary of the Party Committee and chairman of Qingdao Huatong Asset Management Co., Ltd. since March 2015.

Mr. WANG Jianhua, aged 64, obtained a master's degree in economics majoring in monetary banking from Xiamen University and is a senior economist and certified accountant.

Mr. WANG was appointed as our external Supervisor on 10 April 2015 and has been a retired cadre of China Cinda Asset Management Co., Ltd. since December 2014. Mr. WANG successively served as the deputy chief of the planning division, chief of the credit division, general manager of the international business department, head of the regional center sub-branch, general manager of the trust investment company, chief of the finance and accounting division and deputy head of the Jiangxi branch of China Construction Bank from August 1983 to March 1998, during which he studied at the Graduate School of Xiamen University, majoring in monetary banking from September 1994 to June 1997. Mr. WANG was the head of the Qingdao branch of China Construction Bank from March 1998 to July 1999. From August 1999 to August 2007, he held various positions in China Cinda Asset Management Co., Ltd., including the director of the Shenzhen office, person-in-charge of business innovation team and supervisor of First State Cinda Fund. He was a director of Happy Life Insurance Co., Ltd. from August 2007 to December 2014.

Mr. FU Changxiang, aged 46, obtained a bachelor's degree in economics majoring in national economy management from Lanzhou University and is a senior accountant, PRC Certified Public Accountant and PRC Certified Tax Agent.

**APPENDIX IV BIOGRAPHICAL DETAILS OF SUPERVISOR CANDIDATES
FOR THE SEVENTH SESSION OF THE BOARD OF SUPERVISORS**

Mr. FU was appointed as our external Supervisor on 10 April 2015 and has been working as a deputy general manager in Qingdao Ruize Certified Tax Agents Firm Co., Ltd. since November 1997. Mr. FU worked at Sinotruk Qingdao Heavy Industry Co., Ltd. from July 1993 to November 1997. He has been serving as the chief accountant in Qingdao Xinyongda Accounting Firm Co., Ltd. since July 2003.

Mr. HU Yanjing, aged 58, obtained a doctorate degree in agronomy majoring in fishery resources from Ocean University of China and is a professor.

Mr. HU was appointed as our external Supervisor on 10 April 2015 and has been the associate editor of the “Oriental Forum” since August 2013. Mr. HU worked at the Party School under Gansu Provincial Committee of the Communist Party of China from July 1984 to August 1993. He studied at the Department of Economics of Lanzhou University from August 1993 to July 1996. Mr. HU has been working at Qingdao University since July 1996 and successively served as the deputy dean of International Finance College and School of Economics as well as the dean of the International College. He concurrently served as the deputy director of the society of Shandong University Journals since 2014.

The Bank will enter into service contracts with each of the above shareholder Supervisor and external Supervisors. During his term of office as a shareholder Supervisor of the Bank, the shareholder Supervisor will be entitled to receive the allowance of RMB56,000 per annum and subsidy of RMB3,500 per attendance for attending meetings of the Bank. During his term of office as an external Supervisor of the Bank, the external Supervisor will be entitled to receive the allowance of RMB84,000 per annum and subsidy of RMB3,500 per attendance for attending meetings of the Bank. Such allowance and subsidy have been determined in accordance with applicable laws, regulations and relevant remuneration policy of the Bank. Apart from the aforesaid allowance and subsidy, the shareholder Supervisor and external Supervisors will not receive any other remuneration from the Bank.

Save as disclosed above, each of the above shareholder Supervisor and external Supervisors has not held any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas during the past three years, nor held any other position in the Bank or its subsidiaries. Each of the above shareholder Supervisor and external Supervisors does not have any relationship with any other Directors, Supervisors, members of senior management, substantial shareholders or controlling Shareholders of the Bank or has any interest in any shares of the Bank within the meaning under Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

Save as disclosed in this circular, each of the aforesaid shareholder Supervisor and external Supervisors does not have any other information that is required to be disclosed under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor any matters that are required to be disclosed under the abovementioned rules at present and in the past. Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders of the Bank.

