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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)

## THIRD 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 18th meeting of the Eleventh Session of the Board of Directors of the Company was held through voting by correspondence. The third quarterly report of 2020 of the Company was unanimously approved at the meeting. 17 out of 17 eligible directors attended 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.

Miao Jianmin, 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

<i>(in millions of RMB, unless otherwise stated)</i>	At the end of the reporting period 30 September 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 (%)
Total assets	8,156,700	7,417,240	9.97
Equity attributable to shareholders of the Bank	703,306	611,301	15.05
Net assets per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	24.55	22.89	7.25

<i>(in millions of RMB, unless otherwise stated)</i>	January to September 2020	January to September 2019	Increase/decrease as compared to the corresponding period of last year (%)
Net cash generated from (used in) operating activities	219,828	(53,732)	N/A
Net cash generated from (used in) operating activities per share <i>(in RMB Yuan)</i>	8.72	(2.13)	N/A

<i>(in millions of RMB, unless otherwise stated)</i>	The reporting period		January to September 2019	Increase/decrease during the period from January to September 2020 as compared to the corresponding period of last year (%)
	July to September 2020	January to September 2020		
Net operating income	73,125	221,288	207,745	6.52
Net profit attributable to shareholders of the Bank	26,815	76,603	77,239	-0.82
Basic earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.05	3.02	3.05	-0.98
Diluted earnings per share attributable to ordinary shareholders of the Bank <i>(in RMB Yuan)</i>	1.05	3.02	3.05	-0.98
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank (%)	17.40	17.00	19.19	Decrease of 2.19 percentage points

*Note:* The relevant indicators are calculated in accordance with the provisions of the "Rules on the Information Disclosure and Preparation of Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Average Equity and Earnings per Share" (《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》). The Company issued non-cumulative preference shares in 2017 and perpetual bonds in July 2020, both are classified as other equity instruments. In addition, the Company completed the relevant approval procedures for the payment of dividends for offshore preference shares in the third interest-bearing year in September 2020. Therefore, when calculating earnings per share, return on average equity and net assets per share, the dividends on the offshore preference shares were deducted from "net profit attributable to shareholders of the Bank", while the preference shares and perpetual bonds were deducted from both the "average equity" and the "net assets".

## 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 30 September 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 authority on the Group and the Company were that: the minimum capital requirements for the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio were 8%, 6% and 5%, respectively. Based on the above-mentioned minimum capital requirements, further provision shall be made for reserve capital, counter-cyclical capital and additional capital, of which the reserve capital, counter-cyclical capital and additional capital were required to be 2.5%, 0% and 0%, respectively, which represented that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company during the reporting period should not be lower than 10.5%, 8.5% and 7.5%, 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 11.65%, 13.31% and 16.19%, respectively.

The Group <i>(in millions of RMB, except for percentages)</i>	30 September 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The capital adequacy ratios under the Advanced Measurement Approach<sup>(1)</sup></b>			
Net core Tier 1 capital	588,418	550,339	6.92
Net Tier 1 capital	672,507	584,436	15.07
Net capital	817,926	715,925	14.25
Core Tier 1 capital adequacy ratio	11.65%	11.95%	Decrease of 0.30 percentage point
Tier 1 capital adequacy ratio	13.31%	12.69%	Increase of 0.62 percentage point
Capital adequacy ratio	16.19%	15.54%	Increase of 0.65 percentage point
<b>Information on leverage ratio<sup>(2)</sup></b>			
Total on and off balance sheet assets after adjustment	9,262,989	8,604,521	7.65
Leverage ratio	7.26%	6.79%	Increase of 0.47 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 6.52%, 6.88% and 6.79% as at the end of the second quarter of 2020, the end of the first quarter of 2020 and the end 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 11.14%, 12.91% and 15.86%, respectively.

<b>The Company</b> <i>(in millions of RMB, except for percentages)</i>	<b>30 September 2020</b>	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The capital adequacy ratios under the Advanced Measurement Approach</b>			
Net core Tier 1 capital	510,269	478,083	6.73
Net Tier 1 capital	591,503	509,336	16.13
Net capital	726,784	635,977	14.28
Core Tier 1 capital adequacy ratio	11.14%	11.48%	Decrease of 0.34 percentage point
Tier 1 capital adequacy ratio	12.91%	12.23%	Increase of 0.68 percentage point
Capital adequacy ratio	15.86%	15.27%	Increase of 0.59 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 10.43%, 11.92% and 13.63%, respectively.

<b>The Group</b>	<b>30 September 2020</b>	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The capital adequacy ratios under the Weighted Approach <sup>(Note)</sup></b>			
Core Tier 1 capital adequacy ratio	10.43%	10.64%	Decrease of 0.21 percentage point
Tier 1 capital adequacy ratio	11.92%	11.30%	Increase of 0.62 percentage point
Capital adequacy ratio	13.63%	13.02%	Increase of 0.61 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 9.86%, 11.43% and 13.09%, respectively.

