
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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



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 2023**
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2023**
- (3) 2023 ANNUAL REPORT**
- (4) FINAL ACCOUNTS REPORT FOR 2023**
- (5) PROFIT DISTRIBUTION PLAN FOR 2023**
- (6) FINANCIAL BUDGET FOR 2024**
- (7) DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2023**
- (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 2023**
- (9) REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF THE PERFORMANCE OF DUTIES BY SUPERVISORS FOR 2023**
- (10) REPORT ON THE CONTROL OF RELATED PARTY TRANSACTIONS AND EVALUATION OF SHAREHOLDERS FOR 2023**
- (11) RESOLUTION ON RELATED (CONNECTED) PARTY TRANSACTIONS WITH SHANDONG HI-SPEED GROUP**
- (12) APPOINTMENT OF EXTERNAL AUDITORS FOR 2024**
- (13) CHANGE OF THE DOMICILE**
- (14) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
- (15) PROPOSED MANDATE TO ISSUE FINANCIAL BONDS**

The letter from the Board is set out on pages 4 to 18 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 Tuesday, April 30, 2024.

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 Monday, April 29, 2024) 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. The notice of the Annual General Meeting and a form of proxy for use at the Annual General Meeting have been sent to the Shareholders.

* 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.

March 28, 2024

CONTENTS

| | | <i>Page</i> |
|------------------------------|--|-------------|
| DEFINITIONS | | 1 |
| LETTER FROM THE BOARD | | 4 |
| APPENDIX I | WORK REPORT OF THE BOARD OF DIRECTORS FOR 2023 | 19 |
| APPENDIX II | WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2023 | 32 |
| APPENDIX III | DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2023 | 39 |
| 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 2023 | 42 |
| APPENDIX V | REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF THE PERFORMANCE OF DUTIES BY SUPERVISORS FOR 2023 | 50 |
| APPENDIX VI | REPORT ON THE CONTROL OF RELATED PARTY TRANSACTIONS AND EVALUATION OF SHAREHOLDERS FOR 2023 | 54 |
| APPENDIX VII | PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION | 59 |

DEFINITIONS

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

| | |
|--|---|
| “Annual General Meeting” or “2023 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 Tuesday, April 30, 2024, 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” | National Financial Regulatory Administration (國家金融監督管理總局), formerly known as China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) |
| “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 |
| “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 |

DEFINITIONS

| | |
|------------------------------|--|
| “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 |
| “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 |
| “Latest Practicable Date” | March 28, 2024, 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 |

DEFINITIONS

| | |
|-----------------------------------|---|
| “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 of Shandong Hi-Speed Group Company, its subsidiaries and 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 former 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. YI Jijun

Mr. SONG Bin

Mr. YIN Lin

Mr. ZHAO Bing

Ms. LI Jie

Independent Non-executive Directors:

Mr. FAN Chi Chiu

Mr. WANG Yong

Mr. WANG Shaohong

Ms. SUN Zuying

Mr. YANG Yunhong

*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

March 28, 2024

LETTER FROM THE BOARD

To the Shareholders,

Dear Sir/Madam,

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2023
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2023
- (3) 2023 ANNUAL REPORT
- (4) FINAL ACCOUNTS REPORT FOR 2023
- (5) PROFIT DISTRIBUTION PLAN FOR 2023
- (6) FINANCIAL BUDGET FOR 2024
- (7) DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2023
- (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 2023
- (9) REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF THE PERFORMANCE OF DUTIES BY SUPERVISORS FOR 2023
- (10) REPORT ON THE CONTROL OF RELATED PARTY TRANSACTIONS AND EVALUATION OF SHAREHOLDERS FOR 2023
- (11) RESOLUTION ON RELATED (CONNECTED) PARTY TRANSACTIONS WITH SHANDONG HI-SPEED GROUP
- (12) APPOINTMENT OF EXTERNAL AUDITORS FOR 2024
- (13) CHANGE OF THE DOMICILE
- (14) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
- (15) PROPOSED MANDATE TO ISSUE FINANCIAL BONDS

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 Tuesday, April 30, 2024. The following resolutions will be proposed at the Annual General Meeting for the Shareholders to consider and, if thought fit, to approve: (1) Work Report of the Board of Directors for 2023; (2) Work Report of the Board of Supervisors for 2023; (3) 2023 Annual Report; (4) Final Accounts Report for 2023; (5) Profit Distribution Plan for 2023; (6) Financial Budget for 2024; (7) Duty Report of the Independent Directors for 2023; (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 2023; (9) Report of the Board of Supervisors on Evaluation of the Performance of Duties by Supervisors for 2023; (10) Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2023; (11) Resolution on Related (Connected) Party Transactions with Shandong Hi-Speed Group; (12) Appointment of External Auditors for 2024; (13) Change of the Domicile; (14) Proposed Amendments to the Articles of Association; and (15) Proposed Mandate to Issue Financial Bonds.

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 2023

For the Work Report of the Board of Directors for 2023, please refer to Appendix I to this circular.

2. Work Report of the Board of Supervisors for 2023

For the Work Report of the Board of Supervisors for 2023, please refer to Appendix II to this circular.

3. 2023 Annual Report

The Bank's 2023 annual report publishes 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 2023 AGM for consideration and approval as an ordinary resolution.

4. Final Accounts Report for 2023

The Group's 2023 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 2023 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 2023 is reported as follows, the amounts of which are expressed in RMB, prepared under the International Financial Reporting Standards ("IFRS"):

In 2023, the Group achieved an operating income of RMB8,735 million, representing an increase of RMB445 million or 5.36% as compared to the previous year; and a net profit of RMB2,116 million, representing an increase of RMB38 million or 1.82% as compared to the previous year.

As at the end of 2023, the Group recorded total assets of RMB391,877 million, representing an increase of RMB48,174 million or 14.02% as compared to the end of previous year; total liabilities of RMB363,869 million, representing an increase of RMB45,899 million or 14.43% as compared to the end of previous year.

LETTER FROM THE BOARD

5. Profit Distribution Plan for 2023

In accordance with the audited financial statements prepared under the Accounting Standards for Business Enterprises and IFRS, the Bank achieved a net profit of RMB1,715 million in 2023. Based on the profits of the Bank and the requirements under the relevant law and regulations, the proposed profit distribution plan for 2023 is as follows:

1. A statutory surplus reserve of RMB171 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 RMB438 million has been made.
3. An interest of RMB215 million has been distributed to the holders of perpetual bonds in December 2023.
4. Based on the total share capital of 5,980,058,344 Shares as at the end of 2023, a cash dividend of RMB10 (tax inclusive) will be distributed to ordinary share holders for every 100 Shares held by them, and a total cash dividend of RMB598 million (tax inclusive) will be paid. Dividend in respect of H Shares will be distributed in HKD at the prevailing exchange rate of the average of the median of exchange rate of RMB against HKD at the interbank foreign exchange market as published by the People’s Bank of China for five working days (including the day on which the 2023 AGM was held) prior to the date on which dividend was declared at the 2023 AGM.

Subject to the approval at the 2023 AGM, it is expected that the final dividend will be paid on or around May 31, 2024. There will be closure of H Share transfer of the Bank from Wednesday, May 8, 2024 to Monday, May 13, 2024 (both days inclusive). Shareholders whose name appeared in the register of H Shares and the register of Domestic Shares of the Bank on Monday, May 13, 2024 are entitled to receive final dividends. For H Shareholders who are eligible to receive the final dividends, all of their transfer documents together with the relevant H Share certificate shall be deposited to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, May 7, 2024 for registration.

LETTER FROM THE BOARD

6. Financial Budget for 2024

In view of the Bank's need for strategic development and business expansion, the Bank has prepared the capital expenses budget plan for 2024, and it is planned to invest RMB154.3120 million in 2024 with details as follows:

1. To invest fixed assets of approximately RMB65.3655 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 RMB42.1360 million, of which RMB19.3160 million is the estimated investment on the construction of adaptive monitoring and controlling systems, and RMB22.8200 million is investment on newly-constructed and upgraded and renovated business systems.
3. To invest renovation projects of approximately RMB46.8105 million, primarily for the renovation expenses on newly-constructed, renovated and upgrade of outlets in 2024.

7. Duty Report of the Independent Directors for 2023

For the Duty Report of the Independent Directors for 2023, please refer to Appendix III to this circular.

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 2023

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 2023, 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 2023

For the Report of the Board of Supervisors on Evaluation of the Performance of Duties by Supervisors for 2023, please refer to Appendix V to this circular.

10. Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2023

For the Report on the Control of Related Party Transactions and Evaluation of Shareholders for 2023, please refer to Appendix VI to this circular.

LETTER FROM THE BOARD

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. 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 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 2024 shall not exceed 1% of the net capital of the Bank as at the end of 2023.
- (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 2024 shall not exceed 1% of the net capital of the Bank as at the end of 2023.

LETTER FROM THE BOARD

- (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 2024 shall not exceed 1% of the net capital of the Bank as at the end of 2023.

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.

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 and has been ranked among the "Top 500 Enterprises of World" successively for many 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

LETTER FROM THE BOARD

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 2023, its total assets amounted to RMB1,445.0 billion. In the first three quarters of 2023, its total operating income amounted to RMB188.6 billion, and its net profit amounted to RMB10.5 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 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 2024

Reference is made to the announcement dated March 22, 2024 relating to the proposed change of domestic auditor.

BDO China Shu Lun Pan Certified Public Accountants LLP, the domestic external auditor of the Bank, has been providing audit services to the Bank over consecutive years and has reached the prescribed time limit stipulated in the Measures for the Administration of Selection and Employment of Accounting Firms by State-Owned Financial Enterprises (《國有金融企業選聘會計師事務所管理辦法》) (Cai Jin [2020] No. 6) issued by the Ministry of Finance of the PRC (the "Measures").

LETTER FROM THE BOARD

The Bank has conducted the selection process in accordance with the Measures, based on the results of the selection and with the recommendation of the Audit Committee of the Board (the “**Audit Committee**”), the Board proposed to appoint Zhongxinghua Certified Public Accountants LLP as the domestic auditor of the Bank for 2024.

