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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 THIRD 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 third quarterly report of Bank of Qingdao Co., Ltd. was considered and approved at the twenty-eighth meeting of the seventh session of the board of directors of the Bank held on 29 October 2019. There were 15 directors eligible for attending the meeting, of whom 13 directors attended the meeting in person and two by proxy. Due to other work arrangements, non-executive director Ms. Tan Lixia appointed Mr. Zhou Yunjie and executive director Mr. Wang Lin appointed Mr. Guo Shaoquan to attend the meeting on behalf of them.
- 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. Unless otherwise stated, the data in this report is the consolidated data of the Company.

SECTION II BASIC INFORMATION

I. Principal Accounting Data and Financial Indicators

1. Key data and indicators

Unit: RMB thousand

Item	July- September 2019	Year-on-year change (%)	January- September 2019	Year-on-year change (%)
Operating income	2,653,222	22.89	7,187,790	35.90
Net profit attributable to shareholders of the Bank	508,179	17.46	1,946,641	10.98
Basic earnings per share (RMB/share) ⁽¹⁾	–	100.00	0.32	3.23
Diluted earnings per share (RMB/share) ⁽¹⁾	–	100.00	0.32	3.23
Net cash flows generated from operating activities	N/A	N/A	(12,261,643)	(44.93)
Weighted average return on net assets (%) (annualised) ⁽¹⁾	6.98	Increased by 0.30 percentage point	9.77	Decreased by 0.46 percentage point

Item	30 September 2019	31 December 2018	Change from the end of last year (%)
Total assets	355,001,099	317,658,502	11.76
Loans and advances to customers:			
Corporate loans	110,536,230	85,036,896	29.99
Personal loans	50,094,008	41,349,974	21.15
Total loans to customers	160,630,238	126,386,870	27.09
Add: Accrued interest	716,696	521,250	37.50
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(4,150,253)	(3,541,229)	17.20
Loans and advances to customers	157,196,681	123,366,891	27.42
Total liabilities	324,865,797	290,161,778	11.96
Deposits from customers:			
Corporate deposits	139,252,627	118,644,749	17.37
Personal deposits	61,141,746	56,898,658	7.46
Other deposits	215,253	132,442	62.53
Total deposits from customers	200,609,626	175,675,849	14.19
Add: Accrued interest	2,560,481	2,235,398	14.54
Deposits from customers	203,170,107	177,911,247	14.20
Share capital	4,509,690	4,058,713	11.11

Item	30 September 2019	31 December 2018	Change from the end of last year (%)
Equity attributable to shareholders of the Bank	29,585,078	26,984,973	9.64
Shareholders' equity	30,135,302	27,496,724	9.60
Net assets per share attributable to ordinary shareholders of the Bank (RMB/share) ⁽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, in aggregate from January to September)			0.32

Notes:

1. Earnings per share and weighted average return on net assets were calculated in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 - Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》(2010年修訂)). From January to September 2019, weighted average return on net assets (annualised) was 9.77%, representing a year-on-year decrease of 0.46 percentage point, mainly resulting from the significant increase in the weighted average net assets for the current period due to the completion of the initial public offering of 451 million A shares by the Bank in January 2019 and the net proceeds raised therefrom amounting to RMB1.963 billion. In September 2019, the Bank paid dividends of the preference shares for the year. Therefore, in calculating earnings per share and weighted average return on net assets for the current period, the impact of the distribution of dividends of preference shares has been taken into account. Among which, weighted average return on net assets was calculated by dividing the annualised net profit attributable to shareholders of the Bank (after deducting the dividends of preference shares declared) by weighted average net assets.
2. Net assets per share attributable to ordinary 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 Standard 16 - Leases (“IFRS 16”) issued by the International Accounting Standards Board since 1 January 2019. For the relevant information and impact of changes in accounting policies, please refer to the overseas regulatory announcement on major changes in accounting policies and the 2019 interim report published by the Bank. Of these, the impact of application of IFRS 16 on the items of the consolidated statement of financial position as at 1 January 2019 is set out on the page behind the financial statements for this quarter.

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 in the net profit for the reporting period ended 30 September 2019 and the shareholders' equity at the end of the reporting period.