The Company	30 September 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
<b>The capital adequacy ratios under the Weighted Approach</b>			
Core Tier 1 capital adequacy ratio	9.86%	10.09%	Decrease of 0.23 percentage point
Tier 1 capital adequacy ratio	11.43%	10.75%	Increase of 0.68 percentage point
Capital adequacy ratio	13.09%	12.53%	Increase of 0.56 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 417,833 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	4,549,594,563	18.04	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	Dajia Life Insurance Co., Ltd. – Universal products	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	929,830,992	3.69	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) 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.
- (3) 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 14 shareholders of preference shares (or their nominees), including 1 shareholder of offshore preference shares (or its nominee), and 13 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 their nominees) of the Company were as follows:

Serial No.	Name of shareholder	Nature of shareholder	Type of shares	Increase/ decrease in the reporting period (share)	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 nominees of the places.
- (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	Increase/decrease in the reporting period (share)	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 Group Co., Ltd.	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. (中銀資產管理有限公司)	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	-2,000,000	17,000,000	6.18	-	-
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 September 2020, total assets of the Group amounted to RMB8,156.700 billion, representing an increase of 9.97% as compared with the end of the previous year; and its total liabilities amounted to RMB7,446.973 billion, representing an increase of 9.52% as compared with the end of the previous year. As at the end of September 2020, the Group's total loans and advances to customers amounted to RMB5,006.202 billion, representing an increase of 11.48% as compared with the end of the previous year. Total deposits from customers amounted to RMB5,495.129 billion, representing an increase of 13.43% 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 September 2020, the Group realised a net profit attributable to shareholders of the Bank of RMB76.603 billion, representing a year-on-year decrease of 0.82%, and a net operating income of RMB221.288 billion, representing a year-on-year increase of 6.52%.

For the period from January to September 2020, the Group realised a net interest income of RMB138.535 billion, representing a year-on-year increase of 5.57% and accounting for 62.60% of the net operating income. For the period from January to September 2020, net interest spread and net interest margin of the Group were 2.43% and 2.51%, respectively, representing a year-on-year decrease of 11 basis points and 14 basis points, respectively; for the third quarter of 2020, net interest spread and net interest margin of the Group were 2.45% and 2.53%, respectively, representing a quarter-on-quarter increase of 6 basis points and 8 basis points, respectively.

For the period from January to September 2020, the Group realised a net non-interest income of RMB82.753 billion, representing a year-on-year increase of 8.14%, accounting for 37.40% of the net operating income. Among the net non-interest income, net fee and commission income amounted to RMB63.277 billion, representing a year-on-year increase of 10.70%, accounting for 28.59% of the net operating income, and representing a year-on-year increase of 1.08 percentage points; other net non-interest income amounted to RMB19.476 billion, representing a year-on-year increase of 0.59%.

For the period from January to September 2020, the cost-to-income ratio of the Group was 29.97%, representing a year-on-year increase of 0.79 percentage point.

As at the end of September 2020, the balance of non-performing loans of the Group amounted to RMB56.466 billion, representing an increase of RMB4.191 billion as compared with the end of the previous year; the non-performing loan ratio was 1.13%, down by 0.03 percentage point as compared with the end of the previous year; and the allowance coverage ratio of non-performing loans was 424.76%, down by 2.02 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.79%, down by 0.18 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 September 2020, total assets of the Company amounted to RMB7,650.575 billion, representing an increase of 9.92% as compared with the end of the previous year; and its total liabilities amounted to RMB6,986.091 billion, representing an increase of 9.47% as compared with the end of the previous year. As at the end of September 2020, the Company's total loans and advances to customers amounted to RMB4,659.064 billion, representing an increase of 11.54% as compared with the end of the previous year, among which, corporate loans, retail loans and discounted bills accounted for 38.43%, 55.32% and 6.25%, respectively. As at the end of September 2020, the Company's total deposits from customers amounted to RMB5,266.935 billion, representing an increase of 13.74% as compared with the end of the previous year, among which, demand deposits and time deposits accounted for 61.33% and 38.67%, respectively. Among the demand deposits, corporate deposits accounted for 62.17% while retail deposits accounted for 37.83%; and among the time deposits, corporate deposits accounted for 71.33% while retail deposits accounted for 28.67%. From January to September 2020, among the daily average balance of deposits from customers of the Company, the percentage of demand deposits accounted for 59.74%, representing an increase of 0.92 percentage point as compared with the first half of 2020.

**Our net operating income grew steadily while net profit decreased slightly.** For the period from January to September 2020, the Company realised a net profit of RMB69.617 billion, representing a year-on-year decrease of 3.33%. The Company realised a net operating income of RMB204.147 billion, representing a year-on-year increase of 5.09%, among which, the net operating income from the retail finance business amounted to RMB118.619 billion, representing a year-on-year increase of 10.95%, accounting for 58.10% of the net operating income of the Company.

