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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)

2020 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 2020 third quarterly report of Bank of Qingdao Co., Ltd. was considered and approved at the thirty-ninth meeting of the seventh session of the board of directors of the Bank convened on 30 October 2020 by way of communication voting. There were 13 directors eligible for attending the meeting, of whom 13 directors attended and voted at the meeting. As the number of shares of the Bank pledged by the relevant shareholder has exceeded 50% of shares held by it, the voting rights of the director, Mr. Choi Chi Kin, designated by it on the board of directors were restricted according to relevant regulations of the China Banking and Insurance Regulatory Commission.
- III. The Bank's chairman Mr. Guo Shaoquan, president Mr. Wang Lin 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 were prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) and are unaudited. IFRSs refer to the International Financial Reporting Standards issued by the International Accounting Standards Board; and the International Financial Reporting Standards include the International Accounting Standards.
- 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

Expressed in thousands of Renminbi, unless otherwise stated

Item	July-September 2020	Year-on-year change (%)	January-September 2020	Year-on-year change (%)
Operating income	2,332,839	(12.08)	8,436,978	17.38
Net profit attributable to shareholders of the Bank	477,229	(6.09)	2,007,746	3.14
Basic earnings per share (RMB/share) ⁽¹⁾	-	N/A	0.34	6.25
Diluted earnings per share (RMB/share) ⁽¹⁾	-	N/A	0.34	6.25
Net cash flows generated from operating activities	N/A	N/A	35,644,871	390.70
Weighted average return on net assets (%) (annualised) ⁽¹⁾	6.35	Decreased by 0.63 percentage point	9.88	Increased by 0.11 percentage point

Item	30 September 2020	31 December 2019	Change from the end of last year (%)
Total assets	446,243,633	373,622,150	19.44
Loans and advances to customers:			
Corporate loans	144,522,465	118,286,626	22.18
Personal loans	63,682,758	54,508,817	16.83
Total loans to customers	208,205,223	172,795,443	20.49
Add: Accrued interest	857,721	772,480	11.03
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(5,533,025)	(4,409,632)	25.48
Loans and advances to customers	203,529,919	169,158,291	20.32
Provision for loan impairment	(5,549,154)	(4,422,549)	25.47
Of which: Impairment provision for loans and advances to customers at fair value through other comprehensive income	(16,129)	(12,917)	24.87
Total liabilities	415,797,474	343,144,232	21.17
Deposits from customers:			
Corporate deposits	187,642,154	147,880,817	26.89
Personal deposits	82,773,341	64,796,343	27.74
Other deposits ⁽²⁾	123,495	113,749	8.57
Total deposits from customers	270,538,990	212,790,909	27.14
Add: Accrued interest	3,346,792	2,634,494	27.04
Deposits from customers	273,885,782	215,425,403	27.14

Item	30 September 2020	31 December 2019	Change from the end of last year (%)
Share capital	4,509,690	4,509,690	–
Equity attributable to shareholders of the Bank	29,843,815	29,915,460	(0.24)
Shareholders' equity	30,446,159	30,477,918	(0.10)
Net assets per share attributable to shareholders of the Bank (RMB/share) ⁽³⁾	4.88	4.89	(0.20)
Total share capital of the Bank as of the trading day before the disclosure (share)		4,509,690,000	
Preference share dividend paid (RMB) ⁽⁴⁾		496,906,727	
Fully diluted earnings per share calculated using the latest share capital (RMB/share, in aggregate from January to September)			0.34

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 2020, basic earnings per share were RMB0.34, representing a year-on-year increase of RMB0.02; and weighted average return on net assets (annualised) was 9.88%, representing a year-on-year increase of 0.11 percentage point, mainly resulting from the increase in net profit attributable to shareholders of the Bank. In September 2020, the Bank paid dividends of the preference shares for the year. Therefore, in calculating earnings per share and weighted average return on net assets (annualised), the impact of the distribution of dividends of preference shares has been taken into account. Among which, weighted average return on net assets (annualised) 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. Other deposits include outward remittance and remittance payables as well as fiscal deposits to be transferred.
3. 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.
4. Preference share dividend paid includes income tax withheld 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 IFRSs

