

BQD  青島銀行

BANK OF QINGDAO CO., LTD.
(A joint stock company incorporated in
the People's Republic of China with limited liability)
(H Shares Stock Code: 3866)
(Preference Shares Stock Code: 4611)
(A Shares Stock Code: 002948)

2021

社會責任報告

CORPORATE SOCIAL
RESPONSIBILITY REPORT



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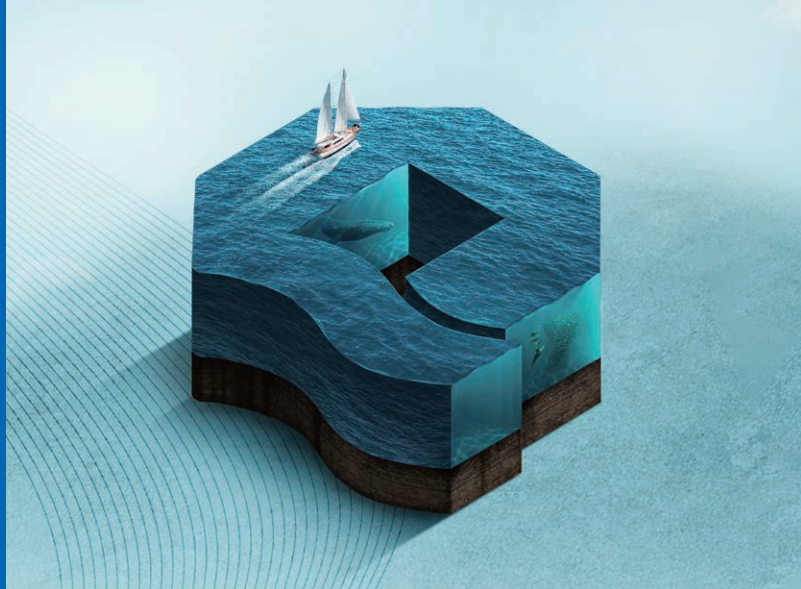
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About This Report

This report describes the efforts and achievements of Bank of Qingdao Co., Ltd. (hereinafter referred to as “Bank of Qingdao”, “the Bank”, and “we”) in respect of economic, social and environmental issues in 2021 and documents Bank of Qingdao’s assumption of social responsibility and commitment to sustainable development on the basis of providing financial services.

Reporting period

The reporting period is from 1 January 2021 to 31 December 2021, with the exception of some matters that extend beyond this period.

Reporting cycle

This report is prepared annually.

Reporting scope

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

Basis of preparation

This report is prepared based on No. 1 Guideline of SZSE on Self-regulation by Listed Companies — Regulated Operations of Main Board-Listed Companies and The Stock Exchange of Hong Kong Limited’s disclosure recommendations in its Guidelines for Environmental, Social and Governance Reporting, with reference to:

The Sustainability Reporting Guidelines of the Global Reporting Initiative (G4.0)

Opinions of the General Office of the Former China Banking Regulatory Commission on Strengthening the Social Responsibility of Banking Financial Institutions

Self-Regulation Guideline No. 1 of Shanghai Stock Exchange for Listed Companies – Regulated Operations

Guidelines of the China Banking Association on the Corporate Social Responsibility of Banking Institutions of China

Explanation of information

The financial information in this report is based on the 2021 financial statements that were prepared in accordance with the Accounting Standards for Business Enterprises and independently audited by KPMG Huazhen LLP. Should there be any conflict between the financial data herein and the 2021 annual report of the Bank, the 2021 annual report shall prevail. Other information is sourced from statistical data generated by the Bank's internal systems, affiliates, and branches. Cases cited are real cases in the Bank's operations. Unless otherwise stated, Renminbi is the functional currency throughout this report.

Assurance approach of this report

The Board of Directors of the Bank and all Directors undertake that the information in this report contains no false records, misleading statements or material omissions, and they assume individual and joint liability for the authenticity, accuracy and completeness of the information in this report.

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

Issuance form

This report has been issued in print and published on the website of the Bank at <http://www.qdccb.com>.

This report has been prepared in simplified Chinese, with English and traditional Chinese versions also available. If there is any conflict between different versions, the simplified Chinese version shall prevail.

Preparer of the report

The General Office of Bank of Qingdao

Contact us

The General Office of Bank of Qingdao

Address: BQD Building, No. 6, Qinling Road, Laoshan District, Qingdao, Shandong Province, PRC

Postal code: 266061

Tel: +86 (532) 81758305

Fax: +86 (532) 81758888

Email: bgs@qdbankchina.com

Chairman's Statement



2021 marks a historical milestone for both China and the Communist Party of China (CPC), as the country achieved its first centenary goal, successfully established a moderately prosperous society in all respects, made outstanding achievements in the fight against Covid-19, and embarked on its second 100-year journey. Looking back on 2021, we are deeply proud of the prosperity brought by the CPC, which has entered its 100th year, the steady progress that China has made as a large and confident country, and the duty the country has shouldered in combatting the pandemic.

Bank of Qingdao has also made strides in the year 2021. We developed into a medium-sized bank with total assets exceeding RMB500 billion, improved business and management practices to promote high-quality growth, and made remarkable breakthroughs in crucial initiatives including the "dual improvements", "one body and two wings", community finance, blue finance, and rural revitalisation, which not only demonstrated our robust, comprehensive growth in 2021, but also paid tribute to our 25th anniversary.



In 2021, we upheld our faith and forged ahead, and the Bank insisted on pursuing CPC-guided high-quality business growth. During the CPC's 100th anniversary year, we launched a series of well-developed CPC historical education programmes such as the CPC lecture contest, the role model artisan project, employee publicity campaigns, and the creation of "Qing Yin Rong Wan Jia" grassroots brand. Each of these programmes, lectures and discussions has helped the Bank's CPC members gain a better understanding of the CPC's history, reminding them to act reasonably, develop credibility, exercise ethics, and work diligently. Meanwhile, we have sought every opportunity to embed these educational programmes into our daily business activities across the Bank. With the goal of effectively addressing the difficulties of frontline personnel and enterprise customers and resolving challenging issues facing the public, we launched the "Truly Helping People in Need" campaign, which aims to break down barriers to financial services by providing regular volunteer services and arranging extensive surveys.

In 2021, we honoured our founding commitment and economic responsibility. We focused on our principal business, adapted to national economic development trends, improved our ability to serve the real economy, contributed to the construction of a beautiful countryside, and helped drive inclusive finance. As at the end of 2021, the Bank's balance of loans to small and micro-sized businesses amounted to RMB22.006 billion. In addition, we stepped up credit support for emerging strategic industries and areas related to people's livelihood, as well as infrastructure construction. We initiated 7 special actions to ensure the "6 priorities" and "stability in 6 areas," concentrated resources on meeting the needs of enterprises that are "specialised, refined, distinct, and novel," promoted the implementation of national strategies in Shandong Province, and facilitated regional economic development. Meanwhile, we enhanced technology empowerment by kicking off the smart enterprise management project, improving data governance, releasing the Mobile Banking 6.0 app, and introducing the "Xingyun Intelligent" credit platform, so as to accelerate digital and intelligent transformation. In order to effectively prevent financial risks, we employed comprehensive risk management, and successfully launched a system for group-wide central credit management and integrated credit risk management, all of which have resulted in a dramatically declining non-performing loan ratio and a rising provision coverage ratio.

In 2021, we drew up plans and took actions to assume our environmental responsibility. The Bank continued to implement the green finance philosophy of "Maintaining Clean Water and Green Mountains," acted according to the CPC Central Committee and State Council's important decisions and plans to promote the "peak carbon dioxide emissions and carbon neutral" objectives, promulgated the Ten Measures for Advancing Green Finance Support for Carbon Reduction, enhanced green product and service innovation to enrich our green finance portfolio, and offered stronger support for green industries to help reduce energy consumption and emissions, address pollution, and protect and revamp the ecosystem. In addition, we strove to provide comprehensive green finance services. To this end, we granted Shandong province's first-ever "carbon neutral" loan, launched services such as the "Carbon E-Loan" and "Lv Piao Tong",

issued carbon neutral-themed wealth management products, and underwrote the "carbon neutral" bonds of Qingdao Metro Group Co., Ltd. Moreover, we continued to explore new approaches to support the marine economy with green finance, and we achieved milestones in promoting our blue finance project with the International Finance Corporation (IFC), a member of the World Bank Group. Specifically, we defined the world's first blue asset categorisation criteria, held a blue finance press conference, released the Promotion Plan of Bank of Qingdao on Blue Finance Business, and granted blue finance loans with a balance of RMB11.427 billion. In December 2021, the Bank received the "2021 Global Green Finance Innovation Award" for its blue finance project. As at the end of 2021, our green loan balance had reached RMB19.078 billion.

In 2021, we discharged our social responsibility to express our gratefulness. Over the past 25 years, we have been implementing the philosophy of "originating from and giving back to society" and have recognised public welfare and charity as our natural duty. In 2021, we endeavoured to increase the breadth, depth, and warmth of our services, actively explored new ways to serve rural areas via the "Party-Masses e-Home" programme, and improved our community services using "Happy Neighbourhood" community financial service stations as well as by holding Party-building and volunteer activities. In addition, we strove to make our "Qingxin" service brand more convenient and give the public better access to financial services by opening green channels for senior customers at business outlets, adding a senior customer service hotline, and setting up "care booths for outdoor workers". We also continued to engage in public welfare activities by providing financial assistance to projects in the fields of learning and teaching, poverty alleviation, environmental protection, and rural revitalisation. In addition, we arranged public welfare events to celebrate our A-share IPO anniversary over the past 2 years, set up the "Bank of Qingdao Scholarship Fund" to commemorate the 25th anniversary of our founding, and launched China's first "charity wealth management" product. In 2021, we made charitable donations amounting to RMB15.192 million.

With a new growth cycle beginning, prosperity lies ahead. In 2022, the CPC will convene its 20th National Congress and China will provide strong support for its "14th Five Year Plan." During the year, Bank of Qingdao will continue to pursue further improvements and milestones. While walking down the historical path to exceptional achievements, we will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as well as the national, provincial, and municipal 14th five-year plans. At the same time, we will capitalise on our strength as a financial group, regional banking corporation, and "A + H-share" listed bank to help Shandong Province pursue innovation and continued success.

Chairman of Bank of Qingdao Co., Ltd.

Company Overview

Company profile

Founded in November 1996, the Bank is headquartered at Qingdao, Shandong Province, and was formerly known as Qingdao Urban Cooperative Bank and Qingdao Commercial Bank. We have been improving our governance, risk control and IT capabilities, among other areas, since founding, and have developed unique strengths, which include “Good Governance, Warm Services, Strong Risk Control, and Advanced Technology”. Our H shares and A shares were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in December 2015 and on the Shenzhen Stock Exchange (the “SZSE”) in January 2019 respectively, making us Shandong’s first “A-share” listed bank and China’s second “A + H-share” listed commercial bank.

The Bank mainly provides services and products such as corporate and personal deposits, loans, payment and settlement services, and has developed three major business segments including retail banking, corporate banking and financial markets, consolidating its customer base and building a unique financial business model for high-quality development. The Bank is based in Qingdao and provides services across Shandong Province. As at the end of 2021, we have established 165 business entities in total, including 16 branches in the major cities of Shandong Province, such as Jinan, Yantai and Weihai, as well as special sub-branches such as the Sci-tech Sub-branch, Cultural Innovation Sub-branch, and Port Sub-branch. Furthermore, we have set up BQD Financial Leasing Co., Ltd. (“BQD Financial Leasing”) in February 2017 and BQD Wealth Management Co., Ltd. (“BQD Wealth Management”) in September 2020. As at the end of 2021, we had more than 4,400 employees.

The Bank’s operating indicators ranked high within the banking industry of Shandong Province at the end of the 2021. The total assets increased by 13.58% from the end of the previous year to RMB522.250 billion, and the Bank entered the sequence of medium-sized banks. The total loans increased by 18.12% from the end of the previous year to RMB244.205 billion, while our non-performing loan ratio stood decreased by 0.17 percentage point over the same period to 1.34%. In 2021, the Bank’s accumulated net profit reached RMB2.993 billion, representing a year-on-year increase of 22.01%.

Total assets

RMB522.250 billion

Total loans

RMB244.205 billion

Net profits

RMB2.993 billion



Corporate governance

The Bank strictly abides by the Company Law, the Securities Law, the Commercial Bank Law, and other relevant laws and regulations, and acts in accordance with the Articles of Association of Bank of Qingdao Co., Ltd. With the goal of creating a regulated, market-oriented and unique corporate governance model, we are constantly improving the corporate governance mechanism to make it more regulated and effective. In addition, we are promoting clear authorities and responsibilities; compliance of duty performance; supervision and checks and balances; as well as efficient operation among the general meeting of shareholders, Board of Directors, Board of Supervisors and senior management. All these efforts have helped the Bank enhance governance for sustainable and high-quality development.

In 2021, the Bank followed the leadership of the Communist Party of China (the "Party") in every aspect of corporate governance, required discussion with the Party Committee before making major decisions, and gave full play to the core role of the Party's leadership. In addition, we enabled the Board of Directors to fully play its role in strategic guidance and informed decision-making, insisted operation compliance, continued to improve overall risk management, and strived to achieve high-quality development. In order to ensure more regulated equity management, we regularly carried out corporate governance self-assessments and major shareholders assessments. And we continued to improve the standardization and effectiveness of corporate governance. We also continued to optimise arrangements, discussion processes and agendas for meetings of special committees and actively launched special surveys on independent Directors, so as to help the Board of Directors make informed decisions and drive its operational efficiency. At the same time, we have strengthened supervision over the performance of the Board of Directors and senior management, as well as finance, risks and internal controls; enabled the Board of Supervisors to fully perform its duties of checks and balances; and safeguarded the lawful rights and interests of shareholders, customers, employees, and other stakeholders.

The general meeting of shareholders, which is composed of all shareholders of the Bank, exercises authority over the Bank in accordance with laws. In 2021, the Bank held 5 general meetings of shareholders to review and approve 34 proposals and hear 3 reports. The notification, convening, holding and voting processes of the general meetings of shareholders complied with the relevant provisions of the Company Law and the Articles of Association of Bank of Qingdao Co., Ltd. The Board of Directors serves as the Bank's decision-making body and is responsible for reporting to and implementing the resolutions of the general meeting of shareholders. As at the end of 2021, the Board of Directors had 15 members, including 6 non-executive Directors, 4 executive Directors and 5 independent non-executive Directors. In 2021, it held a total of 13 meetings to review and approve 60 proposals and to review or hear 58 reports. The Board of Supervisors serves as the Bank's supervisory body. It discharges supervision duties and is responsible to the general meeting of shareholders. As at the end of 2021, the Board of Supervisors had 7 members, including 1 shareholder Supervisor, 3 employee Supervisors, and 3 external Supervisors. In 2021, the Board of Supervisors held a total of 8 meetings to review and approve 27 proposals and to review or hear 55 reports.

Timely information disclosure

The Bank advocates proactive information disclosure compliance and continuously improves the quality of information disclosure to inform the capital market and investors of its business results in a timely, objective, authentic, and comprehensive manner. In 2021, the Bank released a total of 10 periodical reports through the SZSE and the Hong Kong Stock Exchange. We have proactively enriched the contents of the periodical reports, created WeChat illustrations, and summarised our highlights and competitiveness focusing on our principal businesses and in compliance with relevant regulations, so as to communicate our value to investors in the capital market.

In 2021, the Bank also issued 227 interim announcements, of which 116 were released through the Hong Kong Stock Exchange and the other 111 through the SZSE. Since IPO, we have never been subject to regulatory enquiries or penalties due to information disclosure compliance issues. After two years from IPO on the A-share market, we were awarded the A ranking — the top ranking — from the SZSE for information disclosure, making us the only Qingdao-based bank traded on the main board of the SZSE to reach such a ranking. We have been advocating the philosophy of respecting markets and investors. After releasing annual and interim reports, we proactively held performance briefings to enhance communication with the capital market. Our 2020 annual performance briefing has been elected by the China Association for Public Companies (CAPCO) as one of the "best practices on 2020 annual performance briefings of public companies".

In addition, the Bank has been answering investors' questions promptly via various channels including our official website, investor hotline, and IR mailbox, as well as SZSE's "Easy Interaction" platform, thereby fully showing respect to the legitimate rights and interests of investors. In 2021, we held two performance briefings, attended one online open day activity for investors of Qingdao-based listed companies, and entertained one joint investor survey. All these aimed to maintain frequent and proper in-depth communication with investors.

