

2018

BANK OF QINGDAO CO., LTD.

CORPORATE SOCIAL RESPONSIBILITY REPORT



BANK OF QINGDAO CO., LTD.

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

(H Shares Stock Code: 3866)

(Preference Shares Stock Code: 4611)

(A shares Stock Code: 002948)

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Innovative Finance Brilliant Banking



About This Report

This report describes the efforts and achievements of Bank of Qingdao Co., Ltd. (hereinafter referred to as "Bank of Qingdao", "the Bank", "we") in economic, social and environmental areas in 2018 and shows Bank of Qingdao's assumption of social responsibility and commitment to sustainable development.

Reporting period

The reporting period is from 1 January 2018 to 31 December 2018, with the exception of some matters beyond this period.

Reporting cycle

This report is prepared annually.

Reporting scope

This report focuses on Bank of Qingdao Co., Ltd. as its main reporting entity, covering its head office, branches, sub-branches and affiliates, unless otherwise specified.

Basis of preparation

This report is prepared based on the disclosure recommendations of the Shenzhen Stock Exchange's Guidelines for Standardized Operation of Companies Listed on the Small and Medium-sized Enterprise Board and The Stock Exchange of Hong Kong Limited's Guidelines for Environmental, Social and Governance Reporting, with reference to:

- The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI 4.0)
- Opinions of the General Office of the China Banking Regulatory Commission on Strengthening the Social Responsibility of Banking Financial Institutions
- Guidelines of the Shanghai Stock Exchange on Environmental Information Disclosure of Listed Companies
- Guidelines of the China Banking Association on the Corporate Social Responsibility of Banking Institutions of China

Explanation of information

Financial information in this report is based on 2018 financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and audited by KPMG. Should there be any conflict between the financial data herein and the 2018 annual report of the Bank, the 2018 annual report shall prevail. Other information is sourced from statistical data of the Bank's internal systems, affiliates, and branches. Cases cited are real cases in the Bank's operations. Unless otherwise stated, Renminbi is the functional currency throughout the report.

Assurance approach of the report

The Board of Directors of the Bank and all directors undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint liabilities to the authenticity, accuracy and completeness of the information in this report.

KPMG Huazhen LLP was appointed to perform independent limited assurance on the report in accordance with the International Standards on Assurance Engagements (ISAE) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information and issued an assurance report.

Issuance form

This report is issued in the form of printed version and published on the website of the Bank at <http://www.qdccb.com>.

This report is prepared in simplified Chinese, with versions of English and traditional Chinese available. If there is any conflict, the simplified Chinese version will prevail.

Preparer of the report

The General Office of Bank of Qingdao

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Chairman's Statement



The year 2018 is a new era full of turbulence and diversity, as well as a new journey of pursuing and struggling for a brighter future. From the national level, against the backdrop of full implementation of the strategic planning of the Nineteenth CPC National Congress, and the fortieth year after China introduced its reform and opening-up policy, China has truly progressed from being independent, becoming rich and then powerful. From the perspective of the development of Bank of Qingdao, we share the common fate with this era and the people, follow closely the orientation of national policies and the new and old kinetic energy conversion in Shandong Province, adhere to sustainable development, and attempt to return the public with better performance and better service.

**Chairman of Bank of Qingdao
Co., Ltd.**

GUO Shaoquan

In 2018, we took the initiative to embrace the changes of this era, comprehensively implemented the spirit of the Nineteenth CPC National Congress, profoundly grasped the spirit of the Central Economic Work Conference, so as to serve the real economy, vigorously develop inclusive finance, and proactively support the development of private economy. We focused on the national development strategy and the development priorities of Shandong Province and Qingdao City, and we increased the support for the real economy such as infrastructure construction, housing projects for low-income urban residents, and emerging industries. We broadened the financing channels for private enterprises and unveiled "Ten Actions" to upgrade private enterprises, issued the first credit risk mitigation warrant in Shandong Province, and explored the comprehensive use of loans, bond financing, interconnecting investments with loans and other channels for private enterprises to address their concerns. We practiced the inclusive finance concept, and endeavoured to build three lines of products: technology finance, inclusive finance, and agricultural finance, and launched a series of products such as "Innovation Loan", "Agriculture Benefit Loan" and "Business Benefit Loan", and established a set of solutions for small and medium-sized enterprises, private enterprises and "Sannong".

In 2018, we proactively transformed our servant mind-set and explored a new service path of "Finance + Technology + Scenarios". We continued to promote green services, giving priority to supporting green finance and energy conservation and environmental protection projects. At the end of 2018, the balance of green credit expansion amounted to RMB9.485 billion, representing an increase of RMB2.168 billion or 29.63% compared with the beginning of the year. We reduced the impact from our own operating environment and launched an operation management and control platform to implement paperless construction and electronic seal, the effect which was beginning to show. We continued to promote the integration of technology and business innovation, accelerate the intelligent and personalized construction of mobile banking, and promote the development of interfaced bank in depth and breadth. We created a new card-issuing model, and issued the BQD & Meituan Credit Card, focusing on personal consumption scenario, which shall be applied for and approved on line. We promoted the "New Model of Respecting the Elderly", and launched the integrated service marketing management model, improved the protection of financial consumer rights, and offered new experience of surprise services for clients. The Bank was awarded the most prestigious prize in the global service industry for three consecutive years - "Five-Star Diamond Award".

9.485 billion 

The balance of green credit expansion amounted to

In 2018, we fully reinforced the consensus of employees and vigorously advocated the core values of "Customer First, Employee-oriented, Taking Social Responsibility and Shareholder Return as Our Responsibility and the Pursuit of a Better Life as Our Purpose", so as to proactively reward the public. We planned ahead our development strategy and started the "Enhancement Plan" in advance, and sought all-round transformation and development. We deepened our compliance culture and caring culture, advocated spontaneous compliance, and continued to kick off morning meetings with the theme of compliance. We focused on employee growth and development by organizing and implementing "Eagle Plan", through which 42 and 84 employees became part of the middle-level and managers talent pool, and we also deepened the "532 Talents Training Project" continuously. We continued to fulfil corporate citizenship responsibilities and proactively carried out youth volunteer activities. At the same time, the Bank promoted the development and growth of Qingyin Charitable Foundation and proactively implemented activities regarding financial poverty alleviation, precision poverty alleviation and financial aid for students. In 2018, a total of RMB5.075 million was donated for public welfare undertakings by the Bank (excluding affiliates), of which RMB753,000 was for the purpose of supporting 3 rural revitalization projects and 1 beautiful countryside construction project.

Those who observe the trend are wise and those who dominate will win. The year 2019 is when China will celebrate its seventieth anniversary. We will usher in a new starting point for development and implementation of our new strategic planning after A-share listing. We will take "Innovative Finance, Brilliant Banking" as our development vision, proactively integrate into the overall environment of national reform and opening-up and the new development of Shandong Province as a whole, and coordinate economic responsibility, environmental responsibility and social responsibility, seize the momentum and act according to actual circumstances. Based on the new appearance and new pattern of "A+H", we will kick off a new journey to create a new finance boutique bank which will be technology-led, sophisticatedly managed and distinctive.

Signature of Chairman

郭少泉



President of Bank of Qingdao
Co., Ltd

WANG Lin

Signature of President

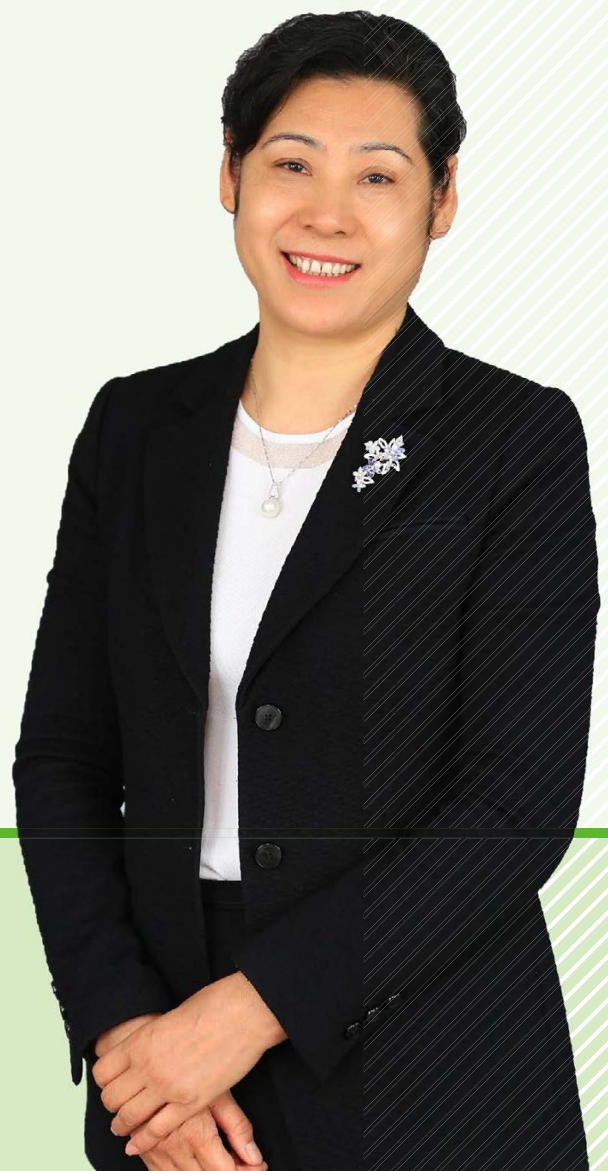
A handwritten signature in black ink, consisting of stylized Chinese characters, likely '王麟' (Wang Lin).

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Chief Supervisor of Bank of
Qingdao Co., Ltd
.....

.....
CHEN Qing
.....

Signature of Chief Supervisor

陈青



01

Company Overview

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Company Profile

The Bank was founded in November 1996, headquartered in Qingdao, Shandong Province. It was formerly known as Qingdao Urban Cooperative Bank and Qingdao Commercial Bank. After years of accumulation, the Bank continue to improve its governance, risk control and IT capabilities and other areas, and has developed unique strengths - Good Governance, Warm Services, Strong Risk Control, and Advanced Technology. In December 2015, H-shares of the Bank was listed on the Hong Kong Stock Exchange; in January 2019, A shares of the Bank was listed on the Shenzhen Stock Exchange.

The Bank mainly provides services and products such as corporate and personal deposits, loans, payment and settlement services to clients, and develops three major business segments: retail banking, corporate banking and financial markets, so as to form a more solid customer base and shape a new financial business model characterized by distinctive features and high-quality development. Based in Qingdao, the Bank provides services across Shandong Province. At the end of the reporting period, it had 14 branches in major cities of Shandong Province such as Jinan, Yantai and Weihai, with a total of 134 branches,

and the Bank also established the Scien-tech Sub-branch and Cultural Innovation Sub-branch, etc. In February 2017, the Bank set up BQD Financial Leasing Co., Ltd.. At the end of the reporting period, the Bank had more than 3,700 employees.


The Bank is in a critical period featured by economic “new normality”, strict industry supervision and reshaping of traditional banking business through financial technology. At the end of the reporting period, the Bank tops the list of operating indicators across the banking industry in Shandong Province. At the end of the reporting period, the Bank's total assets and total liabilities amounted to RMB317.659 billion and RMB290.162 billion respectively, with capital adequacy ratio of 15.68%, non-performing loan ratio of 1.68%, representing a year-on-year decrease of 0.01%. During the reporting period, the Bank's accumulated net profit reached RMB2.043 billion, representing an increase of 7.34% from a year earlier.

3,700 employees 

The Bank had more than

317.659 billion 

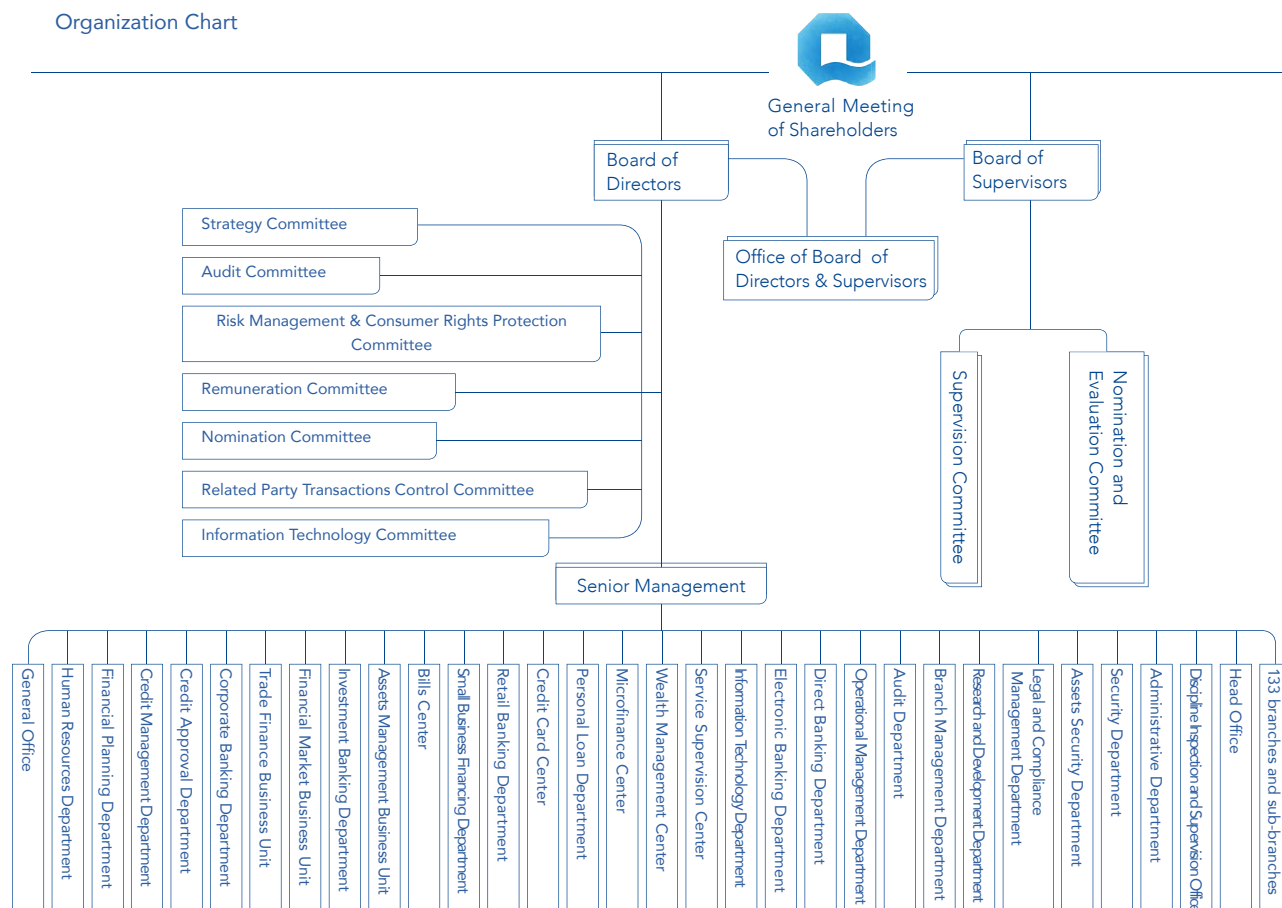
The Bank's total assets amounted to

2.043 billion 

During the reporting period, the Bank's accumulated net profit reached

Corporate Governance

Organization Chart



In accordance with domestic and foreign regulations, the Bank has established a corporate governance structure consisting of the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management. It has formulated a sound corporate governance system focusing on the Articles of Association of Bank of Qingdao Co., Ltd., supplemented by the rules of procedure for the general meeting of shareholders, the Board of Directors and the Board of Supervisors and other specific corporate systems, which clarifies the authorities and responsibilities of the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management, forming a corporate governance and operation system in which each of them perform corresponding responsibilities and balance each other.

The Bank aims at building a regulated, market-oriented, and unique corporate governance. In accordance with the industrial regulation requirements and capital market requirements, it continuously improves its corporate governance mechanism, constantly enhances the efficiency of corporate governance, so as to achieve sustained and stable business growth via high-quality corporate governance.