BDO China Shu Lun Pan Certified Public Accountants LLP has confirmed that there are no matters in relation to their retirement that need to be brought to the attention of the Shareholders. The Board has also confirmed that there is no disagreement or unresolved matters with BDO China Shu Lun Pan Certified Public Accountants LLP and there are no other matters in relation to the proposed change of domestic auditor that need to be brought to the attention of the Shareholders.

Meantime, in order to maintain the consistency, continuity and stability of the audit, ensure the quality of auditing work, after the recommendation of the Audit Committee, the Board proposed to re-appoint BDO Limited as the international auditor of the Bank for 2024.

The term of engagement of Zhongxinghua Certified Public Accountants LLP and BDO Limited shall commence upon the conclusion of the 2023 AGM of the Bank until the conclusion of the 2024 annual general meeting of the Bank. An ordinary resolution will be proposed at the 2023 AGM to consider and, if thought fit, approve the appointment of Zhongxinghua Certified Public Accountants LLP and BDO Limited as the domestic and international auditors of the Bank for 2024, respectively.

The aggregate fee for the audit of consolidated and parent company financial statements of the Bank in 2024 (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 2024 will be RMB3.30 million, including related tariffs, and various miscellaneous expenses such as travel expenses and office expenses.

13. Change of the Domicile

Reference is made to the announcement dated March 22, 2024 relating to, among other things, the change of the domicile.

In order to further improve our service functions, optimize the operating environment and enhance our brand image, the Bank purchased the Digital Financial Center Building. Since the construction of the Digital Financial Center Building has completed, the Bank intends to relocate its headquarters to the new address and change its company address from No. 9 Baoquan Road, Weihai City to No. 137A, Qingdao North Road, Weihai City, Shandong Province (山東省威海市青島北路137A號).

The Bank will propose an ordinary resolution at the 2023 AGM and submit it to the Annual General Meeting for consideration and authorization for the Board, which authorizes the Chairman of the Board to handle all matters in relation to the change of company domicile.

LETTER FROM THE BOARD

14. Proposed Amendments to the Articles of Association

Reference is made to the announcement dated March 22, 2024 relating to, among other things, the proposed amendments to the Articles of Association.

In view of the upcoming change of company domicile of the Bank, the Bank further amended the Articles of Association in accordance with the electronic dissemination rules under the expanded paperless listing regime of Hong Kong Listing Rules, as well as in light of the actual conditions of the Bank.

The proposed amendments to the Articles of Association shall be subject to the approval of the National Financial Regulatory Administration Shandong Office after consideration and approval at the 2023 AGM by special resolution. The proposed amended Articles of Association shall be effective from the date on which an approval of the National Financial Regulatory Administration Shandong Office is obtained by the Bank.

The Bank will submit the proposal to be considered and, if thought fit, approved by the Shareholders of the Bank at the 2023 AGM, which, among other things, authorizes the Board of Directors and agrees the Board of Directors to re-authorize the Chairman of the Board to make necessary adjustment to the amendments according to the requirements of the regulatory authorities, and handle all matters related to the amendments to the Articles of Association such as application for approval, filing, announcement and industrial and commercial changes.

For details of the proposed amendments to the Articles of Association, please refer to Appendix VII of this circular. The amendments have been approved by the Board of Directors. The Articles of Association is prepared in Chinese and there is no official English version. Therefore, any English translation is for reference only and the Chinese version shall prevail in case of any inconsistency.

LETTER FROM THE BOARD

15. Proposed Mandate to Issue Financial Bonds

Reference is made to the Bank's announcement dated March 22, 2024 in relation to the proposed mandate to issue financial bonds.

In order to fully meet the needs of the Bank's asset structure optimization and capital allocation, further enhance its capital strength, optimize its capital structure, and improve its capacity to serve the real economy, the Bank plans to issue related bonds with a total amount of not more than RMB32 billion (inclusive) between 2024 and 2026, including non-capital financial bonds not exceeding RMB20 billion (inclusive), tier-two capital bonds not exceeding RMB6 billion (inclusive), and perpetual capital bonds not exceeding RMB6 billion (inclusive), details of which are as follows:

Size of the Issue: The size of bonds issuance will be not more than RMB32 billion between 2024 and 2026, including non-capital financial bonds not exceeding RMB20 billion (inclusive), tier-two capital bonds not exceeding RMB6 billion (inclusive), and perpetual capital bonds not exceeding RMB6 billion (inclusive). Such bonds may be issued in tranches.

Nature of the Bonds and Use of the Funds Raised: (I) The order of repayment of the principal and interest of non-capital financial bonds is the same as the general liabilities of commercial banks, and is ahead of commercial banks' long-term subordinated debts, tier-two capital instruments, hybrid capital bonds, other tier-one capital instruments, and equity capital. Funds raised from non-capital financial bonds will be used in accordance with applicable laws and regulations, regulatory approvals and relevant provisions of national industrial policies to optimize the Bank's mid-and long-term asset-liability structure, increase stable sources of mid- and long-term liabilities and support the development of mid- and long-term business, including issuing small and micro-enterprise loans, agriculture-related loans, green industry loans and other loans.

LETTER FROM THE BOARD

- (II) The order of repayment of the principal and interest of tier-two capital bonds and the order of payment of interest of tier-two capital bonds shall be after the depositors and general creditors, but before the equity capital, other tier-one capital instruments and hybrid capital bonds. Funds raised from tier-two capital bonds will be used to supplement the Bank's tier-two capital, optimize the capital structure, increase the level of capital adequacy, and enhance the capacity to resist risks and serve the real economy.
- (III) The order of repayment of the principal and interest of perpetual capital bonds shall be after the depositors, general creditors, and holders of subordinated debts that are superior to the perpetual capital bonds, but before the issuer's Shareholders holding all classes of shares. The perpetual capital bonds and other tier-one capital instruments with the same repayment order issued by the issuer are to be compensated in the same order. If the subsequent revision of Bankruptcy Law of the People's Republic of China (《中華人民共和國破產法》) or relevant laws and regulations stipulate otherwise to the issuer's debt compensation order, the relevant laws and regulations shall prevail. Funds raised from perpetual capital bonds shall be used to supplement other tier-one capital of the Bank, optimize the capital structure, increase the level of capital adequacy, and enhance the ability to resist risks and serve the real economy.

Types and Terms of
the Bonds:

The types of bonds include but not limited to non-capital financial bonds such as ordinary financial bonds, green financial bonds, special financial bonds for small and micro enterprises loans, tier-two capital bonds, and perpetual capital bonds. Perpetual capital bonds have no fixed terms, and the terms of all other types of bonds shall not exceed 10 years (inclusive). Within the overall scale of the planned issue, the proportion and scale of each type of bonds shall be finalized according to the actual needs of the Bank, market conditions or application level of investors before the issue.

LETTER FROM THE BOARD

| | |
|-------------------------|---|
| Coupon Rate: | The coupon rate of each tranche of bonds may adopt a fixed rate or a floating rate or a combination of the two in proportion. |
| Issue Method: | The issue of each tranche of bonds may adopt public issue or targeted issue, and the issue method shall be determined according to the needs of the Bank and market conditions. |
| Authorization: | It is proposed at the 2023 AGM to authorize the Board, and the chairman can be delegated to determine the specific bond issue types, issue scale, issue timing, terms, interest calculation method, forms of interest rates, interest rate levels, whether to issue by tranches, write-down or conversion of shares, the use of proceeds and other related matters based on the actual needs of the Bank, market conditions and management opinions. The operating management shall be responsible for the specific implementation. After each issue of bonds, the management shall report the issue status of the products to the Board in a timely manner. The authorization shall be valid within 36 months from the date of approval at the 2023 AGM. |
| Validity of Resolution: | Within 36 months from the date of approval at the 2023 AGM. |

A special resolution will be proposed at the 2023 AGM of the Bank to consider and, if appropriate, approve, to authorize the Board which may delegate to the chairman, subject to approval from relevant regulatory authorities, to determine the issue of financial bonds in tranches between 2024 and 2026, based on market conditions and other factors while the operation management shall be responsible for specific implementation of each bond issue.

LETTER FROM THE BOARD

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 Tuesday, April 30, 2024, 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 and a form of proxy for use at the Annual General Meeting have been sent to the Shareholders.

The Bank's register of members will be closed from Thursday, April 25, 2024 to Tuesday, April 30, 2024 (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 Thursday, April 25, 2024 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 Wednesday, April 24, 2024.

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 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 Monday, April 29, 2024) 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.

LETTER FROM THE BOARD

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 VII to this circular.

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

Weihai, the PRC

March 28, 2024

* 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 2023 marks the first year to fully implement the spirit of the 20th CPC National Congress and also a critical, intermediate year for the development strategy of the Bank during the 14th Five-Year Plan period. 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, and thoroughly implemented the guidelines and policies of the CPC Central Committee and the State Council and the requirements of financial regulatory authorities. In line with the development concept of “respecting growth and efficiency”, the Bank continued to deepen the reform and innovation, and made every effort to promote high-quality development. Meantime, the Bank successfully completed the objectives and tasks for 2023 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 2023, the Group’s total assets reached RMB391,877 million, representing an increase of 14.02% from the beginning of the year; the Bank’s net profit was RMB2,116 million, representing a year-on-year increase of 1.82%; non-performing loan ratio was 1.45%, representing a decrease of 0.01% from the beginning of the year; capital adequacy ratio was 13.38%, tier-one capital adequacy ratio was 10.41% and core tier-one capital adequacy ratio was 8.77%, with continuous compliance with all regulatory indicators.

I. OVERALL DEVELOPMENTS IN 2023

In 2023, amidst the intricate economic and financial environment, the Bank conscientiously implemented the work requirements of the Party Central Committee of taking keeping stability the top priority, and seeking progress while maintaining stability, and worked together and tenaciously to complete “eight major objectives” and unleash “eight major forces” in line with the work concepts of “three activities plus three persistences”, thus promoting and facilitating the advancement of all tasks.