Statement from the Board of Directors

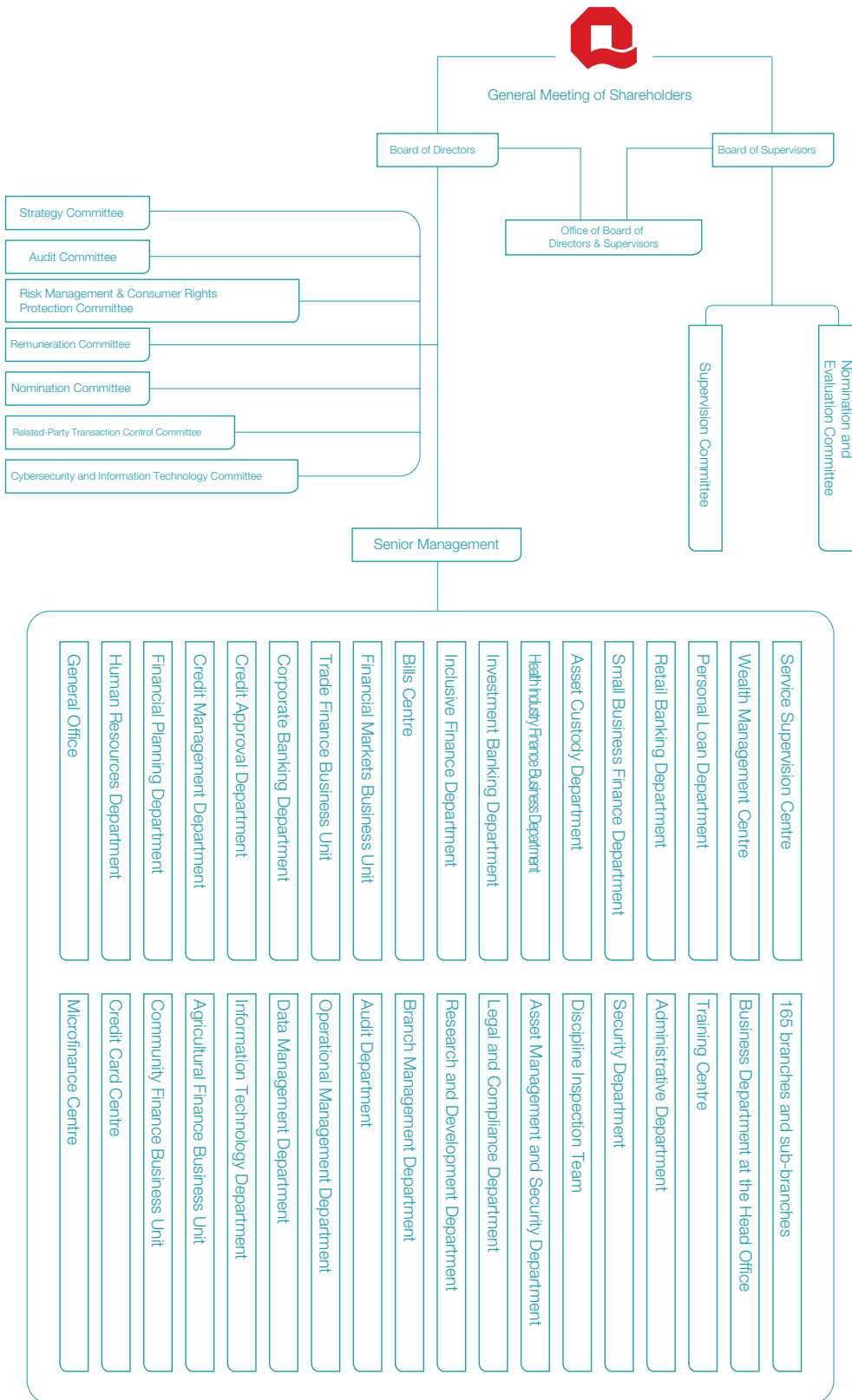
The Board of Directors undertakes that the Bank will strictly comply with the environmental, social and governance reporting requirements of the exchanges where its stocks are traded.

It will discuss and clarify its supervision responsibility through regular meetings, optimise the supervision process, and incorporate ESG into the Bank's business operations and long-term development objectives to cultivate an ESG-embedded corporate culture.

In 2021, the Board of Directors proactively implemented its strategic decisions and discharged its overall supervision duties over ESG matters, with focuses on green credit, protection of consumers' legitimate rights and interests, and data governance. It also reviewed and approved the 2020 Corporate Social Responsibility Report, 2020 Work Report of BQD on Green Credit Business Development, 2020 Work Report of BQD on Protection of Financial Consumers Legitimate Rights and Interests, and 2020 Work Report of BQD on Data Governance.

In 2022, it will further enhance ESG risk management, improve its information collection and reporting mechanism, and optimise the ESG governance structure, continuing to drive the Bank's ESG capabilities.

The Bank's Organisational Chart



Key KPIs

Type of KPI	Name of KPI	Unit	2021	2020
Economic KPIs	Operating income ¹	RMB100 million	111.36	105.41
	Net profit	RMB100 million	29.93	24.53
	Basic earnings per share after adjustment ²	RMB	0.51	0.40
	Total assets	RMB100 million	5,222.50	4,598.28
	Total loans ³	RMB100 million	2,442.05	2,067.47
	Total deposits ³	RMB100 million	3,135.25	2,722.31
	Return on average total assets	%	0.61	0.59
	Return on weighted average net assets ²	%	10.40	8.56
	Non-performing loan ratio	%	1.34	1.51
	Provision coverage ratio	%	197.42	169.62
Social KPIs	Capital adequacy ratio	%	15.83	14.13
	Total taxes paid	RMB100 million	17.95	15.96
	Charitable donations	RMB10,000	1,519.20	1,280.04
	Social contribution per share ⁴	RMB	3.67	3.16
	Total number of employees ⁵	Persons	4,447	4,231
	Proportion of female employees ⁵	%	55.79	55.52
Environmental KPIs	Green credit balance	RMB100 million	190.78	152.33
	Balance of loans granted to high-pollution, high-energy consumption or overcapacity industries	RMB100 million	27.69	28.44
	E-banking replacement ratio	%	96.33	95.67
	Head office power consumption	10,000 kWh	383	362
	Head office water consumption	Tonnes	28,112	24,140
	Head office paper consumption	1 million sheets	1.70	1.60
	Head office oil consumption ⁶	Litres	53,709	39,492

1 This indicator is calculated based on the requirements of the Accounting Standards for Business Enterprises.

2 Basic earnings per share and return on weighted average net assets are calculated based on the *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share*. The Bank completed rights issue of A shares and H shares in January and February 2022 respectively. According to the Accounting Standards for Business Enterprises No. 34 – Earnings Per Share as well as related implementation guidelines and given the bonus shares included in the rights issue, the weighted average number of ordinary shares issued externally was adjusted when the earnings per share were calculated. The dividends on preference shares for the period have been deducted from "Net profit attributable to shareholders of the parent company", and the effects of preference shares have been deducted from "Weighted average net assets". In 2021, the return on weighted average net assets was 10.40%, up by 1.84 percentage points from the previous year, mainly due to the growth of net profit attributable to the shareholders of the parent company.

3 Accrued interest is excluded from total loans and total deposits.

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

5 This indicator includes the Bank's data but excludes the data of its affiliates.

6 Due to the restrictions of the epidemic in 2020, the driving frequency of the marketing business in 2021 will be higher than that in 2020. Therefore, the oil consumption in 2021 increased more than that in 2020.

Honours and awards

International Finance Forum (IFF)	"2021 Global Green Finance Innovation Award" for the blue finance project
World Brand Laboratory	Ranked 438th among the "Top 500 Asian Brands" Ranked 360th among "China's 500 Most Valuable Brands" Became the only enterprise from Shandong Province to receive the "Five-Star Diamond Award"
Wind	Best inter-bank debt financing instrument underwriter (excellent city commercial bank award) Best credit bond underwriter (excellent city commercial bank award) Bond underwriting rapid progress award
People's Bank of China (PBOC)	Qualified primary dealer in open market
China Banking Association	Ranked 1st in corporate governance of city commercial banks during 2021 commercial bank stable growth capability "gyroscope" assessment
China Enterprise Confederation	Ranked 270th among the "2021 Top 500 Chinese Service Enterprises"
Financial Times	2021 Most Competitive Small and Medium-Sized Bank 2021 Best Small and Medium-Sized Bank in Digital Operation
21st Century Business Herald	2021 Best Risk Management Bank in Asia
Directors & Boards Magazine	Excellent Board of Directors Most Strategic Chairman Most Innovative Board Secretary
Trade Finance Magazine	Best Transaction Bank
China Institute of Communications	"Excellent FinTech and Digital Transformation Innovation Achievement Award" for the "intelligent retail marketing platform" and "5G smart banking"
Beijing Municipal Intellectual Property Office and Beijing Trademark Association	Qingdao's Most Valuable Brand selected on the 2021 China Brand Day
SZSE	A ranking for information disclosure in 2020
Shandong Enterprise Confederation	First prize for corporate culture achievements of Shandong enterprises Ranked 98th among the "2021 Top 100 Enterprises of Shandong" Ranked 19th among the "2021 Top 50 Service Enterprises of Shandong"
Dazhong Daily and Federation of Industry and Commerce of Shandong Province	2020 Socially Responsible Enterprise of Shandong
Qingdao Office of China Banking and Insurance Regulatory Commission (CBIRC)	2020 Advanced Unit of Financial Services for Small and Micro Enterprises
PYSTANDARD	"Excellent Wealth Management Enterprise in Innovation" and "Excellent Wealth Management Enterprise in ROI" awards for BQD Wealth Management
Global Leasing Industry Competitiveness Forum	"Fastest Growing Leasing Company of the Year" award for BQD Financial Leasing

Social Responsibility Governance

Social responsibility philosophy



Responsibility governance system

Social responsibility management structure

The head office's General Office, which is guided by the Board of Directors and led by the senior management, is responsible for organising and implementing social responsibility work. Social responsibility work is carried out by various departments at the head office, branches, and sub-branches through coordination and collaboration and in accordance with the *Measures for the Regulation of Annual CSR Report Preparation and Disclosure for Bank of Qingdao Co., Ltd. (Trial)*. The Bank has committed itself to a development concept that gives equal emphasis to social and economic responsibilities, and to achieving its CSR goals through various undertakings, such as formulating credit policies, selecting customers and designing financial products.



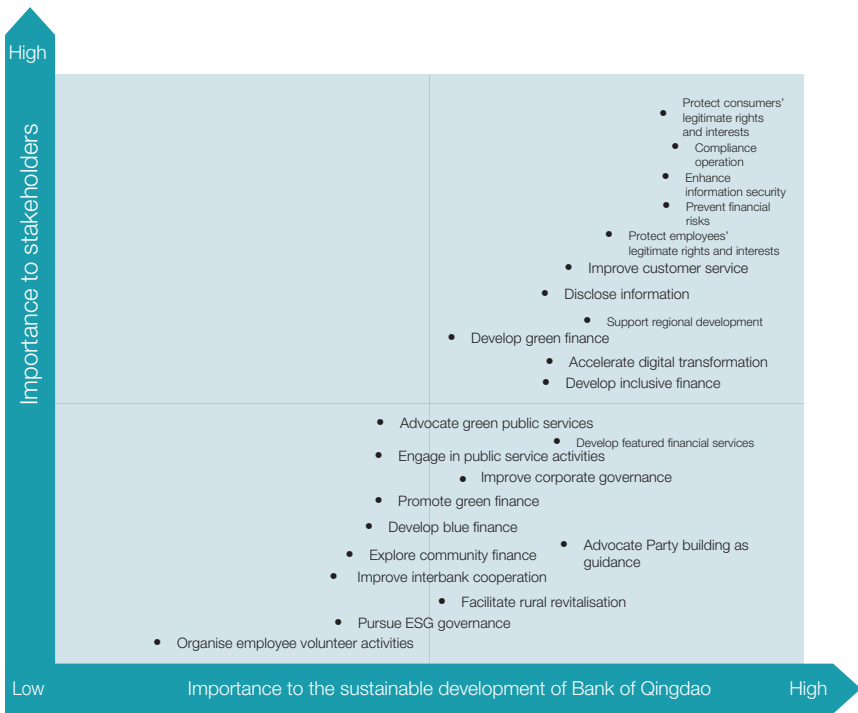
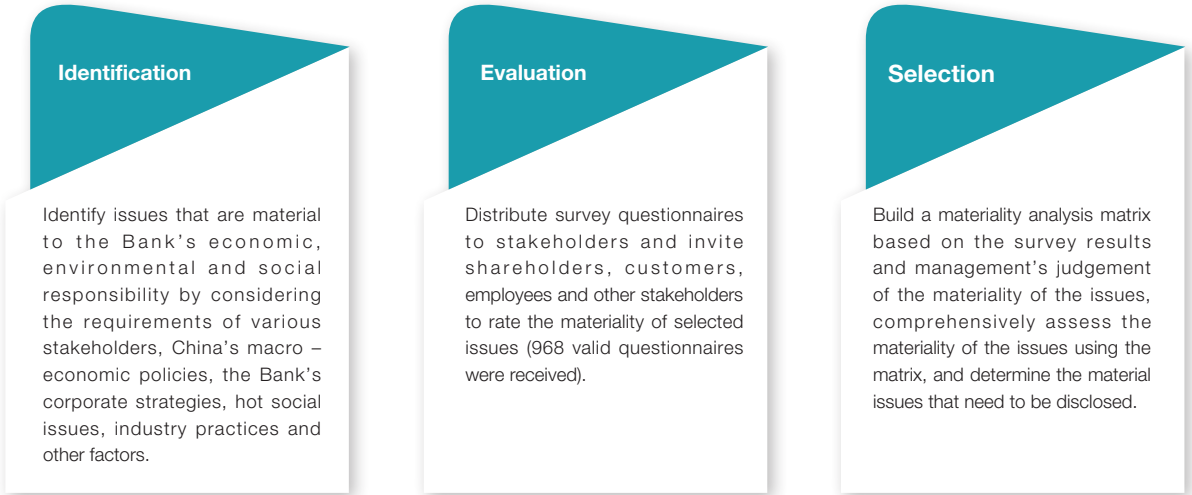
Communication with stakeholders

In order to understand the expectations and requirements of stakeholders, the Bank has set up various communication channels for its daily operations, and forged a communication mechanism to enhance regular communication with stakeholders through means such as meetings, reports and seminars. In doing so, we aim to improve our capabilities and adequacy of social responsibility governance.

Stakeholders	Expectations and requirements	Means of communication	Responses and measures
 Government	<ul style="list-style-type: none"> Support the real economy Pursue compliance operation Implement macro-economic policies Promote regional economic development Expand inclusive finance services 	<ul style="list-style-type: none"> Policy documents and guidelines Work meetings Information distribution Special reports 	<ul style="list-style-type: none"> Pursue compliance operation Carry out necessary work in respect of the "six priorities" and "stability in six areas", drive supply-side structural reform and implement policies for "cutting overcapacity, destocking, deleveraging, reducing corporate costs and shoring up weak spots" Support the development of key projects Expand inclusive finance services Accelerate digital transformation Develop new ways of serving small and micro enterprises Improve the business environment Support regional development Facilitate rural revitalisation Advocate Party building as guidance
 Regulators	<ul style="list-style-type: none"> Ensure compliance with regulatory requirements Maintain financial stability Assume social responsibilities 	<ul style="list-style-type: none"> Regulatory policies Inspections and regulations Work reporting 	<ul style="list-style-type: none"> Strengthen internal control Engage in poverty alleviation efforts Guard against financial risks
 Shareholders	<ul style="list-style-type: none"> Ensure sustainable business operations Improve profitability Improve returns on equity Increase corporate value 	<ul style="list-style-type: none"> General meetings of shareholders Information disclosure Performance roadshows Investor surveys and communications 	<ul style="list-style-type: none"> Improve corporate governance Develop corporate development plans Disclose information in a timely manner Enhance management of investor relations
 Customers	<ul style="list-style-type: none"> Improve service quality and efficiency Provide a greater variety of financial products Ensure information and fund security Expand service channels Protect consumers' legitimate rights and interests 	<ul style="list-style-type: none"> Marketing activities Customer hotline Surveys WeChat, online banking and other digital platforms 	<ul style="list-style-type: none"> Improve customer services Develop featured financial services Protect consumers' legitimate rights and interests Increase service outlets Propagate financial knowledge Explore community finance
 Employees	<ul style="list-style-type: none"> Improve employee benefits Protect employees' legitimate rights and interests Provide professional training and career development opportunities Enrich casual activities 	<ul style="list-style-type: none"> The trade union General meetings of employee representatives Seminars Feedback Discussions and visits 	<ul style="list-style-type: none"> Protect employees' legitimate rights and interests Improve the compensation and welfare system Collect employees' suggestions from various channels Improve the training system Set up "Staff Houses" Help employees with difficulties
 Suppliers	<ul style="list-style-type: none"> Fair procurement Win-win cooperation 	<ul style="list-style-type: none"> Negotiations Conclusion of contracts and agreements Tender and bidding processes 	<ul style="list-style-type: none"> Build a procurement management system Enhance business cooperation
 Partners	<ul style="list-style-type: none"> Mutually beneficial cooperation Communication and exchange of ideas 	<ul style="list-style-type: none"> Meetings Joint projects 	<ul style="list-style-type: none"> Deepen bank-customs cooperation Enhance interbank cooperation
 Communities	<ul style="list-style-type: none"> Care for disadvantaged groups Organise public service activities 	<ul style="list-style-type: none"> Visits Seminars 	<ul style="list-style-type: none"> Engage in public service activities Financial aid for students Volunteer activities
 Environment	<ul style="list-style-type: none"> Low-carbon and environmentally friendly operations Sustainable development 	<ul style="list-style-type: none"> Energy conservation and emission reduction policies Green public service activities 	<ul style="list-style-type: none"> Develop green finance Promote green operation Advocate green public services Develop blue finance

Analysis of material issues

The Bank selects relevant issues based on the requirements of various stakeholders as well as China's macro-economic policies, the Bank's corporate strategies, hot social issues and other factors, performs a materiality assessment based on stakeholder surveys, and then decides on the material issues to be disclosed in the report.



Responsibilities

Celebrating CPC's 100th anniversary

The Bank regards Party building as a "compass" to show the direction of development, and to guide the high-quality growth of various businesses. 2021 marks CPC's 100th anniversary, and we have organised a variety of celebration activities.

In 2021, the Bank strongly drove the learning of the CPC's history by setting up a steering team and creating education plans, and arranged 20 learning sessions for the theory core team, 18 "first topic" learning activities, special classes on the CPC's history for the Party Committee, central classes for Party members in its middle management, 156 different lectures on the CPC's history for its Party organisations at all levels.

While engaging in the "truly helping people in need" campaign, the Bank's Party Committee launched a special education program with the theme of "Celebrating CPC's 100th anniversary via the 'seven ones' initiatives" (i.e., selecting, developing, and recognising one batch of special "Qing Yin Rong Wan Jia" grassroot Party building brands; cultivating one group of "Artisans of Bank of Qingdao", creating one "delicate lecture on CPC", organising one "Play the Role of Head of Sub-branch" event, organising one "Play the Role of Lobby Manager" event, setting up one "Party School of Bank of Qingdao", and reviewing the Party admission oath for one more time) and events with the theme of "Hold up the banner of the Party at the grassroot level at Bank of Qingdao and serve the public".





- ▶ On 8 March 2021, the Bank held a CPC history education and employee mobilisation conference attended by all its employees online or offline.



- ▶ On 25 June 2021, the Bank held a conference to deliver a lecture on the CPC's history, award the titles of "Outstanding Party Members, Exemplary Party Workers and Model Community-level Party Organizations", and name special "Qing Yin Rong Wan Jia" grassroots Party building brands.



- ▶ On 1 July 2021, the Bank organised all employees who were Party members to listen to or watch the broadcast of the 100th CPC anniversary ceremony where General Secretary Xi Jinping delivered an important speech. On that day, Mr. Guo Shaoquan, secretary of the Bank's Party Committee and chairman of the Board of Directors, delivered a special lecture on CPC with the title of "Fulfil Our Founding Purpose and Take Brave Dutiful Actions" to all those employees, aiming to encourage them to develop into role models in terms of loyalty, integrity, and accountability, keep firmly in mind our mission as financial practitioners, serve the real economy, and offer better financial services to customers.



