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

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

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# BQD 🛄 青岛银行

# Bank of Qingdao Co., Ltd.\* 青島銀行股份有限公司\*

(A joint stock company incorporated in the People's Republic of China with limited liability) (H Shares Stock Code: 3866)

## (Preference Shares Stock Code: 4611)

# **PROPOSAL FOR RIGHTS ISSUE** PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE **AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATED TO RIGHTS ISSUE** CHANGE IN REGISTERED CAPITAL AND THE CORRESPONDING AMENDMENTS TO **RELEVANT CLAUSES IN THE ARTICLES OF ASSOCIATION UPON THE COMPLETION OF RIGHTS ISSUE** FULFILLMENT OF ISSUE CONDITIONS OF RIGHTS ISSUE **REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS REPORT ON THE FEASIBILITY OF USE OF PROCEEDS FROM RIGHTS ISSUE RISK REMINDER OF AND REMEDIAL MEASURES FOR THE DILUTION OF** CURRENT RETURNS BY RIGHTS ISSUE TO ORIGINAL SHAREHOLDERS AND **COMMITMENTS BY RELEVANT ENTITIES** SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023) AND NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING NOTICE OF 2021 FIRST H SHARE CLASS MEETING

The letter from the Board is set out on pages 5 to 25 of this circular.

The Bank will hold the 2021 First EGM and Class Meetings at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Friday, 26 March 2021. The notices of the 2021 First EGM and the 2021 First H Share Class Meeting are set out on pages 89 to 92 and pages 93 to 96 respectively, of this circular.

If you intend to attend and/or vote at the 2021 First EGM and/or the 2021 First H Share Class Meeting, you are required to complete such proxy form in accordance with the instructions printed thereon and return it to the H Share Registrar (for H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) not less than 24 hours before the designated time for convening the related meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the 2021 First EGM and/or the 2021 First H Share Class Meeting or at any adjournment thereof.

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

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

"2021 First EGM" or "EGM"	the 2021 first extraordinary general meeting of the Bank to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Friday, 26 March 2021
"2021 First A Share Class Meeting" or "A Share Class Meeting"	the 2021 first A Share class meeting of the Bank to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC on Friday, 26 March 2021, immediately after the conclusion of the 2021 First EGM
"2021 First H Share Class Meeting" or "H Share Class Meeting"	the 2021 first H Share class meeting of the Bank to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC on Friday, 26 March 2021, immediately after the conclusion of the 2021 First EGM and the 2021 First A Share Class Meeting
"A Rights Share(s)"	the new A Share(s) proposed to be placed and issued to Qualified A Shareholders pursuant to the A Share Rights Issue (less any A Shares not taken up by the A Shareholders)
"A Share Rights Issue Record Date"	a date to be determined by the Board or its authorized person(s) by reference to which entitlements to the A Share Rights Issue are to be determined
"A Share Rights Issue"	the proposed issue of up to 823,996,506 A Rights Shares at the Rights Issue Price on the basis of up to three (3) A Rights Shares for every ten (10) existing A Shares held on the A Share Rights Issue Record Date
"A Shareholder(s)"	holder(s) of A Shares
"A Share(s)"	the Bank's ordinary share(s) of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (stock code: 002948) and traded in RMB
"Articles of Association"	the Articles of Association of the Bank
"Bank"	Bank of Qingdao Co., Ltd. and its branches
"Board" or "Board of Directors"	the board of Directors of the Bank

"Board of Supervisors"	the board of Supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	former China Banking Regulatory Commission
"China Clear"	China Securities Depository and Clearing Corporation Limited
"Class Meeting(s)"	2021 First A Share Class Meeting and 2021 First H Share Class Meeting
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Bank
"Excluded Shareholder(s)"	Overseas Shareholder(s) whom the Board, based on relevant opinions provided by legal advisers, considers it necessary or expedient to exclude any such Overseas Shareholder(s) from participating in the Rights Issue on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Rights Share(s)"	the new H Share(s) proposed to be placed and issued to the Qualified H Shareholders pursuant to the H Share Rights Issue (less any H Shares not taken up by the H Shareholders)
"H Share Rights Issue Record Date"	a date to be determined by the Board or its authorized person(s) by reference to which entitlements to the H Share Rights Issue are to be determined
"H Share Rights Issue"	the proposed issue of up to 528,910,494 H Rights Shares at the Rights Issue Price on the basis of up to three (3) H Rights Share for every ten (10) existing H Shares held on the H Share Rights Issue Record Date

"H Share Rights Issue Prospectus"	the prospectus in relation to the H Share Rights Issue to be issued by the Bank and despatched to the H Shareholders, which contains further details of the H Share Rights Issue
"H Shareholder(s)"	holder(s) of the H Shares
"H Shares"	overseas listed foreign shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange (stock code: 03866) and traded in Hong Kong dollars
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise revised from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"nil-paid H Rights Share(s)"	the rights to subscribe for H Rights Shares (in the form of H Rights Shares in nil-paid form) before the Rights Issue Price is paid
"Overseas Shareholder(s)"	H Shareholder(s) whose name(s) appear(s) on the register of members of the Bank on the H Share Rights Issue Record Date and whose registered address(es) is/are in a place outside Hong Kong
"Latest Practicable Date"	5 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this circular, Hong Kong, the Special Administrative Region of Macau and Taiwan

"PRC Southbound Trading Investors"	PRC investors holding the shares of Hong Kong listed companies through China Clear, the agent of Shenzhen- Hong Kong Stock Connect
"Qualified A Shareholder(s)"	A Shareholder(s) whose name(s) appear(s) on the register of members of the Bank on the A Share Rights Issue Record Date (excluding Excluded Shareholders)
"Qualified H Shareholder(s)"	H Shareholder(s) whose name(s) appear(s) on the register of members of the Bank on the H Share Rights Issue Record Date (excluding Excluded Shareholders)
"Record Date"	A Share Rights Issue Record Date and/or H Share Rights Issue Record Date
"Rights Issue"	A Share Rights Issue and/or H Share Rights Issue
"Rights Issue Price"	the final subscription price for the A Rights Shares and the H Rights Shares to be offered pursuant to the Rights Issue
	10000
"Rights Share(s)"	A Rights Share(s) and/or H Rights Share(s)
"Rights Share(s)" "RMB"	
-	A Rights Share(s) and/or H Rights Share(s)
"RMB"	A Rights Share(s) and/or H Rights Share(s) Renminbi, the lawful currency of the PRC
"RMB" "Share(s)"	A Rights Share(s) and/or H Rights Share(s) Renminbi, the lawful currency of the PRC A Share(s) and/or H Share(s) of the Bank
"RMB" "Share(s)" "Shareholder(s)" "Shenzhen-Hong Kong Stock	<ul> <li>A Rights Share(s) and/or H Rights Share(s)</li> <li>Renminbi, the lawful currency of the PRC</li> <li>A Share(s) and/or H Share(s) of the Bank</li> <li>holder(s) of Shares</li> <li>the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC Nominees Limited and China Clear for linking the markets of Hong Kong</li> </ul>

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

# BQD 🚨 青岛银行

# Bank of Qingdao Co., Ltd.\* 青島銀行股份有限公司\*

(A joint stock company incorporated in the People's Republic of China with limited liability) (H Shares Stock Code: 3866) (Preference Shares Stock Code: 4611)

# Members of the Board:

Executive Directors: GUO Shaoquan (Chairman) WANG Lin LU Lan

Non-executive Directors: ZHOU Yunjie Rosario STRANO TAN Lixia Marco MUSSITA DENG Youcheng CHOI Chi Kin, Calvin

Independent Non-executive Directors: CHEN Hua DAI Shuping Simon CHEUNG FANG Qiaoling Tingjie ZHANG Registered Address and Address of Head Office: Building No. 3, No. 6 Qinling Road

Laoshan District Qingdao, Shandong Province the PRC

Address of the Registered Office in Hong Kong: 31st Floor, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong

To the Shareholders

Dear Sir or Madam,

## **PROPOSAL FOR RIGHTS ISSUE** PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS **RELATED TO RIGHTS ISSUE** CHANGE IN REGISTERED CAPITAL AND THE CORRESPONDING AMENDMENTS TO **RELEVANT CLAUSES IN THE ARTICLES OF ASSOCIATION UPON THE COMPLETION OF RIGHTS ISSUE** FULFILLMENT OF ISSUE CONDITIONS OF RIGHTS ISSUE **REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS REPORT ON THE FEASIBILITY OF USE OF PROCEEDS FROM RIGHTS ISSUE RISK REMINDER OF AND REMEDIAL MEASURES FOR THE DILUTION OF** CURRENT RETURNS BY RIGHTS ISSUE TO ORIGINAL SHAREHOLDERS AND **COMMITMENTS BY RELEVANT ENTITIES** SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023) AND NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING NOTICE OF 2021 FIRST H SHARE CLASS MEETING

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

#### I. INTRODUCTION

Reference is made to the announcement of the Bank dated 26 February 2021. The Board of Directors invites you to attend the 2021 First EGM and the H Share Class Meeting to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC, at 9:00 a.m. on Friday, 26 March 2021. This circular aims to provide further information on matters set out in the above announcement and the notices of the 2021 First EGM and the H Share Class Meeting.

Prior to the commencement of the H Share Rights Issue, the Bank will make a further announcement and issue the H Share Rights Issue Prospectus, which will contain all relevant details of Rights Issue, including the definitive basis on which the Rights Shares to be issued, the maximum number of Rights Shares to be issued, the Rights Issue Price, the period of closure of the register of members for the H Shares and the H Share Rights Issue Record Date, the trading arrangements for H Rights Shares, the arrangements for the excess H Rights Shares, the underwriting arrangements and the expected timetable of the Rights Issue.

As the proposal for Rights Issue is subject to, among others, the approval of the Shareholders, the proposal for Rights Issue may or may not materialize. The proposal for Rights Issue is conditional upon the fulfillment of the conditions set out in this circular. If the conditions are not fulfilled, the Rights Issue will not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

# II. MATTERS TO BE CONSIDERED AT THE EGM AND/OR THE H SHARE CLASS MEETING

#### 1. Proposal for Rights Issue

In order to facilitate its stable and rapid development, further increase its operation strengths and enhance its core competitiveness and capability for sustainable development, the Bank proposes to issue A Rights Shares to Qualified A Shareholders and H Rights Shares to Qualified H Shareholders. The proposal for Rights Issue will include the following preliminary terms, but are subject to, among others, the implementation of the proposal for Rights Issue and the actual market conditions:

#### (1) Class and Par Value of the Shares to be Issued

The classes of the Shares to be issued under the Rights Issue are A Shares and H Shares with a par value of RMB1.00 per Share.

#### (2) Issuance Method

The issuance is conducted through rights issue of Shares to original Shareholders.

#### (3) Base, Proportion and Number of the Rights Issue

The A Share Rights Issue is proposed to be based on the total number of A Shares after the trading hours on the A Share Rights Issue Record Date, and the allotment will be made to all A Shareholders for Rights Issue on the basis of up to three (3) Shares for every ten (10) Shares. The H Share Rights Issue Record Date, and the allotment will be made to all H Shareholders for Rights Issue Record Date, and the allotment will be made to all H Shareholders for Rights Issue on the basis of up to three (3) H Rights Shares for every ten (10) H Shares, with fractions of less than one (1) Rights Share to be dealt with according to the relevant requirements of the stock exchanges and securities registration and settlement institutions of the places where the securities are traded at. The subscription portion of both A Shares and H Shares are the same.

If, based on the Bank's total share capital of 4,509,690,000 Shares as at the Latest Practicable Date (including 2,746,655,020 A Shares and 1,763,034,980 H Shares), and assuming there is no change in the issued share capital of the Bank between the Latest Practicable Date and the Record Date, the number of Rights Shares is estimated to be not more than 1,352,907,000 Shares, among which, the number of A Rights Shares would not exceed 823,996,506 Shares and the number of H Rights Shares would not exceed 528,910,494 Shares. In the event that the total share capital of the Bank changes due to any bonus issue, capital conversion from capital reserve and other reasons before the Rights Issue, the number of Rights Shares will be adjusted accordingly based on the total share capital after the change.

The A Share Rights Issue will proceed on a best effort basis and the H Share Rights Issue will be fully underwritten pursuant to Rule 7.19(1) of the Hong Kong Listing Rules.

#### (4) Pricing Principle and Price for the Rights Shares

#### (I) Pricing Principle

- 1. The pricing shall take into account valuation indicators such as stock prices, P/E ratios and P/B ratios of the Bank in the secondary market as well as the development and Shareholders' interests of the Bank;
- 2. The pricing shall take into account the core tier-one capital requirement of the Bank for the next three years;
- 3. The pricing shall be in compliance with principles determined through negotiation between the Bank and the sponsor institution(s) (underwriter(s)).

#### (II) Rights Issue Price

The Rights Issue Price is determined by using market discount method based on the trading conditions of A Shares and H Shares in the market prior to the publication of the issuance announcement of A Share Rights Issue and a further announcement on the H Share Rights Issue before the commencement of the H Share Rights Issue. The final Rights Issue Price will be determined through the negotiation between those parties authorized by the Board and the sponsor institution(s) (underwriter(s)) with reference to the market conditions before the issuance. The Bank will also consider the discount range of comparable H Shares right issue transactions of the Chinese financial institutions when determine the Rights Issue Price. The Rights Issue Prices of A Shares and H Shares are the same after exchange rate adjustments.

#### (5) Target Subscribers for the Rights Issue

In the Rights Issue, the target A Share subscribers for the Rights Issue will be all A Shareholders of the Bank, who registered with the Shenzhen branch of China Clear after the trading hours on the A Share Rights Issue Record Date, and the target H Share subscribers for the Rights Issue will be all H Shareholders determined on the H Share Rights Issue Record Date. The Record Date of the Rights Issue will be otherwise determined after the approval of the proposal for Rights Issue by CSRC.

#### (6) Distribution Plan for Accumulated Undistributed Profits Prior to the Rights Issue

The accumulated undistributed profits of the Bank prior to the Rights Issue shall be shared by all Shareholders on a pro-rata basis of their shareholding after the completion of the Rights Issue.

#### (7) Time of Issuance

The Shares will be placed to all Shareholders at a suitable timing within the stipulated period, after the approval from the regulatory authorities and the stock exchanges for the Rights Issue is obtained.

#### (8) Method of Underwriting

A Share Rights Issue will proceed on a best effort basis, and H Share Rights Issue will be fully underwritten.

#### (9) Use of Proceeds Raised in relation to the Rights Issue

The proceeds raised from the Rights Issue will not exceed RMB5.0 billion (inclusive).

After deducting relevant issuance fees, the net proceeds raised from the Rights Issue will entirely be applied for the replenishment of the Bank's core tier-one capital, to enhance the Bank's capital adequacy ratio, support the sustainable and healthy development of the Bank's business in the future as well as strengthen the Bank's capital strength and competitiveness.

#### (10) Validity Period of the Resolution in relation to the Rights Issue

The effective period of the resolution on the Rights Issue shall be 12 months starting from the date on which the resolution is approved by the Bank's EGM and the Class Meetings.

#### (11) Listing of the Shares to be placed

The A Shares placed will be listed on the Shenzhen Stock Exchange according to the relevant requirements after the completion of A Share Rights Issue.

The H Shares placed will be listed on the Hong Kong Stock Exchange according to relevant requirements after completion of H Share Rights Issue.

The implementation of this resolution is subject to the approval by the Qingdao Supervision Bureau of the CBIRC, the approval by the CSRC and obtaining other necessary approvals involved in the Rights Issue.

#### **Qualified H Shareholders**

Subject to, among others, approval by the Shareholders at the relevant general meetings, the Bank will send the H Share Rights Issue Prospectus to the Qualified H Shareholders, including the PRC Southbound Trading Investors (and to the extent permitted by the relevant laws, to the Excluded Shareholders for information purposes only). To qualify for the H Share Rights Issue, a Shareholder must:

- (i) be registered as a H Shareholder of the Bank on the H Share Rights Issue Record Date; and
- (ii) not be an Excluded Shareholder.

Before the commencement of the H Share Rights Issue, the Bank will announce the date by which the H Shareholders must lodge any transfer documents in relation to the existing H Shares (together with the relevant H Share certificates) with the H Share Registrar, in order for the transferee to become a H Shareholder of the Bank on or before the H Share Rights Issue Record Date.

The PRC Southbound Trading Investors will not be excluded from participation in the H Share Rights Issue.

#### **PRC Southbound Trading Investors**

The Board has made the relevant enquiries and were advised that the PRC Southbound Trading Investors may participate in the H Share Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid H Rights Shares on the Hong Kong Stock Exchange under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of their Shares held on the H Share Rights Issue Record Date at the Rights Issue price under the H Share Rights Issue in accordance with the relevant laws and regulations. However, China Clear will not support applications by such PRC Southbound Trading Investors for excess H Rights Shares under the H Share Rights Issue through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. In addition, according to the PRC legal adviser of the Bank, the PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in China Clear are credited with nil-paid H Rights Shares can only sell those nil-paid H Rights Shares on the Hong Kong Stock Exchange via China Clear under Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, and can neither purchase any nil-paid H Rights Shares nor transfer such nil-paid H Rights Shares to other PRC Southbound Trading Investors.

Save and except for the PRC Southbound Trading Investors and Qualified H Shareholders who have been exempted by or have obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations, according to the PRC legal adviser of the Bank, other Shareholders in the PRC are not entitled to participate in the H Share Rights Issue.

#### H Share Rights Issue Record Date

The H Share Rights Issue Record Date and the trading arrangements for the nil-paid H Rights Shares will be determined by the Board and once so determined, a further announcement will be made by the Bank. The H Share Rights Issue is conditional upon the fulfillment of the conditions set out under the section headed "Conditions of the H Share Rights Issue" in this circular. The H Share Rights Issue Record Date will not precede the date of the EGM and Class Meetings, or the date on which all relevant PRC governmental and regulatory approvals in relation to the Rights Issue are granted to the Bank.

#### **Trading of the H Rights Shares**

Dealings in the H Rights Shares in both their nil-paid and fully-paid forms registered with the H Share Registrar will be subject to the payment of stamp duty in Hong Kong. A further announcement will be made by the Bank regarding the trading arrangements for the H Rights Shares (in nil-paid and fully-paid forms) after such arrangements have been finalized by the Board.

#### Status of the H Rights Shares

The H Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the H Shares then in issue. Holders of fully-paid H Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares.

#### **Rights of Overseas Shareholders**

The H Share Rights Issue Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Bank will make enquiries regarding the feasibility of extending the H Share Rights Issue to the Overseas Shareholders. If, based on the advice received from the relevant legal advisers, the Board considers that it is necessary or expedient not to offer the H Rights Shares to certain Overseas Shareholders (who are Excluded Shareholders) on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place, the H Share Rights Issue will not be made available to the Excluded Shareholders.

The Bank will send copies of the H Share Rights Issue Prospectus to the Excluded Shareholders for their information only, but the Bank will not send any provisional allotment letters or excess application forms to the Excluded Shareholders.

#### **Application for Excess H Rights Shares**

Qualified H Shareholders of the Bank (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for any H Rights Shares to which unsold entitlements of the Excluded Shareholders relate and for any H Rights Shares provisionally allotted to the Qualified H Shareholders but not accepted.

Application for excess H Rights Shares may be made by completing the excess application form to be despatched to the Qualified H Shareholders together with the H Share Rights Issue Prospectus and lodging the same with a separate remittance for such excess H Rights Shares. The Board will allocate the excess H Rights Shares at its discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. The remaining excess H Rights Shares (if preference will be given) or all excess H Rights Shares (if no preference will be given) will be allocated to Qualified H Shareholders (other than the PRC Southbound Trading Investors) who have applied for excess H Rights Shares on a pro-rata basis with reference to their number of excess H Rights Shares applied for.

#### Conditions of the H Share Rights Issue

It is expected that the H Share Rights Issue will be conditional upon the fulfillment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the H Share Class Meeting and the A Share Class Meeting, respectively;
- (iii) the approval of the Rights Issue by the CSRC and other relevant regulatory authorities;
- (iv) the Listing Committee of the Hong Kong Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms on the Hong Kong Stock Exchange, either unconditionally or subject to such conditions which the Bank accepts and the satisfaction of such conditions (if any) by no later than the date of the delivery of the H Share Rights Issue Prospectus; and
- (v) the delivery to the Hong Kong Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by laws to be filed to and registered with the Companies Registry in Hong Kong.

None of the above conditions for completion of the H Share Rights Issue may be waived by the Bank or has been satisfied as of the Latest Practicable Date. If the conditions are not fulfilled, the H Share Rights Issue will not proceed.

## Conditions of the A Share Rights Issue

It is expected that the A Share Rights Issue will be conditional upon the fulfillment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the A Share Class Meeting and the H Share Class Meeting, respectively;
- (iii) the approval of the Rights Issue by the CSRC and other relevant regulatory authorities; and
- (iv) the subscription of the A Rights Shares by the A Shareholders being at least 70% of the A Share Rights Issue.

None of the above conditions for completion of the A Share Rights Issue may be waived by the Bank or has been satisfied as of the Latest Practicable Date. If the conditions are not fulfilled, the A Share Rights Issue will not proceed.

The H Share Rights Issue and the A Share Rights Issue are not inter-conditional upon each other. If the conditions for completion of the A Share Rights Issue are not fulfilled, the H Share Rights Issue will proceed so long as the conditions for completion of the H Share Rights Issue are fulfilled and vice versa.

#### Underwriting

The Bank intends to proceed with the H Share Rights Issue on a fully underwritten basis by persons licensed or registered under the Securities and Futures Ordinance for Type 1 regulated activity who are not connected persons of the Bank in accordance with Rule 7.19(1)(a) of the Hong Kong Listing Rules and such underwriting will be conducted in accordance with the requirements of the Hong Kong Listing Rules. Details of the underwriting arrangement in relation to the Rights Issue will be provided to the Shareholders in a further announcement on the Rights Issue to be issued by the Bank in due course. The A Share Rights Issue will however proceed on a best effort basis as required under the applicable PRC laws and regulations. Under the applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares is at least 70% of the A Share Rights Issue. The rights to subscribe for the A Shares which are not taken up will lapse and no new A Shares will be issued or allotted pursuant to such rights.

As of the Latest Practicable Date, the Bank did not receive any undertaking from its substantial Shareholders undertaking to take up his/her/its entitlement in full or in part.

#### **Theoretical Dilutive Effects**

Taking into account the Rights Issue, the Bank confirms that, as at the Latest Practicable Date, the Rights Issue will not result in a theoretical dilution effect of 25% or more under Rule 7.27B of the Hong Kong Listing Rules.