II. Principal Regulatory Indicators and Supplementary Financial Indicators

1. Principal indicators

Indicator	Regulatory standard	30 September 2019	31 December 2018	31 December 2017	31 December 2016
Capital adequacy ratio (%) ⁽¹⁾	≥10.5	15.04	15.68	16.60	12.00
Tier-one capital adequacy ratio (%) ⁽¹⁾	≥8.5	11.55	11.82	12.57	10.08
Core tier-one capital adequacy ratio (%) ⁽¹⁾	≥7.5	8.49	8.39	8.71	10.08
Leverage ratio (%)	≥4	7.71	7.92	7.88	5.82
Liquidity coverage ratio (%)	≥100	150.07	125.95	173.05	101.24
Liquidity ratio (%)	≥25	72.95	60.55	56.36	53.48
Non-performing loan ratio (%)	≤5	1.67	1.68	1.69	1.36
Loan concentration of single customer (%)	≤10	6.12	4.16	4.32	5.29
Loan concentration of top 10 customers (%)	≤50	36.97	29.06	29.21	36.99
Provision coverage ratio (%)		155.51	168.04	153.52	194.01
Loan provision ratio (%)		2.60	2.82	2.60	2.64
Normal loans migration rate (%)		1.05	3.06	2.51	5.34
Special mention loans migration rate (%)		48.43	44.53	53.57	25.89
Substandard loans migration rate (%)		51.13	36.28	67.75	46.33
Doubtful loans migration rate (%)		17.53	21.41	10.31	17.46
Return on average total assets (%) (annualised) ⁽²⁾		0.79	0.66	0.65	0.90
Cost-to-income ratio (%) ⁽³⁾		27.03	33.01	31.68	34.71
Net interest spread (%) (annualised) ⁽⁴⁾		2.05	1.67	1.57	2.05
Net interest margin (%) (annualised) ⁽⁵⁾		2.08	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 the end of the period, of which the total assets at the beginning of 2018 are the balances after the adoption of International Financial Reporting Standard 9 - Financial instruments and total assets at the beginning of 2019 are the balance after the adoption of IFRS 16.
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	30 September 2019		31 December 2018	
	The Company	The Bank	The Company	The Bank
Net core tier-one capital	21,918,832	21,002,559	19,268,600	18,435,840
Net tier-one capital	29,818,915	28,856,523	27,162,930	26,289,804
Net capital base	38,827,765	37,545,073	36,021,656	34,930,432
Total risk-weighted assets	258,221,881	248,795,442	229,776,495	221,581,329
Core tier-one capital adequacy ratio (%)	8.49	8.44	8.39	8.32
Tier-one capital adequacy ratio (%)	11.55	11.60	11.82	11.86
Capital adequacy ratio (%)	15.04	15.09	15.68	15.76

3. Leverage ratio

Unit: RMB thousand

Item	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Leverage ratio (%)	7.71	7.98	8.45	7.92
Net tier-one capital	29,818,915	29,689,648	29,819,904	27,162,930
Balance of assets on and off balance sheet after adjustments	386,887,353	372,198,506	352,899,833	342,807,436

4. Liquidity coverage ratio

Unit: RMB thousand

Item	30 September 2019	31 December 2018
Liquidity coverage ratio (%)	150.07	125.95
Qualified and high-quality current assets	72,774,192	52,974,850
Net cash outflows in next 30 days	48,494,567	42,058,582

5. Loans by five categories

Unit: RMB thousand

Five categories	30 September 2019		31 December 2018		Change from
	Amount	% of total	Amount	% of total	the end of last year (%)
Normal	152,178,197	94.74	117,153,054	92.69	29.90
Special mention	5,770,275	3.59	7,116,638	5.63	(18.92)
Substandard	1,391,348	0.87	1,158,565	0.92	20.09
Doubtful	1,162,541	0.72	806,110	0.64	44.22
Loss	127,877	0.08	152,503	0.12	(16.15)
Total loans to customers	160,630,238	100.00	126,386,870	100.00	27.09

III. Analysis of Operating Results

In the first three quarters of 2019, facing a complex situation in economy, trade and finance at home and abroad, the Company seized the opportunity of replacement of old growth drivers with new ones in the province and the municipality while actively implementing the relevant national regulations and regulatory requirements. According to the basic operation guiding ideology of “strategic guidance, characteristic growth driver, compliance with rules and regulations, and continuous improvement”, the Company adhered to serving the real economy, steadily promoted structural adjustment, stably improved operational efficiency and strictly controlled asset quality. Therefore, the overall operation functioned steadily.