- ▶ Employees of the Bank sang to celebrate the 100th anniversary of the founding of CPC.



- ▶ The Bank's lecture on CPC titled "Three Financial Empowerment Actions for Rural Revitalisation" was awarded the third prize for speeches during Qingdao's CPC lecture contest of "100 People, Classes, and Departments' to Propagate the First Centenary Achievements".



Economic Responsibilities

Adhere to real economy
service

Remember why we started, and keep
going with all our heart



Implementing macro-economic policies

In 2021, the Bank adopted a new development philosophy to further improve and quality and effectiveness of services for the real economy with a focus on the supply-side structural reform, offered financial support for efforts that aimed to address overcapacity, reduce inventories, lower leverages, cut costs, and fix weaknesses, and increased the suitability and flexibility of financial supplies to the real economy. We have formulated the *Guiding Opinions of Bank of Qingdao on Implementing the Requirement for Managing Real Estate Loan Concentration* and actively implemented management accordingly; and have granted more credit to the high-tech sector, high-end manufacturing sector, next generation of IT sector, blue ocean economy, strategic emerging industries, green credit projects, and critical construction projects. In order to implement the CPC Central Committee and State Council's important decisions and plans concerning the "peak carbon dioxide emissions and carbon neutral" objectives, we have issued the *Ten Measures for Advancing Green Finance Support for Carbon Reduction* to advocate green finance as a facilitator of real economy development.

Performing comprehensive risk management

In 2021, the Bank promoted comprehensive risk management in a coordinated manner, set up a comprehensive risk management committee and a risk management office to optimise its comprehensive risk management framework. We also clarified the risk management responsibilities of the parent company and each subsidiary and department, strictly implemented the regular risk management reporting policy, and made timely risk judgements to prevent our asset quality from being affected by various risks. In addition, we improved our risk management system and continued to optimise the risk management information system to support risk identification, measurement and control for major business lines and further improve the digital level of risk management. We also improved our internal control mechanism for various risks and gave full play to the role of the risk management committee to ensure the accuracy of information for decision-making and the effective implementation of our bank-wide risk management policies.

Credit risk

In order to facilitate "coordinated improvement of quality, scale, and profit" through credit risk management, the Bank is taking a multitude of measures with dedication and care to build a cost-effective credit risk management system for risk control. In 2021, we drove group-wide central credit management, supported the implementation of the "central review of group risk asset acceptance" mechanism, and accelerated the development of a hierarchical central credit system and a large risk exposures system that covered all customers and assets and the entire bank. We also issued the *Administrative Measures of Bank of Qingdao for Credit Concentration Management* and enabled our business systems to share data for central credit management across the Group.

Liquidity risk

In 2021, the Bank adopted a liquidity risk management and governance structure that separated implementation and supervision, and clearly defined the roles, duties, and reporting lines of its Board of Directors, Board of Supervisors, senior management, dedicated committees, and relevant departments in respect of liquidity risk management, effectively improving liquidity risk management. We maintained a prudent liquidity risk appetite, paid close attention to changes in the forms of liquidity and expectations of markets, and put in place and dynamically adjusted liquidity management policies based on our asset and liability changes and liquidity gaps, so as to ensure control over the liquidity risk.

Market risk

In 2021, the Bank employed measures including sensitivity analysis and scenario simulation to measure and monitor the market risk of transaction accounts, and developed measuring methods in line with the size and structure our assets and liabilities to meet regulatory requirements concerning the interest rate risk of bank accounts. We also performed quantitative assessment by risk source of the impact of interest rate variation on our net interest income and economic value, and developed reports based on the assessment results to put forward management recommendations and business adjustment strategies.

Operational risk

In 2021, the Bank focused on preventing losses caused by systemic operational risks and major operational risks, developed the *Operational Risk Administrative Policy of Bank of Qingdao*, and actively optimised its operational risk management system to effectively identify, assess, monitor, control, and mitigate its operational risks. These have significantly improved our operational risk management capability and brought the risks under proper control across the Bank, and therefore no major operational risk or loss occurred.

Compliance risk

The Bank takes compliance risk management seriously, and has enhanced compliance risk management, issued the *Compliance Risk Administrative Policy of Bank of Qingdao*, *Compliance Risk Administrative Provisions of Bank of Qingdao*, and established a proper compliance risk management framework to effectively identify and manage compliance risks and ensure compliance operation.

In 2021, we promulgated *Opinions on Developing Compliance Projects for Better Compliance Management* as our No.1 document of the year, aiming to continue improving the three underlying compliance measures including the compliance culture, compliance policy, and compliance system. We also took strong actions to eliminate repeated compliance issues and ensure counter service compliance and legal compliance, bringing compliance to a higher level. In addition, we launched the “Policy Improvement Year” campaign and determined concrete actions to fortify underlying policies, optimise policy evaluation, and enhance policy implementation, so as to keep polishing our policy system. Based on the major tasks in the “Year of Internal Control and Compliance Management Development”, we carried out thorough self-inspection and self-correction and implement rectification measures to eliminate the root causes of repeated issues and form a long-term risk prevention and control mechanism.

Money laundering and terrorist financing risk

The Bank optimised resource allocation for anti-money laundering (AML) to increase the effectiveness, accuracy and efficiency of relevant work. We put in place an annual policy review mechanism and dedicated operation guidelines to help frontline personnel more accurately identify suspicious transactions. Meanwhile, we introduced a product (business) policy AML review process to further complement our system of internal controls over money laundering and terrorist financing risks. In 2021, we carried out over 50 AML reviews for added and revised product and business administrative measures and operation guidelines.

The Bank is deploying an intelligent risk monitoring platform for multiple business systems to identify risk at an earlier stage, control risks as soon as they are identified, enhance risk alerts on the business side, and continuously perform due diligence and handling control, thereby achieving collaboration between AML monitoring and business line monitoring. In 2021, we reported several important criminal clues to the public security authority, two of which managed to help the police root out several money laundering gangs involved in cases with a total amount of more than RMB100 million.

We combined special inspections and regular inspections, and carried out on-site and off-site inspections and random inspections on a periodic basis to identify issues and fix gaps in a timely manner, thereby continuously strengthening AML performance across the Bank. In addition, we implemented a comprehensive performance appraisal system to urge all employees to proactively discharge AML duties.

IT risk

In 2021, the Bank enhanced its digital infrastructure, strengthened technology enablement, drove application of mobile, Internet, and digital technologies, stepped up cybersecurity management, provided quality and efficiency assurance for its key development projects, and advanced IT risk management in line with the *Guidelines for Commercial Banks on Information Technology Risk Management* promulgated by the China Banking Regulatory Commission and the Bank’s latest three-year IT strategic plan, so as to facilitate business innovation and growth.

Reputational risk

The Bank revised and issued the *Administrative Measures of Bank of Qingdao on Reputational Risks* in 2021, which is applicable to the Bank itself and its subsidiaries. The new measures were introduced to optimise our reputational risk management framework, covering corporate governance, organisational structure, duty division, operation mechanism, and performance appraisal, and to reshape the end-to-end mechanism for closed-loop reputational risk management. In 2021, we performed 4 bank-wide reputational risk inspections, which covered all its units and subsidiaries with an aim to eliminate the root causes of such risks. We also arranged 4 reputational risk training sessions and public sentiment emergency response drills, which engaged all leaders and positions responsible for reputational risks across the bank to effectively help them better respond to public sentiment emergencies.

Outsourcing risk

The Bank continued to enhance control over its IT contractors. While stepping up efforts to manage contractors’ on-site personnel, the Bank further imposed control at project level to better manage contractors’ equipment, security, and quality and effectively monitor and prevent outsourcing risks. We also revised the *IT Outsourcing Management Rules* to tighten the contractor admission criteria, regulate information access privilege for contractors’ personnel, and keep a closer eye on outsourcing-related information security management. Meanwhile, we improved our research and development, and operation and management capabilities to reduce reliance on contractors, inspected more strictly risks of off-site contractors, monitored more closely risks of central services from off-site contractors, etc.

Implementing seven initiatives to ensure the “6 priorities” and “stability in 6 areas”

The Bank fully assumed responsibilities and implemented targeted policies to strongly drive the “6 priorities” and “stability in 6 areas”.

01

Introduced targeted currency policies, capitalised on currency instruments such as relending and rediscounting and issued practical fee reduction policies.

02

Improved our capability to offer financial services to small and micro-sized enterprises, and stepped up efforts to build our service system for delivering services to the private sector and small and micro-sized enterprises on an equal footing.

03

Addressed difficulties in providing financial services to the manufacturing industry, and firmly seized the opportunities that came along with the upgrade and transformation toward high-end equipment manufacturing by granting more credit to the industry.

04

Helped the areas seriously affected by the Covid-19 pandemic by favourably allocating credit resources to address the financial needs of enterprises engaged in pandemic control or struck by the pandemic.

05

Expanded our business in the technology sector, focused on offering easily accessible and highly efficient financial services through our Sci-tech Sub-branch to small and micro-sized technology enterprises, and drove innovation of related credit modes and products.

06

Achieved government-bank-enterprise interconnection, fully implemented the *Administrative Measures of Bank of Qingdao on Performance Appraisal Management for the Financing Service Platform*, and optimised the mechanism for accessing services from financial service specialists, so as to achieve real-time scheduling, quick communication, and truly understand the business conditions and financial needs of enterprises.

07

Facilitated corporate bond financing by propagating policies on financed entities and providing them with business training to increase their interest in bond financing. We also built a library of enterprises with potential needs for bond financing to facilitate our follow-up and advisory work.

Supporting regional economic development

Facilitating the implementation of national strategies in Shandong Province

The Bank actively supports the establishment of the “Belt and Road” international cooperation platform, the building of the China-SCO Local Economic and Trade Cooperation Demonstration Area with a high standard, the construction of the Qingdao area of the China (Shandong) Pilot Free Trade Zone, etc. We have concluded in the Qingdao area of the China (Shandong) Pilot Free Trade Zone the country’s first financing deal in Singapore Dollar under the “RMB-SGD currency swap” arrangement, and the first “through transportation” income clearing business in Kazakhstan Tenge in Shandong Province. In 2021, we facilitated the province’s first cross-border Renminbi settlement for overseas contracted engineering projects, and became the first bank corporation in Shandong Province to provide a standby letter of credit for credit enhancement for overseas bond issuance. In order to further develop our cross-border Renminbi clearing channel, we completed Qingdao City’s first cross-border Renminbi payment transaction made using the standard transceivers of the Cross-border Interbank Payment System (CIPS) in September 2021.

Entering the first tier of debt financing instrument underwriters

In 2021, the Bank successfully helped Linyi City Construction Investment Group Co., Ltd. and Qingdao Metro Group Co., Ltd. issue carbon neutral bonds, contributing to their sustainable development initiatives such as low-carbon transformation and clean energy adoption. We also helped issue Shandong Province’s first public offering project income note for Zibo City Asset Operation Co., Ltd. And we helped issue Qingdao’s first equity investment note for West Coast Development Group. In 2021, we issued and underwrote the issue of debt financing instruments amounting to RMB41.55 billion and RMB26.41 billion respectively. We also underwrote the issue of medium and long-term bonds amounting to RMB18.825 billion for Shandong Province, gaining the biggest share in that market.

Case

Providing Shandong Province's first standby letter of credit for credit enhancement as a bank cooperation in the province to facilitate cross-border financing

On 24 November 2021, our Zibo Branch issued a standby L/C to help a state-owned enterprise successfully issue three-year overseas bonds amounting to USD52 million with a coupon rate of 2.9%, opening the chapter of overseas bond issuance by state-owned enterprises in Zibo. It was the first of its kind issued by a bank corporation in the province, and the first standby L/C for financing issued in the province after the SWIFT system adopted new global guarantee message standards.



Case

Organising the competition of equity and debt dual financing roadshow among the Jiaodong Economic Circle to establish a bank-enterprise investment platform and form an investment and financing ecosystem

The Bank gave full play to its role as a local bank corporation and listed bank and held the innovative “equity and debt dual financing” roadshow competition. Focusing on equities and debts, this competition offered an better opportunity for outstanding innovative projects and investors to establish partnership, enhanced connection between capital and projects within the venture capital sector, and addressed enterprises’ difficulty to attain funding through traditional roadshows, financial ecosystem imbalance, inadequate follow-up services, and other problems, thereby generating win-win results for the bank, investors, and enterprises.

In June 2021, the Bank hosted the Yantai contest for the competition of equity and debt dual financing roadshow among the Jiaodong Economic Circle jointly with Yantai Financial Supervisory Authority, Yantai City Central Sub-branch of PBOC, Shandong New Growth Drivers Capital Management Co., Ltd., Zhongtai Securities, and Qingdao Steering Fund Management Centre. In November of the same year, we hosted the Qingdao contest. The two contests attracted a total of 20 technological startups to the roadshows. Some of the enterprises or their projects have been funded and have shown promising results.





Opened accounts

518

Loan balance

RMB1.16 billion

Allocating more financial resources to enterprises featuring “specialization, refinement, distinctiveness, and novelty”

In order to respond to the national government’s call for developing enterprises characterised by “specialization, refinement, distinctiveness, and novelty” and innovative services, the Bank defined these enterprises as its strategic customers for business development and proactively provided them with financial support. We divided the enterprises into three categories and tailored more than 20 financial products for them to effectively entertain their financial needs at the start-up stage, growing stage, and maturity stage. As at the end of 2021, 518 of such enterprises recognised by the country or Shandong Province have opened accounts with us, accounting for 13.76% out of all the enterprises recognised by the country or Shandong Province and their loan balance totalled RMB1.16 billion, an increase of RMB0.23 billion from the beginning of the year.

Case

Signing a strategic partnership agreement with the Department of Industry and Information Technology of Shandong Province

In October 2021, the Bank signed a strategic partnership agreement with the Department of Industry and Information Technology of Shandong Province, aiming to comprehensively support the new economic drivers, such as enterprises characterised by “specialization, refinement, distinctiveness, and novelty”, “small giants”, hidden champions, and “gazelle enterprises”, and raise start-ups. According to the agreement, the Bank will leverage our strength as a comprehensive and multifunctional financial group in commercial banking, investment banking, fund, insurance, leasing and other areas, as well as the licenses of BQD Wealth Management and BQD Financial Leasing, to provide comprehensive financial services to the enterprises through partnership between our entities at all levels and local industry and information technology agencies. We will also work with the Department of Industry and Information Technology of Shandong Province to establish the province’s credit service system for enterprises featuring “specialization, refinement, distinctiveness, and novelty”, and have personnel keep a close eye on their financing needs, so as to put in place a communication platform between the Bank and the enterprises to gain accurate mutual understandings and make more loans to the enterprises.



Case

Concentrating efforts to facilitate IPO initiatives of enterprises featuring “specialization, refinement, distinctiveness, and novelty”

On 15 November 2021 when the Beijing Stock Exchanges (the BSE) started trading, the Bank and its financial leasing subsidiary BQD Financial Leasing signed a strategic partnership agreement with an industry holding company limited by shares from Shandong, which was one of the first “Select Tier” high-tech enterprises listed on the BSE, one of the biggest Chinese molecular sieve manufacturers, and one of the small and medium-sized “gazelle enterprises” and enterprises featuring “specialization, refinement, distinctiveness, and novelty” recognised by the Department of Industry and Information Technology of Shandong Province.

According to the agreement, BQD Financial Leasing will grant a total loan of RMB30 million for financial leasing. The Bank will coordinate services with the Group to deliver a package of financial services to help the enterprise drive quality growth. BQD Financial Leasing is the first of its kind in Shandong Province to sign such an agreement with an enterprise listed on the BSE, and also the first of its kind in China to support the dual carbon goals through the innovative “Rong Zu Tong” business.



Case

Holding an investment-loan linkage conference for small and medium-sized enterprises featuring “specialization, refinement, distinctiveness, and novelty”

On 14 December 2021, the Bank and Qilu Equity Exchange Centre jointly held the Dezhou investment-loan linkage conference for small and medium-sized enterprises featuring “specialization, refinement, distinctiveness, and novelty”, which was sponsored by the Industry and Information Technology Bureau of Dezhou. More than 30 related enterprises from Dezhou attended the conference, through which the enterprise developed a better understanding of the capital market and learned how to gain a broader access to investment and financing opportunities in the market.

Developing inclusive finance

The Bank advocated the development of inclusive finance. As at the end of 2021, our balance of loans to small and micro-sized enterprises stood at RMB22.006 billion, up 21.14% from the beginning of the year while the growth rate of the other loans over the same period was just 13.15%.

Implementing the “two policy instruments for small and micro-sized enterprises”

The Bank continued to implement the “two policy instruments for small and micro-sized enterprises”. We identified the inclusive loans to the enterprises that had reached maturity, sent the *Notice of BQD on the Policy of Postponing the Repayment of Principals of Inclusive Loans to Small and Micro-sized Enterprises* to inform them of the policy, and postponed the repayment at their request. We also innovated and introduced more credit loan products, and tried our best to extend any credit loans upon maturity when possible. In 2021, we made credit loans totalling RMB4.771 billion, and applied for postponing repayment of 1,385 loans amounting to RMB4.532 billion.

Innovating services and products

The Bank stepped up product innovation and enriched its service portfolio. In 2021, we launched 5 new inclusive loan products, follow the relevant policy of the Department of Science & Technology of Shandong Province to develop and introduce a loan service for commercialising research and development achievements of technology enterprises in the province, and adopted a risk-sharing model to drive the development of the credit loan business targeting technology enterprises. We also developed and launched the “government procurement loan” business to enable online lock-up of procurement payment accounts, and implemented the country’s financing guarantee fund policy and partnered Qingdao Financing Reguarantee Company to release the “National Financing Guarantee Fund Loan” business, so as to develop the inclusive loan business through reguarantee that enables risk sharing. In order to accelerate online inclusive loan product development, we joined hands with Inspur Software Group Co., Ltd. to design and develop the online “loan for small business owners” and “tax E loan” businesses.