In the financial statements prepared by the Company in accordance with the Chinese Accounting Standards for Business Enterprises and the IFRSs, there is no difference between the net profit attributable to shareholders of the Bank for the reporting period ended 30 September 2020 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	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Capital adequacy ratio (%) ⁽¹⁾	≥10.5	14.17	14.76	15.68	16.60
Tier-one capital adequacy ratio (%) ⁽¹⁾	≥8.5	11.32	11.33	11.82	12.57
Core tier-one capital adequacy ratio (%) ⁽¹⁾	≥7.5	8.35	8.36	8.39	8.71
Leverage ratio (%)	≥4	6.22	7.46	7.92	7.88
Liquidity coverage ratio (%)	≥100	111.27	142.27	125.95	173.05
Liquidity ratio (%)	≥25	65.09	68.84	60.55	56.36
Non-performing loan ratio (%)	≤5	1.62	1.65	1.68	1.69
Provision coverage ratio (%)		164.79	155.09	168.04	153.52
Loan provision ratio (%)		2.67	2.56	2.82	2.60
Normal loans migration rate (%) (annualised)		0.96	1.29	3.06	2.51
Special mention loans migration rate (%) (annualised)		42.69	52.47	44.53	53.57
Substandard loans migration rate (%) (annualised)		11.75	88.01	36.28	67.75
Doubtful loans migration rate (%) (annualised)		6.85	10.91	21.41	10.31
Return on average total assets (%) (annualised) ⁽²⁾		0.67	0.68	0.66	0.65
Cost-to-income ratio (%) ⁽³⁾		26.55	31.86	33.01	31.68
Net interest spread (%) (annualised) ⁽⁴⁾		2.10	2.10	1.67	1.57
Net interest margin (%) (annualised) ⁽⁵⁾		2.12	2.13	1.63	1.72

Notes:

1. The relevant indicators of capital adequacy ratio 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 IFRS 9 – Financial Instruments, and total assets at the beginning of 2019 are the balances after the adoption of IFRS 16 – Lease. Return on average total assets (%) (annualised) for January to September 2020 decreased by 0.01 percentage point year-on-year, mainly due to the faster growth of business of the Company and the relatively greater increase in average total assets.
3. Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.
4. Net interest spread = average yield of 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 2020		31 December 2019	
	The Company	The Bank	The Company	The Bank
Net core tier-one capital	22,216,047	20,152,509	22,224,697	21,282,924
Net tier-one capital	30,128,413	28,006,473	30,126,320	29,136,888
Net capital base	37,717,483	35,188,258	39,252,505	37,907,869
Total risk-weighted assets	266,118,645	254,223,693	265,908,365	256,725,689
Core tier-one capital adequacy ratio (%)	8.35	7.93	8.36	8.29
Tier-one capital adequacy ratio (%)	11.32	11.02	11.33	11.35
Capital adequacy ratio (%)	14.17	13.84	14.76	14.77

3. Leverage ratio

Unit: RMB thousand

Item	30 September	30 June	31 March	31 December
	2020	2020	2020	2019
Leverage ratio (%)	6.22	6.38	7.31	7.46
Net tier-one capital	30,128,413	30,593,930	31,099,145	30,126,320
Balance of assets on and off balance sheet after adjustments	484,692,986	479,894,635	425,251,459	404,025,124

4. Liquidity coverage ratio

Unit: RMB thousand

Item	30 September	31 December
	2020	2019
Liquidity coverage ratio (%)	111.27	142.27
Qualified and high-quality current assets	86,940,536	78,152,065
Net cash outflows in next 30 days	78,131,771	54,930,790

5. Loans by five categories

Unit: RMB thousand

Five categories	30 September 2020		31 December 2019		Change from the end of last year (%)
	Amount	% of total	Amount	% of total	
Normal	200,914,735	96.50	163,910,475	94.86	22.58
Special mention	3,923,118	1.88	6,033,401	3.49	(34.98)
Substandard	2,638,625	1.27	965,897	0.56	173.18
Doubtful	561,539	0.27	1,743,364	1.01	(67.79)
Loss	167,206	0.08	142,306	0.08	17.50
Total loans to customers	208,205,223	100.00	172,795,443	100.00	20.49