Both assets and liabilities increased stably and the structure adjustment continued to advance steadily. As of the end of September 2019, the total assets of the Company reached RMB355.001 billion, representing an increase of RMB37.343 billion or 11.76% as compared with that at the end of the previous year, and the total liabilities reached RMB324.866 billion, representing an increase of RMB34.704 billion or 11.96% as compared with that at the end of the previous year. Loans grew faster than total assets, and the percentage to total assets continued to increase. As of the end of September 2019, the loans and advances to customers reached RMB157.197 billion, representing an increase of RMB33.830 billion or 27.42% as compared with that at the end of the previous year, accounting for 44.28% of the total assets, representing an increase of 5.44 percentage points as compared with that at the end of the previous year. Corporate loans increased by RMB25.499 billion or 29.99% as compared with that at the end of the previous year; personal loans increased by RMB8.744 billion or 21.15% as compared with that at the end of the previous year. Deposits recorded faster growth. As of the end of September 2019, deposits from customers reached RMB203.170 billion, representing an increase of RMB25.259 billion or 14.20% as compared with that at the end of the previous year. Corporate deposits increased by RMB20.608 billion or 17.37% as compared with that at the end of the previous year; personal deposits increased by RMB4.243 billion or 7.46% as compared with that at the end of the previous year.

The operating efficiency increased steadily and the operating income grew rapidly. In the first three quarters of 2019, the Company achieved a net profit attributable to shareholders of the Bank of RMB1.947 billion, representing a year-on-year increase of RMB193 million or 10.98%; the net interest margin (annualised) was 2.08%, representing an increase of 0.45 percentage point as compared with that in the previous year; the cost-to-income ratio was 27.03%, representing a decrease of 5.98 percentage points as compared with that in the previous year. The Company achieved an operating income of RMB7.188 billion, representing a year-on-year increase of RMB1.899 billion or 35.90%. The rapid increase in operating income was mainly due to the increase in net interest margin and the scale of the Company, with the improvement of the level of intermediary business, a good development in wealth management and the rapid growth in net fee and commission income. In the first three quarters of 2019, the net interest income was RMB4.889 billion, representing a year-on-year increase of RMB1.841 billion or 60.40%; the net fee and commission income was RMB888 million, representing a year-on-year increase of RMB363 million or 69.31%.

The asset quality remained stable and the principal regulatory indicators met the standards. As of the end of September 2019, the non-performing loan ratio of the Company was 1.67%, representing a decrease of 0.01 percentage point as compared with that at the end of the previous year; the capital adequacy ratio was 15.04%, the provision coverage ratio and loan provision ratio were 155.51% and 2.60%, respectively, all of which met regulatory requirements.

The service level for private enterprises and small and micro enterprises was continuously enhanced. In the first three quarters of 2019, the Bank proactively provided services to private enterprises, constantly enhanced its operation system and product innovation, and strived to meet the financing needs of private enterprises. The Bank also further promoted the special activity of “convenient access to credit facilities” to improve the convenience for private enterprises to obtain credit facilities and improve financing efficiency. Meanwhile, the Bank actively built the close relationship with small and micro enterprises and continued to optimise the approval mechanism for small and micro enterprise loans. Furthermore, the Bank adhered to inclusive financial product innovation and promoted the steady development of the three business models of “featured sub-branches, micro-credit center and online data platform”.

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	104,747	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 ordinary 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
Hong Kong Securities Clearing Company Nominee Limited	Overseas legal person	25.23%	1,137,873,380	–	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-owned legal person	9.08%	409,693,339	409,693,339	–	–
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Domestic non-state-owned legal person	4.85%	218,692,010	218,692,010	–	–
Shandong Sanliyuan Economics and Trade Co., Ltd.	Domestic non-state-owned legal person	3.37%	152,170,000	152,170,000	Pledged	151,600,000
Haier Smart Home Co., Ltd.	Domestic non-state-owned legal person	3.22%	145,297,405	145,297,405	–	–
Qingdao Hairen Investment Co., Ltd.	Domestic non-state-owned 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-owned legal person	2.02%	90,936,164	90,936,164	–	–

