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 2021

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 23rd meeting of the Eleventh Session of the Board of Directors of the Company was held through voting by correspondence. 17 out of 17 eligible Directors attended the meeting. The first quarterly report of 2021 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.

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

(in millions of RMB, unless otherwise stated)	At the end of the reporting period 31 March 2021	At the end of last year 31 December 2020	Increase/ decrease at the end of the reporting period as compared to the end of last year (%)
Total assets	8,664,641	8,361,448	3.63
Equity attributable to shareholders of the Bank	755,107	723,750	4.33
Net assets per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*(Note)	26.61	25.36	4.93

(in millions of RMB, unless otherwise stated)	The reporting period January to March 2021	Corresponding period of last year January to March 2020	Increase/ decrease of the reporting period as compared to the corresponding period of last year (%)
Net cash generated from (used in) operating activities	(32,388)	87,147	N/A
Net cash generated from (used in) operating activities per share *(in RMB Yuan)*	(1.28)	3.46	N/A

(in millions of RMB, unless otherwise stated)	The reporting period January to March 2021	Corresponding period of last year January to March 2020	Increase/ decrease of the reporting period as compared to the corresponding period of last year (%)
Net operating income	84,844	76,372	11.09
Net profit attributable to shareholders of the Bank	32,015	27,795	15.18
Basic earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*	1.27	1.10	15.45
Diluted earnings per share attributable to ordinary shareholders of the Bank *(in RMB Yuan)*	1.27	1.10	15.45
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank *(%)*(Note)	19.54	18.76	Increase of 0.78 percentage point

Note: The relevant indicators are calculated in accordance with the provisions of the "Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports《公開發行證券的公司信息披露內容與格式準則第 2 號〈年度報告的內容與格式〉》" and 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 classified as other equity instruments. Therefore, when calculating return on average equity and net assets per share, 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 31 March 2021 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 as follows: 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%. After taking into account such requirement for reserve capital, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the 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 12.19%, 13.79% and 16.24%, 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.

The Group *(in millions of RMB, except for percentages)*	**31 March 2021**	31 December 2020	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach(1)			
Net core Tier 1 capital	**641,189**	610,092	5.10
Net Tier 1 capital	**725,243**	694,184	4.47
Net capital	**854,227**	821,290	4.01
Core Tier 1 capital adequacy ratio	**12.19%**	12.29%	Decrease of 0.10 percentage point
Tier 1 capital adequacy ratio	**13.79%**	13.98%	Decrease of 0.19 percentage point
Capital adequacy ratio	**16.24%**	16.54%	Decrease of 0.30 percentage point
Information on leverage ratio(2)			
Total on and off balance sheet assets after adjustment	**9,803,562**	9,395,026	4.35
Leverage ratio	**7.40%**	7.39%	Increase of 0.01 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 China Banking Regulatory Commission ("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 ratios 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 (hereinafter referred to as "CMB Wealth Management"), China Merchants Fund Management Co., Ltd. and CIGNA & CMB Asset Management Company Limited. 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. 2021 is the seventh 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 7.39%, 7.26% and 6.52% as at the end of 2020, the end of the third quarter of 2020 and the end of the first half of 2020, 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 11.73%, 13.43% and 15.98%, respectively.

The Company *(in millions of RMB, except for percentages)*	**31 March 2021**	31 December 2020	Increase/decrease at the end of the reporting period as compared to the end of last year (%)
The capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**561,217**	532,209	5.45
Net Tier 1 capital	**642,452**	613,444	4.73
Net capital	**764,508**	734,022	4.15
Core Tier 1 capital adequacy ratio	**11.73%**	11.81%	Decrease of 0.08 percentage point
Tier 1 capital adequacy ratio	**13.43%**	13.62%	Decrease of 0.19 percentage point
Capital adequacy ratio	**15.98%**	16.29%	Decrease of 0.31 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 10.60%, 11.99% and 13.53%, respectively.

The Group	**31 March 2021**	31 December 2020	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	**10.60%**	10.68%	Decrease of 0.08 percentage point
Tier 1 capital adequacy ratio	**11.99%**	12.16%	Decrease of 0.17 percentage point
Capital adequacy ratio	**13.53%**	13.79%	Decrease of 0.26 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 10.07%, 11.53% and 13.07%, respectively.