III. ANALYSIS OF OPERATING RESULTS

In the first three quarters of 2020, facing unprecedented business challenges arising from the COVID-19 pandemic, economic fluctuation, etc., the Bank firmly implemented the requirements of the Party Central Committee on “Stability in Six Areas” and “Six Priorities” and actively implemented the national and local regulations and regulatory policies with the basic operating guiding principle of “adopting to changing times, strengthening characteristics, overcoming challenges and developing steadily”. While stepping up financial support for the prevention and control of the pandemic and the real economy, the Bank sought development opportunities amidst the epidemic, strove to expand business, strictly managed and controlled risk exposure, continuously promoted structural adjustment, and stably improved operational efficiency. Therefore, the overall operation functioned steadily.

Both assets and liabilities increased relatively rapid and the structure adjustment continued to advance. As at the end of September 2020, the total assets of the Company reached RMB446.244 billion, representing an increase of RMB72.621 billion or 19.44% as compared with that at the end of the previous year, and the total liabilities reached RMB415.797 billion, representing an increase of RMB72.653 billion or 21.17% as compared with that at the end of the previous year. While the total amount of assets and liabilities increased relatively rapid, the Company continued to promote structure adjustment, and both the loans and deposit businesses maintained relatively fast growth. Total loans to customers reached RMB208.205 billion, representing an increase of RMB35.410 billion or 20.49% as compared with that at the end of the previous year, accounting for 46.66% of the total assets, representing an increase of 0.41 percentage point as compared with that at the end of the previous year. Total deposits from customers reached RMB270.539 billion, representing an increase of RMB57.748 billion or 27.14% as compared with that at the end of the previous year, maintaining a rapid growth and accounting for 65.07% of the total liabilities, representing an increase of 3.05 percentage points 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 2020, the Company achieved a net profit attributable to shareholders of the Bank of RMB2.008 billion, representing a year-on-year increase of RMB61 million or 3.14%; the cost-to-income ratio was 26.55%, representing a decrease of 5.31 percentage points as compared with that in the previous year. The Company achieved an operating income of RMB8.437 billion, representing a year-on-year increase of RMB1.249 billion or 17.38%. The rapid increase in operating income was mainly due to the increase in the scale and the structure optimisation of the Company, and that a relatively fast growth in net interest income was maintained; the wealth management and credit card business developed fast and a rapid growth in net fee and commission income was achieved. In the first three quarters of 2020, the net interest income was RMB6.083 billion, representing a year-on-year increase of RMB1.194 billion or 24.42%; the net fee and commission income was RMB1.450 billion, representing a year-on-year increase of RMB562 million or 63.37%.

The asset quality remained a stable improvement and the principal regulatory indicators met the standards. As at the end of September 2020, the non-performing loan ratio of the Company was 1.62%, representing a decrease of 0.03 percentage point as compared with that at the end of the previous year; the core tier-one capital adequacy ratio was 8.35%, representing a slight decrease of 0.01 percentage point as compared with that at the end of the previous year; the capital adequacy ratio was 14.17%, representing a decrease of 0.59 percentage point as compared with that at the end of the previous year, mainly attributed to the exercise of the redemption option of tier-two capital bonds of RMB2.2 billion. The provision coverage ratio was 164.79%, representing an increase of 9.70 percentage points as compared with that at the end of the previous year; the loan provision ratio was 2.67%, representing an increase of 0.11 percentage point as compared with that at the end of the previous year. All the principal regulatory indicators met regulatory requirements.

The credit support toward private enterprises and small and micro enterprises was strengthened. During the reporting period, the Bank improved the long-term mechanism of financial services for financing the private enterprises and small and micro enterprises, continued to optimise the credit operation process, and effectively improved the quality and efficiency of services. On the one hand, the Bank actively implemented the epidemic prevention and control deployment, further promoted the “Stability in Six Areas” and “Six Priorities”, continued to carry out the campaign of Bank-Enterprise Cooperation (百行進萬企) as well as making great efforts in financing the private enterprises and rational allocation of credit resources; on the other hand, the Bank has launched a variety of inclusive financial products such as the “anti-coronavirus loan (抗疫貸)”, “Shi Yi Loan* (食宜貸)” and on-lending loans business, and issued special loans to help small and micro enterprises tide over the difficulties. In addition, it implemented the “two policy tools” of the People’s Bank of China, namely, the postponed loan repayment with deferred principal and interest for small and medium-sized and micro enterprises and the support for inclusive loans to small and micro enterprises, so as to promote smooth transmission of policy effects and direct them to the frontline of the real economy such as small and micro enterprises as well as relieving the pressure on small and micro enterprises to repay principal and interest.