Shareholding of top 10 ordinary 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	1,137,873,380	Overseas listed foreign shares	1,137,873,380
Intesa Sanpaolo S.p.A.	624,753,980	Overseas listed foreign shares	624,753,980
Shen Yousheng	10,847,000	RMB ordinary shares	10,847,000
Zhang Xubin	6,063,500	RMB ordinary shares	6,063,500
Agricultural Bank of China Limited- CSI 500 Index Exchange-traded Open-ended Fund	5,984,100	RMB ordinary shares	5,984,100
Xu Zhidi	5,561,917	RMB ordinary shares	5,561,917
Hong Kong Securities Clearing Company Limited	2,845,911	RMB ordinary shares	2,845,911
Tibet Kunlun Dingxin Investment and Management Co., Ltd.	2,782,500	RMB ordinary shares	2,782,500
Zhang Wentao	2,417,000	RMB ordinary shares	2,417,000
Lin Han	2,294,154	RMB ordinary shares	2,294,154

**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-Conditioner Electronics Co., Ltd. and Haier Smart Home Co., Ltd. are all under Haier Group, and Qingdao Haier Investment and Development Co., Ltd. and Qingdao Haier Air-Conditioner Electronics Co., Ltd. have entrusted Haier Smart Home Co., Ltd. to exercise the voting rights of the shareholders corresponding to their shares. Hong Kong Securities Clearing Company Nominee Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. The Bank is not aware of any other related relationship or concerted action among other above mentioned shareholders.

**Description of top 10 ordinary
shareholders participating in
securities margin trading
business**

The Bank is not aware of any holder of shares held on behalf by Hong Kong Securities Clearing Company Nominee Limited participating in securities margin trading business. As at the end of the reporting period, other top 10 ordinary shareholders did not participate in securities margin trading business.

Remarks

1. Among the total number of ordinary shareholders at the end of the reporting period, there are 104,578 shareholders of A shares and 169 shareholders of H shares;
2. 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. Hong Kong Securities Clearing Company Limited is an institution that is designated as a nominal holder and is designated by others to hold shares on their behalf, including the Shenzhen Connect shares held by Hong Kong and overseas investors;
3. As at the end of the reporting period, Intesa Sanpaolo S.p.A., as a registered shareholder of H shares of the 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, and in this table, those agented shares have been deducted from the number of shares held by Hong Kong Securities Clearing Company Nominees Limited;
4. 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 conduct any transaction under repurchase agreements.

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 any preference shareholder 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 - September 2019	January - September 2018	Changes (%)	Main Reasons
Net interest income	4,889,302	3,048,186	60.40	The significant improvement of net interest yield while the Company expanded the scale of its interest-bearing assets
Fee and commission income	966,220	575,371	67.93	The robust development of wealth management business
Fee and commission expense	(78,562)	(51,099)	53.74	Increase in commission expense from credit card business
Net fee and commission income	887,658	524,272	69.31	Increase in fee and commission income
Net trading gains	263,502	429,307	(38.62)	The impact of exchange rate fluctuations
Other operating income, net	12,843	6,658	92.90	Income fluctuations caused by the Company's normal operating, which absolute amount was small
Total operating income	7,187,790	5,289,132	35.90	Increase in net interest margin and the scale of the Company, with the improvement of the level of intermediary business, a good development in wealth management and the rapid growth in net fee and commission income
Impairment losses	(2,726,622)	(1,536,424)	77.47	Increase in provision for impairment to adapt to the risk conditions, as the regional economy was faced with pressure of replacing old drivers with new ones and the operational risk of borrowers increased
Non-controlling interests	38,474	7,603	406.04	Increase in profit of subsidiaries
Other comprehensive income, net of tax	112,829	541,798	(79.18)	Decrease in changes in fair value of debt investments measured at fair value through other comprehensive income
Net cash flows generated from operating activities	(12,261,643)	(8,460,642)	(44.93)	Growth of net increase in loans and advances to customers