The Company	31 March 2021	31 December 2020	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	**10.07%**	10.12%	Decrease of 0.05 percentage point
Tier 1 capital adequacy ratio	**11.53%**	11.67%	Decrease of 0.14 percentage point
Capital adequacy ratio	**13.07%**	13.31%	Decrease of 0.24 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 472,902 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	4,551,575,749	18.05	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	HKSCC Ltd.	Offshore legal person	1,275,280,513	5.06	A Shares not subject to trading moratorium	–	–
5	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	–	–
6	China Merchants Finance Investment Holdings Co. Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading moratorium	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading moratorium	–	–
8	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	976,132,435	3.87	A Shares not subject to trading moratorium	–	–
9	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading moratorium	–	–
10	China COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	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.; China Ocean Shipping Company Limited and China COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. 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	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 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 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	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 action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders 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 2021, total assets of the Group amounted to RMB8,664.641 billion, representing an increase of 3.63% as compared with the end of the previous year; and its total liabilities amounted to RMB7,902.787 billion, representing an increase of 3.56% as compared with the end of the previous year. As at the end of March 2021, the Group's total loans and advances to customers amounted to RMB5,312.529 billion, representing an increase of 5.64% as compared with the end of the previous year. Total deposits from customers amounted to RMB5,827.214 billion, representing an increase of 3.53% 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 2021, the Group realised a net profit attributable to shareholders of the Bank of RMB32.015 billion, representing a year-on-year increase of 15.18%, and a net operating income of RMB84.844 billion, representing a year-on-year increase of 11.09%. In the macro environment of continuous recovery of the domestic economy, the business of the Group maintained a steady growth and achieved admirable year-on-year earnings growth.

For the period from January to March 2021, the Group realised a net interest income of RMB49.524 billion, representing a year-on-year increase of 8.23% and accounting for 58.37% of the net operating income. For the period from January to March 2021, net interest spread and net interest margin of the Group were 2.44% and 2.52%, respectively, representing a year-on-year decrease of 2 and 4 basis points, respectively, and representing a quarter-on-quarter increase of 13 and 11 basis points, respectively.

For the period from January to March 2021, the Group realised a net non-interest income of RMB35.320 billion, representing a year-on-year increase of 15.36% and accounting for 41.63% of the net operating income, representing a year-on-year increase of 1.54 percentage points. Among the net non-interest income, net fee and commission income amounted to RMB27.202 billion, representing a year-on-year increase of 23.30%, accounting for 32.06% of the net operating income, and representing a year-on-year increase of 3.17 percentage points; other net non-interest income amounted to RMB8.118 billion, representing a year-on-year decrease of 5.11%, which was mainly due to the good performance of investment income from financial instruments achieved by the Group in the same period of last year as a result of the falling market interest rates during that period.

For the period from January to March 2021, the cost-to-income ratio of the Group was 26.51%, representing a year-on-year increase of 0.87 percentage point.

As at the end of March 2021, the balance of non-performing loans of the Group amounted to RMB54.057 billion, representing an increase of RMB442 million as compared with the end of the previous year; the non-performing loan ratio was 1.02%, down by 0.05 percentage point as compared with the end of the previous year; and the allowance coverage ratio was 438.88%, up by 1.20 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.47%, down by 0.20 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 2021, total assets of the Company amounted to RMB8,127.166 billion, representing an increase of 3.32% as compared with the end of the previous year; and its total liabilities amounted to RMB7,413.787 billion, representing an increase of 3.23% as compared with the end of the previous year. As at the end of March 2021, the Company's total loans and advances to customers amounted to RMB4,974.024 billion, representing an increase of 5.15% as compared with the end of the previous year, among which, retail loans, corporate loans and discounted bills accounted for 55.37%, 37.98% and 6.65%, respectively. As at the end of March 2021, the Company's total deposits from customers amounted to RMB5,589.341 billion, representing an increase of 3.35% as compared with the end of the previous year, among which, demand deposits and time deposits accounted for 65.86% and 34.14%, respectively. Among the demand deposits, corporate deposits accounted for 62.00% while retail deposits accounted for 38.00%; and among the time deposits, corporate deposits accounted for 69.81% while retail deposits accounted for 30.19%. From January to March 2021, among the daily average balance of deposits from customers of the Company, the percentage of demand deposits accounted for 65.13%, representing an increase of 4.27 percentage points as compared with the percentage of daily average balance for the previous year.

