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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

If you have sold or transferred all your shares in Weihai City Commercial Bank Co., Ltd., you should at once hand this circular and the proxy form to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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WEIHAI CITY COMMERCIAL BANK CO., LTD.*
威海市商業銀行股份有限公司*

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

(Stock Code: 9677)

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2022**
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2022**
- (3) 2022 ANNUAL REPORT**
- (4) FINAL ACCOUNTS REPORT FOR 2022**
- (5) PROFIT DISTRIBUTION PLAN FOR 2022**
- (6) FINANCIAL BUDGET FOR 2023**
- (7) DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2022**
- (8) REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF THE PERFORMANCE OF DUTIES BY THE BOARD OF DIRECTORS, SENIOR MANAGEMENT AND THEIR MEMBERS FOR 2022**
- (9) REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF THE PERFORMANCE OF DUTIES BY SUPERVISORS FOR 2022**
- (10) REPORT ON THE CONTROL OF RELATED PARTY TRANSACTIONS AND EVALUATION OF SHAREHOLDERS FOR 2022**
- (11) RESOLUTION ON RELATED (CONNECTED) PARTY TRANSACTIONS WITH SHANDONG HI-SPEED GROUP**
- (12) APPOINTMENT OF EXTERNAL AUDITORS FOR 2023**
- (13) PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND**
- (14) NOTICE OF THE 2022 ANNUAL GENERAL MEETING**

The letter from the Board is set out on pages 4 to 14 of this circular.

The Annual General Meeting of the Bank will be convened at No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC at 9:00 a.m. on May 30, 2023 (Tuesday). The notice of the Annual General Meeting is set out on pages 53 to 55 of this circular, and was despatched by the Bank on April 28, 2023 (Friday).

Whether or not you intend to attend and/or vote at the Annual General Meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the proxy form to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of H Shareholders), or to the office of the Board of the Bank ("Office of the Board") (in case of Domestic Shareholders) at Room 1703, No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC as soon as possible and in any event, not later than 24 hours before the fixed time (i.e. 9:00 a.m. on May 29, 2023 (Monday)) to hold the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending in person and voting at the Annual General Meeting should you so wish, in this case, the proxy form should be deemed to be revoked. A form of proxy for use at the Annual General Meeting is sent to the Shareholders together with this circular.

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

April 28, 2023

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DEFINITIONS

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

“Annual General Meeting” or “2022 AGM”	the annual general meeting of the Bank to be convened at No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC at 9:00 a.m. on May 30, 2023 (Tuesday), or any adjournment thereof
“Articles of Association”	the articles of association of the Bank, as amended, modified or otherwise supplemented from time to time
“Associate(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“Bank”	Weihai City Commercial Bank Co., Ltd*, a joint stock limited company established in the PRC in July 1997 in accordance with the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiaries
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shandong Office”	Shandong Office of China Banking and Insurance Regulatory Commission
“PRC”	the People’s Republic of China, but for the purpose of this circular only and, unless the context otherwise requires, excluding Hong Kong, Macau and Taiwan

DEFINITIONS

“Company Law”	The Company Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules, and unless the context otherwise requires, refers to Shandong Hi-Speed Group Company and Shandong Hi-Speed Company Limited (山東高速股份有限公司), together being a group of controlling shareholders of the Bank
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary share(s) issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“Group”	the Bank and its subsidiaries
“H Share(s)”	the ordinary share(s) issued by the Bank in Hong Kong under the Global Offering, with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD, and are listed and traded on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Latest Practicable Date”	April 24, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its printing
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Hi-Speed Group”	the head-office and subsidiaries of Shandong Hi-Speed Group Company, and its related companies
“Shandong Hi-Speed Group Company”	Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) (former names include: Shandong Highway Co., Ltd. (山東省高速公路有限責任公司), Shandong Highway Limited (山東省高速公路有限公司) and Shandong Highway Group Co., Ltd. (山東省高速公路集團有限公司)), a company incorporated in the PRC on July 2, 1997 and a Controlling Shareholder of the Bank
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the Domestic Share(s) and H Share(s) of the Bank
“substantial shareholder(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules or the Corporate Governance Standards for Banking or Insurance Institutions (《銀行保險機構公司治理準則》) of the CBIRC (where applicable)
“Supervisor(s)”	the supervisor(s) of the Bank

LETTER FROM THE BOARD



WEIHAI CITY COMMERCIAL BANK CO., LTD.*
威海市商業銀行股份有限公司*

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

(Stock Code: 9677)

Executive Directors:

Mr. TAN Xianguo (*Chairman*)

Mr. MENG Dongxiao

Ms. TAO Zunjian

Mr. LU Jiliang

Mr. ZHANG Wenbin

Non-executive Directors:

Mr. SONG Bin

Mr. YIN Lin

Mr. ZHAO Bing

Mr. YI Jijun

Ms. LI Jie

Independent Non-executive Directors:

Mr. SUN Guomao

Mr. FAN Chi Chiu

Mr. WANG Yong

Mr. WANG Shaohong

Ms. SUN Zuying

Registered Address and Address of Head Office:

No. 9 Baoquan Road

Weihai City

Shandong Province, the PRC

Principal Place of Business in Hong Kong:

40th Floor, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

April 28, 2023

LETTER FROM THE BOARD

To the Shareholders,

Dear Sir/Madam,

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2022
 - (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2022
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 - (13) PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR
- AND
- (14) NOTICE OF THE 2022 ANNUAL GENERAL MEETING

I. INTRODUCTION

The Annual General Meeting of the Bank will be convened at No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC at 9:00 a.m. on May 30, 2023 (Tuesday). The following resolutions will be proposed at the Annual General Meeting for the Shareholders to consider and, if thought fit, to approve: (1) the Work Report of the Board of Directors for 2022; (2) the Work Report of the Board of Supervisors for 2022; (3) 2022 Annual Report; (4) the Final Accounts Report for 2022; (5) the Profit Distribution Plan for 2022; (6) the Financial Budget for 2023; (7) the Duty Report of the Independent Directors for 2022; (8) the Report of the Board of Supervisors on Evaluation of the Performance of Duties by the Board of Directors, Senior Management and Their Members for 2022; (9) the Report of the Board of Supervisors on Evaluation of the Performance of Duties by Supervisors for 2022; (10) the Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2022; (11) the Resolution on Related (Connected) Party Transactions with Shandong Hi-Speed Group; (12) the Appointment of External Auditors for 2023; and (13) the Proposed Appointment of Independent Non-Executive Director.

The notice of the Annual General Meeting is set out on pages 53 to 55 of this circular.

The purpose of this circular is to provide you with further details of these proposed matters to enable you to make an informed voting decision on the proposed resolutions at the Annual General Meeting.

LETTER FROM THE BOARD

II. MATTERS TO BE RESOLVED AT THE ANNUAL GENERAL MEETING

1. Work Report of the Board of Directors for 2022

For the Work Report of the Board of Directors for 2022, please refer to Appendix I to this circular.

2. Work Report of the Board of Supervisors for 2022

For the Work Report of the Board of Supervisors for 2022, please refer to Appendix II to this circular.

3. 2022 Annual Report

The Bank's 2022 annual report has been despatched to Shareholders and published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Bank's company website (www.whccb.com), and has been considered and approved by the Board and submitted to the Shareholders at the 2022 AGM for consideration and approval as an ordinary resolution.

4. Final Accounts Report for 2022

The Group's 2022 financial statements prepared in accordance with the China Accounting Standards for Business Enterprises has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP, and a standard unqualified audit report has been issued; the 2022 financial statements prepared in accordance with International Financial Reporting Standards has been audited by BDO Limited, and a standard and unqualified audit report has been issued. There is no difference in net profit, assets, liabilities, and Shareholders' equity between the two sets of statements.

The Group's final accounts for 2022 is reported as follows, the amounts of which are expressed in RMB, prepared under the IFRS:

In 2022, the Group achieved an operating income of RMB8.291 billion, representing an increase of RMB914 million or 12.38% as compared to the previous year; and a net profit of RMB2.079 billion, representing an increase of RMB187 million or 9.87% as compared to the previous year.

As at the end of 2022, the Group recorded total assets of RMB343.703 billion, representing an increase of RMB39.182 billion or 12.87% as compared to the end of previous year; total liabilities of RMB317.970 billion, representing an increase of RMB37.620 billion or 13.42% as compared to the end of previous year.

LETTER FROM THE BOARD

5. Profit Distribution Plan for 2022

In accordance with the audited financial statements prepared under the China Accounting Standards for Business Enterprises and IFRS, the Bank achieved a net profit of RMB1.70 billion in 2022. Based on the profits of the Bank and the requirements under the relevant law and regulations, the proposed profit distribution plan for 2022 is as follows:

1. A statutory surplus reserve of RMB170 million has been made based on 10% of net profit.
2. Pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, a general risk provision of RMB436 million has been made.
3. An interest of RMB215 million has been distributed to the holders of perpetual bonds in December 2022.
4. No dividend shall be distributed for this year.

6. Financial Budget for 2023

In view of the Bank’s need for strategic development and business expansion, the Bank has prepared the capital expenses budget plan for 2023, and it is planned to invest RMB290.6017 million in 2023 with details as follows:

1. To invest fixed assets of approximately RMB157.6114 million, primarily for purchasing various fixed assets including security facilities and electronic equipments to ensure the business development.
2. To invest intangible assets of approximately RMB92.5100 million, of which RMB61.7000 million is the investment on digital transformation project, RMB30.8100 million is the investment on monitoring and controlling systems, newly-constructed and upgraded and renovated business systems.
3. To invest renovation projects of approximately RMB40.4803 million, primarily for the renovation expenses on newly-constructed, renovated and upgrade of outlets in 2023.

7. Duty Report of the Independent Directors for 2022

For the Duty Report of the Independent Directors for 2022, please refer to Appendix III to this circular.

LETTER FROM THE BOARD

8. Report of the Board of Supervisors on Evaluation of the Performance of Duties by the Board of Directors, Senior Management and Their Members for 2022

For the Report of the Board of Supervisors on Evaluation of the Performance of Duties by the Board of Directors, Senior Management and Their Members for 2022, please refer to Appendix IV to this circular.

9. Report of the Board of Supervisors on Evaluation of the Performance of Duties by Supervisors for 2022

For the Report of the Board of Supervisors on Evaluation of the Performance of Duties by Supervisors for 2022, please refer to Appendix V to this circular.

10. Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2022

For the Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2022, please refer to Appendix VI to this circular.

11. Resolution on Related (Connected) Party Transactions with Shandong Hi-Speed Group

Related (Connected) Party Transactions with Shandong Hi-Speed Group

Based on the ordinary related party transactions between the Bank and Shandong Hi-Speed Group, the caps of planned related (connected) party transactions are as follows. Upon the approval at the Annual General Meeting, the management were authorized to consider and approve the businesses within such caps:

- (I) Related (connected) party transactions of credit: Due to its business needs, Shandong Hi-Speed Group applied to the Bank for a grant of a comprehensive group credit line of RMB6.2 billion (with an exposure of RMB4.2 billion, representing no change from the previous period), for a term until the date on which the annual general meeting for the next year is convened, including but not limited to loans, bank acceptance bill, and letters of guarantee. The actual entities using the credit are the headquarters, subsidiaries and related companies of Shandong Hi-Speed Group Company. The credit is used to supplement the working capital, purchase raw materials, replace debts and repay bonds when due, etc. The credit is guaranteed by the headquarters, subsidiaries and intra-group related companies of Shandong Hi-Speed Group

LETTER FROM THE BOARD

Company on a joint-liability basis or via other methods of guarantee approved by the Bank, and the Bank's guarantee conditions are no less favorable than the peers.

- (II) Related (connected) party transactions of asset transfer: It consists of the sale and purchase of real estate for own use, the sale and purchase of credit assets and rights to receive earnings (beneficiary rights), and the receipt and disposal of repossessed assets between the Bank and Shandong Hi-Speed Group. The transaction amount in 2023 shall not exceed 1% of the net capital of the Bank as at the end of 2022.
- (III) Related (connected) party transactions of services: It consists of related (connected) party transactions between the Bank and Shandong Hi-Speed Group due to leasing and the provision and receipt of services, which was calculated based on the amount of business income or expenditure. The transaction amount in 2023 shall not exceed 1% of the net capital of the Bank as at the end of 2022.
- (IV) Related (connected) party transactions of deposits: It consists of the time deposit and contracted deposit businesses between Shandong Hi-Speed Group and the Bank at prices not favorable than those of similar transactions with non-related (connected) parties.
- (V) Other related (connected) party transactions: It consists of other related (connected) party transactions between the Bank and Shandong Hi-Speed Group, which was calculated based on the amount of business income or expenditure. The transaction amount in 2023 shall not exceed 1% of the net capital of the Bank as at the end of 2022.

The related (connected) party transaction was conducted in the ordinary course of business of the Bank at prices not favorable than those of similar transactions with non-related (connected) parties, and the prices and terms were in line with commercial principles and caused no harm to the interests of the Bank and Shareholders.

According to the Administrative Measures for Related (Connected) Party Transactions (《關聯(連)交易管理辦法》), the Rules of Procedure for the Related Party Transactions Control Committee under the Board of Directors (《董事會關聯交易控制委員會議事規則》) and other relevant regulations of the Bank, an ordinary resolution shall be proposed at the Annual General Meeting to consider and approve the resolution on related (connected) party transactions with Shandong Hi-Speed Group.

