招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.

(H Share Stock Code: 03968)
(Preference Share Stock Code: 04614)

FIRST QUARTERLY REPORT OF 2020

Pursuant to the regulations of the China Securities Regulatory Commission, the Company is required to publish a quarterly report for each of the first and third quarters.

The financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

1 Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.

The 11th meeting of the Eleventh Session of the Board of Directors of the Company was held through remote video conference. 17 out of 17 eligible directors attended the meeting. The first quarterly report of 2020 of the Company was unanimously approved at the meeting.

All financial statements set out in this report are prepared in accordance with the International Financial Reporting Standards and are unaudited. The unaudited quarterly report prepared by the Company in accordance with the PRC Accounting Standards has been published on the website of Shanghai Stock Exchange. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

"China Merchants Bank", "the Company" and "the Bank" mentioned in this report refer to China Merchants Bank Co., Ltd.; and "the Group" refers to China Merchants Bank Co., Ltd. and its subsidiaries.

Li Jianhong, Chairman of the Board of Directors of the Company, Tian Huiyu, President, Wang Liang, an Executive Vice President and Chief Financial Officer, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.

We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Company. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company gives no assurance that these expectations will turn into reality or prove to be correct. Therefore they should not be deemed as the Company's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Company, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

2 General Information

2.1 Major accounting data and financial indicators of the Group

	At the end of the reporting period 31 March 2020	At the end of last year 31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
	(in millions of RMB, unless otherwise stated)		
Total assets	**7,766,114**	7,417,240	4.70
Equity attributable to shareholders of the Bank	**642,031**	611,301	5.03
Net assets per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*	**24.11**	22.89	5.33

	The reporting period January to March 2020	Corresponding period of last year January to March 2019	Increase/decrease of the reporting period as compared to the corresponding period of last year (%)
	(in millions of RMB, unless otherwise stated)		
Net cash generated from (used in) operating activities	**87,147**	(172,622)	N/A
Net cash generated from (used in) operating activities per share *(in RMB Yuan)*	**3.46**	(6.84)	N/A

	The reporting period January to March 2020	Corresponding period of last year January to March 2019	Increase/decrease of the reporting period as compared to the corresponding period of last year (%)
	(in millions of RMB, unless otherwise stated)		
Net operating income	**76,372**	68,754	11.08
Net profit attributable to shareholders of the Bank	**27,795**	25,240	10.12
Basic earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*	**1.10**	1.00	10.00
Diluted earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*	**1.10**	1.00	10.00
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank *(%)*	**18.76**	19.45	Decrease of 0.69 percentage point

2.2 Explanation on the differences between the financial statements prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards

In the financial statements prepared by the Group in accordance with the PRC Accounting Standards and the International Financial Reporting Standards, there has been no difference in the net profit attributable to shareholders of the Bank for the reporting period ended 31 March 2020 and the equity attributable to shareholders of the Bank at the end of the reporting period.

2.3 Analysis of capital adequacy ratios

The Group continued to optimise its business structure and enhance capital management, and has satisfied various capital requirements of the Chinese banking regulatory authorities during the reporting period. During the reporting period, the various capital requirements imposed by the regulatory authorities on the Group and the Company were that: the minimum capital requirements for the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio were 5%, 6% and 8%, respectively. Meanwhile, the regulatory requirement for reserve capital was 2.5 percentage points. After taking into account such requirement for reserve capital, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the total capital adequacy ratio of the Group and the Company shall not be lower than 7.5%, 8.5% and 10.5%, respectively.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 11.94%, 12.64% and 15.52%, respectively.

The Group	31 March 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
	(in millions of RMB, except for percentages)		
The capital adequacy ratios under the Advanced Measurement Approach[(1)]			
Net core Tier 1 capital	**581,186**	550,339	5.61
Net Tier 1 capital	**615,284**	584,436	5.28
Net capital	**755,468**	715,925	5.52
Core Tier 1 capital adequacy ratio	**11.94%**	11.95%	Decrease of 0.01 percentage point
Tier 1 capital adequacy ratio	**12.64%**	12.69%	Decrease of 0.05 percentage point
Capital adequacy ratio	**15.52%**	15.54%	Decrease of 0.02 percentage point
Information on leverage ratio[(2)]			
Total on and off balance sheet assets after adjustment	**8,947,950**	8,604,521	3.99
Leverage ratio	**6.88%**	6.79%	Increase of 0.09 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012 (same as below). In accordance with the requirements of the Advanced Measurement Approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and offshore branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank Limited, CMB International Capital Holdings Corporation Limited, CMB Financial Leasing Co., Ltd., CMB Wealth Management Company Limited and China Merchants Fund Management Co., Ltd.. During the parallel run period when the Advanced Measurement Approach for capital measurement were implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the provision for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period. 2020 is the sixth year since the implementation of the parallel run period.

(2) Since 2015, the leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by former CBRC on 12 February 2015. The leverage ratio of the Group was 6.79%, 6.62% and 6.43% as at the end of 2019, the end of the third quarter of 2019 and the end of the first half of 2019, respectively.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 11.47%, 12.20% and 15.20%, respectively, each representing a decrease as compared with the end of the previous year, which was mainly due to the relatively rapid increase in risk-weighted assets under the Advanced Measurement Approach.

The Company	31 March 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
	(in millions of RMB, except for percentages)		
The capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**504,635**	478,083	5.55
Net Tier 1 capital	**536,881**	509,336	5.41
Net capital	**668,484**	635,977	5.11
Core Tier 1 capital adequacy ratio	**11.47%**	11.48%	Decrease of 0.01 percentage point
Tier 1 capital adequacy ratio	**12.20%**	12.23%	Decrease of 0.03 percentage point
Capital adequacy ratio	**15.20%**	15.27%	Decrease of 0.07 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 10.72%, 11.35% and 13.05%, respectively.