The growth of our profits accelerated. For the period from January to March 2021, the Company realised a net profit of RMB29.452 billion, representing a year-on-year increase of 16.31%. The Company realised a net operating income of RMB78.769 billion, representing a year-on-year increase of 10.99%, among which, the net operating income from the retail finance business amounted to RMB42.197 billion, representing a year-on-year increase of 10.10% and accounting for 53.57% of the net operating income of the Company.

Net interest income of the Company amounted to RMB48.137 billion from January to March 2021, representing a year-on-year increase of 8.95% and accounting for 61.11% of the net operating income. Net interest spread and net interest margin of the Company were 2.50% and 2.58%, respectively, from January to March 2021, representing a quarter-on-quarter increase of 11 and 10 basis points, respectively. The quarter-on-quarter increase of net interest spread and net interest margin was mainly attributable to the following: firstly, the Company adhered to the deposits promotion strategy of focusing on the growth of core deposits, as a result of which the proportion of demand deposits has increased, the deposit structure has been constantly optimised, and the cost ratio of deposits has decreased quarter-on-quarter; secondly, the Company appropriately speeded up the granting of loans in the first quarter of this year, as a result of which the proportion of the assets with relatively high yield has increased, and the yield of interest-earning assets has increased quarter-on-quarter. Net interest spread and net interest margin recorded a year-on-year decrease of 2 and 3 basis points, respectively, which was mainly due to the accumulative effects of several cuts in Loan Prime Rate (LPR) last year. In this regard, the Company, on the one hand, seized the opportunity to grant loans as soon as possible, and on the other hand, vigorously promoted the growth of low-cost demand deposits resulting in year-on-year decrease in deposit cost ratio, which made up for the impact of the decrease in the return on assets to a certain extent.

From January to March 2021, the Company realised a net non-interest income of RMB30.632 billion, representing a year-on-year increase of 14.34%, which accounted for 38.89% of the net operating income of the Company. The increase in net non-interest income was mainly due to the increase in the income from agency distribution of funds, agency distribution of insurance policies, agency distribution of trust schemes, settlement and clearing fees and custodian fees. Among the net non-interest income, net fee and commission income amounted to RMB24.541 billion, representing a year-on-year increase of 23.90%, of which fee and commission income from wealth management amounted to RMB11.425 billion (including: income from agency distribution of funds of RMB4.164 billion, income from agency distribution of insurance policies of RMB3.385 billion, income from agency distribution of trust schemes of RMB2.385 billion, income from agency sales of wealth management services of RMB1.361 billion and income from agency distribution of precious metals of RMB130 million).

From January to March 2021, the Company's operating expenses were RMB21.772 billion, representing a year-on-year increase of 13.78%, and the cost-to-income ratio was 26.73%, representing a year-on-year increase of 0.73 percentage point.

Capital adequacy ratios and efficiency of capital utilisation remained at a relatively satisfactory level. As at the end of March 2021, the capital adequacy ratio and Tier 1 capital adequacy ratio of the Company measured under the Advanced Measurement Approach were 15.98% and 13.43%, respectively, up by 2.91 and 1.90 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 30.03%, maintaining at a relatively high level.

The overall asset quality was stable. As at the end of the reporting period, balance of non-performing loans amounted to RMB51.971 billion, representing an increase of RMB514 million as compared with the end of the previous year. Non-performing loan ratio was 1.04%, representing a decrease of 0.05 percentage point as compared with the end of the previous year. Balance of special-mention loans amounted to RMB36.238 billion, representing a decrease of RMB1.320 billion as compared with the end of the previous year. The percentage of special-mention loans was 0.73%, representing a decrease of 0.06 percentage point as compared with the end of the previous year. Balance of overdue loans amounted to RMB55.438 billion, representing an increase of RMB780 million as compared with the end of the previous year. The percentage of overdue loans was 1.11%, representing a decrease of 0.05 percentage point as compared with the end of the previous year.

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 2021						
(in millions of RMB, except for percentages)	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	1,888,973	30,913	1.64	10,871	0.58	27,290	1.44
Discounted bills	330,988	–	–	28	0.01	–	–
Retail loans	2,754,063	21,058	0.76	25,339	0.92	28,148	1.02
Micro-finance loans	535,097	2,883	0.54	960	0.18	2,833	0.53
Residential mortgage loans	1,293,720	3,303	0.26	1,579	0.12	3,492	0.27
Credit card loans	753,500	12,238	1.62	22,176	2.94	18,873	2.50
Consumer loans	150,628	2,135	1.42	540	0.36	2,434	1.62
Others(Note)	21,118	499	2.36	84	0.40	516	2.44
Total loans and advances to customers	4,974,024	51,971	1.04	36,238	0.73	55,438	1.11