# Publication of Further Announcement in Relation to the H Share Rights Issue and Issuance of H Share Rights Issue Prospectus

Prior to the commencement of the H Share Rights Issue, the Bank will make a further announcement and issue the H Share Rights Issue Prospectus, which will contain all relevant details of the Rights Issue, including the definitive basis on which the Rights Shares are to be issued, the maximum number of the Rights Shares to be issued, the Rights Issue Price, the period of closure of the register of members for the H Shares and the Record Date, the trading arrangements for H Rights Shares, the arrangements for the excess H Rights Shares, the underwriting arrangements and the expected timetable of the Rights Issue.

#### **Reasons for the Rights Issue and Use of Proceeds**

Reasons for the Rights Issue of the Bank are as follows:

# (1) Regulatory Authorities Have Further Lifted the Requirements for Capital Supervision of Banks

In recent years, the CBIRC has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the CBRC in 2012 imposed stricter and more prudent regulations on the qualification standards and measurement requirements of various types of capital, and further strengthened the capital regulatory requirements for commercial banks. Since 2016, the People's Bank of China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and self-discipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. As the business continues to develop in the next few years, it is expected that the capital gap will restrict the development of the Bank to a certain degree. In addition, in recent years, domestic and foreign regulatory authorities have continuously enhanced the requirements for banks' capital supervision, and the capital requirements for banks will be further increased.

## (2) The Bank's Future Business Development Needs Capital Support

In recent years, the Bank's asset scale has grown steadily and rapidly. It is expected that the business scale of the Bank will continue to maintain a steady growth trend in the next few years. The Bank is required to maintain sufficient capital to support the stable development of its business and asset scale. At the same time, the Bank is required to reserve a certain proportion of capital to mitigate risk on premise of constantly satisfying the minimum requirements of capital adequacy ratio of the regulatory authorities to further enhance the ability to resist risks and respond to the uncertainties of future macroeconomic development. In order to maintain the rapid development momentum, the Bank regards capital replenishment management planning as an important part of the overall development goals, and matches asset scale growth with capital scale growth to ensure sustainable business development in the long term.

After deducting relevant issuance fees, the net proceeds raised from the Rights Issue will entirely be applied for the replenishment of the Bank's core tier-one capital, to enhance the Bank's capital adequacy ratio, support the sustainable and healthy development of the Bank's business in the future as well as strengthen the Bank's capital strength and competitiveness.

#### Shareholding Structure of the Bank

For illustrative purpose, the following tables set out the Bank's current shareholding structure and the shareholding structure that may exist upon the completion of the Rights Issue, assuming the Rights Issue is conducted on the basis of three (3) Rights Shares for every ten (10) existing Shares and no change in the issued share capital of the Bank between the Latest Practicable Date and the Record Date, and assuming:

- (I) Rights Shares are fully subscribed;
- (II) H Rights Shares under the H Share Rights Issue are fully subscribed by all Qualified H Shareholders, and 70% of A Rights Shares under the A Share Rights Issue are subscribed;
- (III) H Rights Shares are fully subscribed by all Qualified H Shareholders, and A Share Rights Issue lapses as less than 70% of A Rights Shares are subscribed;
- (IV) No H Rights Shares are subscribed by any Qualified H Shareholders, and A Rights Shares are fully subscribed;
- (V) No H Rights Shares are subscribed by any Qualified H Shareholders, and 70% of A Rights Shares are subscribed; and
- (VI) No H Rights Shares are subscribed by any Qualified H Shareholders, and A Share Rights Issue lapses as less than 70% of A Rights Shares are subscribed.

		As of the Latest Practicable Date As a		Immediately after the completion of the Rights Issu As	
	Class of	Number of	percentage of total issued share capital	Number of	percentage of total issued share capital
Name of Shareholder	Shares	Shares	of the Bank (%)	Shares	of the Bank (%)
Non-public Shareholders					
Haier Group and its associates <sup>1</sup>	A Share	812,214,572	18.01	1,055,878,944	18.01
Intesa Sanpaolo S.p.A.	H Share	624,753,980	13.85	812,180,174	13.85
Qingdao Conson and its associates <sup>2</sup>	A Share	503,556,841	11.17	654,623,893	11.17
	H Share	100,000,000	2.22	130,000,000	2.22
AMTD Group and its associates <sup>3</sup>	H Share	225,033,531	4.99	292,543,590	4.99
Directors, Supervisors and senior					
management of the Bank <sup>4</sup>	A Share	3,100,676	0.07	4,030,879	0.07
Public A Shareholders	A Share	1,427,782,931	31.66	1,856,117,810	31.66
Public H Shareholders	H Share	813,247,469	18.03	1,057,221,710	18.03
Public Shareholders (Subtotal)	A Share and				
	H Share	2,241,030,400	49.69	2,913,339,520	49.69
Total		4,509,690,000	100.00	5,862,597,000	100.00

Table under the assumption of scenario (I) (Rights Shares are fully subscribed) (for illustrative purpose only):

Table under the assumption of scenario (II) (all H Rights Shares under the H Share Rights Issue are fully subscribed by all Qualified H Shareholders, and 70% of A Rights Shares under the A Share Rights Issue are subscribed) (for illustrative purpose only):

		As of the Latest Practicable Date		Immediately after the completion of the Rights Issue	
Name of Shareholder	Class of Shares	Number of Shares	As a percentage of total issued share capital of the Bank (%)	Number of Shares	As a percentage of total issued share capital of the Bank (%)
New auchie Chencheldens					
Non-public Shareholders	4 61	010 014 550	10.01	1.055.050.044	10.00
Haier Group and its associates <sup>1</sup>	A Share	812,214,572	18.01	1,055,878,944	18.80
Intesa Sanpaolo S.p.A.	H Share	624,753,980	13.85	812,180,174	14.46
Qingdao Conson and its associates <sup>2</sup>	A Share	503,556,841	11.17	654,623,893	11.66
	H Share	100,000,000	2.22	130,000,000	2.32
AMTD Group and its associates <sup>3</sup> Directors, Supervisors and senior	H Share	225,033,531	4.99	292,543,590	5.21
management of the Bank <sup>4</sup>	A Share	3,100,676	0.07	4,030,879	0.07
Public A Shareholders	A Share	1,427,782,931	31.66	1,608,918,859	28.65
Public H Shareholders	H Share	813,247,469	18.03	1,057,221,710	18.83
i ushe ii Shureholueis	A Share and	010,247,407	10.05	1,007,221,710	10.05
Public Shareholders (Subtotal)	H Share	2,241,030,400	49.69	2,666,140,569	47.48
Total		4,509,690,000	100.00	5,615,398,049	100.00

Table under the assumption of scenario (III) (H Rights Shares are fully subscribed by all Qualified H Shareholders, and A Share Rights Issue lapses as less than 70% of A Rights Shares are subscribed) (for illustrative purpose only):

Name of Shareholder	Class of Shares	As of Latest Pract Number of Shares		Immediatel completion of th Number of Shares	•
			(70)		(70)
Non-public Shareholders					
Haier Group and its associates <sup>1</sup>	A Share	812,214,572	18.01	812,214,572	16.12
Intesa Sanpaolo S.p.A.	H Share	624,753,980	13.85	812,180,174	16.12
Qingdao Conson and its associates <sup>2</sup>	A Share	503,556,841	11.17	503,556,841	9.99
	H Share	100,000,000	2.22	130,000,000	2.58
AMTD Group and its associates <sup>3</sup>	H Share	225,033,531	4.99	292,543,590	5.81
Directors, Supervisors and senior					
management of the Bank <sup>4</sup>	A Share	3,100,676	0.07	3,100,676	0.06
Public A Shareholders	A Share	1,427,782,931	31.66	1,427,782,931	28.34
Public H Shareholders	H Share	813,247,469	18.03	1,057,221,710	20.98
	A Share and	, ,			
Public Shareholders (Subtotal)	H Share	2,241,030,400	49.69	2,485,004,641	49.32
Total		4,509,690,000	100.00	5,038,600,494	100.00

Table under the assumption of scenario (IV) (no H Rights Shares are subscribed by any Qualified H Shareholders, and A Rights Shares are fully subscribed) (for illustrative purpose only):

		As of the Latest Practicable Date		Immediately after the completion of the Rights Issue	
Name of Shareholder	Class of Shares	Number of Shares	As a percentage of total issued share capital of the Bank (%)	Number of Shares	As a percentage of total issued share capital of the Bank (%)
Non-public Shareholders					
Haier Group and its associates <sup>1</sup>	A Share	812,214,572	18.01	1,055,878,944	18.01
Intesa Sanpaolo S.p.A.	H Share	624,753,980	13.85	624,753,980	10.66
Qingdao Conson and its associates <sup>2</sup>	A Share	503,556,841	11.17	654,623,893	11.17
	H Share	100,000,000	2.22	100,000,000	1.71
AMTD Group and its associates <sup>3</sup>	H Share	225,033,531	4.99	225,033,531	3.84
Directors, Supervisors and senior					
management of the Bank <sup>4</sup>	A Share	3,100,676	0.07	4,030,879	0.07
Public A Shareholders	A Share	1,427,782,931	31.66	1,856,117,810	31.66
Public H Shareholders	H Share	813,247,469	18.03	813,247,469	13.87
Underwriters	H Share A Share and	-	0.00	528,910,494	9.01
Public Shareholders (Subtotal)	H Share	2,241,030,400	49.69	3,198,275,773	54.54
Total		4,509,690,000	100.00	5,862,597,000	100.00

Table under the assumption of scenario (V) (no H Rights Shares are subscribed by any Qualified H Shareholders, and 70% of A Rights Shares are subscribed) (for illustrative purpose only):

		As of the Latest Practicable Date As a		Immediately after the completion of the Rights Issu As	
Name of Shareholder	Class of Shares	Number of Shares	percentage of total issued share capital of the Bank (%)	Number of Shares	percentage of total issued share capital of the Bank (%)
Non-public Shareholders					
Haier Group and its associates <sup>1</sup>	A Share	812,214,572	18.01	1,055,878,944	18.80
Intesa Sanpaolo S.p.A.	H Share	624,753,980	13.85	624,753,980	11.13
Qingdao Conson and its associates <sup>2</sup>	A Share	503,556,841	11.17	654,623,893	11.66
	H Share	100,000,000	2.22	100,000,000	1.78
AMTD Group and its associates <sup>3</sup>	H Share	225,033,531	4.99	225,033,531	4.01
Directors, Supervisors and senior					
management of the Bank <sup>4</sup>	A Share	3,100,676	0.07	4,030,879	0.07
Public A Shareholders	A Share	1,427,782,931	31.66	1,608,918,859	28.65
Public H Shareholders	H Share	813,247,469	18.03	813,247,469	14.48
Underwriters	H Share	_	0.00	528,910,494	9.42
	A Share and				
Public Shareholders (Subtotal)	H Share	2,241,030,400	49.69	2,951,076,822	52.55
Total		4,509,690,000	100.00	5,615,398,049	100.00

Table under the assumption of scenario (VI) (no H Rights Shares are subscribed by any Qualified H Shareholders, and A Share Rights Issue lapses as less than 70% of A Rights Shares are subscribed (for illustrative purpose only):

		As of the Latest Practicable Date		Immediately after the completion of the Rights Issue	
Name of Shareholder	Class of Shares	Number of Shares	As a percentage of total issued share capital of the Bank (%)	Number of Shares	As a percentage of total issued share capital of the Bank (%)
Non-public Shareholders					
Haier Group and its associates <sup>1</sup>	A Share	812,214,572	18.01	812,214,572	16.12
Intesa Sanpaolo S.p.A.	H Share	624,753,980	13.85	624,753,980	12.40
Qingdao Conson and its associates <sup>2</sup>	A Share	503,556,841	11.17	503,556,841	9.99
	H Share	100,000,000	2.22	100,000,000	1.98
AMTD Group and its associates <sup>3</sup>	H Share	225,033,531	4.99	225,033,531	4.47
Directors, Supervisors and senior					
management of the Bank <sup>4</sup>	A Share	3,100,676	0.07	3,100,676	0.06
Public A Shareholders	A Share	1,427,782,931	31.66	1,427,782,931	28.34
Public H Shareholders	H Share	813,247,469	18.03	813,247,469	16.14
Underwriters <sup>6</sup>	H Share	-	0.00	528,910,494	10.50
	A Share and				
Public Shareholders (Subtotal)	H Share	2,241,030,400	49.69	2,769,940,894	54.98
Total		4,509,690,000	100.00	5,038,600,494	100.00

#### Notes:

- 1. As at the Latest Practicable Date, Haier Group Corporation ("**Haier Group**") had interests in 812,214,572 Shares of the Bank through the companies it controlled directly or indirectly.
- 2. As at the Latest Practicable Date, Qingdao Conson Industrial Co., Ltd. ("Qingdao Conson") held interests in 503,556,341 Shares of the Bank directly and Qingdao Guoxin Capital Investment Co., Ltd. (青島國信資本投資有限公司) ("Guoxin Capital") held 500 Shares directly; Haitian (HK) Holdings Limited held 100,000,000 Shares of the Bank directly. Qingdao Conson is wholly-owned by Qingdao Guoxin Development (Group) Limited (青島國信發展(集團)有限責任公司); Haitian (HK) Holdings Limited is wholly-owned by Qingdao Conson Financial Holdings Co., Ltd. ("Conson Financial Holdings"); Guoxin Capital is held as to 98% equity interests by Conson Financial Holdings and Conson Financial Holdings is held as to 90.27% equity interests by Qingdao Guoxin Development (Group) Limited (青島國信發展(集團)有限責任公司).
- 3. AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited held 196,882,000 Shares and 28,151,531 Shares of the Bank respectively. AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited are controlled by AMTD Group Company Limited ("AMTD Group"). As Choi Chi Kin, Calvin, the Director of the Bank, held over 30% of the shares of AMTD Group, therefore, AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited both constitute the core connected persons of the Bank.
- 4. As at the Latest Practicable Date, the Directors held 1,380,375 A Shares in aggregate; and the Supervisors held 870,301 A Shares in aggregate; the senior management held 850,000 A Shares in aggregate.
- 5. The Shares held by Haier Group and its associates, Intesa Sanpaolo S.p.A, Qingdao Conson and its associates, AMTD Group and its associates and Directors, Supervisors and senior management of the Bank are not public shareholdings under the Hong Kong Listing Rules and/or the Shenzhen Listing Rules.
- 6. The Bank will engage more than one underwriter for the H Share Rights Issue and no underwriter will, on its own, hold 10% or more of the Bank's total issued share capital, thus no underwriter will become a connected person of the Bank after the H Share Rights Issue.

According to public information, as at the Latest Practicable Date, the Bank's public float percentage complies with the requirements under Rule 8.08 of the Hong Kong Listing Rules. Upon the completion of the Rights Issue, the Bank's public float percentage will continue to comply with the requirements under Rule 8.08 of the Hong Kong Listing Rules.

To the best knowledge of the Bank, as at the Latest Practicable Date, the Rights Issue will not increase the market capitalization of the Bank by more than 50%, which will require minority Shareholders' approval under Rule 7.19A(1) of the Hong Kong Listing Rules.

The above resolution will be proposed, by way of special resolution, for approval at the EGM and the H Share Class Meeting.

#### 2. Plan on Public Issuance of Shares by Way of Rights Issue

A special resolution regarding the approval of the Resolution in relation to the Plan of Bank of Qingdao Co., Ltd. on Public Issuance of Shares by Way of Rights Issue will be proposed at the EGM and the H Share Class Meeting. The full text of the Plan of the Bank on Public Issuance of Shares by Way of Rights Issue is set out in Appendix I to this circular.

Upon the proposal for Rights Issue has been approved by the 42nd meeting of the seventh session of the Board of the Bank, its implementation is still subject to consideration by the EGM and the Class Meetings and the reporting to the Qingdao Supervision Bureau of the CBIRC and the CSRC as well as obtaining other approvals regarding the Rights Issue, respectively.

# 3. Full Authorization to the Board to Deal with Matters Related to the Rights Issue

To successfully implement the Rights Issue of the Bank, it is proposed to the general meeting to authorize the Board and the Board to delegate the authority to the chairman, the president and the secretary to the Board to, individually or jointly, decide on and deal with, within the framework, principles and validity period as reviewed and approved at the general meeting, all matters relating to the Rights Issue, including but not limited to:

- 1. To formulate and implement a specific plan for the Rights Issue covering all aspects relating to the issue plan, including the conditions and time of the implementation of the Rights Issue, ratio and quantity of the Rights Issue, Rights Issue Price, starting and ending dates of the Rights Issue, and actual size of proceeds, pursuant to the resolutions at the general meeting and with reference to actual situation, to such extent as the laws, regulations and other regulatory documents would allow.
- 2. Pursuant to the laws, regulations, normative documents, opinions and requirements of relevant governmental and regulatory institutions, stock exchanges and securities registration and settlement institutions, to handle matters related to the Rights Issue, including but not limited to, compile, sign, supplement, amend, report, submit, execute and suspend reporting documents and other legal documents related to the Rights Issue; to handle information disclosure matters related to the Rights Issue in accordance with the regulatory requirements.
- 3. To open and manage a designated account for the proceeds from the Rights Issue for the storage of the proceeds from the Rights Issue; to handle the matters relating to the use of the proceeds from the Rights Issue, and make specific arrangements for the use of the proceeds from the Rights Issue within the scope of the resolution passed at the general meeting.
- 4. Upon the completion of the Rights Issue, to handle matters related to the share registration and listing of issuance shares under the Rights Issue with the securities registration and settlement institutions and the stock exchanges at the place where the securities are traded at.
- 5. To amend the relevant provisions in the Articles of Association regarding the registered capital and the total number of Shares, and to carry out capital verification, modification of the business registration of the Bank and relevant filings procedures according to the actual outcome of the Rights Issue.

- 6. To handle subsequent matters related to the Rights Issue in accordance with relevant domestic and foreign laws and regulations, including but not limited to repay any Shareholder who made subscription under the Rights Issue an amount equivalent to the issue price together with any deposit interest from the bank during the same period, in the event of a failed A Shares Rights Issue due to the expiry of best-efforts underwriting period of the Rights Issue, where A Shares subscribed by original Shareholders represent less than 70% of the A Shares under the A Share Rights Issue.
- 7. On the premise of compliance with the then applicable PRC laws and regulations, and in the event of any new provisions and requirements of the laws and regulations and the relevant regulatory authorities regarding policy on issuance of new shares by listed companies and any changes in the market conditions, except for the matters which shall be subject to re-voting at general meetings and not be authorized according to the requirements of the relevant laws and regulations and the Articles of Association, to make adjustments to the proposal for the Rights Issue according to the requirements of the relevant laws and regulations on the application for the Rights Issue), the market conditions and the actual needs of the Bank, and continue to handle the matters relating to the Rights Issue.
- 8. In the event of any new regulations and requirements of the relevant laws and regulations and the regulatory authorities regarding the remedy of current returns by refinancing, according to the then requirements of the relevant laws and regulations and the regulatory authorities, to further analyze, study and deliberate on the impacts of the Rights Issue on the current financial indicators and Shareholders' current returns, etc. of the Bank, formulate and amend the relevant remedial measures and policies, and handle, with full authority, other matters in this regard.
- 9. To the extent as permissible by the relevant laws and regulations, to take all necessary actions, decide on and handle all other matters relating to the Rights Issue.
- 10. This authorization is valid within 12 months after the review and approval of the same at the EGM and the Class Meetings. Prior to the expiry of such authorization, the Board would, based on the actual situation of the Rights Issue, propose to the general meeting and Class Meetings of the Bank to approve a new authorization. However, in case the Rights Issue completes prior to the expiry of the aforesaid period, the validity period of the authorization on matters related to the completion of the Rights Issue shall be extended to the date of completion of such matters.

The above resolution will be proposed by way of special resolution for approval at the EGM and the H Share Class Meeting, respectively.

# 4. Change in Registered Capital and the Corresponding Amendments to Relevant Clauses in the Articles of Association Upon the Completion of Rights Issue

Upon the completion of the Rights Issue, the Bank shall correspondingly adjust its registered capital and the relevant clauses of the Articles of Association. For such regard, it is proposed to the general meeting to agree that, upon the completion of the Rights Issue, the Bank's registered capital shall be adjusted in accordance with the issuance results of the Rights Issue and the approval by the regulatory authorities of the banking industry in China. Based on the issuance results of the Rights Issue and the adjustment of the Bank's registered capital, the clause related to the registered capital (Article 5 of the Articles of Association) and the clause related to the total number of Shares and shareholding structure (Article 23 of the Articles of Association) in the Articles of Association shall be amended accordingly as follows:

#### Number Original Clause

2

#### **Amended Clause**

1Article 5 The registered capital of the<br/>Bank is Renminbi ("RMB")<br/>4,509,690,000.Article 5 The registered capital of the<br/>Bank is Renminbi ("RMB") [to be<br/>determined based on the Rights Issue<br/>proposal as reviewed and approved by

Article 23 The total number of ordinary shares that the Bank can issue upon approval by the approval departments as authorized by the State Council is 4,509,690,000 shares.

The Bank's ordinary share capital structure is: 4,509,690,000 ordinary shares, among which 2,746,655,020 are A shares, representing 60.91% of the total shares issued by the Bank; and 1,763,034,980 are H shares, representing 39.09% of the total shares issued by the Bank.

The offshore preference shares of the Bank are 60,150,000 shares.

results of Rights Issue]. **Article 23** The total number of ordinary shares that the Bank can issue upon approval by the approval departments as authorized by the State Council is [to be determined based on the Rights Issue proposal as reviewed and approved by relevant regulatory authorities and the results of Rights Issue] shares.

relevant regulatory authorities and the

The Bank's ordinary share capital structure is:  $[\bullet]$  ordinary shares, among which  $[\bullet]$  are A shares, representing  $[\bullet]\%$  of the total shares issued by the Bank; and  $[\bullet]$  are H shares, representing  $[\bullet]\%$  of the total shares issued by the Bank.

The offshore preference shares of the Bank are 60,150,000 shares.

The above resolution will be proposed by way of special resolution for approval at the EGM and the H Share Class Meeting, respectively.

#### 5. Fulfillment of Issue Conditions of Rights Issue

A special resolution regarding the approval of the Resolution in relation to the Fulfillment of Issue Conditions of Rights Issue of Bank of Qingdao Co., Ltd. will be proposed at the EGM and the H Share Class Meeting, details of which are set out in Appendix II to this circular.