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	76,052	Total number of preference shareholders with voting rights restored as at the end of the reporting period (if any)	0
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Name of shareholder	Nature of shareholder	Shareholdings of the top 10 ordinary shareholders				
		Percentage of shareholding	Number of shares	Number of shares subject to restrictions on sale	Shares pledged or frozen	Number
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	25.23%	1,137,893,880	-	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-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 the 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 Nominees Limited	1,137,893,880	Overseas listed foreign shares	1,137,893,880
Intesa Sanpaolo S.p.A.	624,753,980	Overseas listed foreign shares	624,753,980
Qingdao Victall Equity Investment Co., Ltd.	13,202,600	RMB ordinary shares	13,202,600
Hong Kong Securities Clearing Company Limited	10,431,217	RMB ordinary shares	10,431,217
Zhang Xubin	9,295,814	RMB ordinary shares	9,295,814
Xu Zhidi	8,337,017	RMB ordinary shares	8,337,017
Qingdao Biwan Marine Products Co., Ltd.	7,481,316	RMB ordinary shares	7,481,316
Qingdao Pengli Investment Co., Ltd.	7,100,000	RMB ordinary shares	7,100,000
Su Xiaoqing	7,000,600	RMB ordinary shares	7,000,600
Industrial and Commercial Bank of China – China Southern Baoyuan Bond Fund	6,000,043	RMB ordinary shares	6,000,043

Explanation on the related 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 Nominees 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 the 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 Nominees Limited participating in securities margin trading and refinancing businesses. As at the end of the reporting period, other top 10 ordinary shareholders did not participate in securities margin trading and refinancing businesses.

- Remarks**
1. Among the total number of ordinary shareholders at the end of the reporting period, there are 75,899 shareholders of A shares and 153 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 and shareholdings of preference shareholders of the Bank

Unit: Share

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

Shareholdings 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	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 2020	January-September 2019	Changes (%)	Main Reasons
Fee and commission income	1,562,665	966,220	61.73	Fast growth of fee and commission income due to faster growth of wealth management and credit card businesses
Fee and commission expense	(112,525)	(78,562)	43.23	Increase in fee expense due to faster growth of credit card business
Net fee and commission income	1,450,140	887,658	63.37	Fast growth of fee and commission income due to faster growth of wealth management and credit card businesses
Net trading gains/(losses)	(216,231)	263,502	(182.06)	Impact of exchange rate fluctuations
Other operating income, net	28,213	12,843	119.68	Increase in government grants received
Credit impairment loss	(3,712,446)	(2,726,622)	36.16	Appropriately increased provision for impairment in response to faster growth in assets and taking into consideration the increased uncertainty of the economic outlook due to the novel coronavirus epidemic, etc.
Other comprehensive income, net of tax	(680,546)	112,829	(703.17)	Changes in fair value of financial investments at fair value through other comprehensive income
Net cash flows generated from operating activities	35,644,871	(12,261,643)	390.70	Increase in net increase in deposits from customers