During the reporting period, the Bank strengthened the Party's leadership, integrated it into all aspects of corporate governance, and put the discussion of the Party committee as a preposition procedure for major issues. The Bank smoothly completed the reelection of the Board of Directors and Supervisors and continuously optimized the diversified Board of Directors. Pursuant to the Provisional Measures on Administration of Equities of Commercial Banks, the Bank revised its Articles of Association to further standardize equity management. The Board of Directors formulated new strategic plans to promote the A-share listing and improve the performance management system for executive compensation,


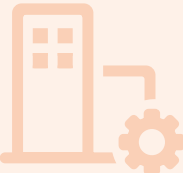

and strengthen the consolidated management, etc. the Board of Directors fully played its strategic leadership and core decision-making function. The Bank strengthened the professional discussion functions of special committees, continuously improved the decision-making level and operation efficiency of the Board of Directors. The Board of Supervisors improved its supervision over the Board of Directors and the senior management and its members, and conducted in-depth financial, risk and internal control supervision to fully play its supervisory role.

The general meeting of shareholders is power organ of the Bank. In 2018, it held 2 general meetings of shareholders to review and approve 18 proposals and hear 2 reports.

The Board of Directors serves as the Bank's decision-making body responsible for and reporting to the general meeting of shareholders. As at the end of 2018, the Board of Directors had 15 members, including 6 non-executive directors, 4 executive directors, and 5 independent non-executive directors. In 2018, the Board of Directors held a total of 17 meetings to review and approve 53 proposals and to review or hear 54 reports.

The Board of Supervisors serves as the Bank's supervision body responsible for the general meeting of shareholders. As at the end of 2018, the Board of Supervisors had 7 members, including 1 shareholder supervisor, 3 employee supervisors, and 3 external supervisors. In 2018, the Board of Supervisors held a total of 8 meetings to review and approve 22 proposals and to review or hear 47 reports.

Key KPIs

Type of KPI	Name of KPI	Unit	2018	2017
 Economic KPIs	Operating income ¹	RMB100 million	73.65	55.68
	Net profit	RMB100 million	20.43	19.04
	Basic earnings per share ²	RMB	0.37	0.47
	Total assets	RMB100 million	3,176.59	3,062.76
	Total loans ³	RMB100 million	1,263.87	980.61
	Total deposits ³	RMB100 million	1,779.11	1,600.84
	Return on average total assets	%	0.66	0.65
	Return on weighted average net assets ²	%	8.36	10.80
	Non-performing loan ratio	%	1.68	1.69
	Provision coverage ratio	%	168.04	153.52
	Capital adequacy ratio	%	15.68	16.60
 Social KPIs	Total taxes paid	RMB100 million	12.20	11.76
	Charity donation	RMB10 thousand	527.50	738.00
	Social contribution per share ⁴	RMB	2.83	2.67
	Total number of employees ⁵	Person	3,781	3,545
	Proportion of female employees ⁵	%	54.24	54.39
	Average trainings per person per year ⁵	In number	26	27
 Environmental KPIs	Balance of green credit	RMB100 million	94.85	73.17
	Balance of loans to high-pollution, high-energy-consumption or overcapacity industries	RMB100 million	27.23	23.40
	E-banking replacement ratio	%	96.72	93.62
	Head office power consumption	10,000 KWHS	374	443
	Head office water consumption ⁶	Ton	23,180	14,354
	Head office paper consumption	1 million sheets	1.19	1.31
	Head office oil consumption	Litre	62,736	64,778

1 The indicators are based on the requirements of IFRS.

2 Earnings per share and return on weighted average net assets are calculated based on the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010). The Bank issued overseas preferred shares in 2017 and allocated dividends on preferred shares in 2018. Therefore, in calculating earnings per share and return on weighted average net assets, the dividends on preferred shares for the year was deducted from “Net profit attributable to shareholders of the parent company”; the effects of preferred shares was deducted from “Weighted average net assets”.

3 At the end of 2018, accrued interest is excluded from the total loan, but included in the total deposit.

4 Social contribution per share = (Total paid taxes + Wages paid to employees + Interests paid to creditors + Total amount of donation - Other social costs incurred due to factors such as environmental pollution) ÷ Total number of capital shares + Basic earnings per share.

5 The indicators include data of the Bank but exclude the data of its affiliates.

6 The headquarter has moved to a new building since September 2017. With the increasing size and higher storeys, together with newly-built landscape and outdoor greenbelt water use, the overall demand for office water consumption in 2018 increased dramatically.

Honours and Awards

Issuer	Name of Award	Time
China Financing, Listed Company Committee of China Company Association and other institutions (8 in total)	The Best Corporate Nance of Award during the Awards Ceremony for China Financing in 2017	January 2018
The Banking Industry Wealth Management Registration and Custodian Center	The Excellent City Commercial Bank in respect of the Banking Industry Wealth Management Information Registration in 2017	January 2018
Department of Public Security of Shandong Province	The Outstanding Organization in respect of Internal Security Work Results across the Province	January 2018
The Ninth Internet Finance Union Meeting	The On-line Marketing Campaign - Get Crazy Price Cut and Your Mid-Autumn Festival Gifts, won the 2017 Banking Internet Finance Innovation Award - The Best New Media Marketing Service Innovation Award	March 2018
Development Summit Forum of Listed Companies in Hong Kong	The Growth Award for New Shares of the Top 100 Hong Kong Shares in 2017	April 2018
China Banking Regulatory Commission	A-level Organization in terms of Case Prevention Rating of Banking Financial Institutions for the year 2017 in Qingdao City	April 2018
Organization Committee of China Supply Chain Finance Annual Conference	"Best Supply Chain Finance Innovation Bank" of the 2 nd China Supply Chain Finance Industry Model Award	April 2018
Qingdao Municipal People's Government	Ranked 17 th in the rankings of Top 50 Local Taxpayers in 2017	April 2018
Qingdao Bureau of China Banking Regulatory Commission	Won the honorary title of "Advanced Organization of Financial Service for Small and Micro-sized Enterprises", among which "Yin Zheng Bao (銀關保) Loan Business" won the Award of "Outstanding Innovation Product in terms of Financial Service for Small and Micro-sized Enterprises across the Banking Industry for the year 2017 in Qingdao	May 2018
Qingdao Bureau of China Banking Regulatory Commission	A-level Organization in the Evaluation of Consumer Rights Protection of Banking Financial Institutions for the year 2017 in Qingdao City	May 2018
AUK magazine - The Banker, Wealth Management Center of Institute of Finance and Banking of Chinese Academy of Social Sciences, Institute of Internet Economy of Central University of Finance and Economics	New "Yin Guan Bao" (銀關保) Letter of Guarantee won the "Top Ten Financial Innovation Award (for Corporate Businesses)" of China Financial Innovation Forum	June 2018
World Brand Laboratory	"Top 500 Most Valuable Brands in China", selected for the second consecutive year	June 2018
The Banker, a UK magazine	Ranked No. 286 among the top 300 rankings, up by 86 in the ranking list, also one of the ten Chinese banks with biggest progress this year	July 2018
China Banking Association	Won the Best Green France Award across the Banking Industry in China for the Year 2017	July 2018
China Banking Association, The Hong Kong Institute of Bankers and Financial Times	The 9 th National Wealth Manager Selection Competition won the "Outstanding Organization Award"	July 2018
World Brand Laboratory	Ranked 475 in the 13 th "Asian Top 500 Brands", up by 11 in the ranking list compared to the year 2017	August 2018
The Press Conference of the 16 th China Customer Contact Center Industry Summit and the 16 th China Best Customer Contact Center and the Best Custodian	The Bank's customer service center was granted the 2017-2018 China Best Customer Contact Center of the Year Award and China Best Customer Contact Center Service Experience Award	November 2018
The Banking Industry Wealth Management Registration and Custodian Center	Ranked the 9 th in terms of comprehensive capability of the national city commercial banks in the evaluation of banks' wealth management business for the first half of 2018, released by chinawealth.com.cn	November 2018
Financial Times	Won the Most Competitive Small-and Medium-sized Banks of the Year and the Best Small-and Medium-sized Banks in terms of Retail Finance during the China Financial Institutions Gold Medal - Golden Dragon Award Contest of Financial Times in 2018	December 2018
World Brand Laboratory	Received the "Five-Star Diamond Award" for the third consecutive year, a top global award in the service industry	December 2018
China Banking and Insurance Regulatory Commission	The topic of Construction and Application of Intelligent Platform for Financial Knowledge won the A-level Achievement of Research on Information Technology Risk Management in the Banking Industry for the Year 2018	December 2018

02

Social Responsibility Governance

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Social Responsibility Philosophy

Vision

Innovative Finance, Brilliant Banking

Core Values

Customer First, Employee-oriented, Taking Social Responsibility and Shareholder's Return as Our Responsibility and the Pursuit of a Better Life as Our Purpose

Strategic Goals

A new finance boutique bank which will be technology-led, sophisticatedly managed and unique

Core Competitiveness

Extraordinary customer experience, leading financial technology, strong risk governance, and sophisticated internal management

Service Concept

Warm and trustworthy, we work harder

BQD Style

Integrity, Cohesion, Solidarity, Motivation

Corporate Culture Elements

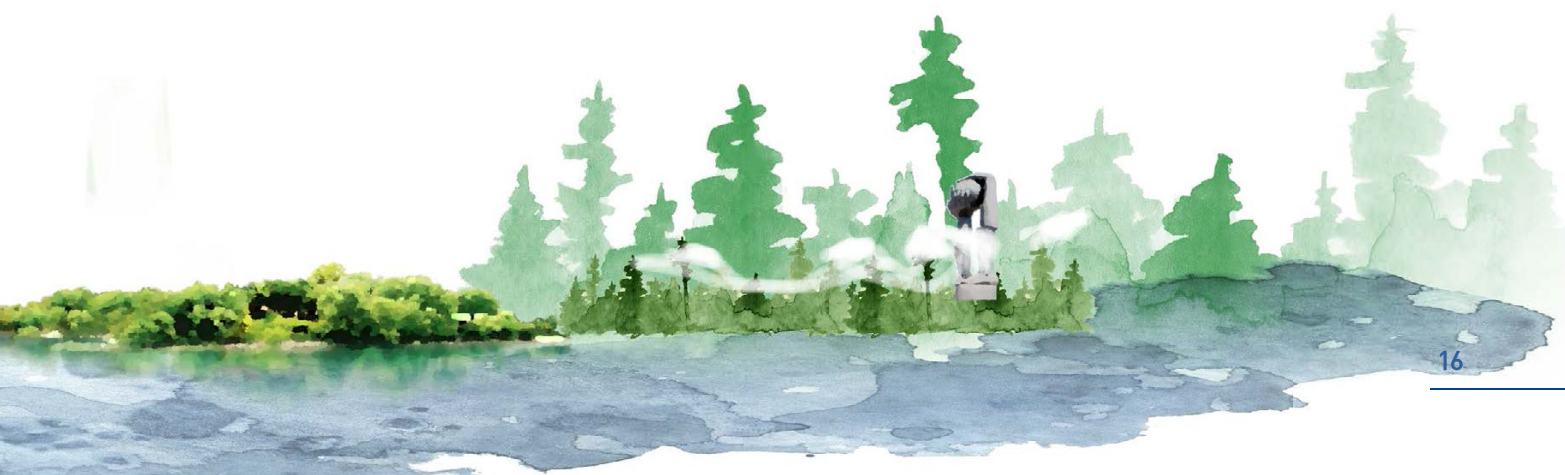
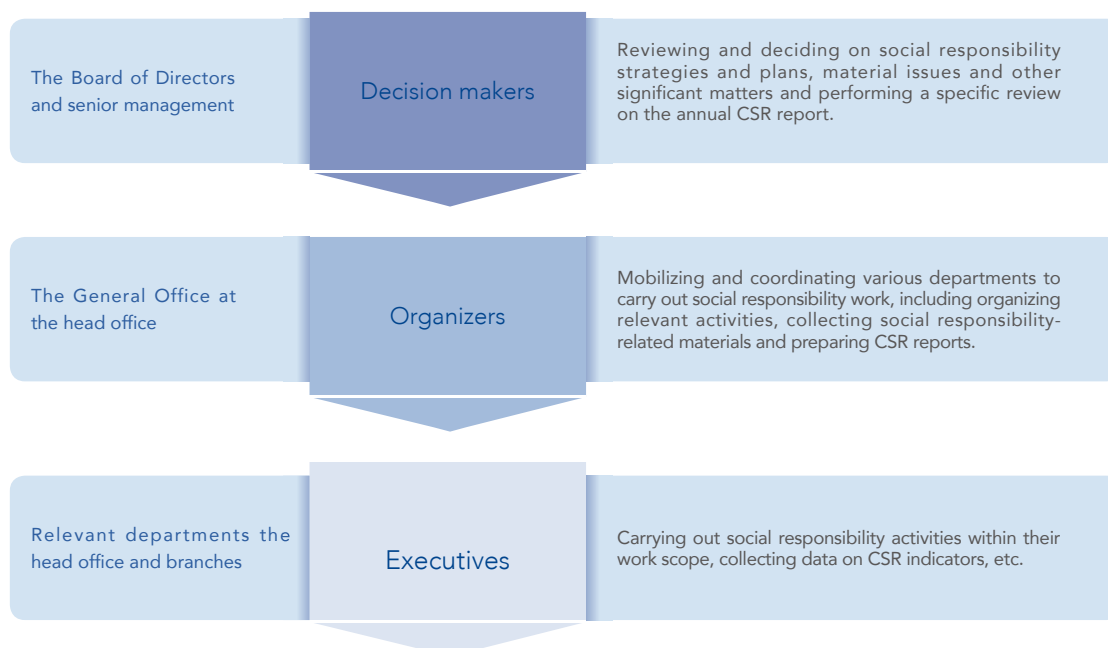
Compassion, servant mind-set, internal control, risk governance, executive force, frugality, love and dedication, etc.



Responsibility Governance System

CSR (Corporate Social Responsibility) Management Structure

Guided by the Board of Directors and led by the senior management, the General Office at the head office is responsible for organizing and implementing social responsibility work, which is carried out by various departments at the head office and branches through coordination and collaboration in accordance with Measures for the Regulation of Bank of Qingdao Co., Ltd. on Annual CSR Report Preparation and Disclosure (Trial). The Bank insists on a development concept that gives equal emphasis on social and economic responsibilities, and is committed to delivering its CSR concepts and principles in various undertakings such as formulating credit policies, selecting customer bases and designing financial products.



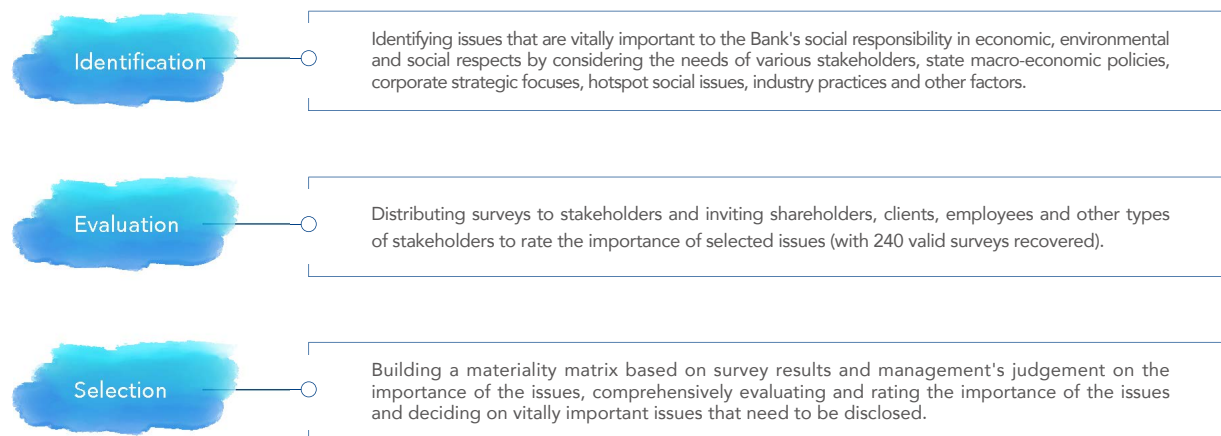
Communication with Stakeholders

In order to understand the expectations and requirements of stakeholders, the Bank has built various communication channels that are embedded into its daily operations, and forged a communication mechanism to enhance regular communication with stakeholders through means such as meetings, reports and seminars. In doing so, the Bank aims to improve its capabilities and adequacy of social responsibility governance.