## 6. Report on the Use of Previously Raised Funds

A special resolution regarding the approval of the Resolution in relation to the Report on the Use of Previously Raised Funds of Bank of Qingdao Co., Ltd. will be proposed at the EGM, the full text of the Report on the Use of Previously Raised Funds of the Bank is set out in Appendix III to this circular.

## 7. Report on the Feasibility of Use of Proceeds from Rights Issue

A special resolution regarding the approval of the Resolution in relation to the Report on the Feasibility of Use of Proceeds from Rights Issue of Bank of Qingdao Co., Ltd. will be proposed at the EGM and the H Share Class Meeting, the full text of the Report on the Feasibility of Use of Proceeds from Rights Issue of the Bank is set out in Appendix IV to this circular.

# 8. Risk Reminder of and Remedial Measures for the Dilution of Current Returns by Rights Issue to Original Shareholders and Commitments by Relevant Entities

According to the requirements of laws, regulation and normative documents such as Certain Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets (《國務院關於進一步促進資本市場健康發展的若干意見》), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Lawful Rights and Interests of Medium and Small Investors in the Capital Markets (《國務院辦公廳 關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回 報有關事項的指導意見》), the Bank has formulated the Risk Reminder of and Remedial Measures for the Dilution of Current Returns by Rights Issue to Original Shareholders of Bank of Qingdao Co., Ltd. and Commitments by Relevant Entities.

A special resolution regarding the approval of the Resolution in relation to the Risk Reminder of and Remedial Measures for the Dilution of Current Returns by Rights Issue to Original Shareholders of Bank of Qingdao Co., Ltd. and Commitments by Relevant Entities will be proposed at the EGM and the H Share Class Meeting, details of which are set out in Appendix V to this circular.

#### 9. Shareholders' Return Plan for the Next Three Years (2021-2023)

To further strengthen the awareness of rewarding Shareholders, improve profit distribution system, and provide Shareholders with continuous, stable and reasonable investment returns, the Bank has formulated the Shareholders' Return Plan for the Next Three Years (2021-2023) of Bank of Qingdao Co., Ltd. in accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice of the China Securities Regulatory Commission on Matters Relevant to Further Implementing the Cash Dividend Distribution by Listed Companies (《中國證券監督 管理委員會關於進一步落實上市公司現金分紅有關事項的通知》), the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) and the Articles of Association and on the basis of fully considering the actual operation and future development needs of the Bank.

A special resolution regarding the approval of the Resolution in relation to the Shareholders' Return Plan for the Next Three Years (2021-2023) of Bank of Qingdao Co., Ltd. will be proposed at the EGM, and the full text of the Shareholders' Return Plan for the Next Three Years (2021-2023) is set out in Appendix VI to this circular.

## **III. RESPONSIBILITY STATEMENT**

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

#### IV. THE EGM AND THE H SHARE CLASS MEETING

The Bank intends to convene the 2021 First EGM and the 2021 First H Share Class Meeting at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC, at 9:00 a.m. on Friday, 26 March 2021 to consider and, if thought fit, to pass matters as set out in the notices of the 2021 First EGM and the 2021 First H Share Class Meeting. The notices of the 2021 First EGM and the 2021 First H Share Class Meeting are set out on pages 89 to 92 and pages 93 to 96 respectively, of this circular.

Completion and return of the form(s) of proxy(ies) will not preclude you from attending and voting in person at the 2021 First EGM and/or the 2021 First H Share Class Meeting or at any adjournment thereof.

# Closure of Register of Members and Eligibility to Attend and Vote at the 2021 First EGM and the 2021 First H Share Class Meeting

The share register of members of the Bank will be closed from Tuesday, 23 March 2021 to Friday, 26 March 2021 (both days inclusive), during which period no Share transfer will be registered. In order to be eligible to attend and vote at the 2021 First EGM and/or the 2021 First H Share Class Meeting, H Shareholders of the Bank must lodge the Share transfer documents accompanied by the relevant Share certificates and other appropriate documents with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 22 March 2021. H Shareholders whose names appear in the H Share register of members of the Bank at the close of business on Tuesday, 23 March 2021, will be eligible to attend and vote at the 2021 First EGM and/or the 2021 First H Share Class Meeting.

#### V. METHODS OF VOTING AT THE EGM AND THE H SHARE CLASS MEETING

Pursuant to the requirements of Rule 13.39(4) of the Hong Kong Listing Rules, voting by the Shareholders at the 2021 First EGM and the H Share Class Meeting shall be taken by the way of poll.

To the best knowledge of the Bank, no Shareholders or their associates are deemed to have a material interest in any of the resolutions at the 2021 First EGM and the H Share Class Meeting, and therefore no Shareholders are required to abstain from voting on any resolutions.

Please be advised that pursuant to Article 60 of the Articles of Association, where a Shareholder pledges 50% or more of his/her/its equity interests in the Bank, the voting rights of such Shareholder at the 2021 First EGM and the H Share Class Meeting shall be subject to restrictions.

#### VI. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the 2021 First EGM and the H Share Class Meeting are in the interests of the Bank and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of all resolutions to be proposed at the 2021 First EGM and the H Share Class Meeting.

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

Qingdao, Shandong Province, the PRC, 8 March 2021

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

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE OF BANK OF QINGDAO CO., LTD.\*

#### **IMPORTANT NOTES:**

- Bank of Qingdao Co., Ltd. (hereinafter referred to as "Bank of Qingdao" or the "Bank") intends to carry out the public issuance of Shares by way of rights issue of Shares to the original Shareholders (hereinafter referred to as the "Rights Issue").
- 2. Upon completion of the Rights Issue, the number of share capital and net assets of the Bank will be increased to a certain extent. However, it takes a certain period to produce benefits after the investment of proceeds, and the Bank still mainly depends on its existing business to realize profits and Shareholders' return, so the Bank's indicators such as the earnings per Share and weighted average return on net assets will experience a certain decrease in short term i.e., the immediate returns will be susceptible to dilution after the Bank's Rights Issue and issuance of Shares. Please refer to the Risk Reminder of and Remedial Measures for the Dilution of Current Returns to Original Shareholders by Rights Issue of Bank of Qingdao Co., Ltd. and Commitments by Relevant Entities for details.
- 3. The plan represents the explanation on the Rights Issue made by the Board of the Bank and any statement to the contrary is untrue.
- 4. Matters set out in the plan do not indicate substantive judgments, acknowledgement or approval from the approval authorities in respect of relevant matters of the Rights Issue. Effectiveness and completion of relevant matters of the Rights Issue as set out in the plan are subject to approval or permission from relevant approval authorities.

# I. STATEMENTS ON THE RIGHTS ISSUE BEING QUALIFIED UNDER RELEVANT LAWS AND REGULATIONS IN RESPECT OF PUBLIC ISSUANCE BY WAY OF RIGHTS ISSUE

After conducting verification carefully on a case-by-case basis in comparison with relevant qualifications and conditions in respect of rights issue by A-share and H-share listed companies as set out in the laws, regulations and regulatory documents including the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Issuance Regulatory Q&A – Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《發行監管問答—關於引導規範上市公司融資行為的監管要求(修訂版)》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of the Bank confirms that the Bank has satisfied the conditions for Rights Issue.

#### II. SUMMARY OF THE RIGHTS ISSUE

#### (I) Types and par value of the Shares to be issued

The classes of the Shares to be issued under the Rights Issue are A Shares and H Shares with a par value of RMB1.00 per Share.

#### (II) Issuance Method

The issuance is conducted through rights issue of Shares to original Shareholders.

#### (III) Base, Proportion and Number of the Rights Issue

The A Share Rights Issue is proposed to be based on the total number of A Shares after the trading hours on the A Share Rights Issue Record Date, and the allotment will be made to all A Shareholders for Rights Issue on the basis of up to three (3) Rights Shares for every ten (10) Shares . The H Share Rights Issue is proposed to be based on the total number of H Shares on the H Share Rights Issue Record Date, and the allotment will be made to all H Shareholders for Rights Issue on the basis of up to three (3) Rights Shares for every ten (10) Shares, with fractions of less than one(1) Rights Share to be dealt with according to the relevant requirements of the stock exchanges and securities registration and settlement institutions of the places where the securities are traded at. The subscription portion of both A Shares and H Shares are the same.

If, based on the Bank's total share capital of 4,509,690,000 Shares as at 31 December 2020, the number of Rights Shares is estimated to be not more than 1,352,907,000 Shares, among which, the number of A Rights Shares would not exceed 823,996,506 Shares and the number of H Rights Shares would not exceed 528,910,494 Shares. In the event that the total share capital of the Bank changes due to any bonus issue, capital conversion from capital reserve, capital increase and other reasons before the Rights Issue, the number of Rights Shares will be adjusted accordingly based on the total share capital after the change.

## (IV) Pricing Principle and Price for the Rights Shares

#### 1. Pricing Principle

- The pricing shall take into account valuation indicators such as stock prices, P/E ratios and P/B ratios of the Bank in the secondary market as well as the development and Shareholders' interests of the Bank;
- (2) The pricing shall take into account the core tier-one capital requirement of the Bank for the next three years;
- (3) The pricing shall be in compliance with principles determined through negotiation between the Bank and the sponsor institution(s) (underwriter(s)).

# 2. Rights Issue Price

The Rights Issue Price is determined by using market discount method based on the trading conditions of A Shares and H Shares in the market prior to the publication of the issuance announcement. The final Rights Issue Price will be determined through the negotiation between those parties authorized by the Board under the authorization of the general meeting and the sponsor institution(s) (underwriter(s)) with reference to the market conditions before the issuance. The Rights Issue Prices of A Shares and H Shares are the same after exchange rate adjustments.

## (V) Target Subscribers for the Rights Issue

In the Rights Issue, the target A Share subscribers for the Rights Issue will be all A Shareholders of the Bank, who registered with the Shenzhen branch of China Clear after the trading hours on the A Share Rights Issue Record Date, and the target H Share subscribers for the Rights Issue will be all H Shareholders determined on the H Share Rights Issue Record Date. The Record Date of the Rights Issue will be otherwise determined after the approval of the proposal for Rights Issue by CSRC.

## (VI) Distribution Plan for Accumulated Undistributed Profits Prior to the Rights Issue

The accumulated undistributed profits of the Bank prior to the Rights Issue shall be shared by all Shareholders on a pro-rata basis of their shareholding after the completion of the Rights Issue.

## (VII) Time of Issuance

The Shares will be placed to all Shareholders at a suitable timing within the stipulated period, after the approval from the regulatory authorities and the stock exchanges for the Rights Issue is obtained.

## (VIII) Method of Underwriting

A Share Rights Issue will proceed on a best effort basis, and H Share Rights Issue will be fully underwritten.

#### (IX) Use of Proceeds Raised in relation to the Rights Issue

The proceeds raised from the Rights Issue will not exceed RMB5.0 billion (inclusive).

After deducting relevant issuance fees, the net proceeds raised from the Rights Issue will entirely be applied for the replenishment of the Bank's core tier-one capital, to enhance the Bank's capital adequacy ratio, support the sustainable and healthy development of the Bank's business in the future as well as strengthen the Bank's capital strength and competitiveness.

### (X) Validity Period of the Resolution in relation to the Rights Issue

The effective period of the resolution on the Rights Issue shall be 12 months starting from the date on which the resolution is approved by the Bank's EGM, the A Share Class Meeting and the H Share Class Meeting.

#### (XI) Listing of the Shares to be placed

The A Shares placed will be listed on the Shenzhen Stock Exchange according to the relevant requirements after the completion of A Share Rights Issue.

The H Shares placed will be listed on the Hong Kong Stock Exchange according to relevant requirements after completion of H Share Rights Issue.

Upon the Rights Issue plan has been approved by the 42nd meeting of the seventh session of the Board of the Bank, its implementation is still subject to consideration by the general meeting, the A Share Class Meeting and the H Share Class Meeting of the Bank and the reporting to the Qingdao Supervision Bureau of the CBIRC and the CSRC as well as obtaining other approvals regarding the Rights Issue, respectively.

# III. FINANCIAL AND ACCOUNTING INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements of the Bank for the year 2017, 2018 and 2019 prepared in accordance with Accounting Standards for Business Enterprises have been audited by KPMG Huazhen LLP, which has issued audit report with standard unqualified opinions of audit report number 畢馬威華振審字第1801065號, 畢馬威華振審字第1901409號 and 畢馬威華振審字第 2000948號. The financial statements of the Bank for the third quarter of 2020 have not yet been audited.

The financial data as referred in this section for the year 2017, 2018 and 2019 are the data in the audited financial statements of the Bank prepared in accordance with Accounting Standards for Business Enterprises while the financial data as referred for January – September 2020 are the data in the unaudited financial statements for the third quarter of 2020 of the Bank.

If not specifically stated, the data in this section represents consolidated data of the Bank and the amounts mentioned are dominated in Renminbi.

#### (I) Consolidated Financial Statements for the Last Three Years and the Latest Period

## 1. Consolidated Balance Sheet

#### Unit: RMB'000

Item	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Assets:				
Cash and deposits with central				
bank	48,358,140	39,704,840	29,554,430	27,097,814
Deposits with banks and other				
financial institutions	2,557,104	1,312,468	1,542,437	1,107,946
Precious metals	112,656	113,223	113,459	114,001
Placements with banks and other				
financial institutions	1,357	3,313,603	4,110,464	2,882,727
Derivative financial assets	397,213	12,436	-	-
Financial assets held under resale				
agreements	1,396,212	2,325,771	300,262	3,584,200
Loans and advances to customers	203,529,919	169,158,291	123,366,891	95,514,680
Financial investments measured at				
fair value through profit or loss	31,991,487	22,912,561	22,361,816	179,078
Financial investments measured at				
fair value through other				NOT
comprehensive income	59,941,763	54,973,781	53,002,751	APPLICABLE
Financial investments measured at				NOT
amortized cost	79,062,266	64,491,058	70,032,056	APPLICABLE
Long-term receivables	11,818,794	9,037,819	7,766,698	4,076,396
Fixed assets	3,004,117	2,838,610	2,914,152	2,878,754
Construction in progress	210,203	210,203	210,203	210,263
			NOT	NOT
Right-of-use assets	838,043	818,928	APPLICABLE	APPLICABLE
Intangible assets	211,825	194,243	165,153	197,454
Deferred tax assets	2,071,389	1,581,905	1,152,778	1,084,286
Other assets	741,145	622,410	1,064,952	898,937
	NOT	NOT	NOT	
Available-for-sale financial assets	APPLICABLE	APPLICABLE	APPLICABLE	79,086,556
	NOT	NOT	NOT	
Held-to-maturity investments	APPLICABLE	APPLICABLE	APPLICABLE	38,644,926
Investments classified as	NOT	NOT	NOT	
receivables	APPLICABLE	APPLICABLE	APPLICABLE	46,678,869
	NOT	NOT	NOT	
Interest receivable <sup>(Note)</sup>	APPLICABLE	APPLICABLE	APPLICABLE	2,039,205
Total assets	446,243,633	373,622,150	317,658,502	306,276,092

Note: Pursuant to the Notice on Revision of the 2018 Illustrative Financial Statements for Financial Enterprises (Caikuai [2018] No.36) (《關於修訂印發2018年度金融企業財務報表格式的通知》(財會 [2018]36號)), as at 30 September 2020, 31 December 2019 and 31 December 2018, the interests from financial instruments provided at effective interest method are reflected in the carrying value of the corresponding financial instruments, while the interests due to be received but not yet received as at the balance sheet date are shown in other assets.

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Liabilities:				
Borrowings from central bank	8,933,194	5,536,650	10,878,835	584,215
Deposits from banks and other	, ,			,
financial institutions	7,678,510	16,462,527	11,632,982	24,901,934
Placements from banks and other				
financial institutions	14,357,282	9,916,257	7,207,066	5,774,299
Derivative financial liabilities	399,376	8,805		353,220
Financial assets sold under				
repurchase agreements	29,598,437	16,027,082	14,850,333	11,899,583
Deposits from customers	273,885,782	215,425,403	177,911,247	160,083,783
Employee benefits payable	758,997	827,256	755,237	699,855
Taxes payable	273,485	330,911	119,708	74,194
Estimated liabilities	104,209	99,715	104,964	-
Bond payables	77,513,587	76,858,899	65,240,507	68,632,691
			NOT	NOT
Lease liabilities	473,733	427,429	APPLICABLE	APPLICABLE
Other liabilities	1,820,882	1,223,298	1,460,899	4,351,207
- (Noto)	NOT	NOT	NOT	
Interest payable <sup>(Note)</sup>	APPLICABLE	APPLICABLE	APPLICABLE	2,797,902
Total liabilities	415,797,474	343,144,232	290,161,778	280,152,883
Shareholders' equity:	4,509,690	4,509,690	4,058,713	4,058,713
Share capital Other equity instrument	4,309,690	4,309,090	4,038,715	4,038,713
Including: preference shares	7,853,964	7,853,964	7,853,964	7,853,964
Capital reserve	8,337,869	8,337,869	6,826,276	6,826,276
Other comprehensive income	(22,316)	658,230	553,193	(885,449)
Surplus reserve	1,626,662	1,626,662	1,403,575	1,203,325
General risk reserve	4,400,258	4,400,258	3,969,452	3,969,452
Retained earnings	3,137,688	2,528,787	2,319,800	2,603,573
Total equity attributable to equity				
shareholders of the Bank	29,843,815	29,915,460	26,984,973	25,629,854
Non-controlling interests	602,344	562,458	511,751	493,355
Total equity	30,446,159	30,477,918	27,496,724	26,123,209
Total liabilities and equity	446,243,633	373,622,150	317,658,502	306,276,092

Note: Pursuant to the Notice on Revision of the 2018 Illustrative Financial Statements for Financial Enterprises (Caikuai [2018] No.36) (《關於修訂印發2018年度金融企業財務報表格式的通知》(財會 [2018]36號)), as at 30 September 2020, 31 December 2019 and 31 December 2018, the interests from financial instruments provided at effective interest method are reflected in the carrying value of the corresponding financial instruments, while the interests due to be paid but not yet paid as at the balance sheet date are shown in other liabilities.

# 2. Consolidated Income Statement

				U	nit: RMB'000
Item		January– September 2020	2019	2018	2017
(I)	Operating income				
	Interest income	12,774,469	14,515,004	11,886,901	11,749,719
	Interest expense	(6,691,126)	(7,668,949)	(7,422,872)	(6,947,311)
	Net interest income	6,083,343	6,846,055	4,464,029	4,802,408
	Fee and commission income	1,562,665	1,346,116	943,582	889,309
	Fee and commission expense	(112,525)	(129,236)	(77,825)	(60,340)
	Net fee and commission				
	income	1,450,140	1,216,880	865,757	828,969
	Investment gains	1,170,836	1,148,342	1,923,929	100,071
	Profit or loss from changes in				
	fair value	(92,827)	228,383	(303,689)	(354,629)
	Profit or loss from exchange	(202,727)	156,176	407,921	167,124
	Other income	10,731	17,071	7,707	25,542
	Other business income	1,596	4,185	6,801	13,864
	Profit or loss from asset				
	disposals	(1,632)	(777)	(502)	(417)
	Total operating income	8,419,460	9,616,315	7,371,953	5,582,932
(II)	<b>Operating expenses</b>				
	Tax and surcharges	(99,578)	(101,186)	(74,848)	(54,898)
	General and administrative				
	expenses	(2,239,688)	(3,065,576)	(2,430,802)	(1,764,024) NOT
	Credit loss	(3,712,446)	(3,626,792)	(2,383,172)	APPLICABLE
	Other business costs	(571)	(797)	(3,831)	(10,842)
		NOT	NOT	NOT	
	Impairment losses	APPLICABLE	APPLICABLE	APPLICABLE	(1,378,904)
	Total operating expenses	(6,052,283)	(6,794,351)	(4,892,653)	(3,208,668)
(III)	Operating profit	2,367,177	2,821,964	2,479,300	2,374,264
	Add: non-operating income	25,674	23,553	4,048	3,400
	Less: non-operating expenses	(7,585)	(16,962)	(7,332)	(7,897)
(IV)	Total profit	2,385,266	2,828,555	2,476,016	2,369,767
	Less: income tax expenses	(337,634)	(493,033)	(432,627)	(466,160)
(V)	Net profit	2,047,632	2,335,522	2,043,389	1,903,607
	Net profit attributable to				
	shareholders of the Bank	2,007,746	2,284,815	2,023,352	1,900,252
	Profit or loss of non-				
	controlling interests	39,886	50,707	20,037	3,355

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item	January– September 2020	2019	2018	2017
(VI) Other comprehensive income (net of tax)	(680,546)	105,037	1,016,364	(948,593)
Other comprehensive income attributable to shareholders	())		))	(* -))
of the Bank (net of tax) (1) Items that will not be	(680,546)	105,037	1,016,364	(948,593)
reclassified to profit or loss 1. Remeasurement of			(2,100)	
(2) Items that may be reclassified subsequently to	1,253	(1,650)	(2,498)	30
<ul> <li>profit or loss</li> <li>1. Changes in fair value of debt investments at fair value through other comprehensive income</li> </ul>	(696,286)	63,549	996,848	NOT APPLICABLE
2. Credit losses of debt investments at fair value through other comprehensive income	14,487	43,138	22.014	NOT APPLICABLE
3. Profit or loss from changes in fair value of	,	- ,	, - , -	
available-for-sale	NOT	NOT	NOT	
financial assets Other comprehensive income attributable to non-controlling interests (net of tax)	APPLICABLE	APPLICABLE	APPLICABLE	(948,623)
(VII) Total comprehensive income	1,367,086	2,440,559	3,059,753	955,014
Total comprehensive income attributable to shareholders				
of the Bank Total comprehensive income attributable to	1,327,200	2,389,852	3,039,716	951,659
non-controlling interests	39,886	50,707	20,037	3,355
(VIII) Basic and diluted earnings per share (in RMB)	0.34	0.39	0.37	0.47

