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BQD  青岛银行

Bank of Qingdao Co., Ltd.*

青島銀行股份有限公司*

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

(H Shares Stock Code: 3866)

(Preference Shares Stock Code: 4611)

2019 FIRST QUARTERLY REPORT

This announcement is made by Bank of Qingdao Co., Ltd. (the “**Bank**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Unless otherwise specified, the amounts stated in this announcement are expressed in Renminbi (RMB).

This report is made in Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

SECTION I IMPORTANT NOTICE

- I. The board of directors, board of supervisors, directors, supervisors and senior management of the Bank ensure that the information contained in this quarterly report is true, accurate and complete, does not contain any false records, misleading statements or material omissions, and shall assume several and joint liabilities.
- II. The proposal on the 2019 first quarterly report of Bank of Qingdao Co., Ltd. was considered and approved at the seventeenth meeting of the seventh session of the board of directors of the Bank held by way of communication voting on 26 April 2019. There were 15 directors eligible for attending and voting at the meeting, of whom 15 directors attended and voted at the meeting.
- III. The Bank's chairman Mr. Guo Shaoquan, president Mr. Wang Lin, vice president in charge of financial work Mr. Yang Fengjiang and head of planning and finance department Mr. Meng Dageng assure the authenticity, accuracy and completeness of the financial statements in this quarterly report.
- IV. The financial statements in this quarterly report was prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) and is unaudited.
- V. In this report, “the Company” refers to Bank of Qingdao Co., Ltd. and its subsidiaries and branches, and “the Bank” refers to Bank of Qingdao Co., Ltd. and its branches.

SECTION II BASIC INFORMATION

I. Principal Accounting Data and Financial Indicators

1. Key data and indicators

Unit: RMB thousand

Item	January-March 2019	January-March 2018	Year-on-year change (%)
Operating income	2,118,980	1,064,768	99.01
Net profit attributable to shareholders of the Bank	507,074	461,455	9.89
Basic earnings per share (RMB/share) ⁽¹⁾	0.12	0.11	9.09
Diluted earnings per share (RMB/share) ⁽¹⁾	0.12	0.11	9.09
Net cash flows generated from operating activities	(8,683,473)	(11,132,258)	22.00
Weighted average return on net assets (%) (annualised) ⁽¹⁾	9.77	10.40	Decreased by 0.63 percentage point
Item	31 March 2019	31 December 2018	Change from the end of last year (%)
Total assets	327,242,345	317,658,502	3.02
Of which: loans and advances to customers	135,490,621	123,366,891	9.83
Total liabilities	297,112,160	290,161,778	2.40
Of which: deposits from customers	182,024,524	177,911,247	2.31
Share capital	4,509,690	4,058,713	11.11
Equity attributable to shareholders of the Bank	29,600,267	26,984,973	9.69
Shareholders' equity	30,130,185	27,496,724	9.58
Net assets per share attributable to shareholders of the Bank ⁽²⁾	4.82	4.71	2.34
Total share capital of the Bank as of the trading day before the disclosure (share)			4,509,690,000
Fully diluted earnings per share calculated using the latest share capital (RMB/share)			0.11

Notes:

1. Earnings per share and weighted average return on net assets were calculated according to the Compilation Rules for Information Disclosures by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Amended in 2010) (《公開發行證券的公司信息披露編報規則第9號－淨資產收益率和每股收益的計算及披露》(2010年修訂)). In January 2019, the Bank issued A shares. Therefore, in calculating earnings per share and weighted average return on net assets, the impact of A shares increase factor has been taken into account in the “weighted average number of ordinary shares” and the “weighted average net assets”.
2. Net assets per share attributable to shareholders of the Bank = (equity attributable to shareholders of the Bank – other equity instrument)/the number of ordinary shares at the end of the period.
3. The Company has applied the International Financial Reporting Standards 16 - Leases (IFRS 16) issued by the International Accounting Standards Board since 1 January 2019. The Company has implemented the above standards in the preparation of financial statements. For the relevant information and impact of changes in accounting policies, please refer to the overseas regulatory announcement on major changes in accounting policies published by the Bank.