Net interest income of the Company amounted to RMB134.281 billion from January to September 2020, representing a year-on-year increase of 5.86% and accounting for 65.78% of the net operating income. Net interest spread and net interest margin of the Company were 2.49% and 2.58%, respectively from January to September 2020, representing a year-on-year decrease of 11 basis points and 14 basis points, respectively; for the third quarter of 2020, net interest spread and net interest margin of the Company were 2.52% and 2.61%, respectively, representing a quarter-on-quarter increase of 7 basis points and 9 basis points, respectively, which was mainly attributable to the followings: the first was the recovery growth of retail loans, as a result, the proportion of high-yield assets has increased; the second was to strengthen the control of deposit costs and promote the steady growth of low-cost deposits, as a result, the deposit structure has been constantly optimised, and costs continued to decrease.

From January to September 2020, the Company realised a net non-interest income of RMB69.866 billion, representing a year-on-year increase of 3.65%, which accounted for 34.22% of the net operating income of the Company. The overall growth rate of net non-interest income has slowed down as compared with the first half of the year. Net fee and commission income amounted to RMB56.338 billion, representing a year-on-year increase of 7.03%, among which, fee and commission income from wealth management amounted to RMB27.260 billion, representing a year-on-year increase of 44.98% (including: income from agency distribution of funds of RMB8.299 billion, income from entrusted wealth management services of RMB7.826 billion, income from agency distribution of trust schemes of RMB5.826 billion, income from agency distribution of insurance policies of RMB5.098 billion and income from agency distribution of precious metals of RMB211 million), while transactions such as residents' consumption and payment settlement were affected to a certain extent by the pandemic, with income from bank card fees amounting to RMB14.081 billion or a year-on-year decrease of 2.70%, and income from settlement and clearing fees amounting to RMB9.574 billion or a year-on-year increase of 3.05%. Other net non-interest income amounted to RMB13.528 billion, representing a year-on-year decrease of 8.38%, which was mainly attributable to the significant decrease in net exchange gains resulting from the appreciation of RMB.

From January to September 2020, the Company's operating expenses were RMB63.806 billion, representing a year-on-year increase of 8.35%, and the cost-to-income ratio was 30.34%, representing a year-on-year increase of 0.89 percentage point.

**Capital adequacy ratios and efficiency of capital utilisation remained at a relatively satisfactory level.** As at the end of September 2020, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the Advanced Measurement Approach were 15.86% and 12.91%, respectively, up by 2.77 percentage points and 1.48 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 25.70%, maintaining at a high level.

The Company adhered to the management strategy of strict asset classification and full exposure of risks. As at the end of the reporting period, the Company's balance of non-performing loans increased while the non-performing loan ratio decreased. There was a decrease in both the balance and percentage of special-mention loans and overdue loans. Due to the rapid increase in risks associated with credit card business, the formation amount of non-performing loans increased year-on-year. As at the end of the reporting period, balance of non-performing loans amounted to RMB54.684 billion, representing an increase of RMB4.234 billion as compared with the end of the previous year. Non-performing loan ratio was 1.17%, representing a decrease of 0.04 percentage point as compared with the end of the previous year. Balance of special-mention loans amounted to RMB39.499 billion, representing a decrease of RMB9.800 billion as compared with the end of the previous year. The percentage of special-mention loans was 0.85%, representing a decrease of 0.33 percentage point as compared with the end of the previous year. Balance of overdue loans amounted to RMB60.475 billion, representing a decrease of RMB451 million as compared with the end of the previous year. The percentage of overdue loans was 1.30%, representing a decrease of 0.16 percentage point as compared with the end of the previous year. From January to September 2020, the formation amount of non-performing loans of the Company was RMB43.456 billion, representing a year-on-year increase of RMB9.691 billion.

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

<i>(in millions of RMB, except for percentages)</i>	30 September 2020						
	Balance of loans and advances	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	1,790,647	33,207	1.85	12,615	0.70	27,646	1.54
Discounted bills	291,143	-	0.00	6	0.00	-	0.00
Retail loans	2,577,274	21,477	0.83	26,878	1.04	32,829	1.27
Micro-finance loans	475,717	3,025	0.64	1,522	0.32	3,373	0.71
Residential mortgage loans	1,238,043	3,334	0.27	1,853	0.15	3,965	0.32
Credit card loans	701,546	12,495	1.78	22,750	3.24	22,450	3.20
Consumption loans	137,488	2,087	1.52	686	0.50	2,492	1.81
Others <sup>(note)</sup>	24,480	536	2.19	67	0.27	549	2.24
Total loans and advances to customers	4,659,064	54,684	1.17	39,499	0.85	60,475	1.30

31 December 2019

<i>(in millions of RMB, except for percentages)</i>	Balance			Percentage		Balance		Percentage	
	Balance of loans and advances	of non- performing loans	Non- performing loan ratio (%)	Balance of special- mention loans	of special- mention loans (%)	of overdue loans	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 <sup>(note)</sup>	29,647	530	1.79	127	0.43	590	1.99		
<b>Total loans and advances to customers</b>	<b>4,177,153</b>	<b>50,450</b>	<b>1.21</b>	<b>49,299</b>	<b>1.18</b>	<b>60,926</b>	<b>1.46</b>		