LETTER FROM THE BOARD

Information on Shandong Hi-Speed Group Company

Shandong Hi-Speed Group Company was established in July 1997. The registered capital is RMB45.9 billion, to which the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and Shandong Caixin Asset Management Co., Ltd. (山東省財欣資產運營有限公司) made capital injection on a proportional basis of 70%, 20% and 10%. Its business scope covers the construction and management of highways, bridges, railways, ports, airports, and it has been selected as one of the "Top 500 Enterprises of China" for more than ten consecutive years. Shandong Hi-Speed Group Company consists of several subsidiaries, including Shandong Hi-Speed Company Limited, Shandong Hi-Speed Road & Bridge Group Co., Ltd., Shandong Hi-Speed Investment Holdings Co., Ltd., China Shandong International Economic & Technical Cooperation Group Ltd., Shandong Hi-Speed Rail Transit Group Co., Ltd. (山東高速軌道交通集團有限公司), Shandong Hi-Speed Information Group Company Limited (山東高速信息集團有限公司). Among its subsidiaries, there are 5 listed companies, namely Shandong Hi-Speed Company Limited (600350.SH), Shandong Hi-Speed Road & Bridge Group Co., Ltd. (000498.SZ), China Shandong Hi-Speed Financial Group Co., Ltd. (0412.HK), Qilu Expressway Company Limited (1576.HK) and Weihai City Commercial Bank Co., Ltd. (9677.HK). Shandong Hi-Speed Group Company is a large state-owned enterprise group which is approved by the People's Government of Shandong Province and in which the Shandong SASAC performs contributor function, with its scale of assets exceeding RMB1,000 billion. As of the end of the third quarter of 2022, its total assets amounted to RMB1,290.8 billion. In the first three quarters of 2022, its total operating income amounted to RMB173.7 billion, and its net profit amounted to RMB8.7 billion.

Requirements of the Hong Kong Listing Rules

The related (connected) party transactions of credit and related (connected) party transactions of deposits between the Bank and Shandong High-Speed Group (as a connected person of the Bank) under the resolution on related (connected) party transactions with Shandong Hi-Speed Group shall constitute the financial assistance provided or received by the Bank respectively. As the related (connected) party transactions of credit and related (connected) party transactions of deposits are entered into by the Bank in the ordinary and usual course of its business and on normal commercial terms or commercial terms that are better to the Bank and the relevant financial assistance received is not secured by the assets of the Group, therefore, the related (connected) party transactions of credit and related (connected) party transactions of deposits will be fully exempt continuing connected transactions under Rules 14A.87(1) and 14A.90 of the Hong Kong Listing Rules respectively, and will be fully exempted from all disclosure, annual review and shareholders' approval requirements under Chapter 14A

LETTER FROM THE BOARD

of the Hong Kong Listing Rules. In respect of the related (connected) party transactions of asset transfer, the related (connected) party transactions of services and other related (connected) party transactions under the resolution on related (connected) party transactions with Shandong Hi-Speed Group, the Bank will calculate in accordance with the applicable percentage ratios (as defined under the Hong Kong Listing Rules) when the transaction is actually conducted and shall comply with all reporting, announcements, circulars and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules, if applicable.

12. Appointment of External Auditors for 2023

In order to maintain the consistency, continuity and stability of the audit, ensure the quality of auditing work, and continuously improve the quality of financial report disclosure and the social recognition of the audit reports, the Board proposed to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited as the domestic and international auditors of the Bank for 2023, respectively.

An ordinary resolution will be proposed at the 2022 AGM to consider and, if thought fit, approve the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited as the domestic and international auditors of the Bank for 2023, respectively.

The aggregate fee for the audit of consolidated and parent company financial statements of the Bank in 2023 (in accordance with the International Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises) and the review of the interim financial statements in 2023 will be RMB3.35 million, including related tariffs, and various miscellaneous expenses such as travel expenses and office expenses.

13. Proposed Appointment of Independent Non-executive Director

Reference is made to the announcement dated March 30, 2023 relating to, among other things, the change of independent non-executive Director. The Board has received the resignation of Mr. SUN Guomao (孫國茂) ("Mr. SUN"), who resigns as an independent non-executive Director of the Bank, the chairman of the Nomination and Remuneration Committee of the Board, a member of the Audit Committee of the Board and the Development Strategy Research Committee of the Board due to expiry of his tenure. Mr. SUN has confirmed that he has no disagreement with the Board on any matter, and there are no matters in relation to his resignation that need to be brought to the attention of Hong Kong Stock Exchange and the Shareholders. The Board considered and approved the proposed appointment of Mr. YANG Yunhong (楊雲紅) ("Mr. YANG") as an independent non-executive Director to fill the vacancy due to the resignation of Mr. SUN. Mr. YANG tendered his resignation as an external Supervisor and the chairman of the Supervision Committee of the Board of Supervisors on March 30, 2023. The Bank will confirm a suitable candidate to fill the vacancy due to the resignation of Mr. YANG as soon as practicable, and make a further announcement in due course.

LETTER FROM THE BOARD

In identifying Mr. YANG as a suitable candidate for independent non-executive Director, the Bank takes full account of the benefits of Board diversity, including but not limited to: (1) the candidate's relevant achievements and expertise and industry experience; (2) the time, interest and energy that the candidate can devote to the Bank's business; (3) the perspective, skills and experience that the candidate can contribute to the Board; and (4) diversity in all aspects, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, etc. In view of the above, the Bank considers that Mr. YANG will bring valuable contributions to the Bank and further promote Board diversity.

According to the requirements of the laws and regulations, regulatory provisions and the Articles of Association, Mr. YANG's qualification for candidate director shall be subject to the approval of the 2022 AGM and his eligibility to hold office as a Director shall be subject to the approval of the CBIRC Shandong Office. Mr. YANG will enter into a service contract with the Bank upon approval for his appointment. His term of office shall be effective from the date on which his eligibility to hold office is approved until the expiration of the term of the Eighth Session of the Board of Directors of the Bank. Mr. SUN, the former independent non-executive Director, will continue to perform his duties as an independent non-executive Director before Mr. YANG has been appointed and a reply from the regulatory authority regarding his eligibility to hold office has been received.

According to the Remuneration System for Directors and Supervisors (《董事、監事薪酬制度》) of the Bank, non-executive Directors are remunerated in the form of service fees, which are determined in accordance with the principle of "pegging to the overall performance of the Bank and pegging to their own contribution" and based on the assessment results and the contribution of the Directors themselves. The Bank will disclose Directors' remuneration or allowances in the annual report each year.

Biographical details of Mr. YANG are set out as follows:

Mr. YANG Yunhong, aged 51, is a professor. Mr. YANG has served as an external Supervisor of the Bank since June 2021. Mr. YANG joined the Guanghua School of Management of Peking University (北京大學光華管理學院) in September 2000, and has been a professor from August 2011 till now. He served as an associate professor of School of Economics and Management of Wuhan University from July 1998 to September 2000.

Mr. YANG is currently an independent director of Hubei W-Olf Photoelectric Technology Co., Ltd. (湖北五方光電股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 002962), and Xinghe Fund Management Company Limited (興合基金管理有限公司), respectively.

Mr. YANG obtained a doctoral degree in probability statistics from Wuhan University (武漢大學) in July 1998.

LETTER FROM THE BOARD

Save as disclosed herein, he (1) has not held any other position in the Bank or any of its subsidiaries or any directorship in any other listed companies in the past three years; (2) does not have any relationship with any other Directors, members of senior management, substantial shareholders or controlling shareholders of the Bank; and (3) does not have or is not deemed to have any interest in any shares, underlying shares or debentures of the Bank or any of its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed herein, the Board is not aware of any other matters in respect of the proposed appointment of Mr. YANG required to be disclosed under Rules 13.51(2)(h) to (v) of the Listing Rules of Hong Kong, or any other matters that need to be brought to the attention of the Hong Kong Stock Exchange and the Shareholders.

The proposed appointment of independent non-executive Director will be submitted as an ordinary resolution to the Annual General Meeting for consideration.

III. THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Bank will be convened at No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC at 9:00 a.m. on May 30, 2023 (Tuesday), to consider and, if thought fit, approve the resolutions relating to the matters set out in the notice of the Annual General Meeting. The notice of the Annual General Meeting is set out on pages 53 to 55 of this circular. A form of proxy for use at the Annual General Meeting is sent to the Shareholders together with this circular.

The Bank's register of members will be closed from May 24, 2023 (Wednesday) to May 30, 2023 (Tuesday) (both days inclusive), during which no transfer of Shares will be effected. The Shareholder(s) whose name(s) appear(s) in the Bank's register of Shareholders on May 24, 2023 (Wednesday) shall be entitled to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents together with relevant share certificates and other appropriate documents shall be sent for registration to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of H Shareholders) or to the Office of the Board of the Bank at Room 1703, No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC (in case of Domestic Shareholders) by 4:30 p.m. on May 23, 2023 (Tuesday).

If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other authorization documents under which the instrument is signed must be notarized and shall be deposited together and at the same time with the instrument appointing the proxy. To be valid, the proxy form together with a copy of the notarized power of attorney or other authorization documents must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of H Shareholders) or the Office of the Board of the Bank (in case of Domestic

LETTER FROM THE BOARD

Shareholders) at Room 1703, No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC not later than 24 hours before the fixed time (i.e. 9:00 a.m. on May 29, 2023 (Monday)) of holding the AGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish, in this case, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to the Hong Kong Listing Rules, all resolutions at the Annual General Meeting will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The voting results will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.whccb.com) in accordance with the Hong Kong Listing Rules.

Shandong Hi-Speed Group Company and its associates are the connected persons of the Bank, and have material interests in the resolution on the related (connected) party transactions with Shandong Hi-Speed Group, and control or have the right to control the voting rights in respect of 2,820,195,515 domestic shares, representing approximately 47.16% of the total share capital in issue as at the Latest Practicable Date. According to the relevant requirements such as the Administrative Measures for Related (Connected) Party Transactions (《關聯(連)交易管理辦法》) and the Rules of Procedure for Related Party Transactions Control Committee under the Board of Directors (《董事會關聯交易控制委員會議事規則》) of the Bank, they are required to abstain from voting in respect of the resolution on the related (connected) party transactions with Shandong Hi-Speed Group at the Annual General Meeting.

IV. RECOMMENDATIONS

The Board (including independent non-executive Directors) is of the opinion that all resolutions proposed at the Annual General Meeting are in the interests of the Bank and the Shareholders as a whole. Thus, the Board recommends that the Shareholders should vote in favor of all the relevant resolutions proposed at the Annual General Meeting.

V. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices I to VI to this circular.

Weihai City Commercial Bank Co., Ltd.*
Board of Directors

Weihai, the PRC

April 28, 2023

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

The year 2022 marks the successful conclusion of the 20th CPC National Congress and also a critical year for the Bank to promote reform and transformation. Over the year, the Board of Directors of the Bank adhered to the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly learned and practiced the spirit of the 20th CPC National Congress, and fully implemented the decisions and arrangements of the CPC Central Committee and the State Council and the requirements of regulatory authorities. In line with the development concept of “respecting growth and efficiency”, the Bank deepened the reform and innovation, accelerated the pace of transformation, and continuously promoted the stable, healthy and high-quality development of the Bank. Meantime, the Bank successfully completed the objectives and tasks for 2022 set by the general meeting of Shareholders, and effectively protected the legitimate rights and interests of Shareholders and other stakeholders.

As of the end of 2022, the Group’s total assets reached RMB343,703 million, representing an increase of 12.87% from the beginning of the year; the Bank’s net profit was RMB2,079 million, representing a year-on-year increase of 9.87%; non-performing loan ratio was 1.46%, representing a decrease of 0.01% from the beginning of the year; capital adequacy ratio was 13.83%, tier-one capital adequacy ratio was 10.61% and core tier-one capital adequacy ratio was 8.81%, with continuous compliance with all regulatory indicators.

I. OVERALL DEVELOPMENTS IN 2022

In 2022, in the face of the three major challenges of the COVID-19 pandemic, economic downturn and complex conditions, the Bank closely followed the work concepts of “first-class experience in six aspects” and proactively created an atmosphere of persistent learning, pioneering spirit and hard work, thereby achieving remarkable results and showcasing steady progress in all tasks, which mainly consists of the following ten aspects:

(I) Steady Progress in Party Building

We thoroughly learned the spirit of the 20th CPC National Congress, fully implemented the requirements of keeping the epidemic at bay, stabilizing the economy and ensuring safe development, and made all-out efforts in all key tasks. Through combining Party building with development as well as leading and promoting development with Party building, we have achieved steady progress in the guiding role of Party building.

(II) Steady Progress in Ideological Building

While implementing ideological building throughout our development, we carried out in-depth discussions on emancipating the mind with “hearts of experience, bravery and imagination” and held the first high-level forum on divergent thinking, so as to constantly invigorate the imagination and creativity of all employees and form a strong synergy to promote development.

(III) Steady Progress in Performance Growth

With development as our top priority, we kept in mind that our future depends on growth and captured market opportunities closely following policy developments, thereby achieving good development results. The Bank recorded the stable expansion of business scale, steady improvement in quality and constant enhancement of efficiency, maintained a sound growth trend in all major business indicators, and continuously enhanced the capability in sustainable development.