**STATUS REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS OF
BANK OF QINGDAO CO., LTD. AS AT 31 DECEMBER 2017**

According to the requirements of the Regulations on Reporting the Utilization Situation of the Previously Raised Fund (Zheng Jian Fa Xing Zi [2007] No. 500) by the CSRC, the use of funds raised from non-public offering preference shares in September 2017 (hereinafter referred to as “previously raised funds”) by Bank of Qingdao Co., Ltd. (hereinafter referred to as the “Bank”) as at 31 December 2017 is reported as below:

1. Amount and time of receipt of Previously Raised Funds

Upon approval by the Reply of Qingdao Office of China Banking Regulatory Commission on Approval of Issuance of Overseas Preference Shares and Amendment to Relevant Clauses of the Articles of Association of Bank of Qingdao Co., Ltd. (Qing Yin Jian Fu [2017] No. 67) issued by the Qingdao CBRC and the Reply on Approval of Issuance of Overseas Preference Shares by Bank of Qingdao Co., Ltd. (Zheng Jian Xu Ke [2017] No. 1585) issued by the CSRC, the Bank issued 60,150,000 overseas preference shares on a non-public basis on 19 September 2017 (hereinafter referred to as “this issuance of preference shares”). The nominal value per share for this issuance of preference shares was RMB100 and the issue price was US\$20 per share. The total funds raised from this issuance of preference shares amounted to US\$1,203,000,000. The funds was remitted to the Bank’s fund-raising account in Bank of China (Hong Kong) Limited with account number 01287560124106 on 19 September 2017. According to the central parity rate for conversion from US dollars to Renminbi announced by the People’s Bank of China on 19 September 2017, the total amount of funds raised from the issue of overseas preference shares amounted to RMB7,883,259,000 (Renminbi seven billion eight hundred eighty three million, two hundred and fifty nine thousand). After the issue expenses were deducted from the above-mentioned raised funds, the net proceeds raised were RMB7,853,964,019 (Renminbi seven billion eight hundred fifty three million, nine hundred and sixty four thousand, and nineteen) (hereinafter referred to as “previously raised funds”). Such proceeds of funds have been verified by KPMG Huazhen LLP and a capital verification report was issued on 22 December 2017 (KPMG Huazhen Yan Zi No. 1700679).

2. Actual Use of Previously Raised Funds

According to the circular issued on this issuance of preference shares of the Bank, after deducting the issue expenses, the funds raised by the Bank from this issuance of preference shares will be used for supplementing other tier-one capital of the Bank in accordance with applicable laws and regulations and as approved by the regulatory authorities such as CBIRC and CSRC. After the funds raised from this issuance of preference shares are received, the Bank has used all the net proceeds of RMB7,853,964,019 after deducting the issue expenses from the fund-raising account to supplement the Bank’s other tier-one capital. As at 31 December 2017, the use of funds raised from this issuance of preference shares was consistent with the investment of raised funds disclosed in the issuance circular on this issuance of preference shares of the Bank.

As at 31 December 2017, the actual use of previously raised funds is shown in the following “Comparison of the Use of Previously Raised Funds”.

Comparison of the Use of Previously Raised Funds

Unit: RMB

Total raised funds:		7,853,964,019	Cumulative use of total amount of raised funds:				7,853,964,019
Total amount of raised funds for change of use:		-	Total amount of raised funds used for each year/period:				7,853,964,019
Proportion of the total amount of raised funds for change of use:		-	2017:				
		Cumulative investment amount of raised funds as at the cut-off date					
Investment project		Total investment of raised funds		Committed investment amount of raised funds as at the cut-off date		Completion status as at the cut-off date	
No.	Actual investment project	Committed investment amount before fund raising	Committed investment amount after fund raising	Actual investment amount	Committed investment amount before fund raising	Committed investment amount after fund raising	Difference between actual investment amount and committed investment amount after fund raising
1	Other Tier-one Capital replenishment	7,853,964,019	7,853,964,019	7,853,964,019	7,853,964,019	7,853,964,019	-
	Other Tier-one Capital replenishment						

3. Comparison between the Use of Previously Raised Funds and Information Disclosed in the Periodic Reports of the Bank

The Bank has conducted a case-by-case comparison of the actual use of the above previously raised funds with the relevant contents disclosed in the relevant periodic reports and other information disclosure documents that the Bank has issued since September 2017. The actual use situation is consistent with the related disclosed contents.