Leveraging credit risk mitigation credit risk mitigation warrant (CRMW) to help private enterprises issue bonds

The Bank proactively expand financing channels for private enterprises and used debt financing instruments to facilitate their financing initiatives. In November 2018, we become qualified as a core dealer for credit risk mitigation instruments, CRMW issuer, and credit-linked note issuer. We successfully created Shandong Province’s first CRMW in November 2018. As at the end of 2021, we created a total of 4 CRMWs and 1 credit risk mitigation agreement (CRMA). On 5 January 2021, we helped Realcan Pharmaceutical Group Co., Ltd. issue RMB400 million of super & short-term commercial paper (SCP), with a coupon rate of 5.80% and a term of 270 days. This represented our effort to help private enterprises address their financing difficulties and costs.

Developing supply chain finance

The Bank fully supported the growth of enterprises through supply chain finance innovation. Currently, our products, most of which are available online, have covered all the upstream and downstream products of core enterprises, and have launched multiple online business models to meet the supply chain finance requirements of different industries in various scenarios. In 2021, we made over 2,800 loans amounting to more than RMB2.26 billion through online supply chain finance, more than 95% of which were granted to inclusive finance customers.



Credit loans

RMB4.771 billion

Postponing repayment loans

RMB4.532 billion



Issue loans over

2,800

Amount of loans more than

RMB2.26 billion

Facilitating rural revitalisation

As at the end of 2021, the Bank had a balance of agriculture-related loans of around RMB46.9 billion, increased by approximately RMB5 billion compared with the beginning of the year, and a balance of agriculture-related inclusive loans of approximately RMB3.2 billion from the beginning of the year.

Case

Signing a strategic partnership agreement with Qingdao Municipal Bureau of Agriculture and Rural Affairs

On 30 July 2021, the Bank signed a strategic partnership agreement with Qingdao Municipal Bureau of Agriculture and Rural Affairs, which aimed to provide financial support for rural revitalisation. According to the agreement, we will grant a credit line of RMB10 billion for that purpose each year during the 14th Five Year Plan period. At the event, we also signed loan agreements of RMB1.06 billion with 6 enterprises including Shandong New Hope Liuhe Group Co., Ltd. and Kaisheng Qingdao Modern Smart Agriculture Group.



Case

Launching the rural revitalisation loan

The Bank designed the "rural revitalisation loan" that targeted the scenarios where agricultural business entities require financing for business operation, and made personal loans through online channels to qualified farmers, individual businesses, owners of small and micro-sized enterprises, as well as agricultural businesses, so as to reduce financing difficulties and costs in rural areas. As at the end of 2021, we have whitelisted a total of 1,316 customers for the loan, 249 of whom have applied for the loan. We have also granted a total credit line of RMB22.1 million and made 135 loans amounting to RMB13.411 million.



Building unique financial services

Port finance



In order to facilitate the business integration between Shandong Port Group Co., Ltd. and its subsidiaries, the Bank's Port Sub-branch provided special daily settlement services for over 100 accounts of the customers.

In August and October 2021, we acted as the lead underwriter to help Yantai Port Group Co., Ltd. under Shandong Port Group Co., Ltd. issue RMB2 billion of phase-2 medium-term notes, of which RMB1 billion was underwritten by the Bank. In October 2021, we participated in the bidding for the financing underwriting project of Shandong Port Group Co., Ltd. and won the opportunity to help the group issue SCP of RMB5 billion (as part of an underwriting group), help Yantai Port Group Co., Ltd. issue SCP of RMB6 billion (as part of an underwriting group), and help Rizhao Port Group Co., Ltd. issue a perpetual bond of RMB2 billion.

Cultural innovation finance



In 2021, the Bank explored financial partnership with the cultural sector by providing services to several leading new media enterprises, listed sports culture enterprises, and promising movie producers in Qingdao and making a loan of RMB100 million to Qingdao Time-space Culture Group for its cultural projects.

Our Cultural Innovation Sub-branch has become the vice chairman unit of Qingdao Cultural and Creative Industry Association, Qingdao Tourism Association, Qingdao Artists and Performers Association, and Qingdao Association of Performing Arts, and has set up close relationship with Qingdao Movie Association, Qingdao Animation and Comic Association, Qingdao Advertising Association, Qingdao General Business Association, and Qingdao Industrial Design Association. Meanwhile, we actively participated in domestic cultural activities in 2021. The Cultural Innovation Sub-branch attended Shenzhen Cultural Expo, Jinan Cultural Expo, and China (Qingdao) Art Exposition, joined various activities of Shanghai Cultural Association and Xi'an Cultural Association, and carried out researches and discussions with other local cultural innovation associations.

Metro finance



In 2021, the Bank strongly support the issuance of a green debt financing instrument by Qingdao Metro Group. In June 2021, we acted as one of the lead underwriters of the group to facilitate the issuance of phase-2 medium-term green note (carbon neutral bond) in 2021, and took the initiative to invest RMB100 million into urban rail transit projects, which were low-carbon projects to promote clean transportation.

Technology finance



In responding to relevant national policies, the Bank actively promoted technology finance to serve the real economy. In July 2014, we established Shandong Province's first technology sub-branch in Qingdao City's high-tech zone. As at the end of 2021, we have set up 5 technology sub-branches and 4 special technology sub-branches across the province. In 2021, we put forward the business development philosophy of "making loans to start-ups, small enterprises, and technology enterprises to facilitate research and development, innovation, and IPO" and further concentrated on serving the innovative enterprises and start-ups with "competitive technology" and characterised by "specialization, refinement, distinctiveness, and novelty". Using these as a basis, we sought technology finance extension, and explored the "technology finance 2.0" model driven by technology finance and IPO finance. As at the end of 2021, we have made a total loan of RMB22.5 billion to technology medium and small enterprises.

Exploring digital and intelligent transformation

In 2021, the Bank continued to seek business innovation, strengthen value generation via risk control, operations, processes, and systems, and enhance technology enablement to increase business operation capabilities, thereby accelerating digital and intelligent transformation.

Kicking off the smart enterprise management project

In 2021, the Bank drove the smart enterprise management project by building the smart office system and smart HR system, so as to reach an advanced level of smart enterprise management as a listed bank with more effective and efficient IT and intelligent capabilities.

Improving data governance

After establishing the data management department in 2020, the Bank continued to step up data governance system enhancement. We issued the *Administrative Measures of Bank of Qingdao on Data Governance* to clarify the work principles across the areas of data governance, and put in place a series of management policies and assessment methods regarding professional data governance as guidelines for various data governance tasks. In 2021, we sorted out data standards, continued to promote data control measures, regulated data quality management processes, further explored and promoted new data application models, completed the establishment of the retail customer lifecycle forecast system, drove adoption of data security levels and classes, improved data security, etc. In addition, we continued to advance the development of several key data projects such as the data control platform, smart image database, and time-based BDP.

Constructing information systems

In 2021, the Bank focused efforts on key project development by kicking off 46 new IT projects and advancing another 75, completing and putting to production 54 projects including the Mobile Banking 6.0 app, "Xingyun Intelligent" credit platform, and smart enterprise management project. With an aim to grow both business and management, we strongly promoted mobile, online, and digital operations and proactively adopted cutting-edge FinTech to improve quality and efficiency.



► Employees delivering customer services at the flagship smart sub-branch.

• Developing the corporate banking system

The Bank started establishing the “online corporate banking platform” and “intelligent corporate banking management platform”, thereby initiating digital transformation of its corporate banking business. The platforms integrate services to deliver better customer service experience and enables online and mobile business operations.

We launch phase 2 of the “e-L/C” project, and completed, as one of the first 13 pilot banks in China, the first online forfaiting transaction conducted by a local bank corporation in Shandong Province, achieving full electronisation of our L/C business in China.

• Launching programs such as smart mortgage and “borderless” credit card

The Bank developed the Smart Mortgage app to deliver mortgage services through mobile devices, with an aim to drive digital transformation of the business. We innovated the “Easy loans for marine financing”, “Meituan credit loan”, and other financial products for individuals to promote inclusive finance.

By issuing “borderless” credit cards and approving credit card applications online, we fully digitalised our business process of issuing, collecting, and using credit cards, which helped significantly raise customer experience by breaking geographical constraints on the business and expand credit card service channels.

• Upgrading the Mobile Banking app to version 6.0

The Bank upgraded its Mobile Banking app to version 6.0 and updated the investment and wealth management module and life service module. In responding to the PBOC’s call for improving banking service accessibility for senior citizens, we introduced a simplified edition of the app to make artificial intelligence (AI) more friendly to this group of users. As at the end of 2021, the user base of the app has exceeded 3.86 million.

• Upgrading to Smart Outlet 3.0

Smart Outlet 3.0 incorporates more functions including certificate of deposit activation and customer mode. As high as 95% or 161 of the business outlets of the Bank have adopted the smart outlet service model, which has accelerated service delivery by 75% on average. The launch of the smart retail marketing app has enabled E2E marketing management covering multiple online and offline touch points.



Identify customer risk cases

19,832

Significant risk accounts

4,016

Upgrading smart risk control

The Bank has built an E2E integrated intelligent platform to manage and control financial transaction risks, effectively protecting customers’ information and funds. We are constantly upgrading our proprietary “Eagle Eye 360 Intelligent Risk Monitoring Platform”, which helped reveal a total of 19,832 customer risks and identify and control 4,016 accounts suspicious of being involved in online gambling, phone frauds, and illegal account leasing or lending in 2021. This enabled prompt blocking of subsequent illegal transactions and strongly supported China’s campaign to “fight against illegal use of SIM and bank cards”. On 24 May 2021, the platform was awarded the software copyright certificate.



Environmental Responsibilities

Together for a green earth

Maintaining clean water and green mountains,
where the heart desires



Developing green finance

The Bank firmly implemented the CPC Central Committee and the State Council's critical decisions and plans on "peak carbon dioxide emissions and carbon neutral", and promulgated the *Ten Measures for Advancing Green Finance Support for Carbon Reduction*, aiming to further facilitate carbon reduction and green finance.

Implementing the green credit policy

Rules as assurance. The Bank's policy stipulated that the Board of Directors shall be responsible for determining the green credit development strategy. We continued to optimise our long-term green credit development mechanism and step up credit support for the green economy, low-carbon economy, and recyclable economy, effectively promoting coordinated development of economy, society, and environment. We also strived to enhance organic growth and professional business operations toward a greener financial service brand.

Policy as guidance. The Bank followed China's green development philosophy and sustainable development strategy and issued the *Marketing Guideline of Bank of Qingdao for Carbon Neutral Business* targeting the eight major carbon neutral areas including electricity, transportation, industry, new material, construction, agriculture, carbon negative emission, as well as information communication and digitalisation. Accordingly, we further innovated green credit products and services, encouraged green credit awarding, and focused more green credit on carbon reduction. We also particularly offered greater support to enterprises and projects pursuing clean energy or industrial environment protection.

Excellent achievements. In 2021, most of the green credit from the Bank was awarded to the energy conservation and environment protection industry, clean production industry, clean energy industry, ecological environment industry, greener infrastructure industry, and other green services industries. As at the end of 2021, our green credit balance reached RMB19.078 billion, an increase of RMB3.845 billion from the beginning of the year and up year-on-year by 25.24%. It accounted for 7.81% of the total credit balance. While continuing to scale down credit facilities to outdated industrial capacities, we granted more loans to leading enterprises in traditional industries to help them pursue business upgrade and transformation in accordance with the requirement for new and old kinetic energy conversion. Under the current statistical scope, our total balance of loans to sectors with "High Pollution, High Energy Consumption and Overcapacity" amounted to RMB2.769 billion, which has decreased year-on-year by RMB0.075 billion.

Case

Supporting urban sewage treatment projects

After making a loan of RMB175 million for phase-1 construction of an urban sewage treatment project, the Bank continued to offer a fund of RMB250 million in 2021 for the phase-2 construction.

The phase 2 of the project and the supporting reclaimed water pipeline project have been designed with a capacity to process 50,000 tonnes of sewage per day, a supporting sewage pipeline of 10 kilometres in length, and reclaimed water facilities. The urban sewage treatment project will facilitate sustainable development of industrial zones and the city where it is located, and protect the waterbody of the city and its towns and counties, thereby improving the ecosystem and living environment.

Case

Holding a green development workshop with Jiaodong Economic Circle Financial Alliance

On 15 April 2021, the Bank held the "Finance-empowered Green Development Workshop" with Jiaodong Economic Circle Financial Alliance. At the workshop, members of the alliance exchanged opinions on topics including how to enable finance to play its role in supporting the development of eco-friendly industries, how to improve the green finance system and mechanism, and how to drive green product innovation.

During the event, the alliance also kicked off the "Finance-empowered Rural Revitalisation" and "Finance-empowered New and Old Kinetic Energy Conversion" programs with Shandong Tudi Development Group Co., Ltd. and Shandong New and Old Kinetic Energy Conversion Fund Management Co., Ltd. respectively, and signed an intent of cooperation on "Finance-empowered Green Development" with Zhongtai Securities. The alliance will strengthen strategic cooperation with the former two companies and explore extensive ties with the other, so as to jointly drive the development of green finance.



Facilitating the “peak carbon dioxide emissions and carbon neutral” objectives

Promoting comprehensive strategic partnership for green urban development

The Bank worked closely with Qingdao Municipal Bureau of Housing and Urban-Rural Development to offer comprehensive financial support to Qingdao City's green urban development by proactively optimising service processes and innovating green finance products to its key green urban development projects, carbon neutral projects, green industry zones, as well as environment-friendly and low-carbon enterprises.

Establishing the green finance innovation lab

Qingdao was elected as China's first pilot green city, and the Office of the Chief Economist and Postdoctoral Work Station of the Bank took this opportunity to initiate the establishment of the green finance innovation lab to offer professional support for financial business innovation. The lab will focus researches on basic theories, new theories, business scenarios, and innovative products for critical areas such as green finance, low-carbon finance, and blue finance, so as to drive sustainable development of the city and turn it into a role model in green urban development.

Further exploring the clean energy market

The Bank paid close attention to the carbon finance business and leveraged new energy projects such as photovoltaic power and wind power projects to make breakthrough in and penetrate the clean energy market. In order to facilitate China's county/city/district-wide distributed roof photovoltaic development strategy, we analysed the photovoltaic industry chain and harnessed project loans, bond financing, financial leasing, and other financing instruments to comprehensively support financing initiatives for photovoltaic development projects, thereby playing our role as a financial institution in clean energy industry development.

Case

Approving loans to the distributed photovoltaic power project in a city in Shandong Province

As the city focused its resources to drive distributed photovoltaic development, the Bank worked with the enterprises engaged in the effort to design loan implementation plans and took advantage of our strength as a local bank corporation to quickly approve the loans, so as to help the city achieve its “dual carbon” goals. The project aimed to promote rural revitalisation by paying rural residents rentals for installing distributed photovoltaic equipment on their roofs. The power generated using the equipment on the roofs of premises of industrial and commercial businesses was first supplied to those businesses to reduce their production costs and help them achieve green and low-carbon growth.



Innovating green finance practices

In 2021, the Bank took the initiative to grant the first “carbon neutral” loan, offer the first “carbon neutral” themed wealth management product, underwrite the first “carbon neutral” bond, and launch the first green supply chain finance product named “Carbon E Loan”.

• Granting the first “carbon neutral” loan

On 25 March 2021, the Bank granted a “carbon neutral” loan of RMB10 million to Qingdao Public Transportation New Energy Vehicle Service Co., Ltd., helping the enterprise seek green and low-carbon growth. It was the first loan made through our “Tan Dai Tong” business and the first “carbon neutral” financing transaction conducted by banks in Shandong Province.

• Becoming the first bank corporation in Shandong Province to launch the green supply chain finance product named “Carbon E Loan”

In June 2021, the Bank launched the green supply chain finance product named “Carbon E Loan”, the first of its kind from a bank corporation in Shandong Province, and made such loans to the upstream suppliers of core green enterprises qualified by China United Certification Centre (CUC). “Carbon E Loan” is a financial product mainly to facilitate economic activities that are carried out to improve the environment, address climate change, and drive resource efficiency. Our green supply chain finance business is available to small and micro-sized vendors or suppliers who sell to or purchase from core green enterprises qualified by institutions recognised by the Ministry of Industry and Information Technology, such as CUC and Lianhe Equator. Since the launch of the business, we have made related loans to a multitude of industries including rail transit, new energy vehicle, information equipment, etc. As at the end of 2021, such loans to over 250 small and micro-sized enterprises amounted to RMB850 million.

• Underwriting green bonds

As the lead underwriters, the Bank and Ping An Bank Co., Ltd. successfully helped Qingdao Metro Group Co., Ltd. issue its phase-2 medium-term green note (carbon neutral bond) of the year on 17 June 2021. The bond was the first of its kind issued in Shandong Province, at a coupon rate of 3.58%, the lowest among those issued in the province with the same term since the beginning of 2021. The fund raised through the bond issuance was dedicated to metro lines that were expected to help reduce the emission of 256.53 tonnes of carbon dioxide and the consumption of around 133.14 tonnes of standard coal annually. In this way, we offered long and medium-term financial support with low cost to help transportation enterprises with green and low-carbon transformation.

On 24 August 2021, we applied for registration and issuance of green medium-term notes of RMB2 billion for Qihe Urban Operation, Construction & Investment Pty., Ltd. in Dezhou City. The fund raised was totally used to rebuild urban shanty towns. The entire construction project is expected to employ alternative energy equal to 3,155.50 tonnes of standard coal throughout the year and reduce emissions of 6,973.65 tonnes of carbon dioxide. According to the proportion of the raised fund to the total investment in the project, the raised fund is expected to help replace 813.43 tonnes of standard coal with alternative energy and reduce emissions of 1,797.68 tonnes of carbon dioxide.

Serving as the lead underwriter and joint lead underwriter, the Bank and Bank of China helped Linyi City Construction Investment Group Co., Ltd. Issue its first “carbon neutral” SCP on 25 August 2021, with a total amount of RMB50 million, a term of 270 days, and a coupon rate of 2.60%. The issuing price was much lower than those of bonds issued by the same type of market entities. It was also Linyi City’s first “carbon neutral” bond issued.

• Making the first carbon allowance pledge loan

On 24 September 2021, the Bank made a carbon allowance pledge loan of RMB10 million to Qingdao Jinhong Thermal Power Co., Ltd., a subsidiary of Qingdao Energy Group Co., Ltd. It was our first carbon allowance pledge loan in China’s carbon market. Unlike the traditional financing model that requires property or land as pledge, this green financing model uses carbon allowance as pledge, allowing enterprises to raise funds through a greater variety of pledge options.