(IV) Steady Progress in Tackling Challenges

On the one hand, we made steady progress and breakthroughs in controlling non-performing loans. We continued to reinforce our work and measures based on the objectives of risk control, with non-accrual, overdue and non-performing loans meeting regulatory requirements. On the other hand, we made stable breakthroughs in strategic (transformation) indicators. The number of mobile banking accounts increased by 574,400 or 29.32% from the beginning of the year, and the amount of savings deposits increased by RMB19.676 billion or 22.87% from the beginning of the year.

(V) Steady Progress in Digital Transformation

We promoted the digital transformation based on projects, special teams and trainings, and engaged KPMG to jointly set up the PMO (Project Management Office) of digital transformation to accelerate the implementation of projects. Meantime, we set up project-based special teams, and regularly invited industry experts to provide special trainings to enhance the digital awareness and capability of the Bank. As of the end of 2022, among the 57 transformation projects, we have initiated 53 projects and launched 41 projects, which empowered our business growth with digital transformation.

(VI) Steady Progress in Management Transformation

We promoted the management transformation relying on the strengths of experts peers, and all employees, and engaged KPMG as the consultant expert with reference to the experience of outstanding peer banks. Through fully invigorating the wisdom of all employees, we implemented the management transformation in a smooth and efficient manner, established the vertical line structure, centralized credit approval and independent checks and balances of risk control, and constantly intensified the role of the head office in control, guidance and supply.

(VII) Steady Progress in Business Transformation

We promoted the business transformation under the guidance of ideas, planning, and structure, and were well aware that transformation is inevitable for the development, policies and future. In line with the general idea of “transiting to retail business, inclusive business and featured business (including supply chain business)”, we formulated the business transformation goals during the 14th Five-Year Plan period which defines the key tasks and measures of business transformation and aims to optimize our business structure.

(VIII) Steady Progress in Learning and Training

Adhering to the requirements of “eight learnings and eight persistences”, we thoroughly learned the spirit of the 20th CPC National Congress and the requirements of special teams, policies and regulations, with a view to continuously enhancing our capabilities through learning. Since the operation of the training center, we have formulated a multi-level and all-round training system, successfully launched the “first class”, and carried out special trainings for internal trainers, new employees, middle-level cadres and employees of all business lines, thus providing first-class training experience.

(IX) Steady Progress in Corporate Culture

Based on the spirit of “enhancing awareness through learning, and forging ahead with hard work” and the concept of “first-class experience in six aspects”, we established and improved the three systems of learning, conferences and seminars to encourage all employees of the Bank to actively and bravely participate in experiences. Meantime, we dealt with major and difficult tasks through daily WeChat meetings and promoted persistent learning, pioneering spirit and hard work, so as to create a strong atmosphere of learning, experience and improvement and focusing on difficult tasks.

(X) Steady Progress in Brand Image

The Bank has been awarded the “Top 10 City Commercial Banks in China”, the “Leader of Corporate Standards in Bank Outlet Service in China” for several years in a row, and successively won the “Best Featured Bank in China”, the “Demonstration Entity for Corporate Culture Construction in the Financial Industry of China”, the “Top 10 Mobile Banking Innovation in China” and the “Social Responsibility Company in Shandong Province”, showcasing the continued improvement in our brand reputation and social influence.

II. MAIN WORK OF THE BOARD IN 2022

(I) Making new progress in transformation and development under the strategic guidance

The Board continued to position strategic direction, enhance strategic confidence, maintain strategic determination and strengthen strategic assessment, and made stable efforts to implement the “three major transformations” to constantly build featured core competitiveness of the Bank.

1. **Promoting the implementation of strategies in an orderly manner.** Leveraging the leading role of strategies and closely following the development strategy during the 14th Five-Year period, the Board defined the guiding philosophy, work concepts and objectives and tasks of the year, and ensured that financial budgets, operating policies and risk strategies are consistent with our general strategies, thereby promoting the efficient implementation of such strategies according to high standards.
2. **Conducting science-based strategic assessment.** Through regularly evaluating the practice and implementation of strategies, the Board can have a timely, accurate and comprehensive knowledge of the implementation of annual business plan, reform and transformation, and progress of major strategic goals, and dynamically optimize the implementation measures based on macro situation and regulatory policies, so as to ensure our strategies consistent with developments and changes and to constantly improve our strategic management.
3. **Fully promoting the “three major transformations”.** In line with the strategic goals during 14th Five-Year period, the Board further promoted the transformation of “three major models”, namely the digital model, the management and control model, and the business model. Therefore, we accelerated the implementation of digital transformation projects, promoted the “vertical, flat, professional and efficient” transformation of management and control model, and further optimized the business structure.

(II) **Achieving new improvements in corporate governance through regulated operations**

In an active effort to response to and implement the regulatory rules and the requirements of state-owned enterprise reform, the Board combined the Party leadership with corporate governance to continuously optimize our policies and systems, effectively strengthen self-construction and steadily improve the efficiency of governance.

1. **Improving the corporate governance system.** Firstly, the Board continued to promote the in-depth integration of the overall leadership of the Party with corporate governance, and gave full play to the core leadership and political role of the Party organization to consolidate the “root” and “soul” for development. Secondly, in accordance with the latest laws, regulations and regulatory requirements, the Board thoroughly implemented the three-year action plan for corporate governance and state-owned enterprises reform and revised and improved the Articles of Association and other basic corporate governance systems in a timely manner, so as to build more standardized and effective systems.
2. **Strengthening the construction of governance structure.** Firstly, according to the regulatory rules and the requirements of state-owned enterprise reform and based on the policy guidance of diversified development, the Board added an employee Director and adjusted special committees to continuously optimize its governance structure. Secondly, the Board regulated the convention of meetings. In 2022, the Board held five meetings, at which 72 resolutions were considered, and made scientific and efficient decisions on major issues. Special committees held 21 meetings, at which 68 resolutions were considered, and proposed constructive opinions and suggestions to the Board to provide effective reference for decision-making. Thirdly, the Board improved the mechanism for tracking implementation, and established ledgers for the resolutions and opinions of Directors for successive implementation and regular feedback, so as to promote the effective implementation of resolutions through closed-loop management.
3. **Enhancing the capability of Directors in performing duties.** Firstly, all Directors earnestly participated in trainings organized by regulatory authorities and the Bank, paid active attention to and learned new regulatory regulations in a timely manner, and gained an in-depth understanding of the operations and management of the Bank through regulatory and prudent meetings and on-site inspections, so as to continuously enhance the professional capability in performing duties. Secondly, all Directors performed the obligations of faith and diligence, devoted sufficient time to actively provide advice and suggestions on major issues of the Bank such as corporate governance, business

development, risk control and data governance, thus constantly enhancing the efficiency of operation and the quality of decision-making of the Board. Thirdly, independent Directors effectively leveraged their professional advantages, and expressed objective, prudent and independent opinions on issued relating to the interests of small and medium Shareholders. Meantime, special inspections covering marine carbon sink and green finance were conducted to provided important policy suggestions for the decision-making of the Board and the reform and development of the Bank. Fourthly, the Board established and improved the performance and integrity files of Directors, evaluated the performance of Directors with strict accordance with the regulatory requirements, and urged Directors to continuously improve their performance.

4. **Implementing the resolutions of the general meeting of Shareholders.** In 2022, the Board convened a general meeting of Shareholders according to laws and regulations, at which 18 proposals were considered. The Board earnestly performed the resolutions of the general meeting of Shareholders, effectively implemented the 2022 financial budget, arranged the implementation of the profit distribution for 2021, successfully completed the objectives and tasks for 2022 set by the general meeting of Shareholders, and effectively protected the legitimate rights and interests of all Shareholders.
5. **Promoting the standardized management of Shareholders' equity.** Firstly, the Board strengthened the communication with Shareholders, and conveyed new regulatory regulations in a timely manner through convening general meetings of Shareholders and sending letters, thereby further consolidating the compliance awareness of Shareholders. Secondly, the Board improved the mechanism for normal equity management, strengthened the management of behaviors of substantial Shareholder and commitments of major Shareholders, and carried out regular assessment to promote the compliant exercise of rights and responsibilities of Shareholders.

(III) Build a new pattern of steady development while making preparations for worst-case scenarios

The Board made preparations for worst-case scenarios in risk compliance, promoted the in-depth construction of overall risk management and internal control systems, and further intensified risk control, so as to effectively consolidate the foundation of compliance management and promote the stable and healthy development of the Bank.

1. **Improving overall risk control.** Firstly, the Board accelerated the transformation and upgrading of risk control. Professional approvers, risk managers and other professional teams have been set up to establish a "top-down" vertical management along the risk line for the

independent checks and balances of risk control and to continuously improve the fully horizontal and vertical system and mechanism for the overall risk control. Secondly, the Board formulated annual risk management strategies and risk preferences in a prudent manner, regularly reviewed special reports covering overall risk control and consolidated management, systematically evaluated the risk level, management status and risk tolerance of the Bank, and timely adjusted management strategies to ensure risk management consistent with business development strategies, thus significantly enhancing our risk control. Thirdly, the Board vigorously promoted the intelligent transformation of risk management, and developed a smart risk control system relying on financial technologies, therefore effectively improving the capability in forward-looking prevention and control of risks as well as post-loan management.

2. **Consolidating the defense of internal control and compliance.** Firstly, according to the requirements of the regulatory authorities on “major reflection, rectification and improvement”, the Board conducted careful inspections on in-depth problems in its own management and development, and made solid efforts to promote reflection and rectification to ensure effective rectification of such problems and sound compliance management. Secondly, the Board improved the long-term mechanism for internal control compliance, conducted standardized self-assessments of internal control, and carried out regular review on issues such as internal control assessment, anti-money laundering and anti-terrorist financing, case prevention and control. Meantime, in order to intensify and refine the compliance management and control, the Board actively prompted the management to integrate the “Year of Consolidating Standardization” activity at the regulatory level with the “Compliance Experience Year” activity of the Bank. Thirdly, the Board reinforced the audit supervision, expanded the coverage of audits in key areas, and strengthened the communication of external audits and the application of audit results, thus promoting the effective implementation of audit suggestions.
3. **Implementing more strict management of related party transactions** Firstly, the Board improved the related party transaction system in a timely manner according to the latest requirements of the CBIRC to effectively intensify the management of related parties, and constantly regulated the approval process of related party transactions to strictly control the risks of related party transactions. Secondly, we launched the related party transaction system to consolidate the foundation of related party transaction management, and strove to intensify the daily monitoring and management of related party transactions to further improve the overall capabilities in the management and control of related party transactions. Thirdly, the Board gave full play to the independent judgment and professional supervision functions of independent Directors who issue fair and objective independent opinions on major related party transactions, thus effectively protecting the legitimate rights and interests of the Bank and all Shareholders.

(IV) Making new progress in the effectiveness of capital management relying on overall planning

With high priority on capital management and replenishment, the Board continued to refine the capital management, enhance the awareness of capital, endeavored to improve the efficiency of capital application, and further strengthen the role of capital in supporting transformation and development.

1. **Striving to strengthen the overall management of capital.** Firstly, the Board formulated scientific capital management plans with the overall consideration of several factors such as policy requirements, business development and risk control, and regularly monitored the use of capital through stress tests and capital assessments, thus ensuring the continuous compliance with relevant capital requirements. Secondly, the Board thoroughly implemented the concepts of capital constraints and value creation, improved the assessment mechanism for capital budgets, enhanced the refined management, and guided the optimization of business structure, thereby further enhancing the efficiency of capital expenditure.
2. **Constantly consolidating capital strength.** Through combining internal accumulation and external replenishment, the Board took active measures to explore the replenishment of capital from diversified channels, including the successful issuance of tier-two capital bonds of RMB2,700 million, and further optimized the capital structure to ensure the continuous compliance of regulatory requirements in capital adequacy ratio.

(V) Adhering to standardized disclosure and building a new brand image

In an effort to faithfully fulfill its information disclosure obligations, the Board continued to promote effective and transparent information disclosure, earnestly perform its social responsibilities, and actively protect the legitimate rights and interests of stakeholders, with a view to building a good brand image in the performance of duties and responsibilities.

1. **Improving the quality of information disclosure.** In line with the principles of authenticity, accuracy, completeness, timeliness and fairness, the Board continued to optimize the quality and efficiency of information disclosure with reference to outstanding peer banks. In 2022, the Board prepared and issued a total of five regular reports and 33 general announcements and circulars, fully reflecting the sound market image of the Bank.

2. **Prioritizing the investment return of Shareholders.** The Bank prioritized the sustainable and reasonable investment returns for Shareholders, and implemented a proactive profit distribution plan in a prudent and compliant manner. The dividend distribution plan in 2022 proposed by the Board has been approved by the general meeting of Shareholders, and a cash dividend of RMB1 per 10 shares will be distributed to Shareholders, which effectively protects the legitimate rights of Shareholders to share the results of the high-quality development of the Bank.
3. **Performing corporate social responsibility.** Firstly, in line with the original mission of serving the real economy and closely following the arrangements of national economic and financial work, the Bank focused on serving the real economy and further intensified the support for key areas such as inclusive finance, private enterprises, manufacturing, and strategic emerging industries. In 2022, the Bank successfully issued special financial bonds for small and micro enterprises with amount of RMB5 billion. The balance of inclusive loans increased by RMB3.204 billion or 15.44% from the beginning of the year, successfully completing the goal of “Two Increases and Two Controls”. Secondly, adhering to the concept of green development and relying on the construction of “Equator Bank”, the Bank formulated the “Implementation Plan for Developing Green Finance (2021-2025)” (綠色金融發展實施方案(2021-2025年)), which defines the development goals of green finance business, and promoted innovative green finance models to solidly enhance the quality and efficiency of green finance services. Thirdly, the Bank reinforced the protection of consumer rights and the publicity of financial knowledge, issued the Environment, Society and Governance (ESG) report in a timely manner, and enhanced financial service experience relying on digital empowerment, so as to build a good brand image.