4. Conclusion

The Bank had used the previously raised funds according to the commitment of the use of previously raised funds when issued the non-public preference shares. This report has been prepared in accordance with the requirements of the Regulations on Reporting the Utilization Situation of the Previously Raised Fund (Zheng Jian Fa Xing Zi [2017] No. 500) promulgated by CSRC.

Board of Directors of Bank of Qingdao Co., Ltd.

23 March 2018

**SPECIAL REPORT ON RELATED PARTY TRANSACTIONS OF
BANK OF QINGDAO CO., LTD. FOR 2017**

In 2017, 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》) promulgated by CBIRC 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》) and in reliance of guidance from regulatory agencies. All indicators of related party transactions are controlled within the scope allowed by regulatory requirements. The related party transactions of the Bank for 2017 are reported below:

I. COMPOSITION OF RELATED PARTY TRANSACTIONS CONTROL COMMITTEE UNDER THE BOARD OF DIRECTORS AND SUMMARY OF CONVENING OF ANNUAL MEETING FOR 2017

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 2017, the Related Party Transactions Control Committee under the Board of Directors of the Bank held 8 meetings in total and reviewed and approved 9 resolutions and received 1 report, including the resolutions on confirmation of the list of related parties, the review of major related party transactions and the amendment to the related party transaction system.

II. MANAGEMENT MEASURES FOR RELATED PARTY TRANSACTIONS FOR 2017

In 2017, with the strengthening of risk prevention and control in the financial industry across the country and the tightening supervision of the banking industry as a whole, the Qingdao CBRC enhanced supervision and provided detailed and comprehensive supervision opinions on management of the Bank's related party transactions through a number of on-site inspections. The Bank took the rectification of supervision opinions as an opportunity to continuously improve the management level of related party transactions in the approval process of major related party transactions and the fairness review of related party transactions and other aspects. The specific measures are as follows:

1. Adjusted the approval process for major related party transactions

The Bank ceased the implementation of the total amount approval system for major credit related party transactions, and reported major related party transactions one by one to the Related Party Transactions Control Committee under the Board of Directors for review and to the Board of Directors for approval, and went deep into each business to control the risk of major related party transactions.

2. Strengthened the fairness review of major related party transactions

The Bank strengthened the review of credit conditions such as pricing of related party transactions, ensured that the credit conditions of related party transactions are not more favorable than those of non-related parties by comparing with other customers in the same business, and strengthened the fairness analysis of credit conditions in the proposals for major related party transactions.

3. Completed revision of management system of related party transactions

According to the inspection opinions put forward by regulatory authorities in the process of approval of major related party transactions, fairness review of related party transactions, and filing of general related party transactions, etc., the Bank has made amendments to the Administrative Measures for Related Party Transactions of Bank of Qingdao Co., Ltd. and the Terms of Implementation of Related Party Transactions of Bank of Qingdao Co., Ltd. This revision involved 16 articles in the Administrative Measures and 13 articles in the Terms of Implementation. The revised Measures and Implementation Rules have been reviewed and approved by the Board of Directors of the Bank and were implemented in December 2017.

4. Completed rectification of regulatory issues and reported to the Board of Directors and Board of Supervisors

In response to the guidance provided during the supervision and inspection in 2017, the Bank analyzed the issues identified during supervision one by one in the aspect of submission of the list of related parties, fairness review of related party transactions, approval and filing of related party transactions, reporting and supervision of related party transactions, and rectified such issues one by one according to regulatory requirements and the actual situation of the Bank. At present, the rectification work has been completed. The Bank has reported to the Board of Directors and Board of Supervisors on the tightening of supervision on related party transactions, the issues found during supervision and the rectification of the Bank.

5. Realized the continuous update and confirmation of the list of related parties

In 2017, the Bank continued to issue letters to substantial Shareholders, and upon its effective communication, realized the centralized enquiry and regular confirmation of the list of related parties of substantial Shareholders in the specifications of CBIRC and the Stock Exchange. Meanwhile, according to the changes in independent directors and establishment of new branches, the Bank updated the list of related parties on a quarterly basis and submitted it to the Related Party Transactions Control Committee under the Board of Directors for confirmation.