(I) Upholding the Leadership of Party Building to Harness the Synergy for development

The Bank mainly adhered to the core guidance of Party building to harness the synergy for development. The Bank carried out thematic education on the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, held a conference to commend outstanding Party members, exemplary Party workers, and advanced community-level Party organizations, and established the Party-building brand of “Heart-oriented Party Building for Sound Development”. The Bank was honored two national grand awards, namely “Innovative Achievements for Enterprise Party Building Brands” and “Excellent Cases of Strengthening Enterprise with Brand”, which further garnered cohesion, centripetal force and creativity.

(II) Emancipating the Mind for Sustained Development

The Bank mainly made in-depth efforts to emancipate the mind and fortify its resilience for sustained development. The Bank prioritized major tasks and tackled difficult problems with a “focused heart”, pursued challenging targets with a “brave heart”, took practical actions with a “truth-seeking heart”, and seized

opportunities with a “hopeful heart”. The unwavering resolve, solid determination and sustained dedication laid a solid ideological foundation for the development of the Bank and facilitated the realization of objectives.

(III) Enhancing Capabilities Relying on Performance Growth

The Bank mainly enhanced the development strengths relying on sustained performance growth. **In terms of scale capability**, the Bank achieved steady growth in main businesses such as total assets, deposits and loans. **In terms of risk control capability**, the Bank remained stable in indicators such as non-performing loan ratio, capital adequacy ratio and provision coverage ratio, and achieved steady improvement in asset quality. **In terms of efficiency capability**, the Bank recorded stable improvement in efficiency indicators such as operating income, profit before provision, and net profit.

(IV) Forging Ahead to Tackle Challenges

The Bank focused on steadfastly tackling challenges to shape development momentum, and secured the “three major victories”. **In terms of strategic indicators, the Bank increased the market share of savings deposits.** The Bank’s balance of savings deposits amounted to RMB126.531 billion, representing an increase of RMB20.832 billion over that as at the beginning of the year, with a cumulative increase of RMB81.847 billion in the past five years. With sustained growth in market share, the Bank has achieved significant results in the reform of “Bi-Focus Retail Banking”. **The mobile banking business recorded an increase in total volume.** The number of mobile banking accounts reached 3.194 million, representing an increase of 660,900 over that as at the beginning of the year. With both total volume and growth ranking first among urban commercial banks in Shandong Province, the mobile banking business emerged as an accelerator and “nuclear weapon” for growth. **In terms of risk control, the Bank yielded success in goal-oriented strategies.** With focus on risk control goals as well as on key areas and processes, the Bank established special teams to take targeted actions. In order to fully implement the goals and regulatory requirements of preventing and resolving financial risks, and constantly improve risk control capabilities, the Bank strengthened work measures and intensified risk control efforts.

(V) Unleashing Potential Through Model Transformation

The Bank promoted the transformation of “three models” to unleash development potential. **In terms of digital model transformation**, the Bank has basically completed the development and construction of currently planned digital projects and put it into operation, which constantly empowered its business growth. **In terms of management and control model transformation**, the Bank continued to deepen system and mechanism reform by benchmarking against peer banks, and constantly enhanced its capabilities in vertical, professional, refined and linkage management. **In terms of business model transformation**, the Bank adhered to the approach of “transiting to retail business, inclusive business and featured business”, strengthened the management of large-amount credit, increased the placements in green finance, inclusive finance and supply chain, and gradually optimized its credit structure.

(VI) Enhancing Capabilities Through Special Activities

The Bank mainly conducted “three yearly activities” to enhance its development capabilities. **In terms of compliance capability**, the Bank organized the “Compliance Year” campaign, defined the goal of “Three Zeros and One Enhancement”, led all employees to sign the Compliance Pledge, established a “handsome reward and severe punishment” mechanism, and organized “Three 100s” trainings and major inspections on “Rules and Regulations, Supervision, Inspection, Assessment and Rectification”, so as to create a strong combative compliance atmosphere and consolidate the foundation for stable development. **In terms of platform capability**, the Bank conducted the “Inclusiveness Year” activities to promote online and offline linkage, diversified inclusive product system relying on financial technology, and deepened the “banking + fiscal instruments + guarantee” cooperation to launch a series of special products, with a view to expanding inclusive finance business through platform model. **In terms of supply capability**, the Bank conducted the “Green Development Year” activities, launched the brand of “Golden the Green”, and designed the “1+3+5+N” product mix. The Bank issued green finance bonds with a size of RMB5 billion, and the balance of green loans reached RMB26.021 billion, representing an increase of RMB10.070 billion or 63.13% over that as at the beginning of the year.

(VII) Invigorating Development Through Assessment and Adjustment

The Bank mainly gave play to the assessment a baton and navigator to invigorate development. In order to foster an environment prioritizing “proactive actions, competent capabilities and successful implementation”, the Bank deepened the implementation of the “exceptive talents system” through “bold personnel appointment and resolute personnel transfer”. The Bank followed the principles of distribution according to work and more pay for more work, and implemented accurate allocation of resources, accurate assessment of contributions and accurate rewards, so as to mobilize and protect the work enthusiasm across the Bank. The Bank optimize and adjust the assessment mechanism in a dynamic manner, and constantly revised and improved the assessment methods, thus ensuring reasonable, advanced and science-based assessment.

(VIII) Fostering Development Momentum Through Setting Benchmarks

The Bank mainly promoted benchmarking learning, set and created industry benchmarks to foster development momentum. Over the years, the Bank was successively honored the “Most Competitive Small and Medium Banks” (全國最具競爭力中小銀行), “Leader” of Corporate Standards in Bank Outlet Service in China (全國銀行營業網點服務領域企業標準“領跑者”), “Top 10 Mobile Banking Innovation in China” (全國十佳手機銀行創新獎), “Excellent Institution in Financial Innovation” (金融創新卓越機構), “First Prize of Modern Enterprise Management in Shandong Province” (山東省企業管理現代化一等獎) and “ESG Level A Company in Shandong

Banking industry” (山東省銀行業ESG “A類單位”), and ranked first in several assessments and competitions organized by superior departments and regulatory authorities, showcasing the continued improvement in our brand influence and social reputation.

II. MAIN WORK OF THE BOARD IN 2023

(I) Adhering to regulated operations and continuously deepening the construction of corporate governance

In line with the regulatory rules and the requirements of state-owned enterprise reform, the Board continued to strengthen its own construction, constantly improved systems and mechanisms, and made scientific decisions according to laws and regulations, thereby effectively enhancing corporate governance.

- 1. Strengthening corporate governance system.** While promoting the organic and scientific integration of the leadership of Party building with corporate governance, the Board set up a separate chapter in the Articles of Association, which establishes the “two-way entry and cross-appointment” leadership system and strictly implements the work mechanism of prior research and discussion by the Party committee before consideration by the Board. Through promoting the communication of information between the Party committee and the Board, the Party committee can fully play a leadership role in grasping the direction, controlling the situation and ensuring implementation, thus establishing a modern financial enterprise governance system with Chinese characteristics.
- 2. Improving self-development of the Board.** In order to continuously enhance the work quality and efficiency of the Board, the Board formulated the Work Plan for Deepening the Construction of the Board of Directors (《深化董事會建設工作方案》), scientifically optimized the composition of the Board and its special committees, and strictly implemented its operation mechanism featuring communication and research before meetings, scientific decision-making at meetings, and follow-up and implementation after meetings. In 2023, the Board held four meetings, at which 60 resolutions were considered. Special committees held 20 meetings, at which 67 resolutions were considered. A general meeting of Shareholders was convened, at which 13 resolutions were considered. Therefore, the Board can make scientific decisions on major issues, and promote the effective implementation of resolutions.

3. **Enhancing the quality and efficiency of Directors' performance of duties.** All Directors performed their duties in a diligent and conscientious manner, actively participated in learning and training activities, carried out in-depth investigations and researches, and attended meetings as scheduled, so as to understand the business operations from diverse sources and continuously enhance the capability to perform duties. Independent Directors gave full play to their independent and professional role, expressed independent opinions on matters such as profit distribution, related transactions, adjustment of Directors and appointment of senior management, and put forward professional opinions on matters such as reform and transformation, green finance and ESG construction, thereby fully performing their duties as Directors.

(II) Sustaining strategic focus and deepening high-quality development

The Board continued to fortify the strategic direction, bolster strategic confidence, maintain strategic focus, and enhance strategy implementation, so as to set strategic guidance for the transformation and development of the Bank and continuously improve development quality.

1. **Advancing strategy implementation.** Aligned closely with the development strategy of the Bank during the 14th Five-Year Plan period, the Board adhered to strategic positioning in value, region, market and brand, and unswervingly followed the distinct development path of digital-driven "Bi-Focus Retail Banking". In order to ensure the effective connection between development strategies and the business plans, the Board defined the guiding philosophy, work concepts, objectives and tasks, and work measures of the year, regularly heard business management reports, and tracked and evaluated the implementation of strategies, thereby promoting the efficient implementation of such strategies according to high standards.
2. **Deepening strategic transformation.** In line with national policies, regulatory requirements and industry trends, the Board steadfastly promoted the transformation of digital model, management and control model, and business model, and fully unleash the development potential of "effective management and growth" through transformation. The Board harnessed digital technologies to empower business development, optimized systems and mechanisms to ignite intrinsic motivation, and adjusted business structures to foster sustainable high-quality growth, with a view to bolstering endogenous motivation for reform and comprehensively enhancing core competitiveness.

3. **Strengthening capital management.** While implementing the concepts of capital constraints and value creation, the Board established a development model featuring coordinated growth between capital and assets, and adopted refined capital management practices to continuously augment the capacity of capital to underpin transformation and development. After the overall consideration of several factors such as regulatory requirements, business development and risk control, the Board formulated medium- and long-term capital plans and annual capital management plans on a rolling basis, and regularly conducted capital stress tests and planning assessments, thereby securing stable and reasonable capital indicators and the organic integration of business growth, value creation and capital utilization.