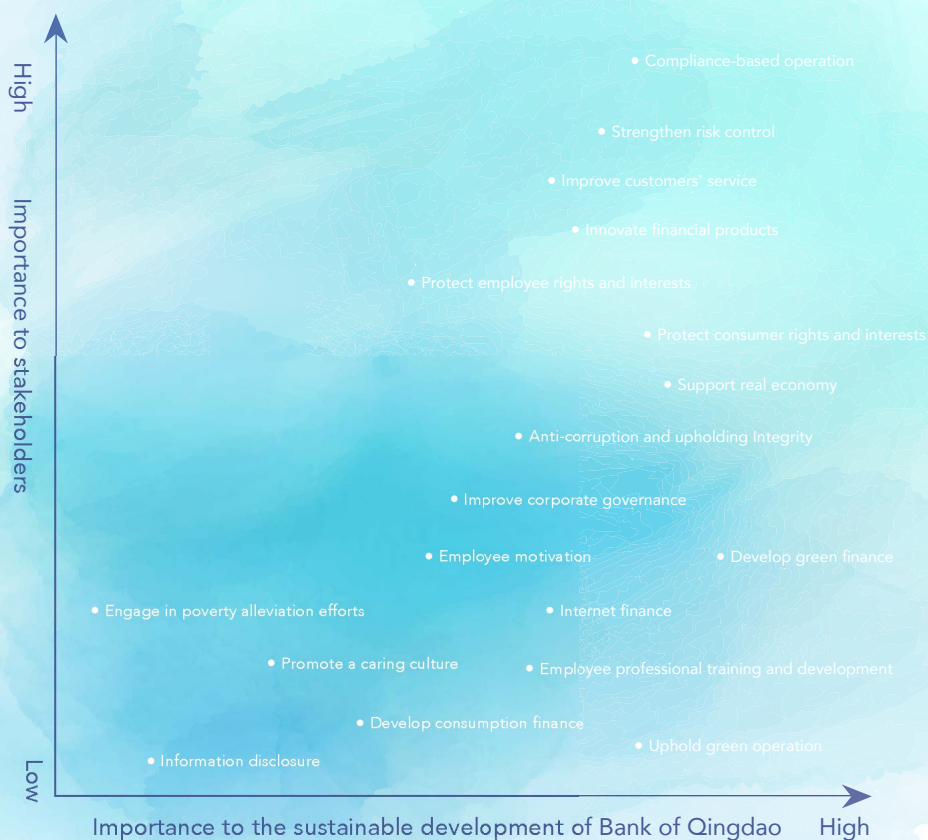
Stakeholders	Expectations and requirements	Means of communication	Responses and measures
 Government	Support real economy Implement macro-economic policies Promote local economic development Expand financial inclusion services	Documents and guidelines on policies Working meetings Information distribution Specific topic reports	Drive supply-side structural reform and implement the "cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots" policy Support for construction of key projects Vigorously develop inclusive finance Explore the development of Internet finance Developing New Ways of Serving Small- and Micro-sized Enterprises Improve business environment
 Regulators	Comply with regulatory requirements Maintain financial stability Take up social responsibility	Regulatory policies Inspection and regulation Work reporting	Strengthen internal control Improve the party conduct and moral integrity Engage in poverty alleviation efforts
 Shareholders	Ensure sustainable business operation Improve profitability Improve returns on equity Increase corporate value	General meetings of shareholders Information disclosure Performance roadshows Research on and exchanges with investors	Improve the corporate governance structure Make corporate development plans Disclose information in a timely manner Enhance management of investor relations
 Clients	Improve service quality and efficiency Provide a richer selection of financial products Ensure information and fund security Expand service channels	Marketing activities Customer hotline Surveys WeChat, online banking and other digital platforms	Improve client experience Innovate financial products Promote consumer finance Protect consumer rights and interests Increase service outlets Popularize financial knowledge
 Employees	Improve employees' benefits Protect the rights and interests of employees Provide professional training and career development opportunities Enrich free-time activities	Trade union General meetings of employee representatives Seminars Feedback Discussions and visits	Improve the compensation and welfare system Collect employees' suggestions from various channels Improve the training system Set up the Staff House Help employees in difficult situations
 Suppliers	Fair procurement Cooperation for win-win outcomes	Negotiation Conclusion of contracts and agreements Tendering and bidding	Build a procurement management system Enhance business cooperation
 Partners	Mutually beneficial cooperation Communication and exchanges of ideas	Meetings Joint projects	Deepen bank-customs cooperation Enhance interbank exchanges and cooperation
 Communities	Care for disadvantaged groups Organize public service activities	Visits Seminars	Financial aid to students Volunteer activities
 Environment	Low-carbon and environmentally friendly operations Sustainable development	Energy conservation and emission reduction policies Green public service activities	Green credit Green operation Green public service

Analysis of Material Issues

The Bank selects relevant issues on the basis of the needs of various stakeholders as well as state macro-economic policies, corporate strategic focuses, hotspot social issues and other factors. It performs a materiality test based on stakeholder surveys and determines material issues that need to be disclosed in the report.



Materiality Matrix



03

Support for Real Economy

Implementation of Macro-economic Policies	21
Support for the Development of Local Economy	21
Develop Inclusive Finance	27
Exploring Ways to Promote Internet Finance	28





Implementation of Macro-economic Policies

The Bank accurately understands the spirit of the Central Economic Working Conference, deepens the supply-side structural reform policy and consolidates the achievements of the measures of cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots, and leverages such means as reference to borrowers' credit history and credit line management to drive portfolio restructuring for reduction of assets in the industries featuring high pollution, high energy consumption or overcapacity as well as industries from which loans should be recovered and to which credit should not be granted, so as to optimize and upgrade economic structure. It steps up efforts to recover, disposal of, and reduce outstanding risk assets, increase the weight of compliance and risk assessment, adjust the appraisal of the economic cost of hidden non-performing assets to seek accountability in an appropriate and reasonable manner.

Driving supply-side structural reform and implementing the "cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots" policy. The Bank fully implemented the spirit of the Nineteenth CPC National Congress. It acted upon the new development philosophy and insisted on the priority of quality and profit, and focused our efforts mainly on supply-side structural reform to proactively deliver the development concepts of innovation, harmonization, green, openness and sharing. Following the requirements of China Banking Regulatory Commission on financial

support for the real economy, the Bank continued to improve the quality and efficiency with which it served real economy. It lent stronger support to efforts that aimed to boost economic growth, adjust structures, facilitate transformation, increase efficiency, benefit people's livelihood and prevent risk, and fully supported the initiatives to cut overcapacity, undertake deleveraging processes, reduce costs and improve weak links. This enabled the Bank to provide credit in a way that is more adaptive, responsive and suited to changes in demand. Specifically, the Bank expanded its credit availability for the high-tech sector, high-end manufacturing sector, next-generation IT sector, blue ocean economy, strategically important emerging sectors, green credit projects and key engineering projects; implemented measures such as reducing interest rates, reducing or waiving overdue interests, and adjusting repayment periods and frequencies to help businesses faced with temporary difficulties achieve industrial transformation and upgrade and reduce financing cost through a committee formed by bank creditors; and placed a strong control over the availability of credit to industries characterized by high energy consumption, high pollution and overcapacity, and accelerated settlement with zombie companies and optimized its credit asset structure and effectively decreased the proportion of non-performing loans by taking legal actions to recover debts, restructuring debts, transferring creditors' rights, etc.

Support for the Development of Local Economy

The Bank's financial services contributed to the development of local economies, increased support for infrastructure, livelihood projects, small and medium-sized enterprises, and private enterprises, which provided a strong support for the economic transformation and upgrading of Shandong Province. The Bank also strengthened the professional operation of asset management businesses, giving financial support through the release of bonds in key industries such

as neighbourhood services and infrastructure construction. The Bank effectively satisfied the enterprises' financing needs, rendered comprehensive financial service solutions, including direct financing tools for wealth management, structured financing, directional private placements and large-scale stock transactions, so as to effectively alleviate corporate financing difficulties, stimulate economic development momentum, and promote economic quality and efficiency.

Support for construction of key infrastructure projects

The Bank carried out comprehensive cooperation in respect of key project construction, advantageous industry development, livelihood finance, and other areas to fully support the economic development of Shandong Province.

Case

An investment company in Qingdao, one of the entities for implementing the flexible use of the idle assets of state-owned companies in Jimo District, responsible for the flexible

disposal of the assets of Qingdao Automobile Industry New Area. Due to the company's own insufficient funds, the Bank approved a special credit of RMB600 million for the flexible disposal of idle assets. In 2018, against the backdrop of tight credit lines, the Bank still offered RMB80 million loan to the company and the subsequent credit extended amounting to RMB520 million would be gradually distributed according to its actual needs. This contributed greatly to the large projects of new and old kinetic energy conversion in Jimo District.

Case

The project is a key new and old kinetic energy conversion project in Shandong Province. The main part of the project started on 1 June 2017, and the planned construction period is 36 months. The Bank supplied a medium-term working capital loan with a comprehensive credit line of RMB600 million and a term of 3 years to the construction group for relevant expenditures of the project.

● Developing public well-being finance

In 2018, the Bank took advantage of the opportunity of new and old kinetic energy conversion in Shandong Province, and paid attention to economic policy changes to deepen the breadth and depth of cooperation in the field of public well-being, support local project construction, provide financing support for platform companies by purchasing local debts, explore the establishment of "Transaction Banks +Investment Banks" model, expand and strengthen public well-being finance business through integrated credit extension, mergers and acquisitions, debt issuance and other products.

The Bank proactively participated in bidding for major public

well-being projects, further broadened the scope of bank and government cooperation, and successively completed the business docking with regard to the housing fund system of the Ministry of Housing and Construction and certain branches in Dezhou, Zibo, Jining, and that of the public resource bidding system in Qingdao and Jining. The Bank launched a non-tax third-party payment platform in Shandong Province, and it was also successfully connected with the financial non-tax online WeChat payment system in Qingdao, besides, it successfully won the bid for the Bank responsible for the management of Qingdao housing maintenance fund.

● Further exploring IPO financing

In accordance with the development ways of in-depth IPO financing and exquisite quasi-investment banking, the Bank preliminarily tried IPO financing services based on the features of IPO financing, led

arrangement of the investment banking services, and instructed the sub-branches to conduct multiple innovative investment banking businesses including IPO financing, investment funds, and M&A loans.



M&A loan business generated initial positive results

In terms of M&A business, some M&A loans have been extended or in the course of approval. The Bank has accumulated business experiences.



The Bank provided a development group a loan of RMB56 million for a term of three years. The amount of this M&A loan accounted for 59.76% of the M&A transaction consideration. It is the first credit business that the Group applied for from the Bank. The Bank took this business as a breakthrough to establish business relationship with this company and lay the foundation for further cooperation in the future.

56 million

The Bank provided a development group a loan of



Fund business forging ahead

Through close cooperation with the fund industry association, the Bank overcame the constraints such as new rules for asset management and the window operation requirements of the Asset Management Association of China, and finally achieved fair development. In 2018, the Bank had a total of newly added 27 trust funds, with a total fund size of more than RMB5.9 billion.



In 2018, the Qingdao Municipal People's Government set up a new and old kinetic energy conversion fund amounting to RMB300 billion to guide the financial and social capital to invest in new and old kinetic energy conversion key projects and key areas with the assistance of government funding. The "New and Old Kinetic Energy Conversion" sub-fund custodian service business established through equity participation by Qingdao Fund of Venture Capital Funds Management Center was successfully implemented in the Bank. The fund had a total size of RMB200 million. As at the end of December 2018, the deposit balance was RMB55 million.

55 million

The deposit balance was

Serving agriculture, rural areas and farmers

In 2018, the Bank established a working group for the revitalization of rural areas. The Small Business Finance Department at the head office was responsible for daily organization and coordination, attempting to fully support the rural revitalization affairs, and improve the efficiency and level of serving the real economy in rural areas. As at the end of 2018, the Bank's agriculture-related loan balance was RMB25.515 billion, representing an increase of RMB871 million or 3.53% compared with a year earlier; the agriculture-related loan balance in Qingdao jurisdiction was RMB10.116 billion. A pilot branch of the Bank, the Pingdu Sub-branch, released three loans for rural contracted land management right in 2018, totalling RMB4.5 million.



Photos of visiting agricultural enterprises by Pingdu Sub-branch

Formulate due diligence management methods and improve related systems

In 2018, the Bank formulated the Measures for the Due Diligence Management of Inclusive Finance Credit Business of Bank of Qingdao Co., Ltd., which specified the due diligence of agriculture-related credit business and poverty alleviation credit

business. The Bank focused on promoting the development of agricultural business in 2018, formulated and improved relevant management measures, including agriculture benefit loan, forest right mortgage loan, and rural contracted land management right.

Focus on promoting the business related to agriculture, rural areas and farmers, and cooperate with professional guarantee companies

The Bank proactively carried out financial innovation, accelerated the new and old kinetic energy conversion of agriculture projects, and cooperated with the national policy agricultural guarantee companies to launch the "Agriculture Benefit Loan" business to resolve the working capital of Sannong enterprises. The Bank and the policy agricultural guarantee companies were responsible

for the risk arising from the loans offered to Sannong enterprises based on the principle of "risk sharing", which solved the difficulty of lacking in the pledges and mortgages for bank loans for agricultural enterprises. Meanwhile, some regional governments with sufficient financial capacity also provided interest subsidies to those enterprises.

Select specific branches and focus on promoting agricultural business

In 2018, four sub-branches featuring agriculture benefit loan business were selected to carry out this specific business. For these featured sub-branches, with certain preferential policies offered,

the head office organizes weekly work summary and monthly training to summarize and solve the difficulties and problems arising from the business process in a timely manner.



Recently, Wanggezhuang Village at the foot of Mount Lao in Qingdao has been meticulously fostered and strongly supported at the district and street government level in respect of its mantou industry, thanks to which, this industry continued to develop soundly and vigorously. The Wanggezhuang sub-branch was opened in September 2018. In order to effectively solve the financing difficulties in agricultural business, and support the development of local processing enterprises, this sub-branch provided the "Agriculture Benefit Loan" for one of mantou processing enterprise and helped it overcome its difficulties. In this regard, we proactively implemented the central and provincial level policies with regard to supporting and benefiting agricultural business, so as to drive the development of moderately sized agricultural enterprises.

Support transformation and upgrading of traditional enterprises

The Bank proactively followed the national “Innovation-driven Development” strategy, combined with the new and old kinetic energy conversion ideas, proactively adjusted our credit policy, carried out comprehensive docking of specific projects, and created innovative financing methods to provide target clients integrated financial solutions featuring One-point Intervention, Interactive Marketing and Comprehensive Solution, and effective financial support for the transformation and upgrading of traditional enterprises.

Case

After officially signing a strategic cooperation agreement with a group company in Qingdao, the Bank provided comprehensive financial services such as call deposits, principal guaranteed wealth management, structured deposits, etc., thereby helping it to realize the preservation and appreciation of the Group's own funds. Subsequently, for the construction of a new energy power electronics laboratory and electrical product laboratory operated by a company within the group, the Bank provided an infrastructure project loan amounting to RMB30 million for a term of 9 years for its procurement of laboratory testing equipment and the support for the construction and operation of this project. In the second half of 2018, the Bank provided a three-year floating loan of RMB50 million given the Group's lack of funds to start the laboratory operation, and continued to support the operation and development of the Group's other major laboratories.

30 million 

An infrastructure project loan amounting to

50 million 

An infrastructure project loan amounting to

Case

A scienc-tech company in Qingdao is a key quality client of the Bank and maintains long-term close cooperation with the Bank in credit extension and settlement. In response to one of the company's key polymer composite materials project, the Bank performed credit extension mainly by ways of loans and bank acceptance bills urgently needed by this company. As at the end of 2018, the Bank approved a total of more than RMB200 million to this company.



Building unique financial services

Port finance reached a significant scale

The Bank proactively implements the Blue Ocean Financial Strategy and strengthens marine economic services. In order to better serve the port business, the Bank closely followed the trend of port development and specifically set up a port sub-branch to serve Qingdao Port and port clients, with service outlets in three major port areas: Dagang Port, Qianwan Port and Dongjiakou Port. In terms of financing, the Bank attached great importance to the progress of service mode. The Bank designed a series of special products to enhance its service capabilities based on actual operation characteristics of the port.

The Bank developed the Online Business Hall of Qingdao Port, connecting with the enterprise charging system, which realized the integration of the Bank's payment platform and cross-bank payment platform, docking with the Payment and Settlement Center of the

People's Bank of China, supporting multi-bank account cross-bank payment, with the function of automatic billing, delegated withholding added, which greatly improved the work efficiency of port and clients as well.

The Bank developed the port all-purpose card system for the convenience of port clients; established a payment mode for logistics station industry to promote MISpos of docking payment system and self-service cash register in port and station, so as to realize non-cash settlement, improve efficiency and reduce labor costs. The Bank established personalized cash management system to meet the needs of group fund management; the Bank provided port and upstream and downstream docks, logistics, stations, import and export enterprise a variety of financing methods such as comprehensive credit and trade financing.