Through confirmation by the Related Party Transactions Control Committee under the Board of Directors, as at the end of 2017, there were 227 related legal persons or other organizations and 7,527 related natural persons of the Bank in specifications of CBIRC; there were 313 related legal persons or other organizations and 194 related natural persons of the Bank in specifications of the Stock Exchange.

6. 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 2017

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 2017, 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 2017, there were a total of 2 major related party transactions approved by the Board of Directors, namely, a composite credit of RMB2 billion for BQD Financial Leasing Company Limited and guarantee business of RMB400 million for Qingdao Haier Home Integration Limited. As at the end of 2017, the balance of inter-bank loans granted to BQD Financial Leasing Company Limited by the Bank amounted to RMB200 million through the issuance of non-principal-guaranteed wealth management products and the balance of the letter of guarantee businesses granted to Qingdao Haier Home Integration Limited amounted to RMB177 million by the Bank. 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 CBRC within 10 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 2017, 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 2017

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 2017, the total credit balance of the Bank's credit related party transactions in specifications of CBIRC amounted to RMB3.859 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 (RMB10 Thousand)	Interest rate/handling fee rate (%)¹	Income from annual interest/handling fees (RMB10 Thousand)²
Major related party transactions	–	310,722.70	–	16,164.59
Qingdao Conson Financial Holdings Co., Ltd.	Loan	88,000.00	5.23/5.00	3,752.30
Qingdao Changyuan Land Co., Ltd.	Non-standard debt	98,000.00	5.78	5,517.12
Qingdao Haier Real Estate Group Co., Ltd.	Non-standard debt	80,000.00	5.88	5,073.61
Intesa Sanpaolo S.p.A.	Inter-bank lending	27,000.00	5.00	1,821.56
Qingdao Haier Home Integration Limited	Letter of guarantee	17,722.70	–	–
General related party transactions	–	75,128.07	–	3,010.68
Total	–	385,850.77	–	19,175.27

- 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. Among them, in 2017, Qingdao Conson Financial Holdings Co., Ltd. conducted credit related party transactions in the Bank, covering both major related party transactions and general related party transactions. Among them, the major related party transactions are listed in the above table. As at the end of 2017, 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 5.23% and 5.00%; the handling fee rate for the letter of guarantee business of Qingdao Haier Home Integration Limited handled by the Bank 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 2017, credit related party transactions were mainly loan businesses and non-standard debt investment businesses. Among them, the Bank's loans granted to the related parties accounted for 1.46% of the total loans, and the non-standard debt investment of related parties accounted for 1.08% 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 2017, the related party with the Bank's largest balance of credit facilities was Qingdao Conson Financial Holdings Co., Ltd., accounting for 3.84% of the net capital; the related party group with the largest balance of credit facilities was Haier Group, accounting for 5.88% of the net capital; and the balance of credit facilities granted to all related parties accounted for 11.41% of the net capital. The above indicators have not exceeded the regulatory limits as required by CBIRC.

2. *Non-credit related party transactions*

In 2017, the non-credit related party transactions in specifications of CBIRC were primarily the asset management services provided to the Bank by related parties, related party subscriptions and underwriting of the Bank's overseas preference shares, etc. During the year, a total of 4 transactions occurred with asset management services fee, subscription amount of preference shares and underwriting fee of preference shares totalling RMB88.55 million, and all of them were general related party transactions. The prices of non-credit 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 2017, except for the banking business, the Bank's related party transactions in specifications of the Stock Exchange were the advertising and promotion services provided to the Bank by related parties and information technology services provided to related parties by the Bank. During the year, a total of 2 transactions occurred with a total transaction amount of RMB1.4151 million.

In 2018, 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.