(III) Strictly adhering to the bottom line of risks and constantly forging a robust foundation for steady progress

The Board strictly adhered to the bottom line of risk compliance, promoted the improvement of the overall risk management system, and enhanced the quality and efficiency of compliance and internal control management, thus fostering the stable and robust growth of the Bank.

1. **Deepening overall risk management.** In order to improve the risk management system, the Board formulated the “Measures for the Implementation and Management of Expected Credit Loss” (《預期信用損失法實施管理辦法》), revised risk management systems including the Financial Management System (《財務管理制度》) and the Credit Risk Management Policy (《信用風險管理政策》), defined annual risk management strategies and risk preferences, considered special reports on risk management, and strengthened risk identification, monitoring and evaluation. With focus on risk prevention and control in key areas, the Board deepened the vertical management of employees in risk business lines and developed an intelligent risk control system, so as to effectively enhance the foresight and efficacy of risk management.
2. **Intensifying internal control and compliance system.** In order to improve the long-term mechanism for compliance management, the Board steadfastly carried out the “Compliance Year” campaign, promoted the construction of a compliance culture covering all employees, and deepened the compliance management and control system featuring “unwillingness, incapacity and reluctance to breach compliance”. The Board regularly reviewed reports on internal control evaluations, internal audits, consolidated management, data governance and business continuity, prioritized the management and control in areas such as anti-money laundering, anti-terrorist financing and case prevention, heard external audits and regulatory inspections,

and tracked the rectification and implementation of identified problems, so as to continuously fortify the bedrock of internal control and compliance management and enhance the effectiveness of internal control.

3. **Strengthening the management of related party transactions.** In order to optimize the management of related party transactions and improve the construction of related party transaction system, the Board established a cross-departmental office for related party transaction management, clarified the requirements of related party transaction management, strengthened the verification and penetration management of related parties and related party transactions, regulated the approval, reporting and disclosure procedures of related party transactions, and regularly heard reports on the control of related party transactions, thereby giving full play to the role of independent Directors in related party transaction management and continuously enhancing the management of related party transactions.

(IV) Prioritizing market communication and vigorously protecting the legitimate rights and interests of all stakeholders

In order to ensure compliant and efficient information disclosure, the Board proactively engaged in market communication, continuously reinforced equity management, and effectively safeguarded the legitimate rights and interests of investors.

1. **Enhancing the quality and efficiency of information disclosure.** In line with the principles of active and compliant disclosure, the Board earnestly fulfilled information disclosure obligations, expanded the disclosure dimensions of regular reports, proactively disclosed important matters such as related party transactions and bond issuance, ensured true, accurate, complete and timely transmission of information to the capital market, and continuously enhanced the effectiveness and transparency of information disclosure. In 2023, a total of 7 regular reports and 31 temporary announcements were disclosed to actively display the operating results and investment value of the Bank to the capital market and investors.
2. **Establishing a positive image in the capital market.** The Board continued expand communication channels with investors and diversify communication means, and proactively responded to market concerns through investor visits and roadshows. Through consistently conveying the operational highlights and investment value of the Bank to the market, the Board fostered a deeper understanding and recognition of the Bank among investors, formed a virtuous cycle between operation management and market value management, and established a positive image in the capital market.

3. **Protecting the legitimate rights and interests of Shareholders.** The Board paid attention to the ordinary management of Shareholders, prioritized the behavior management, commitment management and evaluation management of substantial Shareholders and major Shareholders, and regularly monitored the equity information of major Shareholders and Shareholders holding more than 1% of the shares, so as to ensure that substantial Shareholders and major Shareholders perform their obligations and exercise in a regulated manner. Meantime, the Board intensified efforts to protect the interests of small and medium investors, and leveraged full information disclosure as a conduit to maintain sound communications with investors through investor hotlines, investor emails and other channels, thus effectively protecting the rights and interests of small and medium Shareholders.

(V) Paying attention to social responsibility and fulfilling integral role in supporting the overall deployment

While vigorously embracing the development concepts of innovation, coordination, green development, openness and shared development, the Board endeavored to embody the ethos of “happy employees, satisfied customers, creating added value for Shareholders, and fulfilling social responsibilities”, so as to serve the new development paradigm and promote sustainable and high-quality economic and social development.

1. **Polishing the foundation of green finance.** In line with the national green and low-carbon transformation and based on the construction of the pilot zone for green, low-carbon and high-quality development in Shandong Province, the Bank actively integrated into the overall green development trend leveraging the momentum of establishing a national pilot zone for green finance reform and innovation in Weihai City. The Board formulated the Three-Year Action Plan for Green Finance (2023-2025) (《綠色金融三年行動方案(2023-2025)》), which designated 2023 as the “Green Development Year”. In order to effectively serve green, low-carbon and high-quality development, the Board researched and formulated the key areas and strategies for green finance business, diversified the product mix to create a green brand, and expanded the role of green finance as an important driving force for fulfilling social responsibilities and serving the real economy. The Bank’s proposal of “Improving Green Financial Service Capabilities and Implementing Green, Low-Carbon Transformation Strategy” (提升綠色金融服務能力，落實綠色低碳轉型戰略) was selected into the “2023 Excellent ESG Practice Cases” (2023年ESG優秀實踐案例) by the China Association for Public Companies.

2. **Championing the mission of inclusive finance.** The Bank implemented national financial policies and bolstered financial services in key areas and underserved segments of the real economy. The Board formulated the Three-Year Action Plan for the High-Quality Development of Inclusive Finance (2023-2025) (《普惠金融高質量發展三年行動方案(2023-2025)》), which designated 2023 as the “Inclusiveness Year”. Through launching innovative online inclusive financial products and improving the service model for small and micro enterprises, the Bank established a full-process financial service system to support, bolster and invigorate agricultural development based on the regional industrial characteristics of agriculture and rural areas in Shandong Province, thus undertaking the mission of serving high-quality local economic and social development. The Bank’s “Innovation Case on Focusing on Marine Economy and Supporting Rural Revitalization” (《聚焦海洋經濟，助力鄉村振興》) was awarded as an “2023 Excellent Case on Financial Service Innovation for Rural Revitalization” (2023年度鄉村振興金融服務創新優秀案例) by The Banker.

3. **Actively fulfilling social responsibilities.** Adhering to the “people-oriented” development philosophy, the Bank intensified product and service innovation, relied on digital empowerment to provide consumers with safe, professional, and first-class financial service experience, and actively safeguarded the legitimate rights and interests of consumers. The Bank took various measures to protect the rights and interests of employees, support charitable endeavors and contribute meaningfully to the society. The Bank published the annual Environmental, Social and Governance (ESG) Report and the Environmental Information Disclosure Report in a timely manner, and enhanced economic, social, and ecological benefits. The Bank’s “Assuming Social Responsibility and Creating a Bright Future Together” (《承擔社會責任，揚帆共創未來》) was honored the “Social Responsibility Cases of the Year” (社會責任年度案例獎) by China Financial Publishing House.

III. KEY WORK AND ARRANGEMENTS OF THE BOARD IN 2024

In light of the current situation and based on the actual development of the Bank, the Bank has formulated the following guiding philosophy, work concepts and objectives for 2024:

1. **Guiding philosophy:** Guided by the spirits of the 20th CPC National Congress, the Central Financial Work Conference and the Central Economic Work Conference, we will adhere to the general principle of seeking progress while maintaining stability, take promoting high-quality development as the theme, with providing high-quality services as the main line, follow the general trend of the times, implement regulatory requirements, follow the concept of “respecting growth and efficiency”, maintain strategic endurance,

deepen reform and transformation, practice the “Five Concepts (五化理念)” (simulation, specifics, rehearsal, precision and verticality), and carry forward the “Seven Spirits (七大精神)”. 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)”.

2. **Work concepts:** We will adhere to the work concepts of “three focuses and one improvement (三抓一提升)”. “Three focuses” means focusing on quality with more solid foundation, focusing on compliance with fighting spirits, and focusing on growth with targeted transformation. “One improvement” means effectively improving core competitiveness.
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 work goals, we will focus our work on the following ten aspects to achieve ten major improvements in 2024: be loyal to the Party and strengthen its leading position; implement the spirits of central work conferences and enhance strategic awareness; focus businesses on improving quality and efficiency; promote targeted transformation to empower growth; implement fighting spirits to correct non-compliance; conduct effective assessment to provide better guidance; seek truth through learning and enhance professional capability; promote smart office and enhance reputation; create an atmosphere to improve corporate culture; and put people first and improve indexes. With focus on the above ten aspects and ten major improvements, the key work arrangements of the Board for 2024 are as follows:

(I) Setting development direction under the leadership of the Party

The Board will always adhere to the centralized and unified leadership of the Party over financial work, actively embody the political and people-centric essence of financial work, give full play to the core leadership of Party building, and achieve the mutual integration, facilitation and improvement between Party building and development.

1. **Guiding corporate governance.** The Board will continue to promote the organic integration of Party building guidance and corporate governance, improve the corporate governance structure of “overall leadership by Party committee, strategic decision-making by the Board, supervision by the Board of Supervisors according law, and operations by senior management”, refine corporate governance systems such as prior research for major matters by the Party committee, and strengthen corporate governance mechanisms such as information sharing and decision-making communication, so as to further enhance corporate governance under the guidance of Party building.

2. **Guiding ideological construction.** In line with the concept of “strengthening Party building to uphold ideals and beliefs” and under the theme of “consolidating foundations for solid progress and promoting targeted transformation for a better future”, the Board will carry out in-depth discussions on emancipating the mind, take practical actions and promote growth with focus on “Diligent Heart”, so as to continuously stimulate the entrepreneurship enthusiasm of employees across the Bank and lay a solid ideological foundation for development.