Item	30 September 2019	31 December 2018	Changes (%)	Main Reasons
Derivative financial assets	1,298	–	N/A	Interest rate swaps and other fair value re-evaluation
Financial assets held under resale agreements	1,098,269	300,262	265.77	Increase in debt securities held under resale agreements
Deferred tax assets	1,499,886	1,152,778	30.11	Increase in deferred income tax assets arising from asset impairment provision
Other assets	1,847,323	1,343,564	37.49	Right-of-use assets recognized after adoption of IFRS 16 presented in this item
Borrowings from central bank	5,899,355	10,878,835	(45.77)	Mid-term loan facility expiration
Deposits from banks and other financial institutions	15,569,058	11,632,982	33.84	Increase in fixed deposits from banks and other financial institutions
Placements from banks and other financial institutions	10,245,073	7,207,066	42.15	Increase in interbank lending and borrowing due to daily operation needs
Derivative financial liabilities	804	–	N/A	Interest rate swaps and other fair value re-evaluation
Income tax payable	244,700	13,174	1,757.45	Increase in provision of income tax

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

The 2019 first extraordinary general meeting was held by the Bank on 15 October 2019, whereupon it is resolved to elect Mr. Zhang Tingjie as an independent director of the seventh session of the board of directors of the Bank for a term of office expiring at the end of the term of office at the seventh session of the board of directors. Mr. Zhang Tingjie will assume office as an independent director upon receiving regulatory approval on his qualification, and it is also resolved to elect Mr. He Liangjun as the shareholder supervisor of the seventh session of the board of supervisors of Bank for a term of office commencing from the date of approval of the shareholders' meeting till the expiration of the term of the seventh session of the board of supervisors.

Summary of Significant Events	Disclosure Date	Provisional Report Disclosure Website Search Index
Regarding the nomination and election of independent director and shareholder supervisor of the Bank	24 August 2019, 29 August 2019, 24 September 2019 and 16 October 2019	http://www.cninfo.com.cn/

Save as disclosed in this quarterly report, the announcements of the Bank and matters disclosed above, the Bank had no other significant events which should be disclosed.

During the Reporting Period, the Bank did not repurchase any share or reduce buy-back shares through centralized bidding.

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	30 September 2019
Financial investments measured at fair value through profit or loss	22,361,816	206,315	N/A	N/A	23,206,562
Loans and advances to customers measured at fair value through other comprehensive income	6,772,625	N/A	7,608	(3,485)	7,125,195
Financial investments measured at fair value through other comprehensive income	53,002,751	N/A	678,140	(89,564)	55,934,665
Derivative financial assets	–	1,298	N/A	N/A	1,298
Derivative financial liabilities	–	(804)	N/A	N/A	(804)

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.

VII. Entrusted Wealth Management

During the reporting period, the Bank did not have any entrusted wealth management transactions beyond its normal scope of business.

SECTION IV PUBLICATION OF QUARTERLY REPORT

This report is simultaneously published on the HKEX news 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 the Shenzhen Stock Exchange (www.szse.cn) and the website of the Bank.

SECTION V FINANCIAL STATEMENTS

Bank of Qingdao Co., Ltd.

Unaudited Consolidated Statement of Profit or Loss

based on IFRS

for the period from 1 July 2019 to 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Period from	
	1 July to 30 September	
	2019	2018
	(unaudited)	(unaudited)
Interest income	3,740,151	3,139,043
Interest expense	(1,995,392)	(1,827,149)
Net interest income	1,744,759	1,311,894
Fee and commission income	352,138	202,035
Fee and commission expense	(45,290)	(20,250)
Net fee and commission income	306,848	181,785
Net trading gains	248,140	334,667
Net gains arising from investments	348,944	329,462
Other operating income, net	4,531	1,213
Operating income	2,653,222	2,159,021
Operating expenses	(749,189)	(628,543)
Impairment losses	(1,298,427)	(1,019,909)
Profit before taxation	605,606	510,569
Income tax expense	(86,620)	(79,765)
Net profit for the period	518,986	430,804
Profit attributable to:		
Equity shareholders of the Bank	508,179	432,633
Non-controlling interests	10,807	(1,829)
Basic and diluted earnings per share (in RMB)	—	(0.02)