### 3. Consolidated Cash Flow Statement

				Un	it: RMB'000
Item	I	January– September 2020	2019	2018	2017
<b>(I</b> )	Cash flows generated from				
	operating activities				
	Net increase in deposits from customers Net increase in deposits from banks and other financial	57,748,081	37,115,060	15,592,066	18,479,022
	institutions	_	4,784,097	_	_
	Net increase in placements from banks and other		1,701,007		
	financial institutions	4,510,600	2,726,981	1,330,560	_
	Net increase in financial assets sold under				
	repurchase agreements	13,568,936	1,179,371	2,946,548	-
	Net increase in borrowings				
	from central bank	3,421,879	-	10,194,795	-
	Net decrease in deposits with		1 205 255	206 400	
	central bank	-	1,385,277	206,409	-
	Net decrease in financial assets held for trading	-	-	-	139,828
	Net decrease in financial assets held under resale	000 415		2 20 4 20 0	
	agreements	928,415	-	3,284,200	-
	Net decrease in deposits with				
	banks and other financial		200.000		0 150 470
	institutions	-	200,000	-	2,150,470
	Net decrease in placements with banks and other				
	financial institutions	2,800,000	1,061,906	_	_
	Interest, fee and commission	2,000,000	1,001,900	_	_
	received	10,749,128	10,655,490	7,637,358	6,601,584
	Cash received from other	10,719,120	10,055,170	1,001,000	0,001,001
	operating activities	706,388	1,157,525	763,311	3,831,044
	Sub-total of cash inflows		, ,	,	
	from operating activities	94,433,427	60,265,707	41,955,247	31,201,948
	Net increase in loans and				
	advances to customers	(36,968,772)	(48,460,968)	(30,127,157)	(11,919,060)
	Net increase in deposits with				
	central bank	(2,131,569)	_	_	(2,433,202)
	Net increase in deposits with				
	banks and other financial				
	institutions	_	_	(200,000)	-

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

		January-			
Item		September 2020	2019	2018	2017
	Net increase in placements				
	with banks and other financial institutions	_	_	(3,495,258)	(168,013)
	Net increase in financial			(-,.,-,,)	()
	assets held under resale		(* * * * * * * * *		
	agreements Net increase in long-term	-	(2,026,600)	-	(1,212,163)
	receivables	(3,007,098)	(1,386,300)	(3,688,670)	(4,144,785)
	Net decrease in deposits				
	from banks and other			(10.0.10.000)	
	financial institutions Net decrease in placements	(8,710,515)	-	(13,349,239)	(20,116,635)
	from banks and other				
	financial institutions	-	-	-	(1,150,971)
	Net decrease in borrowings				
	from central bank Net decrease in financial	_	(5,271,556)	-	(2,848,192)
	assets sold under				
	repurchase agreements	_	_	_	(5,143,482)
	Interest, fee and commission				
	paid	(4,289,502)	(4,853,672)	(4,870,875)	(4,524,663)
	Cash paid to and for	(1, 208, 755)	(1,621,722)	(1,271,219)	$(1 \ 157 \ 672)$
	employees Taxes paid	(1,298,755) (1,355,173)	(1,021,722) (1,273,145)	(1,271,219) (1,219,891)	(1,157,672) (1,181,097)
	Cash paid for other operating	(1,000,170)	(1,2,0,1,0)	(1,21),0)1)	(1,101,0)7)
	activities	(1,027,172)	(2,377,479)	(4,587,418)	(848,242)
	Sub-total of cash outflows				
	from operating activities	(58,788,556)	(67,271,442)	(62,809,727)	(56,848,177)
	Net cash flows generated from/(used in) operating				
	activities	35,644,871	(7,005,735)	(20,854,480)	(25,646,229)
(II)	Cash flows generated from		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(,,,	(,)
	investing activities				
	Proceeds from disposal and				
	redemption of investments	48,386,598	52,477,166	90,679,422	85,452,509
	Cash received from investment gains and				
	interest	5,486,191	6,484,979	6,690,448	5,642,624
	Proceeds from disposal of	5,100,171	0,101,272	0,000,110	5,012,021
	fixed assets, intangible				
	assets and other assets	3,674	26,955	4,878	418
	Sub-total of cash inflows	50 076 460	<b>5</b> 0 000 100	07 274 740	01 005 551
	from investing activities Cash paid for investments	53,876,463 (79,399,784)	58,989,100 (48,872,103)	97,374,748 (68,108,476)	91,095,551 (120,184,820)
	Cash para for investments	(17,577,104)	(+0,072,103)	(00,100,470)	(120,104,020)

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item		January– September 2020	2019	2018	2017
	Cash paid for purchase of				
	fixed assets, intangible assets and other assets Sub-total of cash outflows	(478,803)	(301,351)	(276,737)	(610,155)
	from investing activities Net cash flows (used in)/	(79,878,587)	(49,173,454)	(68,385,213)	(120,794,975)
	generated from investing activities	(26,002,124)	9,815,646	28,989,535	(29,699,424)
(III)	Cash flows generated from				
	financing activities				
	Proceeds from issuance of				
	other equity instrument	-	-	-	7,853,964
	Proceeds from investments of subsidiaries				1,000,000
	Proceeds from issuance of	_	_	_	1,000,000
	ordinary shares	_	1,962,570	_	_
	Proceeds from debt securities		,- ,- ,		
	issued	45,166,923	83,798,288	96,917,942	193,058,940
	Sub-total of cash inflows				
	from financing activities	45,166,923	85,760,858	96,917,942	201,912,904
	Cash repayment of borrowings	(44,609,357)	(74,130,000)	(102,440,000)	(167,920,000)
	Cash repayment of interest	(44,009,337)	(74,130,000)	(102,440,000)	(107,920,000)
	of borrowings	(1,870,723)	(638,284)	(775,930)	(525,930)
	Cash paid for distribution of	()	() - )		()
	dividends	(1,397,623)	(1,420,742)	(1,319,008)	(810,407)
	Cash payment for other				
	financing activities	(92,515)	(96,505)	-	-
	Sub-total of cash outflows	(47.070.010)	(7( 205 521)	(104 524 020)	(1(0,05(,007)
	from financing activities Net cash flows (used in)/	(47,970,218)	(76,285,531)	(104,534,938)	(169,256,337)
	generated from financing				
	activities	(2,803,295)	9,475,327	(7,616,996)	32,656,567
( <b>IV</b> )	Effects of foreign exchange		, ,		, ,
	rates changes on cash and				
	cash equivalents	(18,362)	3,329	15,793	(31,031)
(V)	Net increase/(decrease) in				
	cash and cash equivalents	6,821,090	12,288,567	533,852	(22,720,117)
	Add: balance of cash and cash equivalents at the				
	beginning of the				
	period/year	22,500,749	10,212,182	9,678,330	32,398,447
(VI)	Balance of cash and cash	,	-, - <u>-</u> ,- <b>3</b>	. ,	- ,- , ~ , ,
	equivalents at the end				
	of the period/year	29,321,839	22,500,749	10,212,182	9,678,330

### (II) Financial Statements of the Bank for the Last Three Years and the Latest Period

## 1. Balance Sheet of the Bank

Unit: RMB'000

Item	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Assets:				
Cash and deposits with central				
bank	48,313,073	39,704,840	29,554,430	27,097,814
Deposits with banks and other				
financial institutions	2,554,642	1,307,010	1,540,521	1,088,521
Precious metals	112,656	113,223	113,459	114,001
Placements with banks and other				
financial institutions	1,357	3,515,038	4,110,464	2,882,727
Derivative financial assets	397,213	12,436	-	-
Financial assets held under resale				
agreements	1,396,212	2,325,771	300,262	3,584,200
Loans and advances to customers	203,529,919	169,158,291	123,366,891	95,514,680
Financial investments measured at				
fair value through profit or loss	31,991,487	22,912,561	22,361,816	179,078
Financial investments measured at				
fair value through other				NOT
comprehensive income	59,941,763	54,973,781	53,002,751	APPLICABLE
Financial investments measured at				NOT
amortized cost	79,062,266	64,491,058	70,032,056	APPLICABLE
Long-term equity investments	1,510,000	510,000	510,000	510,000
Fixed assets	2,788,239	2,837,723	2,912,866	2,877,054
Construction in progress	210,203	210,203	210,203	210,263
			NOT	NOT
Right-of-use assets	825,929	817,857	APPLICABLE	APPLICABLE
Intangible assets	209,742	191,986	162,533	195,077
Deferred tax assets	1,954,879	1,512,501	1,116,928	1,064,602
Other assets	691,172	619,895	1,037,940	897,122
	NOT	NOT	NOT	
Available-for-sale financial assets	APPLICABLE	APPLICABLE	APPLICABLE	79,086,556
	NOT	NOT	NOT	
Held-to-maturity investments	APPLICABLE	APPLICABLE	APPLICABLE	38,644,926

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Investments classified as	NOT	NOT	NOT	
receivables	APPLICABLE	APPLICABLE	APPLICABLE	46,678,869
	NOT	NOT	NOT	
Interest receivable	APPLICABLE	APPLICABLE	APPLICABLE	1,998,119
Total assets	435,490,752	365,214,174	310,333,120	302,623,609
Liabilities				
Borrowings from central bank	8,933,194	5,536,650	10,878,835	584,215
Deposits from banks and other				
financial institutions	8,597,045	16,792,558	11,672,892	25,029,775
Placements from banks and other				
financial institutions	4,353,569	2,552,359	966,351	2,754,299
Derivative financial liabilities	399,376	8,805	-	353,220
Financial assets sold under				
repurchase agreements	29,598,437	16,027,082	14,850,333	11,899,583
Deposits from customers	273,885,782	215,425,403	177,911,247	160,083,783
Employee benefits payable	744,866	800,981	727,727	684,244
Taxes payable	221,076	287,861	105,859	53,742
Estimated liabilities	104,209	99,715	104,964	-
Bonds payable	77,513,587	76,858,899	65,240,507	68,632,691
			NOT	NOT
Lease liabilities	461,625	427,296	APPLICABLE	APPLICABLE
Other liabilities	951,769	557,689	912,068	4,176,340
	NOT	NOT	NOT	
Interest payable	APPLICABLE	APPLICABLE	APPLICABLE	2,745,355
Total liabilities	405,764,535	335,375,298	283,370,783	276,997,247
Shareholders' equity:				
Share capital	4,509,690	4,509,690	4,058,713	4,058,713
Other equity instrument				
Including: preference shares	7,853,964	7,853,964	7,853,964	7,853,964
Capital reserve	8,337,869	8,337,869	6,826,276	6,826,276
Other comprehensive income	(22,316)	658,230	553,193	(885,449)
Surplus reserve	1,626,662	1,626,662	1,403,575	1,203,325
General risk reserve	4,400,258	4,400,258	3,969,452	3,969,452
Retained earnings	3,020,090	2,452,203	2,297,164	2,600,081
Total equity attributable to				
shareholders of the Bank	29,726,217	29,838,876	26,962,337	25,626,362
Total shareholders' equity	29,726,217	29,838,876	26,962,337	25,626,362
Total liabilities and				
shareholders' equity	435,490,752	365,214,174	310,333,120	302,623,609

## 2. Income Statement of the Bank

Unit: RMB'000

		January– September			
Item		2020	2019	2018	2017
(I)	Operating income				
	Interest income	12,310,125	14,018,672	11,557,250	11,604,946
	Interest expense	(6,443,919)	(7,374,263)	(7,167,376)	(6,861,145)
	Net interest income	5,866,206	6,644,409	4,389,874	4,743,801
	Fee and commission income	1,422,647	1,227,397	828,899	811,090
	Fee and commission expense	(108,072)	(123,305)	(73,548)	(59,123)
	Net fee and commission				
	income	1,314,575	1,104,092	755,351	751,967
	Gains arising from				
	investments	1,170,836	1,148,342	1,923,929	100,071
	Profit or loss from changes				
	in fair value	(92,827)	228,383	(303,689)	(354,629)
	Profit or loss from exchange	(202,727)	156,176	407,921	167,124
	Other income	10,593	17,071	7,707	25,542
	Other business income	3,508	6,732	9,956	13,864
	Profit or loss from asset				
	disposals	(1,632)	(777)	(502)	(417)
	Total operating income	8,068,532	9,304,428	7,190,547	5,447,323
( <b>II</b> )	<b>Operating expenses</b>				
	Tax and surcharges	(96,097)	(100,031)	(73,666)	(52,853)
	General and administrative				
	expenses	(2,204,000)	(3,002,250)	(2,369,773)	(1,708,416)
					NOT
	Credit loss	(3,486,819)	(3,497,663)	(2,318,660)	APPLICABLE
	Other business costs	(571)	(797)	(3,831)	(10,842)
		NOT	NOT	NOT	
	Impairment loss	APPLICABLE	APPLICABLE	APPLICABLE	(1,310,515)
	Total operating expenses	(5,787,487)	(6,600,741)	(4,765,930)	(3,082,626)
(III)	<b>Operating profit</b>	2,281,045	2,703,687	2,424,617	2,364,697
	Add: non-operating income	3,554	2,295	3,690	3,400
	Less: non-operating expenses	(7,585)	(16,962)	(7,132)	(7,681)
(IV)	Total profit	2,277,014	2,689,020	2,421,175	2,360,416
	Less: income tax expenses	(310,282)	(458,153)	(418,675)	(463,656)
(V)	Net profit	1,966,732	2,230,867	2,002,500	1,896,760
	Net profit attributable to				
	shareholders of the Bank	1,966,732	2,230,867	2,002,500	1,896,760

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item	January– September 2020	2019	2018	2017
(VI) Other comprehensive				
income (net of tax)	(680,546)	105,037	1,016,364	(948,593)
Other comprehensive income				
attributable to shareholders	((00, 540)	105.027	1.016.264	(0.4.9, 5.0.2)
of the Bank (net of tax) (1) Items that will not be	(680,546)	105,037	1,016,364	(948,593)
reclassified to profit or				
loss				
1. Remeasurement of				
defined benefit				
liability	1,253	(1,650)	(2,498)	30
(2) Items that may be				
reclassified subsequently				
to profit or loss				
1. Changes in fair value				
of debt investments at				
fair value through				NOT
other comprehensive income	(606.296)	63,549	006 949	NOT
2. Credit losses of debt	(696,286)	05,549	990,040	APPLICABLE
investments at fair				
value through other				NOT
comprehensive income	14,487	43,138	22,014	APPLICABLE
3. Profit or loss from				
changes in fair value				
of available-for-sale	NOT	NOT	NOT	
financial assets	APPLICABLE	APPLICABLE	APPLICABLE	(948,623)
(VII) Total comprehensive income	1,286,186	2,335,904	3,018,864	948,167
Total comprehensive income				
attributable to shareholders	1 007 107	0.005.001	0.010.044	040475
of the Bank	1,286,186	2,335,904	3,018,864	948,167

## PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

## 3. Cash Flow Statement of the Parent Company

			Un	nit: RMB'000
Item	January– September 2020	2019	2018	2017
(I) Cash flows generated from operating activities				
Net increase in deposits fro customers Net increase in deposits fro	57,748,081	37,115,060	15,592,066	18,479,022
banks and other financial institutions		5,074,218	_	_
Net increase in placements from banks and other		- ,- · , -		
financial institutions Net increase in financial assets sold under	1,801,700	1,576,179	_	_
repurchase agreements Net increase in borrowings	13,568,936	1,179,371	2,946,548	-
from central bank Net decrease in deposits wi	3,421,879	-	10,194,795	-
central bank Net decrease in financial	-	1,385,277	206,409	-
assets held under resale agreements	928,415	_	3,284,200	_
Net decrease in financial assets held for trading	_	_	_	139,828
Net decrease in deposits wi banks and other financial				
institutions Net decrease in placements with banks and other	-	200,000	-	2,150,470
financial institutions Interest, fee and commission	3,000,000	861,906	-	-
received Cash received from other	10,134,795	10,020,812	7,158,067	6,411,983
operating activities Sub-total of cash inflows	469,609	1,025,818	411,702	3,657,990
from operating activities Net increase in loans and	91,073,415	58,438,641	39,793,787	30,839,293
advances to customers Net increase in deposits wit	(36,968,772)	(48,460,968)	(30,127,157)	(11,919,060)
central bank Net increase in deposits wit	(2,086,777)	_	_	(2,433,202)
banks and other financial institutions		_	(200,000)	_
Net increase in placements with banks and other financial institutions	_	_	(3,495,258)	(168,013)
			(2,170,200)	(100,010)

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item		January– September 2020	2019	2018	2017
	Net increase in financial assets held under resale agreements Net decrease in deposits from banks and other	_	(2,026,600)	_	(1,212,163)
	financial institutions Net decrease in placements	(8,122,304)	-	(13,437,170)	(19,988,794)
	from banks and other financial institutions Net decrease in borrowings	-	-	(1,793,451)	(4,170,971)
	from central bank Net decrease in financial assets sold under	-	(5,271,556)	-	(2,848,192)
	repurchase agreements Interest, fee and commission	_	_	-	(5,143,482)
	paid Cash paid to and for	(3,960,558)	(4,525,435)	(4,655,259)	(4,489,827)
	employees Taxes paid Cash paid for other operating	(1,273,498) (1,264,307)	(1,578,808) (1,228,912)	(1,239,928) (1,178,610)	(1,140,529) (1,169,656)
	activities Sub-total of cash outflows	(991,073)	(2,357,233)	(4,504,551)	(825,445)
	from operating activities Net cash flows generated from /(used in) operating	(54,667,289)	(65,449,512)	(60,631,384)	(55,509,334)
(II)	activities Cash flows generated from investing activities	36,406,126	(7,010,871)	(20,837,597)	(24,670,041)
	Proceeds from disposal and redemption of investments Cash received from investment gains and	48,386,598	52,477,166	90,679,422	85,452,509
	interest Proceeds from disposal of fixed assets, intangible	5,486,191	6,484,979	6,690,448	5,642,624
	assets and other assets Sub-total of cash inflows	3,674	26,659	4,878	418
	from investing activities	53,876,463	58,988,804	97,374,748	91,095,551
	Cash paid for investments	(79,399,784)	(48,872,103)	(68,108,476)	(120,184,820)
	Cash paid for establishment of subsidiaries Cash paid for purchase of fixed assets, intangible	(1,000,000)	-	-	-
	assets and other assets Sub-total of cash outflows	(242,394)	(300,971)	(276,111)	(605,768)
	from investing activities	(80,642,178)	(49,173,074)	(68,384,587)	(120,790,588)

# PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

Item		January– September 2020	2019	2018	2017
(III)	Net cash flows (used in)/ generated from investing activities Cash flows generated from	(26,765,715)	9,815,730	28,990,161	(29,695,037)
	<b>financing activities</b> Proceeds from issuance of other equity instruments	_	_	_	7,853,964
	Proceeds from issuance of ordinary shares		1,962,570		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Proceeds from debt securities	_		_	_
	issued Sub-total of cash inflows	45,166,923	83,798,288	96,917,942	193,058,940
	from financing activities Cash repayment of	45,166,923	85,760,858	96,917,942	200,912,904
	borrowings Cash repayment of interest	(44,609,357)	(74,130,000)	(102,440,000)	(167,920,000)
	of borrowings	(1,870,723)	(638,284)	(775,930)	(525,930)
	Cash paid for distribution of dividends	(1,397,623)	(1,420,742)	(1,319,008)	(810,407)
	Cash payment for other financing activities Sub-total of cash outflows	(87,458)	(94,995)	-	-
	from financing activities Net cash flows (used in)/	(47,965,161)	(76,284,021)	(104,534,938)	(169,256,337)
(IV)	generated from financing activities Effects of foreign exchange	(2,798,238)	9,476,837	(7,616,996)	31,656,567
	rates changes on cash and				
(V)	cash equivalents Net increase/(decrease) in	(18,362)	3,329	15,793	(31,031)
	<b>cash and cash equivalents</b> Add: Balance of cash and cash equivalents at the beginning of the	6,823,811	12,285,025	551,361	(22,739,542)
(VI)	period/year Balance of cash and cash	22,495,291	10,210,266	9,658,905	32,398,447
	equivalents at the				
	end of the period/year	29,319,102	22,495,291	10,210,266	9,658,905

#### (III) Major Financial Indicators and Regulatory Indicators of the Bank

1. Major Financial Indicators for the Last Three Years and the Latest Period of the Bank

	January–			
Item	September 2020	2019	2018	2017
Basic earnings per share				
(RMB/share)	0.34	0.39	0.37	0.47
Diluted earnings per share				
(RMB/share)	0.34	0.39	0.37	0.47
Basic earnings per share after				
deduction of non-recurring profit				
or loss (RMB/share)	0.33	0.39	0.37	0.46
Weighted average return on net				
assets (%)	9.88	8.27	8.36	10.80
Weighted average return on net				
asset after deduction				
of non-recurring profit or				
loss (%)	9.80	8.24	8.35	10.71

Note: The weighted average return on net asset for January - September 2020 is annualized data.

# 2. Major Regulatory Indicators for the Last Three Years and the Latest Period of the Bank

During the last three years and the latest period, each of the Bank's risk management indicators, such as capital adequacy ratio, has been conforming with the relevant regulatory requirements continuously. The major risk management indicators are as follows:

Indicator	Regulatory standard	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Capital adequacy					
ratio (%)	≥10.5	14.17	14.76	15.68	16.60
Tier-one capital					
adequacy ratio (%)	≥8.5	11.32	11.33	11.82	12.57
Core tier-one capital					
adequacy ratio (%)	≥7.5	8.35	8.36	8.39	8.71
Leverage ratio (%)	≥4	6.22	7.46	7.92	7.88
Liquidity coverage					
ratio (%)	≥100	111.27	142.27	125.95	173.05
Liquidity ratio (%)	≥25	65.09	68.84	60.55	56.36
Non-performing loan					
ratio (%)	$\leq 5$	1.62	1.65	1.68	1.69
Provision coverage ratio (%	)	164.79	155.09	168.04	153.52
Loan provision ratio (%)		2.67	2.56	2.82	2.60

## (IV) Management Discussion and Analysis

#### 1. Assets

The composition of assets of the Bank for the last three years and the latest period are shown as follows:

Unit: RMB'000

Item	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Cash and deposits with central				
bank	48,358,140	39,704,840	29,554,430	27,097,814
Deposits with banks and other				
financial institutions	2,557,104	1,312,468	1,542,437	1,107,946
Precious metals	112,656	113,223	113,459	114,001
Placements with banks and other				
financial institutions	1,357	3,313,603	4,110,464	2,882,727
Derivative financial assets	397,213	12,436	_	_
Financial assets held under resale				
agreements	1,396,212	2,325,771	300,262	3,584,200
Loans and advances to customers	203,529,919	169,158,291	123,366,891	95,514,680
Financial investments measured at				
fair value through profit or loss	31,991,487	22,912,561	22,361,816	179,078
Financial investments measured at				
fair value through other				NOT
comprehensive income	59,941,763	54,973,781	53,002,751	APPLICABLE
Financial investments measured at				NOT
amortized cost	79,062,266	64,491,058	70,032,056	APPLICABLE
Long-term receivables	11,818,794	9,037,819	7,766,698	4,076,396
Fixed assets	3,004,117	2,838,610	2,914,152	2,878,754
Construction in progress	210,203	210,203	210,203	210,263
			NOT	NOT
Right-of-use assets	838,043	818,928	APPLICABLE	APPLICABLE
Intangible assets	211,825	194,243	165,153	197,454
Deferred tax assets	2,071,389	1,581,905	1,152,778	1,084,286
Other assets	741,145	622,410	1,064,952	898,937
	NOT	NOT	NOT	
Available-for-sale financial assets	APPLICABLE	APPLICABLE	APPLICABLE	79,086,556
<b>TT 11</b>	NOT	NOT	NOT	20 (11 02(
Held-to-maturity investments	APPLICABLE	APPLICABLE	APPLICABLE	38,644,926
Investments classified as	NOT	NOT	NOT	
receivables	APPLICABLE	APPLICABLE	APPLICABLE	46,678,869
T / / 11	NOT	NOT	NOT	0.000.005
Interest receivables	APPLICABLE	APPLICABLE	APPLICABLE	2,039,205
Total assets	446,243,633	373,622,150	317,658,502	306,276,092

## PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE

At the end of each of the reporting periods, the Bank had total assets of RMB306.276 billion, RMB317.659 billion, RMB373.622 billion and RMB446.244 billion, respectively. As of 30 September 2020, the carrying value of loans and advances to customers of the Bank was RMB203.530 billion, accounting for 45.61% of the total assets; the carrying value of financial investments measured at amortized cost was RMB79.062 billion, accounting for 17.72% of the total assets; the carrying value of financial investments measured at amortized cost was RMB79.062 billion, accounting for 17.72% of the total assets; the carrying value of financial investments measured at fair value through other comprehensive income was RMB59.942 billion, accounting for 13.43% of the total assets; the carrying value of cash and deposits with central bank was RMB48.358 billion, accounting for 10.84% of the total assets. The Bank's asset structure has been optimizing continuously.