Item	30 September 2020	31 December 2019	Changes (%)	Main Reasons
Deposits with banks and other financial institutions	2,557,104	1,312,468	94.83	Increase in deposits with banks for settlement at the end of the period
Placements with banks and other financial institutions	1,357	3,313,603	(99.96)	Decrease in interbank borrowings
Derivative financial assets	397,213	12,436	3,094.06	Increase in changes in fair value of interest rate swaps and other derivative financial instruments
Financial assets held under resale agreements	1,396,212	2,325,771	(39.97)	Decrease in the scale of debt securities held under resale agreements
Financial investments measured at fair value through profit or loss	31,991,487	22,912,561	39.62	Increased investment in public bond funds with higher liquidity
Long-term receivables	11,818,794	9,037,819	30.77	Increase in the scale of financial leasing business of subsidiaries
Deferred tax assets	2,071,389	1,581,905	30.94	Increase in deferred tax assets arising from provision for impairment assets and changes in fair value
Borrowings from central bank	8,933,194	5,536,650	61.35	Implement the central bank's policy guidance and actively apply for reloans and re-discounts for small banks to increase sources of credit for small and micro enterprises
Deposits from banks and other financial institutions	7,678,510	16,462,527	(53.36)	Strengthened management on active interbank liabilities, optimization and adjustment of the debt structure, and appropriate decrease in scale of deposits from banks while general deposits increased
Placements from banks and other financial institutions	14,357,282	9,916,257	44.79	Increase in placements from subsidiaries
Derivative financial liabilities	399,376	8,805	4,435.79	Increase in changes in fair value of interest rate swaps and other derivative financial instruments
Financial assets sold under repurchase agreements	29,598,437	16,027,082	84.68	Increase in the scale of sale under repurchase agreements business to balance the structure of assets and liabilities
Income tax payable	95,731	187,027	(48.81)	The income tax paid in the current period is greater than the amount of provision
Other comprehensive income	(22,316)	658,230	(103.39)	Decrease in changes in fair value of financial investments measured at fair value through other comprehensive income

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

In September 2020, the Bank has received the “Approval on the Commencement of Business of Qingyin Wealth Management Company Limited by CBIRC Qingdao Office” (Qing Yin Bao Jian Fu [2020] No. 408), in which Qingyin Wealth Management Company Limited, a wholly-owned subsidiary of the Bank, has been approved to commence business by Qingdao Office of China Banking and Insurance Regulatory Commission. Pursuant to the approval, the registered capital of Qingyin Wealth Management Company Limited is RMB1 billion and its place of incorporation is Qingdao, Shandong Province, which is primarily engaged in the issuance of publicly-offered wealth management products, the issuance of privately-offered wealth management products and wealth management advisory and consultancy and other asset management related business.

Save as disclosed in this quarterly report, the other 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. Investment in Financial Assets

1. Investment in securities

Set out below is the breakdown of investment in securities of the Company as at the end of the reporting period:

Unit: RMB thousand

Type of securities	Amount of investment in securities	Proportion of investment in securities
Debt securities issued by government	41,875,858	37.26%
Debt securities issued by policy banks	17,453,441	15.53%
Debt securities issued by banks and other financial institutions	25,913,259	23.06%
Debt securities issued by corporate entities	27,145,005	24.15%
Total	112,387,563	100.00%

Set out below are the top ten securities held by the Company which are considered significant in terms of nominal value as at the end of the reporting period:

Unit: RMB thousand

Name of securities	Type of securities	Code	Amount held	Initial investment amount	Market value at the end of the period	% of total investment (%)	Interest rate (%)	Maturity date	Provision for impairment
20 Fu Xi Guo Zhai 04	Debt securities issued by government	200004	5,170,000	5,037,637	5,020,911	2.97	3.39	2050-03-16	151.35
16 Guo Kai 05	Debt securities issued by banks and other financial institutions	160205	4,270,000	4,225,206	4,225,206	2.49	3.80	2036-01-25	433.60
16 Jin Chu 10	Debt securities issued by policy banks	160310	2,740,000	2,700,045	2,700,045	1.59	3.18	2026-09-05	270.63
20 Guo Kai 05	Debt securities issued by banks and other financial institutions	200205	2,650,000	2,658,486	2,601,559	1.57	3.07	2030-03-10	270.42
20 Fu Xi Guo Zhai 06	Debt securities issued by government	200006	2,630,000	2,593,200	2,546,933	1.53	2.68	2030-05-21	78.56
20 Shandong Zhai 27	Debt securities issued by government	2005399	2,250,000	2,250,000	2,250,000	1.33	3.55	2040-05-19	410.27
19 Fu Xi Guo Zhai 16	Debt securities issued by government	190016	2,230,000	2,308,051	2,232,647	1.36	3.12	2026-12-05	70.96
20 Jin Chu 10	Debt securities issued by policy banks	200310	2,000,000	2,025,395	2,025,395	1.19	3.23	2030-03-23	205.94
19 Fu Xi Guo Zhai 15	Debt securities issued by government	190015	1,950,000	2,030,971	1,945,583	1.20	3.13	2029-11-21	61.59
19 Fu Xi Guo Zhai 07	Debt securities issued by government	190007	1,740,000	1,755,304	1,760,442	1.03	3.25	2026-06-06	53.20

Notes: The market value of financial investments measured at fair value through other comprehensive income refers to the fair value at 30 September 2020, and the market value of financial investments measured at amortised cost refers to the amortised cost at 30 September 2020.