III. KEY WORK AND ARRANGEMENTS OF THE BOARD IN 2023

The year 2023 marks the first year to fully implement the spirit of the 20th CPC National Congress and also the intermediate year of the 14th Five-Year Plan period. Riding on the general trend of the times and based on the actual development of the Bank, the Bank has formulated the following guiding philosophy, work concepts and objectives for 2023:

1. **Guiding philosophy:** Guided by the spirits of the 20th CPC National Congress and the 1st Plenary Session of the 20th CPC Central Committee and the Central Economic Work Conference, we will adhere to the general principle of seeking progress while maintaining stability, perform the new development concept in a complete, accurate and comprehensive manner, follow the general trend of the times, implement regulatory requirements, deepen reform and transformation, practice the “Five Concepts (五化理念)”

(simulation, specifics, rehearsal, precision and verticality), and carry forward the “Six Spirits (六大精神)” (spirit of learning, dedication, innovation, hard work, pursuit of truths and speed). Meantime, we will prioritize the persistent learning, pioneering spirit and hard work, work together to relentlessly and unswervingly pursue the featured development path of becoming a “digitization-driven” “Bi-Focus Retail Banking (兩端型零售銀行)”, and continuously promote the high-quality development of the Bank.

2. **Work concepts:** We will adhere to the work concepts of “three activities plus three persistences (三加三)”. “Three activities” means deepening three yearly activities, namely the “Compliance Year”, “Inclusiveness Year” and “Green Development Year” activities, which aim to create an atmosphere, reach a consensus and gather strengths. “Three persistences” means persisting in “first-class experiences, three major transformations and five major improvements.” “First-class experiences” covers the first-class cultural experience, first-class transformation experience, first-class training experience, first-class compliance experience, first-class service experience and first-class value experience. “Three major transformations” consists of the digital model transformation, management model transformation, and business model transformation. “Five major improvements” means the improvement of management capability, digital capability, platform capability, retail (inclusive) capability and profitability.
3. **Work objectives:** We will secure a stable growth in all business indicators, ensure the coordinated development of scale, quality and efficiency, and avoid the occurrence of cases and accidents.

In line with the above guiding philosophy, work concepts and objectives as well as the call of the times for unity and hard work, we will focus our work on the eight aspects in 2023, namely working together on Party building with firm confidence, working together to upgrade thoughts and expand imagination, working together to promote growth and capture opportunities, working together to tackle difficulties and unleash potentials, working together to promote transformation and increase empowerment, working together to ensure compliance and respect, working together on training for persistent learning, and working together to improve experiences and create possibilities. With focus on the above eight aspects, the key work arrangements of the Board for 2023 are as follows:

(1) Deepening the leadership of Party building and forming the synergy for development

The Board will fully implement the spirit of the 20th CPC National Congress, and effectively transform it into a strong power to promote development, tackle challenges and encourage entrepreneurship through in-depth understanding and accurate application.

1. **Reinforcing the confidence through Party building.** Through completely and correctly learning the spirit of the 20th CPC National Congress, deeply understanding its connotation and accurately its

extended meanings, the Board will enhance its political stance and reinforce its confidence in development, constantly promote the organic integration of the leadership of Party building with corporate governance, and implemented the spirit of the 20th CPC National Congress with practical efforts, performance and results.

2. **Empowering development with ideas.** The Board will carry out in-depth discussions on emancipating the mind with focus on “Dedicated Heart” and under theme of “Concerted Efforts for Empowerment, and Hard Work for Common Future” (團結釋放能量，奮鬥共贏未來), and continuously invigorate the sense of cohesion, creativity and hard work to empower the sustainable, stable and high-quality development of the Bank.
3. **Cultivating talents through trainings.** In line with the development vision of building “a bank with a strong desire to learn and a happy work environment”, the Board will strive to create a sound learning culture, make efficient use of the training center, and formulate and implement systematic training plans with higher frequency and innovation, so as to support the development of the Bank with talents.

(II) Deepening strategic transformation and cultivating development momentum

With strong strategic confidence and consensus on transformation, the Board will seek for development opportunities, persevere in the transformation of “three major models”, and promote the solid implementation of the “Bi-Focus Retail Banking” strategy.

1. **Promoting featured development based on strategies.** With close focus on the strategic goals during 14th Five-Year period, the Board will accelerate the tackling of strategic challenges and make efforts to carry out the “Inclusiveness Year” and “Green Development Year” activities. The “Inclusiveness Year” activity will focus on “building platforms” and “building ecosystem and scenarios, and expanding users” to achieve significant increase in the increment and growth of inclusive loans. The “Green Development Year” activity will focus on “building benchmarks”, and build unique green finance brand of the Bank based on our unique advantages as the first equator bank in Shandong Province and capitalizing the opportunities from building the pilot zone for green, low-carbon and high-quality development in Shandong Province and establishing the national pilot zone for green finance reform and innovation in Weihai City.

2. **Increasing vitality through transformation.** The Board will firmly promote the transformation of “three major models”, “seek for growth, effectiveness and efficiency from transformation”, and increase empowerment through transformation. In order to optimize functions through the transformation of digital model, the Board will accelerate the launch of projects, promote operation, promotion and effectiveness evaluation, and give full play to the role of financial technologies in empowering business development. In order to enhance efficiency through the transformation of management and control model, the Board will continue to optimize and improve the system and mechanism with reference to outstanding peer banks, and promote the transformation of management and control model from the “form” of “vertical business lines and strong head office” to the “spirit” of “defined business lines and orderly linkage” to integrate the form and spirit. In order to unleash potentials through the transformation of business model, the Board will continue to promote the “transition to retail business, inclusive business and featured business (including supply chain business)”, optimize the business structure, and cultivate core competitiveness, thus achieving the connotation of development.
3. **Capturing opportunities to promote growth.** In line with the development concept of “respecting growth and efficiency” and keeping in mind that “growth prevails among all priorities” and that “future depends on growth”, the Board will accurately follow the economic situation, market rules and regulatory requirements, actively seek for historical opportunities and policy and scale opportunities, give full play to its own comparative advantages, and spare no effort in promoting growth.
4. **Striving to provide first-class experience.** Following the concept of “experience” and the goals of “first-class experience”, the Board will encourage all employees of the Bank to improve experiences in culture, transformation, training, compliance, service, value and other aspects, and constantly enhance the work efficiency and service quality with high-standard experiences.

(III) Deepening risk control and improving the quality of development

The Board will further promote the construction of an overall risk control system under the guidance of regulatory requirements, continuously improve the long-term mechanism for internal control and compliance, and achieve high-quality development with controllable risks.

1. **Tackling challenges in risk control.** With focus on tackling major and difficult tasks, the Board will make breakthroughs in such major and difficult tasks including risk control, continuously intensify measures to

control non-performing, overdue and non-accrual loans, and increase efforts to tackle major challenges, thus resolutely winning the battle against risk prevention and control.

2. **Working hard to ensure compliance.** Following the compliance goals, the Board will prompt the management to deepen the “Compliance Year” activity to create a strong atmosphere of compliance, and take practical measures to promote “actual reflection, rectification and improvement”, so that every employee will practice, undertake and protect compliant development in a sound compliance atmosphere across the Bank.

(IV) Deepening capital management and consolidating the foundation for development

Leveraging the forward-looking and leading role of capital management and based on the development strategy and the capital needs of scale growth and risk control, the Board will determine the future capital plan in a rational manner, strengthen the accumulation of internal capitals, and properly promote the replenishment of external capitals, so as to further intensify the support for the real economy and lay a solid capital foundation for the transformation and development. Meantime, following the new capital regulations and the requirements of high-quality development, the Board will strengthen the research and analysis of new capital agreements, reinforce the intensive management of capital, improve the assessment mechanism for economic capital, and optimize the structure of assets and liabilities, thus effectively enhancing the efficiency of capital expenditure and the capability to create value.

(V) Deepening the green concept and enhancing the value of development

The Board will actively promote the concept of green and sustainable development with the environment, society and governance (ESG) as the core, constantly optimize financial supply and enhance the ability to serve the regional economy and society, thereby effectively protecting the legitimate rights and interests of stakeholders and further demonstrating the social value of the Bank. Meantime, through actively fulfilling the responsibilities as a listed company and following the principle of fairness and transparency, the Board is committed to improving the quality of information disclosure, further deepening the communication with the capital market, and showcasing the transformation results and investment value of the Bank.

In order to cope with complex and evolving external situations in 2023, the Board will work with the management to promote the team spirit of “unity, hard work, pioneering spirit and striving for the best”, and forge ahead bravely with the ambition and courage of “creating first-class compliance experience and moving forward in high spirits” for a better future.

In 2022, the Board of Supervisors adhered to the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, followed the spirits of the 20th CPC National Congress and the 1st Plenary Session of the 20th CPC Central Committee and the Central Economic Work Conference, and strictly complied with the Company Law, the Commercial Banking Law, the Code of Corporate Governance of Banking and Insurance Institutions, the Guidelines for the Work of the Board of Supervisors of Commercial Banks, the Articles of Association and other requirements of the Bank, aimed at protecting the legitimate rights and interests of the Bank, its Shareholders, employees, creditors and other stakeholders, and performed its supervisory responsibilities diligently and faithfully in line with the principles of compliance with laws and regulations, objectivity, fairness, science and efficiency, thus promoting the continuous improvement of the Bank's corporate governance and playing an active role in the Bank's law-abiding and compliant operation and sound development. The specifics are hereby reported as follows:

I. MAJOR WORK IN 2022

(I) Reinforce the Basis of Corporate Governance and Standardize the Operation of the Board of Supervisors

- 1. The Board of Supervisors refined its system.** In 2022, the Bank revised and improved the Rules of Procedure for the Board of Supervisors, the Detailed Rules for the Implementation of the Work of the Board of Supervisors, and the Detailed Rules for the Implementation of the Work of Special Committees of the Board of Supervisors to reinforce the compliance, streamline procedures, regulate and guide the duty performance, thus further improving the supervision mechanism.
- 2. The Board of Supervisors standardized its rules of procedures.** In 2022, the Board of Supervisors carried out the by-election, nomination and review procedures for external supervisors, and the by-elected supervisors have officially taken office following the election at the general meeting of Shareholders. The Board of Supervisors convened four meetings, at which 31 proposals were considered and 41 proposals were heard. The special committees of the Board of Supervisors convened five meetings, at which 21 proposals were considered. The Board of Supervisors attended one Shareholders' general meeting and was present at five meetings of the Board of Directors, to timely learn the performance of the governance department, receive the information in decision-making, finance and risk control and effectively exercise the supervisory function.
- 3. The Board of Supervisors attended meetings to carry out active supervision.** The Board of Supervisors attended prudent meetings, meetings of the Party committee, office meetings of the president of the Bank, and business analysis meetings, to timely learn the operation of the Bank, express objective and independent opinions and suggestions, and actively exercise their supervisory functions.

(II) **Efficiently performing supervisory duties and continuously enhancing the effectiveness of duty performance**

1. **The Board of Supervisors reinforced performance supervision and improved the effectiveness in performance evaluation.** In 2022, the Board of Supervisors supervised the Board of Directors, the Board of Supervisors, senior management and its members regarding their respective performance of the obligations of faith and diligence, professionalism and independence, ethics and compliance. The Board of Supervisors evaluated the annual strategic plans of the Board and senior management and their implementation, and conducted the supervision and performance evaluation and issued performance evaluation reports as to the overall risk management, risk management of derivatives trading business, isolation of risks, consolidated management, management of off-balance sheet businesses, assessment of internal capital adequacy, data governance, compliance management, internal control, case prevention, management of employee behaviors and consumer rights protection.
2. **The Board of Supervisors strengthened its supervision over decision-making and accurately grasped the direction of operation.** In 2022, the Board of Supervisors supervised the operation of Shareholders' general meetings, the Board and its special committees, assessed the strategic planning and implementation, and supervised the decision-making in major affairs such as financial budgets, profit distribution, material investments, connected transactions and risks, to promote scientific, democratic and efficient decision-making.
3. **The Board of Supervisors intensified its financial supervision to protect the interests of Shareholders.** Firstly, the Board of Supervisors focused on supervising important financial decisions of the Board of Directors and senior management and their implementation. Secondly, the Board of Supervisors reviewed and expressed independent opinions on regular reports of the Bank as well as the annual audit report and regular reports audited and issued by external auditors, and issued audit written opinions as to the truthfulness, accuracy and completeness of such reports. Thirdly, the Board of Supervisors supervised the compliance of the appointment, resignation and re-appointment of external auditors, the fairness of the terms of appointment and remuneration, and the independence and effectiveness of the external audit work. Fourthly, the Board of Supervisors reviewed the profit distribution plan and expressed opinions as to the regularity and rationality of the profit distribution plan. Fifthly, the Board of Supervisors participated in the meetings of the Party committee and the office meetings of the president of the

Bank, and supervised the implementation of the remuneration management system and whether the remuneration package of senior management was scientific and reasonable.