	31 December 2020						
(in millions of RMB, except for percentages)	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	**1,758,951**	**29,767**	**1.69**	**11,389**	**0.65**	**25,096**	**1.43**
Discounted bills	**327,479**	**–**	**–**	**459**	**0.14**	**–**	**–**
Retail loans	**2,643,953**	**21,690**	**0.82**	**25,710**	**0.97**	**29,562**	**1.12**
Micro-finance loans	474,528	3,013	0.63	1,014	0.21	2,836	0.60
Residential mortgage loans	1,264,388	3,736	0.30	1,516	0.12	3,833	0.30
Credit card loans	746,559	12,421	1.66	22,554	3.02	20,059	2.69
Consumer loans	135,606	1,998	1.47	553	0.41	2,304	1.70
Others(Note)	22,872	522	2.28	73	0.32	530	2.32
Total loans and advances to customers	**4,730,383**	**51,457**	**1.09**	**37,558**	**0.79**	**54,658**	**1.16**

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

From January to March 2021, the Company recorded new non-performing loans of RMB11.566 billion, representing a year-on-year increase of RMB2.465 billion, with a formation ratio of non-performing loans (annualised) of 0.95%, up by 0.10 percentage point year-on-year. Among them, the formation amount of non-performing corporate loans was RMB3.388 billion, representing an increase of RMB2.345 billion year-on-year, which was mainly because the risk profile of certain corporate customers plagued by high leverage ratio and poor performance of profitability and cash flow had further deteriorated due to the impact of the pandemic; the formation amount of non-performing retail loans (excluding credit cards) was RMB1.009 billion, representing a decrease of RMB420 million year-on-year; due to the continuous impact of the pandemic together with the "joint-debt" risk, the formation amount of new non-performing loans of credit cards was RMB7.169 billion, representing an increase of RMB540 million year-on-year.

The Company continued to implement the policy for deferment of repayment of the principal and interest. In 2020 and during the period from January to March 2021, the loans granted by the Company to the customers who applied for deferment of repayment of the principal and interest in aggregate were RMB169.425 billion, among which the loans granted to the customers who applied for deferment of repayment of the principal and interest from January to March 2021 in aggregate were RMB16.853 billion. 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 RMB23.469 billion. The Company will continue to strengthen its monitoring of customers who applied for the deferment of repayment of the principal and interest and keep such risks under effective control as the pandemic prevention and control efforts become normalised.

Since the beginning of this year, the domestic economy has been generally in the process of a steady recovery. However, the situation of global pandemic prevention and control as well as international trade relations are complex and volatile, and the foundation for economic recovery is not yet solid. Some industries and small- and micro-sized enterprises are still facing many difficulties in production and operation, and potential risks will still exist for a period of time in the future. The Company will still face certain challenges in asset quality management and control.

The Company will dynamically study and judge the risk profile, continue to properly adjust its customer structure and business structure, strengthen risk investigation in key areas, consolidate the basis of risk management, insist on strict asset classification to fully expose risks, efficiently dispose of non-performing assets, and strive to maintain asset quality at a generally stable level.

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 2021, the balance of allowance for impairment losses on loans of the Company amounted to RMB230.660 billion, representing an increase of RMB2.444 billion as compared with the end of the previous year. The allowance coverage ratio was 443.82%, representing an increase of 0.31 percentage point as compared with the end of the previous year. The allowance-to-loan ratio was 4.64%, 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 161 million retail customers (including debit and credit card customers), representing an increase of 1.90% 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 3,314,200, representing an increase of 6.85% as compared with the end of the previous year. The balance of total assets under management (AUM) from our retail customers amounted to RMB9,594.618 billion, representing an increase of 7.30% 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 RMB7,880.247 billion, representing an increase of 7.28% as compared with the end of the previous year and accounting for 82.13% of the balance of total assets under management from retail customers of the Bank. The Company had 106,887 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 6.91% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB2,984.007 billion, representing an increase of 7.55% as compared with the end of the previous year; total assets per account amounted to RMB27.9174 million, representing an increase of RMB164,700 as compared with the end of the previous year. Since the beginning of this year, as the COVID-19 pandemic has been effectively controlled, economic activities and residents' lives have gradually returned to normal. By focusing on the construction of extensive wealth management system and leveraging on online and offline integrated high-quality services, the Company maintained steady growth on the retail customers acquisition and AUM. Looking forward to the whole year, the Company will focus on customers, deepen the promotion of openness and integration, accelerate innovation and reform, explore the path from monthly active users (MAU) to AUM, and strive to build a cyclic extensive wealth management value chain, so as to comprehensively improve the capability 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 *(in millions of RMB, except for percentages)*	31 March 2021	Changes over the end of last year *(%)*	Major reasons
Precious metals	**4,449**	-44.18	Decrease in gold lent out by overseas branches of the Company as a result of less demand for gold borrowed from overseas by domestic institutions due to changes in market conditions.
Tax payable	**27,316**	46.48	Increase in enterprise income tax and value-added tax payable.
Provisions	**13,614**	65.44	Increase in provisions for expected losses from off-balance sheet business.
Hedging reserve	**(20)**	69.70	Increase in fair value of hedging instruments for cash flow hedge.