2. Explanation on differences between the financial statements respectively prepared in accordance with the Chinese Accounting Standards for Business Enterprises and the IFRS

In the financial statements prepared by the Company in accordance with the Chinese Accounting Standards for Business Enterprises and the IFRS, there is no difference between the net profit attributable to shareholders of the Bank for the reporting period ended 31 March 2019 and the equity attributable to shareholders of the Bank at the end of the reporting period.

II. Principal Regulatory Indicators and Supplementary Financial Indicators

1. Principal indicators

Indicator	Regulatory standard	31 March 2019	31 December 2018	31 December 2017	31 December 2016
Capital adequacy ratio(%) ⁽¹⁾	≥10.5	16.64	15.68	16.60	12.00
Tier-one capital adequacy ratio(%) ⁽¹⁾	≥8.5	12.80	11.82	12.57	10.08
Core tier-one capital adequacy ratio(%) ⁽¹⁾	≥7.5	9.41	8.39	8.71	10.08
Leverage ratio (%)	≥4	8.45	7.92	7.88	5.82
Liquidity coverage ratio (RMB and foreign currency) (%)	≥100	153.07	125.95	173.05	101.24
Liquidity ratio (%)	≥25	76.07	60.55	56.36	53.48
Non-performing loan ratio (%)	≤5	1.68	1.68	1.69	1.36
Loan concentration of single customer (%)	≤10	3.87	4.16	4.32	5.29
Loan concentration of top ten customers (%)	≤50	29.00	29.06	29.21	36.99
Provision coverage ratio (%)	≥140	163.63	168.04	153.52	194.01
Loan provision ratio (%)	≥2.5	2.74	2.82	2.60	2.64
Migration rate of normal loans (%)		2.93	3.06	2.51	5.34
Migration rate of special mention loans (%)		59.33	44.53	53.57	25.89
Migration rate of substandard loans (%)		34.59	36.28	67.75	46.33
Migration rate of doubtful loans (%)		21.54	21.41	10.31	17.46
Return on average total assets(%) (annualised) ⁽²⁾		0.65	0.66	0.65	0.90
Cost-to-income ratio(%) ⁽³⁾		26.67	33.01	31.68	34.71
Net interest spread (%) (annualised) ⁽⁴⁾		2.06	1.67	1.57	2.05
Net interest margin (%) (annualised) ⁽⁵⁾		2.10	1.63	1.72	2.23

Notes:

1. The capital adequacy ratio and other relevant indicators listed in the above table were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory regulations.
2. Return on average total assets = net profit/average balance of total assets at the beginning and at the end of the period, of which the total assets at the beginning of 2018 are the balances after the adoption of new financial instruments standards.
3. Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.
4. Net interest spread = average yield on interest-earning assets – average cost rate of interest-bearing liabilities.
5. Net interest margin = net interest income/average interest-earning assets.

2. Capital adequacy ratio

Unit: RMB thousand

Item	31 March 2019		31 December 2018	
	The Company	The Bank	The Company	The Bank
Net core tier-one capital	21,921,354	21,037,925	19,268,600	18,435,840
Net tier-one capital	29,819,904	28,891,889	27,162,930	26,289,804
Net capital base	38,762,186	37,572,237	36,021,656	34,930,432
Total risk-weighted assets	233,006,216	223,943,743	229,776,495	221,581,329
Core tier-one capital adequacy ratio (%)	9.41	9.39	8.39	8.32
Tier-one capital adequacy ratio (%)	12.80	12.90	11.82	11.86
Capital adequacy ratio (%)	16.64	16.78	15.68	15.76

3. Leverage ratio

Unit: RMB thousand

Item	31 March 2019	31 December 2018	30 September 2018	30 June 2018
Leverage ratio (%)	8.45	7.92	7.93	8.21
Net tier-one capital	29,819,904	27,162,930	26,404,872	26,283,974
Balance of assets on and off balance sheet after adjustments	352,899,833	342,807,436	332,929,600	319,967,633