Bank of Qingdao Co., Ltd.**Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income**

based on IFRS

for the period from 1 July 2019 to 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Period from	
	1 July to 30 September	
	2019	2018
	(unaudited)	(unaudited)
Net profit for the period	518,986	430,804
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
– Remeasurement of defined benefit liability	(7)	8
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of debt investments measured at fair value through other comprehensive income	82,518	119,735
– Credit losses of debt investments measured at fair value through other comprehensive income	55,722	561
Other comprehensive income, net of tax	138,233	120,304
Total comprehensive income	657,219	551,108
Total comprehensive income attributable to:		
Equity shareholders of the Bank	646,412	552,937
Non-controlling interests	10,807	(1,829)

Bank of Qingdao Co., Ltd.
Unaudited Consolidated Statement of Profit or Loss
based on IFRS
for the nine months ended 30 September 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
Interest income	10,565,969	8,592,288
Interest expense	(5,676,667)	(5,544,102)
Net interest income	4,889,302	3,048,186
Fee and commission income	966,220	575,371
Fee and commission expense	(78,562)	(51,099)
Net fee and commission income	887,658	524,272
Net trading gains	263,502	429,307
Net gains arising from investments	1,134,485	1,280,709
Other operating income, net	12,843	6,658
Operating income	7,187,790	5,289,132
Operating expenses	(2,015,678)	(1,592,656)
Impairment losses	(2,726,622)	(1,536,424)
Profit before taxation	2,445,490	2,160,052
Income tax expense	(460,375)	(398,372)
Net profit for the period	1,985,115	1,761,680
Profit attributable to:		
Equity shareholders of the Bank	1,946,641	1,754,077
Non-controlling interests	38,474	7,603
Basic and diluted earnings per share (in RMB)	0.32	0.31

Bank of Qingdao Co., Ltd.**Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income**

based on IFRS

for the nine months ended 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited)
Net profit for the period	1,985,115	1,761,680
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
– Remeasurement of defined benefit liability	(7)	(997)
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of debt investments measured at fair value through other comprehensive income	6,455	529,464
– Credit losses of debt investments measured at fair value through other comprehensive income	106,381	13,331
Other comprehensive income, net of tax	112,829	541,798
Total comprehensive income	2,097,944	2,303,478
Total comprehensive income attributable to:		
Equity shareholders of the Bank	2,059,470	2,295,875
Non-controlling interests	38,474	7,603

Bank of Qingdao Co., Ltd.**Unaudited Consolidated Statement of Financial Position**

based on IFRS

as at 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 September 2019 (unaudited)	31 December 2018 (audited)
Assets		
Cash and deposits with central bank	29,778,805	29,554,430
Deposits with banks and other financial institutions	1,359,005	1,542,437
Placements with banks and other financial institutions	4,921,870	4,110,464
Derivative financial assets	1,298	–
Financial assets held under resale agreements	1,098,269	300,262
Loans and advances to customers	157,196,681	123,366,891
Financial investments:		
– Financial investments measured at fair value through profit or loss	23,206,562	22,361,816
– Financial investments measured at fair value through other comprehensive income	55,934,665	53,002,751
– Financial investments measured at amortised cost	66,252,653	70,032,056
Long-term receivables	8,839,561	7,766,698
Property and equipment	3,064,521	3,124,355
Deferred tax assets	1,499,886	1,152,778
Other assets	1,847,323	1,343,564
Total assets	355,001,099	317,658,502
Liabilities		
Borrowings from central bank	5,899,355	10,878,835
Deposits from banks and other financial institutions	15,569,058	11,632,982
Placements from banks and other financial institutions	10,245,073	7,207,066
Derivative financial liabilities	804	–
Financial assets sold under repurchase agreements	11,750,365	14,850,333
Deposits from customers	203,170,107	177,911,247
Income tax payable	244,700	13,174
Debt securities issued	75,184,097	65,240,507
Other liabilities	2,802,238	2,427,634
Total liabilities	324,865,797	290,161,778

Bank of Qingdao Co., Ltd.**Unaudited Consolidated Statement of Financial Position (continued)**

based on IFRS

as at 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 September 2019 (unaudited)	31 December 2018 (audited)
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	666,022	553,193
Retained earnings	2,844,506	2,319,800
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	29,585,078	26,984,973
Non-controlling interests	550,224	511,751
	<hr/>	<hr/>
Total equity	30,135,302	27,496,724
	<hr/>	<hr/>
Total liabilities and equity	355,001,099	317,658,502
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Approved and authorised for issue by the board of directors on 29 October 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)