4. **The Board of Supervisors strengthened its supervision on internal risk control to ensure sound business operation.** The Board of Supervisors is responsible for supervising the overall risk management. Firstly, the Board of Supervisors supervised and inspected the performance of the Board of Directors and senior management in the overall risk management and urge rectifications, considered relevant proposals and heard specific measures of relevant departments for risk management, supervised the performance of the Board of Directors and senior management in credit risk, market risk, liquidity risk, operational risk, risks by country, interest rate risk of bank accounts, strategic risk, information technology risk, reputation risk, management of expected credit losses and management of other risks, and promoted the effective implementation of the risk prevention and control mechanism of the Bank. Secondly, the Board of Supervisors reviewed internal audit reports, regularly considered the internal audit report on the overall risk management to understand the implementation of internal audits and material findings on audit, to timely find existing management issues and supervise their rectification. Thirdly, the Board of Supervisors attended prudent supervision meetings, paid attention to and promoted rectifications of identified problems. Fourthly, the Board of Supervisors regularly reviewed the reports of inspections, connected transactions and risks, and proposed supervisory advice on the operational decision-making and risk management mechanism of the Bank. Fifthly, the Board of Supervisors regularly reviewed the annual internal control evaluation report, and conducted an overall supervision of the internal control governance system and operation across the Bank.

(III) Continuously strengthening self-development and enhancing the capability to perform duties

Firstly, the Board of Supervisors sorted out laws, regulations and regulatory requirements, established supervision ledgers to study each supervision issue, and prepared the detailed list of key supervision issues to supervise and promote the implementation of each supervision issue, thus enhancing the quality and efficiency of work. Secondly, the Board of Supervisors prepared, learned and understood the list of duty performance to earnestly carry out annual performance evaluation. Thirdly, the Board of Supervisors conducted in-depth inspection at the grass-roots level, established a liaison and communication mechanism with the Board and the business, risk and audit departments to expand information sources, gain real time information on the business management and risks, timely identify and feedback problems and urge rectification. Fourthly, the Board of Supervisors strengthened the learning and training on businesses, participated in relevant training organized by the China Banking Association, and focused on learning relevant systems of the

Board of Supervisors to enhance their capability to perform duties. Fifthly, the Board of Supervisors learned from the supervision experience of peer banks. In order to effectively enhance the capability to perform duties, the Board of Supervisors maintained smooth reporting and communication channels with regulatory authorities and governments at all levels, and strengthened the exchanges with and learning from peer banks.

II. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON MATTERS OF CONCERN TO THE BANK IN 2022

- (I) **Operation in compliance with laws and regulations.** In 2022, the Bank operated its business in accordance with laws and regulations, continuously improved its internal control system, and its decision-making procedures complied with the relevant requirements of laws, regulations and the Articles of Association. The Directors and senior management acted with honesty, integrity and due diligence, with no violation of laws and regulations or any act detrimental to the interests of the Bank and the Shareholders.
- (II) **Authenticity of the financial report.** The annual financial report of the Bank has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited, with a standard unqualified audit report issued. The financial report gives a true, accurate and complete view of the financial position and operating results of the Bank in all material aspects.
- (III) **Acquisition and disposal of assets.** In 2022, the Bank had no other material acquisitions or asset disposals.
- (IV) **Related party transactions.** In 2022, the Bank's related party transactions were fair, reasonable and in compliance with the relevant requirements of national laws and regulations and the Articles of Association of the Bank, with the relevance indicators in line with regulatory standards. The Bank did not identify any acts that violated the fairness principle or impaired the interests of the Bank and the Shareholders.
- (V) **Internal control.** In 2022, the Bank continued to strengthen and improve the internal control, promoted the construction of the internal control management system, with stable progress in internal control. Therefore, the Bank ensured the effective internal control in all major aspects, and identified no major defects in the internal control mechanism and its implementation.
- (VI) **Implementation of resolutions of the Shareholders' general meetings.** The Board of Supervisors had no objection to the reports and proposals submitted by the Board of Directors to the Shareholders' general meetings for consideration during the year, supervised the implementation of the resolutions of such meetings, and considered that the Board had seriously implemented the relevant resolutions of such meetings without acts detrimental to the interests of the Shareholders.

(VII) Information disclosure. In 2022, the Bank refined its information disclosure mechanism, fulfilled its information disclosure obligations as a listed company, continuously enhanced the transparency of corporate governance, operation and management, and improved the accuracy and completeness of information disclosure, so as to ensure that all Shareholders had fair access to the Company's significant information.

III. PERFORMANCE OF EXTERNAL SUPERVISORS

The Board of Supervisors of the Bank has three external Supervisors, who chair the Nomination Committee and the Supervision Committee under the Board of Supervisors. In 2022, the external Supervisors independently performed their supervisory duties in accordance with their fiduciary and diligent duties to the Bank and all the Shareholders, attended the meetings of the Board of Supervisors and relevant committees as scheduled, actively attended the meetings of the Board of Directors and the Shareholders' general meetings, and discussed and expressed objective and fair independent opinions on the matters discussed at the Shareholders' general meetings and the meetings of the Board of Directors and the Board of Supervisors of the Bank, thus playing their effective role as external Supervisors.

IV. WORK CONCEPTS OF THE BOARD OF SUPERVISORS FOR 2023

In 2023, the Board of Supervisors will closely follow the guiding philosophy and work concepts of the Bank, implement the work requirements of the Party committee and regulatory departments of the Bank, give full play to the core leadership of Party building, and fully implement the new development concept. Riding on opportunities from the reform and based on the coordinated assurance, the Board of Supervisors will practice the "Five Concepts (五化理念)" (simulation, specifics, rehearsal, precision and verticality), carry forward the "Six Spirits (六大精神)" (the spirits of learning, dedication, innovation, hard work, pursuit of truths and speed), insist on experiences and innovation, continuously improve the ability to perform its duties and the supervisory mechanism, highlight its supervisory focus, increase its supervision efforts, perform its duties diligently and efficiently, and effectively safeguard the legitimate rights and interests of Shareholders and stakeholders.

(I) Strengthen self-development and enhance the motivation of performing duties

Firstly, the Board of Supervisors will further strengthen learning, fully understand the supervision requirements of the supervisory system on the Board of Supervisors, carry out targeted supervising work in line with the Bank's actual situation, and enhance the professionalism and authority in discharging its duties. Secondly, the Board of Supervisors will refine a supervision system, continuously improve the relevant systems and proceedings of the Board of Supervisors, supervise in accordance with the law and enhance the compliance and scientific performance of the duties. Thirdly, based on regulatory feedback, research information and policy changes, the Board of Supervisors will study effective ways

to play its role under the new situation, and regularly study and analyze the shortcomings in supervision and rectify them in time so as to improve effectiveness of the performance of its duties.

(II) Underscoring supervision and provide orderly and efficient supervision

Firstly, the Board of Supervisors will strengthen the supervise the performance of duties and responsibilities of the Board of Directors, senior management and their members, timely supervise and evaluate, improve the performance supervision archives, continuously improves performance evaluation procedures and methods, strengthen the effective application of evaluation results and continuously improve the effectiveness of the performance of the duties. Secondly, the Board of Supervisors' supervisory function will be organically integrated with operational management and internal control of risks and strengthen the guidance of internal audit, focusing on the annual target tasks, supervising the Bank's development strategy, financial activities, operational decisions, risk management and internal control, and raising issues and supervising rectification in a pragmatic manner. Thirdly, the Board of Supervisors will strengthen communication with regulatory authorities, take the problems found in the supervision inspection as the focus of supervision and urge the rectification, and promote continuous improvement of business management.

(III) Strengthen inspection and research, and actively contribute ideas and suggestions

Firstly, the Board of Supervisors will regard problems and risks as the orientations, reach the grassroots level to establish a liaison and communication mechanism with the Board and various departments such as business, risk and internal control and audit, so as to grasp real-time operational and risk information, identify problems and solve them in a timely manner, and lay the foundation for effective performance of its duties. Secondly, all Supervisors will attend Shareholders' general meetings and be present at the Board of Directors' meetings and senior management meetings as required, to understand the Bank's major business decision-making process and actively put forward opinions and suggestions to ensure timely and effective supervision. Thirdly, the Board of Supervisors will enrich the supervision methods by adopting various means such as off-site monitoring, interviews, surveys and information enquiries, to understand and grasp operational management and business development, and to enhance the independence and effectiveness of its supervision.

In 2023, the Board of Supervisors will focus on the development plan, closely follow the trends of the times, give full play to its supervisory role of checks and balances, continuously improve the independence, authority and effectiveness of the Board of Supervisors in performing its duties, and make new contributions to the sustainable and characteristic development of the Bank.

In 2022, the independent Directors of the Bank were able to attend Shareholders' general meetings, Board meetings and meetings of special committees as scheduled, express fair and objective independent opinions, perform their duties earnestly and diligently, and practically safeguard the legitimate rights and interests of the Bank and all the Shareholders, especially minority Shareholders, in accordance with foreign and domestic laws and regulations such as the Company Law, the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) and the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules, the Articles of Association of the Bank and other relevant regulations. The duty report of the independent directors for 2022 is now reported as follows:

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

As of the end of 2022, the Board of Directors of the Bank comprised a total of five independent Directors, namely Mr. SUN Guomao (孫國茂), Mr. FAN Chi Chiu (范智超), Mr. WANG Shaohong (王紹宏), Ms. SUN Zuying (孫祖英) and Mr. WANG Yong (王勇). The number of independent Directors of the Bank was no less than one-third of the total number of Directors of the Board. The proportion of independent Directors in the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Control Committee was more than one-third. The chairmen of the Audit Committee, the Nomination and Remuneration Committee and the Related Party Transactions Control Committee were all independent Directors. All the independent Directors of the Bank had theoretical foundation and professional experience in economics, finance, accounting and management. Holding no management position of the Bank, they had the independence required for independent Directors and complied with regulatory requirements and the provisions of the Bank's Articles of Association. The biographies of the independent Directors of the Bank are as follows:

Mr. SUN Guomao, with a doctorate degree in economics, has served as an independent Director of the Bank since September 2017. He is currently a professor and PhD tutor (博士生導師) of School of Economics, Qingdao University (青島大學經濟學院), a professor of School of Finance of Shandong Technology and Business University (山東工商學院金融學院), a chief expert (首席專家) of Collaborative Innovation Centre for Financial Service Transformation and Upgrade (金融服務轉型升級協同創新中心), a director of Shanghai Xide Investment Management Co., Ltd. (上海熙德投資管理有限公司) and Shandong Hanxun Information Technology Co., Ltd. (山東瀚訊信息技術有限公司), and an independent director of Qingdao Rural Commercial Bank Co., Ltd. (青島農村商業銀行股份有限公司) and Shandong Qilu Huaxin Industry Co., Ltd. (山東齊魯華信實業股份有限公司).

Mr. FAN Chi Chiu, with a bachelor's degree in accounting, has served as an independent Director of the Bank since June 2020. He is currently the investment director of AB Builders Group Limited, an independent director of Hevol Services Group Co. Limited and Shinelong Automotive Lightweight Application Limited.

Mr. WANG Shaohong, with a doctorate degree in economics, has served as an independent Director of the Bank since August 2021. He is currently the chairman of Shenzhen Zhuxincheng Equity Investment and Fund Management Company Limited (深圳鑄信誠股權投資基金管理股份有限公司), the honorary president of Shenzhen Research Association of Corporate Governance (深圳市公司治理研究會), and an independent director of Prosperity Textiles Limited (北江智聯紡織股份有限公司).

Ms. SUN Zuying, with a bachelor's degree in philosophy, has served as an independent Director of the Bank since August 2021. She is currently the legal representative (法定代表人) of Weihai Yinghua Investment Consultation Co., Ltd. (威海英華投資諮詢有限公司).

Mr. WANG Yong, with a doctorate degree in economics, has served as an independent Director of the Bank since November 2022. He is currently the executive associate director (常務副所長) of the Institute of Economics of the School of Social Sciences, Tsinghua University (清華大學社會科學學院經濟學研究所).

II. ANNUAL PERFORMANCE OF DUTIES

In 2022, the Bank convened 1 annual general meeting to consider 18 proposals, 5 Board meetings to consider a total of 72 proposals, and 21 meetings of the special committees of the Board to consider a total of 68 proposals. Attendance of the independent Directors of the Bank at the meetings in 2022 is as follows:

	Number of meetings attended in person/number of meetings required to attend						
	Shareholders' general meeting	Board	Strategic Development Research Committee	Nomination and Remuneration Committee	Risk Management Committee	Related Party Transactions Control Committee	Audit Committee
Independent Directors							
SUN Guomao (孫國茂)	1/1	5/5	2/2	2/2	—	—	7/7
FAN Chi Chiu (范智超)	1/1	5/5	—	2/2	—	4/4	—
WANG Shaohong (王紹宏)	1/1	5/5	—	2/2	—	—	7/7
SUN Zuying (孫祖英)	1/1	5/5	—	—	1/1	3/3	7/7
WANG Yong (王勇)	—	1/1	—	—	1/1	1/1	—
Resigned independent Directors							
LU Qing (路清)	0/1	4/4	—	—	3/3	3/3	—

Note: Mr. WANG Yong was elected as an independent Director of the Bank at the 2021 annual general meeting dated May 31, 2022, and his qualifications of directorship were approved by the CBIRC Shandong Office on November 11, 2022. At the same time, Mr. LU Qing ceased to perform the duties of independent Director of the Bank on behalf.