Metro finance generated initial positive results

The Bank has been deeply engaged in metro finance business. According to the daily capital demand of metro, it provided comprehensive credit business including bank acceptance bills and various types of guarantee letters; the Bank participated in the metro project syndicated loan led by China Development Bank, and continued to participate in the issuance and underwriting of medium-term notes of Qingdao Metro Group Co., Ltd. The Metro Building Sub-branch and May Fourth Square Metro Community Sub-branch were set up to serve the metro, equipped with negotiated deposits, structured deposits, and principal guaranteed wealth management products, providing them with high-quality capital appreciation services. The bank tailored a Metro Settlement Center to realize the direct connection between the Bank's corporate banking and the enterprise financial system, which provided a flexible fund management method for the group enterprises, and it also developed a

detailed door-to-door collection plan, and took care of the door-to-door collection for the first batch of four metro lines in Qingdao.

In order to proactively support the construction and operation of metro projects, by focusing on the industrial chain, and on the one hand, the Bank cooperated with the metro financial holding companies and the developers of metro resources, and on the other hand, the Bank gradually extended to the upstream of metro industry chain. The closed-loop settlement of funds between the metro company and its suppliers through quick collection & pass supply chain platform. At the same time, the Bank provided financing services for its upstream suppliers based on the accounts receivable of metro company to solve the financing difficulties of relevant SMEs.

Continuous innovation in technology finance

The Bank provides policy support and financial services for sci-tech innovation enterprises in the mode of "Government Guidance, Commercialized Operation and Professional Services". The bank has built a service platform for financing of enterprises, so as to develop sci-tech finance credit products that closely meet market demand, change the mode of credit approval, improve the

speed of credit approval, make full use of financial subsidy policies, and use multiple ways to reduce the cost of comprehensive financing for enterprises. As at the end of 2018, the sci-tech credit balance of the Bank totalled RMB5.348 billion, representing an increase of RMB1.29 billion or 31.78%.



The business model of "insurance loan" is a combination of "credit investment" and "equity investment" of venture capital. Through the credit enhancement mechanism of policy guarantee companies, the Bank achieved the matching of credit risk and income, thereby solving the problems of asset-light or lacking in collaterals in sci-tech enterprises, and used special funds from Qingdao Science and Technology Bureau and Finance Bureau to offer interest subsidy for enterprises' insurance loan business, this significantly reduced the financing cost of enterprises.

In early 2018, a new material company, which mainly produces thermal conductive silicone grease, thermal conductive insulating encapsulated silica gel and solid silica gel gasket for electronic industry, moved from Jiaozhou to Qingdao Hi-tech Industrial Development Zone. This enterprise is an environment-friendly high-tech enterprise with absolute intellectual property rights. But after we became familiar with the enterprises, we found that the enterprise was not quite aware of the policy dividends of the government's support for high-tech enterprises. After several communications, the sci-tech sub-branch of the Bank designed a credit plan of insurance loan amounting to RMB4 million by way of equity pledge, which not only dealt with the needs of the enterprise's operating capital, but also enabled the enterprise to enjoy the policy of benchmark interest subsidy, thus saving its financial cost.

● Culture finance gained initial momentum

The Bank focused on the overall deployment of cultural development and reform at the level of Shandong Province and Qingdao City, proactively attempted to meet the financing needs of various types and levels of cultural innovation parks and enterprises, and launched many innovative activities to support the development of cultural innovation enterprises. In particular, the Cultural Innovation Sub-branch tailored financial services for different cultural innovation enterprises. For example, it provided five special products for small- and medium-sized cultural innovation enterprises with light assets, including movie and arts loan, cultural tourism loan, creative rights loan, cultural innovation town (park) loan, and "The Belt and Road" cultural trade loan; it would also engage channels such as VCs and PEs to offer, in a mode interconnecting investments with loans, comprehensive financial services covering loans, bonds and stocks to enterprises with a strong potential and relatively high financing risks. These efforts aim to truly develop E2E financial services beneficial to cultural innovation enterprises.

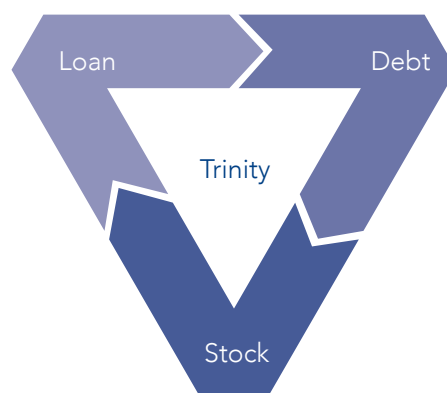


Photo of visiting cultural innovation enterprises by the Cultural Innovation Sub-branch

Case

On 10 May 2018, the Fourteenth China International Cultural Industry Fair was held in Shenzhen. As a representative of "culture + finance" in the province, Cultural Innovation Sub-branch was invited to attend the fair. The bank introduced the achievements of cultural innovation finance since the establishment of the financial service platform for cultural innovation industries and the new measures to support the development of cultural innovation industries based on the platform.





Develop Inclusive Finance

The Bank proactively responded to the decisions and arrangements of the CPC Central Committee and the State Council on financial support for the development of small and micro-sized enterprises and deepening of inclusive finance, exercised the concept of inclusive finance, deeply implemented the work relating to "Mutual Benefit" of small and micro-sized enterprises, fully participated in the bank and

enterprise docking activities; and the bank also created "housekeeping style" inclusive finance services to provide comprehensive financial services such as settlement and cash management, e-banking, and financing for small, medium, and micro-sized enterprises and private enterprises.

● Improve the quality and efficiency of financial services for small and micro-sized enterprises and private enterprises

Amended the Operating Procedures for Credit Business of Small Enterprises of Bank of Qingdao and formulated the Action Plan for Credit Business Promotion of Small and Micro-sized Enterprises in the Second Half of 2018; issued the Ten Major Initiatives for Improving Working Quality and Efficiency of Financial Services for Private Enterprises of Bank of Qingdao to enhance support for small and micro-sized enterprises and private enterprises; explored the com-

prehensive use of loans, bonds, interconnecting investments with loans, so as to rescue high-quality private enterprises in temporary liquidity difficulties through credit risk mitigation tools, guarantees and credit enhancements, and promote reduced charges and profits, and adopt sustainable methods to drive the development of the private economy.

● Improve the business environment

A special action team for managing the business environment was set up. The Bank opened green financing channels for small and micro-sized enterprises, issued "Guidelines for Loan Application", established a one-time notification mechanism for credit approval and a time-limited completion system to reduce the amount of application materials and reduce the number of errands run by enterprises.

Released the "Real Estate Remote Registration", six mortgage registration sub-centers were set up in Qingdao to carry out real estate mortgage registration and information inquiry for clients through the "Real Estate Registration Remote Application and Remote Inquiry Information System". In respect of "widening, simplifying and optimizing" personal business loans, 15 measures of 3 aspects

regarding "leniency, simplicity and excellence" were introduced to optimize the approval process.

Releasing the online tax withholding service. Partnering Qingdao Provincial Office SAT, Qingdao Local Taxation Bureau, and China UnionPay Qingdao Branch, the Bank developed the Tax-Bank Online Registration and Tax Withholding Agreement Project, which enabled online taxation registration and automatic taxation data synchronization between Qingdao Provincial Office SAT and Qingdao Local Taxation Bureau, so that tax payers only need to register taxation online with either of the authorities. Thanks to this cooperation, the annual 100,000 new taxpayers based on agreement in Qingdao would enjoy the high-efficiency convenience.

● Provide innovation services

The business of "technology innovation loan" and "easy loan for technology" refer to the liquidity loan issued by the Bank in cooperation with guarantee companies to qualified technology enterprises based on the principle of risk sharing for their daily business activities.

"Chain E-lending" business is characterized by standardized credit process, precisely location of customer base, contracting in batches, and automatic signing of electronic contracts through online banking, self-service lending, lending procedures and processes streamlined. During the reporting period, the Bank offered a total of RMB1.545 billion loans to nearly 1,500 dealers of 14 domestic large FMCG core enterprises.

"Innovation E-Finance" business provides solid credit funds support for small and micro-sized entrepreneurs and individual businesses.

As at the end of December 2018, "Innovation E-Finance" business extent 323 loans totalling RMB441 million, with an average of RMB1.36 million for each loan and the loan balance was RMB308 million.

"Benefit E-lending" business, the Bank has realized the automatic approval process through online system docking. As at the end of 2018, "Beneficial E-lending" business extent 5,407 loans totalling RMB3.428 billion, with an average of RMB634,000 for each loan and the loan balance was RMB3.247 billion.

The "Card E-lending" business is a petty consumer loan for individuals. As at the end of 2018, a total of 1,156,500 loans has been granted, amounting to RMB7.042 billion, with an average of RMB6,100 for each loan and the loan balance was RMB2.958 billion.

● Promote the construction of unique sub-branches

The Bank promoted the construction of sci-tech and agricultural finance sub-branches to focus on the development of key business and key branches.

● Broaden service channels

The Bank built a big data credit platform, discussed and decided the mobile phone APP system for the Bank's small business comprehensive financial service platform.

It also strengthened cooperation with government departments and policy guarantee companies to serve more SMEs.

● Promote employment and entrepreneurship

The Bank conscientiously implements the relevant national, provincial and municipal policy requirements on supporting small and micro-sized enterprises and vigorously developing entrepreneurship guarantee loans, continues to develop the investment and management of entrepreneurship guarantee loans, and proactively promotes employment and entrepreneurship. As at the end of December 2018, the Bank extent 1,904 entrepreneurship guarantee loans with a balance of RMB354 million. During the year, 912 entrepreneurship guarantee loans were issued, amounting to RMB232 million.

Case

The first credit risk mitigation warrant (CRMW) to serve private enterprises in Shandong Province

Under the assistance and guidance of the People's Bank of China and National Association of Financial Market Institutional Investors (NAFMII), the Bank successfully released the CRMW for a famous private enterprise in Shandong, Realcan Pharmaceutical Group Co., Ltd. This CRMW, which is also the first B-class CRMW created by principal underwriter across China, is a specific action of the Bank in response to the spirit of the speech by Xi Jinping, the general secretary of CPC Central Committee, at a private enterprises symposium, and a new exploration for proactively expanding the financing channels of private enterprises and using debt financing tools to support private enterprise financing.

This CRMW was created by the Bank, together with the issuance of super short-term financing bills of Realcan Pharmaceutical Co., Ltd., amounting to RMB150 million. With the support of this CRMW, "18 Realcan Pharmaceutical SCP005" was successfully released, totalling RMB400 million, at the rate of 6.2%.



Exploring Ways to Promote Internet Finance

The Bank implements the strategy of technological innovation, proactively explores the deep integration of "Finance + Technology + Scenario", continues to build the regional ecological finance system and provides unique and differentiated financial services for the real economy.

The Bank continues to focus on the development of mobile finance, and continues to speed up the construction of intelligent and personalized mobile banking. In 2018, the Bank's special functions such as mobile banking smart investment adviser, personalized home page and information center went live, offering smarter and warmer client

experience. As at the end of 2018, the clients of internet banking for individuals totalled 723,500, up by 3.68% from a year earlier; the total number of transactions reached 1,296,030,800, up by 59.77% from a year earlier; the amount of transactions reached RMB593.540 billion, down by 4.81% from a year earlier. The total number of mobile banking clients reached 1,564,200, up by 40.52% from a year earlier; the total number of transactions reached 60,812,800, up by 8.83% from a year earlier; the amount of transactions reached RMB328.071 billion, up by 27.97% from a year earlier. The replacement rate of electronic business is 96.72%, up by 3.10 percentage points compared with that at the end of previous year.

● The Bank strived to develop supply chain finance.

During the reporting period, the Bank offered a total of RMB1.545 billion loans to nearly 1,500 dealers of 14 domestic large FMCG core enterprises. At the end of the reporting period, the loan balance was RMB463 million, representing an increase of RMB56 million or 13.76% over the same period of last year.

● The Bank proactively develops Internet finance.

The Bank cooperated with a third party - Pingan Easy Money to launch Internet finance business such as "Card E-lending" and "Benefit E-lending". In 2018, the cumulative loans totalled RMB10.47 billion, up by 701.7% from a year earlier, and the cumulative number of loans totalled 1,162,000, up by 355.5% from a year earlier.

● The Bank deeply expanded the "Cloud Payment Platform".

The Bank has successively realized the access to tuition fees, property fees, party fees, meal fees and other scenarios, and has become an effective channel for connecting various groups of clients such as parents of students, community residents, and employees. As at the end of the reporting period, a total of 348 organizations entered into agreements under the Bank's cloud payment and charging platform, representing a year-on-year increase of 108, with newly-added payment transactions of 379,500, amounting to RMB241 million.

Case

Release of BQD & Meituan Credit Card

The Bank cooperated with Meituan-Dianping to issue BQD & Meituan Credit Card, which focused on personal consumption concept and owned real Internet attributes. The card is designed based on various living scenarios of Meituan platform - eat, drink and play. The card adopts the combination of online application, online approval, and counter ID verification. Under the most efficient case, the card could be applied for and ready for use on the same day. Upon successful approval, the user is immediately entitled to the privilege of enjoying food worthy of up to RMB500. It achieved seamless connection from the application to use of credit card, creating a new mode for card issuance.



04

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Developing Green Finance


The Bank is always committed to integrating the concept of green credit into industrial policies, improving the green credit system, strictly controlling the credit for the industries featuring high pollution, high consumption or overcapacity and striving to achieve the “three-in-one” sustainable economic, social and environmental development. The Bank has formulated the Green Credit Policies of Bank of Qingdao, to promote our operations by adhering to the philosophy of green development, and proactively strengthen green financial services. It is specified in these policies that the Bank's Board of Directors shall be responsible for determining strategies of promoting the Bank's green credit business, instructing the senior management to set overall objectives for the green credit business, and performing the relevant supervision and assessment. The operating objectives and management strategies for the Bank's green credit business are incorporated in these policies as well. Furthermore, we have established a Special Leadership Team responsible for carrying out and moving forward the Bank's green credit business. Led by a bank president in charge of the relevant matters, the Team also involves representatives from the relevant departments.

9.485 billion 

The loan balance of the Bank's green credit projects reached

383 million 

Loan balance increased year by

8 billion 

Raising a total of

Implementing the green credit policy

The Bank followed closely China's industrial policies, monetary policies, and environment protection policies, and enforced implementation of the green credit policy to drive green credit offering. In addition, it decreased the loans for the industries featuring high energy consumption, high emission, resources-driven and overcapacity. The Bank's green credit mainly flew to rural and urban water conservancy projects, garbage disposal and pollution prevention and control projects, green transportation projects, building energy conservation and green building projects, resources recycling projects, nature conservation, ecological restoration and disaster prevention and control projects.

At the end of the reporting period, the loan balance of the Bank's green credit projects reached RMB9.485 billion, representing a year-on-year growth of RMB2.168 billion or 29.63%, accounting for 7.5% of the balance of total loans. While continuously reducing the credit scale of backward production capacity, based on the new and old kinetic energy conversion requirements, the Bank increased credit support for the industrial upgrading of leading enterprises in traditional industry, therefore, according to the existing loan statistics of the industries featuring high pollution, high consumption or overcapacity, the loan balance of RMB2.723 billion, up by RMB383 million from a year earlier.

Enhance the management of raising funds from green financial bonds

In March and November 2016, as one of the first batch of pilot commercial banks, the Bank issued two green financial bonds, raising a total of RMB8 billion. In order to promote the management of funds raised from green financial bonds and ensure the synchronization of issuance and use of green financial bonds, the Bank formulated the Internal Measures for the Management of Funds Raised through Green Financial Bonds of BQD, clarifying the responsibilities and authorities of business departments, the management requirements of green projects evaluation and selection, as well as requirements for fund management, third-party certification and information disclosure for the duration of the bonds, so as to ensure that the funds raised from green financial bonds have clear accounts and calculable cost and benefit, the green financial bonds shall be managed clearly, and also ensure that funds raised from green financial bonds shall be earmarked for green industry projects.

Continue to improve green credit products innovation

The Bank proactively studied the demands of green credit in the field of ecological protection, clean energy, energy conservation and emission reduction projects, energy conservation and environmental protection industry chain, and comprehensive utilization of resources, so as to develop credit products tallying with market characteristics. The Bank supported energy conservation and environmental protection with diversified financing tools, and proactively developed short-term financing bills, medium-term notes, corporate bonds, SME collection notes, financial lease, trust loans and other financing tools to support clients to carry out green projects. In response to the financial needs of clients in the retail market and the demand for public welfare, we developed green wealth management products, green trust, green deposits, green credit cards and other products to bring social funds into green projects.