NOTICE OF 2017 ANNUAL GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

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)
(Stock code: 3866)
(Preference shares stock code: 4611)

NOTICE OF 2017 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2017 annual general meeting (the “**2017 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 Tuesday, 15 May 2018 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 2017
2. to consider and approve the work report of the board of supervisors of Bank of Qingdao Co., Ltd. for 2017
3. to consider and approve the final financial accounts of Bank of Qingdao Co., Ltd. for 2017
4. to consider and approve the profit distribution plan of Bank of Qingdao Co., Ltd. for 2017
5. to consider and approve the resolution on the engagement of domestic and foreign auditors and their remuneration of Bank of Qingdao Co., Ltd. for 2018
6. to consider and approve the resolution on the election of directors of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
 - 6.1 to consider and approve the election of Mr. ZHOU Yunjie as a non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
 - 6.2 to consider and approve the election of Mr. Rosario STRANO as a non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.

NOTICE OF 2017 ANNUAL GENERAL MEETING

- 6.3 to consider and approve the election of Ms. TAN Lixia as a non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.4 to consider and approve the election of Mr. Marco MUSSITA as a non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.5 to consider and approve the election of Mr. DENG Youcheng as a non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.6 to consider and approve the election of Mr. CHOI Chi Kin, Calvin as a non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.7 to consider and approve the election of Mr. GUO Shaoquan as an executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.8 to consider and approve the election of Mr. WANG Lin as an executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.9 to consider and approve the election of Mr. YANG Fengjiang as an executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.10 to consider and approve the election of Ms. LU Lan as an executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.11 to consider and approve the election of Mr. WONG Tin Yau, Kelvin as an independent non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.12 to consider and approve the election of Mr. CHEN Hua as an independent non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.13 to consider and approve the election of Ms. DAI Shuping as an independent non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
- 6.14 to consider and approve the election of Mr. Simon CHEUNG as an independent non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.

NOTICE OF 2017 ANNUAL GENERAL MEETING

- 6.15 to consider and approve the election of Ms. FANG Qiaoling as an independent non-executive director of the seventh session of the board of directors of Bank of Qingdao Co., Ltd.
7. to consider and approve the resolution on the election of supervisors of the seventh session of the board of supervisors of Bank of Qingdao Co., Ltd.
- 7.1 to consider and approve the election of Mr. ZHANG Lanchang as the shareholder supervisor of the seventh session of the board of supervisors of Bank of Qingdao Co., Ltd.
- 7.2 to consider and approve the election of Mr. WANG Jianhua as an external supervisor of the seventh session of the board of supervisors of Bank of Qingdao Co., Ltd.
- 7.3 to consider and approve the election of Mr. FU Changxiang as an external supervisor of the seventh session of the board of supervisors of Bank of Qingdao Co., Ltd.
- 7.4 to consider and approve the election of Mr. HU Yanjing as an external supervisor of the seventh session of the board of supervisors of Bank of Qingdao Co., Ltd.
8. to consider and approve the resolution on the status report on the use of previously raised funds of Bank of Qingdao Co., Ltd. as of 31 December 2017
9. to consider and approve the special report on related party transactions of Bank of Qingdao Co., Ltd. for 2017

SPECIAL RESOLUTIONS

10. to consider and approve the resolution on the extension of the validity period of the plan for the initial public offering and listing of the A shares of Bank of Qingdao Co., Ltd.
11. to consider and approve the resolution on the extension of the validity period of the authorisation to deal with specific matters in respect of the initial public offering and listing of the A shares
12. 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 2017

NOTICE OF 2017 ANNUAL GENERAL MEETING

2. Evaluation Report on the Performance of Duties by the Supervisors of Bank of Qingdao Co., Ltd. for 2017

The Bank will despatch the circular of the 2017 AGM to shareholders on or before 24 April 2018.

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

Shandong, PRC, 26 March 2018

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, Mr. WANG Jianhui, Ms. TAN Lixia, Mr. Marco MUSSITA and Mr. CHOI Chi Kin, Calvin as non-executive directors; Mr. WANG Zhuquan, Mr. WONG Tin Yau, Kelvin, Mr. CHEN Hua, Ms. DAI Shuping and Mr. Simon CHEUNG 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 2017 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 2017 AGM**

H Shareholders are advised that the share register will be closed from Sunday, 15 April 2018 to Tuesday, 15 May 2018 (both days inclusive). To be eligible for attending and voting at the 2017 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 Friday, 13 April 2018. Shareholders whose names appear on the register of members of the Bank at the close of business on Sunday, 15 April 2018 are entitled to attend and vote at the 2017 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 2017 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 2017, amounting to a total of RMB811,742,549.80 (inclusive of tax). Subject to approval of the proposal at the 2017 AGM, the dividend will be paid to domestic shareholders and H Shareholders whose names appear on the register of members of the Bank on Thursday, 24 May 2018. The proposed dividends payable are denominated in Renminbi, and will be paid to domestic 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 2017 AGM (including the day the 2017 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 Saturday, 19 May 2018 to Thursday, 24 May 2018 (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 Friday, 18 May 2018. Shareholders whose names appear on the register of members of the Bank at the close of business on Thursday, 24 May 2018 are entitled to the final dividend distribution.