The Group	31 March 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach (Note)			
Core Tier 1 capital adequacy ratio	**10.72%**	10.64%	Increase of 0.08 percentage point
Tier 1 capital adequacy ratio	**11.35%**	11.30%	Increase of 0.05 percentage point
Capital adequacy ratio	**13.05%**	13.02%	Increase of 0.03 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.18%, 10.83% and 12.51%, respectively.

The Company	**31 March 2020**	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Weighted Approach			
Core Tier 1 capital adequacy ratio	**10.18%**	10.09%	Increase of 0.09 percentage point
Tier 1 capital adequacy ratio	**10.83%**	10.75%	Increase of 0.08 percentage point
Capital adequacy ratio	**12.51%**	12.53%	Decrease of 0.02 percentage point

2.4 Information on shareholders

2.4.1 Information on the shareholders of ordinary shares

As at the end of the reporting period, the Company had a total of 387,499 shareholders of ordinary shares, whose shareholdings are all not subject to trading moratorium.

As at the end of the reporting period, the shareholdings of the top 10 shareholders of ordinary shares and the top 10 shareholders of ordinary shares whose shareholdings are not subject to trading moratorium of the Company were as follows:

Serial No.	Name of shareholder	Nature of shareholder	Number of shares held at the end of the period *(share)*	Percentage of total share capital *(%)*	Type of shares	Number of shares subject to trading moratorium *(share)*	Shares pledged or frozen *(share)*
1	HKSCC Nominees Ltd.	Offshore legal person	4,554,164,930	18.06	H Shares not subject to trading moratorium	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading moratorium	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading moratorium	–	–
4	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,258,949,171	4.99	A Shares not subject to trading moratorium	–	–
5	Anbang Life Insurance Co., Ltd.- Conservative Investment Portfolio	Domestic legal person	1,258,949,100	4.99	A Shares not subject to trading moratorium	–	–
6	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading moratorium	–	–
7	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading moratorium	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading moratorium	–	–
9	HKSCC Ltd.	Offshore legal person	900,613,558	3.57	A Shares not subject to trading moratorium	–	–
10	China Securities Finance Corporation Limited	Domestic legal person	754,798,622	2.99	A Shares not subject to trading moratorium	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Company trading on the transaction platform of HKSCC Nominees Ltd.. HKSCC Ltd. is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the A shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.

(2) Pursuant to the approval by China Banking and Insurance Regulatory Commission, Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd. and its controlling shareholder has been changed from Anbang Insurance Group Co., Ltd. to Dajia Insurance Group Co., Ltd.. The change of the names of its shareholders' accounts is still subject to completion of relevant procedures at China Securities Depository & Clearing Corporation Ltd., Shanghai Branch. For details, please refer to the announcement of the Company dated 28 August 2019.

(3) As at the end of the reporting period, of the aforesaid top 10 shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of HKSCC Ltd.; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co. Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.. The Company is not aware of any affiliated relationships or party acting in concert among other shareholders.

(4) The above shareholders of A shares did not hold the shares of the Company through credit securities accounts.

2.4.2 Information on the shareholders of preference shares

As at the end of the reporting period, the Company had a total of 13 shareholders of preference shares (or nominee), including 1 shareholder of offshore preference shares (or nominee), and 12 shareholders of domestic preference shares. During the reporting period, the Company did not restore any voting right of the preference shares. As at the end of the reporting period, the shareholdings of the top 10 shareholders of offshore preference shares (or nominee) of the Company were as follows:

Serial No.	Name of shareholder	Nature of shareholder	Type of shares	Number of shares held at the end of the period *(share)*	Percentage of shareholding *(%)*	Number of shares subject to trading moratorium *(share)*	Number of shares pledged or frozen *(share)*
1	The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore preference shares	50,000,000	100	–	Unknown

Notes:

(1) The shareholdings of shareholders of preference shares are calculated based on the information listed in the register of shareholders of preference shares maintained by the Company.

(2) As the issuance is an offshore non-public issuance, the information listed in the register of shareholders of preference shares is the information on the nominee of the placees.

(3) The Company is not aware of any affiliated relationship or party acting in concert among the above shareholders of preference shares and the top 10 shareholders of ordinary shares.

(4) "Percentage of shareholding" represents the percentage of the number of offshore preference shares held by shareholders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the top 10 shareholders of domestic preference shares of the Company were as follows:

Serial No.	Name of shareholder	Nature of shareholder	Type of shares	Number of shares held at the end of the period *(share)*	Percentage of shareholding *(%)*	Number of shares subject to trading moratorium *(share)*	Number of shares pledged or frozen *(share)*
1	China Mobile Communications Corporation	State-owned legal person	Domestic preference shares	106,000,000	38.55	–	–
2	CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	30,000,000	10.91	–	–
3	BOC Asset Management Co., Ltd.	Other	Domestic preference shares	25,000,000	9.09	–	–
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference shares	20,000,000	7.27	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd.	Other	Domestic preference shares	20,000,000	7.27	–	–
6	China Everbright Bank Company Limited	Other	Domestic preference shares	19,000,000	6.91	–	–
7	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	–	–
	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference shares	15,000,000	5.45	–	–
9	China Construction Bank Corporation, Guangdong Branch	State-owned legal person	Domestic preference shares	10,000,000	3.64	–	–
10	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference shares	5,000,000	1.82	–	–
	Changjiang Pension Insurance Co., Ltd.	State-owned legal person	Domestic preference shares	5,000,000	1.82	–	–
	China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	5,000,000	1.82	–	–

Notes:

(1) The shareholdings of shareholders of preference shares are calculated based on the information listed in the register of shareholders of preference shares maintained by the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Sichuan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Liaoning Province) Company are wholly-owned subsidiaries of China National Tobacco Corporation. Save for the above, the Company is not aware of any affiliated relationship or party acting in concert among the above shareholders of preference shares or between the above shareholders of preference shares and the top 10 shareholders of ordinary shares.