3. **Guiding key tasks.** Adhering to the strategy of “Party building extends to every business”, the Board will leverage Party building as a guiding force for key tasks such as business growth, customer services, risk control, and safety and stability maintenance, and continuously build a distinctive Party building brand. Through transforming the political advantages of the Party into development advantages, the Board will drive high-quality development with high-quality Party building which serves as a potent driving force for the development of the Bank.

(II) Deepening reform and transformation for targeted growth

While earnestly implementing the policy requirements of pursuing progress while ensuring stability, promoting stability through progress, and establishing the new before abolishing the old, the Board will focus on transforming methods, adjusting structure, improving quality and increasing efficiency, and unswervingly deepen reform and transformation, so as to unleash potential through reform and drive growth through transformation.

1. **Targeted strategic planning.** With focus on the areas of technology finance, green finance, inclusive finance, pension finance and digital finance to serve the real economy, the Board has established six management committees covering technology finance, green finance, inclusive finance, pension finance, digital finance and compliance management, for which three-year action plans were formulated separately to set annual goals and define measures. Through systematic planning and forward-looking deployment of key tasks from a strategic perspective, the Board will continue to improve the strategic management of transformation and development and ensure transformation in line with national policy guidance and the needs of the real economy.

2. **Targeted and effective transformation.** Following the transformation concept of “respecting growth and efficiency”, the Board remains steadfast in “unswerving transformation for securing business growth”, with growth serving as the ultimate criterion to test the effect of transformation. The digital transformation will focus on enhancing the growth of “utilization”, and emphasize the utilization rate, satisfaction rate and timeliness of transformation projects, thus directly

empowering business growth. The management and control transformation will focus on enhancing the growth of “capability”, and continually optimize systems and mechanisms by benchmarking against peer banks, so as to indirectly promote business growth. The business transformation will focus on enhancing the growth of “adjustment”, and steadfastly promote the “transition to retail business, inclusive business and featured business” to achieve connotative growth.

3. **Targeted improvement in business quality.** While pursuing business growth, the Board also attaches significance to enhancing quality and efficiency. In terms of liability business, the Board will uphold the adage that “deposits are the foundation of the Bank”, and continue to optimize the liability structure while maintaining stable scale. In terms of asset business, the Board will increase credit placements and develop innovative service models to bolster comprehensive income. A number of measures such as controlling costs and increasing placements will be adopted to achieve steady growth in operating efficiency.

(III) Adhering to the bottom line of compliance to effectively prevent and control risks

In strict accordance with the principles and requirements of prudent and stable operation, the Board will continue to improve the long-term mechanism for internal control compliance, strengthen the construction of an overall risk management system, and further enhance compliance awareness and risk control capability, thus facilitating the stable and long-term development of the Bank.

1. **Fortifying compliance efforts.** In an effort to deepen “Compliance Year” series activities, the Board will, building upon the achievements of the “Compliance Year” campaign in 2023, designate 2024 as the “Resolved Compliance Year” and 2025 as the “Significant Compliance Improvement Year”, showcasing our determination to uphold fighting spirit and intensify fighting efforts. Through building a “compliance community” where every employee practices, shoulders and protects compliance, the Bank can secure healthy, high-quality and long-term development relying on compliance culture.
2. **Intensifying risk prevention and control.** Embracing a bottom-line approach to risk management, the Board will continue to enhance awareness of risks, improve the risk management system, optimize management and control processes, and deepen system support. With focus on key areas and processes, the Board will improve forward-looking, all-domain and proactive risk management and establish a robust risk prevention and control barrier, further enhancing risk prevention and control capabilities and skills.

(IV) Strengthening support capability to enhance capital strength

Aligned with the capital needs of development strategy, business expansion, and risk prevention and control, the Board will continue to improve the capital management system and replenishment mechanism, formulate scientific capital planning, reinforce endogenous capital accumulation, facilitate exogenous capital replenishment, and further optimize the capital structure, so as to enhance capital strengths and the support of capital for development. At the same time, the Board will continue to strengthen the concept of capital constraints, improve the capital allocation method linking capital utilization with income returns, and establish a development model for coordinated growth of capital and assets, with a view to further enhancing capital efficiency and value creation capabilities, and ensuring compliance with regulatory requirements.

(V) Fulfilling social responsibilities and enhancing brand image

The Board will actively integrate into the national strategy of stepping up building China into a strong financial power. While providing high-quality financial services for economic and social development, the Board will fulfill the social responsibilities of a financial institution, and build an outstanding listed bank with faith, responsibility and value. Embracing the concept of green and sustainable development with Environmental, Society and Governance (ESG) as the core, the Board will accelerate the development of green finance, build a regional benchmark bank for green finance, and contribute financial strength to the green and low-carbon economic and social transformation. The Board will continue to protect the rights and interests of financial consumers, and deeply embed it in business and management processes through multi-level, multi-channel and multi-form measures, thus effectively protecting the legitimate rights and interests of financial consumers. The Board will continue to improve the professional, compliant and effective information disclosure, strengthen communication and interaction with the capital market, and fully display the development results and investment value of the Bank.

In response to new developments and new tasks in 2024, the Board will work with the management to promote the team spirit of “unity, hard work, pioneering spirit and striving for the best”, and achieve the goal of “ensuring stability, progress and prosperity of businesses” relying on our diligent, professional and confident workforce, so as to fully promote sustainable and high-quality development and create a better future for the development of the Bank.

In 2023, the Board of Supervisors of the Bank adhered to the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and strictly complied with the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China, 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, 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 2023

(I) Standardize the Operation Process and Perform supervisory functions efficiently

1. **The Board of Supervisors tightened its rules of procedures and convened meetings regularly.** During the Reporting Period, the Board of Supervisors carried out the by-election, nomination and review procedures for the Chairperson of the Supervision Committee, and the by-elected supervisors has officially taken office after elected by the Board of Supervisors. The Board of Supervisors convened four meetings, at which 27 proposals were considered and 41 proposals were heard. The special committees of the Board of Supervisors convened five meetings, at which 22 proposals were considered. The Board of Supervisors attended one Shareholders' general meeting and was present at four meetings of the Board of Directors, to timely learn the performance of the governance department, receive the information in decision-making, finance and internal risk control and effectively exercise the supervisory function.
2. **The Board of Supervisors attended various meetings and enriched participation methods.** 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 supervise the legality and compliance of proceedings, decision-making process, information disclosure and other aspects.

(II) **Closely follow the key points of supervision and improve the efficiency of supervision in key areas**

1. **The Board of Supervisors reinforced performance supervision and promoted the implementation of regulatory requirements.** During the Reporting Period, 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 intensified its financial supervision to improve financial management.** Firstly, 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. Secondly, the Board of Supervisors supervised the operation of Shareholders' general meetings, the Board and its special committees, focused on supervising important financial decisions of the Board and senior management and their implementation, 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. 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.

3. **The Board of Supervisors strengthened its supervision on internal risk control and supervised the prevention and resolution of risks.** 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 supervised 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) Intensifying research and communication and strengthening daily supervision

Firstly, the Board of Supervisors improved the performance evaluation process. The Board of Supervisors prepared the list of duty performance, organized Supervisors to extensively learn and understand the list; established supervision ledgers according laws, regulations and regulatory requirements 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; and earnestly carried out annual performance evaluation, and strengthened the application of performance evaluation results. **Secondly, the Board of Supervisors enhanced the quality and efficiency of research work.** The Board of Supervisors gave full play to the liaison and communication with the Board and senior management during its research, made exchanges on recent key supervision work, gained real time information on the business management and risks, timely identified and feed-backed problems and urged rectification, providing comprehensive support for the Board of Supervisors to play its role in supervising and promoting rectification. **Thirdly, the Board of Supervisors gave full play to the role of employee Supervisors.** The

Board of Supervisors carried out the work reports of employee Supervisors at the employees' representative meeting, in order to reflect the demands of employees and actively accept the supervision of all employees. **Fourthly, the Board of Supervisors enhanced the capability of Supervisors to perform their duties.** The Board of Supervisors organized Supervisors to attend the learning and training on businesses, participate in relevant training organized by the China Banking Association, and focus on learning relevant systems of the Board of Supervisors, thus enhancing their capability to perform duties. **Fifthly, the Board of Supervisors intensified communications and urged relevant departments to implement rectifications.** The Board of Supervisors learned from the advanced supervision experience of peer banks, maintained smooth reporting and communication channels with regulatory authorities and governments at all levels, closely monitored the changes in regulatory systems and the implementation of regulatory opinions, and urged functional departments to earnestly rectify identified problems in accordance with regulatory requirements.

II. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON MATTERS OF CONCERN TO THE BANK IN 2023

- (I) Operation in compliance with laws and regulations.** 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. No violation of laws and regulations or any act detrimental to the interests of the Company and the Shareholders have been detected.
- (II) Authenticity of the financial report.** The preparation and review procedures of the financial report comply with laws, regulations and regulatory requirements, which 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.** There was no insider trading, damage to the rights of Shareholders, or loss of assets in the Bank's acquisition and disposal of assets.
- (IV) Related party transactions.** 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 Company, 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 Company and the Shareholders.
- (V) Internal control.** During the Reporting Period, 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. The Bank fulfilled its information disclosure obligations as a listed company according to regulatory requirements, refined its information disclosure mechanism, 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

During the Reporting Period, external supervisors of the Board of Supervisors of the Bank chair the Nomination Committee and the Supervision Committee under the Board of Supervisors. During the Reporting Period, 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 2024

In 2024, the Board of Supervisors will closely follow the guiding philosophy and work concepts of the Bank, implement the work requirements of the superior Party committee, governments and regulatory departments of the Bank, 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), carry forward the Seven Spirits (七大精神), 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 supervisory duties diligently and efficiently, and effectively safeguard the legitimate rights and interests of Shareholders and stakeholders.