4. Liquidity coverage ratio

Unit: RMB thousand

Item	31 March 2019	31 December 2018	30 September 2018	30 June 2018
Liquidity coverage ratio (RMB and foreign currency) (%)	153.07	125.95	111.02	139.30
Qualified and high-quality current assets	60,887,947	52,974,850	37,616,543	44,952,928
Net cash outflows in next 30 days	39,778,682	42,058,582	33,882,488	32,270,122

5. Loans by five categories

Unit: RMB thousand

Five categories	31 March 2019		31 December 2018		Change from the end of last year (%)
	Amount	% of total	Amount	% of total	
Normal	129,362,889	93.28	117,153,054	92.69	10.42
Special mention	6,992,539	5.04	7,116,638	5.63	(1.74)
Substandard	1,547,644	1.12	1,158,565	0.92	33.58
Doubtful	635,280	0.46	806,110	0.64	(21.19)
Loss	143,493	0.10	152,503	0.12	(5.91)
Total	138,681,845	100.00	126,386,870	100.00	9.73

Note: The loan amount in this table does not include accrued interest.

III. Analysis of Operating Results

In the first quarter of 2019, while actively implementing the relevant national regulations and regulatory requirements, the Company seized the opportunity of replacement of old growth drivers with new ones in the province and the municipality. Taking “strategic guidance, characteristic growth driver, compliance with rules and regulations, and continuous improvement” as the basic guiding principle for operation, the Company emphasized the steady progress, and the overall business has been operated steadily.

Both assets and liabilities increased steadily and the structure adjustment continued to advance. As of the end of the first quarter of 2019, the total assets of the Company reached RMB327.242 billion, representing an increase of RMB9.584 billion or 3.02% as compared with that at the end of the previous year, the total liabilities reached RMB297.112 billion, representing an increase of RMB6.950 billion or 2.40% as compared with that at the end of the previous year. While the total amount of assets and liabilities increased steadily, the Company continued to promote internal structure adjustment, and the loans and advances to customers reached RMB135.491 billion, representing an increase of RMB12.124 billion or 9.83% as compared with that at the end of the previous year, accounting for 41.40% of the total assets, representing an increase of 2.57 percentage points as compared with that at the end of the previous year.

The operating efficiency increased steadily and the income level continued to increase. In the first quarter of 2019, the Company achieved a net profit attributable to shareholders of the Bank of RMB507 million, representing an increase of RMB46 million or 9.89% as compared with that in the same period of the previous year; the net interest margin (annualised) was 2.10%, representing an increase of 0.47 percentage point as compared with that in the previous year; the cost-to-income ratio was 26.67%, representing a decrease of 6.34 percentage points as compared with that in the previous year. The Company achieved an operating income of RMB2.119 billion, representing an increase of RMB1.054 billion or 99.01% as compared with that in the same period of the previous year. The significant increase in operating income were mainly due to the lower income base in the same period last year, and a good growth in the net interest income, net fee and commission income and other items which were influenced by market environment. In the first quarter of last year, the Company’s operating income was RMB1.065 billion, and it increased to RMB2.065 billion in the second quarter. Since then, the operating income has been relatively balanced in each quarter. Among the operating income in the first quarter of 2019, the net interest income was RMB1.591 billion, representing an increase of RMB842 million as compared with that in the same period of the previous year; the net fee and commission income was RMB304 million, representing an increase of RMB161 million as compared with that in the same period of the previous year; other net non-interest income was RMB224 million, representing an increase of RMB51 million as compared with that in the same period of the previous year.

The asset quality remained stable and the principal regulatory indicators met the standards. As of the end of the first quarter of 2019, the non-performing loan ratio of the Company was 1.68%, same as that at the end of the previous year; the capital adequacy ratio was 16.64%, representing an increase of 0.96 percentage point as compared with that at the end of the previous year. The provision coverage ratio and loan provision ratio were 163.63% and 2.74% respectively, all of which met regulatory requirements.