(3) "Percentage of shareholding" represents the percentage of the number of domestic preference shares held by shareholders of preference shares to the total number of domestic preference shares.

2.5 Management discussion and analysis

2.5.1 Analysis of operating status of the Group

As at the end of March 2020, total assets of the Group amounted to RMB7,766.114 billion, representing an increase of 4.70% as compared with the end of the previous year; and its total liabilities amounted to RMB7,117.641 billion, representing an increase of 4.68% as compared with the end of the previous year. As at the end of March 2020, the Group's total loans and advances to customers amounted to RMB4,732.658 billion, representing an increase of 5.39% as compared with the end of the previous year. Total deposits from customers amounted to RMB5,164.118 billion, representing an increase of 6.60% as compared with the end of the previous year (the total amount of deposits or loans in section 2.5 of this report does not include interest receivable or payable).

For the period from January to March 2020, the Group realised a net profit attributable to shareholders of the Bank of RMB27.795 billion, representing a year-on-year increase of 10.12%, and a net operating income of RMB76.372 billion, representing a year-on-year increase of 11.08%.

For the period from January to March 2020, the Group realised a net interest income of RMB45.756 billion, representing a year-on-year increase of 5.50% and accounting for 59.91% of the net operating income. For the period from January to March 2020, net interest spread and net interest margin of the Group were 2.46% and 2.56%, respectively, representing a year-on-year decrease of 13 basis points and 16 basis points, respectively, and both representing a quarter-on-quarter increase of 16 basis points.

For the period from January to March 2020, the Group realised a net non-interest income of RMB30.616 billion, representing a year-on-year increase of 20.61%, accounting for 40.09% of the net operating income. Among the net non-interest income, net fee and commission income amounted to RMB22.061 billion, representing a year-on-year increase of 15.15%, accounting for 28.89% of the net operating income, and representing a year-on-year increase of 1.03 percentage points; other net non-interest income amounted to RMB8.555 billion, representing a year-on-year increase of 37.39%.

For the period from January to March 2020, the cost-to-income ratio of the Group was 25.64%, representing a year-on-year decrease of 0.26 percentage point.

As at the end of March 2020, the balance of non-performing loans of the Group amounted to RMB52.582 billion, representing an increase of RMB307 million as compared with the end of the previous year; the non-performing loan ratio was 1.11%, down by 0.05 percentage point as compared with the end of the previous year; and the allowance coverage ratio of non-performing loans was 451.27%, up by 24.49 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 5.01%, up by 0.04 percentage point as compared with the end of the previous year.

2.5.2 Analysis of operating status of the Company

Both our deposits and loans grew steadily. As at the end of March 2020, total assets of the Company amounted to RMB7,290.966 billion, representing an increase of 4.75% as compared with the end of the previous year; and its total liabilities amounted to RMB6,684.676 billion, representing an increase of 4.74% as compared with the end of the previous year. As at the end of March 2020, the Company's total loans and advances to customers amounted to RMB4,391.873 billion, representing an increase of 5.14% as compared with the end of the previous year, among which, corporate loans, retail loans and discounted bills accounted for 40.33%, 53.23% and 6.44%, respectively. As at the end of March 2020, the Company's total deposits from customers amounted to RMB4,951.782 billion, representing an increase of 6.93% as compared with the end of the previous year, among which, demand deposits and time deposits accounted for 57.81% and 42.19%, respectively. Among the demand deposits, corporate deposits accounted for 60.84% while retail deposits accounted for 39.16%; and among the time deposits, corporate deposits accounted for 69.84% while retail deposits accounted for 30.16%. From January to March 2020, among the daily average balance of deposits from customers of the Company, the percentage of demand deposits accounted for 58.75%.

Our profits grew steadily. For the period from January to March 2020, the Company realised a net profit of RMB25.321 billion, representing a year-on-year increase of 9.29%. The Company realised a net operating income of RMB70.971 billion, representing a year-on-year increase of 11.02%, among which, the net operating income from the retail finance business amounted to RMB38.325 billion, representing a year-on-year increase of 11.07%, accounting for 54.00% of the net operating income of the Company.

Net interest income of the Company amounted to RMB44.181 billion from January to March 2020, representing a year-on-year increase of 5.17% and accounting for 62.25% of the net operating income. Net interest spread and net interest margin of the Company were 2.52% and 2.61%, respectively from January to March 2020, both representing a quarter-on-quarter increase of 14 basis points, which was mainly attributable to more efforts having been put on securitisation of credit assets in the fourth quarter of last year, resulting in a lower yield of loans in the fourth quarter of last year. In the meantime, the Company enhanced its management in terms of high-cost structured deposits and large-deposit certificates in the first quarter of this year, which facilitated the growth of low-cost customer deposits and constantly optimised the deposit structure, resulting in the decline in the cost ratio of deposits. Net interest spread and net interest margin declined by 13 basis points and 17 basis points year-on-year, respectively during the reporting period, which was mainly attributable to the followings: the first was that the yield on investment in bills, interbank assets and bonds recorded a significant decline as a result of downward market interest rates; the second was that the market-based loan pricing declined obviously due to the downward impact of LPR; the third was that the slowdown in the progress of granting retail loans with relative high-yield, especially credit card loans and residential mortgage loans most severely hit by the outbreak of COVID-19 pandemic; and the fourth was that the cost of deposits remained relatively rigid. Looking forward, in light of the impact of pandemic, it is expected that the all-year-round net interest margin will sit below last year's all-year-round level, but the Company will continue to optimise its asset-liability structure to further enhance its risk pricing capability, striving to achieve an all-year-round higher net interest margin than the fourth quarter of last year.