In 2022, the independent Directors of the Bank reviewed the conference materials of the Board and its special committees with due care to gain an in-depth understanding of the resolutions, listened to the operation and management reports of senior management on a regular basis, and studied a range of relevant reports on operation, finance, risk and internal control, and related party transaction management to keep abreast with the Bank's daily operations. Furthermore, the independent Directors actively participated in trainings and inspections, exercised voting rights in an independent, prudent and objective manner, and conscientiously performed their duties as independent Directors.

III. ISSUING INDEPENDENT OPINIONS

In 2022, the independent Directors of the Bank were able to provide independent decision-making and supervision on the matters considered at Shareholders' general meetings and Board meetings, especially on those that may have significant impacts on the legitimate rights and interests of the Bank, minority Shareholders and financial consumers, such as material related party transactions, profit distribution, the nomination, appointment or removal of Directors, the appointment of accounting firms for regular statutory audits of the Bank's financial reports, and internal control. The independent Directors expressed fair, objective and independent opinions to effectively safeguard the legitimate rights and interests of the Bank, all the Shareholders, especially minority Shareholders and other stakeholders.

IV. OTHERS

In 2022, the independent Directors of the Bank did not propose to convene an extraordinary general meeting or a Board meeting, appoint or dismiss the accounting firm, or engage an external auditor and consultant independently.

In 2022, the independent Directors of the Bank were able to perform their duties in an honest, diligent and independent manner in accordance with the relevant regulations and requirements of domestic and foreign laws and regulations and the Articles of Association of the Bank, which effectively improved the scientific decision-making of the Board and the special committees of the Board and protected the legitimate rights and interests of all Shareholders.

In 2023, the independent Directors of the Bank will further improve their capability to perform their duties in the spirit of due diligence, earnestly participate in meetings of the Board and its special committees, express opinions independently and objectively, actively provide advice and suggestions for the business development of the Bank, and effectively safeguard the overall interests of the Bank and the legitimate rights and interests of all Shareholders.

Independent Directors: SUN Guomao, FAN Chi Chiu, WANG Shaohong, SUN Zuying and WANG Yong.

APPENDIX IV REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF
THE PERFORMANCE OF DUTIES BY THE BOARD OF DIRECTORS,
SENIOR MANAGEMENT AND THEIR MEMBERS FOR 2022

According to the Measures for Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial) (《銀行保險機構董事監事履職評價辦法(試行)》) and the Work Guidelines for the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) issued by the China Banking and Insurance Regulatory Commission as well as the Articles of Association, and the Measures for Performance Evaluation of Directors and Senior Management by the Board of Supervisors (Trial) (《監事會對董事、高級管理人員的履職評價辦法(試行)》) of the Bank, the Board of Supervisors of the Bank evaluated the performance of duties by the Board of Directors, senior management and their members for the year 2022. The specific information is reported as follows:

I. PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS

In 2022, the Board of Directors of the Bank were able to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strictly perform the duties and responsibilities entrusted by laws and regulations and the Articles of Association of the Bank, adhere to the general principle of seeking progress while maintaining stability, proactively seize opportunities with scientific decision-making, efficiently perform the duties, effectively safeguard the rights and interests of the Shareholders and stakeholders, successfully complete the targets and tasks set by the Shareholders' general meeting, make various regulatory indicators continue to fully meet the standards, and continuously improve brand reputation and social influence.

- (I) **Governance mechanism.** The Board of Directors of the Bank actively responded to and implemented the regulatory rules and the requirements of state-owned enterprise reform, and combined the Party leadership with corporate governance to continuously optimize our policies and systems, effectively strengthen self-construction and steadily improve the efficiency of governance. Meantime, the Board revised and improved the Articles of Association and other basic corporate governance systems in a timely manner, added an employee Director and adjusted the composition of the Board and its special committees to continuously optimize its governance structure.

The Board of Directors was able to strictly comply with its statutory obligations and procedures, perform their duties with faith and diligence, exercise its power with integrity and fairness, offer objective and fair evaluation and advice on the performance of senior management, regularly listen to the reports of compliance management, establish ledgers for the resolutions and opinions of Directors for successive implementation and regular feedback, promote the effective implementation of resolutions through closed-loop management, and actively facilitate the implementation of the resolutions of the Shareholders' general meeting and the Board. Board members were able to attend meetings in person. During the year, the Bank convened five Board meetings to consider and pass 72 resolutions.

Special committees of the Board operated according to the Articles of Association and relevant rules of procedure, proposed constructive opinions and suggestions to the Board to provide effective reference for

decision-making, and exercised their rights and performed their obligations according to law during decision-making on operation and management, thus effectively safeguarding the rights and interests of Shareholders and other stakeholders. During the year, the Bank convened 21 meetings of special committees to consider and pass 68 resolutions.

- (II) **Strategic decision-making.** Under the strategic guidance, the Board positioned strategic direction, enhanced strategic confidence, maintained strategic determination, implemented strategies in an orderly manner, conducted scientific strategic assessment, fully promoted the “three major transformations”, and made new progress in transformation and development, so as to ensure our strategies consistent with developments and changes and to constantly improve our strategic management. In line with the development strategy during “14th Five-Year” period, the Board defined the guiding philosophy, work concepts and objectives and tasks of the year, further promoted the transformation of “three major models”, namely the digital model, the management and control model, and the business model. Therefore, we accelerated the implementation of digital transformation projects, promoted the “vertical, flat, professional and efficient” transformation of management and control model, and further optimized the business structure.
- (III) **Risks and internal control.** The Board of Directors upheld the concept of operating in compliance with laws, fully enhanced its risk management and internal control compliance, made overall planning and formulated risk management strategies, improved the mechanism of risk appetite setting, evaluation and adjustment, regularly listened to the risk management report by senior management, paid close attention to risks, internal control compliance, prevention and control of cases, anti-money laundering and counterterrorist financing, management of related party transactions and others, analyzed and assessed major risks and risk management, and strengthened risk management capabilities. The Board effectively performed their duties in the overall risk management (including the management of market risk, liquidity risk, operational risk, credit risk, information technology risk, reputation risk, strategic risk, interest rate risk of banking books, liquidity risk, money laundering risk, risk of derivatives trading business), the construction and operational effectiveness of the risk isolation and consolidated management mechanisms, as well as the management of off-balance sheet businesses, data governance, compliance management, internal control, case prevention, employee behaviors and consumer rights protection. During the year, the Bank had no major risks and losses, and achieved scientific and steady development.
- (IV) **Capital management.** The Board was able to effectively perform capital management and replenishment, continuously strengthened its refined capital management, effectively performed their duties and responsibilities as

to the internal capital adequacy assessment, capital management, capital management and advanced capital measurement method. Through combining internal accumulation and external replenishment, the Board took active measures to explore the replenishment of capital from diversified channels, and optimized the capital structure to ensure the continuous compliance of regulatory requirements in capital adequacy ratio and to effectively reinforce its development foundation.

- (V) **Information disclosure and social responsibility.** The Board abided by domestic and overseas regulatory requirements, strengthened the management of inside information and insiders, promoted effective and transparent information disclosure, earnestly perform its social responsibilities, actively protect the legitimate rights and interests of stakeholders, built a good brand image in the performance of duties and responsibilities, and disclosed true, accurate and complete information and annual reports of the Bank.

The Board actively discharged its social responsibilities, insisted on the original mission of serving the real economy, adhered to the concept of green development, intensified the protection of consumer rights, strengthened inclusive financial services for people's livelihood and offered support to the rural revitalization strategy, with continued improvement in customer satisfaction and brand influence.

II. PERFORMANCE EVALUATION FOR BOARD MEMBERS

The Board of Supervisors evaluated the performance of Board members regarding their performance of good faith and diligence obligations, professionalism, independence, ethical standards and compliance. Based on the performance assessment of Directors by the Board, the Board of Supervisors evaluated the performance of 14 Directors whose positions have changed during the evaluation year but have served for over half a year as to the performance during their tenure.

(I) Performance of the good faith obligation

In 2022, all Directors were able to strictly comply with the requirements of laws and regulations and the Articles of Association, to facilitate stable operation and healthy development of the Bank, protect the legitimate rights and interests of Shareholders, practice the mission of serving in the best interest of the Bank, honor its commitments, safeguard confidentiality and pay high attention to matters which may damage the interests of the Bank. The Directors made truthful disclosure of personal career, timely reported association relationships as well as the relationship and movement of acting in concert, and strictly complied with the regulations on connected transactions and anti-nepotism in performance of duties. No Directors were found to have leaked the trade secrets of the Bank, concealed issues and caused the damage to the Bank's interests.

(II) Performance of the diligence obligation

In 2022, all Directors were able to devote sufficient time and efforts to the Bank's affairs, keep abreast of operations, management and risk profile, actively participated in the meetings of the Board and its special committees with 100% in-person attendance. During the year, the chairman of each special committee spent over 20 working days working at the Bank. All Directors were able to exercise caution in studying and judging the matters submitted to the Board for consideration, and conscientiously review the periodical reports of the Bank to ensure the truthfulness, accuracy and completeness of the information disclosed thereby. No Directors were found to have breached the diligence duty as required under laws, regulations and the Articles of Association.

(III) Performance of the professionalism obligation

In 2022, the Directors were able to actively participate in the trainings regarding laws and regulations, regulatory requirements and listing business organized by regulatory authorities, banking associations and the Bank, and kept upgrading their professional knowledge and capabilities required for performing their duties. Based on its responsibilities and duties, the Directors participated in meetings in compliance with laws, provided views and suggestions, exercised their voting rights and promoted the implementation of resolutions of the Shareholders' general meeting and the Board. The Directors were able to make independent, professional and objective judgments with their professional knowledge, industry experiences and work experience, and proposed scientific and reasonable views and suggestions with strong professionalism to facilitate scientific decision-making by the Board, including formulating and promoting the implementation of strategic plans and annual business plans; formulating and promoting the implementation of risk management strategies, risk preferences, risk caps and risk management systems; reviewing major investment, financing and asset disposal projects; formulating and promoting the implementation of profit distribution plans; promoting the implementation of resolutions of the general meeting of Shareholders and the Board; promoting the improvement of the equity structure and internal governance structure, strengthening equity management, and enhancing corporate governance; improving the effectiveness of internal control, compliance management and internal audit, and implementing relevant requirements on anti-money laundering and anti-terrorist financing; promoting the standardized and transparent procedures for the nomination and election of Directors; electing, supervising and changing senior management, and strengthening the communication with senior management; evaluating and improving the principles and scope of the Board' authorization to senior management and its management mechanism; ensuring the remuneration of Directors and senior management consistent with that of banking and insurance institutions, the long-term interests of Shareholders and the regulatory requirements; promoting and coordinating the operation of main governance entities, strengthening the communication with

Shareholders and other stakeholders, and balancing the interests of all parties; promoting the legality and compliance of related party transactions and the regulated management of related party transactions; enhancing the authenticity, accuracy and completeness of financial and accounting information; ensuring the authenticity, accuracy, completeness and timeliness of information disclosure; ensuring and monitoring the timeliness, authenticity and completeness of data submission; promoting the improvement of consumer rights protection and decision-making mechanism, and planning and guiding the consumer rights protection work; promoting the implementation of regulatory opinions and the rectification and accountability of relevant problems; paying attention to and dealing with matters that may or have caused major risks and losses, especially those that have a significant impact on the legitimate rights and interests of depositors, policyholders, the insured, beneficiaries, and small and medium Shareholders; and performing other important responsibilities that Directors should undertake in accordance with laws and regulations, regulatory regulations, and the Company's Articles of Association, they are able to make independent, professional and objective judgments based on their professional knowledge, experience and work experience, and provide scientific and reasonable opinions and suggestions. This demonstrates strong professionalism and promotes the scientific decision-making of the Board.

(IV) Independent performance and ethical standards

In 2022, the Directors were able to maintain high-standard occupational ethics with the knowledge, experience, capabilities and efforts required in performing their duties; they were able to perform their duties independently and autonomously, promote the Bank in treating all Shareholders fairly, safeguard the legitimate rights and interests of stakeholders and actively perform social responsibilities. No Directors were found to be under the control of and have their performance intervened by major Shareholders and insiders.

(V) Compliant performance

In 2022, the Directors were able to comply with laws and regulations, regulatory requirements and the Articles of Association, fully understand their powers, obligations and responsibilities, keep regulating their own performance behavior and perform corresponding duties in accordance with laws and regulations, thus promoting the Bank's operation in compliance with laws and regulations. No Directors were found with such non-compliant behaviors as accepting illicit benefits, soliciting private gains for themselves or others by leveraging the convenience of their functions, participating in improper interference with the Bank which resulted in material risks and losses to the Bank, harming the interests of the Bank and its Shareholders, and violating laws, regulations and the Articles of Association.