Major items *(in millions of RMB, except for percentages)*	January to March 2021	Changes over the same period of last year *(%)*	Major reasons
Share of profits of joint ventures	**662**	42.37	Increase in profits of joint ventures.
Share of profits of associates	**(8)**	57.89	Increase in profits of associates.
Equity-accounted investees share of other comprehensive income that will be reclassified subsequently to profit or loss	**(301)**	-937.93	Decrease in other comprehensive income of CIGNA & CMB Life Insurance, a joint venture.
Fair value loss on debt instruments measured at fair value through other comprehensive income	**(861)**	N/A	Decrease in valuation of bond investments at fair value through other comprehensive income and discounted bills 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	**661**	N/A	Increase in provisions for expected losses for the period due to more new bond investments at fair value through other comprehensive income as compared with the same period of last year.
Cash flow hedge: net movement in hedging reserve	**46**	N/A	Increase in fluctuation of valuation of hedging instruments for cash flow hedge.
Exchange difference on translation of financial statements of foreign operations	**(211)**	N/A	Decrease in fluctuation of exchange rate for the period as compared with the same period of last year.
Fair value gain on equity instruments measured at fair value through other comprehensive income	**3**	N/A	Decrease in fluctuation of valuation of equity instruments measured at fair value through other comprehensive income.

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 22nd 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 2020 of RMB88.674 billion, equivalent to RMB8.867 billion, will be allocated to the statutory surplus reserve, while 1.5% of the total amount of the increased risk assets, equivalent to RMB8.247 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 RMB1.253 (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. The Company did not transfer any capital reserve into share capital in 2020. The above profit appropriation plan is subject to consideration and approval at the 2020 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 improve the operation and management level of CMB Wealth Management, a wholly-owned subsidiary of the Company, promote the comprehensive operation strategy of China Merchants Bank, and respond to the policy of opening the financial sector, CMB Wealth Management intends to introduce JPMorgan Asset Management (Asia Pacific) Limited, an external strategic investor (hereinafter referred to as the "Strategic Investor"). The capital increase will be carried out by agreement between the parties. After negotiation, the Strategic Investor will contribute approximately RMB2.667 billion, of which approximately RMB556 million will be included in the registered capital of CMB Wealth Management. After completion of the capital increase, the registered capital of CMB Wealth Management will increase from RMB5.0 billion to approximately RMB5.556 billion, and the share capital of CMB Wealth Management will be held as to 90% and 10% by the Company and the Strategic Investor, respectively. At present, the introduction of the Strategic Investor for capital increase is still subject to approval by the regulatory authorities.

In order to implement the national inclusive financial strategy, better serve the real economy as well as small- and micro-sized enterprises, and maintain the stability of the shareholding structure of Bank of Taizhou Co., Ltd. (hereinafter referred to as "Bank of Taizhou"), the Company intends to purchase 14.8559% equity interest of Bank of Taizhou held by Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd.. As of the date of this report, the Company holds 10% equity interest of Bank of Taizhou. If the transaction is completed, the Company will hold 24.8559% equity interest of Bank of Taizhou. The transaction is still subject to approvals by the board of directors and shareholders' general meeting of Bank of Taizhou and subsequent approval by the banking and insurance regulatory authority of China.