(I) Strictly abiding by work procedures and carefully carrying out supervisory inspection

Firstly, the Board of Supervisors will efficiently perform supervision functions, carefully carry out supervisory inspections, supervise and guide the audit department to conduct audit inspections on financial activities, operating decisions, risk management and internal control of the Bank, and convene meetings of the Board of Supervisors according to regulations to consider relevant proposals on supervision matters. Secondly, the Board of Supervisors will supervise the rectification and improvement of problems found in the Bank during regulatory inspections, and strictly enforce system standards, inspection standards, reward and punishment standards, so as to avoid the repeated occurrence of identified problems, build a solid compliance defense line for the development of the Bank, and ensure the safe and stable operation of the Bank.

(II) Underscoring supervision and providing efficient supervision

Firstly, the Board of Supervisors will strengthen the supervision of 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 advice and supervising implementation in a pragmatic manner.

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

Firstly, the Board of Supervisors will regard problems 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, and information enquiries, to understand and grasp operational management and business development, and to enhance the independence and effectiveness of its supervision.

(IV) Strengthening self-development and enhancing the capability to perform 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.

In 2024, the Board of Supervisors will strictly follow relevant regulations to regulate its supervision work, perform its duties in a diligent and responsible manner, continuously diversify supervision means and methods, further and enhance its capability to perform duties, so as to better perform supervision duties, enhance the efficiency of supervision work and contribute more to the high-quality development of the Bank!

In 2023, 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 C1 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 2023 is now reported as follows:

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

As of the end of 2023, the Board of Directors of the Bank comprised a total of five independent Directors, namely Mr. FAN Chi Chiu (范智超), Mr. WANG Shaohong (王紹宏), Ms. SUN Zuying (孫祖英), Mr. WANG Yong (王勇) and Mr. YANG Yunhong (楊雲紅). The number of independent Directors of the Bank was no less than one-third of the total number of Directors of the Board. The Audit Committee and the Nomination and Remuneration Committee were composed mostly of independent Directors. The proportion of independent Directors in the Related Party Transactions Control Committee and the Risk Management 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. 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 a partner of Gongwei (Hainan) Family Governance Center (Limited Partnership) (共為(海南)家族治理中心(有限合伙)), 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), an executive director of Shenzhen Nanyue Network Technology Co., Ltd. (深圳南月網絡科技有限公司) 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).

APPENDIX III DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2023

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).

Mr. YANG Yunhong (楊雲紅), with a doctorate degree in probability statistics, has served as an independent Director of the Bank since October 2023. He is currently a professor of the Guanghua School of Management of Peking University (北京大學光華管理學院), and an independent director of Xinghe Fund Management Co., Ltd. (興合基金管理有限公司).

II. ANNUAL PERFORMANCE OF DUTIES

In 2023, the Bank convened 1 annual general meeting to consider 13 proposals, 4 Board meetings to consider a total of 60 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 during the Reporting Period is as follows:

| Independent Directors | 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 |
| FAN Chi Chiu (范智超) | 1/1 | 4/4 | — | 2/2 | — | 4/4 | — |
| WANG Shaohong (王紹宏) | 1/1 | 4/4 | 2/2 | 2/2 | — | — | 7/7 |
| SUN Zuying (孫祖英) | 1/1 | 4/4 | 2/2 | — | 4/4 | — | 7/7 |
| WANG Yong (王勇) | 1/1 | 4/4 | — | 2/2 | 4/4 | 4/4 | — |
| YANG Yunhong (楊雲紅) | — | 1/1 | — | — | — | — | 1/1 |
| Resigned independent Directors | | | | | | | |
| SUN Guomao (孫國茂) | 1/1 | 3/3 | 1/2 | 2/2 | — | — | 5/6 |

Note: Mr. YANG Yunhong was elected as an independent Director of the Bank at the 2022 annual general meeting dated May 30, 2023, and his qualifications of directorship were approved by the National Financial Regulatory Administration Shandong Office on October 30, 2023. At the same time, Mr. SUN Guomao ceased to perform the duties of independent Director of the Bank on behalf.

In 2023, 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 2023, the independent Directors of the Bank provided 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 senior management members, the appointment of accounting firms for regular statutory audits of the Company'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 2023, 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 2023, the independent Directors of the Bank performed 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 2024, 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: FAN Chi Chiu, WANG Shaohong, SUN Zuying, WANG Yong and YANG Yunhong.

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》), 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 2023. The specific information is reported as follows:

I. PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS

During the Reporting Period, the Board of Directors of the Bank adhered to the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and thoroughly implemented the guidelines and policies of the CPC Central Committee and the State Council and the requirements of financial regulatory authorities. In line with the development concept of “respecting growth and efficiency”, the Bank continued to deepen the reform and innovation, and made every effort to promote high-quality development. Meantime, the Bank successfully completed the objectives and tasks for 2023 set by the general meeting of Shareholders, and effectively protected the legitimate rights and interests of Shareholders and other stakeholders.

- (I) **Governance mechanism.** In line with the regulatory rules and the requirements of state-owned enterprise reform, the Board continued to strengthen its own construction, constantly improved systems and mechanisms, and makes scientific decisions according to laws and regulations, thereby effectively enhancing corporate governance. In order to promote the organic and scientific integration of the leadership of Party building with corporate governance, the Board set up a separate chapter in the Articles of Association, which establishes the “two-way entry and cross-appointment” leadership system and strictly implements the work mechanism of prior research and discussion by the Party committee before consideration by the Board. Through promoting the communication of information between the Party committee and the Board, the Party committee can fully play a leadership role in grasping the direction, controlling the situation and ensuring implementation, thus establishing a modern financial enterprise governance system with Chinese characteristics.

The Board 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, make scientific decisions on major issues, offer objective and fair evaluation and advice on the performance of senior 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. The Board formulated the Work Plan for Deepening the Construction of the Board of Directors (《深化董事會建設工作方案》). In 2023, the Board held four meetings, at which 60 resolutions were considered, and convened a general meeting of Shareholders, at which 13 resolutions were considered.

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 20 meetings of special committees to consider 67 resolutions.

- (II) **Strategic decision-making.** The Board continued to fortify the strategic direction, bolster strategic confidence, maintain strategic focus, and enhance strategy implementation, so as to set strategic guidance for the transformation and development of the Bank. Aligned closely with the development strategy of the Bank during the 14th Five-Year Plan period, the Board defined the guiding philosophy, work concepts, objectives and tasks, and work measures of the year, adhered to strategic positioning in value, region, market and brand, unswervingly followed the distinct development path of digital-driven “Bi-Focus Retail Banking”, and steadfastly promoted the transformation of digital model, management and control model, and business model, and fully unleash the development potential of “effective management and growth” through transformation. In order to ensure the effective connection between development strategies and the business plans, the Board defined the guiding philosophy, work concepts, objectives and tasks, and work measures of the year, regularly heard business management reports, and tracked and evaluated the implementation of strategies, thereby promoting the efficient implementation of such strategies according to high standards and continuously enhancing development quality.
- (III) **Risks and internal control.** In line with the concept of operating in compliance with laws, the Board improved the long-term mechanism for compliance management, steadfastly carried out the “Compliance Year” campaign, regularly reviewed reports on internal control evaluations, internal audits, consolidated management, data governance and business continuity, prioritized the management and control in areas such as anti-money laundering, anti-terrorist financing and case prevention, paid attention to external audits and regulatory inspections, and tracked the rectification and implementation of identified problems, so as to enhance the effectiveness of internal control. In order to optimize the management of related party transactions and improve the construction of related party transaction system, the Board established a cross-departmental office for related party transaction management, and strengthened the verification and penetration management

of related parties and related party transactions, thus continuously enhancing the management of related party transactions. In an effort to improve the risk management system, the Board formulated the “Measures for the Implementation and Management of Expected Credit Loss” (《預期信用損失法實施管理辦法》), revised risk management systems including the Financial Management System (《財務管理制度》) and the Credit Risk Management Policy (《信用風險管理政策》), defined annual risk management strategies and risk preferences, considered special reports on risk management, and strengthened risk identification, monitoring and evaluation. With focus on risk prevention and control in key areas, the Board deepened the vertical management of employees in risk business lines and developed an intelligent risk control system, so as to effectively enhance the foresight and efficacy of risk management. 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, implemented the concepts of capital constraints and value creation, established a development model featuring coordinated growth between capital and assets, and adopted refined capital management practices to continuously augment the capacity of capital to underpin transformation and development. The Board was able to effectively perform their duties and responsibilities as to the internal capital adequacy assessment, capital management and advanced capital measurement method. The Board formulated medium- and long-term capital plans and annual capital management plans on a rolling basis, and regularly conducted capital stress tests and planning assessments, thereby securing stable and reasonable capital indicators and the organic integration of business growth, value creation and capital utilization.
- (V) **Information disclosure and social responsibility.** The Board strictly abided by domestic and overseas regulatory requirements, earnestly fulfilled information disclosure obligations in line with the principles of active and compliant disclosure, expanded the disclosure dimensions of regular reports, proactively disclosed important matters such as related party transactions and bond issuance, ensured true, accurate, complete and timely transmission of information to the capital market, and continuously enhanced the effectiveness and transparency of information disclosure. In 2023, a total of 7

regular reports and 31 temporary announcements were disclosed, forming a virtuous cycle between operation management and market value management, and establishing a positive image in the capital market.

The Board actively discharged its social responsibilities, implemented the development concepts of innovation, coordination, green development, openness and shared development, and endeavored to embody the ethos of “happy employees, satisfied customers, creating added value for Shareholders, and fulfilling social responsibilities”, so as to promote sustainable and high-quality economic and social development. **In terms of polishing the foundation of green finance**, the Board formulated the Three-Year Action Plan for Green Finance (2023-2025) (《綠色金融三年行動方案(2023-2025)》), which designated 2023 as the “Green Development Year” to diversify its product mix. The Bank was selected into the “2023 Excellent ESG Practice Cases” (2023年ESG優秀實踐案例) by the China Association for Public Companies. **In terms of championing the mission of inclusive finance**, the Board formulated the Three-Year Action Plan for the High-Quality Development of Inclusive Finance (2023-2025) (《普惠金融高質量發展三年行動方案(2023-2025)》), which designated 2023 as the “Inclusiveness Year” to improve the service model for small and micro enterprises. The Bank was awarded as an “2023 Excellent Case on Financial Service Innovation for Rural Revitalization” by The Banker. **In terms of actively fulfilling social responsibilities**, the Bank actively safeguarded the legitimate rights and interests of consumers, took various measures to protect the rights and interests of employees, support charitable endeavors and contribute meaningfully to the society. The Bank published the annual Environmental, Social and Governance (ESG) Report and the Environmental Information Disclosure Report in a timely manner, and enhanced economic, social, and ecological benefits. The Bank was honored the “Social Responsibility Cases of the Year” (社會責任年度案例獎) by China Financial Publishing House.