The service quality and efficiency for private enterprises and small and micro enterprises were continuously enhanced. The Bank actively implemented the central spirit of financial support for real economy, innovated financial products and service means and guided credit resources flow to private and small and micro enterprises under the premise of risk control. In the first quarter of 2019, the Bank formulated an implementation plan for strengthening service for private enterprises and proactively providing financing services to private enterprises; the Bank continued to create credit risk mitigation warrant for private enterprises and to support the development of private enterprises by using bond financing instruments. Meanwhile, the Bank formulated an inclusive credit plan for small and micro enterprises, optimized the loan review mechanism for small and micro enterprises, as to build its brand regarding small and micro enterprises, establish featured product systems and create service competitiveness.

IV. Total Number of Shareholders and Shareholdings of the Top 10 Shareholders as at the End of the Reporting Period

1. Number of ordinary shareholders and the preference shareholders with voting rights restored and shareholdings of the top 10 shareholders

Unit: Share

Total number of ordinary shareholders as at the end of the reporting period	141,772	Total number of preference shareholders with voting rights restored as at the end of the reporting period (if any)	–
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Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of shares	Number of shares subject to restrictions on sale	Shares pledged or frozen	Number
Hong Kong Securities Clearing Company Nominee Limited	Overseas legal person	25.29%	1,140,306,880	–	Unknown	Unknown
Intesa Sanpaolo S.p.A.	Overseas legal person	13.85%	624,753,980	–	–	–
Qingdao Conson Industrial Co., Ltd.	State-owned legal person	11.17%	503,556,341	503,556,341	–	–
Qingdao Haier Investment and Development Co., Ltd.	Domestic non-state legal person	9.08%	409,693,339	409,693,339	–	–
Qingdao Haier Air-Conditioning Electronics Co., Ltd.	Domestic non-state legal person	4.85%	218,692,010	218,692,010	–	–
Shandong Sanliyuan Economics and Trade Co., Ltd.	Domestic non-state legal person	3.37%	152,170,000	152,170,000	Pledged	149,200,000
Qingdao Haier Co., Ltd.	Domestic non-state legal person	3.22%	145,297,405	145,297,405	–	–
Qingdao Hairen Investment Co., Ltd.	Domestic non-state legal person	2.97%	133,910,000	133,910,000	–	–
Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.	State-owned legal person	2.11%	94,967,581	94,967,581	–	–
Qingdao Jifa Group Co., Ltd.	Domestic non-state legal person	2.02%	90,936,164	90,936,164	–	–

Shareholding of top ten shareholders not subject to restrictions on sale

Name of shareholder	Number of shares not subject to restrictions on sale	Class of shares	Number
Hong Kong Securities Clearing Company Nominee Limited	1,140,306,880	Overseas listed foreign shares	1,140,306,880
Intesa Sanpaolo S.p.A.	624,753,980	Overseas listed foreign shares	624,753,980
Zhang Xubin	4,821,100	RMB ordinary shares	4,821,100
Xu Zhidi	3,543,561	RMB ordinary shares	3,543,561
Tibet Kunlun Dingxin Investment and Management Co., Ltd.	2,200,000	RMB ordinary shares	2,200,000
Zhang Wentao	2,000,000	RMB ordinary shares	2,000,000
Li Jianyong	1,851,800	RMB ordinary shares	1,851,800
Jiang Yanyu	1,500,100	RMB ordinary shares	1,500,100
Jiang Xuedao	1,318,600	RMB ordinary shares	1,318,600
Gao Mingjun	1,285,800	RMB ordinary shares	1,285,800

Explanation on the relationship or concerted action of the above mentioned shareholders

For the above shareholders, Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioning Electronics Co., Ltd. and Qingdao Haier Co., Ltd. are all under Haier Group, and Qingdao Haier Investment and Development Co., Ltd. and Qingdao Haier Air-Conditioning Electronics Co., Ltd. have entrusted Qingdao Haier Co., Ltd. to exercise the voting rights of the shareholders corresponding to their shares. The Bank is not aware of any other related relationship among other shareholders.

Description of top ten ordinary shareholders participating in securities margin trading business (if any)

1. Li Jianyong holds 1,851,800 shares of the Bank through the customer credit transaction guarantee securities account of Xiangcai Securities Co., Ltd., accounting for 0.41% of the Bank's total share capital;
2. Jiang Yanyu holds 1,500,100 shares of the Bank through the customer credit transaction guarantee securities account of China Merchants Securities Co., Ltd., accounting for 0.33% of the Bank's total share capital.