*Note:* It consists primarily of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

Benefiting from the continuous reinforcement of customer structure adjustment, the quality of corporate loan assets has remained relatively stable. As at the end of the reporting period, the balances and ratios of non-performing, special-mention and overdue corporate loans all decreased as compared with the end of the previous year. From January to September 2020, the formation amount of non-performing corporate loans of the Company was RMB13.025 billion, representing a year-on-year decrease of RMB2.598 billion. However, the current international and domestic economic situations are still complicated and severe, and the risk of a second outbreak of the pandemic still exists. Enterprises in some industries are still facing certain pressures on production and operation. Moreover, the risks associated with corporate customers may be laggard, therefore it is expected that the risk exposure of corporate business may rise temporarily.

With the continuous advancement of the resumption of work and production, the domestic economy continued to resume its growth trend. The quality of the Company's retail loan assets remained relatively stable as a whole, and the risk indicators of some retail loans increased slightly as compared with the second quarter. As the impact of the pandemic on retail banking business persists, from January to September 2020, the formation amount of non-performing credit card loans of the Company was RMB24.075 billion, representing a year-on-year increase of RMB10.798 billion. The formation amount of non-performing retail loans (excluding credit cards) was RMB6.356 billion, representing a year-on-year increase of RMB1.490 billion. In view of the impact of the pandemic on household employment, income, consumption and other aspects is still progressing, overlapping with the risk of "joint debts" and other factors, it is expected that the management and control of the risk exposed to retail business will still face significant pressure.

To implement the decisions and arrangements of Central Committee of CPC and the State Council on the overall promotion of the prevention and control of the pandemic and economic and social development, and to help the customers that were actually affected by the pandemic to mitigate pressure on repayment of the principal and interest, the Company further carried out the policy for periodic deferment of repayment of the principal and interest. In 2020, the total loans granted to the customers who applied for deferment of repayment of the principal and interest in the Company aggregated to RMB138.905 billion. With the effective prevention and control of the pandemic domestically, the resumption of production and work of enterprises progressed in an orderly manner, and most customers have initiated normal repayment. As at the end of the reporting period, the balance of loans granted to the customers who were still at deferment of repayment of the principal and interest was RMB67.822 billion. The exposure of risks associated with individual customers may not be ruled out upon expiry of the policy for deferment of repayment of the principal and interest. The Company will continue to dynamically monitor the customers who applied for the deferment of repayment of the principal and interest, and strive to maintain sound risk management and control.

The Company will dynamically study and determine the risk trends, continue to adjust customer structure and business structure, further promote risk management and reinforce the foundation, firmly implement assets classification, 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 September 2020, the balance of allowance for impairment losses on loans of the Company amounted to RMB233.427 billion, representing an increase of RMB16.484 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 426.87%, representing a decrease of 3.15 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 5.01%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.



**Steady increase in the number of retail customers and AUM.** As at the end of the reporting period, the Company had 155 million retail customers (including debit and credit card customers), representing an increase of 7.64% 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 3,013,200, representing an increase of 13.80% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB8,630.728 billion, representing an increase of 15.17% 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 RMB7,083.048 billion, representing an increase of 16.40% as compared with the end of the previous year, and accounting for 82.07% of the balance of total assets under management from retail customers of the Bank. The Company had 95,943 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 17.47% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB2,658.367 billion, representing an increase of 19.15% as compared with the end of the previous year; total assets per account amounted to RMB27.7078 million, representing an increase of RMB391,200 as compared with the end of the previous year. Since the beginning of this year, facing the dramatic impact brought about by the COVID-19 pandemic on the global economy and people's livelihoods, the Company conducted various retail businesses in a prudent manner by tapping into the tremendous support of continuous digital transformation for online services to promptly respond to customer requests, which has reduced the impact of the pandemic on operations to a certain extent. With the pandemic under effective control in China, resumption of work and production was accelerating and retail customer acquisition and AUM maintained a steady growth in the third quarter. Looking ahead to the whole year, the Company will maintain its strategic focus, forge ahead with an open and integrated methodology, revolve around the two major lines of businesses being "customers + technology", accelerate the exploration of a digital retail financial business model and fully enhance its ability to create value for customers.