#### 2. Liabilities

The composition of liabilities of the Bank for the last three years and the latest period are shown as follows:

#### Unit: RMB'000

Item	30 September31 December20202019		31 December 2018	31 December 2017	
Borrowings from central bank	8,933,194	5,536,650	10,878,835	584,215	
Deposits from banks and other					
financial institutions	7,678,510	16,462,527	11,632,982	24,901,934	
Placements from banks and other					
financial institutions	14,357,282	9,916,257	7,207,066	5,774,299	
Derivative financial liabilities	399,376	8,805	_	353,220	
Financial assets sold under					
repurchase agreements	29,598,437	16,027,082	14,850,333	11,899,583	
Deposits from customers	273,885,782	215,425,403	177,911,247	160,083,783	
Employees benefits payable	758,997	827,256	755,237	699,855	
Taxes payable	273,485	330,911	119,708	74,194	
Estimated liabilities	104,209	99,715	104,964	-	
Bonds payable	77,513,587	76,858,899	65,240,507	68,632,691	
			NOT	NOT	
Lease liabilities	473,733	427,429	APPLICABLE	APPLICABLE	
Other liabilities	1,820,882	1,223,298	1,460,899	4,351,207	
	NOT	NOT	NOT		
Interest payable	APPLICABLE	APPLICABLE	APPLICABLE	2,797,902	
Total liabilities	415,797,474	343,144,232	290,161,778	280,152,883	

At the end of each of the reporting periods, the Bank had total liabilities of RMB280.153 billion, RMB290.162 billion, RMB343.144 billion and RMB415.797 billion. As of 30 September 2020, the carrying value of deposits from customers of the Bank was RMB273.886 billion, accounting for 65.87% of the total liabilities; the carrying value of bonds payable was RMB77.514 billion, accounting for 18.64% of the total liabilities; the carrying value of financial assets sold under repurchase agreements was RMB29.598 billion, accounting for 7.12% of the total liabilities. The Bank has a reasonable liability structure, and deposits from customers has realized a faster growth.

### 3. Profitability analysis

Unit: RMB'000

	January– September			
Item	2020	2019	2018	2017
Operating income	8,419,460	9,616,315	7,371,953	5,582,932
Operating Profit	2,367,177	2,821,964	2,479,300	2,374,264
Total profit	2,385,266	2,828,555	2,476,016	2,369,767
Net profit	2,047,632	2,335,522	2,043,389	1,903,607
Net profit attributable to shareholders of the				
Bank	2,007,746	2,284,815	2,023,352	1,900,252

During each reporting period, the Bank's net profit attributable to the parent company owner was RMB1.9 billion, RMB2.023 billion, RMB2.285 billion and RMB2.008 billion, respectively. During the reporting period, with the increase in the scale and the structure optimization of the Bank, a relatively fast growth in net interest income was maintained; the wealth management and credit card business developed fast and a rapid growth in net fee and commission income was achieved.

#### IV. THE USE OF THE PROCEEDS FROM THE RIGHTS ISSUE

The proceeds from the Rights Issue shall not exceed RMB5 billion (inclusive). The Bank will use all net proceeds from the Rights Issue of the Bank (after deducting the relevant issuance expenses) to replenish the core tier-one capital, enhance the Bank's capital adequacy ratios, support the sustainable and healthy development of the business in future and enhance the Bank's capital strength and competitiveness.

#### V. THE NECESSITY AND REASONABLENESS OF THE RIGHTS ISSUE

#### (I) Analysis on the Necessity of the Rights Issue

# 1. Regulatory Authorities Have Further Lifted the Requirements for Capital Supervision of Banks

In recent years, the CBIRC has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the CBRC in 2012 imposed stricter and more prudent regulations on the qualification standards and measurement requirements of various types of capital, and further strengthened the capital regulatory requirements for commercial banks. Since 2016, the People's Bank of

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China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and self-discipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. As at 30 September 2020, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank on consolidated basis were 8.35%, 11.32% and 14.17%. As the business continues to develop in the next few years, it is expected that the capital gap will restrict the development of the Bank to a certain degree. In addition, in recent years, domestic and foreign regulatory authorities have continuously enhanced the requirements for banks' capital supervision, and the capital requirements for banks will be further increased.

#### 2. The Bank's Future Business Development Needs Capital Support

In recent years, the Bank's asset scale has grown steadily and rapidly. The total assets of the Bank on consolidated basis increased by 17.62% to RMB373.622 billion as at the end of 2019 as compared to that at the end of 2018, and further increased by 19.44% as compared to that at the end of 2019 to RMB446.244 billion as at the end of September 2020. The total loans to customers of the Bank on consolidated basis increased by 36.72% to RMB172.795 billion as at the end of 2019 as compared to that of at the end of 2018, and further increased by 20.49% as compared to that at the end of 2019 to RMB208.205 billion as at the end of September 2020, showing a steady growing trend. It is expected that the business scale of the Bank will continue to maintain a steady growth trend in the next few years. The Bank is required to maintain sufficient capital to support the stable development of its business and asset scale. At the same time, the Bank is required to reserve a certain proportion of capital to mitigate risk on premise of constantly satisfying the minimum requirements on capital adequacy of the regulatory authorities to further enhance the ability to resist risks and respond to the uncertainties of future macroeconomic development. In order to maintain the rapid development momentum, the Bank regards capital replenishment management planning as an important part of the overall development strategy, insists on matching capital management goals with strategic development goals, and matching asset scale growth with capital scale growth to ensure long-term and sustainable business development.

In summary, the Rights Issue will effectively replenish the Bank's core tier-one capital, which is of great significance to the Bank in meeting increasingly stringent capital regulatory requirements and supporting the sustainable and healthy development of its business.

#### (II) Feasibility Analysis on the Rights Issue

Completion of the Rights Issue will help the Bank improve its capital adequacy ratios, which is of great significance in aspects like maintaining liquidity of funds, promoting the development of various businesses, improving profitability and risk resistance level, and satisfying regulatory requirements.

The Bank will take the following measures to promote the realization of aforementioned goals:

# 1. The Bank adheres to the retail development strategy and comprehensively improves the retail service standards

The Bank will focus on the development of the retail business and prioritize resources allocation to this business. The Bank will continue to increase the overall contribution of retail banking business through an innovative bulk customer acquisition model, comprehensive product offerings covering various life stages of customers as well as quality and pleasant services. Through continuing improving the credit card business and taking advantage of the online card issuance model, the Bank will continue to expand the scale of retail customer base, and create a new drive for the Bank's profit growth by leveraging on the scenarios advantages. The Bank will constantly enrich the product shelves and provide customers with comprehensive wealth management planning and asset allocation services to satisfy their increasingly diversified wealth management needs. The Bank will vigorously promote the construction of key projects including rural finance, community finance and Internet finance, and strengthen the foundation of retail business, so as to gradually build a retail banking ecosystem covering all life scenarios.

## 2. The Bank deepens efforts in key areas of bulk wholesale business and promotes the business linkage and collaborative development

By leveraging on the development model of "commercial banking + investment banking + transaction banking", the Bank will deepen its efforts in key areas such as public finance, listed finance, technology finance and port finance through cross-line collaboration and internal collaboration covering the whole Group. By comprehensively promoting the "dual-base strategy" with basic customers and basic business as the core, and the "network construction" with obtaining customers in batches as the goal, the Bank will create a comprehensive corporate product service system focusing on traditional credit, cash management, supply chain finance and bond underwriting. In addition, it will capitalize on the value of financial market license to improve its influence on the bond market. Starting with business innovation, the Bank will continuously optimize the quality and efficiency of proprietary investment, and promote the collaborative development of investment and liabilities, so as to achieve collaborative and stable growth in the scale and benefits of bulk wholesale business.

# 3. The Bank capitalizes on the value of wealth management license and comprehensively strengthens the asset management capability

As the first wealth management subsidiary of a city commercial bank approved in the northern China and the sixth in the PRC, the opening of Qingyin Wealth Management Company Limited reflects that the Bank was highly recognized by the regulators and the market. By fully capitalizing on the value of wealth management subsidiary licenses in terms of fund raising, product issuance and investment scope, the Bank will further strengthen the product design, investment management and research capabilities with its market-oriented and specialized talent team, gradually improve the wealth management product system with accurate and effective marketing strategies to continuously enhance customer base operation capacities, and provide strong support for the business development of the Bank while steadily transforming in accordance with regulatory requirements.

# 4. The Bank takes various measures to prevent and control risks and has established a sound risk management and control system

With the continuous "prudent and steady" risk appetite, the Bank will continue to establish a credit risk management system with comprehensive functions, controlled and balanced risks, a streamlined structure and high efficiency as well as well-delegated authorities and duties. Leveraging on the utilization of financial technology, the Bank will constantly improve the risk management procedures and methods, and optimize the credit policy system. The risk screening will be proactively conducted to pre-assess risk trends. Asset quality is further controlled and monitored to heighten the clearing and recovery of risky assets. The Bank will build an accurate and efficient risk-monitoring system and a quick-response mechanism to continuously safeguard the risk resilience of the Bank, so as to ensure the asset quality of the Bank to maintain at a positive and stable level.

# 5. The Bank improves smart operation efficiency and enhances financial technology-empowered capability

The Bank will comprehensively implement the strategy of scientific and technological innovations, and combine the new financial concept of "Finance + Technology + Scenarios" to continuously increase investment in the construction of information technology systems and the cultivation of technological talents. It will also actively explore the practical application of new technologies, and focus on advancing the application of new technologies such as 5G, big data and cloud computing. The Bank will continuously optimize online service channels such as mobile banking and online banking so as to "enhance customers' experience". The Bank will steadily promote the construction of smart outlet projects of "5G + Ecosystem", and promote the intelligent transformation of outlets, so as to relieve pressure of counters and enhance service quality and efficiency. The Bank will also exercise all efforts in construction of key projects to further enhance the strategic support capabilities of technology for the business development and risk prevention and control of the Bank.

#### VI. Remedial Measures for the Dilution of Current Returns by the Rights Issue

Upon completion of the Rights Issue, the amount of share capital and net assets of the Bank will increase by a larger degree. However, it takes a certain period to produce benefits after the investment of proceeds, and the Bank mainly depends on its existing business to realize profits and Shareholders' return, so the Bank's indicators such as the earnings per Share and weighted average net return on assets will experience a certain decrease in short term, i.e. the immediate returns will be susceptible to dilution after the Bank's Rights Issue. Please refer to the relevant contents set out in Risk Reminder of and Remedial Measures for the Dilution of Current Returns to Original Shareholders by Rights Issue and Commitments by Relevant Entities of Bank of Qingdao Co., Ltd. for further details.

The specific remedial measures for the risk of dilution of current returns do not constitute a guarantee of future profit by the Bank. Investors shall not make decisions related to investment on the above basis, and any losses thus incurred shall not be borne by the Bank.

#### VII. Profit Distribution Policy and Implementation of the Bank

(I) The Relevant Requirements of the Existing Articles of Association on the Profit Distribution Policy

"Article 261 The after-tax profit of the Bank for the year shall be distributed in the following order of priority:

- (1) to make up for the losses of previous years;
- (2) to set aside 10% as statutory reserve fund;
- (3) to set aside general reserve;
- (4) to pay dividends to preference shareholders;
- (5) to set aside discretionary reserve fund;
- (6) to pay dividends to ordinary shareholders.

No further contribution may be required when the accumulated amount of statutory reserve funds of the Bank reaches 50% of its registered capital. The Bank shall not distribute profits to shareholders before making up losses and setting aside statutory reserve funds and general reserves.

After the Bank has set aside statutory reserve fund and general reserve and paid dividends to preference shareholders from the after-tax profits, the Bank, subject to the approval of the shareholders' general meeting, may make allocation to the discretionary reserve fund from the

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after-tax profits. The balance of the after-tax profits of the Bank after making up losses, setting aside statutory reserve fund and general reserve, paying dividends to preference shareholders and setting aside discretionary reserve fund may be distributed to the shareholders in pro-rata to their shareholding.

In general, no cash dividend shall be paid to shareholders for any year in which the Bank's capital adequacy ratio is lower than the minimum standard required by the regulatory authorities of the PRC. On the premises of ensuring that the capital adequacy ratio meets the regulatory requirements, the Bank may distribute cash dividends if its profits realized in each year, after making up losses, setting aside statutory reserves fund and general reserve, and paying dividends to preference shareholders according to law, remain positive and distributable.

The payment of dividends on preference shares should be subject to laws, regulations, department rules, relevant provisions of the securities regulatory authorities where the Bank's shares are listed and the preference shares are issued or listed, and these Articles.

Where the shareholders' general meeting distributes profits to shareholders before the Bank's making up losses and setting aside statutory reserve funds and making general reserve and violates the foregoing provisions, the shareholders concerned must return to the Bank the profits distributed in violation of the provisions.

Shares held by the Bank shall not participate in the distribution of profits.

Article 265 The profit distribution policy for ordinary shareholders of the Bank is set out as below:

- (1) the Bank shall implement consistent and stable profit distribution policy that gives priority to investors' reasonable investment returns with a view to the Bank's sustainable development. The Bank shall give preference to cash dividend distribution on the premise of ensuring sustaining profitability and compliance with regulatory requirements as well as the normal operation and long-term development of the Bank. No profit shall be distributed to ordinary shareholders before the agreed dividends have been fully paid to preference shareholders.
- (2) The details of the profit distribution policy are as follows:
  - 1. Forms and interval of profit distribution: The Bank shall distribute profits on a pro-rata basis based on the shareholdings of shareholders, and may make dividend distributions either in cash or shares or in a combination of both. If the Bank reaches the conditions for cash dividends, it shall give preference to profit distribution in the form of cash dividends. The Bank shall, in principle, distribute profits once a year. Where conditions allow, the Bank may distribute interim dividends.

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- 2. Conditions for and ratio of cash dividend distribution: In general, no cash dividends shall be paid to the shareholders for any year in which the Bank's capital adequacy ratio falls below the minimum standard required by the regulatory authorities of the PRC. Provided that the capital adequacy ratio meets the regulatory requirements, the Bank may pay cash dividends for each of the years with realized profits which, after recovery of losses and withdrawal to the statutory reserve fund, general reserve and payment of dividend to preference shareholders in accordance with applicable laws, remain positive and distributable. The profit to be distributed to ordinary shareholders by the Bank in cash each year shall be no less than 20% of the distributable profits of the Bank for the year. The specific ratio of cash dividend distribution each year shall be set by the Bank in accordance with the requirements of the relevant laws, regulations, regulatory documents and these Articles and based on its business operations, and then shall be considered and approved at the general meetings of the Bank.
- 3. Conditions for distribution of share dividends by the Bank: Where the operating income of the Bank grows rapidly and the Board of Directors considers that the share price of the Bank does not reflect its share capital scale, the Bank may propose and execute a share dividend distribution proposal in addition to the aforesaid distribution of cash dividends.
- 4. The Board of Directors of the Bank shall take into full account various factors, including features of the industries where the Bank operates, the stage of its development, its own business model, profitability and whether there are significant capital expenditure arrangements, to distinguish the following situations from each other and put forward differentiated cash dividend policies in accordance with the procedures provided under these Articles:
  - if the Bank is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the distributable profits shall be at least 80% when making profit distribution;
  - (2) if the Bank is at the mature stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the distributable profits shall be at least 40% when making profit distribution;
  - (3) if the Bank is at the growing stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the distributable profits shall be at least 20% when making profit distribution;

If it is difficult to distinguish the Bank's stage of development and the Bank has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding paragraph.

- (3) Decision-making procedures for profit distribution:
  - 1. When determining a profit distribution plan, the Board of Directors of the Bank shall seriously study and discuss, among others, the timing, conditions and minimum ratio of cash dividend distribution, the conditions for adjustments and the requirements of the procedures for decision-making. The independent directors shall issue specific opinions thereon. The independent directors may solicit opinions from the minority shareholders, devise a dividend distribution proposal accordingly and submit it directly to the Board of Directors for consideration. Prior to the consideration of the specific cash dividend distribution plan by the shareholders at a general meeting, the Bank shall communicate and exchange ideas with shareholders especially the minority shareholders through multiple channels, attentively obtain the opinions and requests of the minority shareholders and give timely response to the issues that concern them. The Board of Supervisors of the Bank shall supervise the formulation and decision-making by the Board of Directors of the profit distribution plan of the Bank.
  - 2. Where the Bank reaches conditions for cash dividend distribution but has not prepared any cash dividend plan, or the profit to be distributed to ordinary shareholders by the Bank in cash is less than 20% of the distributable profits attributable to ordinary shareholders of the Bank for the year, the Board of Directors shall explain, among others, the specific reasons for not distributing cash dividends, the exact purpose for and the estimated investment return on the retained profits, and submit such arrangements to the shareholders' general meeting for consideration after independent directors have given their opinions thereon before disclosing the matters in the media designated by the Bank. The Bank shall provide access to online voting for shareholders to vote on such matters.
- (4) Explanation of the reasons for not making profit distribution in cash: A profit distribution plan for the year shall be disclosed in the annual report of the Bank. If profits were recorded for the reporting period but the Board of Directors of the Bank has not made any cash profit distribution plan, the reasons for that and the use of the retained profits by the Bank shall be explained in detail in its regular reports and the independent directors shall give independent opinions thereon.

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- (5) Adjustment to profit distribution policy: If the production and operation of the Bank are materially affected as a result of war, natural disasters and other force majeure or any change in its external operating environment, or there are any significant changes in its own operating conditions, the Bank may adjust its profit distribution policy. When the Bank makes such adjustment, the Board of Directors shall prepare a written special report containing detailed reasons for such adjustment, which, after being approved by the independent directors, shall be submitted to the shareholders' general meeting for approval by shareholders representing over two-thirds or more of the voting rights present at such meeting. The Bank shall provide access to online voting for shareholders to vote on the relevant resolution. When considering such adjustment at the shareholders' general meeting, the opinions of minority shareholders shall be sufficiently considered.
- (6) In case of capital occupied by a shareholder in violation of regulations, the Bank shall, for the purpose of recovering the occupied capital, deduct the amount of such occupied capital from the cash dividends allocable to such shareholder.
- (7) The Bank shall disclose in detail the formulation and implementation of cash dividend distribution policy in its annual reports, and clarify whether the policy is in compliance with these Articles or the resolutions of general meetings, whether the dividend distribution standards and ratios are explicit enough, whether relevant decision-making procedures and system are tried and true, whether the independent directors have performed their duties and played their full role, whether the minority shareholders have adequate opportunities to voice their opinions and requests, whether the legitimate rights and interests of the minority shareholders are duly protected, etc. Where the Bank makes adjustments or changes to its cash dividend distribution policy, it shall explain in detail as to whether the conditions and procedures for such adjustment or change are transparent and in compliance with regulations.

To distribute dividends in the form of shares, the shareholder's general meeting shall pass a resolution and report to the banking regulatory authority of the State Council for approval."

#### (II) The Profit Distribution of the Bank for the Last Three Years

# 1. The Arrangements of Profit Distributions and the Uses of Undistributed Profits for the Last Three Years

- (1) Profit Distribution of Ordinary Shares
  - ① Profit Distribution of Ordinary Shares for the Year 2017

According to the relevant resolutions which have been considered and passed at the 2017 general meeting held on 15 May 2018, the Bank had distributed to domestic shares and H Shares Shareholders of whose names appear in the register of members of the Bank on 24 May 2018, a 2017 cash dividend of RMB2.00 for 10 Shares (inclusive of tax) in accordance with the dividend distribution plan on 25 May 2018. A total of RMB812 million (inclusive of tax) cash dividend has been distributed.

<sup>(2)</sup> Profit Distribution of Ordinary Shares for the Year 2018

According to the relevant resolutions which have been considered and passed at the 2018 general meeting held on 17 May 2019, the Bank had distributed to A Shares Shareholders of whose names appear in the A Shares register of members of the Bank on 15 July 2019 and H Shares Shareholders of whose names appear in the H Shares register of members of the Bank on 28 May 2019, a 2018 cash dividend of RMB2.00 for 10 Shares (inclusive of tax) in accordance with the dividend distribution plan on 16 July 2019. A total of RMB902 million (inclusive of tax) cash dividend has been distributed.

③ Profit Distribution of Ordinary Shares for the Year 2019

According to the relevant resolutions which have been considered and passed at the 2019 general meeting held on 7 May 2020, the Bank had distributed to A Shares Shareholders of whose names appear in the A Shares register of members of the Bank on 1 July 2020 and H Shares Shareholders of whose names appear in the H Shares register of members of the Bank on 18 May 2020, a 2019 cash dividend of RMB2.00 for 10 Shares (inclusive of tax) in accordance with the dividend distribution plan on 2 July 2020. A total of RMB902 million (inclusive of tax) cash dividend has been distributed.