At present, Bank of Qingdao is conducting research on innovative green credit products, and intends to launch a special business for SMEs that meets the green credit standards. The Bank offers green finance clients the privilege to the green approval channel to realize highly efficient approval and lending.

Support energy saving and environmental protection industry and eliminate outdated industrial capacity

As a listed public bank, the Bank fulfils its social responsibilities and is obliged to support energy conservation and emission reduction and green credit. While continuously decreasing the total credit extension for the industries featuring high energy consumption and overcapacity such as coal, steel and coking, the Bank proactively provides credit support for industrial upgrading and technological innovation of leading enterprises in traditional industries, and increases credit support for energy conservation and environmental protection projects such as clean energy, environmental management and pollution prevention, energy conservation, water conservation, green transportation, and labor-intensive industries and traditional industrial transformation and upgrading. For outdated industrial capacities and zombie enterprises, the Banks has taken measures to withdraw credit in an orderly manner, so as to effectively implement China's macro-economic control policy and green credit policy.

Case

Sewage treatment plant surface quasi-IV class water quality standard improvement project

The Bank offered more than RMB30 million credit loan to a company mainly engaging in seawater, sewage, industrial waste treatment, to support its construction of several sewage treatment projects. This company already obtained independent intellectual property rights in the research and development of ANAMMOX autotrophic denitrification sewage treatment and sludge advanced thermal hydrolysis technology, and its sewage treatment technology and efficiency stayed at the advanced level across the industry.

30

million



Sewage treatment project credit granting



Promote Green Operation

Advocating a culture of thrift

The Bank proactively promoted a culture of thrift, in which we not only saved physical materials such as every piece of paper, every drop of water, and every unit of electricity, but also placed focus on the intangible aspects, such as, optimization and reform of the banking process and administration to improve efficiency.

Since 2010, we had conducted the "Weekly Inspection Practice" 426 times in total, including 47 times in 2018, to improve various aspects including site management, security, sanitation, service facilities, and business optimization.

The Bank advocated not to take elevators when moving within five floors, not to turn on lights when it was bright enough, and not to turn on air-conditioners in a comfortable temperature. It encouraged the staff to cut off water and power and turn off the air-conditioner switches before leaving the office, established a mechanism of recollecting the leftover water in the break room and reusing cleaning water to effectively save water.

Driving green operational management

99+ %



The Bank completed transformation of the counter operation of more than

0.54 million



The mailing costs of paper statements preparation reduced by

96.61 %



The signing rate of electronic reconciliation across the Bank increased to

Paperless counter operation basically finished

In 2018, the Bank completed paperless transformation of more than 99% of the counter operation, expected to save RMB1.23 million of paper, printing supplies annually, and reducing the number of stampings by 6.94 million annually. In the meantime, the electronic seal was realized, and 782 official stamps for "business acceptance" were destroyed throughout the year. The Bank also introduced new technologies such as face recognition, electronic receipt notification of QR code, seal anti-counterfeiting query, etc., all of which optimized the client experience, and enhanced the risk prevention and control capability of counter operation.

Implementation of reconciliation between the Bank and the enterprises

The signing rate of electronic reconciliation across the Bank increased from 82% at the beginning of the year to 96.61%, up by 14.61%. Throughout the year of 2018, 45,000 copies of paper statements were saved, and the mailing costs of paper statements preparation reduced by RMB540,000.

Promoting electronic operational management

In 2018, the Bank's online operational management platform was transformed from traditional manual way to online electronification, which reduced 14 categories of paper registration and saved RMB50,000.

Exploring "light technology" - a road to development of information technology

When facing the opportunities and challenges of the Internet era, the Bank broke through the traditional construction mode of bank information technology: "Advanced", "Delicate", "Sophisticated" and "Specialized", and explored a unique road to information development – "light technology".

Constructing information systems

In 2018, the Bank completed the construction of a total of 46 key projects such as credit card, smart outlets, bills business, bank account class II&III phase one, new functions of interfaced bank, intelligent self-service systems, paperless counter operation, and network clearing platform access, new financial accounting standards. The Bank enhanced equipment room and operation management for its data centers to improve automatic operation management. It also further optimized its system structure, stepped up preventive maintenance, and enhanced monitoring and inspection to drive business continuity management and intelligent operation and maintenance.

The Bank continued to promote the construction of the "Interfaced Bank" platform, and improve the new financial service model of "Finance + Internet" in the Internet era. The live intelligent outlets system has made fully use of face recognition technology to carry out client identity verification, improve security level, and provide clients with a more warm and efficient one-stop service. The big data platform project group such as intelligent CRM (client relationship management) project, BDP query platform and client knowledge platform shall realize the integration and analysis of internal and external data, deeply explore the value of big data, and lay a technology foundation for the achievement of intelligent transformation.

Case

From 2017 to 2018, Bank of Qingdao built a relatively complete commercial bank knowledge system based on business needs, financial laws and regulations, regulatory policies, and internal institutional norms. This system not only realized the efficient retrieval of knowledge, but also effectively solved the actual problems the Bank might experience in respect of various business scenarios such as compliance, internal control audit and risk control. On 28 December 2018, the Bank's Research on the Construction and Application of Financial Knowledge Intelligence Platform was awarded as class I achievement in terms of Research on Information Technology Risk Management of Banking Industry for the year 2018 by the China Banking Regulatory Commission.

Reusing wastes

The Bank paid much attention to negative impacts of electronic devices on the environment. We were very concerned about the environment protection indicators during device and supplier selection, and appointed a professional company for the second-use and harmless treatment of the waste electronic devices. The components meeting the re-use criteria were reused as spare products or parts to extend the actual lifecycle of such electronic devices, and to reduce the adverse effects that the electronic devices could have on the environment.

During office hours, we never produced any obviously hazardous waste and entrusted qualified professional agencies to deal with any hazardous waste in office in a normative manner.

We mainly provide clients with financial services, so we did not use any obvious packages during the operation.

Electronic device discarded by Bank of Qingdao in 2018

Item	2018 (pieces)	2017 (pieces)
Computer for business purpose	286	155
Server	14	0
Monitor	3	7
Printer	51	32
ATM	13	25
Self-service terminal	1	6

Note: The preceding data covers the devices confirmed by the head office as devices with residual values and disposed of by the head office

Saving energies

Energy consumption by Bank of Qingdao in 2018

Category	Unit	2018	2017
Head office power consumption	10,000 kWhs	374	443
Head office water consumption	Ton	23,180	14,354
Head office paper consumption	1 million sheets	1.19	1.31
Head office oil consumption	Litre	62,736	64,778
Head office natural gas consumption	Cubic meter	32,013	18,252
Head office greenhouse gas emission	Ton carbon dioxide equivalent	4,657.55	5,044.77
——Direct greenhouse gas emission *	Ton carbon dioxide equivalent	140.76	177.73
——Indirect greenhouse gas emission **	Ton carbon dioxide equivalent	4,516.79	4,867.04

* Including greenhouse gas emission resulting from natural gas consumption and oil consumption

** Including greenhouse gas emission resulting from power consumption and municipal heating supply

The Bank drastically improved its utilization of vehicles by exerting a centralized management and unified arrangement policy. In addition, we strengthened one management of the gasoline usage, implemented “one gas card for one vehicle”, and special-purpose car only for special purposes, and set limits one gasoline quality, the amount to be used and gas station according to different vehicles. We improved vehicle fuel management with special checks on those highly gas-consuming vehicles. In 2018, the vehicles of the head office generated a total of 0.58 ton of nitrogen oxide, 0.001 ton of sulphur dioxide and 0.06 ton of particulate matters.

Managing procurement

In 2018, the Bank continued to improve the centralized procurement system and procurement procedures, revised the Measures for the Administration of Centralized Management of Evaluation Experts on Collective Procurement of Bank of Qingdao, implemented the supplier selection assessment, established the supplier post-evaluation mechanism for engineering procurement projects, and strengthened the normalization and standardization of procurement management.

In respect of supplier inspection and project evaluation, emphasis for supplier and product evaluation is laid on environmental protection, labor contract signing and social insurance contribution. We refuse suppliers and products featuring high pollution and energy consumption, and guide suppliers to fulfil mandatory social responsibilities.

The number of suppliers by region

Region	Number of suppliers
Yangtze River Delta region	100
Pearl River Delta region	36
Bohai Rim region	704
Central China	8
Northeast China	6
West China	6
Other regions	3



Fulfilling the Green Corporate Social Responsibility

The branches and sub-branches of the Bank proactively organized CSR activities including garbage pick-up, cycling, and tree planting. We also proactively organized activities of learning environmental protection knowledge, caring for sanitation workers, and spontaneously contributing sanitation tools such as garbage bins, lawn mowers and three-wheeled bicycles to the community.



The Linyi Branch attended the green financial knowledge lecture



The Shi Nan Sub-branch of the Bank organized a charity event with the theme of "To Be a Man of Action for Beautification of Qingdao"



The Zaozhuang Tengzhou Sub-branch participated in the tree planting activity with the theme of "To Cover the Urban and Rural Areas with Green, and Beautify Zaozhuang"



The Zaozhuang Tengzhou Sub-branch carried out "Longshan Cycling" activity



The Yantai Branch participated in the tree planting activity with the theme of Cozy Harbor City & Beautiful Mt. Cishan



The Weihai Rushan Sub-branch organized its employees to clear the garbage on the road every Friday

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Enhancing Customer Service

"Warm and trustworthy, we work harder" is the Bank's service concept. The Bank claimed the title of the 15th China's 500 Most Valuable Brands 2018, the 13th Asia's Top 500 Brands 2018 in June and August 2018, respectively, and received the International Five-Star Diamond Award 2018 in December 2018. China Banking Association named the Business Department of Jinan Branch, the Business Department of Xihaian Branch and Jiaozhou Sub-branch the Outstanding Units for Civilized and Standardized Services in Banking Sector 2018 in December 2018.

Enhancing service quality

● Daily training system

The 2018 training system included a training program aiming to improve department of lobby managers, training courses on the improvement of service skills for customer managers, coaching sessions on complaint-addressing skills for service managers throughout the Bank, fostering training focused on value creation for all-powerful lobby staff and construction of a team consists of outstanding internal service trainers. These training programs were aimed to continuously enhance our service image, corporate image and our competitiveness.



● Improving outlets' facilities

We implemented positioning management for all the service facilities at each outlet. In addition, according to customers' need for better lobby service experience, we had new user-friendly service facilities added at each outlet and carried out lobby-decoration projects to enrich festive atmosphere, for the purpose of creating warm and valuable lobby service experience for customers.

We conducted 12 sessions of Visit for Lobby Environment Monitoring throughout the Bank in 2018 and consequently, the optimization

and rectification ratio of lobby service facilities were uplifted to 82%. In addition, we conducted self-checking and self-correcting activities to address key issues (more than 20 items) involving lobby environment, including instructions and samples for form-filling, sign board as a reminder of business hours on the weekends, security facilities like insulation plugs and others. Improvement of customer experience was realized through the refinement of daily management of facilities and the positioning management of each service facility.

● User-friendly service for special groups

We had more user-friendly facilities in place for special groups at each outlet to show our care for special groups. We had in the business lobby a children's area, baby chairs, wheelchairs, seats specially made and reserved for those in need, and a braille card. In addition, we posted a warm notice indicating a service number for special customers to call for help outdoors, and had safety handrails installed in the bathroom and notebook keeping a record of donations.



We expanded our over-the-counter service delivery to household, nursing houses and hospitals and other places by establishing a mobile service team to carry out diversified and humanized door-to-door financial services for special groups. Consequently, special groups can enjoy timely, convenient and quality financial services with dignity and secured financial interest without going outdoors.

We had caring area in business lobby at each outlet for social workers like sanitation workers and couriers to shelter them from heat in summer and cold in winter.

Based on the multi-channel elderly customer survey and the summary of three pain points faced by the elderly for counter services, we launched a new service model for the elderly, which was featured with affability, sincerity, diligence, simplicity and careness. To improve customers' service experience, we promoted the principles, measures and green channel for serving the elderly throughout the bank and insisted on our original service intention of assisting, offering and caring.



● Implementing a service delivery review and a monitoring mechanism by secret inspectors

In 2018, we conducted service delivery review meetings on a regular basis and developed a guideline for monitoring lobby managers' service delivery by customer indicates and a five-step integrated service for wealth managers. In addition, we also put in place a monitoring mechanism through which secret inspectors were appointed to make unannounced visits and check up on the lobby service delivery by lobby managers and wealth managers. Through all these monitoring activities, we identified the defects that we had in our services by post, and streamlined and developed a list of guideline for improving service quality as well as a negative list in addressing those key and recurring issues. In particular, we took targeted measures to tackle those stubborn problems in our lobby service delivery.

● Pilot bank for the construction of a nationwide financial consumer complaint monitoring data reporting system

In the fourth quarter of 2018, the Bank became a pilot bank for the construction of a nationwide financial consumer complaint monitoring data reporting system. It conducted several rounds of discussions with the Qingdao Central Sub-branch of the People's Bank of China and the system development company regarding data transmission standard and iterative system interface message specification. At the end of December 2018, after overcoming certain technical difficulties, the Bank completed all program development and network connectivity of its own complaint monitoring data reporting system and centralized reporting platform.

Developing new types of financial products and services

7,852



The number of customers holding an all-purpose financial IC card increased by

5.60

Ten thousand



With the number of retail customers increasing by

27,397



The QR payment collection business had existing users reached

293

million



The balance of deposits amounted to

5,319



Under the fund supervision on second-hand house buyer business

2.287

billion



The total amount of funds under supervision reached

78.356

billion



The balance of wealth management products was

● Determined to advance interfaced bank strategy

In 2018, we had 8 all-purpose financial IC cards new projects signed and landed and the number of customers holding an all-purpose financial IC card increased by 7,852. The "Yinyitong" (bank-hospital connect) project was continuously making progress and had, as of the end of 2018, landed with success in 12 hospitals with 2 hospitals as the key marketing targets. "Yinyitong" is equipped with payroll agent function and cross-marketing function of POS settlement business. During the reporting period, we established cooperative relationships with 128 industrial parks, 38 schools and 9 communities, with the number of retail customers increasing by 56,000.

● QR payment collection service boosting the increase in savings deposits

We launched QR payment collection service for restaurant owners, merchants at farmers' markets and electronic markets, and other small and medium-sized business owners. We provided such merchants with convenient payments and settlement tool to help resolve their problems with payment making and collecting they used to have. In 2018, the QR payment collection business is in a stable increase.

At the end of 2018, the QR payment collection business had 27,397 existing users and the balance of deposits amounted to RMB293 million.

● Fund supervision service on second-hand house buyers in continuous and rapid development

During the reporting period, we conducted 5,319 transactions under the fund supervision on second-hand house buyer business with the total amount of funds under supervision reached RMB2.287 billion, which spurred the growth of saving deposits to an amount of RMB278 million in 2018.

● Developing innovative wealth management products to meet various customer needs

We also released a new net worth-related wealth management product line, "Caiyuan-gungun" (exclusively available every odd-number week), and "Caiyuan-gungun" (exclusively available every even-number week), initially rolled out indexed wealth management products and developed open-end new net worth-related products that were periodically open for customers, hierarchically managed according to holding periods and open for daily purchase and redemption, to meet the diverse investment needs of retail customers and create higher wealth value for the public. In addition, we developed corporate wealth management products like "Tiantiankaixin" and "Zhouzhoukaixin" for meeting the cash management needs of corporate customers better. As at the end of 2018, the balance of wealth management products was RMB78.356 billion.

● Comprehensive go-live of bill business system, providing convenient online services to corporate customers

On 20 April 2018, our bill business management system was fully launched, which further optimized the discounting process and supported customers' electronic applications for acceptance bill discount business via e-banking ends, and therefore facilitated the realization of electronic operation of bill discount business and improvement in business efficiency and management throughout the Bank. Meanwhile, the rectification of bill business modules in the credit management system, corporate online banking and customer service system tremendously streamlined the operation process of bill discount business for customer managers in branches and sub-branches, which helped the realization of over-the-counter discount business operation for corporate customers and the improvement in business efficiency and customer satisfaction.

Broadening service channels

● Setting up new outlets

Name of indicator	Unit	2018	2017	2016
Business outlets	Pieces	134	128	111
Business outlets newly set up during the year	Pieces	9	17	11
Business outlets set up in rural areas (inclusive of community banks)	Pieces	4	4	4
Community sub-branches, small- and micro- sub-branches	Pieces	16	17	15

● Community banks, and small- and micro- sub-branches

As of the end of 2018, we had set up 15 community branches and 1 small- and micro- sub-branch.