In order to ensure the sustainable and healthy business development of the Company, protect the long-term interests of the shareholders, increase capital reserves, consolidate capital base, enhance the ability to counter risks and support the development of the real economy, the Board of Directors of the Company considered and approved the "Resolution on Authorisation to Issue Capital Bonds". Currently, the resolution is still subject to the consideration and approval of the annual general meeting of the Company. Upon consideration and approval of the shareholders' general meeting, the Company will issue undated capital bonds and / or Tier 2 capital bonds according to its business needs in due course and subject to the approval of the regulatory authorities, to replenish the Company's additional Tier 1 capital and / or Tier 2 capital. 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.

For details of the above, please refer to the relevant announcements dated 19 March 2021 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

23 April 2021

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 March 2021	For the period from January to March 2020
Interest income	78,987	77,533
Interest expense	(29,463)	(31,777)
Net interest income	49,524	45,756
Fee and commission income	29,074	23,768
Fee and commission expense	(1,872)	(1,707)
Net fee and commission income	27,202	22,061
Other net income	7,464	8,109
Operating income	84,190	75,926
Operating expenses	(24,206)	(21,115)
Operating profit before impairment losses	59,984	54,811
Expected credit losses	(20,545)	(20,354)
Share of profits of joint ventures	662	465
Share of profits of associates	(8)	(19)
Profit before tax	40,093	34,903
Income tax	(7,844)	(6,949)
Net Profit	32,249	27,954
Attributable to:		
Shareholders of the Bank	32,015	27,795
Non-controlling interests	234	159
Earnings per share		
Basic and diluted earnings per share (RMB)	1.27	1.10

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 2021	For the period from January to March 2020
Net profit for the period	32,249	27,954
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	(301)	(29)
Fair value (loss)/gain on debt instruments measured at fair value through other comprehensive income	(861)	2,669
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	661	(244)
Cash flow hedge: net movement in hedging reserve	46	(21)
Exchange difference on translation of financial statements of foreign operations	(211)	805
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on equity instruments measured at fair value through other comprehensive income	3	(156)
Other comprehensive income for the period, net of tax	(663)	3,024
Attributable to:		
Shareholders of the Bank	(658)	2,935
Non-controlling interests	(5)	89
Total comprehensive income for the period	31,586	30,978
Attributable to:		
Shareholders of the Bank	31,357	30,730
Non-controlling interests	229	248

UNAUDITED STATEMENT OF PROFIT OR LOSS

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2021	For the period from January to March 2020
Interest income	75,941	73,849
Interest expense	(27,804)	(29,668)
Net interest income	48,137	44,181
Fee and commission income	26,713	22,336
Fee and commission expense	(2,172)	(2,529)
Net fee and commission income	24,541	19,807
Other net income	5,607	6,754
Operating income	78,285	70,742
Operating expenses	(21,772)	(19,135)
Operating profit before impairment losses	56,513	51,607
Expected credit losses	(20,384)	(20,293)
Share of profits of joint ventures	484	229
Profit before tax	36,613	31,543
Income tax	(7,161)	(6,222)
Net Profit	29,452	25,321

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 2021	For the period from January to March 2020
Net profit for the period	29,452	25,321
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	(304)	55
Fair value (loss)/gain on debt instruments measured at fair value through other comprehensive income	(722)	2,881
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	660	(239)
Cash flow hedge: net movement in hedging reserve	–	–
Exchange difference on translation of financial statements of foreign operations	(162)	12
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on equity instruments measured at fair value through other comprehensive income	(2)	(92)
Other comprehensive income for the period, net of tax	(530)	2,617
Total comprehensive income for the period	28,922	27,938

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2021	31 December 2020
Assets		
Cash	12,173	13,088
Precious metals	4,449	7,970
Balances with central bank	564,653	525,358
Balances with banks and other financial institutions	93,200	103,335
Placements with banks and other financial institutions	240,589	226,919
Amounts held under resale agreements	230,580	286,262
Loans and advances to customers	5,085,996	4,804,361
Investments at fair value through profit or loss	543,187	495,723
Derivative financial assets	37,578	47,272
Debt investments at amortised cost	1,025,955	1,049,280
Debt investments at fair value through other comprehensive income	550,010	516,553
Equity investments designated at fair value through other comprehensive income	7,304	7,139
Interest in joint ventures	12,730	12,403
Interest in associates	2,637	2,519
Investment properties	1,585	1,623
Property and equipment	71,321	69,470
Right-of-use assets	18,745	19,104
Intangible assets	4,496	4,763
Goodwill	9,954	9,954
Deferred tax assets	75,910	72,893
Other assets	71,589	85,459
Total assets	8,664,641	8,361,448