#### (2) Dividend Distribution of Preference Shares

On 19 September 2017, the Bank issued preference shares of US\$1,203 million in offshore market, with a nominal dividend yield of 5.50%. The stock abbreviation is "BQD17USDPREF" and the stock code is 4611.

The Bank distributes cash dividend for its offshore preference shares once a year. On 19 September 2018, 19 September 2019 and 19 September 2020, the Bank had distributed the dividends of preference shares for the first to third interestbearing periods, and the dividend for each interest-bearing period were US\$73.5167 million (tax inclusive).

#### (3) Arrangement for the usage of the undistributed profits for the last three years

In accordance to the regulatory requirements of the CBRC on capital of commercial banks, the undistributed profits for the last three years of the Bank have been carried forward to the next year, which were retained to replenish the capital for the stable development of various businesses of the Bank.

# 2. Details on the Dividend Distributions of Ordinary Shares for the Last Three Years of the Bank

Details on the dividend distributions of ordinary shares for the last three years of the Bank are shown in the following table:

#### Unit: RMB100 million

	Cash dividend amount	Net profit attributable to ordinary shareholders of the parent company for the	Cash dividends as a percentage of net profit attributable to ordinary shareholders of the parent				
Dividend year	(Tax inclusive)	dividend year	company				
2019	9.02	17.65	51.11%				
2018	9.02	15.19	59.37%				
2017	8.12	19.00	42.72%				
The accumulated profit distributed in cash in the last three years as							
a percentage to the average annual 151.36% distributable net profit realized in the last three years							

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In January 2019, the Bank has been listed on the Shenzhen Stock Exchange. During 2017-2019, the Bank's accumulated profit distributed in cash as a percentage to the average annual distributable net profit realized in the last three years was 151.36%. The cash dividends distributed by the Bank for the last three years have been complied with the relevant requirements under the Articles of Association and shareholders return plans. The legal benefits of our Shareholders are fully safeguarded with comprehensive procedures and mechanisms for decision making, accurate and clear dividend standards and ratios, which have been considered and agreed by the independent directors of the Bank.

#### 3. Profit Distribution Policy of the Bank After the Rights Issue

In order to further increase Shareholders' return, optimize and implement the cash dividend policy, clarify the plan of the Bank for providing reasonable investment returns to Shareholders, improve the transparency and operability of decision-making on profit distribution and to facilitate supervision of the Bank's operations and profit distribution by the Shareholders, the Board of the Bank has formulated the Shareholder Return Plan for the Next Three Years (2021-2023) of Bank of Qingdao Co., Ltd., the detailed contents of which are as follows:

(1) Priorities of Profit Distribution

The after-tax profit of the Bank for the year shall be distributed in the following order of priority:

- ① to make up for the losses of previous years;
- (2) to set aside 10% as statutory reserve fund;
- 3 to set aside general reserve;
- ④ to pay dividends to preference shareholders;
- 5 to set aside discretionary reserve fund;
- 6 to pay dividends to ordinary shareholders.

No further contribution may be required when the accumulated amount of statutory reserve funds of the Bank reaches 50% of its registered capital. The Bank shall not distribute profits to shareholders before making up losses and setting aside statutory reserve funds and general reserves.

After the Bank has set aside statutory reserve fund and general reserve and paid dividends to preference shareholders from the after-tax profits, the Bank, subject to the approval of the shareholders' general meeting, may make allocation to the discretionary reserve fund from the after-tax profits. The balance of the after-tax profits of the Bank after making up losses, setting aside statutory reserve fund and general reserve, paying dividends to preference shareholders and setting aside discretionary reserve fund may be distributed to the shareholders in pro-rata to their shareholding.

In general, no cash dividend shall be paid to shareholders for any year in which the Bank's capital adequacy ratio is lower than the minimum standard required by the regulatory authorities of the PRC. On the premises of ensuring that the capital adequacy ratio meets the regulatory requirements, the Bank may distribute cash dividends if its profits realized in each year, after making up losses, setting aside statutory reserves fund and general reserve, and paying dividends to preference shareholders according to law, remain positive and distributable.

The payment of dividends on preference shares should be subject to laws, regulations, department rules, relevant provisions of the securities regulatory authorities where the Bank's shares are listed and the preference shares are issued or listed, and these Articles.

Where the shareholders' general meeting distributes profits to shareholders before the Bank's making up losses and setting aside statutory reserve funds and making general reserve, the shareholders concerned must return to the Bank the profits distributed in violation of the provisions.

Shares held by the Bank shall not participate in the distribution of profits.

#### (2) Forms and Interval of Profit Distribution

The Bank shall distribute profits on a pro-rata basis based on the shareholdings of shareholders, and may make dividend distributions either in cash or shares or in a combination of both. If the Bank reaches the conditions for cash dividends, it shall give preference to profit distribution in the form of cash dividends. The Bank shall, in principle, distribute profits once a year. Where conditions allow, the Bank may distribute interim dividends.

#### (3) Conditions and ratio of cash dividend distribution

In general, no cash dividend shall be paid to the shareholders for any year in which the Bank's capital adequacy ratio falls below the minimum standard required by the regulatory authorities of the PRC. Provided that the capital adequacy ratio meets the regulatory requirements, the Bank may pay cash dividends for each of the years with realized profits which, after recovery of losses and withdrawal of the statutory reserve fund, general reserve and payment of dividends to preference shareholders in accordance with applicable laws, remain positive and distributable. The profit to be distributed to ordinary shareholders by the Bank in cash each year shall be no less than 20% of the distributable profits of the Bank for the year. The specific ratio of cash dividend distribution each year shall be set by the Bank in accordance with the requirements of the relevant laws, regulations, regulatory documents and Articles of Association and based on its business operations, and then shall be considered and approved at the general meetings of the Bank.

The Board of Directors of the Bank shall take into full account various factors, including features of the industries where the Bank operates, the stage of its development, its own business model, profitability and whether there are significant capital expenditure arrangements, to distinguish the following situations from each other and put forward differentiated cash dividend policies in accordance with the procedures provided under Articles of Association:

- ① if the Bank is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the distributable profits shall be at least 80% when making profit distribution;
- ② if the Bank is at the mature stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the distributable profits shall be at least 40% when making profit distribution;
- ③ if the Bank is at the growing stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the distributable profits shall be at least 20% when making profit distribution.

If it is difficult to distinguish the Bank's stage of development and the Bank has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding paragraph.

Where the operating income of the Bank grows rapidly and the Board of Directors considers that the share price of the Bank does not reflect its share capital scale, the Bank may propose and execute a share dividend distribution proposal in addition to the aforesaid distribution of cash dividends.

## RESOLUTION IN RELATION TO THE FULFILLMENT OF ISSUE CONDITIONS OF RIGHTS ISSUE OF BANK OF QINGDAO CO., LTD.\*

The Bank plans to allot shares to original shareholders (the "**Rights Issue**"). After conducting verification carefully on a case-by-case basis as set out in the laws, regulations and regulatory documents including the Company Law of the PRC (the "**Company Law**"), the Securities Law of the PRC (the "**Securities Law**"), the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) (the "**Administrative Measures**") and the Issuance Regulatory Q&A – Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《發行監管問答—關於引導規範上市公司融資行為的監管要求(修訂版)》), the Bank confirms that the Bank has satisfied the conditions for the Rights Issue. Details are as follow:

# I. THE BANK COMPLIES WITH RELEVANT PROVISIONS IN THE COMPANY LAW

- (I) The Rights Issue include RMB ordinary shares (A Shares) and overseas-listed foreign shares (H Shares), and each share of the same type has the same issuance conditions and the Rights Issue Prices are the same after exchange rate adjustments, which complies with the relevant provisions in Article 126 of the Company Law.
- (II) The par value of the issuance of Shares for the Right Issue is RMB1.00. The price of Rights Issue is to be determined at a discount to market price having regard to the market trading conditions of the A Shares and the H Shares before the publication of the Rights Issue announcement. The final Rights Issue Price shall be determined through negotiation between those parties authorized by the Board and the sponsor(s) institution (underwriter(s)) with reference to the market conditions before the issuance, which complies with the relevant provisions in Article 127 of the Company Law.

# II. THE BANK COMPLIES WITH RELEVANT PROVISIONS IN THE SECURITIES LAW

(I) The Rights Issue of the Bank complies with the relevant requirements of the Administrative Measures (《管理辦法》) of the China Securities Regulatory Commission (the "CSRC"), therefore it complies with the relevant provisions in Article 12 of the Securities Law.

(II) The net proceeds from the H Shares IPO in 2015 and the A Shares IPO in 2019 of the Bank after deducting the relevant issuance cost have been fully applied for the replenishment of the Bank's core tier-one capital, which complies with the relevant provisions in Article 14 of the Securities Law.

# III. THE BANK COMPLIES WITH RELEVANT PROVISIONS IN THE ADMINISTRATIVE MEASURES

- (I) The Bank has a complete and well-operated organization:
  - 1. The Articles of Association are lawful and effective, and there are sound systems for the shareholders' general meeting, the Board of Directors, the board of supervisors, and independent Directors, who are able to perform their respective duties in accordance with the law;
  - 2. The Bank has a sound internal control system, which can ensure its operating efficiency, legal compliance, and the reliability of its financial reports effectively. There are no serious defects in regard to the completeness, reasonableness and validity of the internal control system;
  - 3. The incumbent Directors, supervisors and senior management are qualified for their posts and can faithfully and diligently perform their duties. None of them has committed any act in violation of Article 147 or Article 148 of the Company Law, or has been given any administrative penalties by the CSRC within the recent 36 months, or has been publicly condemned by the stock exchange within the recent 12 months;
  - 4. It has not provided any illegal guarantee to external parties,

which complies with the relevant requirements of Article 6 of the Administrative Measures.

- (II) The Bank has sustainability in its profit-making ability:
  - 1. Profit is recorded for three consecutive accounting years. In 2017, 2018 and 2019, the audited net profit amounted to RMB1.904 billion, RMB2.043 billion and RMB2.336 billion, and the net profit after deducting non-recurring profit or loss amounted to RMB1.888 billion, RMB2.041 billion and RMB2.320 billion;
  - 2. It has relatively stable sources of businesses and profits;
  - 3. It can maintain its present primary business or investment trend sustainably. It has a sound business operation mode and investment plan, and has a good market prospect for its main products or services. There is no seriously unfavorable imminent or foreseeable change in the business operation environment and market demands;
  - 4. The senior management is stable and there is no seriously unfavorable change;
  - 5. The important assets, core technologies or other material interests of the Bank have been lawfully obtained and can be continuously utilized, and there is no seriously imminent or foreseeable unfavorable change;
  - 6. There is no guarantee, litigation, arbitration or any other important matters that are likely to seriously affect the sustainable business operations of the Bank;
  - 7. For the A Shares IPO in 2019 of the Bank, the operating profit for the year of listing increased by 13.82% from the previous year. There is no public issuance of securities within the recent 24 months, and there is no situation of a decrease in the business profits of the current year of the issuance by 50% or more as compared to the previous year,

which complies with the relevant provisions in Article 7 of the Administrative Measures.

- (III) The Bank is in a good financial position:
  - 1. Its basic accounting work is standard, and it strictly complies with the unified accounting system of the State;
  - 2. The audit opinions of the audit reports for the recent three years are standard unqualified opinions;
  - 3. The assets are of good quality. The non-performing assets is not sufficient to produce any seriously unfavorable effect on the financial position;

- 4. Its business outcomes are authentic and the cash flows are normal. It has strictly complied with the relevant corporate accounting standards of the State in recognition of its business incomes, costs and expenses. It has made full and reasonable provisions for the asset impairment in the recent three years and has never manipulated its operating results;
- 5. The profits which it has accumulatively distributed in cash for the recent three years accounted for 151.36% of the annual average distributable profits realized in the recent three years. Meanwhile, given the A Shares of the Bank are listed for less than 3 years, since the listing of A Shares, the profits which it has accumulatively distributed in cash accounted for 51.11% of the annual average distributable profits realized after listing,

which complies with the relevant provisions in Article 8 of the Administrative Measures.

- (IV) The Bank has no false record in its financial and accounting documents within the recent 36 months and has not committed any of the following serious illegal acts as stipulated in Article 9 of the Administrative Measures:
  - 1. It has been subject to any administrative penalties of the CSRC or has been given any criminal punishments due to a violation of any securities laws, administrative regulations or rules;
  - 2. It has been subject to any administrative penalties with serious circumstances, or has been subject to any criminal punishments due to a violation of any laws, administrative regulations or rules on industry and commerce, tax, land, environmental protection or customs;
  - 3. Other acts in violation of other national laws or administrative regulations with serious circumstances.
- (V) The amount and utilization of the proceeds raised by the Bank :
  - 1. They comply with the capital needs of the Bank;
  - 2. The proceeds, after deducting relevant issuance costs, are all applied for the replenishment of core tier-one capital, and there is no incompliance with the national industry policies and laws and administrative regulations on, among others, environmental protection and land administration;
  - 3. The proceeds specific storage system has been established and the proceeds have been stored in specific accounts,

which complies with the relevant provisions in Article 10 of the Administrative Measures.

- (VI) The Bank is not involved in any of the following circumstances under which it is prohibited to issue any securities publicly as stipulated in Article 11 of the Administrative Measures:
  - 1. The application documents for the Rights Issue have any false record, misleading statement or serious omission;
  - 2. It changes the purposes of the use of the proceeds raised in the previous public issuance of securities without permission and fails to make rectifications;
  - 3. The Bank has been publicly condemned by the stock exchange within the recent 12 months;
  - 4. The Bank fails to perform its public commitments to the investors within the recent 12 months;
  - 5. The Bank or any of its incumbent Directors or senior management are being investigated by the judicial authority due to any suspected crime or are being investigated by the CSRC due to any suspected violation;
  - 6. Other circumstances under which the legitimate rights and interests of the investors or the social and public interests are severely impaired.
- (VII) The Bank intends to conduct the Rights Issue on the basis of up to 3 Shares for every 10 Shares, under which, the A Share Rights Issue will proceed on a best effort basis pursuant to the requirements of the Securities Law, and it complies with the relevant provisions in Article 12 of the Administrative Measures.

## IV. THE BANK SATISFIES THE RELEVANT PROVISIONS OF THE ISSUANCE REGULATORY Q&A – REGULATIONS ON GUIDING AND REGULATING FINANCING ACTIVITIES OF LISTED COMPANIES (REVISED):

For the A Shares IPO of the Bank in January 2019, the proceeds amounted to RMB2.038 billion. The Board meeting for the Rights Issue is 25 months afterwards and it complies with the relevant provisions in the Issuance Regulatory Q&A – Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《發行監管問答 — 關於引導規範上市公司融資行為的監管要求(修訂版)).

In conclusion, the Board is of the view that the Bank has a complete and well-operated organization, sustainable profit-making ability, a good financial position without false record in its financial and accounting documents. The amount and utilization of the proceeds comply with relevant provisions without any significant violations. It satisfies various regulations and requirements on rights issue by listed companies in relevant laws and regulations, and it has the qualification and conditions for the application for rights issue.

### APPENDIX III REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS

## REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS AS AT 31 DECEMBER 2020 OF BANK OF QINGDAO CO., LTD.\*

Pursuant to the Status Report on the Use of Previously Raised Funds issued by the China Securities Regulatory Commission (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集 資金使用情況報告的規定》(證監發行字[2007]500號)), the utilization of raised funds from the initial public offering of RMB ordinary shares (A Share) in January 2019 by Bank of Qingdao Co., Ltd. (hereinafter referred to as the "**Bank**") (the "**Previously Raised Funds**") as at 31 December 2020 is reported as follows:

#### I. AMOUNT AND THE TIME OF RECEIPT OF THE PREVIOUSLY RAISED FUNDS

As approved by the China Securities Regulatory Commission with the Approval on the Initial Public Offering of Shares by Bank of Qingdao Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1727) (《關於核准青島銀行股份有限公司首次公開發行股票的批覆》(證監許可[2018]1727 號)), the Bank issued 450,977,251 RMB ordinary shares (A shares) by way of initial public offering with a par value of RMB1.00 ("**Renminbi**", hereafter referred to as "**RMB**") per share at the issue price of RMB4.52 per share. The total proceeds raised from the public offering were RMB2,038,417,174.52. After deducting underwriting commissions and sponsor fees and the corresponding value-added tax, the actual proceeds received were RMB1,981,290,532.52, which had been remitted to the special account for raising funds of the Bank on 10 January 2019. The net proceeds, being the aforesaid total proceeds of RMB2,038,417,174.52 deducting the total issuance expenses relating to raising proceeds of RMB75,847,135.06 (excluding value-added tax), amounted to RMB1,962,570,039.46.

The aforesaid proceeds were verified by KPMG Huazhen LLP, which issued its capital verification report畢馬威華振驗字第1900084號.

### II. ACTUAL USE OF THE PREVIOUSLY RAISED FUNDS

As of 31 December 2020, the net proceeds from the initial public offering of A Shares of the Bank, totaling RMB1,962,570,039.46, have all been used to replenish the core tier-one capital of the Bank and the balance of proceeds unutilized was RMB0, which is in line with the undertakings made in connection with the use of proceeds at the A Shares offering.

### APPENDIX III REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS

The actual use of the Previously Raised Funds of the Bank as of 31 December 2020 is set out in the "Breakdown of the Use of the Previously Raised Funds" below.

#### Breakdown of the Use of the Previously Raised Funds

Unit: RMB

Total proceeds: 1,962,570,039.46     Total cumulative proceeds used: 1,962,570,039.46       Change in use of total proceeds: Nil     Total proceeds used each year/period:       Proportion of change in use of total proceeds: Nil     From 10 January 2019 to 31 December 2020: 1,962,570,039.46       Investment project     Total proceeds for investment     Cumulative investment of proceeds as at the cut-off date										
No.	Committed investment project	Actual investment project	Committed investment amount before the fund raising	Committed investment amount after the fund raising	Actual investment amount	Committed investment amount before the fund raising	Committed investment amount after the fund raising	Actual investment amount	amount after	Completion status of the project as at the cut-off date
1	Replenishment of core tier- one capital	Replenishment of core tier- one capital	1,962,570,039.46	1,962,570,039.46	1,962,570,039.46	1,962,570,039.46	1,962,570,039.46	1,962,570,039.46	-	NOT APPLICABLE

## III. COMPARISON BETWEEN THE USE OF PREVIOUSLY RAISED FUNDS AND INFORMATION DISCLOSED IN THE REGULAR REPORTS OF THE BANK

The actual use of the Previously Raised Funds mentioned above has been compared, item by item, by the Bank with reference to the relevant disclosures made in the relevant regular reports and other disclosure documents of the Bank published since January 2019. The actual use of proceeds is in line with the relevant disclosures.

# IV. REALIZED RETURN OF PROJECTS INVESTED WITH PREVIOUSLY RAISED FUNDS

Due to the particularity of banking business, the Bank's raised proceeds are used in full to replenish the Bank's capital base once received, and therefore the realized return of such proceeds cannot be calculated separately. With the replenishment of raised proceeds, both the Bank's capital base and its capital adequacy ratios are enhanced.

#### V. CONCLUSION

The Bank had used the Previously Raised Funds in accordance with the undertakings made in connection with the use of proceeds from the initial public offering of RMB ordinary shares. This report has been prepared in accordance with the Regulations on the Status Report on the Use of Previously Raised Funds (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次 募集資金使用情況報告的規定》(證監發行字[2007]500號)) issued by the China Securities Regulatory Commission.

## REPORT ON THE FEASIBILITY OF USE OF PROCEEDS FROM RIGHTS ISSUE OF BANK OF QINGDAO CO., LTD\*

The Bank plans to allot shares to original shareholders (the "**Rights Issue**") for the purpose of raising fund of no more than RMB5 billion (inclusive, and the same applies below). Pursuant to the requirements under the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) issued by the China Securities Regulatory Commission, for a listed company applying for issuance of securities, the board of directors of such listed company shall make a resolution in relation to the report on the feasibility of use of proceeds in accordance with the law and submit the same to the general meeting for approval.

The report on the feasibility of use of proceeds in accordance with the law from the Rights Issue of the Bank is as follows:

# I. AMOUNT OF PROCEEDS TO BE RAISED UNDER THE RIGHTS ISSUE AND USE ARRANGEMENT

The proceeds from the Rights Issue shall not exceed RMB5 billion (inclusive). The Bank will use all net proceeds from the Rights Issue (after deducting the relevant issuance expenses) to replenish its core tier-one capital, enhance its capital adequacy ratios, support the sustainable and healthy development of the business of the Bank in future and enhance the Bank's capital strength and competitiveness.

#### II. ANALYSIS ON THE NECESSITY OF THE RIGHTS ISSUE

# (I) Regulatory Authorities Have Further Lifted the Requirements for Capital Supervision of Banks

In recent years, the China Banking and Insurance Regulatory Commission has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管 理辦法(試行)》) issued by the CBRC in 2012 imposed stricter and more prudent regulations on the qualification standards and measurement requirements of various types of capital, and further strengthened the capital regulatory requirements for commercial banks. Since 2016, the People's Bank of China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and selfdiscipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. As at 30 September 2020, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank on consolidated basis were 8.35%, 11.32% and 14.17%, respectively. As the business continues to develop in the next few years, it is expected that the capital gap will restrict the development of the Bank to a certain degree. In addition, in recent years, domestic and foreign regulatory authorities have continuously enhanced the requirements for banks' capital supervision, and the capital requirements for banks will be further increased.

#### (II) The Bank's Future Business Development Needs Capital Support

In recent years, the Bank's asset scale has grown steadily and rapidly. The total assets of the Bank on consolidated basis increased by 17.62% to RMB373.622 billion as at the end of 2019 as compared to that at the end of 2018, and further increased by 19.44% to RMB446.244 billion as at the end of September 2020. The total loans to customers of the Bank on consolidated basis increased by 36.72% to RMB172.795 billion as at the end of 2019 as compared to that at the end of 2018, and further increased by 20.49% to RMB208.205 billion as at the end of September 2020, showing a steady growing trend. It is expected that the business scale of the Bank will continue to maintain a steady growth trend in the next few years. The Bank is required to maintain sufficient capital to support the stable development of its business and asset scale. At the same time, the Bank is required to reserve a certain proportion of capital to mitigate risk on premise of constantly satisfying the minimum requirements on capital adequacy of the regulatory authorities to further enhance the ability to resist risks and respond to the uncertainties of future macroeconomic development. In order to maintain the rapid development momentum, the Bank regards capital replenishment management planning as an important part of the overall development strategy, insists on matching capital management goals with strategic development goals, and matching asset scale growth with capital scale growth to ensure long-term and sustainable business development.