5. **Reply slip**

Shareholders who intend to attend and vote at the 2017 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 domestic shareholder(s)) on or before Wednesday, 25 April 2018. 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 domestic 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 2017 AGM does not amount to half of the total number of shares with voting right of the Bank, the 2017 AGM may be adjourned.

NOTICE OF 2017 ANNUAL GENERAL MEETING

6. Proxy

Any shareholder entitled to attend and vote at the 2017 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 2017 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 notorially 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 domestic shareholder(s)) not less than 24 hours before the designated time for the holding of the 2017 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 2017 AGM or at any adjournment if he/she so wishes.

7. Others

- (1) The 2017 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.
- (2) 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 (532) 8570 9728
Fax: +86 (532) 8578 3866

NOTICE OF 2018 FIRST H SHARE CLASS 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)

(Stock code: 3866)

(Preference shares stock code: 4611)

NOTICE OF 2018 FIRST H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2018 first H share class meeting (the “**2018 First H Share Class Meeting**”) 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**”) on Tuesday, 15 May 2018 (immediately after the 2017 Annual General Meeting and the 2018 First Domestic Share Class Meeting) for the purposes of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. to consider and approve the resolution on the extension of the validity period of the plan for the initial public offering and listing of the A shares of Bank of Qingdao Co., Ltd.
2. to consider and approve the resolution on the extension of the validity period of the authorisation to deal with specific matters in respect of the initial public offering and listing of the A shares

The Bank will despatch the circular of the 2018 First H Share Class Meeting to shareholders on or before 24 April 2018.

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

Shandong, PRC, 26 March 2018

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, Mr. WANG Jianhui, Ms. TAN Lixia, Mr. Marco MUSSITA and Mr. CHOI Chi Kin, Calvin as non-executive directors; Mr. WANG Zhuquan, Mr. WONG Tin Yau, Kelvin, Mr. CHEN Hua, Ms. DAI Shuping and Mr. Simon CHEUNG 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 FIRST H SHARE CLASS 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 First H Share Class Meeting**

H Shareholders are advised that the share register will be closed from Sunday, 15 April 2018 to Tuesday, 15 May 2018 (both days inclusive). To be eligible for attending and voting at the 2018 First H Share Class Meeting, 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 Friday, 13 April 2018. H Shareholders whose names appear on the register of members of the Bank at the close of business on Sunday, 15 April 2018 are entitled to attend and vote at the 2018 First H Share Class Meeting. 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 First H Share Class Meeting shall be subject to restrictions.

3. **Reply slip**

H Shareholders who intend to attend and vote at the 2018 First H Share Class Meeting 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 domestic shareholder(s)) on or before Wednesday, 25 April 2018. 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 domestic shareholder(s)).

In the event that H Shareholders do not return the reply slips, and the reply slips state that the number of H Shares with voting right represented by those H Shareholders intending to attend the 2018 First H Share Class Meeting does not amount to half of the total number of H Shares with voting right of the Bank, the 2018 First H Share Class Meeting may be adjourned.

4. **Proxy**

Any shareholder entitled to attend and vote at the 2018 First H Share Class Meeting 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 First H Share Class Meeting. 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 domestic shareholder(s)) not less than 24 hours before the designated time for the holding of the 2018 First H Share Class Meeting 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 First H Share Class Meeting or at any adjournment if he/she so wishes.

NOTICE OF 2018 FIRST H SHARE CLASS MEETING

5. Others

(1) The 2018 First H Share Class Meeting 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.

(2) 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 (532) 8570 9728
Fax: +86 (532) 8578 3866