• Launching China’s first “carbon neutral” themed wealth management product through BQD Wealth Management

In June 2021, BQD Wealth Management launched a “carbon neutral” themed wealth management product to provide an opportunity for ordinary investors to make “carbon neutral” investments, and to encourage social funds to engage in “carbon investments”, helping wealth holders increase their social influence through investment. We have issued a total of 7 such products amounting to RMB693 million by the end of 2021, and raised as much as RMB195 million at the first phase.

BQD Wealth Management 青银理财

专注绿色成长
把握双碳机遇

全国首支碳中和主题理财产品上线

璀璨人生成就系列 2021年176期 [碳中和主题]

Promoting green office

Green office

In 2021, the Bank took advantage of smart office system and smart HR system and distributed portable smart devices to all employees to promote the green office model and explore digital management. We launched our BQD Mobile Office app to optimise more than 100 processes and enable employees to work anytime anywhere. It reduced the total time spent on processes by 97% and employed instant communication to enable work and ensure information security. We promoted the Smart HR app to help employees check in for work, quickly get onboard, and sign contracts in an online and mobile manner. These efficient measures have helped us pursue management transformation.

Waste management system and policy

The Bank was very conscious of the negative impacts of electronic equipment on the environment. Environmental protection indicators were one of the top considerations in selecting equipment and suppliers. The Bank engaged a professional service provider for the reuse and harmless treatment of waste electronic equipment. The recycled components were reused as spare products or parts to extend service life of such equipment, and to reduce their adverse effects on the environment.

Electronic equipment retired by Bank of Qingdao in 2021

Item	2021 (pieces)	2020 (pieces)
Computer for business purpose	265	301
Monitor	263	0
Printer	41	3
ATM	5	22
Self-service terminal	9	5

Note: Only pieces of equipment with a residual value that were confirmed and retired by the head office of the Bank were counted



Energy conservation

Energy consumptions by Bank of Qingdao in 2021

Category	Unit	2021	2020
Head office power consumption	10,000 kWh	383	362
Head office water consumption	Tonnes	28,112	24,140
Head office paper consumption	Million sheets	1.70	1.60
Head office oil consumption	Litres	53,708.67	39,492
Head office natural gas consumption	Cubic metres	28,142.83	29,636.5
Head office greenhouse gas emission	Ton carbon dioxide equivalent	4,386	3,695
—Direct greenhouse gas emission*	Ton carbon dioxide equivalent	120.66	90.66
—Indirect greenhouse gas emission**	Ton carbon dioxide equivalent	4,265.71	3,604.34

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

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

The Bank drastically improved its utilisation of vehicles by exerting a centralised management and unified arrangement policy. In addition, we strengthened management of the gasoline usage of vehicles, implemented the “one gas card for one vehicle” and “special-purpose car only for special purposes” rules, and set limits on gasoline quality, the amount to be used and gas stations according to different vehicles. We improved vehicle fuel management with special checks on those highly gas-consuming vehicles. In 2021, the vehicles of the head office generated a total of 0.421 tonne of nitrogen oxide, 0.0008 tonnes of sulphur dioxide and 0.04 tonne of particulate matters.

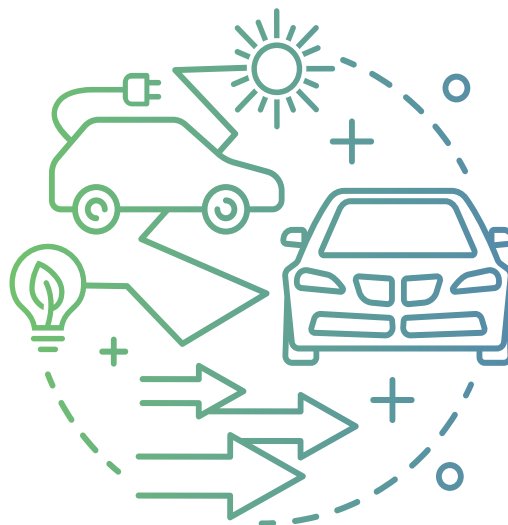
In 2021, no major climate-related issues that have and may have an impact on the Bank’s operation have been discovered.

Procurement management

In 2021, the Bank continued to enhance centralised procurement management by putting place a comprehensive management system including methods, processes, supplier pool management, and evaluator pool management. In 2021, we revised the *Administrative Measures for Centralised Procurement Management of Bank of Qingdao*, the *Centralised Procurement Operating Rules of Bank of Qingdao*, the *Administrative Regulations of Bank of Qingdao on the Supplier Pool for Centralised Procurement*, and the *Administrative Regulations of Bank of Qingdao on the Evaluator Pool for Centralised Procurement*. During procurement, we implemented supplier admission review, supplementation, disengagement, and other mechanisms to further enhance the compliance of centralised procurement management. When assessing suppliers, the Bank considered whether the products to be purchased from the suppliers would meet all the prevailing regulations regarding environmental protection in China and excluded suppliers and products featuring high pollution and high energy consumption. We also guided suppliers to fulfil mandatory social responsibilities.

Number of suppliers by region

Region	Number of suppliers
Yangtze River Delta region	123
Pearl River Delta region	63
Bohai Rim region	802
Central China	9
Northeast China	6
West China	9
Other regions	8



Promoting green operation

Improving processes and services

In 2021, the Bank released a total of 220 system updates mainly to introduce the fingerprint feature to the “Gui Wai Qing” equipment, address the signing difficulty of aged customers to improve the convenience of signature confirmation for the elderly, promote electronic business licenses by allowing “e-Enterprise” users to make related appointments online when opening accounts, and simplify manual bank-in slip filling by adding the “e-Enterprise Information Filling” function, which can reduce the waste of paper due to handwriting errors.

In 2021, we actively streamlined business outlet service processes via the initiative of “reducing counters”. As at the end of 2021, we have implemented the initiative in 78 business outlets, 23 of which have also piloted the “single counter” model. This has cut the number of counters by 92 from the beginning of the year. Besides, we optimised the furniture and equipment and adopted all-in-one computers for counters to make operation personnel feel more comfortable at work. All these have resulted in more service value, less resources usage of counter services, and a more pleasant working environment.

Improving the business environment by optimising the corporate account service process

The Bank adopted a mindset of comprehensively improving corporate account management and optimised and reshaped the entire account service process for a brand new customer experience.

Developing the “Account Management Improvement 1.0” project

The Bank capitalised on digital approaches to fully improve the efficiency of corporate services including account opening, annual inspection, and due diligence. First, we leveraged the Robotic Process Automation (RPA) technology and third-party data to remove four manual account operating operations that involved different systems. Second, we established a comprehensive customer inspection and automatic annual account inspection functions to address account opening demands in real time. Third, we optimised our systems to streamline the account opening process by reducing authorisation requirements, achieving paperless operation, and enabling automatic account activation.

Developing and promoting the standard account opening process and duration

The Bank delivered training on the standard account opening process and put in place a mechanism to monitor the account opening duration, so as to increase service efficiency of business outlets. We also clarified the on-site verification process to shorten the period from account opening appointment through account opening completion from around half a month to 3 business days.

Simplifying form filling

The Bank designed a 10-in-1 account opening application form, an 8-in-1 account cancellation application form, and a 4-in-1 regular service application form, so that customer would have to manually fill as few information and stamp as possible.

Reducing fee charges

The Bank fully complied with regulators’ fee charge reduction requirements by not charging bank reference fees, stamping fees, and some receipt reissuance fees, which amounted to RMB1.49 million in the year, further reducing corporate customers’ costs.

Actively participating in the E-CNY initiative

As the first local bank corporation in Shandong Province to engage in E-CNY pilot projects, the Bank launched its E-CNY business for personal customers in August 2021 and the E-wallet function for corporate customers in October 2021, so as to address the needs of the customers for basic E-CNY services. As at the end of 2021, over 3,000 customers have bound their bank cards to the services and made more than 9,000 transactions amounting to over RMB8 million through the services. Meanwhile, we actively assisted the E-CNY research institute.

Fulfilling the green corporate social responsibility

In 2021, all our branches and sub-branches carried out a number of green public initiatives, including planting trees, advocating garbage segregation, improving urban environments, and promoting eco-friendly ways of commuting.



▶ Environmental protection publicity at the Binzhou branch



▶ Volunteer activity of the Binzhou branch for comprehensive environmental hygiene



▶ Volunteer activity of the Shinan sub-branch titled "Contribute to the 'National Civilized Model City' Campaign through Volunteer Activities"



▶ Charitable environmental protection activity of the Jimo sub-branch to celebrate its 15th anniversary



▶ Tree planting activity of the Weihai branch



▶ Environmental protection publicity at business outlets with "Xiaoqingxin" robots



▶ Pingdu sub-branch participating in the "National Civilized Model City" campaign



▶ Volunteer activity of the Shinan sub-branch titled "Contribute to the 'National Civilized Model City' Campaign through Volunteer Activities"



▶ "Beach cleaning activity" of the Jimo sub-branch



▶ Tree planting activity of the Zhejiang Road sub-branch



▶ "Join Efforts for Civilisation through Tree Planting" activity of the Zibo branch and its partnering village



Social Responsibilities

Happiness, born from the heart

Warm friends and light up the world



BQD
青岛银行



Volunteer

Achievement

Happiness

Security



Operating in compliance with laws and regulations

Inspection mechanism

The Bank has constantly strengthened compliance supervision and organised various forms of inspection such as “I-Discover”, “Weekly Inspection Practice”, “Monthly Summary Practice” and “Internal Control Review” meetings to conduct comprehensive inspections on repeated violations, staff operational compliance, management personnel’s performance and system implementation. In 2021, the Bank organised 48 “Weekly Inspections” and 3 internal control review meetings. During the “Year of Internal Control and Compliance Management Construction” in 2021, we explored and developed efficient and useful methods such as “Six Major Methods” and “One Database, One Session and Two Ledgers”. These methods, together with the overall self-inspection and self-correction activities, efficiently improved our internal control management.

Reporting system

We have established a reporting system for non-compliance and illegal acts, according to which compliance risk issues are reported by grassroots business outlets and relevant administrative departments. Every year, issues on compliance risk management and internal control are reported to the Board of Directors or a committee under it. In 2021, it deliberated or reviewed the *2020 Self-assessment Report on Internal Control of Bank of Qingdao*, the *2020 Compliance Risk Management Report of Bank of Qingdao*, the *2020 Operational Risk Management Report of Bank of Qingdao*, and the *2020 Anti-Money Laundering Risk Management Report of Bank of Qingdao*.

System construction

In 2021, the Bank organised the “Year of System Enhancement and Optimisation” with the theme of “Three Enhancements and Three Optimisations”, putting forward specific actions and measures in three aspects: consolidating system foundation, improving system assessment and strengthening system implementation. These actions and measures included carrying out centralised system optimisation across the Bank; organising all employees to score the existing system in terms of compliance and completeness, and fully taking into consideration the suggestions of our front-line employees. Furthermore, we further standardised the process of system design and release, reiterated the requirements on hierarchical system management, and steadily improved and upgraded the “Zi Du Yi Dian Tong”, thereby shaping a streamlined and efficient management system featuring good customer experience, smooth work process and full risk coverage.



Supervision over internal audit

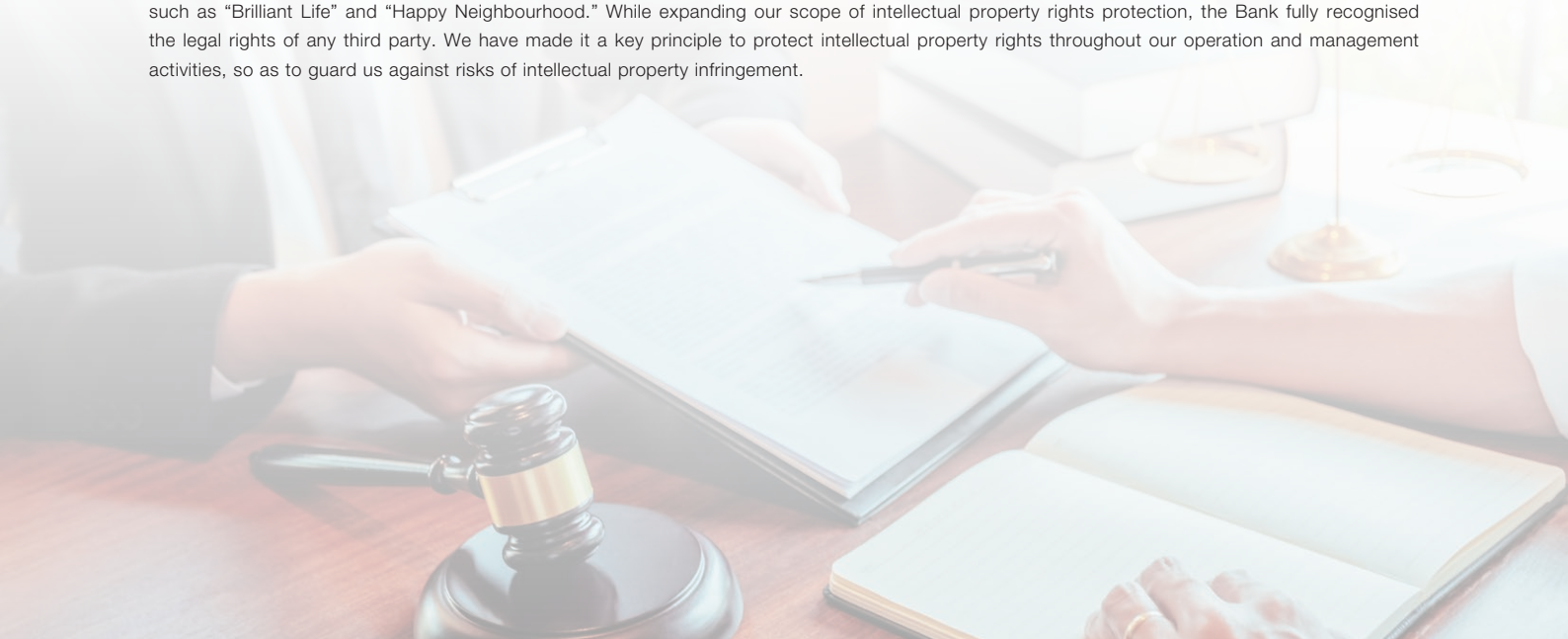
The Audit Committee under the Board of Directors is responsible for the overall internal audit work of the Bank; it actively promotes the establishment of an audit management assessment system. In 2021, the Bank revised and refined the *Plan of Including External Inspection and Internal Audit Results in the Performance Appraisal of Sub-branches, Branches, the Head Office and Other Assessment Bodies* to incorporate audit results into the bank-wide assessment so as to use the audit results in management; and we issued the *Administrative Measures of Bank of Qingdao for Internal Audit of Information Technology* to enhance the soundness of the audit system. We deepened off-site big data analytics, and enabled data-based intelligent analysis of clues, among others, by applying technology to off-site audit, thereby achieving full audit coverage. In 2021, we insisted on holding quarterly internal control review meetings. These efforts effectively raised the risk awareness of employees across the Bank, and promoted the continuous improvement of our internal control.

Reinforced cultivation of a culture of integrity

The Bank has steadily deepened the cultivation of the “Clean Bank of Qingdao” brand to promote a culture of integrity. In 2021, we created the integrity compliance sub-brand “Clean Bank of Qingdao – Quan He” to promote integrity culture in grassroot outlets; and released 16 issues of the *Reminder on Integrity and Self-discipline*, including the *Reminder on Raising Awareness of Compliance and Improving Work Styles* and the *Reminder on Caring for, Educating and Managing Our Employees After Work* at critical times in response to key issues and important matters. Furthermore, the Bank provided educational tips to our employees by collecting videos, photographs and articles concerning risk cases that happened internally or externally and published 18 issues of “Weekly Case Sharing” on related incidents. In addition, we organised Party members and middle management to watch educational documentaries so as to heighten their awareness of integrity and self-discipline. We also built an interactive platform for learning the culture of integrity, and set up a column on our internal portal dedicated to the topics of discipline in Party history, superior spirit, and Party discipline and regulations. Through this column, the latest policies and regulations related to discipline inspection and supervision were promptly released. The Bank also organised Directors and Supervisors to study the Measures on Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation) to ensure compliance. In 2021, the Bank recorded no corruption cases, including bribery and extortion.

Enhanced protection of intellectual property rights

The Bank has always attached great importance to the protection of intellectual property rights and has formulated the *Administrative Measures for Intellectual Property Rights of Bank of Qingdao* in accordance with the national laws and regulations, including the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and the *Copyright Law of the People's Republic of China*. We have strictly regulated the management of intellectual property rights and improved the intellectual property protection system. Meanwhile, we are committed to creating distinctive brands, and giving full play to the role of intellectual property rights in supporting financial innovation and business development. The Bank has an exclusive right to use a total of 210 registered trademarks in China, covering a wide range of financial services. In making continuous improvement to the existing trademark system in 2021, the Bank applied to register a series of special service brands and trademarks such as “Brilliant Life” and “Happy Neighbourhood.” While expanding our scope of intellectual property rights protection, the Bank fully recognised the legal rights of any third party. We have made it a key principle to protect intellectual property rights throughout our operation and management activities, so as to guard us against risks of intellectual property infringement.



Protecting consumers' legitimate rights and interests

Improving the customer complaints mechanism

The Bank has comprehensively improved the management of customer complaints related to service attitude by analysing the root causes of repetitive and concentrated complaints of the same type, identifying the shortcomings and deficiencies in the protection of financial consumers' rights and interests, taking targeted measures to enhance management from the source, and effectively establishing a counselling-type problem-solving mechanism to prevent disputes before they occur. In this way, we have effectively protected the legitimate rights and interests of our financial consumers.

In 2021, the Bank focused on customer experience, and continued to make improvement by insisting on making and exploring related efforts, and applying the peak-end rule and PDCA (Plan-Do-Check-Act) management model. We conducted customer satisfaction surveys and interviews on our services and products, interacted with customers more than 10,000 times, and investigated into over 10,000 complaints and requests for assistance. We insisted on reviewing customer experience and setting up the "Voice of the Customer" executive line. Based on our data and insights into the issues, we identified 23 types of pain points, which can be used to support decision-making of business units, and propose improvement actions to branches. As a result, the number of on-site complaints and requests for assistance at business outlets declined year on year by 45% and 23%, respectively, in 2021, indicating improved customer experience.