## 3 Significant Events

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

Major items <i>(in millions of RMB, except for percentages)</i>	30 September 2020	Changes over the end of last year  (%)	Major reasons
Precious metals	8,308	102.93	The increase in overseas precious metal leasing business driven by the increasing demand for gold from banks
Placements with banks and other financial institutions	197,386	-35.80	The fluctuation in timing of liquidity, the decrease in placements with banks and other financial institutions and the replacement of certain placements with banks and other financial institutions by reverse repo transactions upon expiration
Amounts held under resale agreements	235,894	116.49	Increase in the balance of bonds reverse repurchase transactions
Derivative financial assets	36,636	51.27	The considerable fluctuation in valuation of currency derivatives as a result of the impact of the higher appreciation of RMB and the widening of spread between domestic and foreign funds
Interests in associates	1,708	271.30	Increase in subsidiary's share of owners' interest in associates
Other assets	51,633	35.91	Increase in temporary amounts pending for settlement
Financial liabilities at fair value through profit or loss	62,324	43.49	The rising of gold price and the substantial increase in sales of gold account products
Derivative financial liabilities	38,083	64.15	The significant fluctuation in valuation of currency derivatives as a result of the impact of continuing appreciation of the RMB and the widening of the spread between domestic and overseas funds
Amounts sold under repurchase agreements	151,679	139.87	The fluctuation in timing of liquidity and the increase in debt repurchase transactions
Salaries and welfare payable	23,878	105.17	Increase in wages payable
Provisions	15,303	150.50	The increase in provisions for estimated liabilities during the reporting period in order to steadily proceed with the subsequent rectification of the asset management business upon the extension of the transition period of the new asset management regulations
Debt securities issued	386,748	-33.11	Decrease in interbank certificates of deposits
Other equity instruments	84,054	146.75	The undated additional Tier 1 capital bonds of RMB50 billion issued by the Company in July 2020
Investment revaluation reserve	5,743	-35.61	Rising market interest rates and the decrease in valuation of bond investments at fair value through other comprehensive income
Hedging reserve	(80)	-105.13	Decrease in fair value of hedging instruments
Exchange reserve	757	-51.51	The higher appreciation of RMB in the third quarter

Major items <i>(in millions of RMB, except for percentages)</i>	January to September 2020	Changes over the same period of last year  <i>(%)</i>	Major reasons
Impairment losses on other assets	(30)	N/A	Provision for impairment losses on fixed assets for operating leasing of CMB Leasing, our subsidiary
Share of profits of joint ventures	1,516	30.46	Increase in profits of joint ventures
Share of profits of associates	337	N/A	Increase in profits of associates
Exchange reserve	(879)	N/A	The higher appreciation of RMB in the third quarter
Cash flow hedge: net movement in hedging reserve	(40)	63.96	Decrease in fluctuation of valuation of hedging instruments
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	-	-100.00	Decrease in changes of subsidiary's share of other interests in associates
Fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income	(4,259)	N/A	Decrease in valuation of bond investments at fair value through other comprehensive income as a result of the rising market interest rates
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	845	77.89	Increase in credit losses of debt instruments measured at fair value through other comprehensive income
Fair value gain on equity instruments measured at fair value through other comprehensive income	310	-30.34	Decrease in fluctuation of valuation of equity instruments measured at fair value through other comprehensive income
Remeasurement of defined benefit scheme redesigned through reserve	(46)	N/A	Increase in fluctuation of valuation of remeasurement of defined benefit scheme of CMB Wing Lung, our subsidiary

### 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 Update on changes in accounting policy

Applicable  Not applicable

### 3.4 Uncompleted performance of overdue undertakings for the reporting period

Applicable  Not applicable

### 3.5 Other significant events requiring explanations and progress thereof

With the approvals of the China Banking and Insurance Regulatory Commission and the People's Bank of China, the Company issued undated additional Tier 1 capital bonds of RMB50 billion in China's national inter-bank bond market in July 2020. For further information, please refer to the relevant announcement dated 9 July 2020 published by the Company on the websites of Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company, respectively.

By Order of the Board  
China Merchants Bank Co., Ltd.  
Miao Jianmin  
Chairman

30 October 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 Miao Jianmin, 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 September ended 30 September		For the period from July to September ended 30 September	
	2020	2019	2020	2019
Interest income	230,751	219,424	77,066	74,907
Interest expense	(92,216)	(88,200)	(29,404)	(31,090)
<b>Net interest income</b>	<b>138,535</b>	<b>131,224</b>	<b>47,662</b>	<b>43,817</b>
Fee and commission income	68,501	62,596	22,890	20,084
Fee and commission expense	(5,224)	(5,437)	(1,882)	(1,896)
<b>Net fee and commission income</b>	<b>63,277</b>	<b>57,159</b>	<b>21,008</b>	<b>18,188</b>
<b>Other net income</b>	<b>17,623</b>	<b>18,214</b>	<b>3,784</b>	<b>6,962</b>
<b>Operating income</b>	<b>219,435</b>	<b>206,597</b>	<b>72,454</b>	<b>68,967</b>
Operating expenses	(70,862)	(64,134)	(25,980)	(23,733)
<b>Operating profit before expected credit losses</b>	<b>148,573</b>	<b>142,463</b>	<b>46,474</b>	<b>45,234</b>
Expected credit losses	(52,491)	(44,936)	(12,048)	(11,872)
Impairment losses on other assets	(30)	–	(30)	–
Share of profits of joint ventures	1,516	1,162	586	441
Share of profits (losses) of associates	337	(14)	85	(1)
<b>Profit before tax</b>	<b>97,905</b>	<b>98,675</b>	<b>35,067</b>	<b>33,802</b>
Income tax	(20,835)	(20,914)	(8,075)	(6,899)
<b>Net Profit</b>	<b>77,070</b>	<b>77,761</b>	<b>26,992</b>	<b>26,903</b>
Attributable to:				
Shareholders of the Bank	76,603	77,239	26,815	26,627
Non-controlling interests	467	522	177	276
<b>Earnings per share</b>				
Basic and diluted earnings per share (RMB)	3.02	3.05	1.05	1.04