2. Derivative investments

Unit: RMB thousand

Item	30 September 2020			31 December 2019		
	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities
Interest rate swaps and others	95,742,998	397,213	(399,376)	33,896,438	12,436	(8,805)

Notes:

- (1) Under the risk preference set by the board of directors and the Bank's derivatives market risk framework, the Bank actively carried out various derivative transactions in compliance with threshold requirements. As at 30 September 2020, the derivative financial instruments held by the Bank included interest rate swaps, foreign exchange futures and credit risk mitigation warrants.
- (2) The nominal amount of the derivative financial instruments only reflects the transaction volume but not its actual risk exposure. The derivative business conducted by the Bank is mainly based on hedging strategy, which is subject to a smaller actual risk exposure.
- (3) The accounting policies and specific accounting principles for derivatives of the Bank during this reporting period did not have material change as compared with those in the last reporting period.

V. Progress of the Investment Projects to be Financed with the Proceeds

The funds raised by issuing ordinary shares and preference shares of the Bank, after deducting issuing fees, had all been used to replenish the capital of the Bank.

VI. Material Contracts for Daily Operation

During the reporting period, the Bank did not have any material contracts for daily operation.

VII. Entrusted Wealth Management

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

VIII. Information on Illegal External Guarantees

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

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

During the reporting period, there was no non-operating occupation 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 HKEX news website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk/>) and the website of the Bank (<http://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 (<http://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

for the nine months ended 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Interest income	12,774,469	10,565,969
Interest expense	<u>(6,691,126)</u>	<u>(5,676,667)</u>
Net interest income	<u>6,083,343</u>	<u>4,889,302</u>
Fee and commission income	1,562,665	966,220
Fee and commission expense	<u>(112,525)</u>	<u>(78,562)</u>
Net fee and commission income	<u>1,450,140</u>	<u>887,658</u>
Net trading (losses)/gains	(216,231)	263,502
Net gains arising from investments	1,091,513	1,134,485
Other operating income	<u>28,213</u>	<u>12,843</u>
Operating income	8,436,978	7,187,790
Operating expenses	(2,339,266)	(2,015,678)
Credit losses	<u>(3,712,446)</u>	<u>(2,726,622)</u>
Profit before taxation	2,385,266	2,445,490
Income tax expense	<u>(337,634)</u>	<u>(460,375)</u>
Net profit	<u>2,047,632</u>	<u>1,985,115</u>
Profit attributable to:		
Equity shareholders of the Bank	2,007,746	1,946,641
Non-controlling interests	<u>39,886</u>	<u>38,474</u>
Basic and diluted earnings per share (in RMB)	<u>0.34</u>	<u>0.32</u>

Bank of Qingdao Co., Ltd.**Unaudited consolidated statement of profit or loss and other comprehensive income**

for the nine months ended 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Net profit for the period	2,047,632	1,985,115
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
– Remeasurement of defined benefit liability	1,253	(7)
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of debt investments at fair value through other comprehensive income	(696,286)	6,455
– Credit losses of debt investments at fair value through other comprehensive income	14,487	106,381
Other comprehensive income, net of tax	(680,546)	112,829
Total comprehensive income	1,367,086	2,097,944
Total comprehensive income attributable to:		
Equity shareholders of the Bank	1,327,200	2,059,470
Non-controlling interests	39,886	38,474