15



Community branches

● Self-service facilities

We had 102 self-service banks, 472 self-service facilities, through which cash withdrawal, deposits, money-transfer, account check and utility bill payment services were available to the public.

102



Self-service banks

Protecting consumers' rights and interests

● Rolling out "Qingcheng" consumer protection brand and continuing to popularize financial knowledge

In 2018, under the direction of supervision policies and led by "Qingcheng" consumer protection brand, the Bank continued to spread financial knowledge via an upgraded education system featured with "new media, small class, seasoned lecturers, caring assistance and warm service" to fulfil its social responsibility. We carried out different activities and initiatives such as "3.15 Financial Consumer Rights Day" initiative, special tours to popularize financial knowledge, and campaigns to make financial knowledge reach every household, and every rural community. We continuously propelled the systematization and standardization of promoting and teaching systems to create a new area where financial consumers' rights and interests are well safeguarded.

In 2018, the Bank was named the Advanced Organization for Financial Knowledge Promotion in College Student Festive by Qingdao Banking Insurance Bureau. In addition, the Bank was named the Advanced Organization in the Banking Sector in Qingdao for Popularizing Financial Knowledge for five consecutive years.



Photos for the promotion of financial knowledge

● Improving customer complaints mechanism

We established a complaints addressing system with positions set up in head office, branches and sub-branches, clarified duties for each position in addressing complaints, detailed the complaint management process and specified responsibilities assumed by the target of each complaint. We also combined the links of complaint acceptance, complaint addressing, reason analysis, issue detection, responsibility accreditation and evaluation on timeliness and efficiency, and then based on the issues analysis and accreditation results, we took unified action to resolve problems and difficulties encounter by our customers in time and with efficiency for the purpose of protecting their rights and interests.

Other measures taken by us included enhancing complaint analysis, organizing consumers' rights and interests safeguarding team on a quarter basis, conducting complaint analysing meeting, establishing complaint accountability and improvement mechanism, conducting vertical and horizontal analysis and carrying out the rectification solutions and measures to efficiently improve our product designs and customers' service experience.

In 2018, complaint, problems and difficulties from all channels had all been resolved and customer satisfaction rate was improved to 99%.

● Launching campaigns on combating false money

Our campaigns were carried out in communities, schools, companies, and stations, and focused on community residents, middle-aged and elderly people, accounting personnel working at corporates, individual industrial and commercial households, and students at school. We organized the 2018 online anti-counterfeiting currency knowledge quiz, cash usage questionnaire, "Luquan-

bei" currency knowledge prize quiz, and launched campaigns to raise public awareness of anti-telecom fraud, anti-illegal fundraising activities, anti-counterfeiting features of the fifth set of Renminbi (2015 new version), serial number recognition knowledge, standards on Renminbi having difficulty in circulation and standards on exchanging damaged Renminbi.

● Optimizing the process for corporate customers to open accounts

We specified our standards on the reservation for opening account and the timeliness in approval process to shorten the reservation time for corporate customers. Efficiency in serving corporate customers was uplifted through service process streamlining and experience sharing. Also, intensive efforts were put into online and

at-the-counter popularization of knowledge regarding opening accounts. We proactively promoted the online account opening business and launched the online reservation procedure with success, for the purpose of providing convenient and efficient services to corporate customers.

● Successful completion of cash security work and settlement service during the period of SCO Qingdao Summit

We set special service windows in major business outlets in urban district to provide quality and convenient services for domestic and foreign customers. Meanwhile, we undertaken cash security work and allocated Renminbi about 340 million during the Summit. In

addition, we assumed urgent payment and settlement mission to ensure the normal business operation in our centralized operation centers and 9 suspend business outlets.

● Ensuring client information and fund security

In accordance with the Guidelines on the Management of Information Technology Risks in the Banking Book of Commercial Banks issued by the China Banking Regulatory Commission and with reference to our actual conditions, we took multiple measures to ensure customers' information and fund security, such as furthering the IT innovation and construction work from the perspectives of business expansion and IT development, enhancing IT risks supervision, strengthening project quality and plan supervision, propelling the exploration and implementation of project needs to ensure rapid and overall business development, and improving our management on operation and maintenance to ensure the safety, stability and efficiency of our business system.

Business and the Management Measure of the BQD on Customer Information Safety, etc. in order to build up long-term effective mechanism and protect customers' information and fund security.

We attached great importance to the mechanism of keeping audio and video records and proactively propelled the construction of management system for keeping such recordings. So far, the development of the first phase of management system for keeping audio and video records has been finished and the system was featured with sales speech reminder, remote access, central storage and other functions. We also issued the Guidelines on Operating over Wealth Management in Special Selling Areas and Sales of Agent Products (Second Edition) to optimize and streamline the selling process. Meanwhile, we proactively cooperated with the inspections on market disorders and on-site inspections on sales behaviours in business lobbies and sample-based inspections on videos to detect issues in time and carry out rectification with efficiency.

We established a relatively comprehensive framework of management measures and operation process, which included the Operation Process of BQD on Certificates of Deposit Service, the Management Measure of the BQD on Payroll Agent Business, the Management Measure of the BQD on Social Security Cards

Operating in Compliance with the Laws and Regulations

We have always followed the principle of operating in compliance with the laws and regulations. According to the requirements of the Guidelines on Compliance Risk Management in Commercial Banks, we developed the Compliance Risk Management Policy for the purpose of strengthening the foundation for our internal control and compliance management and optimizing our overall management system. We guard against the compliance risks by building a three-line defence, which including business department, compliance department and audit department. In 2018, we put forward a philosophy of “proactive compliance”, which served as the guideline for

the further compliance culture construction and the establishment of compliance culture systems, including the compliance management ecological environment system, organization system, institutional management system, self-discipline and supervision system, credit score system, scientific and technological innovation system, examination and evaluation system, and rules and laws construction system, etc. eight compliance culture systems with complementary functions and internal coordination.

Internal control and compliance management

● Inspection mechanism

We established a sound mechanism for internal compliance monitoring, including “Weekly Inspection Practice”, “Behaviours Check for Compliance Risk”, and “Operation Check for Compliance Risk”. On a quarterly basis, we hold internal control review meetings, and launched virtual sub-branches to perform an audit. We also combined key area inspections with routine management and other internal control measures.

Compliance inspections were conducted in 2018 with the focus on addressing banking market disorders. These inspections, together with the “Six Major Methods” developed by the Bank and the overall self-inspection and self-correction activities efficiently improved our internal control management.

● System construction

It has always been our goal to put in place a well-developed system that's easy to be implemented. In 2018, we continued to carry out the system construction work and propelled the “Three Normalizations” in system construction, i.e. the normalization of system evaluation, the normalization of supervision on system implementation and the normalization of system compliance approval. Meanwhile, we rectified the deficiencies and weakness in systems and internal controls and therefore shaped a streamlined and efficient management system features with good customer experience, smooth working process and 100% risk coverage rate.

● Reporting system

We have established a reporting system for non-compliance and illegal acts. In 2018, we conducted approval and review procedures on the 2017 Self-assessment Report on Internal Control of Bank of Qingdao, the 2017 Compliance Risk Management Report of Bank of Qingdao, the 2017 Operational Risk Management Report of Bank of Qingdao, and the 2017 Anti-Money Laundering Risk Management Report of Bank of Qingdao.

As for the internal audit, our Audit Department, which is directly managed by Chairman of the Board, is responsible for the regular submission of internal audit report to the Board of Directors and Board of Supervisor via Office of Board of Directors & Supervisors and the filing of audit report to relevant authorities as required by regulations. We have established a framework of reporting paths and systems for the independently performance of audit supervision and regular report of audit findings.

● Supervision over internal audit

In 2018, we carried out in-depth implementation of various measures and initiatives and continued our efforts in the continuous improvement of audit management mechanism to ensure an overall improvement of audit management quality.

We intensified our efforts in on-site inspections to improve the efficiency in turning audit findings into benefits. During the year, we completed special audits on corporate credit granting business, financial market business, individual credit granting business and information security risk control and payment security; we organized post evaluation over institutions newly set up, including Laiwu Branch, Jining Branch and Linyi Branch; we organized audits (mostly regular ones) on 13 operating institutions and special audits on related transactions, AML, sales of product and consumers' rights and interest protection.

Efforts to combat money laundering

The Bank insisted on the risk-based working principle and developed a comprehensive internal control system for anti-money laundering featured with our own characteristics in accordance with the Anti-Money Laundering Law of the People's Republic of China, the Provisions on Anti-money Laundering through Financial Institutions (Order of People's Bank of China [2006] No. 1), the Administrative Measures on the Reporting of Large-amount Transactions and Suspicious Transactions by Financial Institutions (Order of People's Bank of China [2016] No. 3) and other laws and regulations. In 2018, we improved and detailed the requirements for customer entrance in accordance with the Notice of the People's Bank of China on Strengthening Client Identification for Anti-money Laundering (Yin Fa [2017] No.235) and its supporting document Notice of the People's Bank of China on Further Improving the Identification of Beneficial Owners (Yin Fa [2018] No. 164) for the purpose of strengthening the foundation of risk control management and nipping the risks in the bud.

We have always insisted on the objective of building up an AML and anti-terrorism funding system that can facilitate the development of business operation and risk control as well as the efficiency in supervision and analysis. For the further improvement of AML blacklist monitoring efficiency, the monitoring system for money laundering and sanction blacklist was upgraded to a new version featured with more comprehensive coverage, timeliness and higher hit-rate, which can effectively improve the accuracy in the screening of customer identifications with lesser time and labour input.

We enhanced our staff's awareness in anti-money laundering perfor-

mances and deepened their understanding of prevention and control on money laundering risks by multi-pronged methods like internal special audits, risk inspections in striking social cases and improvement of prevention measures against risks, to ensure the synergistic effect between the business operation and money laundering risk management through cooperation in system, product and implementation.

To strengthen employees' awareness of anti-money laundering, In 2018 we furthered the money laundering risk control measures by adopting various method like concentrated learning, expert tutoring and bank-level testing. We also established hierarchical training programs for different positions and issued case analyses and risk reminders regularly based on breaking social news. In addition, we proactively organized our business staff to participate in internal and external special training courses and business tests to broaden their minds and enhance their professional knowledge storage and operational capabilities with efficiency.

We took much efforts in raising the public's awareness of anti-money laundering and during the year, we proactively promoted the Opinion on Anti-Money Laundering, Anti-Terrorism Funding and Anti-Tax Evasion ("Opinion") to the public in communities, schools, institutions and business halls by adopting online new media platforms and combining online promotions with the offline promotions, for the purpose of launching an overall and comprehensive promotion of the Opinion based on real cases and striking social topic to improve public's awareness of the social hazard of money laundering.

Strengthen the protection of intellectual property rights

We have always attached great importance to the protection of intellectual property rights, and have formulated the Administrative Measures for Intellectual Property Rights in accordance with national laws and regulations, including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Copyright Law of the People's Republic of China. We have strictly regulated the management of intellectual property rights, and improved the intellectual property protection system. Meanwhile, we are also committed to creating distinctive brands, and giving full play to the role of intellectual property rights in supporting financial innovation and business development. As of the end of 2018, we had the exclusive rights to use a total of 183 registered trademarks in China, covering a wide range of financial services.

In making continuous improvement to the existing trademark system, we, based on the platform of Qingyin Charitable Foundation, applied for the registration of "Qingyin Love Fund" series of trademarks to create a charity trademark series. In doing so, we wish to continuously enhance our soft power and highlight our commitment to supporting charity programmes. While expanding the scope that our efforts to protect intellectual property rights cover, we fully recognize the legal rights of any third party. We have made it a key principle to protect intellectual property rights through the while operation and management process so as to guard us against risks of intellectual property infringement. There were no major intellectual property infringement during the year.

Timely disclosure of information

We strictly abided by the regulatory requirements, released regular reports and interim announcements and continuously improved the quality and transparency of information disclosure, to safeguard the legal rights and interests of the shareholders and other stakeholders. During the year, we issued 17 regular reports and 44 interim statutory announcements on the Bank's website and the website of The Stock

Exchange of Hong Kong Limited.

We established an investor relationship column on our website which released our mail box and contact information to ensure shareholders' equal information access via consulting and querying.

Standardizing code of ethics

To strengthen staff's awareness and sensitivity of compliance, improve their abilities in behaviours management and enhance the disciplines in their behaviours, we made the Code of Ethics for Staff, the List of Banned Behaviours for Staff, the Measures on Dynamic Administration of Staff's Abnormalities, the Measures on Addressing Staff's Irregularities, the Measures on Integral Administration of Staff's irregularities and the Measures for Administration of Staff's Non-Compliances Reporting and other measures. We also organized our staff to learn about irregularities and sign a Letter of Commitment to against Irregularities, conducted daily supervision and special inspections on staff's behaviours and adopted other measures to enhance staff's compliance and self-discipline awareness. In 2018, we released the Notice on Further Standardizing Staff's Professional Practices, which set out the requirements for inspection on staff's non-compliances, such as starting a business irregularly, lending of accounts to others and using company funds to make loans to others, etc., and therefore further propelled the standardization on staff's behaviours.

To guide our staff in compliance with ethics and to implement the "Eightpoint Regulation" of the Party Central Committee, we stand-

ardized the code of conduct and disciplines for our staff, and issued the Notice on Provisions for Strict Implementation of Self-Discipline and Compliance with Integrity on Moon Cake Day and National Day, the Notice on Restating the Provisions for Strict Implementation of Administration on Public Vehicles, the Notice on Restating the Provisions for Strict Implementation of Integrity and Self-Discipline and the Notice on Further Enhancing Construction of Clean Working Style and Strengthening Awareness of Integrity and Self-Discipline. Meanwhile, we organized Party Members and Officials to visit the education center for integrity and against corruption education, organized outstanding Party Members and Officials to participate in special training class for faith education and organized senior officials to participate in testing for their knowledge of Party disciplines, regulations and integrity. In addition, we organized our management staff to participate in extended testing for their knowledge of Party disciplines, regulations and integrity, organized staff over assistant management level for an online studying of the newly revised Disciplinary Regulations for the Communist Party of China and conducted education activities like "Weekly Case Sharing" for integrity and against corruption on internal website.

Improving Party conduct and building a clean administration

Based on the feedbacks from Qingdao Municipal Party Committee and our actual conditions, we enhanced our work in anti-corruption system construction. And in 2018, we prepared and released the Working Plan on Specifically Addressing Outstanding issues Violating the Principles of the Eight Austerity Codes, the Opinion on Performing the Party Committee's Main Responsibility and the Disciplinary Committee's Supervision Responsibility in the Construction of a Clean Administration to Exercise Full and Strict Party Self-Governance, the list of responsibilities to be assumed by the Party Committee of the Head Office and the Party officials, and a list of oversight responsibilities to be assumed by the Commission for Discipline Inspection for improving Party Conduct and building a clean administration. In doing so, we were able to identify any problems with our Party members early so that we can send reminders and talk through the issues to prevent them from getting worse. In addition, we had the management signed

a letter of statement specifying the goals and their responsibilities for improving Party conduct and building a clean mechanism. We continued to propel the implementation of "Responsibilities of the Party Committee and the Commission for Discipline Inspection" and further detailed the responsibility list to ensure the concreteness and limitation of the responsibilities. We put forward a targeted Ten Banned Manners in Clean Lending Practices, signed Letter of Commitment to Clean Lending with credit lines, corporates and retail loan managers and prepared a Reminder of Keeping Clean and Self-Disciplined for Credit Staff to enhance management of staff's integrity in business. In 2018, the Bank got involved in no corruption cases, including bribery and extortion.

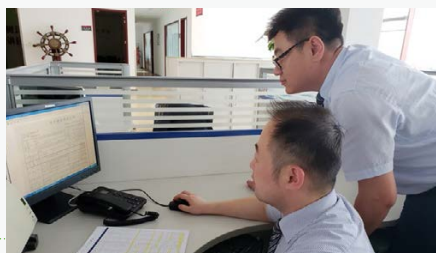
Giving full play to the Party Construction Brand's benchmark and demonstration role

2018 marked the fifth year of the establishment of Party Construction Brands featured with "Qingyinrongwanjia". In the past 5 years, the Party construction culture was demonstrated in our business expansion of all level and served as a good benchmark for the healthy development of all our business. In 2018, the number of featured brands filed amounted to 96, which hit a record high and among which, 8 brands claimed the title of "Qingyinrongwanjia" Party Construction Brand 2018.