► Employees at the customer service centre

In 2021, the Bank received a total of 2,563 consumer complaints and closed 2,563 cases, with a closing rate of 100%.

These complaints were categorised by business category:

Bank cards	1,477
Debt collections	326
Loans	304
Payments and settlements	108
Proprietary wealth management	89
Banking agency business	17
RMB deposits	15
Other intermediary business	10
Personal financial information	5
RMB management	5
Precious metal	2
Treasury	2
Foreign exchange	2
Other business	201

The distribution of complaints by region was as follows:

Qingdao	2,331
Jinan	34
Weihai	32
Zibo	31
Weifang	27
Zaozhuang	27
Yantai	26
Binzhou	14
Jining	11
Dongying	10
Dezhou	9
Tai'an	6
Linyi	3
Laiwu	1
Rizhao	1

Protecting customer information and funds

• System security

In 2021, the Bank completed setting up an off-site cloud centre and had an applicable off-site disaster recovery plan in place for 21 key systems, further improving the disaster recovery coverage for the Bank's key information systems. We optimised the intra-city disaster recovery network infrastructure and expanded the pool of computing resources to enhance the business carrying capacity; upgraded the production centre's dual power supplies architecture to improve the reliability and stability of the power system; conducted 31 drills for core business systems, online banking and other essential systems, and conducted 3 emergency drills for the electricity and air conditioning infrastructure at the data centre. With these efforts, we managed to achieve a higher level of business continuity.

• Data security

The Bank has formulated the *Administrative Measures for Data Security of Bank of Qingdao* to regulate the overall requirements on data security management, stipulating the security management requirements throughout the data life cycle, including data collection and storage, use, processing, transmission, provision, disclosure, deletion and destruction, as well as specifying requirements regarding data security supervision and inspection, data security incident response, and other key tasks. In 2021, we steadily improved our data security management capabilities from the aspects of data security classification and grading, and production data collection, authorisation and approval.

• Information security and privacy protection

In accordance with the requirements of the *Cybersecurity Law*, the *Data Security Law* and the *Personal Information Protection Law*, the Bank developed an information security and privacy protection management system and set up the Personal Information Protection Committee in November 2021 to bolster the management of cybersecurity. The former Information Technology Management Committee was renamed the Cybersecurity and Information Technology Management Committee, which is responsible for centrally planning and guiding the construction of the Bank's cybersecurity and information technology system, as well as supervising the implementation of various responsibilities associated with cybersecurity and information technology.

In order to strictly abide by the *Personal Information Protection Law*, in 2021, the Bank promptly amended the *Personal Account Opening and Integrated Service Agreement*, adding a confidentiality clause concerning customer information; issued the *Notice on Regulating the Collection of Individual Customers' Facial Images* to standardise the facial information collection process; and organised training on the *Personal Information Protection Law* to ensure compliance with the provisions governing customer information handling. Additionally, we revised and improved the format and content of the *Authorisation Letter for Notification of Personal Information Handling Matters*, the *Authorisation Letter for Enquiries and Collection of Personal Credit Information*, the *Privacy Policy*, and the *Facial Recognition Authorisation Letter*, to fulfil the obligation to inform customers, and ensure compliance with information collection and processing requirements. Furthermore, in-depth interpretation of the relevant laws and regulations was provided through our WeChat public account and other channels to spread knowledge of personal information protection, and heighten employees' and customers' awareness of information protection.

Attaching great importance to information security and privacy protection, the Bank organised 6 training sessions, including "Analysis of Supervision and Compliance of Internet Application in the Financial Sector", "Introduction to the Cybersecurity Law and Analysis of Law Enforcement Cases", "Awareness of Data Security in the Financial Sector", and "Data Security and Personal Information Protection" in 2021.

Further fighting against illegal use of SIM and bank cards to protect people's money

Since the launch of campaigns to fight against illegal use of SIM and bank cards on 10 October 2020, the Bank has been working closely with the People's Bank of China and public security authorities to resolve the risks of existing accounts and curb any risk associated with new accounts, in order to protect people's money, and guard against potential account risks and reputational risks. Under the support and guidance of the Qingdao Central Sub-branch of the People's Bank of China, the Bank, together with the Qingdao Public Security Bureau, explored a mechanism under which a WeChat group is set up for people to report clues of any suspected frauds, which has played a great deterrent effect on account trading and phone fraud criminals.

Case

The Bank gave full play to the role of its business outlets as the "first line of defence." In July 2021, the Bank cooperated with the Qingdao Public Security Bureau Shibei Branch in an operation, in which a nationwide money laundering gang was cracked down and 13 suspects were arrested. Since June 2021, the gang members had driven to Yunnan, Guizhou, Guangxi, Henan, Ningxia, Qingdao and other places and laundered a total of RMB110 million for an overseas phone fraud gang through fund transfers. The case has been reported by CCTV News channel, the official WeChat account of the People's Bank of China, the WeChat public account of the Criminal Investigation Bureau of the Ministry of Public Security and many other media.

Spreading financial knowledge

In 2021, integrating the Bank's financial literacy campaigns with our grassroots brand "Qing Yin Rong Wan Jia," "Happy Neighbourhood" community financial service stations, and inclusive financial service stations for farmers effectively expanded the reach of the campaigns. The Bank insisted on undertaking various activities, including the "3.15 Consumer Rights Day" initiative, special tours to spread financial knowledge, campaigns to extend financial knowledge to every household, and a one-month campaign for preventing illegal fundraising, to enrich the financial knowledge education channels and approaches for consumers. By spreading financial knowledge precisely to the targeted groups, we actively discharged our social responsibilities.

- **Education campaigns on combating counterfeit money.** In 2021, the Bank conducted campaigns to promote combat against counterfeit money, as well as campaigns to spread RMB knowledge in communities and rectify refusal of cash payment.
- **Information security awareness week.** To implement the national strategy of building China into a cyber power, the Bank launched the "2021 Financial Cybersecurity Awareness Week" activities between 11 and 17 October 2021 to foster cybersecurity awareness among consumers. Themed "cybersecurity for the people, cybersecurity by the people", the campaign focused on guarding the bottom line of financial data security and promoting the integrated application of financial data, with an aim to enhance the general public's cybersecurity awareness and safeguarding skills, thereby creating a strong atmosphere for the whole society to jointly build cybersecurity defence lines.



► Proactive financial knowledge publicity by the Bank

Improving customer services

Enhancing service quality

Striving for excellence and innovation

The Bank adopts the philosophy of offering “considerate services” in its daily operations. We have been recognised as one of “China’s 500 Most Valuable Brands” and “Asia’s 500 Most Influential Brands” in June and September 2021, respectively. In November 2021, the Head Office’s Business Department, Jimo Sub-branch and Jinan Sungeng Sub-branch received the “Top 1,000 Demonstration Units for Civilised and Standardised Services in Banking Branches in 2021” award from the China Banking Association. In December 2021, we won the “Five Star Diamond Award”, becoming the only urban commercial bank in China to receive this honour for 6 years in a row.

Service management transformation and upgrading

With specific actions to increase interaction, simplify process and enhance experience, the Bank has strived to improve the service experience of customers with streamlined processes. Through data research, driving intelligence and improving management, we have further optimised and adjusted our service management path to achieve better customer experience.

We have driven the transformation from service quality management to service experience management, and continued to build a two-wheeled management model that emphasises both product experience and service experience. On the one hand, the problems related to product experience and service experience were identified based on our user data and insights. With the help of data, we managed to gain insight into customers’ responses, which enabled us to improve to our products and services, and eventually upgrade customer experience. On the other hand, efforts were made to enhance the concept of consumer rights protection in our management, and a number of measures were taken to press home the responsibility of our outlets in reducing complaints from financial consumers. As a result, complaints related to service attitude declined notably, and various indicators of related complaint management gradually improved.

Furthermore, we have seized the opportunity presented by AI to improve service experience with technological innovation, and extensively promoted the development and application of AI technologies in various scenarios in the Bank. For instance, robot-assisted customer support services have been provided across the Bank, serving over 3 million customers in total. A robot-assisted outbound call platform has been launched to pilot risk checking, the processing of renewed purchase orders for financial products and new account activation, among others. A dashboard has been used to operate and manage “Voice of Customer” interactive multimedia customer data.



► Five-Star Diamond Awards from the World Brand Laboratory to the Bank for consecutive years



Elderly-friendly service enhancement

Adopting an elderly-friendly service model. The Bank has continued to implement its service model for senior customers, which is based on the principles of “friendliness, sincerity, diligence, simplicity and care.” This service model, which was developed based on multi-channel surveys, aims to address the top three difficulties faced by senior customers at our outlets. We have promoted special principles, measures and green channels for senior customers in order to improve their service experience.

Launching a hotline for senior customers. In 2021, the Bank launched a service hotline for senior customers. By dialling “96588” and selecting options at the first level of the menu, an elderly customer will be connected to designated customer service agents within 5 seconds. This initiative allows more senior customers to enjoy convenient telephone banking services with minimal effort.

Launching a mobile banking app edition for senior citizens. The Bank has modified the mobile banking app for senior customers to address common problems related to reading and searching. The edition comes up with a large font, a simplified interface, and easy-to-find transaction functions. The specially-designed edition is simple and easy to browse and successfully creates a “simple, intimate and exclusive” service.

User-friendly services for special groups

The Bank has actively promoted the construction of a barrier-free environment for special customer groups, and formulated and issued the *Administrative Measures of Bank of Qingdao on Extended Services for Special Customer Groups*. We have set up convenient facilities and services for special groups at each outlet, such as children's areas, baby chairs, wheelchairs, priority seats, and braille cards. We have also posted our service telephone numbers on the exterior of our facilities to enable special customers to call for help. In addition, we have installed handrails in bathrooms and provided notebooks to record donations.

In order to meet the financial needs of special groups, we have set up service teams to enhance our ability to deliver door-to-door financial services on the premise of keeping risks under control.

The Bank has set up care booths at each outlet for outdoor workers such as sanitation workers, landscaping workers, municipal maintenance workers, couriers, food delivery workers, urban management personnel, traffic officers, logistics drivers and taxi drivers to solve their problems such as difficulties in drinking water and toileting. These booths are equipped with microwave ovens, water dispensers, tables and chairs, medical kits and other necessary supplies. With these booths, we aim to solve the practical difficulties of outdoor workers.



Expanding service channels

New outlets

Name of indicator	Unit	2021	2020
Business outlets (including Business Department at the Head Office)	Count	166	147
Business outlets set up during the year	Count	19	6
Business outlets set up in rural areas (excluding inclusive finance service stations)	Count	1	1
Community sub-branches	Count	28	17

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

As at the end of 2021, we had set up 28 community sub-branches.

Self-service facilities

We had 103 self-service banks, 407 self-service facilities (including 19 ATMs, 263 cash recycling systems 125 self-service terminals), through which cash withdrawal, deposits, money transfers, account check and utility bill payment services were available to the public.

Safeguarding employees' rights and interests

Classification	Item	As at 31 December 2021	
		Total number of people (person)	Percentage (%)
	Total number of employees	4,447	100
By gender	Male employees	1,966	44.21
	Female employees	2,481	55.79
By employment type	Contract employees	4,447	100
	Dispatched employees	–	–
	Temporary employees	–	–
By age group	30 and below	1,583	35.6
	31 to 40 (inclusive)	1,970	44.3
	41 to 50 (inclusive)	654	14.71
	Over 50	240	5.39
By geographical region	Employees from Shandong Province	4,447	100
	Employees not from Shandong Province	–	–
By education background	Junior college graduates	507	11.4
	Bachelors	3,140	70.61
	Masters	786	17.67
	PhDs	14	0.32
	New employees	452	10.16
	Disabled employees	2	0.04
	Employees from minority ethnic groups	44	0.99
	Number of employees who contribute to social security	4,447	100
	Number of employees with regular medical checkups	4,447	100
	Number of labour arbitrations in the past year	1	–

Numbers above excluded data from affiliates of the Bank.

In accordance with relevant national despatch employment requirements, we have further enhanced our management of despatched employees and gradually lowered the percentage of despatched employees. Employment for each position has complied with the *Labour Laws of the People's Republic of China* and the relevant provisions of the labour contracts. During 2021, we did not employ any child labour and no employees were injured or died due to work during our daily operation.

Classification	Items	Total number of turnover	Turnover rate ¹ (%)
By gender	Male employees	140	3.05
	Female employees	164	3.58
By age group	30 and below	117	2.55
	31 to 40 (inclusive)	137	2.99
	41 to 50 (inclusive)	32	0.70
	Over 50	18	0.39
By geographical region	Employees from Shandong Province	304	6.63
	Employees not from Shandong Province	–	–

Numbers above excluded data from affiliates of the Bank.

¹ Turnover rate = Number of people left/(Total number of employees + Total number of people left)

Protecting employee's rights and interests

We have safeguarded employees' rights to work and rest according to the laws, and have clearly stipulated the working hours, rest time and leaves, labour protection and working conditions in the contracts. No mandatory overtime has been required. We have complied with the relevant laws and regulations on employees' health and safety, and on environment.

We have signed a labour contract with every employee according to the *Labour Law* and the relevant provisions of the contract. In terms of labour management, we have developed regulations and relevant implementation guidelines for internal use, including the *Attendance and Holiday Management System of Bank of Qingdao* and the *Administrative Measures of Bank of Qingdao for Employment Termination*. With such regulations, we have safeguarded employees' labour rights in accordance with the law. We have paid basic social security insurance for our employees, including basic pension, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and have put in place such welfare systems as housing fund, corporate annuity and supplementary medical insurance, to ensure better pension and medical security for our staff.

Career development

The Bank has established a dual-path promotion mechanism that offers a choice between an administrative career and a professional career. Our modern post management system with clear categories, distinct hierarchy, clear authority and responsibility and orderly promotion provides a broad career development platform for our employees. To fully implement the "532 Reserve Talent Cultivation Project", the Bank selected 15 reserve talents for the mid-level management grades and 184 manager-level reserve talents throughout the Bank in 2021, creating a top-notch management team that is in line with the Bank's high-quality development strategy and adaptive to the competitive market environment.



Appointment of
middle-level reserve talents

15

Appointment of
manager-level reserve talents

184



Establishing a learning organisation

Setting up a training department

On 30 September 2021, the Bank set up the Training Department to take charge of the planning and management of all training activities and the construction of a training management system. In 2021, the Training Department formulated a three-year development plan for training, and a training programme for staff growth. The work involved the management of courses, course materials and course conductors as well as putting in place an employee growth and evaluation system. The above, together with "voyage plan, pilotage plan, endurance plan, sailing plan", and internal training for course conductors, form a training and management system that aligns with the Bank's high-quality development strategy. With a sound training system for financial professionals and a training system that covers all employees and encourages independent learning and development in place, the Bank will be able to achieve the goals of cultivating talent, promoting business growth, implementing business strategies, and fostering the right corporate culture.

青岛银行2021年新员工入职培训（第一批）开班合影 2021.7.22



Jinjialing Financial Forum

With an aim to focus on hot economic topics and grasp the latest development trends, the Bank took the initiative to hold the "Jinjialing Financial Forum of Bank of Qingdao" in June 2020 to encourage communication and exchanges. In this way, the Bank has been striving to create an open, free and innovative atmosphere of learning and discussion across the Bank that will enlighten the future. As at the end of 2021, the Bank had hosted the forum 10 times.



Activities for young employees

- The Bank has built an open communication platform to arouse research enthusiasm in all staff, young people in particular. In May 2021, the Bank held the 8th Youth Forum and the "Business and Management Enhancement – Listen to the Youth" competition, where prizes were awarded, innovative projects were presented and thematic salons were held. The topics covered included innovative technology applications and optimisation solutions for operational processes, and "Smart Mobile Terminal Discussion". These activities create a good platform to explore young talents and promote exchanges among young employees.



- In order to motivate young employees to strengthen their ideals and beliefs, the Bank's Communist Youth League Committee held the May Fourth commendation conference and the final of the "Strive for the Party and Country" youth recitation contest on 25 May 2021.




Employee skills contest

On 24 October 2021, the Bank held the 2021 "Artisan of Bank of Qingdao" employee skills contest. Over 680 people from 46 teams participated in the contest. After an intense competition process, the overall results were excellent, showcasing the knowledge of our staff and achieving the purpose of business training. It was a display of the novel work style of our people in the new era.



Employee care

The Bank has conscientiously pursued a "caring culture," constantly updating the files of employees in difficulties, visiting employees suffering from major illnesses, granting special leave and support for employees at a time of marriage, birth, sickness and bereavement, and paying follow-up visits to employees and their families in need, so as to help employees in a timely manner. In 2021, the Bank contributed RMB156,960 to the mutual medical insurance scheme, and the claim cases we handled in the year exceeded 120 person-times, with compensation payments exceeding RMB120,000.



Mutual medical insurance scheme

RMB156,960

Leisure activities for employees

The Bank has built a staff home to provide our staff with more recreational options after work. That includes "Employee Reading Rooms", "Nursery Rooms" and fitness room with fitness equipment and shower facilities, as well as various cultural and sports activities to meet the needs of our staff. In 2021, the Bank organised a series of themed activities such as Women's Day, Summer Sports Day, "Online Painting and Calligraphy Exhibition to Celebrate the Centenary of the Founding of the Communist Party of China" and painting solicitation to celebrate the Bank's 25th anniversary. Furthermore, we organised a chorus to take part in the choral performance of Qingdao City to celebrate the Party's 100th anniversary, and formed teams to participate in the 40th Qingdao Staff Electronic Sport Games, collective rope skipping, Tai Chi, table tennis, badminton, football, basketball and cloud-based fitness contests. Our "Q-Run" running team joined the Qingdao Marathon 2021. The Bank was named a Demonstration Unit of Qingdao City for Staff Cultural and Sports Activities for two years in a row.

To celebrate the Bank's 25th anniversary, various branches and departments produced 26 programmes and flash mob and behind-the-scene videos for online broadcasting through the Bank's e-Journal.