From January to March 2020, the Company realised a net non-interest income of RMB26.790 billion, representing a year-on-year increase of 22.25%, which accounted for 37.75% of the net operating income of the Company. The increase in net non-interest income was mainly due to the increase in income from entrusted wealth management services and agency sales of funds, spread income from bonds, fund dividend income and gains on non-standardised bill investments as well as the increase in gains or losses of foreign exchange derivative transactions and exchange differences on monetary items. Among the net non-interest income, net fee and commission income amounted to RMB19.807 billion, representing a year-on-year increase of 12.70%, of which fee and commission income from wealth management amounted to RMB9.973 billion (including: income from entrusted wealth management services of RMB3.062 billion, income from agency distribution of funds of RMB2.582 billion, income from agency distribution of insurance policies of RMB2.417 billion, income from agency distribution of trust schemes of RMB1.817 billion and income from agency distribution of precious metals of RMB95 million). During the reporting period, although the overall fee and commission income increased, transactions such as residents' consumption, payment settlement, and insurance sales were all hampered due to the outbreak of the COVID-19 pandemic, which had an impact on the fee and commission income of the Company to some extent. It is expected that the pandemic may still have a continuous negative impact on the subsequent growth of related incomes.

From January to March 2020, the Company's operating expenses were RMB19.135 billion, representing a year-on-year increase of 10.94%, and the cost-to-income ratio was 26.00%, representing a year-on-year decrease of 0.17 percentage point.

Capital adequacy ratios and efficiency of capital utilisation remained at a relatively satisfactory level. As at the end of March 2020, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the Advanced Measurement Approach were 15.20% and 12.20%, respectively, up by 2.69 percentage points and 1.37 percentage points, respectively as compared with those under the Weighted Approach. The risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 28.07%, maintaining at a high level.

During the reporting period, in light of the impact of the COVID-19 pandemic, asset quality was hit hard. As at the end of the reporting period, balance of non-performing loans increased while the non-performing loan ratio decreased and the formation amount of non-performing loans decreased year-on-year. There was an increase in both the balance and percentage of special-mention loans and overdue loans due to the retail credit business being more severely hit by the pandemic. As at the end of the reporting period, balance of non-performing loans amounted to RMB50.828 billion, representing an increase of RMB378 million as compared with the end of the previous year. Non-performing loan ratio was 1.16%, representing a decrease of 0.05 percentage point as compared with the end of the previous year. Balance of special-mention loans amounted to RMB56.328 billion, representing an increase of RMB7.029 billion as compared with the end of the previous year. The percentage of special-mention loans was 1.28%, representing an increase of 0.10 percentage point as compared with the end of the previous year. Balance of overdue loans amounted to RMB73.030 billion, representing an increase of RMB12.104 billion as compared with the end of the previous year. The percentage of overdue loans was 1.66%, representing an increase of 0.20 percentage point as compared with the end of the previous year. During the reporting period, the formation amount of non-performing loans of the Company was RMB9.101 billion, representing a year-on-year decrease of RMB2.749 billion.

The following table set forth the quality of loans and advances to customers of the Company by product type as at the indicated dates.

	31 March 2020						
(in millions of RMB, except for percentages)	Balance of loans	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mention loans	Percentage of special-mention loans (%)	Balance of overdue loans	Percentage of overdue loans(%)
Corporate loans	1,771,393	30,419	1.72	20,789	1.17	30,890	1.74
Discounted bills	282,631	–	–	287	0.10	–	–
Retail loans	2,337,849	20,409	0.87	35,252	1.51	42,140	1.80
Micro-finance loans	422,773	3,371	0.80	3,530	0.83	6,212	1.47
Residential mortgage loans	1,129,922	2,888	0.26	4,162	0.37	6,757	0.60
Credit card loans	625,538	11,821	1.89	26,292	4.20	25,806	4.13
Consumption loans	131,332	1,779	1.35	1,068	0.81	2,648	2.02
Others(note)	28,284	550	1.94	200	0.71	717	2.54
Total loans and advances to customers	4,391,873	50,828	1.16	56,328	1.28	73,030	1.66

	31 December 2019						
(in millions of RMB, except for percentages)	Balance of loans	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mention loans	Percentage of special-mention loans (%)	Balance of overdue loans	Percentage of overdue loans(%)
Corporate loans	1,624,314	33,377	2.05	21,298	1.31	33,036	2.03
Discounted bills	224,884	19	0.01	544	0.24	–	–
Retail loans	2,327,955	17,054	0.73	27,457	1.18	27,890	1.20
Micro-finance loans	405,149	3,284	0.81	1,326	0.33	3,436	0.85
Residential mortgage loans	1,098,547	2,747	0.25	1,305	0.12	3,667	0.33
Credit card loans	670,921	9,032	1.35	24,147	3.60	18,342	2.73
Consumption loans	123,691	1,461	1.18	552	0.45	1,855	1.50
Others(note)	29,647	530	1.79	127	0.43	590	1.99
Total loans and advances to customers	4,177,153	50,450	1.21	49,299	1.18	60,926	1.46

Note: The "Others" category consists primarily of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

Based on the current situation, the quality of corporate loan assets has remained relatively stable. During the reporting period, the formation amount of non-performing corporate loans of the Company was RMB1.043 billion, representing a year-on-year decrease of RMB5.661 billion, which mainly benefited from the continuous reinforcement of customer structure adjustment and in-depth promotion of comprehensive management of strategic customers of both Head Office and branch levels. However, due to the significant impact of the pandemic on wholesale and retail, accommodation and catering, logistics and transportation, cultural tourism, and other industries, and the hit on upstream and downstream customers in the industrial chain with high import and export dependence caused by the spread of the pandemic worldwide, the risk in respect of corporate customers will be reflected sluggishly. It is expected that the formation of non-performing corporate loans will pick up in the second quarter as compared with the first quarter. In the second half of the year, the quality of corporate loan assets will face some pressure. We can not rule out the possibility of the impact of the pandemic on certain industries lasting for a relatively long time.