Remarks

1. Shares held by Hong Kong Securities Clearing Company Nominees Limited are the total shares in the accounts of the Bank's shareholders of H shares which are traded on the trading platform of Hong Kong Securities Clearing Company Nominees Limited on behalf of shareholders;
2. As at the end of the reporting period, Intesa Sanpaolo S.p.A., as a H share registered shareholder of our Bank, held 622,306,980 H shares, and the remaining 2,447,000 H shares were agented to and under the name of Hong Kong Securities Clearing Company Nominees Limited;
3. During the reporting period, the top 10 ordinary shareholders and the top 10 ordinary shareholders not subject to restrictions on sale of the Bank did not make any agreed repurchase transaction.

2. Total number of preference shareholders and shareholdings of the Bank

Unit: Share

Total number of preference shareholders as at the end of the reporting period 1

Shareholding of preference shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of shares	Number of shares subject to restrictions on sale	Shares pledged or frozen	Pledged or frozen Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100%	60,150,000	–	Unknown	Unknown

Note: During the reporting period, the Bank did not have the preference shareholders with voting rights restored.

SECTION III SIGNIFICANT EVENTS

I. Changes of Major Financial Data and Financial Indicators During the Reporting Period and the Reasons Thereof

Principal financial statement items and financial indicators with changes of over 30% and the main reasons thereof are set out in the table below:

Unit: RMB thousand

Item	January – March 2019	January – March 2018	Changes (%)	Main Reasons
Net interest income	1,591,448	749,892	112.22	Increase in interest-earning assets and the growth of net interest margin
Fee and commission income	321,038	159,790	100.91	Increase in income of wealth management service fees
Net fee and commission income	304,437	143,022	112.86	Increase in income of wealth management service fees
Net trading losses	(166,400)	(291,418)	(42.90)	Influence of exchange rate fluctuation
Other operating income, net	4,653	1,487	212.70	Income fluctuation resulted from normal operation of the Bank with relatively small absolute amount
Total operating income	2,118,980	1,064,768	99.01	Low income base in the same period last year as affected by the market environment, and good momentum of growth in the net interest income, net fee and commission income and other items
Operating expenses	(589,146)	(439,226)	34.13	Increase in ancillary fees resulted from rapid business development
Impairment losses	(886,114)	(61,054)	1,351.36	Sufficient provision for the corresponding period of last year with less provision for impairment after conversion to new financial instruments standards
Non-controlling interests	18,167	3,961	358.65	Increase in net profits of subsidiaries
After-tax other comprehensive income, net	145,650	217,587	(33.06)	Decrease in fair value movement of financial assets at fair value through other comprehensive income

Item	31 March 2019	31 December 2018	Changes (%)	Main Reasons
Derivative financial assets	137	–	N/A	Credit risk mitigation warrant fair value reevaluation
Financial assets held under resale agreements	899,820	300,262	199.68	Increase in debt securities held under resale agreements
Other assets	1,878,876	1,343,564	39.84	Right-of-use assets recognized after adoption of IFRS16 presented in this item
Derivative financial liabilities	1,098	–	N/A	Credit risk mitigation warrant fair value reevaluation
Income tax payable	18,535	13,174	40.69	Increase in income tax provided by subsidiaries

II. Analysis and Explanations regarding Progress and Impacts of Significant Events and Their Solutions

On 16 January 2019, the Bank completed the initial public offering of A shares and was listed on the Shenzhen Stock Exchange at an issuance price of RMB4.52 per share, and the number of issuance was 450,977,251 shares.

Summary of Significant Events	Disclosure Date	Provisional Report Disclosure Website Search Index
A shares of the Bank was issued and listed on the Shenzhen Stock Exchange	15 January 2019	http://www.cninfo.com.cn/

III. Uncompleted Performance of Overdue Undertaking for the Reporting Period by the Parties Involving in the Undertaking including De facto Controller, Shareholders, Related-parties, Purchasers and the Bank

The Bank does not have de facto controller and purchaser. During the reporting period, parties involving in the undertaking including the Bank, shareholders and related parties of the Bank did not have uncompleted performance of overdue undertaking.