► "Staff Houses" development and various cultural and sports activities arranged by the Bank

Building a beautiful countryside

Inclusive finance service stations

Bearing in mind our original intention to serve “agriculture, rural areas and farmers”, the Bank has focused on offering services to build a beautiful countryside. Since April 2019, the Bank has set up pilot service stations for inclusive finance in Jiaozhou, Pingdu, Laixi and Jimo, and signed agreements with 2,705 agricultural service stations as at the end of 2021. The Bank promoted the Party building brand “Party Masses eHome”, In June 2021, the Bank was invited to participate in the event to promote the new payment method deployed by “Party Masses eHome” hosted by the Qingdao Central Branch of the People’s Bank of China, where the multi-dimensional service model of integrating Party building and government services at our service stations was highly praised by the Qingdao Central Sub-Branch of the People’s Bank of China and the Laixi municipal government. Based on these service stations, financial literacy campaign teams were set up in Laixi, Jimo, Pingdu, Jiaozhou and the west coast to spread financial knowledge among villagers and enhance their financial literacy. We also organised a series of financial evening school activities in rural areas in the region for the benefit of farmers.

The Bank has enhanced cooperation with the government, which starts a new cooperation model. In 2021, the Bank, in collaboration with the Qingdao Municipal Medical Security Bureau and the Qingdao Municipal Health Commission, formulated the *Plan for Promoting the Signing of Medical Insurance Agreement at Service Stations in Rural Areas*, according to which service stations in Qingdao can promote insurance policies covering major chronic diseases, medical insurance policies, social security products, provident funds and other government services, and enter into contracts with rural residents. These stations enable rural residents to access one-stop comprehensive banking services locally.



Developing community finance

The Bank actively explored and built a new mode of community finance by taking advantage of the characteristics of the “Qingxin” service brand. In 2021, the Bank established 10 community sub-branches, further enhancing the “Happy Neighbourhood” community service brand.

Led by the “Caring for Neighbourhood” brand

Adhering to the mission and vision of “providing better financial services for people”, the Bank’s work revolves around the core value system of “Party building + volunteerism”, the service tenet of “Caring for the Neighbourhood” and the business philosophy of “combining the spirit of volunteerism and work” to serve communities and steadily build the “Happy Neighbourhood” brand with dedication. In April 2021, the brand was licensed as a registered trademark by the Trademark Office.

A community bank empowered by “volunteerism+”

The Bank’s community sub-branches have fostered a volunteer culture by organising all employees to learn the spirit of volunteerism, striving to broaden our services and forming volunteer service teams under the “Happy Neighbourhood” brand. Ten sub-branches carried out their volunteer service projects in 2021, which included regular anti-fraud classes in the community to analyse common frauds and scams and expose the warning signs by depicting the cases, thereby making people in the neighbourhood more alert to the signs of financial frauds and scams. In this way, financial services can better serve people and the community. As at the end of 2021, the Bank’s 10 community sub-branches had organised 178 “Party building + volunteerism” activities.



▶ Volunteer activities of community sub-branches

Supporting charity and poverty alleviation programmes

In 2021, the Bank provided financial assistance for rural revitalisation and education through the Qingyin Charity Foundation. The Bank made a total of RMB15.192 million in external donations throughout the year.

Giving back to the society

In 2021, the Bank organised charity donation activities to celebrate the Bank's 25th anniversary, and our staff donated a total of RMB1,909,200 to the "Qingyin Love Fund."

Charity assistance

In 2021, the Bank carried out 10 poverty alleviation projects through the Qingyin Charity Foundation, with a project expenditure of RMB4.26 million. The details are as follows:

Project name	Amount (RMB10,000)
Qingdao Veterans Affairs Bureau Care Fund	200
Supporting project of Rizhuang Town, Laixi City, Qingdao	100
Economic Management and Agricultural Service Centre, Laixi Economic Development Zone, Qingdao	50
Shandong Provincial Public Security and Police Special Care Foundation	30
Supporting project of Dianzi Town, Pingdu City, Qingdao	30
Supporting project of Xinjiakou Village, Rushan City, Weihai	5
Supporting project of Dongjia Village, Maling, Rongcheng City, Weihai	3
Supporting project of Mashidian Village, Rushan City, Weihai	3
Supporting project of Jiangjia Village, Duoshan, Rongcheng City, Weihai	3
Poverty alleviation project of Wen County, Jimo, Qingdao City and Zhang County	2

Case

Launching the first "charity wealth management" product in China

In 2021, the Bank's H-shares and A-shares were listed for 5 years and 2 years, respectively. To mark the occasion, the Bank launched the first "charity wealth management" product in China, which integrates wealth management with public welfare.

The annualised return rate of the product is 4.38%, and customers agreed to donate 0.30% of the annualised return when purchasing the product, which will be deducted at maturity and deposited directly to the designated account of the Qingyin Charity Foundation for specific charity projects. A total of RMB50 million was raised at the first phase.



Case

Supporting rural revitalisation projects

On 28 May 2021, the Bank attended the opening ceremony of the rural revitalisation project to alleviate poverty in Laixi City, Qingdao. At the ceremony, the Bank donated RMB1 million to Hetou Village, Rizhuang Town, Laixi City, Qingdao to improve the village's irrigation and transportation conditions and upgrade its backward agricultural infrastructure.



Case

Launching charity projects to celebrate the Bank's 25th anniversary

To celebrate our 25th anniversary, the Bank set up the Bank of Qingdao Scholarship Fund on 21 November 2021, donated RMB2 million to the Veterans Care Fund, and donated RMB300,000 to the Village Revitalisation Fund of Dianzi Town, Pingdu City.



Financial aid for students

The Bank has established the “Bank of Qingdao Scholarship” with universities including Ocean University of China, Shandong University, Shandong University of Science and Technology and Qingdao University to encourage students to pursue academic studies. In 2021, the Bank donated RMB8.95 million to 12 scholarship projects, which was used to improve the teaching environment and facilities, enhance the teaching force, and provide scholarships, awards and teaching prizes.

Project name	Amount (RMB10,000)
No.2 Middle School, Lintao County, Gansu Province and Jiaozhou Middle School, Hui County, Gansu Province	200
Education Foundation of Ocean University of China	200
China Foundation for Development of Financial Education	100
Education Development Foundation of Shandong University of Science and Technology	100
Educational Aid Project of Dongjiang Kindergarten in Longnan City, Gansu Province	50
Educational Aid Project in Sangzhuzi District, Shigatse City, Tibet	50
Education Development Foundation of Qingdao University	50
Education Development Foundation of Shandong University	50
Education Development Foundation of Qingdao University of Science & Technology	30
Education Development Foundation of Qingdao University of Technology	30
Education Development Foundation of Shandong Technology and Business University	30
Houta Primary School Project in Laixi City, Qingdao	5

Signing a contract with Shandong Provincial Department of Education

On 13 August 2021, the Bank and Shandong Provincial Department of Education signed a strategic cooperation agreement in Jinan to support the high-quality development of education in the province, marking a new chapter of “education + finance” cooperation. According to the agreement, during the 14th Five-Year Plan period, the Bank will support the education industry and grant no less than RMB10 billion of loans each year to support its development. During the cooperation period, both sides will carry out comprehensive, deep and multi-dimensional cooperation to jointly promote education in Shandong Province.



Employee volunteer activities in 2021

Youth Volunteer Activity	Date	Description	Location
Supporting targeted poverty alleviation, educational aid, and caring for orphans and seniors	January to November 2021	Conducted the "Warmth Delivery" activity	Laoshan Sub-branch, Qingdao City
		Held a book donation activity themed "Books to Spark Dreams"	Qiushi Primary School in Tancheng County, Linyi
		Donated to the "Hope Cottage – Care for Children Project"	Weifang Branch and Heze Branch
		Donated to Wen County and Zhang County in Gansu Province	Jimo Sub-branch, Qingdao City
		Conducted the "Qingyin Warms Children's Hearts" activity with Sishui Weigongyi Association in Jinling	Sishui County, Jinling
		Participated in the Weiligongyi educational aid activity organised for the school at Tianhe Road, Huancui District, Weihai City	Weihai District Experimental Primary School at Tianhe Road, Huancui District, Weihai City
		Carried out a poverty alleviation activity themed "Care and Compassion for Society"	Sijiaofang Village, Fengshui Town, Linzi District, Zibo City
		Conducted the "Support Rural Revitalisation" activity	Laishan Town, Yantai
Supporting COVID-19 control and prevention	August to October 2021	Carried out volunteer work in the fight against COVID-19 on the streets of Badahu	Zhonglian Plaza, Qingdao City
		Zhifu Sub-branch in Yantai donated heatstroke prevention materials to nucleic acid testing stations in an effort to undertake social responsibility and fight against COVID-19	Shangkuangxilu Community and Vanke Yulongshan Community in Yantai
		Supported frontline epidemic prevention	Vaccination Office, Huaxi Plaza, Zhaoyuan City, Yantai
		Assisted with COVID-19 vaccinations	Shengshi Longcheng, Dongying City
		Tailulu Community Sub-branch conducted volunteer vaccination work to serve people	Beishuangshan Community, Qingdao City
Financial literacy campaign	May to December 2021	Spread green finance knowledge in enterprises	Donghaixilu No. 1 Sub-branch, Qingdao City
		Educated the public on preventing illegal fundraising	Outlets of Dongying Branch
		Held an anti-money laundering campaign	Outlets of Dongying Branch
		Tangshanlu Community Sub-branch promoted a National Anti-Fraud Centre app and an anti-telecom network fraud hotline 96110	Cuihu Community, Qingdao City
		Launched a financial literacy campaign	Yanjilu Community, Shinan District, Qingdao City
		Spread financial knowledge	The halls of all outlets of Yantai Branch and the surrounding communities such as Xingfuli Community, Haitian Garden and Tiandi Yipin
		Carried out the "Spread Financial Knowledge to the Countryside" activity	Dianhutun Community, Heze Development Zone
		Organised evening classes to spread financial knowledge	Mengshan Village, Nanshu Town, Laixi City
Themed activities to celebrate the centenary of the CPC	June to July 2021	Celebrated the centenary of the founding of the Party	Homes of people in difficulties on Zhongshanlu Street, Qingdao
		Visited veteran Party members and people in need in the community	Tai'an Mosque Community
		Held a ceremony awarding commemorative medals to veteran Party members in Xinyuan Community	Xinyuan Community, Dongying City
		Yanchuanlu Community Sub-branch participated in the "Cultural Performance to Celebrate the Centenary of the Founding of the Party" in Yanchuanlu Community	Yanchuanlu Community, Qingdao City

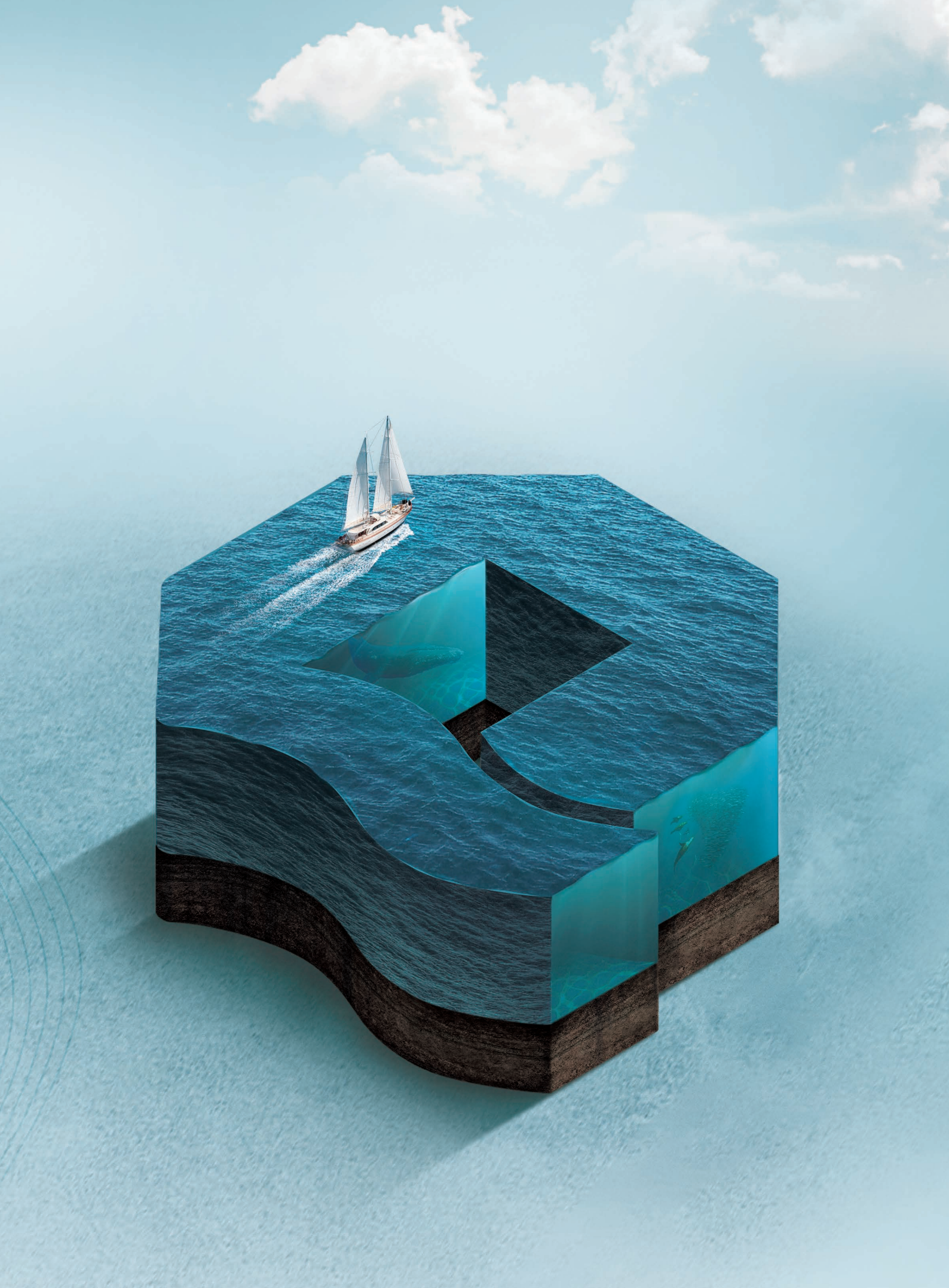
Youth Volunteer Activity	Date	Description	Location
Facilitating the development of urban civilisation	January to December 2021	Conducted the "Sort Garbage Together, Build a Beautiful Environment" activity	Aolin Community, Jinjialing Street, Qingdao City
		Shinan Sub-branch' general Party branch provided volunteer services	Surrounding areas of May Fourth Square, Qingdao City
		Participated in the "Take Your Garbage Home, Make Pingdu Beautiful" activity	Designated road sections of the Chuangcheng Office of Pingdu City, Qingdao
		Engaged in volunteer traffic rule promotional activities to build a civilised city	The intersection of Hongqi Road and Fuzhou Road, Pingdu City, Qingdao
		Engaged in volunteer traffic safety promotional activities in urban areas	Bincheng District, Binzhou City
		Provided volunteer services in public environmental sanitation activities	Bincheng District, Binzhou City
		Worked together to build a clean and healthy city	Nanshan Road, Longkou City, Yantai
Developing community finance	January to December 2021	Zhenhualu Community Sub-branch participated in the community charity activity	Zhenhualu Community, Qingdao City
		Tangshanlu Community Sub-branch participated in the Moral Model Story Performance at Licang District, Qingdao City	Tangshanlu Community, Qingdao City
		Tailiulu Community Sub-branch assisted Shuangshan Community in running anti-fraud classes	Shuangshan Community, Qingdao City
		Community Finance Business Unit conducted the first training course to enhance the ability of social work management talents in Qingdao in an effort to increase volunteer efficiency and promote social development	Tonglesanlu Community Sub-branch, Qingdao City
		Yanchuanlu Community Sub-branch brought free medical consultations and medical insurance to Yanchuan during the Double Ninth Festival	Yanchuanlu Community Sub-branch, Qingdao City
Proactively fulfilling the Bank's social responsibilities	January to December 2021	Donated for flood control and disaster relief	Kenli Street, Dongying City, Shengtuo town government, Dongji town government
		Shinan Sub-branch donated for retired military officers	Business hall, Shinan Sub-branch, Qingdao City
		Donated to the Foundation for Justice and Courage	Heze Branch
		Donated blood	Central Blood Station of Weifang City
		Donated for disaster relief in Henan Province	Volunteer Police Association, Zhaoyuan City, Yantai
		Cleaned the coast	Moshui Riverside, Jimo, Qingdao City
		Donated materials to the front line of flood control	Laoyutan Flood Control Headquarters, Longju Town, Dongying City
		Donated to "Huixue Qindao Le Xue Tang"	Dongbeizhuang Community, Licang District, Qingdao City
		Participated in "Internet + voluntary tree planting" activity in Qingdao City	Zhongshan Park, Qingdao City
		Organised the "One-day Donation" activity	Online donation, Linyi Branch



Blue Finance

Build a blue financial bank

Develop blue finance and keep going



Supporting the sustainable development of the ocean and blue finance

The marine economy has now become the “blue engine” of high-quality economic development. According to the current internationally accepted definition, the core of blue economy is marine ecological protection and sustainable marine economic development. The development of blue economy needs financial support, which gives rise to blue finance. As one of the first pilot banks in China, the Bank is actively responding to the policy call of the Central Committee of the CPC, Shandong Province and Qingdao City, and is working with the International Finance Corporation (IFC), a member of the World Bank Group, to carry out the Blue Finance Project, the first pilot project of the kind in the world. The project aims to explore new models of financial support for blue economy, bring forth leading global banking practices and innovative capital market solutions, provide industry experience and replicable blue finance knowledge for financial institutions at home and abroad, and promote the formulation of global standards for sustainable blue finance. Through exploration and adoption of “blue” practices, the Bank steadily developed blue finance in 2021.

Blue actions

Improving strategic planning for blue finance

In recent years, the Bank has successively issued the *Bank of Qingdao's Comprehensive Financial Services Plan for Supporting the High-quality Development of Marine Economy in Qingdao*, the *Qingdao Comprehensive Financial Services Plan for the Ocean* and the *Blue Bond Framework of Bank of Qingdao* to build a high-standard blue financial service system from the aspects of financial products and service model innovation, new financing channels construction, service process optimisation, and one-stop service platform construction to efficiently serve the marine economy.