The COVID-19 pandemic has a greater impact on the quality of retail credit assets. Due to the combined effects of the risk of "joint debts" and pandemic, the risk associated with credit cards in the early stage increased, and risks associated with other retail loans also showed periodic increases. During the reporting period, the formation amount of non-performing credit card loans of the Company was RMB6.629 billion, representing a year-on-year increase of RMB2.691 billion. The formation amount of non-performing retail loans (excluding credit cards) was RMB1.429 billion, representing a year-on-year increase of RMB221 million. With the success of domestic pandemic prevention and control, under various national policies to support enterprises to overcome difficulties and resume production, the collection capacity of retail loans has gradually recovered, and the amount of loan which entered into the collection process in March has reduced significantly as compared those with February. The recovery of overdue loans has shown a recovery trend, but has not fully recovered to the level before the pandemic. Since the loans which were set in the collection process and failed to be recovered in the first quarter will gradually form non-performing loans from the second quarter, it is expected that from the second quarter, retail loan business will face greater pressure brought by formation of non-performing loans. In view of the impact of the pandemic on household income, employment and other aspects, overlapping with the risk of "joint debts", it is expected that the risk exposed to retail loan business may also last for a relatively long time.

The Company has always adhered to prudent and stable customer selection and asset allocation, with sufficient risk compensation and strong risk resistance capabilities, therefore, the impact of the pandemic on asset quality is relatively controllable. The Company will closely monitor the impact of the COVID-19 pandemic, dynamically study and determine the risk trends, adjust risk strategies in a timely manner, firmly promote risk management and reinforce the foundation, effectively dispose of non-performing assets, and strive to maintain overall stability of asset quality.

The provisions for loans were made in a prudent manner. The Company continued to adopt a stable and prudent policy in respect of making provisions. As at the end of March 2020, the balance of allowance for impairment losses on loans of the Company amounted to RMB230.980 billion, representing an increase of RMB14.037 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 454.43%, representing an increase of 24.41 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 5.26%, representing an increase of 0.07 percentage point as compared with the end of the previous year.

Number of retail customers and AUM increased steadily. As at the end of the reporting period, the Company had 146 million retail customers (including debit and credit card customers), representing an increase of 1.39% as compared with the end of the previous year, among which, the number of Sunflower-level and above customers (retail customers of the Company with minimum total daily average assets of RMB500,000 per month) reached 2,789,100, representing an increase of 5.34% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB7,884.221 billion, representing an increase of 5.21% as compared with the end of the previous year, among which, the balance of total assets under management from the Sunflower-level and above customers amounted to RMB6,406.558 billion, representing an increase of 5.28% as compared with the end of the previous year, and accounting for 81.26% of the balance of total assets under management from retail customers of the Bank. The Company had 86,188 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 5.53% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB2,344.081 billion, representing an increase of 5.07% as compared with the end of the previous year; total assets per account amounted to RMB27.1973 million. Benefiting from the strong support of Fintech for online service capabilities, the financial services of the Company's existing retail customers were effectively guaranteed during the pandemic. AUM maintained steady growth, but the pandemic had certain impact on the Company's acquisition of new retail customers. With the orderly resumption of production in the PRC, the growth in retail customer acquisition has improved, but the subsequent growth of AUM will still face greater pressure. The Company will continue to broaden the boundaries of customer service with a more open attitude, comprehensively enhance the ability to create value for customers, and strive to achieve stable growth in the number of retail customers and the total assets under management from customers.

3 Significant Events

3.1 Significant changes in major consolidated financial statements items and financial indicators and the reasons thereof

Major items *(in millions of RMB, except for percentages)*	31 March 2020	Changes over the end of last year *(%)*	Major reasons
Precious metals	2,720	-33.56	Significant narrowing in domestic and offshore gold arbitrage space, and decrease in precious metal leasing business
Balances with banks and other financial institutions	162,667	53.30	Increase in balances with banks and other financial institutions and amounts held under resale agreements as a result of relative higher yield of balances with banks and other financial institutions than that of placements with banks and other financial institutions due to the sufficient liquidity as at the end of the quarter
Amounts held under resale agreements	249,000	128.52	Same reason as "Balances with banks and other financial institutions"
Derivative financial assets	45,213	86.68	Decrease in market interest rates, and increase in the valuation balances of both the asset and liability sides of interest rate derivatives
Interests in associates	892	93.91	Increase in interests in associates
Amounts sold under repurchase agreements	143,748	127.33	Fluctuation in the balance of financing business at a point of time
Derivative financial liabilities	44,511	91.86	Same reason as "Derivative financial assets"
Tax payable	28,059	47.14	Increase in enterprise income tax payable and value-added tax payable
Hedging reserve	(61)	-56.41	Decrease in valuation of hedging instruments
Exchange reserve	2,277	45.87	Increase in exchange reserve of subsidiaries due to the depreciation of RMB against HKD in the first quarter