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2020	2019	2020	2019
<b>Net profit</b>	77,070	77,761	26,992	26,903
Other comprehensive income for the period, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Fair value gain on debt instruments measured at fair value through other comprehensive income	(4,259)	730	(4,117)	1,069
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	845	475	–	(125)
Cash flow hedge: net movement in hedging reserve	(40)	(111)	10	(14)
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	–	257	(250)	86
Exchange difference on translation of financial statements of foreign operations	(879)	1,487	(1,705)	1,464
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	310	445	202	(62)
Remeasurement of defined benefit scheme redesigned through reserve	(46)	7	–	–
<b>Other comprehensive income for the period, net of tax</b>	<b>(4,069)</b>	<b>3,290</b>	<b>(5,860)</b>	<b>2,418</b>
Attributable to:				
Shareholders of the Bank	(3,994)	3,122	(5,699)	2,259
Non-controlling interests	(75)	168	(161)	159
<b>Total comprehensive income for the period</b>	<b>73,001</b>	<b>81,051</b>	<b>21,132</b>	<b>29,321</b>
Attributable to:				
Shareholders of the Bank	72,609	80,361	21,116	28,886
Non-controlling interests	392	690	16	435

## UNAUDITED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2020	2019	2020	2019
Interest income	220,698	208,886	74,050	71,248
Interest expense	(86,417)	(82,035)	(27,706)	(28,964)
<b>Net interest income</b>	<b>134,281</b>	<b>126,851</b>	<b>46,344</b>	<b>42,284</b>
Fee and commission income	64,109	57,723	21,232	18,515
Fee and commission expense	(7,771)	(5,085)	(2,660)	(1,772)
<b>Net fee and commission income</b>	<b>56,338</b>	<b>52,638</b>	<b>18,572</b>	<b>16,743</b>
<b>Other net income</b>	<b>12,672</b>	<b>13,947</b>	<b>2,022</b>	<b>5,610</b>
<b>Operating income</b>	<b>203,291</b>	<b>193,436</b>	<b>66,938</b>	<b>64,637</b>
Operating expenses	(63,806)	(58,888)	(23,281)	(21,809)
<b>Operating profit before expected credit losses</b>	<b>139,485</b>	<b>134,548</b>	<b>43,657</b>	<b>42,828</b>
Expected credit losses	(51,843)	(43,752)	(11,710)	(11,625)
Share of profits of joint ventures	856	818	374	290
<b>Profit before tax</b>	<b>88,498</b>	<b>91,614</b>	<b>32,321</b>	<b>31,493</b>
Less: Income tax	(18,881)	(19,597)	(7,506)	(6,420)
<b>Net Profit</b>	<b>69,617</b>	<b>72,017</b>	<b>24,815</b>	<b>25,073</b>

## UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September ended 30 September		For the period from July to September ended 30 September	
	2020	2019	2020	2019
Net profit	69,617	72,017	24,815	25,073
Other comprehensive income for the period, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Fair value gain on debt instruments measured at fair value through other comprehensive income	(4,111)	503	(4,159)	931
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	812	309	(9)	(153)
Cash flow hedge: net movement in hedging reserve	-	1	-	(1)
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	77	228	(188)	67
Exchange difference on translation of financial statements of foreign operations	(9)	(51)	(102)	52
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	350	635	210	105
Other comprehensive income for the period, net of tax	(2,881)	1,625	(4,248)	1,001
Total comprehensive income for the period	66,736	73,642	20,567	26,074



## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2020	31 December 2019
<b>Assets</b>		
Cash	12,042	15,306
Precious metals	8,308	4,094
Balances with central bank	487,383	552,590
Balances with banks and other financial institutions	93,076	106,113
Placements with banks and other financial institutions	197,386	307,433
Amounts held under resale agreements	235,894	108,961
Loans and advances to customers	4,777,195	4,277,300
Derivative financial assets	36,636	24,219
Financial investments at fair value through profit or loss	462,254	398,276
Financial investments at amortised cost	1,076,969	921,228
Debt investments at fair value through other comprehensive income	520,855	478,856
Equity investments designated at fair value through other comprehensive income	7,130	6,077
Interest in joint ventures	11,515	10,324
Interest in associates	1,708	460
Investment properties	1,709	1,925
Property and equipment	68,276	66,408
Right-of-use assets	19,457	20,000
Intangible assets	4,912	4,575
Goodwill	9,954	9,954
Deferred tax assets	72,408	65,151
Other assets	51,633	37,990
<b>Total assets</b>	<b>8,156,700</b>	<b>7,417,240</b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2020	31 December 2019
<b>Liabilities</b>		
Borrowing from central bank	306,282	359,175
Deposits from banks and other financial institutions	615,937	555,581
Placements from banks and other financial institutions	180,319	165,921
Financial liabilities at fair value through profit or loss	62,324	43,434
Derivative financial liabilities	38,083	23,200
Amounts sold under repurchase agreements	151,679	63,233
Deposits from customers	5,529,132	4,874,981
Salaries and welfare payable	23,878	11,638
Tax payable	20,868	19,069
Contract liabilities	6,843	6,488
Lease liabilities	14,367	14,379
Provisions	15,303	6,109
Debt securities issued	386,748	578,191
Deferred tax liabilities	999	956
Other liabilities	94,211	77,178
<b>Total liabilities</b>	<b>7,446,973</b>	<b>6,799,533</b>
<b>Equity</b>		
Share capital	25,220	25,220
Other equity instruments	84,054	34,065
Including: Preference shares	34,065	34,065
Perpetual bonds	49,989	–
Capital reserve	67,523	67,523
Investment revaluation reserve	5,743	8,919
Hedging reserve	(80)	(39)
Surplus reserve	62,291	62,291
Regulatory general reserve	89,608	90,151
Retained profits	368,190	291,346
Proposed profit appropriations	–	30,264
Exchange reserve	757	1,561
Total equity attributable to shareholders of the Bank	703,306	611,301
Non-controlling interests	6,421	6,406
Including: Non-controlling interests	2,512	2,427
Perpetual debt capital	3,909	3,979
<b>Total equity</b>	<b>709,727</b>	<b>617,707</b>
<b>Total equity and liabilities</b>	<b>8,156,700</b>	<b>7,417,240</b>

## UNAUDITED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2020	31 December 2019
<b>Assets</b>		
Cash	11,329	14,356
Precious metals	8,238	4,006
Balances with central bank	482,268	549,969
Balances with banks and other financial institutions	69,737	73,472
Placements with banks and other financial institutions	216,470	304,396
Amounts held under resale agreements	231,097	103,740
Loans and advances to customers	4,435,140	3,968,513
Derivative financial assets	36,071	23,769
Financial investments at fair value through profit or loss	418,940	378,242
Financial investments at amortised cost	1,075,714	920,575
Debt investments at fair value through other comprehensive income	443,980	416,181
Equity investments designated at fair value through other comprehensive income	6,494	5,430
Interests in subsidiaries	49,495	49,495
Interests in joint ventures	6,899	6,091
Investment properties	1,089	1,203
Property and equipment	24,708	25,565
Right-of-use assets	18,205	19,078
Intangible assets	4,133	3,752
Deferred tax assets	70,825	63,663
Other assets	39,743	28,736
<b>Total assets</b>	<b>7,650,575</b>	<b>6,960,232</b>

## UNAUDITED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

Item	30 September 2020	31 December 2019
<b>Liabilities</b>		
Borrowing from central bank	306,282	358,728
Deposits from banks and other financial institutions	593,519	541,745
Placements from banks and other financial institutions	88,161	73,880
Financial liabilities at fair value through profit or loss	36,941	32,922
Derivative financial liabilities	37,755	22,911
Amounts sold under repurchase agreements	135,261	55,455
Deposits from customers	5,300,208	4,660,232
Salaries and welfare payable	21,406	9,581
Tax payable	19,426	17,655
Contract liabilities	6,843	6,488
Lease liabilities	13,259	13,632
Provisions	15,260	6,061
Debt securities issued	334,093	527,986
Other liabilities	77,677	54,604
<b>Total liabilities</b>	6,986,091	6,381,880
<b>Equity</b>		
Share capital	25,220	25,220
Other equity instruments	84,054	34,065
Including: Preference shares	34,065	34,065
Perpetual bonds	49,989	–
Capital reserve	76,681	76,681
Investment revaluation reserve	5,749	8,676
Hedging reserve	(26)	(26)
Surplus reserve	62,291	62,291
Regulatory general reserve	85,820	85,820
Retained profits	324,498	255,155
Proposed profit appropriations	–	30,264
Exchange reserve	197	206
<b>Total equity</b>	664,484	578,352
<b>Total equity and liabilities</b>	7,650,575	6,960,232