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 15 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 2023, 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 2023, 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, attended over two-thirds of the Board meetings in person. Individual Directors unable to attend the meetings in person over special reasons entrusted other Directors to attend the meeting on their behalf as required under the Articles of Association. 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 2023, 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 made 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, especially unplanned major matters including investments, leasing, purchase and disposal of assets, and guarantees; 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 2023, 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 2023, 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, or violating laws, regulations and the Articles of Association.

(VI) Performance evaluation of independent Directors

In 2023, 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. Independent Directors gave full play to their independent and professional role, made independent decisions on and supervised matters considered at the meetings of Shareholders and the Board, expressed independent opinions on matters including profit distribution, related party transactions, nomination and appointment of Directors, appointment of senior management, appointment of auditors to conduct regular statutory audits of corporate financial reports and internal control, and put forward professional opinions on matters including reform and transformation, green finance and ESG construction, thereby fully performing their duties as Directors. Independent Directors remained attentive to the operation standardization and procedural legality of the Board and its committees, and expressed objective and fair independent opinions especially on major related party transactions, profit distribution, and matters that may have a significant impact on the legitimate rights and interests of the Bank, small and medium Shareholders and financial consumers.

The Board of Supervisors considers that during the Reporting Period, 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

During the Reporting Period, the senior management was able to champion the leadership of the Party, adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, abide by laws and regulations, regulatory requirements and the Articles of Association of the Bank and systems, and resolutely implement the resolutions of Shareholders' general meetings and the meetings of the Board of Directors and the Board of Supervisors, development strategies and business plans. In line with the general principle of seeking progress while maintaining stability at work, the senior management was able to adhere to the work concepts of "three activities plus three persistences", carry forward the "Seven Spirits", and practice the "Five Concepts". The senior management made active measures to fully promote the transformation of "three major models", deepened "three yearly activities", and implemented development strategies and business plans, thus continuously improving market-based capabilities and successful completing goals and tasks set by the Board. The Board effectively performed their duties in the capital management and 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. Therefore, the Bank achieved an increase operating income, stable quality indicators, steady improvement in efficiency indicators as well as record high growth.

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 daily supervision by the Board of Supervisors.

During the Reporting Period, the members of senior management were able to strictly abide by the laws, regulations and rules and the internal policy requirements of the Bank, closely follow the guiding operation philosophy and work concepts of the Bank, and earnestly implement the requirements of the resolutions of the meetings of Shareholders and the Board. In line with the general principle of seeking progress while maintaining stability at work, the members of senior management were able to adhere to the work concepts of “three activities plus three persistences”, carry forward the “Seven Spirits”, and practice the “Five Concepts”. The members of senior management made active measures to fully promote the transformation of “three major models”, deepened “three yearly activities” to enhance market-based capabilities, and further facilitated model transformation to empower business development and improve risk control capabilities. Meantime, the members of the senior management efficiently performed their duties in the spirits of faithfulness, honesty and diligence, and completed the tasks of their respective business lines, 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. 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 during the Reporting Period, all senior management members diligently and faithfully performed their responsibilities and were deemed competent in the year-end performance evaluation.

APPENDIX V REPORT OF THE BOARD OF SUPERVISORS ON EVALUATION OF THE PERFORMANCE OF DUTIES BY SUPERVISORS FOR 2023

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)》), the Work Guidelines for the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》), the Articles of Association and the Measures for Performance Evaluation of Members of 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 conducted duty performance evaluations on the members of the eighth session of the Board of Supervisors of the Bank. The specific information is reported as follows:

I. CONTENT OF EVALUATION

According to laws, regulations and regulatory requirements, the Board of Supervisors conducted evaluations on the duty performance of Supervisors mainly from the perspectives of championing the leadership of the Party and fulfilling obligations of good faith, diligence, professionalism, independence and ethical standards, and compliance in performance of duties.

II. EVALUATION METHOD

According to the Measures for Performance Evaluation, the Board of Supervisors of the Bank comprehensively evaluated the performance of duties by the Supervisors of the Bank for the year 2023 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.

III. PERFORMANCE OF DUTIES BY SUPERVISORS

- (I) **Adhering to the leadership of the Party and conducting supervision according to law.** Adhering to the core leadership and political role of the Party organization and in line with the principle of putting the Party committee first, all Supervisors conscientiously carried out duty performance supervision, financial supervision, internal control and risk supervision, fully expressed supervisory opinions, paid close attention to the implementation of regulatory opinions and the rectification and accountability of identified problems by the Bank, and supervised the compliance of the agenda and voting procedure of Shareholders' general meetings and Board meetings. 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.

- (II) **Performance of the good faith obligation.** During the Reporting Period, 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.
- (III) **Performance of the diligence obligation.** During the Reporting Period, the Supervisors devoted sufficient time and efforts to participating in the Bank's affairs, with their working hours during the year in line with regulatory requirements. They attended a total of four meetings of the Board of Supervisors to consider and approve 27 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 four Board meetings. All Supervisors were able to actively attend meetings with 94.29% 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 and 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.

- (IV) **Performance of the professionalism obligation.** During the Reporting Period, 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.
- (V) **Independent performance and ethical standards.** During the Reporting Period, 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.
- (VI) **Compliant performance.** During the Reporting Period, 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.

IV. PERFORMANCE OF DUTIES BY EXTERNAL SUPERVISORS

During the Reporting Period, the Supervisors were able to actively perform their duties as Supervisors, with their working hours 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.

V. COMPREHENSIVE PERFORMANCE EVALUATION

In 2023, the Supervisors were able to actively participate in the meetings of the Board of Supervisors and its special committees and attend the meetings of Shareholders and the Board according to the relevant requirements of laws and regulations, the Articles of Association of the Bank and relevant policies on the Board of Supervisors. The Supervisors paid attention to the Bank's major issues, conscientiously performed the rules of procedures, and faithfully performed supervision duties, independently expressed supervisory opinions, practically safeguarded the interests of the Bank, Shareholders, employees, creditors and other stakeholders, and actively made contributions to the sustainable and healthy development of the Bank. All Supervisors were deemed competent in their year-end performance evaluation.

In 2023, 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 of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), 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》), 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 2023 (the "beginning of the Reporting Period" is December 31, 2022 and the "end of the Reporting Period" is December 31, 2023) is reported as follows.

I. WORK OF THE RELATED PARTY TRANSACTIONS CONTROL COMMITTEE

In 2023, the Bank convened a total of 4 meetings for the Related Party Transactions Control Committee of the Board of Directors, at which 8 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) Establishing the Related Party Transaction Management Office

In 2023, the Bank established the Related Party Transaction Management Office, which is responsible for coordinating the formulation and revision of related party transaction management system of the Bank, data statistics and risk control of related party transactions, and reporting and external disclosure of information on related party transaction. The Office is also responsible for strengthening the coordination of related party transaction management functions in different departments, assisting the daily work of the Related Party Transactions Control Committee of the Board, and further intensifying the management and control of related party transactions.

(II) 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 Procedures for the Management of Related (Connected) Party Transactions (《關聯(連)交易管理程序》) in accordance with relevant domestic and foreign laws, regulations and normative documents as well as the latest regulatory requirements, which further refined the related transaction management responsibilities of each department and the filing procedures for related parties and related party transactions, thus ensuring the comprehensive and effective management of related party transactions of the Bank.

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

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 of the end of the Reporting Period, the Bank had 1,314 related natural persons and 1,673 related legal persons or other organizations, which amounted to an aggregate of 2,987. 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 |
|--|--|---|--|
| National Financial Regulatory Administration rules | 1,314 | 1,436 | 2,750 |
| Hong Kong Stock Exchange rules | 385 | 1,471 | 1,856 |
| All regulatory rules | 1,314 | 1,673 | 2,987 |

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.

(IV) 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.

Since its launch, the related party transaction management platform of the Bank has gradually connected with other systems of the Bank and constantly improved its system functions. Relying on the whole process of prior, interim and post management and control of the related party transaction management platform, the Bank establishes a systematic and standardized related party transaction management procedures 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.

III. INFORMATION ON RELATED PARTY TRANSACTIONS

In 2023, 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 the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions** (《銀行保險機構關聯交易管理辦法》)

1. *Credit related party transactions*

On a consolidated basis, as of the end of the Reporting Period, the credit balance of related party transactions between the Bank and its related parties amounted to RMB6,289 million, representing an increase of RMB1,732 million as compared to the beginning of the Reporting Period. The credit balance between the Bank and its related parties accounted for 18.22% of the Bank's net capital, representing an increase of 4.02 percentage points as compared to the beginning of the Reporting Period, lower than the regulatory standards of 31.78 percentage points.