Bank of Qingdao Co., Ltd.**Unaudited consolidated statement of profit or loss**

for the three months from 1 July 2020 to 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Three months from 1 July to 30 September	
	2020	2019
	(unaudited)	(unaudited)
Interest income	4,554,043	3,740,151
Interest expense	<u>(2,387,176)</u>	<u>(1,995,392)</u>
Net interest income	2,166,867	1,744,759
Fee and commission income	379,760	352,138
Fee and commission expense	<u>(48,408)</u>	<u>(45,290)</u>
Net fee and commission income	331,352	306,848
Net trading (losses)/gains	(347,225)	248,140
Net gains arising from investments	182,499	348,944
Other operating (losses)/gains	<u>(654)</u>	<u>4,531</u>
Operating income	2,332,839	2,653,222
Operating expenses	(882,392)	(749,189)
Credit losses	<u>(924,723)</u>	<u>(1,298,427)</u>
Profit before taxation	525,724	605,606
Income tax expense	<u>(42,583)</u>	<u>(86,620)</u>
Net profit	483,141	518,986
Profit attributable to:		
Equity shareholders of the Bank	477,229	508,179
Non-controlling interests	<u>5,912</u>	<u>10,807</u>
Basic and diluted earnings per share (in RMB)	<u>—</u>	<u>—</u>

Bank of Qingdao Co., Ltd.**Unaudited consolidated statement of profit or loss and other comprehensive income**

for the three months from 1 July 2020 to 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Three months from	
	1 July to 30 September	
	2020	2019
	(unaudited)	(unaudited)
Net profit	483,141	518,986
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
– Remeasurement of defined benefit liability	1,261	(7)
Items that may be reclassified subsequently to profit or loss		
– Changes in fair value of debt investments at fair value through other comprehensive income	(500,641)	82,518
– Credit losses of debt investments at fair value through other comprehensive income	34,155	55,722
Other comprehensive income, net of tax	(465,225)	138,233
Total comprehensive income	17,916	657,219
Total comprehensive income attributable to:		
Equity shareholders of the Bank	12,004	646,412
Non-controlling interests	5,912	10,807

Bank of Qingdao Co., Ltd.**Unaudited consolidated statement of financial position**

as at 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 September 2020 (unaudited)	31 December 2019 (audited)
Assets		
Cash and deposits with central bank	48,358,140	39,704,840
Deposits with banks and other financial institutions	2,557,104	1,312,468
Placements with banks and other financial institutions	1,357	3,313,603
Derivative financial assets	397,213	12,436
Financial assets held under resale agreements	1,396,212	2,325,771
Loans and advances to customers	203,529,919	169,158,291
Financial investments:		
– Financial investments measured at fair value through profit or loss	31,991,487	22,912,561
– Financial investments measured at fair value through other comprehensive income	59,941,763	54,973,781
– Financial investments measured at amortised cost	79,062,266	64,491,058
Long-term receivables	11,818,794	9,037,819
Property and equipment	3,214,320	3,048,813
Right-of-use assets	838,043	818,928
Deferred tax assets	2,071,389	1,581,905
Other assets	1,065,626	929,876
Total assets	446,243,633	373,622,150
Liabilities		
Borrowings from central bank	8,933,194	5,536,650
Deposits from banks and other financial institutions	7,678,510	16,462,527
Placements from banks and other financial institutions	14,357,282	9,916,257
Derivative financial liabilities	399,376	8,805
Financial assets sold under repurchase agreements	29,598,437	16,027,082
Deposits from customers	273,885,782	215,425,403
Income tax payable	95,731	187,027
Debt securities issued	77,513,587	76,858,899
Lease liabilities	473,733	427,429
Other liabilities	2,861,842	2,294,153
Total liabilities	415,797,474	343,144,232

Bank of Qingdao Co., Ltd.**Unaudited consolidated statement of financial position (continued)**

as at 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	30 September 2020 (unaudited)	31 December 2019 (audited)
Equity		
Share capital	4,509,690	4,509,690
Other equity instrument		
Including: preference shares	7,853,964	7,853,964
Capital reserve	8,337,869	8,337,869
Surplus reserve	1,626,662	1,626,662
General reserve	4,400,258	4,400,258
Other comprehensive income	(22,316)	658,230
Retained earnings	3,137,688	2,528,787
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	29,843,815	29,915,460
Non-controlling interests	602,344	562,458
	<hr/>	<hr/>
Total equity	30,446,159	30,477,918
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Total liabilities and equity	446,243,633	373,622,150
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Approved and authorised for issue by the board of directors on 30 October 2020.