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September 2020	For the period from January to September 2019
<b>Cash flows from operating activities</b>		
Profit before tax	97,905	98,675
<b>Adjustments for</b>		
– Impairment losses on loans and advances	41,088	43,645
– Provisions for impairment losses on investments	1,331	504
– Provisions for impairment losses on others	10,102	793
– Unwind of discount on impaired loans	(158)	(245)
– Depreciation of properties and equipments and investment properties	2,922	2,804
– Depreciation of right-of-use assets	3,109	3,175
– Amortisation of other assets	1,022	853
– Share of profits of joint ventures	(1,516)	(1,162)
– Share of profits of associates	(337)	14
– Net gains on debt securities and equity investments	(3,304)	(2,529)
– Interest income on investments	(38,403)	(36,612)
– Interest expense on issued debt securities	11,700	12,782
– Net gains on disposal of properties and equipment	(16)	(273)
<b>Changes in:</b>		
Balances with central bank	8,746	(20,313)
Balances and placements with banks and other financial institutions with original maturity over 3 months	8,615	104,309
Loans and advances to customers	(609,782)	(528,558)
Other assets	(121,642)	(46,742)
Deposits from customers	650,707	363,114
Deposits and placements from banks and other financial institutions	163,028	77,406
Borrowings from central bank	(53,751)	(115,920)
Other liabilities	72,581	22,240
<b>Net cash generated from (used in) operating activities before income tax payment</b>	243,947	(22,040)
<b>Income tax paid</b>	(24,119)	(31,692)
<b>Net cash generated from (used in) operating activities</b>	219,828	(53,732)

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to September 2020	For the period from January to September 2019
<b>Cash flows from investing activities</b>		
Payment for the purchase of investments	(832,228)	(539,109)
Proceeds from the disposal of investments	636,172	493,496
Gains received from investments	55,374	48,902
Payment for the purchase of properties and equipments and other assets	(10,771)	(15,084)
Proceeds from the disposal of properties and equipments and other assets	1,732	1,132
Net proceeds from the disposals of subsidiaries, joint venture or associates	328	–
Net payment for investments in the subsidiaries, joint venture or associates	(157)	–
<b>Net cash flows used in investing activities</b>	<b>(149,550)</b>	<b>(10,663)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of certificates of deposits	19,637	23,897
Proceeds from the issue of debt securities	23,508	72,067
Proceeds from the issue of negotiable interbank certificates of deposits	158,832	365,206
Proceeds from the issue of other equity instruments – perpetual bonds	49,989	–
Proceeds from the issue of perpetual capital instruments	–	2,761
Proceeds from other financing activities	2,374	–
Repayment of certificates of deposits	(25,416)	(21,005)
Repayment of issued debt securities	(46,873)	(20,049)
Repayment of negotiable interbank certificates of deposits	(312,485)	(288,765)
Payment of lease liabilities	(3,196)	(3,180)
Interest paid on issued debt securities	(15,915)	(6,328)
Payment for distribution of dividends	(30,472)	(23,832)
<b>Net cash (used in) generated from financing activities</b>	<b>(180,017)</b>	<b>100,772</b>
<b>Increase in cash and cash equivalents</b>	<b>(109,739)</b>	<b>36,377</b>
Effects of foreign exchange rate changes on cash and cash equivalents	(1,228)	(986)
Net increase in cash and cash equivalents	(110,967)	35,391
Add: balance of cash and cash equivalents at the beginning of the period	589,675	543,683
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>478,708</b>	<b>579,074</b>
<b>Cash flows from operating activities include:</b>		
Interest received	191,114	182,525
Interest paid	75,980	75,059

## 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 average of liquidity coverage ratio of the Group was 131.73% in the third quarter of 2020, representing a decrease of 14.36 percentage points as compared with the previous quarter, which was mainly affected by the decrease in cash inflows from financial institutions. The Group’s liquidity coverage ratio at the end of the third quarter of 2020 was 133.87%, 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 third quarter of 2020 is set out below:

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

No.		Unweighted amount	Weighted amount
Stock of high quality liquid assets			
1	Total stock of high quality liquid assets	/	1,192,909
Cash outflows			
2	Retail and small business customers deposits, of which:	2,106,994	186,966
3	Stable deposits	474,660	23,733
4	Less stable deposits	1,632,334	163,233
5	Unsecured wholesale funding, of which:	3,436,424	1,258,562
6	Operational deposits (excluding correspondent banks)	1,903,347	473,194
7	Non-operational deposits (including all counterparties)	1,497,859	750,150
8	Unsecured debt issuance	35,218	35,218
9	Secured funding	/	18,289
10	Additional requirements, of which:	1,493,656	369,745
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	303,758	303,758
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,189,898	65,987
14	Other contractual obligations to extend funds	64,853	64,853
15	Other contingent funding obligations	6,731,530	98,788
16	<b>Total cash outflows</b>	<b>/</b>	<b>1,997,203</b>

No.		Unweighted amount	Weighted amount
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	187,330	186,894
18	Contractual inflows from fully performing loans	895,734	582,207
19	Other cash inflows	327,743	322,541
20	<b>Total cash inflows</b>	<b>1,410,807</b>	<b>1,091,642</b>
			<b>Adjusted value</b>
21	<b>Total stock of high quality liquid assets</b>		<b>1,192,909</b>
22	<b>Net cash outflows</b>		<b>905,561</b>
23	<b>Liquidity coverage ratio (%)</b>		<b>131.73%</b>

Notes:

- (1) The data of Mainland China in the above table is a simple arithmetic average of the 92-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".