In order to promote the development of blue finance, in early 2021, the Bank set up the Blue Finance Project Steering Committee headed by the Bank's Chairman, and the Blue Finance Project Management Office that involves inter-departmental teams, and specified the lead departments and team composition of the project's five segments. Apart from assessing our internal capabilities and analysing external market opportunities with respect to blue finance, we formulated a strategic plan. On 9 November 2021, the Bank established the Blue Finance Department to take charge of centralised planning and promotion of blue finance business.

Developing the first classification standard for blue assets in China

Based on IFC's *Guidelines for Blue Finance*, the *Sustainable Development Goals of the United Nations*, the *Sustainable Ocean Principles*, the International Capital Market Association's *Green Bond Principles*, and the *Green Bond Endorsed Projects Catalogue (2021 Edition)* jointly issued by the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission, the Bank formulated a classification standard for blue assets under the guidance of IFC after taking into account the regional characteristics of Shandong Province. The standard defines eligible activities of 37 subsectors in 7 sectors supported by blue finance and blue bonds, most of which can be included in the scope of green finance but with some innovations. For example, biodegradable plastics and water environment-friendly products. In the field of sustainable fisheries, the proposed criteria and goals are higher than those set out in the green bond catalogue, such as the need for certification by the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC). It is the world's first classification standard for blue finance, which will provide a reference for blue finance businesses such as blue credit, blue bonds and blue investment. As a pioneer practice in the field, it is becoming one of the best practices for financial institutions at home and abroad to refer to.

01 清洁供水与水处理
对用水效率、清洁供水和水处理解决方案的研究、设计、开发和实施进行投资。

02 循环经济与海洋塑料污染治理
对沿海及江河流域塑料或化学废物进行回收、处理或再利用的相关活动进行投资。

03 可持续渔业
对达到、保持或超过渔业相关国际标准的可持续生产和废物管理措施进行投资。

04 海洋友好制造业
对整个价值链的投资，包括生产、包装和销售避免水或海洋污染的环保产品。

05 绿色航运与港口物流
投资于研究、设计、开发和实施船舶、船坞和港口的水和废物管理/减少措施。

06 海洋生态修复与可持续旅游
对保护、改善和恢复海洋和沿海生态系统及提供包容性就业机会的旅游业进行投资。

07 离岸可再生能源
对在项目设计中增加有助于保护生物多样性的措施的离岸可再生能源设施进行投资。

▶ Blue assets classification standard

Actively preparing for blue bond issuance

The Bank is currently preparing for the issuance of a blue bond, the world's very first to be issued by the private sector. The preparation work includes formulating the *Blue Bond Framework of Bank of Qingdao* based on the blue asset classification standard. The framework will cover the use of proceeds, project evaluation and selection process, proceeds management and reporting, and other key aspects. We are actively communicating with international investment institutions. At present, preliminary investment intentions have been reached with multiple international institutions such as IFC.

Using blue finance to promote the construction of an ESG system

- **Developing an environmental and social management system (ESMS) and improving ESG standards across the Bank**

In 2021, the Bank formulated the *Environmental and Social Management System Construction Plan of Bank of Qingdao*, and completed the first draft of the *Environmental and Social Management Measures of Bank of Qingdao for Blue Bonds* and revised it after several rounds of discussion; the measures are planned to be issued and implemented in 2022. We, together with IFC, developed a set of common tools for environmental and social due diligence which will be embedded in the credit review process. After the pilot blue bond project proves successful, we will consider incorporating environmental and social factors into the overall credit and risk management process of all project financing businesses in the future to raise ESG standards across the Bank.

- **Organising a seminar to raise ESG awareness of our senior management**

On 23 September 2021, the Bank and IFC jointly held a blue finance and ESG seminar to enhance ESG awareness among our senior management. Leaders from relevant departments including the Qingdao Office of the China Banking and Insurance Regulatory Commission, the Qingdao Municipal Finance Bureau, the Qingdao Municipal Marine Development Bureau and all senior executives of Bank of Qingdao attended the seminar. The participants discussed the origin and development of ESG concepts, blue finance and ESG, sustainable financial development and practical application of the ESG management system in commercial banks. Focusing on ESG, the participants discussed the trends and experiences of sustainable development, and explored the green and sustainable development path of commercial banks in the seminar.



Signing a strategic cooperation agreement with the Qingdao Municipal Marine Development Bureau

As part of its commitment to "exploring marine potential," the Bank has explored the idea of developing a sustainable financial support system for the marine industry. In 2020, the Bank entered into strategic cooperation agreements with Shandong Marine Group Ltd., and Qingdao West Coast New Area Ocean Holding Group. In June 2021, we concluded a strategic cooperation agreement with the Qingdao Municipal Marine Development Bureau to promote high-quality development in the city's marine economy and contribute to the making of Qingdao as a global ocean centre. The agreement paves for the development of a first-class financial ecological environment and investment and financing environment, and the provision of diversified and high-quality financial services for marine enterprises.



Promoting blue economy

Promoting marine environmental protection and sustainable development

Focusing on blue finance, the Bank has altered its loan allocation pattern to support industries that reduce marine plastic pollution, increase the proportion of water-friendly products, save water resources and achieve sustainable fishing, thereby helping improve the marine environment and attain the goal of sustainable marine economic development. The Bank's blue bond classification specifies the need for MSC and ASC certification, which is conducive to the protection of marine biodiversity; in the field of water conservancy, it proposes a water conservation rate of 20% for issuers. The proposal of specific figures will increase the credibility and influence of blue bonds when the information is disclosed. These concepts and directions will help spread marine conservation knowledge, raise awareness of sustainable development across the Bank, improve the marine environment, achieve sustainable development of the marine economy, and enhance awareness of marine conservation in society.

A visit day themed “Blue Finance” for young reporters

On 26 February 2021, the Bank and Qingdao Evening News organised a visit day themed “Blue Finance” for young reporters ahead of the Consumer Rights Day on 15 March to promote the concept of sustainable development of the ocean.

That day, the Bank introduced the concept of blue finance to the young reporters. In view of the blue economy advocated by IFC's framework, which emphasises the sustainable development of the ocean and the impact of plastic on the ocean, the Bank focused on introducing the harmful effects of plastic waste and advocated the children to reduce the use of plastic products and protect our ocean together. After the talk, we took the children to the First Institute of Oceanography of the Ministry of Natural Resources to visit the China Gallery and appreciate the magic and charm of the deep ocean.



Holding a conference on blue finance

On the 13th World Oceans Day on 8 June 2021, the Bank held a conference to convey the concept of blue finance, support the sustainable development of the ocean, and call on all parties to protect the blue ocean. Leaders from relevant departments of Qingdao City, representatives of IFC, experts from the First Institute of Oceanography of the Ministry of Natural Resources and representatives of our customers attended the conference in person while representatives of international institutions such as the United Nations Environment Programme, the Asian Development Bank, and Intesa Sanpaolo S.p.A attended the conference online.

The Bank released the first blue finance wealth management product that day. This thematic product follows the principle of sustainable development, giving priority to investments in industries conducive to the protection of the sea and water bodies, and aims to provide investment returns while implementing the Bank's investment philosophy of sustainable development of the blue economy.



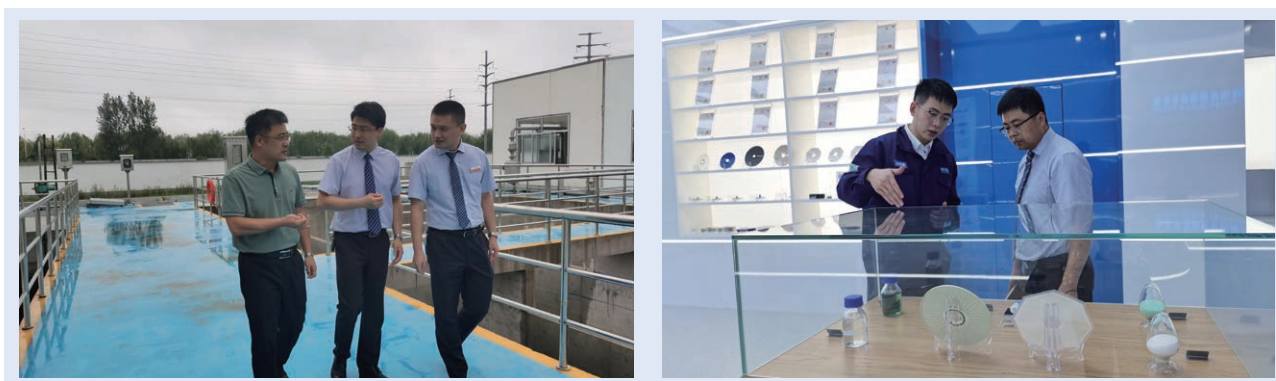
Blue achievements

Supporting the development of marine economy

In 2021, the Bank issued the *Promotion Plan of Bank of Qingdao on Blue Finance Business* and promoted blue finance projects by visiting branches and sub-branches, conducting research and visiting target customers to explain our blue finance policies and promotion plans. In 2021, the Bank issued two batches of marketing lists containing 108 key blue finance projects. As at the end of 2021, the Bank's blue finance loan balance stood at RMB11,427 million, an increase of RMB1,368 million or 13.59% over the opening balance, which strongly supported the development of marine economy and real economy in Shandong Province, thereby helping solve regional social issues related to corporate development and employment.

Approval from IFC's board of directors to invest USD150 million in blue bonds

On 1 June 2021, IFC's board of directors approved the Bank's investment project according to simplified procedures and on 12 July 2021, the Ministry of Finance issued the *Approval of the International Finance Corporation's Board of Directors on the Loan Project of Bank of Qingdao Co. Ltd.* IFC will invest up to USD150 million in the Bank's blue bonds to support the Bank's lending to projects that meet the blue bond classification standard jointly developed by IFC and the Bank.



▶ Visits to blue finance-related enterprises



▶ Blue finance training

Blue Finance Project won the “2021 Global Green Finance Innovation Award”

The Bank’s Blue Finance Project was awarded the “2021 Global Green Finance Innovation Award” at the 18th annual global meeting of the International Finance Forum (IFF), held between 3 December to 5 December 2021.

The award is an initiative of the IFF to recognise and reward institutions that have made outstanding achievements and developed innovative solutions in the field of global green finance, particularly in climate investment and finance and biodiversity finance, in order to promote global climate governance and sustainable development.

The award was granted to 10 domestic and foreign institutions based on the criteria of innovation, replicability, industry contribution, profitability and promotion of equity and well-being of the applicants and projects. Our Blue Finance Project, a pioneer innovative initiative that focuses on the sustainable development of the ocean, was recognised by all jurors and eventually won the “2021 Global Green Finance Innovation Award.”



Blue Finance Project won IFC’s Project of the Year award in 2021

Among more than 300 projects shortlisted by IFC in FY2021, the Bank’s Blue Finance Project and 22 other projects won the Project of the Year award, and our project is the only one that addresses climate change.



Prospects for the Future

2022 marks an important period in which China will embark on its journey toward developing into a fully modernised socialist country and meeting its second centenary goal. During the year, Bank of Qingdao also aims to reach a higher level of development after 25 years of steady growth. In 2022, we will firmly uphold the banner of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, employ innovative development approaches to further explore the business landscape, and focus primarily on serving the real economy and promoting its robust and sustainable growth.

In 2022, we will continue to work diligently and pursue our commitments. Based on the 14th five-year plans of Shandong Province and Qingdao, the Bank will award more credit to the high-tech sector, the blue ocean economy, green credit projects, and key construction projects in an effort to support the real economy; take greater steps to improve people's livelihood and promote infrastructure construction to create a better life for the general public; enhance inclusive finance services, drive China's rural revitalisation strategy, and promote inclusive finance service stations to facilitate the construction of a beautiful countryside; and develop community finance and promote the "Party building + volunteer service" model among community sub-branches to increase the accessibility and convenience of financial services. Meanwhile, we will step up comprehensive risk management and safeguard operational compliance, so as to ensure prudent and sustainable growth.

In 2022, we will dedicate ourselves to green development. The Bank will adopt the concept of "environmental protection requires everyone's efforts" and continue to advocate green operations, green offices, and green finance, with the goal of progressively shaping an overall green development approach and green lifestyle. In order to help meet China's "peak carbon dioxide emissions and carbon neutral" goals, we will accelerate the development of innovative green and low-carbon financial products and services, build unique blue finance brands and explore new financial business models targeting the blue economy to facilitate sustainable marine development. We will also mobilise the entire bank to actively engage in green and public welfare activities to promote the development of an ecological civilisation.

In 2022, we will strive to accelerate technological innovation. During the "14th Five-Year Plan" period, the Bank will continue to experiment with business innovation, employ technologies to strengthen risk control, operations, processes, and systems, and improve technology-enabled operations management, with the goal of increasing the pace of digital transformation. We will also pay close attention to data governance, and establish and optimise mechanisms for data management, data standards management, and data security management, to strengthen underlying data and drivers for digital transformation.

In 2022, we will adopt a mindset of openness and sharing. The Bank will continue to implement its "customer-centric" service philosophy, add value to our customer services, and innovate and improve the customer service experience. Internally, we will foster a caring corporate culture, tend to employees' mental and physical health, and protect their legitimate rights and interests. Externally, we will take robust measures to protect consumers' legitimate rights and interests and publicise financial knowledge among the general public to create a sound financial consumption environment; additionally, we will actively engage in public welfare campaigns and arrange various volunteer activities to demonstrate our commitment to becoming a caring bank.

Progress is a never-ending journey. Going forward, we will stay focused on our founding commitment and shoulder our responsibilities as we develop into a boutique bank that is unique, technology-driven, and managed in a sophisticated manner.



Appendix

Independent Limited Assurance Report

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

畢馬威華振通字第2200027號

We were engaged by the Board of Directors of Bank of Qingdao Co., Ltd. ("the Bank") to provide limited assurance on the 2021 Corporate Social Responsibility (Environmental, Social and Governance) Report of the Bank for the year ended 31 December 2021 ("the CSR Report").

Responsibilities of the Board of Directors

The Board of Directors of the Bank is solely responsible for the preparation and presentation of the 2021 CSR Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of the *Guidelines of No. 1 Guideline of SZSE on Self-regulation by Listed Companies — Regulated Operations of Main Board-Listed Companies* ("SZSE's Guidelines") and the Stock Exchange of Hong Kong Limited's *Guidelines for Environmental, Social and Governance Reporting* ("SEHK's Guidelines").

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

Responsibilities of KPMG

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

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

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

Summary of work performed

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

- Inquiries of management to gain an understanding of the Bank's processes for determining the material issues for the Bank's key stakeholders;
- Interviews with management and relevant staff at the Bank concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at the Bank responsible for providing the information in the CSR Report;
- A media analysis and an internet search for references to the Bank in 2021;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the CSR Report;
- Comparing the information presented in the CSR Report to corresponding information in the relevant underlying sources by limited testing to determine whether key information contained in such underlying sources has been included in the CSR Report;
- Reconcile key financial data and figures with the audited financial statements; and
- Reading the information presented in the CSR Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Bank.

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

Conclusions

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

KPMG Huazhen LLP

Beijing

25 March 2022

ESG Report Indicator Index

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

Subject Areas and Aspects	General Disclosures	Corresponding page	KPIs	Corresponding page
A. Environmental				
A1 Emissions	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	32-33	A1.1 The types of emissions and respective emissions data.	33
			A1.2 Direct and energy indirect greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
			A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
			A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	33
			A1.5 Description of emission target(s) set and steps taken to achieve them.	32-33
			A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	32-33
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	32-33	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	8, 33
			A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	8, 33
			A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	32-33
			A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	32-33
			A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	32-33	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	32-33
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	32-33	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	32-33
B. Social				
B1 Employment	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	48	B1.1 Total workforce by gender, employment type (such as full-time and part-time), age group and geographical region.	48
			B1.2 Employee turnover rate by gender, age group and geographical region.	48

Subject Areas and Aspects	General Disclosures	Corresponding page	KPIs	Corresponding page
B2 Health and Safety	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	48-49	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	48
			B2.2 Lost days due to work injury.	48
			B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	48-49
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	48-52	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Note 1
			B3.2 The average training hours completed per employee by gender and employee category.	Note 1
B4 Labour Standards	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	48-49	B4.1 Description of measures to review employment practices to avoid child and forced labour.	48-49
			B4.2 Description of steps taken to eliminate such practices when discovered.	48-49
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	34	B5.1 Number of suppliers by geographical region.	34
			B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	34
			B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	34
			B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	34
B6 Product Responsibility	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	41-44	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
			B6.2 Number of products and service related complaints received and how they are dealt with.	42
			B6.3 Description of practices relating to observing and protecting intellectual property rights.	41
			B6.4 Description of quality assurance process and recall procedures.	N/A
			B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	41-44
B7 Anti-corruption	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	19, 40-41	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	41
			B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	19, 40-41
			B7.3 Description of anti-corruption training provided to directors and staff.	41
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	55-59	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	55-59
			B8.2 Resources contributed (e.g. money or time) to the focus area.	55-59

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

Feedback from Readers

Thank you for reading the 2021 Corporate Social Responsibility Report of Bank of Qingdao. For the purpose of enhancing information communication, better understanding and meeting your expectations and demands, providing more valuable information for you and other stakeholders and improving the Bank's ability to perform its corporate social responsibilities, we hope that you can share with us your valuable comments and suggestions on this report. Please fill out the feedback form below. You may send us your feedback using any of the following methods.

Tel: +86 (532) 81758305

Fax: +86 (532) 81758888

Email: bgs@qdbankchina.com

Address: Bank of Qingdao Building, No.6 Qinglin Road, Laoshan District, Qingdao City, Shandong Province, PRC

Postal code: 266061

1. Which kind of stakeholder are you?

Customer Employee Government Regulator Shareholder Vendor Partner Community Environment Others

2. Your general evaluation on this report:

Poor Average Good Excellent

3. Your evaluation of Bank of Qingdao in performing social responsibilities for economic development:

Poor Average Good Excellent

4. Your evaluation of Bank of Qingdao in performing social responsibilities for environment:

Poor Average Good Excellent

5. Your evaluation of Bank of Qingdao in performing social responsibilities for social progress:

Poor Average Good Excellent

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

No Average Yes

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

No Average Yes

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

No Average Yes

9. Do you think the content and typography is suitable for reading?

No Average Yes

10. Do you have any other comments or suggestions on the report and on the improvement and development of Bank of Qingdao for performing social responsibilities?

Thank you for your feedback and support!

青島銀行股份有限公司
BANK OF QINGDAO CO., LTD.