Major items *(in millions of RMB, except for percentages)*	January to March 2020	Changes over the same period of last year *(%)*	Major reasons
Other net income	8,109	41.03	Increase in the spread income from bonds and non-standardised bill investment, and increase in gains and losses on foreign exchange derivative transactions and gains and losses on monetary items due to the depreciation of RMB against USD in the first quarter
Share of profits of associates	(19)	N/A	Decrease in valuation gains of interests in associates
Net profit attributable to non-controlling interests	159	-38.13	Decrease in profit or loss attributable to minority shareholders of subsidiaries
Exchange difference on translation of financial statements of foreign operations	805	N/A	Increase in exchange reserve of subsidiaries due to the depreciation of RMB against HKD in the first quarter
Cash flow hedge: net movement in hedging reserve	(21)	71.23	Decreased fluctuation in valuation of hedging instruments
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	(29)	N/A	Decrease in other comprehensive income of CIGNA & CMB Life Insurance, a joint venture
Fair value gain on debt instruments measured at fair value through other comprehensive income	2,669	532.46	Increase in valuation of bond investments at fair value through other comprehensive income
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	(244)	N/A	Decreased fluctuation in credit loss allowance on bond instruments at fair value through other comprehensive income as compared with same period of last year
Fair value gain on equity instruments measured at fair value through other comprehensive income	(156)	N/A	Decreased fluctuation in valuation of equity investments designated at fair value through other comprehensive income as compared with same period of last year

3.2 Warning in respect of forecast of a probable loss or a significant change in the accumulated net profit from the beginning of the year to the end of the next reporting period or as compared with that of the corresponding period of last year and the reasons thereof

□Applicable √ Not applicable

3.3 Implementation of the cash dividend payment policy during the reporting period

During the reporting period, as considered and approved by the 9th meeting of the Eleventh Session of the Board of Directors of the Company, it was proposed that 10% of the audited net profit of the Company for 2019 of RMB86.085 billion, equivalent to RMB8.609 billion, will be allocated to the statutory surplus reserve, while 1.5% of the total amount of the increased risk assets, equivalent to RMB10.002 billion, will be appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company will declare a cash dividend of RMB1.20 (tax included) for every share to all shareholders of the Company whose names appear on the register, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The actual profit appropriations amount in HKD would be calculated based on the average benchmark rate for RMB to HKD published by the People's Bank of China for the previous week (including the day of the general meeting) before the date of the general meeting. The retained profits will be carried forward to the next year. In 2019, the Company did not transfer any capital reserve into share capital. The above profit appropriation plan is subject to consideration and approval at the 2019 Annual General Meeting of the Company.

3.4 Uncompleted performance of overdue undertakings for the reporting period

□Applicable √ Not applicable

3.5 Other significant events requiring explanations and progress thereof

In order to ensure the sustainable and healthy development of the Company's business, protect the long-term interests of shareholders and enhance the capability of risk resisting, with the approval of the Board of Directors and Shareholders' general meeting, the Company decided to issue write-down undated capital bonds with an issue size of not more than RMB50 billion in China to supplement the Company's other Tier 1 capital. For details, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company. At present, the issue is still subject to completion of regulatory approval. The issue of write-down undated capital bonds is not expected to have a significant impact on the Company's ROE and other indicators. The Company will continuously improve the level of shareholder returns through various methods such as improving the efficiency of capital utilisation and optimising the structure of assets and liabilities.

By Order of the Board
China Merchants Bank Co., Ltd.
Li Jianhong
Chairman

29 April 2020

As at the date of this announcement, the executive directors of the Company are Tian Huiyu, Liu Jianjun and Wang Liang; the non-executive directors of the Company are Li Jianhong, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min, Wang Daxiong and Luo Sheng; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Zhao Jun, Wong See Hong, Li Menggang, Liu Qiao and Tian Hongqi.

Appendix I Financial Statements

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2020	For the period from January to March 2019
Interest income	77,533	71,609
Interest expense	(31,777)	(28,240)
Net interest income	45,756	43,369
Fee and commission income	23,768	20,906
Fee and commission expense	(1,707)	(1,748)
Net fee and commission income	22,061	19,158
Other net income	8,109	5,750
Of which: profit or loss from derecognition of financial assets measured at amortised cost	24	(14)
Operating income	75,926	68,277
Operating expenses	(21,115)	(18,877)
Operating profit before impairment losses	54,811	49,400
Expected credit losses	(20,354)	(16,811)
Impairment losses on other assets	–	1
Share of profits of joint ventures	465	441
Share of profits of associates	(19)	36
Profit before tax	34,903	33,067
Income tax	(6,949)	(7,570)
Net Profit	27,954	25,497
Attributable to:		
Shareholders of the Bank	27,795	25,240
Non-controlling interests	159	257
Earnings per share		
Basic and diluted earnings per share (RMB)	1.10	1.00

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2020	For the period from January to March 2019
Net profit for the period	27,954	25,497
Other comprehensive income, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	(29)	254
Fair value gain on debt instruments measured at fair value through other comprehensive income	2,669	422
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	(244)	402
Cash flow hedge: net movement in hedging reserve	(21)	(73)
Exchange difference on translation of financial statements of foreign operations	805	(1,055)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on equity instruments measured at fair value through other comprehensive income	(156)	641
Other comprehensive income for the period, net of tax	3,024	591
Attributable to:		
Shareholders of the Bank	2,935	688
Non-controlling interests	89	(97)
Total comprehensive income for the period	30,978	26,088
Attributable to:		
Shareholders of the Bank	30,730	25,928
Non-controlling interests	248	160