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2021	31 December 2020
Liabilities		
Borrowing from central bank	**307,140**	331,622
Deposits from banks and other financial institutions	**712,050**	723,402
Placements from banks and other financial institutions	**178,009**	143,517
Financial liabilities at fair value through profit or loss	**63,645**	60,351
Derivative financial liabilities	**41,811**	50,061
Amounts sold under repurchase agreements	**149,443**	142,927
Deposits from customers	**5,864,976**	5,664,135
Salaries and welfare payable	**15,936**	15,462
Tax payable	**27,316**	18,648
Contract liabilities	**6,806**	6,829
Lease liabilities	**13,975**	14,242
Provisions	**13,614**	8,229
Debt securities issued	**416,310**	346,141
Deferred tax liabilities	**1,082**	1,073
Other liabilities	**90,674**	104,455
Total liabilities	**7,902,787**	7,631,094
Equity		
Share capital	**25,220**	25,220
Other equity instruments	**84,054**	84,054
Including: Preference shares	**34,065**	34,065
Perpetual bonds	**49,989**	49,989
Capital reserve	**67,523**	67,523
Investment revaluation reserve	**7,709**	8,207
Hedging reserve	**(20)**	(66)
Surplus reserve	**71,158**	71,158
Regulatory general reserve	**98,263**	98,082
Retained profits	**370,498**	338,664
Proposed profit appropriations	**31,601**	31,601
Exchange reserve	**(899)**	(693)
Total equity attributable to shareholders of the Bank	**755,107**	723,750
Non-controlling interests	**6,747**	6,604
Including: Non-controlling interest	**2,996**	2,851
Perpetual debt capital	**3,751**	3,753
Total equity	**761,854**	730,354
Total liabilities and equity	**8,664,641**	8,361,448

UNAUDITED STATEMENT OF FINANCIAL POSITION

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2021	31 December 2020
Assets		
Cash	11,793	12,547
Precious metals	4,367	7,873
Balances with central bank	541,520	508,385
Balances with banks and other financial institutions	64,110	73,318
Placements with banks and other financial institutions	223,720	217,325
Amounts held under resale agreements	233,257	282,240
Loans and advances to customers	4,752,835	4,510,864
Investments at fair value through profit or loss	499,824	451,978
Derivative financial assets	37,055	46,526
Debt investments at amortised cost	1,024,257	1,047,040
Debt investments at fair value through other comprehensive income	489,636	449,428
Equity investments designated at fair value through other comprehensive income	6,705	6,693
Interests in subsidiaries	49,495	49,495
Interests in joint ventures	7,810	7,630
Investment properties	1,037	1,057
Property and equipment	25,909	26,300
Right-of-use assets	17,899	18,200
Intangible assets	3,714	3,961
Deferred tax assets	74,121	71,043
Other assets	58,102	74,233
Total assets	8,127,166	7,866,136

UNAUDITED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	31 March 2021	31 December 2020
Liabilities		
Borrowing from central bank	307,140	331,622
Deposits from banks and other financial institutions	689,130	699,161
Placements from banks and other financial institutions	75,737	59,494
Financial liabilities at fair value through profit or loss	40,094	36,600
Derivative financial liabilities	41,453	49,624
Amounts sold under repurchase agreements	134,329	126,673
Deposits from customers	5,626,637	5,443,144
Salaries and welfare payable	12,936	12,194
Tax payable	26,067	17,205
Contract liabilities	6,806	6,829
Lease liabilities	13,248	13,468
Provisions	13,576	8,201
Debt securities issued	357,044	291,246
Other liabilities	69,590	86,218
Total liabilities	7,413,787	7,181,679
Equity		
Share capital	25,220	25,220
Other equity instruments	84,054	84,054
Including: Preference shares	34,065	34,065
Perpetual debt capital	49,989	49,989
Capital reserve	76,681	76,681
Investment revaluation reserve	7,583	7,951
Hedging reserve	(26)	(26)
Surplus reserve	71,158	71,158
Regulatory general reserve	94,067	94,067
Retained profits	322,975	293,523
Proposed profit appropriations	31,601	31,601
Exchange reserve	66	228
Total equity	713,379	684,457
Total liabilities and equity	8,127,166	7,866,136