(VI) Performance evaluation of independent Directors

In 2022, the independent Directors were able to devote sufficient time and efforts to working for the Bank, with their working hours in line with regulatory requirements and effective performance of duties. Independent Directors remained attentive to the operation standardization and procedural legality of the Board and its committees. During decision making, the independent Directors were able to stay immune to the influence of major Shareholders, senior management and other entities and individuals with a stake in the Bank, effectively safeguard the legitimate rights and interests of minority Shareholders and other stakeholders, and fully tap into their expertise and practical experience to actively offer suggestions, advice and independent opinions in an objective, fair, independent and prudent manner when discussing major issues that may involve conflict of interest at Shareholders' general meetings and Board meetings, such as material related party transactions, profit distribution, appointment and dismissal of Directors and senior management as well as their remuneration. All Directors were deemed competent in the performance evaluation of the Board.

The Board of Supervisors considers that in 2022, all members of the Board fulfilled their duties and obligations diligently and in faith and were deemed competent in the year-end performance evaluation.

III. PERFORMANCE EVALUATION OF SENIOR MANAGEMENT

In 2022, senior management was able to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, abided by laws and regulations, regulatory requirements and the Articles of Association of the Bank and systems, resolutely implemented the resolutions of Shareholders' general meetings and the meetings of the Board of Directors and the Board of Supervisors, development strategies and business plans, always adhered to the general principle of seeking progress while maintaining stability at work, addressed the epidemic and challenges imperturbably, took the initiative to focus on the targets, steadily promoted digital transformation, and continuously enhanced market-oriented capabilities. This resulted in the continuous growth of the staff, continuously robust and high-quality development in various business, effective protection of consumer rights and interests, successful completion of various targets and tasks set by the Board, and continuous improvement in brand value and social image. The Board effectively performed their duties in the overall risk management (including the management of market risk, liquidity risk, operational risk, credit risk, information technology risk, reputation risk, strategic risk, interest rate risk of banking books, money laundering risk, risk of derivatives trading business), the construction and operational effectiveness of the risk isolation and consolidated management mechanisms, as well as the management of off-balance sheet businesses, data governance, compliance management, internal control, case prevention, employee behaviors and consumer rights protection. Firstly, the senior management captured opportunities to promote development. They drove digital transformation accurately by

developing a “smart digital bank”, with precise breakthroughs in business qualifications, continuous efforts in strategic business, and significant improvement in adequate areas. This led to steady growth in total assets, deposits and loan indicators, stable and positive asset quality, steadily improving efficiency indicators and full alignment with key regulatory indicators. Secondly, the senior management focused on enhancing the foundation with respect to compliance. They maintained the bottom line of risks, kept reinforcing the management of risks, internal control, compliance and case prevention and control, strengthened the risk control mechanism that covered every aspect and the entire process, and refined risk control, with major indicators in line with regulatory standards and a new step taken towards internal control and compliant management. Thirdly, the senior management supported talents with fresh momentum. They focused on the digital transformation, properly worked on talent training and recruitment, enhanced staff quality and team building, optimized talent selection, leader appointment and the performance assessment incentive mechanism, and launched the Bank-wide campaign of “competing, learning, catching up, helping and surpassing” to stimulate the enterprising spirit among the staff and keep improving workforce quality.

IV. PERFORMANCE EVALUATION OF SENIOR MANAGEMENT MEMBERS

Integrated evaluation of senior management members took place according to their annual work reports, the performance evaluation results by the Board of Directors, the annual audit and the supervision by the Board of Supervisors. In 2022, the members of the senior management were able to strictly abide by the laws, regulations and rules and the internal policy requirements of the Bank, adhered to the general tone of seeking progress while maintaining stability, followed the work concepts of “first-class experience in six aspects”, carried forward the “Six Spirits” (namely the spirits of learning, dedication, innovation, hard work, pursuit of truths and speed), practiced the “Five Concepts” (namely simulation, specifics, rehearsal, precision and verticality), and made active measures to fully promote the transformation of “three major models”. The senior management launched the “competing, learning, catching up, helping and surpassing” campaign to enhance market-based capabilities, continuously optimized the business structure, and improved the risk control capabilities. Meantime, the members of the senior management were dedicated to their respective work and efficiently performed our duties in the spirits of faithfulness, honesty and diligence, thus achieving the stable and healthy growth in all businesses, the solid and effective control of internal risks, the successful completion of all targets and tasks set by the Board, and the continuous improvement in the overall efficiency, brand image and social reputation of the Bank. No senior management members were found to have overstepped their authority to hinder or interfere with the normal performance of duties by the Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management, or engage in any act that would harm the interests of Shareholders, depositors and other stakeholders. All members of the senior management were deemed competent in the performance evaluation of the Board.

The Board of Supervisors considered that in 2022, all senior management members diligently and faithfully performed their responsibilities and were deemed competent in the year-end performance evaluation.

According to regulations such as the Measures for Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial) (《銀行保險機構董事監事履職評價辦法(試行)》) and the Work Guidelines for the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) issued by the China Banking and Insurance Regulatory Commission as well as the Articles of Association and the Measures for Performance Evaluation of Supervisors by the Board of Supervisors (Trial) (《監事會監事履職評價辦法(試行)》) of the Bank, the Board of Supervisors comprehensively evaluated the performance of duties by the Supervisors of the Bank for the year 2022 based on the self-evaluation and mutual evaluation of the Supervisors and the evaluation of the special committees of the Board of Supervisors, taking into account the daily performance of duties and job records of the Supervisors. The specific information is reported as follows:

I. PERFORMANCE OF DUTIES BY SUPERVISORS

- (I) **Performance of the good faith obligation.** In 2022, the Supervisors were able to strictly comply with the relevant requirements of laws, regulations and the Articles of Association, truthfully report their personal information such as changes in duties, shareholding in the Bank and changes in related parties, consciously safeguard the interests of Shareholders and stakeholders, pay great attention to and monitor matters that might harm the interests of the Bank, and strictly comply with the regulations on related party transactions and anti-nepotism in performance of duties. No acts were found that breached the good faith and integrity obligations such as leaking the Bank's business secrets, concealing issues and causing material loss to the Bank.
- (II) **Performance of the diligence obligation.** In 2022, the Supervisors devoted sufficient time and efforts to participating in the Bank's affairs. They attended a total of four meetings of the Board of Supervisors to consider and approve 31 proposals and listened to 41 proposals. They also attended a total of five meetings of the special committees to consider and approve 21 proposals. During the year, the Supervisors were present at one Shareholders' general meeting and five Board meetings. All Supervisors were able to actively attend meetings with 100% in-person attendance, to timely understand the operational management and risks of the Bank. The attending Supervisors carefully considered various proposals, carefully studied and made prudent judgment on the matters submitted to the Board of Supervisors for consideration, which reflected their strong capability to perform their duties and sense of responsibility. In terms of the supervision over the performance of the Board and its members, the Board of Supervisors evaluated (including but not limited to) their compliance with laws, regulations, regulatory requirements and internal policies, the continuous improvement of the equity and organizational structures, the formulation and implementation of development strategies, the improvement of mechanisms covering risk management, consumer rights protection, compliance of internal control, remuneration assessment, internal and external audits and information disclosure, the effective operation of the special committees of the Board, and Directors' participation in meetings, opinions and suggestions. In terms of the

supervision over the performance of the senior management and its members, the Board of Supervisors evaluated (including but not limited to) their compliance with laws, regulations, regulatory requirements and internal policies, the implementation of the resolutions of the general meeting of Shareholders and the Board, the implementation of development strategies and business plans, and the improvement of risk management, internal control and compliance management, consumer rights protection, case prevention and performance evaluation management. The supervision and evaluation of the development strategy and business philosophy covered whether it was scientific, effective, reasonable and well implemented. In terms of the supervision of the financial status, the Board of Supervisors evaluated (including but not limited to) important financial decisions and their implementation, the compliance and rationality of the profit distribution plan, the authenticity, accuracy and completeness of regular reports, and the management of external audits. Meantime, the Board of Supervisors supervised the compliance of internal control, especially the management system, operating procedures, key risks and relevant information system of new businesses and products; the overall risk management structure and the control of major risks; whether incentive and restraint mechanisms were scientific and sound and the effectiveness of implementation; the timeliness, authenticity and completeness of data submission; the implementation of regulatory opinions and the accountability and rectification of problems; and the implementation of the resolutions of the general meeting of Shareholders, the Board, and the Board of Supervisors. The Board of Supervisors also paid attention to and supervised other key issues which may affect the legal and stable operation and the sustainable development of the Bank, and performed other important duties as stipulated by laws, regulations, regulatory requirements and the Articles of Association of the Bank. The Board of Supervisors participated in meetings, expressed opinions and suggestions and exercised voting rights in accordance with laws and regulations, made independent, professional and objective judgments on issues within the scope of their duties, improved the quality and efficiency of the decision-making of the Board the supervision of the Board of Supervisors, followed up on the rectification of problems identified by the regulatory authorities, and promoted and supervised the implementation of the resolutions of the general meeting of Shareholders, the Board, and the Board of Supervisors.

- (III) Performance of the professionalism obligation.** In 2022, the Supervisors were able to actively participate in the institutional training organized by banking associations and the Bank, which enhanced their professionalism and ability in performing their duties. The Supervisors were able to relate to their duties and tap into their expertise and work experience to study and put forward scientific and reasonable opinions, thus promoting effective supervision of the Board of Supervisors.

(IV) **Independent performance and ethical standards.** In 2022, the Supervisors were able to maintain high-standard occupational ethics with the knowledge, experience, capabilities and efforts required in performing their duties; they were able to perform their duties independently and autonomously, promote the Bank in treating all Shareholders fairly, safeguard the legitimate rights and interests of stakeholders and actively perform social responsibilities. No Supervisors were found to be under the control of and have their performance intervened by major Shareholders and insiders.

(V) **Compliant performance.** In 2022, the Supervisors were able to comply with laws and regulations, regulatory requirements and the Articles of Association, fully understand their powers, obligations and responsibilities, keep regulating their own performance behavior and perform corresponding duties in accordance with laws and regulations, thus promoting the Bank's operation in compliance with laws and regulations. No Supervisors were found with non-compliant behaviors.

II. SUPERVISION BY THE SUPERVISORS ACCORDING TO LAW

The Supervisors were able to fully express their supervisory opinions, earnestly supervised the performance of duties, financial matters, internal control and risks, and pay great attention to the Bank's implementation of such supervisory opinions, rectification of problems and accountability. The Supervisors were able to provide constructive opinions on major issues related to the Bank's material investment, related party transactions, strategic planning and implementation, annual operation and remuneration, financial budget and final accounts and profit distribution, appointment of senior management members, asset and liability management, risk management policies and measures, the science and robustness of the incentive and restriction mechanism and the actual implementation outcome based on the economic and financial situation. The Supervisors supervised the compliance of the agenda and consideration process of the Shareholders' general meetings and Board meetings of the Bank.

III. PERFORMANCE OF DUTIES BY EXTERNAL SUPERVISORS

There were three external Supervisors of the Bank. They were able to actively perform their supervisory duties, with their working hours at the Bank during the year in line with regulatory requirements. In the course of supervision, the external Supervisors were able to stay immune to the influence of major Shareholders, senior management and other entities and individuals with a stake in the Bank, and effectively safeguard the legitimate rights and interests of minority Shareholders and other stakeholders. As the chairpersons or vice chairpersons of the special committees of the Board of Supervisors, the external Supervisors presided over and participated in five meetings of the special committees, respectively. When considering the matters, the external Supervisors were

able to fully express their opinions and earnestly performed their duties. The external Supervisors provided mutual evaluation according to the evaluation requirements and were deemed competent in the evaluation result.

IV. COMPREHENSIVE PERFORMANCE EVALUATION

In their work during the year, the Supervisors were able to actively participate in the meetings of the Board of Supervisors and its special committees and be present at the Board meetings and the Shareholders' general meetings in accordance with laws, regulations and the Articles of Association of the Bank. They independently expressed supervisory opinions, paid attention to the Bank's major issues, practically safeguarded the interests of depositors and Shareholders, diligently and faithfully performed their supervisory functions and actively made contributions to the sustainable and healthy development of the Bank.

In 2022, all Supervisors diligently and faithfully performed their duties and were deemed competent in their year-end performance evaluation.

In 2022, the Bank continuously standardized the management of related party transactions and evaluated major shareholders in strict accordance with the Administrative Measures for Related Party Transactions between Commercial Banks and Their Insiders and Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) and the Regulatory Measures for the Conduct of Major Shareholders of Banking and Insurance Institutions (《銀行保險機構大股東行為監管辦法》) issued by the CBIRC, the Hong Kong Listing Rules, the Administrative Measures for Related (Connected) Party Transactions (《關聯(連)交易管理辦法》) of the Bank and other relevant regulations, to ensure effective operation of the Bank's mechanism on related party transactions. The Bank's management of related party transactions and major shareholder evaluation in 2022 is reported as follows.

I. WORK OF THE RELATED PARTY TRANSACTIONS CONTROL COMMITTEE

In 2022, the Bank convened a total of 4 meetings for the Related Party Transactions Control Committee of the Board of Directors, at which 10 resolutions were considered, mainly involving the risk control of related party transactions and other issues of the Bank, voting on major related party transactions and reporting to the Board of Directors and the Board of Supervisors.