UNAUDITED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2020	For the period from January to March 2019
Interest income	73,849	68,255
Interest expense	(29,668)	(26,244)
Net interest income	44,181	42,011
Fee and commission income	22,336	19,211
Fee and commission expense	(2,529)	(1,636)
Net fee and commission income	19,807	17,575
Other net income	6,754	4,109
Of which: profit or loss from derecognition of financial assets measured at amortised cost	22	(16)
Operating income	70,742	63,695
Operating expenses	(19,135)	(17,248)
Operating profit before impairment losses	51,607	46,447
Expected credit losses	(20,293)	(16,348)
Impairment losses on other assets	–	1
Share of profits of joint ventures	229	231
Profit before tax	31,543	30,331
Income tax	(6,222)	(7,162)
Net Profit	25,321	23,169

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2020	For the period from January to March 2019
Net profit for the period	25,321	23,169
Other comprehensive income, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	55	233
Fair value gain on debt instruments measured at fair value through other comprehensive income	2,881	511
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	(239)	410
Cash flow hedge: net movement in hedging reserve	–	2
Exchange difference on translation of financial statements of foreign operations	12	(128)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain on equity instruments measured at fair value through other comprehensive income	(92)	470
Other comprehensive income for the period, net of tax	2,617	1,498
Total comprehensive income for the period	27,938	24,667

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2020	31 December 2019
Assets		
Cash	17,412	15,306
Precious metals	2,720	4,094
Balances with central bank	456,055	552,590
Balances with banks and other financial institutions	162,667	106,113
Placements with banks and other financial institutions	225,914	307,433
Amounts held under resale agreements	249,000	108,961
Loans and advances to customers	4,506,433	4,277,300
Investments at fair value through profit or loss	475,011	398,276
Derivative financial assets	45,213	24,219
Debt investments at amortised cost	945,445	921,228
Debt investments at fair value through other comprehensive income	456,266	478,856
Equity investments designated at fair value through other comprehensive income	6,167	6,077
Interest in joint ventures	10,725	10,324
Interest in associates	892	460
Investment properties	1,861	1,925
Property and equipment	67,950	66,408
Right-of-use assets	19,565	20,000
Intangible assets	4,807	4,575
Goodwill	9,954	9,954
Deferred tax assets	67,992	65,151
Other assets	34,065	37,990
Total assets	7,766,114	7,417,240

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2020	31 December 2019
Liabilities		
Borrowing from central bank	314,791	359,175
Deposits from banks and other financial institutions	520,136	555,581
Placements from banks and other financial institutions	180,118	165,921
Financial liabilities at fair value through profit or loss	42,039	43,434
Derivative financial liabilities	44,511	23,200
Amounts sold under repurchase agreements	143,748	63,233
Deposits from customers	5,196,453	4,874,981
Salaries and welfare payable	12,583	11,638
Tax payable	28,059	19,069
Contract liabilities	6,553	6,488
Lease liabilities	14,114	14,379
Provisions	6,623	6,109
Debt securities issued	536,542	578,191
Deferred tax liabilities	985	956
Other liabilities	70,386	77,178
Total liabilities	7,117,641	6,799,533
Equity		
Share capital	25,220	25,220
Other equity instruments	34,065	34,065
Including: Preference shares	34,065	34,065
Capital reserve	67,523	67,523
Investment revaluation reserve	11,184	8,919
Hedging reserve	(61)	(39)
Surplus reserve	62,291	62,291
Regulatory general reserve	90,309	90,151
Retained profits	318,959	291,346
Proposed profit appropriations	30,264	30,264
Exchange reserve	2,277	1,561
Total equity attributable to shareholders of the Bank	642,031	611,301
Non-controlling interests	6,442	6,406
Including: Non-controlling interest	2,495	2,427
Perpetual debt capital	3,947	3,979
Total equity	648,473	617,707
Total equity and liabilities	7,766,114	7,417,240

UNAUDITED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2020	31 December 2019
Assets		
Cash	16,892	14,356
Precious metals	2,636	4,006
Balances with central bank	454,421	549,969
Balances with banks and other financial institutions	137,384	73,472
Placements with banks and other financial institutions	222,228	304,396
Amounts held under resale agreements	248,999	103,740
Loans and advances to customers	4,170,271	3,968,513
Investments at fair value through profit or loss	446,150	378,242
Derivative financial assets	44,820	23,769
Debt investments at amortised cost	944,781	920,575
Debt investments at fair value through other comprehensive income	401,243	416,181
Equity investments designated at fair value through other comprehensive income	5,650	5,430
Interests in subsidiaries	49,495	49,495
Interests in joint ventures	6,375	6,091
Investment properties	1,143	1,203
Property and equipment	24,956	25,565
Right-of-use assets	18,686	19,078
Intangible assets	3,985	3,752
Deferred tax assets	66,490	63,663
Other assets	24,361	28,736
Total assets	7,290,966	6,960,232

UNAUDITED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2020	31 December 2019
Liabilities		
Borrowing from central bank	314,791	358,728
Deposits from banks and other financial institutions	505,543	541,745
Placements from banks and other financial institutions	72,397	73,880
Financial liabilities at fair value through profit or loss	31,264	32,922
Derivative financial liabilities	43,883	22,911
Amounts sold under repurchase agreements	134,085	55,455
Deposits from customers	4,982,991	4,660,232
Salaries and welfare payable	10,676	9,581
Tax payable	26,591	17,655
Contract liabilities	6,553	6,488
Lease liabilities	13,409	13,632
Provisions	6,566	6,061
Debt securities issued	481,783	527,986
Other liabilities	54,144	54,604
Total liabilities	6,684,676	6,381,880
Equity		
Share capital	25,220	25,220
Other equity instruments	34,065	34,065
Including: Preference shares	34,065	34,065
Capital reserve	76,681	76,681
Investment revaluation reserve	11,279	8,676
Hedging reserve	(26)	(26)
Surplus reserve	62,291	62,291
Regulatory general reserve	85,820	85,820
Retained profits	280,479	255,155
Proposed profit appropriations	30,264	30,264
Exchange reserve	217	206
Total equity	606,290	578,352
Total equity and liabilities	7,290,966	6,960,232