Guo Shaoquan
Legal Representative (Chairman)

Wang Lin
President

Meng Dageng
*Head of the Planning & Finance
Department*

(Company Stamp)

Bank of Qingdao Co., Ltd.**Unaudited consolidated cash flow statement**

for the nine months ended 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before taxation	2,385,266	2,445,490
<i>Adjustments for:</i>		
Credit losses	3,712,446	2,726,622
Depreciation and amortisation	324,493	319,773
Unrealised foreign exchange losses/(gains)	216,744	(255,554)
Net losses on disposal of property and equipment, intangible assets and other assets	1,632	936
Dividend income	–	(1,500)
Losses/(gains) from changes in fair value	92,827	(206,809)
Net gains arising from investment	(1,182,227)	(926,669)
Interest expense on debt securities issued	1,967,846	1,925,564
Interest income from financial investment	(4,152,344)	(4,024,915)
Others	(30,707)	(42,369)
	<u>3,335,976</u>	<u>1,960,569</u>
<i>Changes in operating assets</i>		
Net increase in deposits with central bank	(2,131,569)	(85,768)
Net decrease in placements with banks and other financial institutions	–	200,000
Net decrease in placements with banks and other financial institutions	2,800,000	61,906
Net increase in loans and advances to customers	(36,968,772)	(35,739,988)
Net decrease/(increase) in financial assets held under resale agreements	928,415	(798,750)
Net increase in long-term receivables	(3,007,098)	(1,153,113)
Net increase in other operating assets	(220,816)	(502,727)
	<u>(38,599,840)</u>	<u>(38,018,440)</u>

Bank of Qingdao Co., Ltd.**Unaudited consolidated cash flow statement (continued)**

for the nine months ended 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Cash flows from operating activities (continued)		
<i>Changes in operating liabilities</i>		
Net increase/(decrease) in borrowings from central bank	3,421,879	(4,896,201)
Net (decrease)/increase in deposits from banks and other financial institutions	(8,710,515)	3,905,546
Net increase in placements from banks and other financial institutions	4,510,600	3,062,466
Net increase/(decrease) in financial assets sold under repurchase agreements	13,568,936	(3,097,907)
Net increase in deposits from customers	57,748,081	24,933,777
Net increase in other operating liabilities	1,066,056	329,448
	71,605,037	24,237,129
<i>Income tax paid</i>	(696,302)	(440,901)
Net cash flows generated from/(used in) operating activities	35,644,871	(12,261,643)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	48,386,598	43,988,149
Net cash received from investment gains and interest	5,486,191	5,240,749
Proceeds from disposal of property and equipment, intangible assets and other assets	3,674	270
Payments on acquisition of investments	(79,399,784)	(44,302,997)
Payments on acquisition of property and equipment, intangible assets and other assets	(478,803)	(190,268)
Net cash flows (used in)/generated from investing activities	(26,002,124)	4,735,903

Bank of Qingdao Co., Ltd.**Unaudited consolidated cash flow statement (continued)**

for the nine months ended 30 September 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	–	1,962,570
Net proceeds from debt securities issued	45,166,923	60,153,310
Repayment of debt securities issued	(44,609,357)	(51,630,000)
Interest paid on debt securities issued	(1,870,723)	(505,284)
Dividends paid	(1,397,623)	(1,420,730)
Cash payment for other financing activities	(92,515)	–
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(2,803,295)	8,559,866
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Effect of foreign exchange rate changes on cash and cash equivalents	(18,362)	18,424
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase in cash and cash equivalents	6,821,090	1,052,550
Cash and cash equivalents as at 1 January	22,500,749	10,212,182
	<hr/>	<hr/>
Cash and cash equivalents as at 30 September	29,321,839	11,264,732
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Net cash flows generated from operating activities include:		
Interest received	9,186,463	6,776,782
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Interest paid	(4,176,977)	(3,751,103)
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By order of the Board
Bank of Qingdao Co., Ltd.*
Guo Shaoquan
Chairman

Qingdao, Shandong Province, the PRC
30 October 2020

As at the date of this announcement, the board of directors of the Bank comprises Mr. Guo Shaoquan, Mr. Wang Lin 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. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung, Ms. Fang Qiaoling and Mr. Tingjie Zhang 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.*