IV. Financial Assets and Liabilities at Fair Value

Unit: RMB thousand

Main Items	1 January 2019	Profit or Loss Arising from Change in Fair Value during the Period	Accumulated Fair Value Change Stated as Equity	Impairment Provided during the Period	31 March 2019
Financial assets at fair value					
through profit or loss	22,361,816	108,771	N/A	N/A	23,800,424
Loans and advances to customers at fair					
value through other comprehensive income	6,772,625	N/A	18,198	(784)	11,090,754
Financial investments at fair value					
through other comprehensive income	53,002,751	N/A	837,984	(14,375)	52,046,421
Derivative financial assets	–	137	N/A	N/A	137
Derivative financial liabilities	–	(1,098)	N/A	N/A	(1,098)

V. Information on Illegal External Guarantees

During the reporting period, the Bank had no illegal external guarantee.

VI. Information on the Non-operating Use of Funds of the Bank by the Controlling Shareholder and its Related Parties

During the reporting period, there was no non-operating use of funds of the Bank by the controlling shareholder and its related parties.

SECTION IV PUBLICATION OF QUARTERLY REPORT

This report is simultaneously published on the disclosure website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.qdccb.com). Quarterly report prepared according to Chinese Accounting Standards for Business Enterprises is also simultaneously published on the website of Shenzhen Stock Exchange (www.szse.cn) and the website of the Bank.

SECTION V FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2019- unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Three months ended 31 March	
	2019	2018
Interest income	3,392,660	2,654,704
Interest expense	<u>(1,801,212)</u>	<u>(1,904,812)</u>
Net interest income	<u>1,591,448</u>	<u>749,892</u>
Fee and commission income	321,038	159,790
Fee and commission expense	<u>(16,601)</u>	<u>(16,768)</u>
Net fee and commission income	<u>304,437</u>	<u>143,022</u>
Net trading losses	(166,400)	(291,418)
Net gains arising from investments	384,842	461,785
Other operating income	<u>4,653</u>	<u>1,487</u>
Operating income	2,118,980	1,064,768
Operating expenses	(589,146)	(439,226)
Impairment losses	<u>(886,114)</u>	<u>(61,054)</u>
Profit before taxation	643,720	564,488
Income tax expense	<u>(118,479)</u>	<u>(99,072)</u>
Net profit	<u>525,241</u>	<u>465,416</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
for the three months ended 31 March 2019- unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Three months ended 31 March	
	2019	2018
Net profit	525,241	465,416
Profit attributable to:		
Equity shareholders of the Bank	507,074	461,455
Non-controlling interests	18,167	3,961
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
– Remeasurement of defined benefit liability	–	–
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of debt investments at fair value through other comprehensive income	134,281	215,024
– Credit losses of debt investments at fair value through other comprehensive income	11,369	2,563
Other comprehensive income, net of tax	145,650	217,587
Total comprehensive income	670,891	683,003
Total comprehensive income attributable to:		
Equity shareholders of the Bank	652,724	679,042
Non-controlling interests	18,167	3,961
Basic and diluted earnings per share (in RMB)	0.12	0.11

Consolidated Statement of Financial Position
as at 31 March 2019 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	31 March 2019	31 December 2018
Assets		
Cash and deposits with central bank	26,887,804	29,554,430
Deposits with banks and other financial institutions	1,381,958	1,542,437
Placements with banks and other financial institutions	4,723,428	4,110,464
Financial assets at fair value through profit or loss	23,800,424	22,361,816
Derivative financial assets	137	–
Financial assets held under resale agreements	899,820	300,262
Loans and advances to customers	135,490,621	123,366,891
Financial investments at fair value through other comprehensive income	52,046,421	53,002,751
Financial investments measured at amortised cost	67,232,486	70,032,056
Long-term receivables	8,566,499	7,766,698
Property and equipment	3,105,145	3,124,355
Deferred tax assets	1,228,726	1,152,778
Other assets	1,878,876	1,343,564
Total assets	327,242,345	317,658,502
Liabilities		
Borrowings from central bank	11,634,658	10,878,835
Deposits from banks and other financial institutions	12,283,482	11,632,982
Placements from banks and other financial institutions	8,962,389	7,207,066
Derivative financial liabilities	1,098	–
Financial assets sold under repurchase agreements	12,055,058	14,850,333
Deposits from customers	182,024,524	177,911,247
Income tax payable	18,535	13,174
Debt securities issued	67,673,606	65,240,507
Other liabilities	2,458,810	2,427,634
Total liabilities	297,112,160	290,161,778