In summary, the Rights Issue will effectively replenish the Bank's core tier-one capital, which is of great significance to the Bank in meeting increasingly stringent capital regulatory requirements and supporting the sustainable and healthy development of its business.

# III. FEASIBILITY ANALYSIS ON THE USE OF PROCEEDS FROM THE RIGHTS ISSUE

Completion of the Rights Issue will help the Bank improve its capital adequacy ratios, which is of great significance in maintaining liquidity of funds, promoting the development of various businesses, improving profitability and risk resistance, and satisfying regulatory requirements.

The Bank will take the following measures to promote the realization of the above goals:

# (I) The Bank adheres to the retail development strategy and comprehensively improves the retail service standards

The Bank will focus on the development of the retail business and prioritize resources allocation to this business. The Bank will continue to increase the overall contribution of retail banking business through an innovative bulk customer acquisition model, comprehensive product offerings covering various life stages of customers as well as quality and pleasant services. Through continuing improving the credit card business and taking advantage of the online card issuance model, the Bank will continue to expand the scale of retail customer base, and create a new drive for the Bank's profit growth by leveraging on the scenarios advantages. The Bank will constantly enrich the product shelves and provide customers with comprehensive wealth management planning and asset allocation services to satisfy their

increasingly diversified wealth management needs. The Bank will vigorously promote the construction of key projects including rural finance, community finance and Internet finance, and strengthen the foundation of retail business, so as to gradually build a retail banking ecosystem covering all life scenarios.

# (II) The Bank deepens efforts in key areas of bulk wholesale business and promotes the business linkage and collaborative development

By leveraging on the development model of "commercial banking + investment banking + transaction banking", the Bank will deepen its efforts in key areas such as public finance, listed finance, technology finance and port finance through cross-line collaboration and internal collaboration covering the whole Group. By comprehensively promoting the "dual-base strategy" with basic customers and basic business as the core, and the "network construction" with obtaining customers in batches as the goal, the Bank will create a comprehensive corporate product service system focusing on traditional credit, cash management, supply chain finance and bond underwriting. In addition, it will capitalize on the value of financial market license to improve its influence on the bond market. Starting with business innovation, the Bank will continuously optimize the quality and efficiency of proprietary investment, and promote the collaborative development of investment and liabilities, so as to achieve collaborative and stable growth in the scale and benefits of bulk wholesale business.

# (III) The Bank capitalizes on the value of wealth management license and comprehensively strengthens the asset management capability

As the first wealth management subsidiary of a city commercial bank approved in the northern China and the sixth in the PRC, the opening of Qingyin Wealth Management Company Limited reflects that the Bank was highly recognized by the regulators and the market. By fully capitalizing on the value of wealth management subsidiary licenses in terms of fund raising, product issuance and investment scope, the Bank will further strengthen the product design, investment management and research capabilities with its market-oriented and specialized talent team, gradually improve the wealth management product system with accurate and effective marketing strategies to continuously enhance customer base operation capacities, and provide strong support for the business development of the Bank while steadily transforming in accordance with regulatory requirements.

# (IV) The Bank takes various measures to prevent and control risks and has established a sound risk management and control system

With the continuous "prudent and steady" risk appetite, the Bank will continue to establish a credit risk management system with comprehensive functions, controlled and balanced risks, a streamlined structure and high efficiency as well as well-delegated authorities and duties. Leveraging on the utilization of financial technology, the Bank will continue improve the risk management procedures and methods, and optimize the credit policy system.

## REPORT ON THE FEASIBILITY OF USE OF PROCEEDS FROM RIGHTS ISSUE

The risk screening will be proactively conducted to pre-assess risk trends. Asset quality is further controlled and monitored to heighten the clearing and recovery of risky assets. The Bank will build an accurate and efficient risk-monitoring system and a quick-response mechanism to continue to safeguard the risk resilience of the Bank, so as to ensure the asset quality of the Bank to maintain at a positive and stable level.

## (V) The Bank improves smart operation efficiency and enhances financial technologyempowered capability

The Bank will comprehensively implement the strategy of scientific and technological innovations, and combine the new financial concept of "Finance + Technology + Scenarios", to continuously increase investment in the construction of information technology systems and the cultivation of technological talents. It will also actively explore the practical application of new technologies, and focus on advancing the application of new technologies such as 5G, big data and cloud computing. The Bank will continuously optimize online service channels such as mobile banking and online banking so as to "enhance customers' experience". The Bank will steadily promote the construction of smart outlet projects of "5G + Ecosystem", and promote the intelligent transformation of outlets, so as to relieve pressure of counters and enhance service quality and efficiency. The Bank will also exercise all efforts in construction of key projects to further enhance the strategic support capabilities of technology for the business development and risk prevention and control of the Bank.

# IV. IMPACTS OF THE RIGHTS ISSUE ON THE OPERATION, MANAGEMENT AND FINANCIAL CONDITION OF THE BANK

The Rights Issue will enable the Bank to increase its capital adequacy ratios which will increase its risk tolerance and competitiveness. The impacts of the Rights Issue on the operation, management and financial condition of the Bank are as follows:

#### (I) Impact on shareholding structure and control of the Bank

There are no controlling shareholders or de facto controllers of the Bank before and after the Rights Issue. Therefore, the Rights Issue will not lead to a change in control of the Bank.

#### (II) Impact on net assets, net assets per share and rate of return on net assets

The net assets of the Bank will increase upon the completion of the Rights Issue. Although there may be certain dilution effects on the rate of return on net assets in the short run, the Issuance will have positive effects on the operating results of the Bank and further improve its net assets per share in the long run when the benefits of the proceeds used to support the business development of the Bank appear gradually.

#### (III) Impact on capital adequacy ratios

Upon receipt of the proceeds from the Rights Issue, the core tier-one capital of the Bank will be effectively replenished, and the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank will be enhanced which would strengthen the Bank's risk tolerance while providing strong capital guarantee for the Bank's business growth and sustainable development.

#### (IV) Impact on profitability

The Rights Issue will help consolidate the capital of the Bank, increase the Bank's capital scale, provide strong capital guarantees for the rapid, stable and sustainable development of the Bank's various businesses, promote the achievement of expansion and profit growth and further enhance its profitability and core competitiveness.

Based on the above, proceeds from the Rights Issue will be used to replenish the core tier-one capital of the Bank in accordance with the requirements of relevant laws and regulations and relevant provisions of banking supervision, which is of great significance in enhancing the Bank's capital strength, ensuring the continuous and stable development of its business, and increasing its risk tolerance and market competitiveness, and it will be necessary and feasible, as well as in line with the interests of the Bank and shareholders as a whole.

## RISK REMINDER OF AND REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS BY RIGHTS ISSUE TO ORIGINAL SHAREHOLDERS AND COMMITMENTS BY RELEVANT ENTITIES OF BANK OF QINGDAO CO., LTD\*

According to the requirements set out in laws, regulations and regulatory documents such as Certain Opinions on Further Promoting the Healthy Development of Capital Markets of the State Council (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意 見》(國發[2014]17號)), the Opinions on Further Strengthening the Protection of Lawful Interests of Medium and Small Investors in the Capital Markets of the General Office of the State Council (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (China Securities Regulatory Commission Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(中國證券監督管理委員會公告[2015]31號)), the Bank has analyzed seriously the possible impact of the Rights Issue to original shareholders (hereinafter referred to as the "**Rights Issue**") on the interests of ordinary shareholders and the current returns and explained on relevant measures taken to remedy the returns as follows:

## I. ANALYSIS ON THE EFFECT IN CONNECTION WITH DILUTION OF CURRENT RETURNS AS A RESULT OF THE RIGHTS ISSUE

#### (I) **Primary Assumptions**

The following assumptions are only for the purpose of measuring the impact of the Rights Issue on the Bank. It does not represent the Bank's judgment on the operation and trend of 2021, and it is not a profit forecast. Investors should not make investment decisions accordingly, and if investors make investment decisions based on it and incur losses, the Bank shall not assume liability. The number of shares to be issued, the total proceeds to be raised and the timing of completion of the issuance in this measurement are only estimates and will ultimately be determined based on regulatory approvals, issue subscriptions and others.

The related assumptions are as follows:

- 1. Assuming that the macroeconomic environment, industry development trends and the Bank's operations have no material and adverse changes.
- 2. Assuming that the shares of the Rights Issue are placed on the basis of three shares for every ten shares. On the basis of the total share capital of 4,509,690,000 Shares as at 31 December 2020, and the maximum shares to be placed of the Rights Issue of 1,352,907,000 Shares, the total share capital of the Bank upon completion of the Rights Issue is 5,862,597,000 Shares.

- 3. Assuming that the Bank's audited net profit attributable to the shareholders of the parent company and the net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss in 2020 are in line with the data of the preliminary 2020 annual results, the net profit attributable to the shareholders of the parent company and the net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss realized in 2020 amounted to RMB2.394 billion and RMB2.384 billion, respectively.
- 4. Assuming the growth (as compared to 2020) in the Bank's net profit attributable to the shareholders of the parent company in 2021 will be estimated at 5%, 10% and 15%, the Bank's net profit attributable to the shareholders of the parent company in 2021 will amount to RMB2.514 billion, RMB2.633 billion and RMB2.753 billion. Meanwhile, assuming that the Bank's non-recurring profit or loss in 2021 remains the same as in 2020, the Bank's net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss in 2021 will amount to RMB2.623 billion and RMB2.743 billion.
- 5. Assuming that the impact of receiving the proceeds from the Rights Issue on the Bank's operating conditions, financial conditions, etc. has not been taken into account.
- 6. Assuming that the Rights Issue will be completed on 30 September 2021 (only for indicative purpose; and it does not represent the actual time of the Rights Issue, which will be finalized based on the actual completion time after regulatory approvals).
- 7. Except for the Rights Issue, changes in the ordinary share capital due to any other factors (including profit distribution, capital reserve capitalization, mandatory conversion of preferred shares, conversion of convertible bonds, etc.) will not be considered for now.
- 8. The Bank issued non-cumulative perpetual offshore preference shares of US\$1,203 million in size with a dividend yield of 5.50% on a private placement in the offshore market on 19 September 2017 with a full dividend payment having been completed in 2020 for one interest-bearing year amounted to RMB497 million, and assuming that a full dividend payment will be completed in 2021 for one interest-bearing year.

### (II) Impact on the Key Financial Indicators of the Bank

Based on the above assumptions, the Bank has estimated the impacts on the dilution of current returns of the shareholders by the Rights Issue in accordance with the relevant provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly

Issuing Securities, No. 9 – Calculation and Disclosure of Rate of Return on Net Assets and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產 收益率和每股收益的計算及披露》(2010年修訂)). The details are as follows:

# Case 1: Net profit attributable to shareholders of the parent company is RMB2.514 billion in 2021 (5% growth year-on-year)

	Year 2020/	Year 2021/31 December 2021 Before After	
Item	31 December 2020	the Rights Issue	the Rights Issue
Total ordinary share capital (RMB100 million) Weighted average number of ordinary shares	45.10	45.10	58.63
outstanding (RMB100 million) Net profit attributable to shareholders of the	45.10	45.10	48.48
parent company (RMB100 million) Net profit attributable to ordinary shareholders	23.94	25.14	25.14
of the parent company (RMB100 million)	18.97	20.17	20.17
Net profit attributable to shareholders of the parent company, net of non-recurring profit			
or loss (RMB100 million) Net profit attributable to ordinary shareholders	23.84	25.03	25.03
of the parent company, net of non-recurring			
profit or loss (RMB100 million)	18.87	20.06	20.06
Basic earnings per share (RMB)	0.42	0.45	0.42
Diluted earnings per share (RMB)	0.42	0.45	0.42
Basic earnings per share, net of non-recurring			
profit or loss (RMB)	0.42	0.44	0.41
Diluted earnings per share, net of			
non-recurring profit or loss (RMB)	0.42	0.44	0.41

Case 2: Net profit attributable to shareholders of the parent company is RMB2.633 billion in 2021 (10% growth year-on-year)

		Year 2021/31 December 2021	
	Year 2020/	Before	After
	<b>31 December</b>	the Rights	the Rights
Item	2020	Issue	Issue
Total ordinary share capital (RMB100 million)	45.10	45.10	58.63
Weighted average number of ordinary shares			
outstanding (RMB100 million)	45.10	45.10	48.48
Net profit attributable to shareholders of the			
parent company (RMB100 million)	23.94	26.33	26.33
Net profit attributable to ordinary shareholders			
of the parent company (RMB100 million)	18.97	21.37	21.37
Net profit attributable to shareholders of the			
parent company, net of non-recurring profit			
or loss (RMB100 million)	23.84	26.23	26.23
Net profit attributable to ordinary shareholders			
of the parent company, net of non-recurring			
profit or loss (RMB100 million)	18.87	21.26	21.26
Basic earnings per share (RMB)	0.42	0.47	0.44
Diluted earnings per share (RMB)	0.42	0.47	0.44
Basic earnings per share, net of non-recurring			
profit or loss (RMB)	0.42	0.47	0.44
Diluted earnings per share, net of			
non-recurring profit or loss (RMB)	0.42	0.47	0.44

Case 3: Net profit attributable to shareholders of the parent company is RMB2.753 billion in 2021 (15% growth year-on-year)

		Year 2021/31 December 2021	
	Year 2020/	Before	After
	31 December	the Rights	the Rights
Item	2020	Issue	Issue
Total ordinary share capital (RMB100 million)	45.10	45.10	58.63
Weighted average number of ordinary shares			
outstanding (RMB100 million)	45.10	45.10	48.48
Net profit attributable to shareholders of the			
parent company (RMB100 million)	23.94	27.53	27.53
Net profit attributable to ordinary shareholders			
of the parent company (RMB100 million)	18.97	22.56	22.56

Item	Year 2020/ 31 December 2020	Year 2021/31 De Before the Rights Issue	ecember 2021 After the Rights Issue
Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss (RMB100 million)	23.84	27.43	27.43
Net profit attributable to ordinary shareholders of the parent company, net of non-recurring	23.04	27.5	27.73
profit or loss (RMB100 million)	18.87	22.46	22.46
Basic earnings per share (RMB)	0.42	0.50	0.47
Diluted earnings per share (RMB) Basic earnings per share, net of non-recurring	0.42	0.50	0.47
profit or loss (RMB) Diluted earnings per share, net of	0.42	0.50	0.46
non-recurring profit or loss (RMB)	0.42	0.50	0.46

Notes:

- 1. The above financial data for 2020 is based on the preliminary results for 2020, and the final data in 2020 annual report shall prevail;
- 2. Net profit attributable to ordinary shareholders of the parent company = Net profit attributable to shareholders of the parent company Dividends declared on preferred share for the current period;
- 3. Net profit attributable to ordinary shareholders of the parent company, net of non-recurring profit or loss = Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss Dividends declared on preferred share for the current period.

### II. RISK REMINDER IN CONNECTION WITH DILUTION OF CURRENT RETURNS AS A RESULT OF THE RIGHTS ISSUE

Due to the particularity of the business model of commercial banks, the proceeds will be applied together with the existing capital upon receipt, and thus the income contribution from which cannot be individually calculated. Generally, the proceeds raised shall generate a certain level of benefit in the current period, however, the asset scale cannot be expanded in the same pace over a short period, while the gains and benefits that directly generated are also unable to be fully synchronized. Therefore, if the Bank fails to maintain its current operating capital efficiency by utilizing the proceeds from the Rights Issue, upon the increase in both share capital and net assets of the Bank, both basic earnings per share and weighted average return on net assets of the Bank will decrease.

#### III. NECESSITY AND REASONABLENESS OF THE ISSUANCE

# (I) Improving the Capital Adequacy Ratios to Meet the Regulatory Requirements on Capital

In recent years, with the official implementation of capital regulatory policies including the Basel III and the Rules Governing Capital Management of Commercial Banks (Provisional)(《商 業銀行資本管理辦法(試行)》), commercial banks are experiencing increasingly stringent capital regulatory requirements. Since 2016, People's Bank of China has implemented "macro and discreet assessment" to guide the banking industry to strengthen management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation, indicating the shift from purely credit to broad credit supervision, and further clarified that asset expansion shall be subject to capital constraint.

According to the planning of the Bank, development in multiple fields in future will consume a large amount of capital. As at 30 September 2020, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank on consolidated basis were 14.17%, 11.32% and 8.35%, respectively. Although such ratios have met the capital regulatory requirements, it is necessary to be forward-looking in terms of capital replenishment. The proceeds from the Rights Issue will be used to supplement the Bank's core tier-one capital, improve capital adequacy, and lay a solid foundation for the Bank to continue to meet capital regulatory requirements.

# (II) Supporting the Healthy Development of the Bank's Business and Strengthening the Ability to Resist Risks

In recent years, the Bank's business development has maintained a good momentum, and its business scale has grown steadily. As of the end of 2017, 2018 and 2019 and the end of September 2020, the total assets of the Bank on consolidated basis amounted to RMB306.276 billion, RMB317.659 billion, RMB373.622 billion and RMB446.244 billion, respectively, with a CAGR of 10.45% from 2017 to 2019; as of the end of 2017, 2018 and 2019 and the end of September 2020, the total loans to customers of the Bank on consolidated basis amounted to RMB98.061 billion, RMB126.387 billion, RMB172.795 billion and RMB208.205 billion, respectively, with a CAGR of 32.74% from 2017 to 2019. In the future, the Bank will need sufficient capital to support the further development of its business.

The Rights Issue will effectively supplement the Bank's core tier-one capital, enhance its ability to resist risks, and provide strong capital guarantees for the sustainable and steady development of its various businesses, enhancement of competitiveness and achievement of business development goals.

## IV. RELATIONSHIP BETWEEN THIS PROCEEDS-RAISED INVESTMENT PROJECT AND THE EXISTING BUSINESS OF THE BANK

The proceeds from the Rights Issue, after deducting relevant issuance expenses, will be fully used to replenish the core tier-one capital of the Bank to support the sustainable and steady development of various businesses of the Bank, which complies with the capital regulatory requirements and the Bank's long-term development strategies, facilitating the enhancement of the Bank's business development momentum and risk resilience ability and improvement of the competitive edge and earnings, so as to provide sufficient credit supports to the development of the real economy and create reasonable and stable investment return for the shareholders of the Bank.

#### V. REMEDIAL MEASURES FOR DILUTED RETURNS OF THE BANK

The Bank will take effective measures to improve the management and use efficiency of proceeds, further enhance business development and profitability, implement a continuous, stable and reasonable profit distribution policy for Shareholders, and minimize the impact of the Rights Issue on returns to ordinary Shareholders, so as to fully protect the legitimate rights of Shareholders, especially minority Shareholders. The specific remedial measures for diluted returns that the Bank intends to take are as follows:

# (I) To Increase Efforts in Asset Structure Adjustment and Enhance Capital Allocation Efficiency

The Bank will place greater efforts on asset structure adjustment and optimization. It will emphasize the development of capital-saving business, thereby enhancing efficient capital use. Specifically, the Bank will reasonably allocate its credit resources with an aim to enhance customers' comprehensive income. The Bank will also optimize its operating model, strengthen financial innovation, greatly expand low-capital consumption business, and aim to achieve transformation in asset structure, revenue structure and profitability model. When expanding our business, the Bank will raise the standard of risk mitigation and reduce capital occupation as appropriate. The Bank will provide guidance to business departments and institutions at all levels in respect of business structure and customer base adjustment, and restrict the growth of risky assets through economic capital, thereby achieving reasonable balance between capital and risk level, while enhancing the efficiency of capital use.

## (II) To Strengthen Internal Capital Adequacy Assessment Procedures and Enhance Risk Management Standards

The Bank will establish internal capital adequacy assessment procedures to ensure that major risks can be fully identified, measured, detected and reported, that the capital standards meet the management standards for major risk and risk exposures, and that the capital plans are in line with operating condition, risk changes and long-term development strategies. The Bank

will continue to enhance the standards of risk management, to strengthen our capability in effective prevention and measurement of risk exposure, and to constantly optimize the comprehensive risk management system which integrates the front, middle and back offices so as to provide a sound foundation for stable and healthy development of our business.

#### (III) To Regulate Management and Use of Proceeds

Due to the particularity of commercial banks, the proceeds raised will be used for capital replenishment instead of project investment. Therefore, its use and effectiveness cannot be measured in isolation. The Bank will strengthen the management of, and the reasonable and effective use of, the proceeds raised, and proactively increase the capital return level.

#### (IV) To Maintain Stable Shareholder Return Policy

The profit distribution clauses under the Articles of Association of the Bank refines the matters relating to cash dividend policies and cash dividend appropriation, and stipulate the minimum percentage for profit distribution in cash of the Bank under normal circumstances in order to provide stable return expectation for investors. The Bank highly values the protection of Shareholders' interests. It will continue to maintain the sustainability and stability of its profit distribution policy, and strive to create long-term value for its Shareholders.

## VI. UNDERTAKINGS BY THE BANK'S ALL DIRECTORS AND SENIOR MANAGEMENT

In order to safeguard the legitimate rights of the Bank and all Shareholders and to ensure the Bank's remedial measures for returns will be effectively implemented, pursuant to the requirements of the Guiding Opinions on Matters Relating to the Dilution of Current Returns as a result of Initial Public Offering, Refinancing and Major Assets Restructuring, the Directors and senior management of the Bank undertook that:

- (I) they shall faithfully and diligently discharge their duties so as to safeguard the legitimate rights of the Bank and all Shareholders;
- (II) they shall not transfer benefits to other units or individuals at nil consideration or under unfair terms, nor shall they damage the Bank's interest otherwise;
- (III) they shall be thrifty, and their duty-related consumption behavior shall be under restriction in strict compliance with the relevant requirements of the country, provinces and the Bank, and they shall refrain from over-consumption and extravagance and waste;
- (IV) they shall never utilize the assets of the Bank in any investment or consumption activities irrelevant with the performance of their duties;

- (V) they shall procure the remuneration system formulated by the Board or the Remuneration Committee to be linked with the Bank's implementation of remedial measures for returns;
- (VI) they shall procure the conditions to exercise the intended equity incentive policies of the Bank to be linked with the Bank's implementation of remedial measures for returns if the Bank introduces any equity incentive policies in the future.

## SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023) OF BANK OF QINGDAO CO., LTD.\*

According to the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice on Matters Relevant to Further Implementing the Cash Dividend Distribution by Listed Companies (《關於進一步 落實上市公司現金分紅有關事項的通知》), the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies (《上市公司監管 指引第3號 — 上市公司現金分紅》) and the Articles of Association of Bank of Qingdao Co., Ltd., and in order to further increase Shareholders' return, optimize and implement the cash dividend policy, clarify the plan of the Bank for providing reasonable investment returns to Shareholders, improve the transparency and operability of decision-making on profit distribution by the Shareholders, the Board of the Bank has formulated the Shareholders' Return Plan for the Next Three Years (2021-2023) of Bank of Qingdao Co., Ltd. (hereinafter referred to as the "**Plan**"), the detailed contents of which are as follows:

#### I. PRINCIPLES FOR FORMULATION OF THE PLAN

The Bank will distribute dividends to Shareholders in proportion to their shareholdings of the Shares of the Bank under the principle of "equal rights and returns for each share".

The Bank will implement a continuous and stable dividend distribution policy. The Bank shall emphasize reasonable investment return to investors and ensure sustainable development of the Bank when distributing dividends.

The Bank shall prioritize the distribution of dividends in cash based on the principle of continuous profitability, compliance with regulatory requirements and its normal operation and long-term development.

# II. FACTORS CONSIDERED IN DEVELOPING THE PROFIT DISTRIBUTION PLAN

In developing the dividend distribution policy, the Bank with a focus on its existing operations and sustainable development conducts comprehensive analysis of and takes into full consideration the following important factors:

# (I) Safeguarding Shareholders' Legitimate Rights and Interests in a Practical Manner and Implementing Regulatory Requirements

The Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies issued by the CSRC provides specific requirements on further improving profit distribution decision-making process, perfecting the cash distribution system, enhancing transparency in cash dividend distribution, and maintaining the consistency, reasonableness and stability of the cash dividend policy.

To implement the regulatory requirements of the CSRC on profit distribution and cash dividend policies for listed companies, perform its social and legal responsibilities, and safeguard Shareholders' legitimate rights and interests in a practical manner, the Bank shall provide reasonable investment returns to investors.

#### (II) Actual Business Development of the Bank

The Bank maintains satisfactory operating results and strong profitability. The Bank will formulate a continuous and stable dividend distribution plan based on its actual operations of the current year.

#### (III) Development Stage of the Bank

The Bank is currently in a fast-growing stage, during which each of its business lines maintains a good development momentum with huge development potentials. Therefore, the Bank needs sufficient capital to guarantee its future development. Taking into full consideration the impact of various factors, the Bank will formulate a dividend distribution policy that is able to meet the requirements of its normal operation and sustainable development.

#### (IV) Demands and Wishes of Shareholders

The dividend distribution policy of the Bank, which attaches high importance to providing reasonable investment returns to investors while considering the expectation of investors for the rapid development of the Bank on an ongoing basis, will fully take into consideration the demands and wishes of the Shareholders. The specific dividend distribution plan, including the ratio of cash dividend and whether distributing dividends in form of Shares, will be determined, considered and approved at a general meeting according to the actual operations of the Bank for the current year and the future development of its normal operation.

#### (V) Cost of Social Capital and External Financing Environment

The Bank may currently increase its capital scale by means of issuing ordinary shares, debt instruments and profit retention. Among them, profit retention is currently one of the important means of the Bank to increase its capital funds. When formulating a dividend policy, the Bank will take into consideration various factors comprehensively, including the reasonable capital structure, capital cost and external financing environment of the bank.

#### (VI) Cash Flow

The cash flow of the Bank from operating activities is mainly affected by various factors, including the macro-economic development, the monetary policy and the scale of deposits and loans of the PRC. While taking into consideration the impact of its financing and investment activities on cash flow and ensuring its normal operation, the Bank will make appropriate adjustments to the cash dividend policy according to its actual cash flow for the current year.

## SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023)

#### (VII) Capital Requirements

The Bank is required to satisfy the regulatory requirements of the CBIRC on capital adequacy of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the CBIRC with effect from 1 January 2013, further strengthened the capital restrictive mechanism and provided more stringent capital regulatory requirements for commercial banks. The Bank is required to take into full consideration its capital adequacy when formulating the profit distribution policy. The Bank may implement a positive dividend distribution plan on the basis that its capital adequacy ratio meets regulatory requirements and its long-term development. However, when its net capital is consumed in a relatively fast manner, the dividend policy of the Bank shall take into full consideration various factors, including the banking regulatory requirements, requirements for meeting the demands of the Shareholders for dividends, and the ability of the Bank to deal with operational and financial uncertainties.

### III. SPECIFIC PROPOSAL FOR SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023)

#### (I) Priorities of Profit Distribution

The after-tax profit of the Bank shall be distributed in the following order of priority:

- 1. to make up for the losses of previous years;
- 2. to set aside 10% as statutory reserve;
- 3. to set aside general reserves;
- 4. to pay dividends to preference Shareholders;
- 5. to set aside discretionary reserve fund;
- 6. to pay dividends to ordinary Shareholders.

No further contribution may be required when the accumulated amount of statutory reserve funds of the Bank reaches 50% of its registered capital. The Bank shall not distribute profits to shareholders before making up losses and setting aside statutory reserve funds and general reserves.

After the Bank has set aside statutory reserve fund and general reserve and paid dividends to preference shareholders from the after-tax profits, the Bank, subject to the approval of the shareholders' general meeting, may make allocation to the discretionary reserve fund from the after-tax profits. The balance of the after-tax profits of the Bank after making up losses, setting aside statutory reserve fund and general reserve, paying dividends to preference shareholders and setting aside discretionary reserve fund may be distributed to the shareholders in pro-rata to their shareholding.

## SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023)

In general, no cash dividend shall be paid to shareholders for any year in which the Bank's capital adequacy ratio is lower than the minimum standard required by the regulatory authorities of the PRC. On the premises of ensuring that the capital adequacy ratio meets the regulatory requirements, the Bank may distribute cash dividends if its profits realized in each year, after making up losses, setting aside statutory reserves fund and general reserve, and paying dividends to preference shareholders according to law, remain positive and distributable.

The payment of dividends on preference shares should be subject to laws, regulations, department rules, relevant provisions of the securities regulatory authorities where the Bank's shares are listed and the preference shares are issued or listed, and these Articles.

Where the shareholders' general meeting distributes profits to shareholders before the Bank's making up losses and setting aside statutory reserve funds and making general reserve, the shareholders concerned must return to the Bank the profits distributed in violation of the provisions.

Shares held by the Bank shall not participate in the distribution of profits.

#### (II) Form of Profit Distribution and Its Interval

The Bank may distribute profits in proportion to the Shareholdings of Shareholders, and may make dividend distributions either in cash or in shares or a combination of both. If the Bank satisfies the conditions for cash dividends, it shall give priority to make profit distribution in the form of cash dividends. The Bank shall distribute profits annually in principle, and may distribute an interim dividend where conditions allow.

#### (III) Conditions and Ratio of Cash Dividend Distribution

In general, no cash dividend shall be paid to Shareholders for any year in which the Bank's capital adequacy ratio is lower than the minimum standard required by the regulatory authorities of the PRC. On the premises of ensuring that the capital adequacy ratio meets the regulatory requirements, the Bank may pay cash dividends if its profits realized in each year, after making up losses and making allocation to the statutory reserve and general reserves and payment of dividends to preference Shareholders in accordance with law, remain positive and distributable. Any profit to be distributed to its ordinary Shareholders by the Bank in cash each year shall be no less than 20% of the distributable profits attributable to ordinary Shareholders of the Bank realized by it for that year. The specific ratio of cash dividend distribution each year will be determined by the Bank in accordance with the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association, and based on its business operation, and will be considered and approved at general meetings of the Bank.

## SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023)

The Board of the Bank shall take into full account various factors, such as features of the industries where the Bank operates, stage of development, its own business model, profitability and whether there is significant capital expenditure arrangement, to distinguish the following situations and put forward differentiated policies of cash dividend in accordance with the procedures as required by the Articles of Association of the Bank:

- 1. If the Bank is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;
- 2. If the Bank is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;
- 3. If the Bank is at the growing stage and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made.

If it is difficult to distinguish the Bank's stage of development and the Bank has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

Where the operating income of the Bank grows rapidly and the Board considers that the share price of the Bank does not reflect its share capital size, the Bank may propose and execute a share dividend distribution proposal in addition to the cash dividend distribution above.

# IV. DECISION-MAKING AND SUPERVISION MECHANISM OF THE RETURN PLAN

When determining a profit distribution plan, the Board of the Bank shall carefully study and justify the timing, conditions and minimum ratio for cash dividend distribution, its conditions for adjustments and the requirements of the procedures for decision-making. The independent Directors shall give specific opinion in respect thereof. The independent Directors may seek the opinion of the minority Shareholders, devise a dividend distribution proposal accordingly and submit the same directly to the Board for consideration. Prior to the consideration of the specific plan of cash dividend by the Shareholders at a general meeting, the Bank shall actively communicate and exchange ideas through multiple channels with Shareholders (in particular, the minority Shareholders), thoroughly consider the opinions and requests of the minority Shareholders and give timely responses to the issues that concern them. The Board of Supervisors of the Bank shall supervise the formulation and decisionmaking by the Board of the profit distribution plan of the Bank.

Where the Bank has satisfied conditions for cash dividend distribution but has not prepared any cash dividend plan, or the profit distributed to its ordinary Shareholders by the Bank in cash is less than 20% of the distributable profits attributable to ordinary Shareholders of the Bank realized by it for that year, the Board shall set out the specific reasons for not distributing cash dividends, the exact purpose for the retained profits and the estimated investment return. The Bank shall submit to the general meeting for consideration after the independent Directors have expressed their opinions, and make disclosure in the designated media by the Bank. The Bank shall provide access to online voting platforms for Shareholders.

A profit distribution plan shall be disclosed by the Bank in the annual report for the year. If the Bank generated profits during the reporting period but the Board of the Bank has not made any cash profit distribution plan, the reasons thereof and the use of proceeds retained by the Bank not used for dividend distribution shall be explained in detail in its periodic reports and independent Directors shall give an independent opinion in this regard.

#### V. IMPLEMENTATION OF THE PROFIT DISTRIBUTION PLAN

After a resolution is adopted by the Bank's general meeting in respect of the profit distribution plan, the Board of the Bank must complete the dividend (or Share) distribution within two months after the general meeting.

# VI. FORMULATION PERIOD AND ADJUSTMENT MECHANISM OF THE RETURN PLAN

- (I) The Bank shall formulate the Shareholders' return plan based on the profit distribution policy set out in the Articles of Association, and ensure that the Shareholders' return plan is prepared every three years so as to plan the dividend distribution policy for the next three years. When formulating the Shareholders' return plan, the Board of the Bank shall fully consider and take advices and suggestions from Shareholders (especially the minority Shareholders), independent Directors, and external Supervisors through various channels. The dividend distribution policy and the Shareholders' return plan for three years as made by the Board of the Bank shall not be implemented until they are approved by a general meeting upon submission.
- (II) If the operations of the Bank are materially affected as a result of war, natural disasters and other events of force majeure, or any change in its external operating environment, or any significant changes in its own operating conditions, the Bank may adjust its profit distribution policy. When the Bank makes such adjustment, the Board shall prepare a written report on special topics containing detailed discussion and verification of the reasons for adjustment, which, after being considered by the independent Directors, shall be submitted to the general meeting for approval by Shareholders representing over 2/3 voting rights at such meeting. The Bank shall provide access to online voting platforms for Shareholders for voting purpose. In considering such adjustments to profit distribution policy at a general meeting, the opinions of minority Shareholders must be sufficiently considered. °
- VII. MATTERS WHICH ARE NOT COVERED UNDER THIS PLAN SHALL BE IMPLEMENTED IN ACCORDANCE WITH THE RELEVANT LAWS AND REGULATIONS, REGULATORY DOCUMENTS AND THE ARTICLES OF ASSOCIATION OF THE BANK. THE PLAN SHALL BE INTERPRETED BY THE BOARD OF THE BANK AND SHALL BECOME EFFECTIVE FROM THE DATE UPON APPROVAL AT A GENERAL MEETING OF THE BANK.
- VIII. UNLESS OTHERWISE INDICATED IN THE PLAN, THE TERMS "SHARES" AND "STOCKS" USED HEREIN REFER TO ORDINARY SHARES AND STOCKS, AND THE TERM "SHAREHOLDERS" USED HEREIN REFER TO ORDINARY SHAREHOLDERS.

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Bank of Qingdao Co., Ltd.\* 青島銀行股份有限公司\*

(A joint stock company incorporated in the People's Republic of China with limited liability) (H Shares Stock Code: 3866) (Preference Shares Stock Code: 4611)

### NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 first extraordinary general meeting (the "**2021 First EGM**") of Bank of Qingdao Co., Ltd. (the "**Bank**") will be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the People's Republic of China (the "**PRC**"), at 9:00 a.m. on Friday, 26 March 2021 for the purposes of considering and, if thought fit, passing the following resolutions:

#### **SPECIAL RESOLUTIONS**

- 1. To consider and approve the resolution in relation to the proposal for rights issue of Bank of Qingdao Co., Ltd.
  - 1.1 class and par value of the shares to be issued
  - 1.2 issuance method
  - 1.3 base, proportion and number of the rights issue
  - 1.4 pricing principle and price for the rights shares
  - 1.5 target subscribers for the rights issue
  - 1.6 distribution plan for accumulated undistributed profits prior to the rights issue
  - 1.7 time of issuance
  - 1.8 method of underwriting
  - 1.9 use of proceeds in relation to the rights issue

1.10 validity period of the resolution in relation to the rights issue

1.11 listing of the shares in relation to the rights issue

- 2. To consider and approve the resolution in relation to the plan of Bank of Qingdao Co., Ltd. on public issuance of shares by the way of rights issue
- 3. To consider and approve the resolution in relation to the authorization to the Board to deal with matters related to rights issue to be proposed in the general meeting
- 4. To consider and approve the resolution in relation to the change in registered capital and the corresponding amendments to the relevant clauses in the Articles of Association upon the completion of rights issue of Bank of Qingdao Co., Ltd.
- 5. To consider and approve the resolution in relation to the fulfillment of issue conditions of rights issue of Bank of Qingdao Co., Ltd.
- 6. To consider and approve the resolution in relation to the report on the use of previously raised funds of Bank of Qingdao Co., Ltd.
- 7. To consider and approve the resolution in relation to the report on the feasibility of use of proceeds from rights issue of Bank of Qingdao Co., Ltd.
- 8. To consider and approve the resolution in relation to the risk reminder of and remedial measures for the dilution of current returns by rights issue to original shareholders of Bank of Qingdao Co., Ltd. and commitments by relevant entities.
- 9. To consider and approve the resolution in relation to the shareholders' return plan for the next three years (2021-2023) of Bank of Qingdao Co., Ltd.

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

Qingdao, Shandong Province, the PRC, 8 March 2021

As at the date of this notice, the board of directors of the Bank comprises Mr. Guo Shaoquan, Mr. Wang Lin and Ms. Lu Lan as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita, Mr. Deng Youcheng and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung, Ms. Fang Qiaoling and Mr. Tingjie Zhang as independent non-executive directors.

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

#### Notes:

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

#### 2. Closure of register of members and eligibility for attending and voting at the 2021 First EGM

H shareholders of the Bank are advised that the share register will be closed from Tuesday, 23 March 2021 to Friday, 26 March 2021 (both days inclusive). To be eligible for attending and voting at the 2021 First EGM, the transfer documents together with relevant share certificates and other appropriate documents must be deposited at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 22 March 2021. H shareholders whose names appear on the H share register of members of the Bank at the close of business on Tuesday, 23 March 2021 are entitled to attend and vote at the 2021 First EGM. Pursuant to the requirement of the Articles of Association of the Bank, where a shareholder pledges 50% or more of his/her/its equity interests in the Bank, the voting rights of such shareholder at the 2021 First EGM shall be subject to restrictions.

#### 3. Proxy

Any shareholder entitled to attend and vote at the 2021 First EGM is entitled to appoint one or more persons (whether such person is a shareholder of the Bank or not) as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the 2021 First EGM. As far as all joint shareholders of any shares are concerned, only the joint shareholder whose name appears first in the share register of members has the right to receive the share certificate of the relevant shares from the Bank and to receive notices of the Bank, and any notice served on such a shareholder shall be treated as having been served on all the other joint shareholders of those shares. In the case of joint shareholders, any one shareholder may sign the proxy form(s). In the event that more than one joint shareholder attends the meeting in person or by proxy, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the share register of members in respect of the joint shareholding.

The appointment of a proxy must be in writing with a form under the hand of the appointer or his/her/its attorney duly authorized in writing. For a corporate appointer, the proxy form must be affixed with the common seal or signed by its director or attorney duly authorized in writing. To be valid, the instrument appointing a proxy together with the power of attorney or other authorization document (if any) or a notarially certified copy of that power of attorney or other authorization document must be completed and returned to the Bank's H share registrar (for H shareholder(s)) or the Bank's PRC registered office and principal place of business (for A shareholder(s)) not less than 24 hours before the designated time for the holding of the 2021 First EGM or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude shareholders from attending and voting in person at the 2021 First EGM or at any adjournment if he/she/it so wishes.

#### 4. Others

- (1) The 2021 First EGM is estimated to last no longer than a working day. Shareholders who attend the meeting in person or by proxy shall bear their own traveling and accommodation expenses.
- (2) Address of Computershare Hong Kong Investor Services Limited:

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

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

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

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Bank of Qingdao Co., Ltd.\* 青島銀行股份有限公司\*

(A joint stock company incorporated in the People's Republic of China with limited liability) (H Shares Stock Code: 3866) (Preference Shares Stock Code: 4611)

#### NOTICE OF 2021 FIRST H SHARE CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2021 first class meeting for H shareholders (the "**2021 First H Share Class Meeting**") of Bank of Qingdao Co., Ltd. (the "**Bank**") will be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the People's Republic of China (the "**PRC**"), immediately after the conclusion of the 2021 First EGM and the 2021 first class meeting for A shareholders on Friday, 26 March 2021 for the purposes of considering and, if thought fit, passing the following resolutions:

#### SPECIAL RESOLUTIONS

- 1. To consider and approve the resolution in relation to the proposal for rights issue of Bank of Qingdao Co., Ltd.
  - 1.1 class and par value of the shares to be issued
  - 1.2 issuance method
  - 1.3 base, proportion and number of the rights issue
  - 1.4 pricing principle and price for the rights shares
  - 1.5 target subscribers for the rights issue
  - 1.6 distribution plan for accumulated undistributed profits prior to the rights issue
  - 1.7 time of issuance
  - 1.8 method of underwriting
  - 1.9 use of proceeds in relation to the rights issue

1.10 validity period of the resolution in relation to the rights issue

1.11 listing of the shares in relation to the rights issue

- 2. To consider and approve the resolution in relation to the plan of the Bank of Qingdao Co., Ltd. on public issuance of shares by the way of rights issue
- 3. To consider and approve the resolution in relation to the authorization to the Board to deal with matters related to rights issue to be proposed in the general meeting
- 4. To consider and approve the resolution in relation to the change in registered capital and the corresponding amendments to the relevant clauses in the Articles of Association upon the completion of rights issue of Bank of Qingdao Co., Ltd.
- 5. To consider and approve the resolution in relation to the fulfillment of issue conditions of rights issue of Bank of Qingdao Co., Ltd.
- 6. To consider and approve the resolution in relation to the report on the feasibility of use of proceeds from rights issue of Bank of Qingdao Co., Ltd.
- 7. To consider and approve the resolution in relation to the risk reminder of and remedial measures for the dilution of current returns by rights issue to original shareholders of Bank of Qingdao Co., Ltd. and commitments by relevant entities.

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

Qingdao, Shandong Province, the PRC, 8 March 2021

As at the date of this notice, the board of directors of the Bank comprises Mr. Guo Shaoquan, Mr. Wang Lin and Ms. Lu Lan as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita, Mr. Deng Youcheng and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung, Ms. Fang Qiaoling and Mr. Tingjie Zhang as independent non-executive directors.

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

#### Notes:

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

# 2. Closure of register of members and eligibility for attending and voting at the 2021 First H Share Class Meeting

H shareholders of the Bank are advised that the share register will be closed from Tuesday, 23 March 2021 to Friday, 26 March 2021 (both days inclusive). To be eligible for attending and voting at the 2021 First H Share Class Meeting, the transfer documents together with relevant share certificates and other appropriate documents must be deposited at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 22 March 2021. H Shareholders whose names appear on the share register of members of the Bank at the close of business on Tuesday, 23 March 2021 are entitled to attend and vote at the 2021 First H Share Class Meeting. Pursuant to the requirement of the Articles of Association of the Bank, where a shareholder pledges 50% or more of his/her/its equity interests in the Bank, the voting rights of such shareholder at the 2021 First H Share Class Meeting shall be subject to restrictions.

#### 3. Proxy

Any shareholder entitled to attend and vote at the 2021 First H Share Class Meeting is entitled to appoint one or more persons (whether such person is a shareholder of the Bank or not) as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the 2021 First H Share Class Meeting. As far as all joint shareholders of any shares are concerned, only the joint shareholder whose name appears first in the share register of members has the right to receive the share certificate of the relevant shares from the Bank and to receive notices of the Bank, and any notice served on such a shareholder shall be treated as having been served on all the other joint shareholders of those shares. In the case of joint shareholders, any one shareholder may sign the proxy form(s). In the event that more than one joint shareholder attends the meeting in person or by proxy, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the share register of members in respect of the joint shareholding.

The appointment of a proxy must be in writing with a form under the hand of the appointer or his/her/its attorney duly authorized in writing. For a corporate appointer, the proxy form must be affixed with the common seal or signed by its director or attorney duly authorized in writing. To be valid, the instrument appointing a proxy together with the power of attorney or other authorization document (if any) or a notarially certified copy of that power of attorney or other authorization document must be completed and returned to the Bank's H share registrar (for H shareholder(s)) or the Bank's PRC registered office and principal place of business (for domestic shareholder(s)) not less than 24 hours before the designated time for the holding of the 2021 First H Share Class Meeting or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude shareholders from attending and voting in person at the 2021 First H Share Class Meeting or at any adjournment if he/she/it so wishes.

#### 4. Others

- (1) The 2021 First H Share Class Meeting is estimated to last no longer than half a working day. Shareholders who attend the meeting in person or by proxy shall bear their own traveling and accommodation expenses.
- (2) Address of Computershare Hong Kong Investor Services Limited:

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

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

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