On an unconsolidated basis, as of the end of the Reporting Period, the credit balance of related party transactions between the Bank and its related parties amounted to RMB8,669 million, representing an increase of RMB2,012 million as compared to the beginning of the Reporting Period. The credit balance between the Bank and its related parties accounted for 28.23% of the Bank's net capital, representing an increase of 5.13 percentage points as compared to the beginning of the Reporting Period, lower than the regulatory standards of 21.77 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*

During the Reporting Period, the Bank did not sign any related party transaction agreement on asset transfer with any related parties. New related party transaction agreements on services during the Reporting Period, mainly include the 10 new development and operation and maintenance contracts with Shandong City Commercial Bank Cooperation Alliance Co., Ltd. in 2023, with a total expenditure of RMB86,351,200 for development and operation and maintenance fees to Shandong City Commercial Bank Cooperation Alliance Co., Ltd. according to the new and former contracts during the

Reporting Period; the advertising contract with Shandong Shan'gao Basketball Club Co., Ltd., with a contract price of RMB12 million; the on-site service agreement with Weihai Thermoelectricity Group Co., Ltd. (威海熱電集團有限公司), Shandong Hi-Speed Company Limited (山東高速股份有限公司), 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 Hong Kong Listing Rules

In 2023, 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 Management of Commercial Bank Equity (《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, 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 Tian'an 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 the Reporting Period, only Shandong Hi-Speed Group Company had credit business among all major Shareholders in the Bank, with a credit balance of RMB255 million, accounting for 0.83% of the Bank's net capital. If the related companies of the Group were included, the group 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 RMB2,472 million, RMB343 million and RMB520 million respectively, accounting for 8.06%, 1.12% and 1.69% 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 Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》), 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 and commitments, with a sound financial position, sustainable profitability and the ability to replenish the capital of the Bank.

Proposed amendments to the Articles of Association are detailed as follows:

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|--|--|--|
| <p>Article 5 Domicile of the Bank: <u>No. 9 Baoquan Road, Weihai City</u>, postal code: 264200, Tel.: 086-0631-5236187, Fax: 086-0631-5210210.</p> | <p>Article 5 Domicile of the Bank: <u>No. 137A Qingdao North Road, Weihai City, Shandong Province</u>, postal code: 264200, Tel.: 086-0631-5236187, Fax: 086-0631-5210210.</p> | <p>Adjusted according to actual conditions.</p> |
| <p>Article 11 The Bank shall set up an organization of the Communist Party of China and conduct relevant activities of the Party pursuant to the Constitution of the Communist Party of China. <u>The Party organization shall exert the role of leading nucleus and political nucleus, grasp the direction, control the situation and ensure implementation.</u> The Bank shall establish a working body of the Party, assign necessary workers for Party affairs, ensure the work funds of the Party organization and provide necessary conditions for the activities of the Party organization.</p> | <p>Article 11 The Bank shall set up an organization of the Communist Party of China and conduct relevant activities of the Party pursuant to the Constitution of the Communist Party of China. <u>The Party committee shall play a leadership role, grasp the direction, control the situation and ensure implementation.</u> The Bank shall establish a working body of the Party, assign necessary workers for Party affairs, ensure the work funds of the Party organization and provide necessary conditions for the activities of the Party organization.</p> | <p>Modified in accordance with Article 33 of Chapter 5 of the Constitution of the Communist Party of China.</p> |

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|--|--|---|
| <p>Article 15 The business objective of the Bank is: to conduct operations in good faith, provide quality and efficient financial services for the society and seek maximum economic benefits for Shareholders. The Bank conducts independent accounting and independent management, bears risks by itself, assumes sole responsibility for its profits or losses and supervises itself based on the principle of safety, liquidity and effectiveness.</p> | <p>Article 15 The business objective of the Bank is: to conduct operations in good faith, provide quality and efficient financial services for the society and seek maximum economic benefits for Shareholders. The Bank conducts independent accounting and independent management, bears risks by itself, assumes sole responsibility for its profits or losses and supervises itself based on the principle of safety, liquidity and effectiveness.</p> <p><u>The Bank actively practices Chinese characteristic financial culture, integrates it into the entire process of operation and management, and reflects the responsibility of financial institutions in serving the overall economic and social development.</u></p> | |

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|--|--|--|
| <p>Article 68 The holders of ordinary shares of the Bank shall have the following obligations:</p> <p>.....</p> <p>(XVI) to assume other obligations required by the laws, administrative regulations and the Articles of Association.</p> <p>Shareholders shall not be liable for making any additional contribution to the share capital other than according to the terms agreed by the subscriber of the shares at the time of subscription.</p> | <p>Article 68 The holders of ordinary shares of the Bank shall have the following obligations:</p> <p>.....</p> <p>(XVI) to assume other obligations required by the laws, administrative regulations and the Articles of Association.</p> <p><u>When a major risk event occurs, the Bank will adopt appropriate loss absorption and risk resilience mechanisms according to the provisions of relevant laws and regulations as well as the recovery and disposal plans formulated by the Bank, and Shareholders shall give positive support.</u></p> <p>Shareholders shall not be liable for making any additional contribution to the share capital other than according to the terms agreed by the subscriber of the shares at the time of subscription.</p> | <p>Supplemented and modified in accordance with Article 16 of the Corporate Governance Standards for Banking or Insurance Institutions.</p> |

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|---|--|--|
| <p>Article 200 The Bank has strict management on related party transactions in accordance with relevant provisions of <u>the China Banking Regulatory Commission</u>. A related party transaction refers to any of the following matters involving transfer of resources or obligations between the Bank and a related party:</p> <p>.....</p> <p>(IV) other related party transactions as defined by <u>the China Banking Regulatory Commission</u>.</p> | <p>Article 200 The Bank has strict management on related party transactions in accordance with relevant provisions of <u>the China Banking Regulatory Authority</u>. A related party transaction refers to any of the following matters involving transfer of resources or obligations between the Bank and a related party:</p> <p>.....</p> <p>(IV) other related party transactions as defined by <u>the China Banking Regulatory Authority</u>.</p> | <p>Adjusted according to actual conditions.</p> |
| <p>Article 212 The specific contents and format of information disclosure by the Bank are determined in accordance with the relevant legal rules, normative documents and regulations of the securities regulatory authorities and the stock exchange at the place where shares of the Bank are listed. If the said laws, regulations and rules did not contain specific requirements in this regard, the Bank may adjust the contents to be disclosed according to the actual situation.</p> <p>The annual reports of the Bank are disclosed within four months after the end of each fiscal year and are submitted to <u>the China Banking Regulatory Commission</u> before publication.</p> | <p>Article 212 The specific contents and format of information disclosure by the Bank are determined in accordance with the relevant legal rules, normative documents and regulations of the securities regulatory authorities and the stock exchange at the place where shares of the Bank are listed. If the said laws, regulations and rules did not contain specific requirements in this regard, the Bank may adjust the contents to be disclosed according to the actual situation.</p> <p>The annual reports of the Bank are disclosed within four months after the end of each fiscal year and are submitted to <u>the China Banking Regulatory Authority</u> before publication.</p> | <p>Adjusted according to actual conditions.</p> |

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|---|---|---|
| <p>Article 321 The Articles of Association do not prohibit any issuance of notice to Shareholders registered outside Hong Kong. <u>Any requirement in the Hong Kong Listing Rules for the Bank to send, post, dispatch, issue, publish or otherwise make available any corporate communication may, to the extent permitted under all applicable laws and rules and the Articles of Association, be satisfied by the Bank sending or otherwise making available the corporate communication to the relevant holders of the Bank’s securities using electronic means and any requirement in the Hong Kong Listing Rules that a corporate communication of the Bank must be in printed form may be satisfied as long as the Bank prepares corporate communication in electronic format.</u></p> | <p>Article 321 The Articles of Association do not prohibit any issuance of notice to Shareholders registered outside Hong Kong. <u>Subject to all applicable laws and rules, the Bank shall (i) send or otherwise make available corporate communications to the relevant holders of the Bank’s securities using electronic means, or (ii) publish relevant corporate communications on the websites of the Bank and the Hong Kong Stock Exchange (the Bank shall indicate on its website how it disseminates corporate communications in the means set out in (i) and/or (ii). In addition to the dissemination of corporate communications using the above means, the Bank may also, to the extent permitted under all applicable laws and rules, provide separate paper versions of corporate communications or otherwise notify Shareholders of corporate communications based on the needs and requirements of Shareholders.</u></p> | <p>Modified in accordance with Rule 2.07A(1) of the Hong Kong Listing Rules.</p> |

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|--|---|------------------------------------|
| <p><u>Save as otherwise specified in the listing rules of the place where the shares of the Bank are listed, the corporate communication may be sent or otherwise made available by the Bank to relevant Shareholders using electronic means (including sending or otherwise making available the corporate communication to relevant Shareholders in electronic format) only where the Bank has previously received from the Shareholders an explicit and positive confirmation in writing that the holders wish to receive or otherwise obtain the communication of the Bank by the means and in the manner proposed by the Bank.</u></p> <p>If the listing rules at the place where the Bank’s shares are listed stipulates that the Bank shall send, post, dispatch, issue, announce or otherwise make available relevant documents of the Bank in English and Chinese, if the Bank has made appropriate arrangement to confirm whether the Shareholders hope to receive only the English version or the Chinese version, the Bank may (as per the intent stated by the Shareholders) send only the English version or the Chinese version to the related Shareholders within the range allowed by the applicable laws, regulations, and regulatory requirements.</p> | <p>If the listing rules at the place where the Bank’s shares are listed stipulates that the Bank shall send, post, dispatch, issue, announce or otherwise make available relevant documents of the Bank in English and Chinese, if the Bank has made appropriate arrangement to confirm whether the Shareholders hope to receive only the English version or the Chinese version, the Bank may (as per the intent stated by the Shareholders) send only the English version or the Chinese version to the related Shareholders within the range allowed by the applicable laws, regulations, and regulatory requirements.</p> | |

| Original Articles of Association | Amended Articles of Association | Basis/ Remarks of Amendments |
|---|--|--|
| <p>Article 349 The “China Banking Regulatory Authority” as mentioned in the Articles of Association refers to <u>the China Banking and Insurance Regulatory Commission and its local offices</u>, or other authoritative institutions that replace it to assume the supervisory functions of commercial banks in the future.</p> | <p>Article 349 The “China Banking Regulatory Authority” as mentioned in the Articles of Association refers to <u>the National Financial Regulatory Administration and its local offices</u>, or other authoritative institutions that replace it to assume the supervisory functions of commercial banks in the future.</p> | <p>Adjusted according to actual conditions.</p> |