Consolidated Statement of Financial Position (continued)
as at 31 March 2019 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	31 March 2019	31 December 2018
Equity		
Share capital	4,509,690	4,058,713
Other equity instrument		
Including: preference shares	7,853,964	7,853,964
Capital reserve	8,337,869	6,826,276
Surplus reserve	1,403,575	1,403,575
General reserve	3,969,452	3,969,452
Other comprehensive income	698,843	553,193
Retained earnings	2,826,874	2,319,800
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Total equity attributable to equity shareholders of the Bank	29,600,267	26,984,973
Non-controlling interests	529,918	511,751
	<hr/>	<hr/>
Total equity	30,130,185	27,496,724
	<hr/>	<hr/>
Total liabilities and equity	327,242,345	317,658,502
	<hr/>	<hr/>

Approved and authorised for issue by the board of directors on 26 April 2019.

Guo Shaoquan
Legal Representative (Chairman)

Wang Lin
President

Yang Fengjiang
Vice President in charge
of finance function

Meng Dageng
Head of the Planning & Finance
Department

(Company Stamp)

Consolidated Cash Flow Statement
for the three months ended 31 March 2019- unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

Three months ended 31 March
2019 **2018**

Cash flows from operating activities

Profit before taxation	643,720	564,488
<i>Adjustments for:</i>		
Impairment losses	886,114	61,054
Depreciation and amortisation	115,074	97,295
Accreted interest on credit-impaired loans	(13,797)	—
Unrealised foreign exchange losses	164,175	201,300
Net losses/(gains) on disposal of long-term assets	17	(80)
(Gains) / losses from changes in fair value	(107,810)	285,264
Net gains arising from investment	(276,072)	(747,049)
Interest expense on debt securities issued	614,324	758,671
Interest income generated from non-operating activities	(1,355,604)	(1,239,984)
	670,141	(19,041)
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<i>Changes in operating assets</i>		
Net decrease/(increase) in deposits with central bank	1,824,877	(1,658,041)
Net increase in placements with banks and other financial institutions	(287,233)	(180,131)
Net increase in loans and advances to customers	(12,970,462)	(2,962,131)
Net increase in financial assets held under resale agreements	(600,000)	(4,031,362)
Net increase in long-term receivables	(831,328)	(840,593)
Net increase in other operating assets	(147,908)	(152,943)
	(13,012,054)	(9,825,201)
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Consolidated Cash Flow Statement (continued)
for the three months ended 31 March 2019- unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

Three months ended 31 March
2019 **2018**

Cash flows from operating activities (continued)

Changes in operating liabilities

Net increase in borrowings from central bank	702,198	149,629
Net increase/(decrease) in deposits from banks and other financial institutions	612,367	(2,823,083)
Net increase/(decrease) in placements from banks and other financial institutions	1,759,060	(173,934)
Net decrease in financial assets sold under repurchase agreements	(2,793,417)	(2,924,317)
Net increase in deposits from customers	3,985,489	5,019,403
Income tax paid	(211,187)	(142,355)
Net decrease in other operating liabilities	(396,070)	(393,359)
	3,658,440	(1,288,016)

Net cash flows used in operating activities	(8,683,473)	(11,132,258)
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Cash flows from investing activities