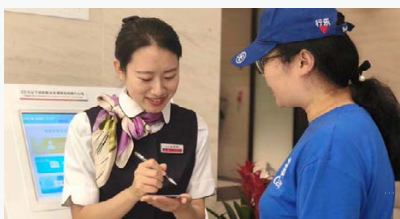
Case

Party Construction Brand

Focusing on the industrial links of a leading transportation enterprises, Shibe Branch provided comprehensive financial products and overall services centralized on commercial bill discount business for all companies involved in the upstream links of the enterprise, from the perspectives of supply chain finance and trading finance philosophy.



Supply chain and customer group construction model



Methods for optimizing counter value chain process

The "Qingqinrufeng" brand was fostered in Jining Branch, which is located in the home town of Kongzi and Mengzi (Two sages in ancient China). The brand included five service subjects, including tea savouring, fragrance appreciating, listening to books, appearance refining and behaviour prospering, which aimed to serve our customer with refreshing tea, beautiful flowers, refined books and kind smiles.



"Qingqinrufeng"



Handbook for Real Estate Operation in Xiaojing

The Handbook for Real Estate Operation in Xiaojing prepared by Wusi Square Branch well summarized the differences and similarities in mortgage operations of various real estate centers, which served as a good helper for customer managers in efficiency improvement. We believe that the well-knit, detailed and inherited Handbook will be enriched and polished by absorbing other sound practices and keeping pace with the era.

Safeguarding Employees' Rights and Interests

Classification		As at 31 December 2018	
		Total number of people (person)	Percentage
By gender	Male employees	1,730	45.76%
	Female employees	2,051	54.24%
By employment type	Contract employees	3,781	100.00%
	Dispatched employees	-	-
	Temporary workers	-	-
By age group	Under 30 (exclusive)	1,460	38.61%
	30 to 40 (exclusive)	1,405	37.16%
	40 to 50 (exclusive)	730	19.31%
	Over 50	186	4.92%
By geographical region	Employees from Shandong province	3,781	100.00%
	Employees not from Shandong province	-	-
By education background	Junior college graduates	476	12.59%
	Bachelors	2,665	70.48%
	Masters	629	16.64%
	PhDs	11	0.29%
New employees		470	12.43%
Disabled employees		1	0.03%
Employees of minority		46	1.22%

Numbers above excluded data from affiliates of the Bank

In accordance with relevant national dispatch employment requirements, we further enhanced our management of dispatched employment. We have developed a specific project to lower the percentage of dispatched employees by turning some of them into formal staff as well as retaining and dismissing some of them. Employment for each position complied with the Labour Laws of the People's Republic of China and the relevant provisions of the labour contracts. During 2018, we did not employ any child labour or have employees who were injured or dead due to work during our daily operation.

Classification		Total number of turnover	Turnover rate (%)
By gender	Male employees	120	6.49%
	Female employees	149	6.77%
By age group	Under 30 (exclusive)	111	7.07%
	30 to 40 (exclusive)	96	6.40%
	40 to 50 (exclusive)	19	2.54%
	Over 50	43	18.78%
By geographical region	Employees from Shandong province	269	6.64%
	Employees not from Shandong province	-	-

Numbers above excluded data from affiliates of the Bank

We fully safeguarded employees' rights to work and rest according to the laws, and clearly stipulated the working hours, rest time and leaves, labour protection and working conditions in the contracts. We did not impose any mandatory (overtime) situation. We complied with the relevant laws and regulations on employees' health and safety, and on environment.

We signed a labour contract with every employee according to the Labour Law and the relevant provisions of the contract. In terms of the labour management, we had developed the regulations and relevant

implementation guidelines for internal use, including the Attendance and Holiday Management System and the Measures for the Administration of Employment Termination. With such regulations, we safeguard employees' labour rights in accordance with the law. We pay basic social security insurance for the employees, including basic pension, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and have in place such welfare systems as housing fund, corporate annuity and supplementary medical insurance, to ensure better pension and medical security for the staff.

Promotion

To further implement the 532 Reserve Talents Cultivation Project, we organized and implemented the “Chuying Project” throughout the Bank in 2018 and more than 300 people participated in the selection of reserve talents for mid-level management and managers in operation, corporate, retail and other business lines. Among them, 42 and 84 people were recognized as reserve talents for mid-level manage-

ment and managers respectively, after surviving the whole screening process composed of application, qualification approval, written examination, interview and democratic review. Those talents enlarged our talent pool for operation and management professionals. As of the end of March 2019, 24 outstanding reserve talents for mid-level management have officially taken up management positions.

Safeguarding rights and interests

We proactively safeguarded employees’ social insurance and housing fund, leave rights, incentive plans and other compensation benefits and built staff canteens, reading rooms, shower rooms, activity room etc., to provide a clean and warm working and service environment.

As for democratic management, we hold the Labour Union member (employee) representative conference once a year at the Head Office level, and twice at both the branch and sub-branch levels and reporting to the Labour Union of the Head Office in accordance with the Trade Union Law, the Regulations on the Work of Trade Unions of Enterprises and the Regulations of Shandong Province on the Labour Union Member (Employee) Representative Conference and other laws and regulations. On 29 March 2019, we convened the second session of the fifth Labour Union member (employee) representative conference with a total of 230 formal representatives attending the meeting. Six resolutions were approved at the meeting, including the Resolution

on the 2018 Labour Union Committee’s Work Paper, Resolution on the 2018 Labour Union’s Financial Work Paper, Resolution on the Labour Union Funds Audit Report, Resolution on the Corporate Annuity Plan (Revised), Resolution on the Management System over Attendance (Revised) and Leaves and the Resolution on Addressing Irregularities of Staff (Revised).

We keep updating the contact information of all senior management member to ensure that the staff can have direct communications with management to discuss about the issues detected, and raise opinions or suggestions regarding the business development and internal management. Our staff can choose to communicate in person or via text messages, phones, letters, e-mails, etc. We continued to carry out “Daily Discovery Practice”. In 2018, there were altogether 1,543 forms soliciting for issues and suggestions that we collected through this activity, dramatically increasing by 83.91% compared to last year.



Caring for employees' physical and mental health

● Health examination

Every year, we organize our staff to receive a health examination at a first-class hospital at grade 3 (the highest level in the three-grade and six-level classification system for hospitals in China). We also organize female employees to receive an extra health examination to provide timely care for them and to safeguard their health.

● Health knowledge lectures

The Labour Union of the Bank invited the former director of the Emergency Department of Qingdao Women's and Children's Hospital to give a lecture on common fatal diseases, personal health management, and first aid measures on 9 March 2018 to help gain health knowledge and tips for employees to stay physically and mentally healthy.

● Providing financial aid to employees in need

On New Year's Day and the Spring Festival of 2019, we conducted caring activities like visiting and comforting retired workers, outstanding workers and employees in financial difficulty by the Bank's leadership to give a full paly to the Labour Union's role as a strong bond connecting the leadership and the employees.

We tried all possible methods to resolve our staff's actual difficulties, such as making mutual benefit insurance compensation for staff suffering from serious disease or was hospitalized during the year to relieve their financial stress, and encouraging eligible branch labour unions to participate in local mutual insurance for employees to ex-

pand the insurance coverage and employees' benefits.

During 2018, we contributed RMB138,400 to the mutual medical insurance scheme, and the claim cases we handled in the year reached 311 person-times, with compensation payments exceeding RMB162,000. In addition, we have also visited employees and their families in financial difficulty, and during the New Year's Day and the Spring Festival of 2018, we distributed a total of RMB89,000 as relief payments to 18 employees who were sick or in financial difficulty.

ten thousand
13.84 

We made contribution to the mutual medical insurance scheme for employees reached

ten thousand
16.2 

The claim cases we handled in the year reached 311 person-times, with compensation payments totalling

ten thousand
8.9 

We distributed to 18 employees who were sick or in financial difficulty reached

● Public holiday benefits

To celebrate each Labour Day, we visit the recipients of the Bank's Role Model Worker Award and the Outstanding Worker Award. We also carry out a special initiative for safeguarding female employees' interests to celebrate International Women's Day each year. To mark the Anniversary of the Bank, we organize employees that perform well to concerts or other activities that benefits their health.

Setting up a learning system

We held the 2018 "Qingyin Craftsmen" Skills Contest and the overall achievement was quite satisfying, which embodied our staff's craftsmanship and met the goal of overall operation drills and therefore contributed a lot to the continuous improvement of our services.

Based on the Postdoctoral programme, we enhanced our research on macroeconomics, industry and policies, and offered opinions and suggestions for the development of the Bank's business to effectively improve the value of research results in terms of reference. In 2018, we released a total of 290 articles in our Daily Coverage, 55 articles in Internal Research Weekly, and published more than 10 articles in renowned journals in the banking sector, such as the Bankers, Banking in China, International Finance and View Financial (Bank & Customer). In addition, we assumed 6 major research subjects of provincial or local level.

We proactively held activities under the Leyan Forum, which served as a platform for our frontline staff to contribute and share their opinions

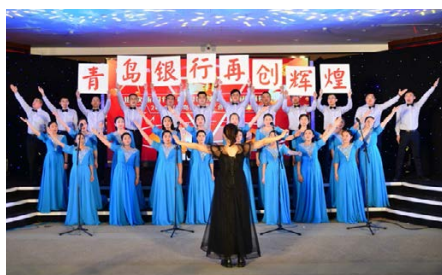
and advices regarding policy analysing, characteristic development and industrial surveys. In addition, we also learned from the frontline services and research functions and turned their comments and wisdom into research results. In doing so, we intensified our efforts to turn the results into productivity and further improve the support of research results in business development.

We also proactively participated in external subject researches. We won the Third Prize in the 2017 Composition Contest for Banking Entities Supporting Wealth Management, the Second Prize of the 2017 Key Research Subjects granted by the Financial Society of Shandong province, the First Prize of the 2017 Key Research Subjects granted by the Financial Society of Qingdao City and the Outstanding Prize of the 2017 Key Research Subjects on Decision-Making and Consulting in the Jinjialing Financial District of Qingdao.

More free time activities available for employees

● Cultural activities

We held diversified evening parties to celebrate important festivals like New Year's Day, the Spring Festival and the Moon Cake Day, which were aimed to enrich our staff's idle cultural life. The General Labour Union carried out multiple activities with various subjects, such as culture lectures, speech contests, reading contests, photography and calligraphy exhibitions, cultural performances and concerts organized and conducted by the staff.



“New age eulogized,new development of BQD, new improvement through endeavour”
——BQD staff choir competition



Hobby clubs

We proactively advocated and conducted popular cultural and sports activities and taken these activities as important platforms to establish and enhance righteousness, cohesion and consociation in staff and propel our business development. These activities helped refresh our staff so that they could commit themselves to daily work.

During recent years, the Labour Union of BQD established all kinds of hobby clubs to meet our staff's various cultural demands and

enrich their idle cultural sports, such as "Ping-Pong Club", "Football Club", "Badminton Club", "Basketball Club", "Mountaineering Club", "Photographing Club", "Choir", "Military Band", "Drum Band", "Yoga Club", "Bicycling Club", "Sail boating Club", "Fishing Club", "Taiji Club", etc. We also constructed cultural galleries, bookstores and fitness facilities for our staff.



Scene photo of sail boating club



Sports meetings

To celebrate the International Women's Day, all institutions throughout the Bank held sports meetings, which demonstrated our female staff's thriving spirits and positive attitude towards life and created rich festival atmospheres for our staff to relax themselves in huge fun.

Staff House

To provide our staff with more recreational options after work, the Labour Union of the Bank has established the Staff House and made improvement to it on a ongoing basis. Within the Staff House, there is a yoga room, work-out room, reading room, nursery room, an exhibit area for showcasing employees' calligraphy work and paintings, Ping-Pong table, and billiard tables. There were also women's changing room and men's changing room, showers stalls, toilets and

self-service drink machine. We have developed a complete management measures for the staff house. The staff house not only opens to the staff on a daily basis, but also becomes the venue for various activities organized by the Labour Union, including lantern riddle guessing on Lantern Festival, Activities for celebrating International Women's Day, and work-out sessions for the staff.



Professional training and career development

We have always attached great importance to conducting professional trainings for our staff. We have continuously improved the training system by optimizing training programmes and expanding training subjects in light of our overall development plan. In order to further enhance the knowledge and professional skills of our staff in general, we continued to promote the trainings for middle and senior management, professionals and new employees in 2018. The training session we had in 2018 covered 99,207 person-times, and the total number of them reached 2,237.

● Enhancing professional skills trainings across business lines

We had regular professional trainings across business lines to meet the need of the Bank for business development and of the staff for improvement of professional skills. Such trainings included regular training courses for customer managers on a weekly and monthly basis, the training on protecting customers' rights and interests, the training programme on combining marketing with provision of service, and specific business trainings for customer service functions.



Training on wealth efficiency improvement



Training on identification and control of legal risks in counter business operation

● Continuous efforts in holding training programs for middle-level and senior management

We continued to carry out Longyue Program and organized a studying program for management in the Churchill College of Cambridge University in UK and the National University of Singapore, which was aimed to improve the comprehensive qualifications of our management staff, broaden their minds and improve their management and risk control abilities to shape their leading roles in our daily work.



Training in Cambridge University

● New employee orientation

We organized induction training for newly recruited college graduates as well as new employees at Tai An Branch in 2018. About 200 people participated in the training, which included introduction to the Bank's history and corporate culture, the Bank's brands, organization structure, staff management, service philosophy and risks and compliance system, and sessions to gain basic business knowledge and skills. Based on the feedbacks to the previous training courses, we rearranged the courses and extended the training hours for counter operation and enhanced requirements for employees on the mastering of the counter system operation.



2018 new employee induction training

Supporting Charity and Poverty Alleviation Programs

As a member of the community, we have made it our principle to proactively perform our corporate social responsibility. In order to achieve a harmonious relationship with the society, we have proactively taken measures to perform our corporate social responsibility, engage our people in charity programs, carry out target poverty alleviation programs and support vulnerable groups in recent years.

Targeted poverty alleviation

During the year, the bank made tremendous contribution to Qingyin Charitable Foundation by undertaking poverty alleviation programs through financial services and targeted poverty alleviation and other welfare activities.

Project name	Amount (RMB'0000)	Purpose
Poverty-Stricken Village Revitalization Project in Xiaobali village of Liaolan town, Pingdu district	34.5	Rural area revitalization, infrastructure construction, roads stiffening project, street lights installation, village committee office renovation etc.
Poverty Alleviation and Revitalization Project in Linjia village of Liaolan town, Pingdu district	22.8	Cottage renovation, roads stiffening project, street lights installation etc.
Beautiful Villages Construction Project in Tianheng Island of Jimo district	15	Infrastructure renovation and improvement and bridge construction in Huanglongzhuang village and Shandongtou village of Tianheng Island, Jimo district
Poverty Alleviation Project in Checun, Rushanzhai town, Weihai city	3	Supporting the construction of cement roads in Checun, Rushanzhai town

Supporting vulnerable groups

In 2018, we continued to implement the initiative to spread financial knowledge in rural area and understand the needs of the children of migrant workers. In addition, we regularly organized our volunteers to visit the elderly, left-behind children and the disabled. These actions further strengthened our image as a responsible bank.



Taian sub-branch Caring Donation Activity



Charity Auction organized by the General Business Department of the head office



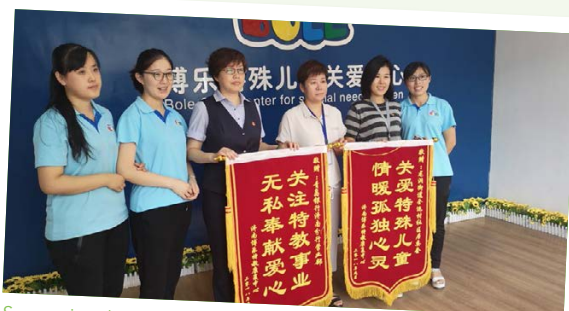
Visiting and Helping Visually-Impaired Students by Shinan Sub-branch



Cold-proof Clothing Donation in Xinjiang Chaerqi Middle School organized by Shinan Sub-branch



Participation in the 2018 Christmas Party of Chaoran School by Guantaolu Branch with donation of drawing pens, picture books, card papers, stationery and face masks and other suppliers for children suffering from autism



Supporting the Children with Special Needs by Jinan Branch



Visiting and Comforting the Needy Children in Ezhuang Central School of Zichuan by Zibo Branch



Voluntary Blood Donation organized by Laiwu Branch



Warmth Delivery in Spring with Provisions from BQD for Parent Committee of Class 9 Grade 1 conducted by Zaozhuang Branch in Wenhualu Primary School



Student Assistance Activity with Provisions from BQD by Zaozhuang Branch in Zhoucun Nine-year School



Visiting and Comforting Children with Special Needs in Tongxingzhijia by Xiangyanglu Branch



Welfare Activity to Comfort Left Behind Children conducted by Weifang Branch in Tanjia Qiuyu village, Tuoshan town, Anqiu city with provisions of back bags, stationery, basketballs, footballs and other school supplies and sports equipment

Supporting the development of scientific, educational, cultural and sanitary career

● Setting up scholarships

We continued our contribution to the “Qingyin Scholarships” in nine universities, including Shandong University, Ocean University of China, Shandong University of Science and Technology and Qingdao University.