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2021	For the period from January to March 2020
Cash flows from operating activities		
Profit before tax	40,093	34,903
Adjustments for:		
– Impairment losses on loans and advances	6,070	18,544
– Impairment losses on investments and others	14,475	1,810
– Unwind of discount on impaired loans and advances	(53)	(66)
– Depreciation of properties and equipments and investment properties	1,029	950
– Depreciation of right-of-use assets	1,058	1,058
– Amortisation of other assets	335	332
– Net gain on debt securities and equity investments	(1,064)	(1,960)
– Interest income on investments	(13,299)	(12,268)
– Interest expense on issued debt securities	2,692	4,806
– Share of profits of associates	8	19
– Share of profits of joint ventures	(662)	(465)
– Net gains on disposal of properties and equipment and other assets	(13)	(10)
Changes in:		
Balances with central bank	(9,454)	41,109
Loans and advances to customers	(283,401)	(250,094)
Other assets	911	(62,044)
Deposits from customers	198,878	319,696
Deposits and placements from banks and other financial institutions	29,822	59,621
Balances and placements with banks and other financial institutions with original maturity over 3 months	22,511	(34,872)
Borrowings from central bank	(25,193)	(45,451)
Other liabilities	(12,858)	14,583
Net cash generated from operating activities before income tax payment	(28,115)	90,201
Income tax paid	(4,273)	(3,054)
Net cash generated from operating activities	(32,388)	87,147
Investing activities		
Payment for the purchase of investments	(268,516)	(247,178)
Proceeds from the disposal of investments	210,958	233,365
Investment gains received from investments	16,313	19,208
Payment for the purchase of properties and equipment and other assets	(3,850)	(903)
Proceeds from the disposal of properties and equipment and other assets	364	264
Net cash flows generated from investing activities	(44,731)	4,756

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Expressed in millions of Renminbi unless otherwise stated)

	For the period from January to March 2021	For the period from January to March 2020
Financing activities		
Proceeds from the issue of debt securities	23,071	2,247
Proceeds from the issue of negotiable interbank certificates of deposits	142,873	60,164
Proceeds from the issue of certificates of deposits	11,286	12,497
Proceeds from the issue of perpetual capital instruments	–	998
Capital contribution by non-controlling interests to subsidiaries	–	3
Repayment of negotiable interbank certificates of deposits	(89,833)	(105,384)
Repayment of certificates of deposit	(14,496)	(7,847)
Repayment of lease liabilities	(1,133)	(1,086)
Repayment of perpetual debt capital	–	(1,119)
Interest paid on financing activities	(631)	(971)
Net cash generated from financing activities	71,137	(40,498)
Increase/(decrease) in cash and cash equivalents	(5,982)	51,405
Cash and cash equivalents as of 1 January	552,790	589,675
Effects of foreign exchange rate changes on cash and cash equivalents	(87)	1,218
Cash and cash equivalents as of 31 March	546,721	642,298
Cash flows from operating activities include:		
Interest received	64,746	64,016
Interest paid	24,263	24,388

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 126.73% in the first quarter of 2021, representing a decrease of 19.19 percentage points as compared with the previous quarter, which was mainly due to the increase in cash outflows of unsecured wholesale funding. The Group's liquidity coverage ratio at the end of the first quarter of 2021 was 135.46%, which was in line with the 2021 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 2021 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**	/	**1,211,978**
Cash outflows			
2	Retail and small business customers deposits, of which:	2,260,912	199,218
3	Stable deposits	537,458	26,873
4	Less stable deposits	1,723,454	172,345
5	Unsecured wholesale funding, of which:	3,832,734	1,380,497
6	Operational deposits (excluding correspondent banks)	2,206,500	548,950
7	Non-operational deposits (including all counterparties)	1,597,908	803,221
8	Unsecured debt issuance	28,326	28,326
9	Secured funding	/	30,390
10	Additional requirements, of which:	1,644,812	362,172
11	Cash outflows arising from derivative contracts and other transactions arising from related collateral requirements	286,464	286,464
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,358,348	75,708
14	Other contractual obligations to extend funds	67,074	67,074
15	Other contingent funding obligations	6,903,030	99,723
16	**Total cash outflows**	/	**2,139,074**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	270,272	269,765
18	Contractual inflows from fully performing loans	972,365	602,676
19	Other cash inflows	320,404	310,277
20	**Total cash inflows**	**1,563,041**	**1,182,718**
			Adjusted value
21	**Total stock of high quality liquid assets**		**1,211,978**
22	**Net cash outflows**		**956,356**
23	**Liquidity coverage ratio**		**126.73%**

Notes:

(1) The data of Mainland China in the above table is a simple arithmetic average of the 90-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".