Proceeds from disposal and redemption of investments	17,727,344	36,501,132
Net cash received from investment gains and interest	1,623,834	1,955,574
Proceeds from disposal of property and equipment, intangible assets and other assets	1	205
Payments on acquisition of investments	(15,092,600)	(11,360,618)
Payments on acquisition of property and equipment, intangible assets and other assets	(54,809)	(63,096)

Net cash flows generated from investing activities	4,203,770	27,033,197
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Consolidated Cash Flow Statement (continued)
for the three months ended 31 March 2019- unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

Three months ended 31 March
2019 **2018**

Cash flows from financing activities

Proceeds from issuance of ordinary shares	1,962,570	—
Net proceeds from debt securities issued	21,652,505	9,765,832
Repayment of debt securities issued	(19,580,000)	(28,560,000)
Interest paid on debt securities issued	(253,730)	(392,930)
Dividends paid	(59)	(4,160)

Net cash flows generated from/(used in) financing activities

3,781,286	(19,191,258)
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Effect of foreign exchange rate changes on cash and cash equivalents

(6,277)	(24,622)
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Net decrease in cash and cash equivalents

(704,694)	(3,314,941)
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Cash and cash equivalents as at 1 January

10,212,182	9,678,330
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Cash and cash equivalents as at 31 March

9,507,488	6,363,389
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Net cash flows generated from operating activities include:

Interest received	2,091,796	1,467,238
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Interest paid	(1,186,888)	(980,449)
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The impact of the first implementation of IFRS16 on the items of the consolidated statement of financial position as at 1 January 2019 was summarized as follows:

	31 December 2018	1 January 2019	Adjustments
Assets			
Cash and deposits with central bank	29,554,430	29,554,430	—
Deposits with banks and other financial institutions	1,542,437	1,542,437	—
Placements with banks and other financial institutions	4,110,464	4,110,464	—
Financial assets at fair value through profit or loss	22,361,816	22,361,816	—
Financial assets held under resale agreements	300,262	300,262	—
Loans and advances to customers	123,366,891	123,366,891	—
Financial investments at fair value through other comprehensive income	53,002,751	53,002,751	—
Financial investments measured at amortized cost	70,032,056	70,032,056	—
Long-term receivables	7,766,698	7,766,698	—
Property and equipment	3,124,355	3,124,355	—
Deferred tax assets	1,152,778	1,152,778	—
Other assets	1,343,564	1,802,527	458,963
Total assets	317,658,502	318,117,465	458,963
Liabilities			
Borrowings from central bank	10,878,835	10,878,835	—
Deposits from banks and other financial institutions	11,632,982	11,632,982	—
Placements from banks and other financial institutions	7,207,066	7,207,066	—
Financial assets sold under repurchase agreements	14,850,333	14,850,333	—
Deposits from customers	177,911,247	177,911,247	—
Income tax payable	13,174	13,174	—
Debt securities issued	65,240,507	65,240,507	—
Other liabilities	2,427,634	2,886,597	458,963
Total liabilities	290,161,778	290,620,741	458,963

	31 December 2018	1 January 2019	Adjustments
Equity			
Share capital	4,058,713	4,058,713	—
Other equity instruments			
Including: preference shares	7,853,964	7,853,964	—
Capital reserve	6,826,276	6,826,276	—
Surplus reserve	1,403,575	1,403,575	—
General reserve	3,969,452	3,969,452	—
Other comprehensive income	553,193	553,193	—
Retained earnings	2,319,800	2,319,800	—
Total equity attributable to equity shareholders of the Bank	26,984,973	26,984,973	—
Non-controlling interests	511,751	511,751	—
Total equity	<u>27,496,724</u>	<u>27,496,724</u>	<u>—</u>
Total liabilities and equity	<u><u>317,658,502</u></u>	<u><u>318,117,465</u></u>	<u><u>458,963</u></u>

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

Qingdao, Shandong Province, the PRC
26 April 2019

As at the date of this announcement, the Board comprises Mr. Guo Shaoquan, Mr. Wang Lin, Mr. Yang Fengjiang and Ms. Lu Lan as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita, Mr. Deng Youcheng and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Wong Tin Yau, Kelvin, Mr. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung and Ms. Fang Qiaoling as independent non-executive directors.

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