Name of university	Amount (RMB'0000)
Shandong University	50
Ocean University of China	50
Qingdao University	50
Shandong University of Science and Technology	50
Shandong Technology and Business University	30
Qingdao University of Science and Technology	30
Shandong Agricultural University	30
Qingdao University of Technology	30
Qingdao Agricultural University	30

● Caring for children



Linyi Branch established voluntary service booth to support students in the college entrance examination period by offering consulting, road directing and water supplying and other services to students and their families for the second consecutive year



Jining Branch organized the BOD Cup Story Champion Contest

● Initiative of National Reading Program



The Fancy Reading Book Storage Station was launched by the shinan Sub-branch for the purpose of fostering customers' reading habits and helping them kill time when queuing in the business lobbies. This move offered book-exchange chances for citizens and donators are welled recognised and granted with titles of reading ambassadors. The Sub-branch also prepared and maintained a list of donators and affix the donated books with the seat of Fancy Reading Book Storage Station of BQD Shinan Sub-branch



On the occasion of the World Reading Day and the Navy Day, the Bank's Zhenjiang Road Community Sub-branch invited the navy officers and soldiers and the officer of the Shandong branch of the Fanden Reading Club to visit the Sub-branch and celebrate the festival by sharing their books and reading experiences

● Participation in National Fitness Program



Xu Tonghui, our staff in Linyi Branch, fully participated in the shooting of promotional film for the 2018 international marathon held in Linyi as the image ambassador

Conducting voluntary activities

● Staff volunteer activities in 2018

Activity name	Date	Content	Location
Supporting targeted poverty alleviation and caring for orphans and the elderly with respect	February to October 2018	(1) Comforting and helping orphans	Qingdao Children's Welfare Home
		(2) Visiting and helping the poor during the Spring Festival by Lijin Sub-branch	Lijin county of Dongying city
		(3) Visiting and comforting 10 needy students in Ezhuang Central School in Zichuan	Ezhuang Central School in Zichuan of Zibo City
		(4) Holding party with children in Yilin autism schools	General business department of head office of BQD
		(5) Caring the elderly in Yuanxiang Nursing Home	Yuanxiang Nursing Home in Qingdao
Activities in Chinese Arbor Day	March 2018	(1) Participating in tree-planting activities by volunteers from sub-branch in Dongying district	Wangquan village in Dongying City
		(2) Participating in government-organized tree-planting activities in Chengyang district	Southwest of the intersection of Shuangyuan road and Donghuan road in Chengyang district of Qingdao city
		(3) Recycling worn and torn stuff for the exchange of succulent plants	Yanan Sanlu Sub-branch of BQD
		(4) Participating in the Green City, Beautiful Yantai large-scale public welfare tree-planting activities	Qingyang river in Fushan district of Yantai City
		(5) Participating In the Opening Ceremony and Memorial Forest Tree-planting activities organized by the Volunteers Alliance of Mashang town	Square for Cultural Activities in Jiuji village of Zibo City
Initiative to learn from Lei Feng	March 2018	(1) Visiting kids with special needs	Tongxingzhijia Rehabilitation Center for kids with special needs
		(2) Participating Civilized Citizens and Civilized Community activities and the Launching Ceremony for the Month to learn From Lei Feng in Zibo city and Zhangdian district	Comprehensive gymnasium in the Sport Center of Zibo City
		(3) Conducting Little Banker parent-child activities together with experimental middle school to arm 10 kids with financial knowledge during their visit to the sub-branch with their parents	1st floor in the business hall of BQD Dongying Sub-branch
Promotion activities on consumers' rights and interests protection day	March 2018	(1) Conducting promotion activities on consumers' rights and interests at the department store of Lijin county	Lijin county of Dongying city
		(2) Conducting popularization activities to protect consumers' rights and interests in enterprises	Xudong Labour Service Company in Dongying city

Activity name	Date	Content	Location
Volunteer activities to popularize Financial knowledge in colleges	May to October 2018	(1) Popularization activities on financial knowledge into middle school	the 1 st middle school in Qingdao city
		(2) Popularization activities on basic knowledge of Renminbi in primary school	Changshalu primary school in Shibei district of Qingdao city
		(3) Little Banker activities in sub-branch	Wusi Square Sub-branch of BQD
		(4) Consulting, road directing and water supplying and other volunteer services during the college entrance examination period	the 4 th middle school in Linyi city
Volunteer activities to popularize Financial knowledge in enterprises and communities	September to October 2018	(1) Popularization activities on financial knowledge in enterprises conducted by Lijin Sub-branch	Lijin county of Dongying city
		(2) Popularization activities on financial knowledge in communities and streets conducted with other financial institutions	Streets in Bancheng town of Linyi city
		(3) Popularization activities on counter-financial fraud for the elderly conducted with Zhenjiang Road Street Office and 12349E nursing centers in Shibei	Zhenjiang Road Street Office in Shinan district of Qingdao city
		(4) Popularization activities on common sense of anti-counterfeiting for residents in residential areas	Shundeju residential area in Qingdao city
		(5) Popularization activities on common sense of anti-counterfeiting in communities	Communities around the sub-branch of Chengyang Branch
The Seventieth Anniversary Exhibition of Renminbi	November 2018	Organizing a voluntary visit to the Seventieth Anniversary Exhibition of Renminbi for employees	Shandong Provincial Museum
Volunteer activities to popularize credit investigation	June 2018	Popularization activities on credit investigation at Sanli agricultural trading market conducted by Lijin Sub-branch	Lijin county of Dongying city
Social responsibilities proactively assumed	May to December 2018	(1) Our staff acted as the image ambassador in the promotional film for the international marathon held in Linyi city	Linyi city
		(2) Voluntary activity to persuade citizens into civilized manners in traffic	Intersection of Jinjing Revenue and Lutai Revenue in Zibo city
		(3) Voluntary blood donation	Guangrao Sub-branch in Dongying city
		(4) Garbage collection and environment protection knowledge promotion	Botanical garden in Kenli district of Dongying city

Improvement to CSR reporting

In 2018, the Bank prepared its CSR Report in accordance with the Measures for the Regulation of BQD on Annual CSR Report Preparation and Disclosure (Trial) and related requirements and guidelines.

In preparing its CSR report, the Bank focused on the economic, environmental and social impact of its operating and management activities and considered its business development in light of the national macroeconomic policy, the Bank's strategy priorities and social hot issues. In this way, the Bank was able to respond to the demands of various stakeholders. As a result, the social responsibility indicators were more targeted and effective. The Bank's CSR report was more standardised and creditable with the engagement of a third party to perform assurance work.

To increase the value of CSR reporting, the Bank will further standardise its report by disclosing more CSR information, and explore different ways to disseminate the content in the CSR report so that CSR reporting truly becomes a key means to help raise brand awareness, enhance employee loyalty, increase customer satisfaction and respond to social concerns.

Prospects for 2019

In 2019, we took Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era as our guide and got a profound understanding of the guiding principles of the Central Economic Work Conference; we focused on the major provincial and municipal projects on shift between new and old drives and complied with the requirements released by Qingdao Municipal Party Committee and Municipal Government for achieving new achievements while strengthening the existing ones; we insisted on propelling development with responsibility, improving management by standardization and operating business with brand services to give full play to our 4 core competitiveness (i.e. extraordinary customer experience, leading financial technology, strong risk governance, and sophisticated internal management), which tremendously contributed to the shaping of a new finance boutique bank which will be technology-led, sophisticatedly managed and distinctive.

To promote economic growth, we'll commit ourselves to the provision of quality financial services for major national and regional development strategies, reform measures, and engineering projects; our policies will be weighted toward the support for the growth of the real economy, and entity enterprises will be the priority for credit expanding; we'll proactively implement the central government's policy to promote inclusive finance and support the growth of small, medium and micro-sized enterprise; we'll pursue technology and finance, and develop new investment, insurance and loan products and services to support the growth of hi-tech enterprises; we'll increase financial support for innovation-driven development, business start-up and innovation initiative; we'll promote local economic transformation and upgrading via new operational models, such as port finance, cultural and creative industry finance and clothing trade finance.

To strengthen environmental protection, we'll continue to explore new ways to improve the quality of our services online and with greater efficiency, and speed up our efforts to make our online service more

intelligence technology-enabled, and improve mobile finance plus mobile office; we'll continue our efforts to reduce both material and energy consumption by promoting paperless over-the-counter services, replacing company stamps with the electronic seal system, and making files digitalized; we'll move forward our strategy to promote green finance, and technology and finance, and support the growth of environmentally-friendly and energy-saving enterprises; we'll continue to advocate a thrift corporate culture, strengthen internal governance, and reduce water, power, gas and paper consumption per full-time employee (FTE).

To promote social progress, we'll continue our efforts in funding the Qingyin Charitable Funds, conducting poverty alleviation, student assistance activities through financial services and exploring "Agency Outlets" model for targeted poverty alleviation to popularize the Bank's all-benefit financial products and services in rural areas; we'll adopt a holistic approach to strengthen the protection of financial consumers' rights and interests to create warm and valuable service experience, and propel our volunteer activities in communities, schools and rural areas; we'll carry out our caring culture and build up development platform for more back-up elites for "Chuying Scheme" to stand out and to be seen; we'll advocate for healthy lifestyle and conduct diversified club activities to enrich employees' idle cultural life.

We will, as a civic corporate, assume responsibilities and take initiatives in the future; we will adhere to the unification of our economic responsibility, environmental responsibility and social responsibility and stick to our core values of "Customer First, Employee-oriented, Taking Social Responsibility and Shareholder Return as Our Responsibility and the Pursuit of a Better Life as Our Purpose"; we will also take steady measures in our advancement to propel a healthy and sustainable development of the Bank of Qingdao with quality services.



Appendix

Independent Limited Assurance Report

KPMG Huazhen Zhuan Zi No. 1900851

To the Board of Directors of Bank of Qingdao Co., Ltd.:

We were engaged by the Board of Directors of Bank of Qingdao Co., Ltd. ("the Bank") to provide limited assurance on the 2018 Corporate Social Responsibility (Environmental, Social and Governance) Report of the Bank for the year ended 31 December 2018 ("the CSR Report").

(1) Responsibilities of the Board of Directors

The Board of Directors of the Bank is solely responsible for the preparation and presentation of the 2018 CSR Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of the Shenzhen Stock Exchange's Guidelines for Standardized Operation of Companies Listed on the Small and Medium-sized Enterprise Board ("SZSE's Guidelines") and The Stock Exchange of Hong Kong Limited's Guidelines for Environmental, Social and Governance Reporting ("SEHK's Guidelines").

The Board of Directors is also responsible for designing, implementing and maintaining internal control that enables the preparation and presentation of the CSR report that is free from material misstatement, whether due to fraud or error.

(2) Responsibilities of KPMG

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our work in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and complied with the applicable requirements of International Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Our independent limited assurance report is made solely to the Bank in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of the Bank those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than the Bank for our work, for this independent limited assurance report, or for the conclusions we have reached.

(3) Summary of work performed

A limited assurance engagement on a CSR report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the CSR report, and applying analytical and other procedures, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of the Bank's processes for determining the material issues for the Bank's key stakeholders;
- Interviews with management and relevant staff at the Bank concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at the Bank responsible for providing the information in the CSR Report;
- A media analysis and an internet search for references to the Bank during the reporting period;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the CSR Report;
- Comparing the information presented in the CSR Report to corresponding information in the relevant underlying sources by limited testing to determine whether key information contained in such underlying sources has been included in the CSR Report;
- Reconcile key financial data and figures with the audited financial statements; and
- Reading the information presented in the CSR Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Bank.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore, a lower level of assurance is provided. In addition, our work was not undertaken for the purpose of opining on the effectiveness of the Bank's systems and procedures.

(4) Conclusions

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the CSR Report of the Bank is not prepared, in all material respects, in accordance with the SZSE's Guidelines and the SEHK's Guidelines.

KPMG Huazhen LLP

Beijing

4 June 2019

ESG Report Indicator Index

Content of ESG Report Indicator Index released by Hong Kong Stock Exchange

Subject Areas and Aspects	General Disclosures	In this report	KPIs	In this report
A. Environment				
A1 Emissions	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Pages 33-35	A1.1 The types of emissions and respective emissions data	Page 35
			A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Page 35
			A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Page 34
			A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Page 34
			A1.5 Description of measures to mitigate emissions and results achieved	Pages 33-35
			A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Page 34
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials	Pages 11, 33-35	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Pages 11, 35
			A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Pages 11, 35
			A2.3 Description of energy use efficiency initiatives and results achieved	Pages 33-35
			A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Page 33
			A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	N/A
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources	Pages 31-36	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Pages 31-36
B. Society				
B1 Employment	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Pages 48-49	B1.1 Total workforce by gender, employment type, age group and geographical region	Page 48
			B1.2 Employee turnover rate by gender, age group and geographical region	Page 48

Subject Areas and Aspects	General Disclosures	In this report	KPIs	In this report
B2 Health and Safety	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Pages 48-50	B2.1 Number and rate of work-related fatalities	Page 48
			B2.2 Lost days due to work injury	Page 48
			B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored	Pages 48-50
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work; Description of training activities	Page 54	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Note 1
			B3.2 The average training hours completed per employee by gender and employee category	Note 1
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Page 48	B4.1 Description of measures to review employment practices to avoid child and forced labour	Page 48
			B4.2 Description of steps taken to eliminate such practices when discovered	N/A
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain	Page 35	B5.1 Number of suppliers by geographical region	Page 35
			B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Page 35
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Pages 43,45	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A
			B6.2 Number of products and service related complaints received and how they are dealt with	Page 43
			B6.3 Description of practices relating to observing and protecting intellectual property rights	Page 45
			B6.4 Description of quality assurance process and recall procedures	N/A
			B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	Page 43
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Pages 44-46	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Page 46
			B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Pages 44-46
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Pages 55-60	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Pages 55-60
			B8.2 Resources contributed (e.g. money or time) to the focus area	Pages 55-60

Note 1: The Bank will disclose the relevant information in a planned manner in the future

Feedback from Readers

Thank you for reading the 2018 Corporate Social Responsibility Report of Bank of Qingdao. For the purpose of enhancing information communication, better understanding and meeting your expectations and demands, providing more valuable information for your and other stakeholders and improving the Bank's ability to perform its corporate social responsibility, we hope that you can share with us your valuable comments and suggestions on this report by completing the feedback from below and sending it to us via any of the following ways:

Tel: +86 (532) 81758306

Fax: +86 (532) 81758888

E-mail: bgs@qdbankchina.com

Address: BQD Building, 6 Qinglin Road, Laoshan District, Qingdao City, Shandong Province, China

Postal code: 266061



1. Which kind of stakeholder are you?

- ☐ Customer ☐ Staff ☐ Government ☐ Regulator ☐ Shareholder
☐ Supplier ☐ Partner ☐ Community ☐ Environment ☐ Others

2. What do you think of this report in general?

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

3. How well do you think Bank of Qingdao performs its corporate social responsibility for improving economic growth?

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

4. How well do you think Bank of Qingdao performs its corporate social responsibility for improving the environment?

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

5. How well do you think Bank of Qingdao performs its corporate social responsibility for improving social progress?

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

6. Do you think Bank of Qingdao meets your expectations and demands?

- ☐ No ☐ Average ☐ Yes

7. Do you think this report gives a true and fair picture of how Bank of Qingdao performs its corporate social responsibility for promoting economic, environmental and social progress?

- ☐ No ☐ Average ☐ Yes

8. Do you think this report is clearly stated and easy to understand?

- ☐ No ☐ Average ☐ Yes

9. Do you think the structure and typography of this report is suitable for reading?

- ☐ No ☐ Average ☐ Yes

10. Do you have any other comments or suggestions on this report or on how the Bank of Qingdao can perform its corporate social responsibility better:

Thank you for your feedback and support!