II. IMPLEMENTATION OF ADMINISTRATIVE MEASURES FOR RELATED PARTY TRANSACTIONS

(I) Revising and improving policies and measures

To effectively regulate the management of the Bank's related party transactions, control the risks of related party transactions and safeguard the legitimate rights and interests of the Bank, Shareholders and stakeholders, the Bank revised the Administrative Measures for Related (Connected) Party Transactions in accordance with relevant domestic and foreign laws, regulations and normative documents as well as the latest regulatory requirements, which set out clear division of functions for its departments and further refined the management and control requirements.

(II) Continuous update and confirmation of the list of related parties

In 2022, the Bank, having considered domestic and overseas regulatory documents, stipulated the identification standards of related parties that met regulatory requirements, established a comprehensive, dynamic and complete list of related parties, and managed related parties in a thorough and substantive manner. As at the end of 2022, the Bank had 2,541 related natural persons and 1,064 related legal persons or other organizations, which amounted to an aggregate of 3,605. The details are as follows:

Regulatory rules	Number of related natural persons	Number of related legal persons or other organizations	Total number of related parties
CBIRC rules	2,535	994	3,529
Stock Exchange rules	440	888	1,328
All regulatory rules	2,541	1,064	3,605

Note: As multiple rules are applicable to some related parties at the same time, it is possible that the same related party has been counted repeatedly.

(III) Enhanced daily management of related party transactions

In strict accordance with the Administrative Measures for Related (Connected) Party Transactions, the Bank reviewed and approved related party transactions in accordance with the procedures. General related party transactions were approved by the Bank in accordance with the internal authorization procedures and submitted to the Related Party Transactions Control Committee for filing; material related party transactions were submitted to the Board of Directors for approval after being reviewed by the Related Party Transactions Control Committee of the Board of Directors of the Bank; related party transactions with particular significance were submitted to the Shareholders' general meeting for approval.

Meantime, in order to improve the intelligent management of related party transactions, the Bank has developed and built an independent related party transaction management platform in 2022, which has been put into operation, and connected to the systems of the Bank with gradual improvement in the systems and functions. The related party transaction management platform aims to regulate the management of related party transactions in corporate governance relying on the whole process of prior, interim and post management, which establishes a series of complete procedures for the management of related party transactions from information identification to reporting and filing, process approval and information disclosure, meeting the requirements of multiple regulators for the refined

management of related party transactions. The operation of the related party transaction management platform marks the further improvement of the Bank in the information-based related party transaction as well as the refined management in corporate governance.

III. INFORMATION ON RELATED PARTY TRANSACTIONS

In 2022, the related party transactions of the Bank were conducted at such prices that had been determined upon fair negotiation and based on general commercial terms with fair pricing, and on conditions no more favorable than those of similar transactions with non-related parties, without any transfer of interests.

(I) Related party transactions under CBIRC rules

1. *Credit related party transactions*

On a consolidated basis, as at the end of 2022, the credit balance of related party transactions between the Bank and its related parties amounted to RMB4,557 million, representing an increase of RMB677 million as compared to the beginning of 2022. The credit balance between the Bank and its related parties accounted for 14.20% of the Bank's net capital, representing an increase of 1.56 percentage points as compared to the beginning of 2022, lower than the regulatory standards of 35.80 percentage points.

On an unconsolidated basis, as at the end of 2022, the credit balance of related party transactions between the Bank and its related parties amounted to RMB6,657 million, representing an increase of RMB427 million as compared to the beginning of 2022. The credit balance between the Bank and its related parties accounted for 23.10% of the Bank's net capital, representing an increase of 1.16 percentage points as compared to the beginning of 2022, lower than the regulatory standards of 26.90 percentage points.

Both standards aligned with regulatory requirements with no significant impact on the Bank's normal operation. The non-performing ratio of the Bank's related party loans stood at zero, with the quality of related party credit better than the average level of the Bank.

2. *Non-credit related party transactions*

In 2022, the Bank did not sign any related party transaction agreement on asset transfer with any related parties. New related party transaction agreements on services in 2022 mainly include the On-site Cash Transport Service Agreement with Shandong Hi-Speed Gaoguang Highway Co., Ltd., with the service fee of RMB150,000 per year, which takes effect from the date of the contract to December 31, 2024; 15 development and operation and maintenance contracts with Shandong City Commercial Bank Cooperation Alliance Co., Ltd., with a total expenditure of RMB79,175,800 according to the

new and former contracts; the framework agreement on the decoration of business offices with Weihai Tianan Construction Group Co., Ltd., the specific transaction amount of which will be subject to the actual settlement of projects; the advertising contract with Shandong Shan'gao Basketball Club Co., Ltd., with a contract price of RMB14 million; the on-site service agreement with Jinan Branch of Shandong Hi-Speed Service Development Group Co., Ltd., covering collecting funds and bills at the workplace of the customer and assisting the customer to process relevant accounts, which serves as a comprehensive service for debt customers with no charge of service fees.

(II) Connected transactions under the Stock Exchange rules

In 2022, the Bank and its connected persons conducted a series of connected transactions in the normal course of business. In respect of the transactions with connected natural persons, the types of transactions were mainly deposits, wealth management, individual consumption loans and credit cards, all of which were exempted from the reporting, announcement, Shareholders' approval, annual reporting and review under the Stock Exchange rules. In respect of the transactions with connected legal persons, the types of transactions were mainly deposits, wealth management and credit granting business. Apart from the 2021-2023 Financial Services Framework Agreement (《2021至2023年度金融服務框架協議》) with Qilu Expressway Company Limited (齊魯高速公路股份有限公司) announced on September 1, 2021, the remaining business can be exempt from the reporting, announcement, Shareholders' approval, annual reporting and review under the Stock Exchange rules.

IV. MAJOR SHAREHOLDERS AND EVALUATION

(I) Information on major Shareholders

Pursuant to the requirements of the Interim Measures for the Equity Management of Commercial Banks and the Regulatory Measures for the Conduct of Major Shareholders of Banking and Insurance Institutions, the major shareholders of the Bank consist of Shandong Hi-Speed Group Company, Weihai Finance Bureau (威海市財政局), Shandong Hi-Speed Company Limited, Weihai Tianan Real Estate Development Co., Ltd. (威海天安房地產開發有限公司), Shandong Global Fishing Gear Co., Ltd. (山東環球漁具股份有限公司) and Shandong Haodangjia Ocean Development Co., Ltd. (山東好當家海洋發展股份有限公司). Among them, Shandong Hi-Speed Group Company, Weihai Finance Bureau and Shandong Hi-Speed Company Limited are major Shareholders of the Bank, with 35.56%, 15.38% and 11.60% equity interests therein.

(II) Related party transactions with major Shareholders

As of the end of 2022, only Shandong Hi-Speed Group Company had credit business among all major Shareholders, with a credit balance of RMB201 million, representing 0.70% of the Bank's net capital. If the related companies of the Group were included, the credit balance of Shandong Hi-Speed Group Company, Weihai Tian'an Real Estate Development Co., Ltd. and Shandong Haodangjia Ocean Development Co., Ltd. amounted to RMB2,454 million, RMB335 million and RMB520 million respectively, accounting for 8.51%, 1.16% and 1.80% of the Bank's net capital respectively.

(III) Evaluation of major Shareholders

The Bank continued to strengthen its Shareholder management. All major Shareholders were able to report relevant information to the Bank in a timely, accurate and complete manner according to the requirements of the Guidance on Corporate Governance of Commercial Banks, and the Bank verified and gained relevant information on major shareholders in a timely manner through external platforms such as the "National Enterprise Credit Information Publicity System", "Qichacha" and "Tianyancha", and evaluated major Shareholders based on their participation of the general meeting of Shareholders and related party transactions.

According to our evaluation, the major shareholders of the Bank have obtained regulatory approval as to their qualifications, and were able to comply with laws and regulations, regulatory requirements and the Articles of Association of the Bank, properly exercise Shareholders' rights and actively perform Shareholders' obligations, with a sound financial position, sustainable profitability and the ability to replenish the capital of the Bank.

NOTICE OF 2022 ANNUAL GENERAL MEETING

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WEIHAI CITY COMMERCIAL BANK CO., LTD.* **威海市商業銀行股份有限公司***

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 9677)

NOTICE OF 2022 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2022 annual general meeting (the “**Annual General Meeting**”) of Weihai City Commercial Bank Co., Ltd.* (the “**Bank**”) will be held at No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC on May 30, 2023 (Tuesday) at 9:00 a.m. Unless otherwise defined, the capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Bank dated April 28, 2023 (the “**Circular**”).

The following resolutions shall be considered and, if thought fit, approved by the shareholders of the Bank at the Annual General Meeting:

Ordinary Resolutions

1. To consider and approve the Work Report of the Board of Directors for 2022;
2. To consider and approve the Work Report of the Board of Supervisors for 2022;
3. To consider and approve the 2022 Annual Report;
4. To consider and approve the Final Accounts Report for 2022;
5. To consider and approve the Profit Distribution Plan for 2022;
6. To consider and approve the Financial Budget for 2023;
7. To consider and approve the Duty Report of the Independent Directors for 2022;
8. To consider and approve the Report of the Board of Supervisors on Evaluation of the Performance of Duties by the Board of Directors, Senior Management and Their Members for 2022;

NOTICE OF 2022 ANNUAL GENERAL MEETING

9. To consider and approve the Report of the Board of Supervisors on Evaluation of the Performance of Duties by Supervisors for 2022;
10. To consider and approve the Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2022;
11. To consider and approve the resolution on related (connected) party transactions with Shandong Hi-Speed Group;
12. To consider and approve the appointment of external auditors for 2023; and
13. To consider and approve the proposed appointment of independent non-executive Director.

Weihai City Commercial Bank Co. Ltd.*
Board of Directors

Weihai, China

April 28, 2023

As at the date of this notice, the Board of the Bank comprises Mr. TAN Xianguo, Mr. MENG Dongxiao, Ms. TAO Zunjian, Mr. LU Jiliang and Mr. ZHANG Wenbin as executive Directors; Mr. SONG Bin, Mr. YIN Lin, Mr. ZHAO Bing, Mr. YI Jijun and Ms. LI Jie as non-executive Directors; Mr. SUN Guomao, Mr. FAN Chi Chiu, Mr. WANG Yong, Mr. WANG Shaohong and Ms. SUN Zuying as independent non-executive Directors.

Notes:

1. For more information on the resolutions mentioned above, please refer to the Circular.
2. **Registration Procedures for Attending the Annual General Meeting**

Individual Shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document(s) or proof of identity and stock account cards. Proxies of individual Shareholders shall produce their effective document of identity and proxy form. A corporate Shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid document(s) evidencing his/her capacity as a legal representative. If being appointed to attend the meeting, the proxy should produce his/her identity card and an authorization instrument duly signed by the legal representative of the corporate Shareholder.

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

NOTICE OF 2022 ANNUAL GENERAL MEETING

3. Proxy

Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more person(s) (if the Shareholder holds two or more issued Shares), whether such person(s) is a Shareholder or not, to act as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the Annual General Meeting. The instrument appointing a proxy must be signed by the Shareholder or his/her attorney duly authorized in writing. For a corporate Shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorized in writing. If the power of attorney of the proxy is signed by the authorized person of the appointer under a power of attorney or other authorization document(s) given by the appointer, such power of attorney or other authorization document(s) shall be notarized and served at the same time as the power of attorney. To be valid, the form of proxy, together with a notarially certified copy of the power of attorney or other authorization document(s) must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H Shareholders), or to the Office of the Board of the Bank at Room 1703, No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC (for the Domestic Shareholders) no later than 24 hours before the fixed time for holding the Annual General Meeting (i.e. 9:00 a.m. on May 29, 2023 (Monday)) or any adjournment thereof (as the case may be). In case of registered joint holders of any Shares, any one of the registered joint holders can vote on such Shares at the Annual General Meeting in person or by proxy as if he/she is the only holder entitled to vote. If more than one registered joint holders attend the Annual General Meeting in person or by proxy, only the vote of the person whose name appeared first in the register of members of the Bank relating to such Shares (in person or by proxy) will be accepted as the sole and exclusive vote of the joint holders. Upon completion and return of the form of proxy and the power of attorney, you can still attend and vote in person at the Annual General Meeting or any adjournment thereof should you so wish. In this case, the power of attorney will be deemed to have been revoked.

4. Closure of Register of Members

The Bank's register of members will be closed from May 24, 2023 (Wednesday) to May 30, 2023 (Tuesday), both days inclusive. The Shareholders whose names appeared in the Bank's register of members on May 24, 2023 (Wednesday) shall be entitled to attend and vote at the Annual General Meeting. For a Shareholder to be eligible for attending and voting at the Annual General Meeting, all transfer document(s) together with the relevant share certificates and other appropriate document(s) shall be delivered to our Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H Shareholders) or the Office of the Board of the Bank at Room 1703, No. 9 Baoquan Road, Weihai City, Shandong Province, the PRC (for the Domestic Shareholders) no later than 4:30 p.m. on May 23, 2023 (Tuesday).

5. Publication of Poll Results

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), all resolutions at the Annual General Meeting will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted only by a show of hands). The results of poll will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.whccb.com) in accordance with the Hong Kong Listing Rules.

6. Miscellaneous

The AGM is expected to last for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own expenses on traveling, dining, and accommodation.