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2020	For the period from January to March 2019
Cash flows from operating activities		
Profit before tax	34,903	33,067
Adjustments for:		
– Impairment losses on loans and advances	18,544	14,044
– Impairment losses on investments and other assets	1,810	2,766
– Unwind of discount on impaired loans and advances	(66)	(86)
– Depreciation of properties and equipments and investment properties	950	1,349
– Depreciation of right-of-use assets	1,058	1,003
– Amortisation of other assets	332	262
– Net gain on debt securities and equity investments	(1,960)	(1,139)
– Interest income on investments	(12,268)	(11,934)
– Interest expense on issued debt securities	4,806	4,091
– Share of profits of associates	19	(36)
– Share of profits of joint ventures	(465)	(441)
– Net gains on disposal of properties and equipment and other assets	(10)	(1)
Changes in:		
Balances with central bank	41,109	(13,507)
Loans and advances to customers	(250,094)	(207,879)
Other assets	(62,044)	(13,083)
Deposits from customers	319,696	26,523
Deposits and placements from banks and other financial institutions	59,621	29,432
Balances and placements with banks and other financial institutions with original maturity over 3 months	(34,872)	57,625
Borrowings from central bank	(45,451)	(101,315)
Other liabilities	14,583	13,600
Net cash generated from (used in) operating activities before income tax payment	90,201	(165,659)
Income tax paid	(3,054)	(6,963)
Net cash generated from (used in) operating activities	87,147	(172,622)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2020	For the period from January to March 2019
Investing activities		
Payment for the purchase of investments	(247,178)	(212,468)
Proceeds from the disposal of investments	233,365	241,975
Investment gains received from investments	19,208	15,621
Payment for the purchase of properties and equipment and other assets	(903)	(2,159)
Proceeds from the disposal of properties and equipment and other assets	264	667
Net cash flows generated from investing activities	4,756	43,636
Financing activities		
Proceeds from the issue of debt securities	2,247	2,000
Proceeds from the issue of negotiable interbank certificates of deposits	60,164	105,768
Proceeds from the issue of certificates of deposits	12,497	4,162
Proceeds from the issue of perpetual capital instruments	998	2,720
Capital contribution by non-controlling interests to subsidiaries	3	613
Repayment of debt securities	–	(4,570)
Repayment of negotiable interbank certificates of deposits	(105,384)	(69,141)
Repayment of certificates of deposit	(7,847)	(9,669)
Repayment of lease liabilities	(1,086)	–
Repayment of perpetual debt capital	(1,119)	–
Interest paid on financing activities	(971)	(328)
Net cash generated from (used in) financing activities	(40,498)	31,555
Increase/(decrease) in cash and cash equivalents	51,405	(97,431)
Cash and cash equivalents as of 1 January	589,675	543,683
Effects of foreign exchange rate changes on cash and cash equivalents	1,218	2,085
Cash and cash equivalents as of 31 March	642,298	448,337
Cash flows from operating activities include:		
Interest received	64,016	59,658
Interest paid	24,388	24,943

Appendix II Information on Liquidity Coverage Ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries. The average of liquidity coverage ratio of the Group was 165.27% in the first quarter of 2020, representing a decrease of 2.15 percentage points as compared with the previous quarter, which was mainly due to the increase in cash outflows of large- and medium-sized enterprises. The Group's liquidity coverage ratio at the end of the first quarter of 2020 was 149.56%, which was in line with the 2020 regulatory requirements of the China Banking and Insurance Regulatory Commission. The breakdown of the Group's average value of each item of liquidity coverage ratio in the first quarter of 2020 is set out below:

(Unit: in millions of RMB, except for percentages)

Serial No.		Unweighted amount	Weighted amount
Stock of high quality liquid assets			
1	Total stock of high quality liquid assets	/	1,082,081
Cash outflows			
2	Retail and small business customers deposits, of which:	1,966,498	174,257
3	Stable deposits	447,844	22,392
4	Less stable deposits	1,518,654	151,865
5	Unsecured wholesale funding, of which:	3,097,551	1,161,563
6	Operational deposits (excluding correspondent banks)	1,718,066	427,997
7	Non-operational deposits (including all counterparties)	1,336,211	690,292
8	Unsecured debt issuance	43,274	43,274
9	Secured funding	/	4,158
10	Additional requirements, of which:	1,426,138	333,727
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	270,228	270,228
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,155,910	63,499
14	Other contractual obligations to extend funds	52,062	52,062
15	Other contingent funding obligations	6,215,397	91,125
16	**Total cash outflows**	/	**1,816,892**

Serial No.		Unweighted amount	Weighted amount
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	253,959	253,047
18	Contractual inflows from fully performing loans	969,120	628,569
19	Other cash inflows	281,158	280,560
20	**Total cash inflows**	**1,504,237**	**1,162,176**
			Adjusted value
21	**Total stock of high quality liquid assets**		**1,082,081**
22	**Net cash outflows**		**654,716**
23	**Liquidity coverage ratio (%)**		**165.27%**

Notes:

(1) The data of Mainland China in the above table is a simple arithmetic average of the 91-day value for the latest quarter and the monthly average for the date of subsidiaries.

(2) The high quality liquid assets in the above table are prepared by the central bank reserve available under cash and pressure conditions, as well as the bond in line with the definition of Tier 1 and Tier 2 assets set by China Banking and Insurance Regulatory Commission on the "Measures for the Liquidity Risk Management of Commercial Banks".