Bank of Qingdao Co., Ltd.**Unaudited Consolidated Cash Flow Statement**

based on IFRS

for the nine months ended 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

Nine months ended 30 September	
2019	2018
(unaudited)	(unaudited)

Cash flows from operating activities

Profit before taxation	2,445,490	2,160,052
<i>Adjustments for:</i>		
Impairment losses	2,726,622	1,536,424
Depreciation and amortisation	319,773	298,123
Unrealised foreign exchange gains	(255,554)	(494,833)
Net losses on disposal of long-term assets	936	273
Dividend income	(1,500)	(1,100)
(Gains)/losses from changes in fair value	(206,809)	179,957
Net gains arising from investment	(926,669)	(1,459,567)
Interest expense on debt securities issued	1,925,564	1,869,100
Interest income generated from non-operating activities	(4,024,915)	(3,927,538)
Others	(42,369)	(46,405)
	<u>1,960,569</u>	<u>114,486</u>
<i>Changes in operating assets</i>		
Net increase in deposits with central bank	(85,768)	(1,207,816)
Net decrease/(increase) in deposits with banks and other financial institutions	200,000	(200,000)
Net decrease/(increase) in placements with banks and other financial institutions	61,906	(2,516,443)
Net increase in loans and advances to customers	(35,739,988)	(24,895,377)
Net (increase)/decrease in financial assets held under resale agreements	(798,750)	1,207,700
Net increase in financial assets held for trading	–	(350,000)
Net increase in long-term receivables	(1,153,113)	(3,651,168)
Net increase in other operating assets	(502,727)	(179,451)
	<u>(38,018,440)</u>	<u>(31,792,555)</u>

Bank of Qingdao Co., Ltd.**Unaudited Consolidated Cash Flow Statement (continued)**

based on IFRS

for the nine months ended 30 September 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

Nine months ended	
30 September	
2019	2018
(unaudited)	(unaudited)

Cash flows from operating activities (continued)*Changes in operating liabilities*

Net (decrease)/increase in borrowings from central bank	(4,896,201)	7,977,691
Net increase/(decrease) in deposits from banks and other financial institutions	3,905,546	(9,687,681)
Net increase in placements from banks and other financial institutions	3,062,466	2,586,986
Net (decrease)/increase in financial assets sold under repurchase agreements	(3,097,907)	10,629,690
Net increase in deposits from customers	24,933,777	12,018,001
Income tax paid	(440,901)	(450,362)
Net increase in other operating liabilities	329,448	143,102
	<u>23,796,228</u>	<u>23,217,427</u>

Net cash flows generated from operating activities

(12,261,643)	(8,460,642)
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Cash flows from investing activities

Proceeds from disposal and redemption of investments	43,988,149	69,339,675
Net cash received from investment gains and interest	5,240,749	5,418,630
Proceeds from disposal of property and equipment, intangible assets and other assets	270	2,755
Payments on acquisition of investments	(44,302,997)	(49,289,355)
Payments on acquisition of property and equipment, intangible assets and other assets	(190,268)	(183,785)

Net cash flows generated from investing activities

4,735,903	25,287,920
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Bank of Qingdao Co., Ltd.
Unaudited Consolidated Cash Flow Statement (continued)
based on IFRS
for the nine months ended 30 September 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September 2019 (unaudited)	2018 (unaudited)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	1,962,570	—
Net proceeds from debt securities issued	60,153,310	60,772,405
Repayment of debt securities issued	(51,630,000)	(78,510,000)
Interest paid on debt securities issued	(505,284)	(642,930)
Dividends paid	(1,420,730)	(1,319,004)
Net cash flows generated from financing activities	8,559,866	(19,699,529)
Effect of foreign exchange rate changes on cash and cash equivalents	18,424	13,287
Net increase/(decrease) in cash and cash equivalents	1,052,550	(2,858,964)
Cash and cash equivalents as at 1 January	10,212,182	9,678,330
Cash and cash equivalents as at 30 September	11,264,732	6,819,366
Net cash flows generated from operating activities include:		
Interest received	6,776,782	4,850,934
Interest paid	(3,751,103)	(3,396,666)

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
Other assets	1,343,564	1,802,527	458,963
Other liabilities	2,427,634	2,886,597	458,963

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

Qingdao, Shandong Province, PRC
29 October 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.*