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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)

ANNOUNCEMENT ON CHANGES IN ACCOUNTING POLICIES

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 Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Bank (the “**Board**”) considered and approved the relevant resolution regarding the changes in accounting policies at the Board meeting and the changes in accounting policies are not subject to consideration and approval at the shareholders’ general meeting of the Bank. According to the accounting standards such as financial instrument standards revised by the Ministry of Finance of the People’s Republic of China in 2017, the Bank shall accordingly change its accounting policies from 2018.

I. BASIS OF ACCOUNTING STANDARDS FOR CHANGES IN ACCOUNTING POLICIES

The basis of accounting standards for changes in accounting policies includes: newly revised “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” (“**Standard No. 22**”), “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets” (“**Standard No. 23**”), “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” (“**Standard No. 24**”), “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments” (“**Standard No. 37**”) and “Accounting Standard for Business Enterprises No. 14 – Revenue” (“**Standard No. 14**”).

II. CHANGES IN ACCOUNTING POLICIES AND THE IMPACT ON THE BANK

1. Changes in Accounting Policies in relation to Financial Instruments

Pursuant to Standard No. 22, Standard No. 23, Standard No. 24 and Standard No. 37, the classification of financial assets shall be based on “business model” for possessing the financial assets and “contractual cash flow characteristics of financial assets”, and financial assets shall be classified into three types, namely, financial asset measured at amortised cost, financial asset measured at fair value through other comprehensive income and financial asset measured at fair value through profit or loss, to increase the objectivity of classification and the consistency of accounting treatment. The accounting policy for impairment of financial assets shall change from the approach of “incurred loss” to “expected credit loss” to make sufficient impairment provisions in a more timely manner. The determination principle and accounting treatment of transfer of financial assets are further clarified. In respect of hedge accounting, the integration with risk management activities is more emphasised. The disclosure requirements for financial instruments shall be adjusted accordingly.

The above mentioned new standards will be applied to overseas-listed companies from 2018. According to the provisions for the transitional period, companies should retrospectively adjust the retained earnings or other comprehensive income at the beginning of the period instead of restating the comparable figures of the prior period. As such, the Bank will change its accounting policies and make disclosure pursuant to the requirements in 2018. The data in the comparable period of 2017 will not be restated. The Bank will adjust the data of retained earnings and other comprehensive income at the beginning of 2018 in respect of the effects of the conversion of the new and previous standards. The implementation of the above mentioned new standards is expected to have impacts on various aspects of the Bank’s financial statements.

2. Changes in Accounting Policies in relation to Revenue

Standard No. 14 incorporates the current revenue and construction contract standards into a unified revenue recognition model; to replace the risk-and-reward approach with the transfer-of-control approach as the criteria for the time of revenue recognition; to provide a more prescriptive guidance including the accounting treatment of contract concerning multiple trading arrangements; and expressly formulates the revenue recognition and measurement of certain specific transactions (or matters).

Standard No. 14 will be applied to overseas-listed companies from 2018. According to the provisions for the transitional period, companies that first apply this standard shall, based on the cumulative effect of initially applying this standard, adjust the opening balance of retained earnings and the amount of other relevant items in financial statements and shall not adjust the information of the comparative period. The implementation of this standard will not result in material change in the Bank’s revenue recognition, and will not have significant impact on its financial statements.

The above-mentioned changes in accounting policies are reasonable according to the relevant documents stipulated by the Ministry of Finance of the People's Republic of China, reflecting the Bank's financial conditions and operating results in a more objective and fair manner and avoiding the differences of standards between overseas and domestic financial statements.

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

Shandong, the PRC, 20 March 2018

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, Mr. Wang Jianhui, Ms. Tan Lixia, Mr. Marco Mussita and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Wang Zhuquan, Mr. Wong Tin Yau, Kelvin, Mr. Chen Hua, Ms. Dai Shuping and Mr. Simon Cheung as independent non-executive directors.

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