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POSTAL SAVINGS BANK OF CHINA CO., LTD. 中國郵政儲蓄銀行股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

Postal Savings Bank of China Co., Ltd. First Quarterly Report of 2020

The Board of Directors of Postal Savings Bank of China Co., Ltd. (the “**Bank**”) hereby announces the results of the Bank and its subsidiaries (collectively, the “**Group**”) for the three months ended March 31, 2020. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. IMPORTANT NOTICES

- 1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and members of the senior management of the Bank undertake that the information in this quarterly report is true, accurate and complete, contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities for the information in this quarterly report.
- 1.2 The First Quarterly Report of 2020 has been considered and approved at the meeting of the Board of Directors of the Bank held on April 28, 2020. There were 13 directors eligible for attending the meeting, among which 13 directors attended the meeting in person.
- 1.3 These quarterly financial statements have not been audited.
- 1.4 Mr. Zhang Jinliang, Legal Representative of the Bank, Mr. Zhang Xuewen, Vice President in charge of finance of the Bank, and Mr. Liu Yucheng, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in this quarterly report are true, accurate and complete.

2. CORPORATE INFORMATION

2.1 Basic information

	Stock name	Stock code	Stock exchange on which shares are listed
A shares	Postal Savings Bank of China	601658	Shanghai Stock Exchange
H shares	Postal Savings Bank of China	1658	The Stock Exchange of Hong Kong Limited
Offshore preference shares	PSBC 17USDPREF	4612	The Stock Exchange of Hong Kong Limited
Board Secretary and Company Secretary:			
Name	Du Chunye		
Correspondence address	No. 3 Financial Street, Xicheng District, Beijing (Postcode: 100808)		
Telephone	86-10-68858158		
Fax	86-10-68858165		
E-mail	ir@psbc.com		

2.2 Major accounting data and financial indicators

Financial information set out in this quarterly report has been prepared in accordance with the International Financial Reporting Standards (“IFRSs”). Unless otherwise specified, it is the consolidated data of the Group, and is presented in RMB.

2.2.1 Major accounting data and financial indicators

Expressed in millions of RMB, unless otherwise stated

Item	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	Changes as compared to the end of the previous year (%)
Total assets	10,798,624	10,216,706	5.70
Total loans and advances to customers	5,242,248	4,974,186	5.39
Allowance for impairment on loans	174,042	166,124	4.77
Investment instruments	3,876,105	3,675,030	5.47
Total liabilities	10,147,563	9,671,827	4.92
Customer deposits	9,762,687	9,314,066	4.82
Equity attributable to shareholders of the Bank	650,038	543,867	19.52
Net assets per share (in RMB)	6.00	5.75	4.35

Expressed in millions of RMB, unless otherwise stated

Item	Three months ended March 31, 2020 (Unaudited)	Three months ended March 31, 2019 (Unaudited)	Changes as compared to the same period of the previous year (%)
Operating income	72,250	68,474	5.51
Net profit	20,105	18,549	8.39
Net profit attributable to shareholders of the Bank	20,094	18,520	8.50
Net cash flows from operating activities	85,756	346,421	(75.25)
Basic and diluted earnings per share (in RMB) ⁽¹⁾	0.23	0.23	–
Return on weighted average equity (% , annualized) ⁽¹⁾	15.77	17.00	Decreased by 1.23 percentage points

Note (1): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies That Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (Revision 2010) issued by China Securities Regulatory Commission. There were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

2.2.2 Differences in financial statements prepared under IFRSs and PRC GAAP

There was no difference between the net profit and shareholders' equity in the consolidated financial statements prepared under PRC GAAP and the corresponding figures prepared under IFRSs.

2.3 Number of ordinary shareholders and shareholdings

As of the end of the reporting period, the Bank's total ordinary shareholders amounted to 288,073 (including 285,255 A shareholders and 2,818 H shareholders) and there were no holders of preference shares with voting rights restored.

The top 10 ordinary shareholders as of the end of the reporting period are as follows:

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of shares pledged or locked-up	Nature of shareholder	Type of ordinary share
China Post Group Corporation Limited	56,385,820,786	64.83	55,847,933,782	–	State-owned legal person	RMB ordinary shares
HKSCC Nominees Limited	19,843,139,630	22.81	–	Unknown	Foreign legal person	Overseas listed foreign shares
China Life Insurance Company Ltd.	3,341,900,000	3.84	3,341,900,000	–	State-owned legal person	RMB ordinary shares
China Telecommunications Corporation	1,117,223,218	1.28	1,117,223,218	–	State-owned legal person	RMB ordinary shares
Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.	738,820,000	0.85	738,820,000	–	Domestic non-state-owned legal person	RMB ordinary shares
China Construction Bank Corporation – E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	461,030,000	0.53	461,030,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Bank of China Limited – China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	424,837,000	0.49	424,837,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited – China Southern 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	343,983,000	0.40	343,983,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited – China Universal 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	271,640,000	0.31	271,640,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited – China AMC 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	212,773,000	0.24	212,773,000	–	Domestic non-state-owned legal person	RMB ordinary shares

- Notes: (1) The total number of shares held by HKSCC Nominees Limited, as the nominee, is the total number of H shares held by all institutions and individual investors registered with the company as of March 31, 2020.
- (2) The Bank is not aware of any connected relations among the afore-mentioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.
- (3) The over-allotment option mechanism has been introduced for the issuance and listing of the A shares of the Bank. The delivery of 461,009,000 A shares of E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation, and 314,815,000 A shares of China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation, both strategic investors, was delayed, and had been completed after the expiration of the exercise period of the over-allotment option on January 8, 2020. After exercising the over-allotment option in full, the number of shares held by E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation, and China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation, both of which are investors of strategic placement acting as strategic investors, was 461,009,000 and 424,837,000 respectively.

The top 10 ordinary shareholders not subject to restrictions on sales as of the end of the reporting period are as follows:

Name of shareholder	Number of floating shares held not subject to restrictions on sales (share)	Type of shares
HKSCC Nominees Limited	19,843,139,630	Overseas listed foreign shares
China Post Group Corporation Limited	537,887,004	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares
Huaxia Life Insurance Co., Ltd. – Self-owned Fund	110,834,944	RMB ordinary shares
Anbang Life Insurance Co., Ltd. – Conservative Investment Portfolio	100,000,000	RMB ordinary shares
Foresea Life Insurance Co., Ltd. – Self-owned Fund	89,300,000	RMB ordinary shares
Sinatay Life Insurance Co., Ltd. – Traditional Products	80,171,700	RMB ordinary shares
Guotai Junan Securities Co., Ltd.	53,337,196	RMB ordinary shares
Industrial and Commercial Bank of China Limited – Jingshun Changcheng Innovation Growth Mixed Securities Investment Fund	45,220,521	RMB ordinary shares
National Social Security Fund – Portfolio 114	39,924,853	RMB ordinary shares

- Notes: (1) The total number of shares held by HKSCC Nominees Limited, as the nominee, is the total number of H shares held by all institutions and individual investors registered with the company as of March 31, 2020.
- (2) The Bank is not aware of any connected relations among the afore-mentioned shareholders or between the aforementioned shareholders and the top 10 shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

2.4 Number of offshore preference shareholders and shareholdings

As of the end of the reporting period, the total number of offshore preference shareholders (or nominees) of the Bank was 1. Top 10 offshore preference shareholders (or nominees) of the Bank are as follows:

							<i>share</i>
Name of shareholder	Nature of shareholder	Type of shares	Increase or decrease during the reporting period	The number of shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of shares pledged or locked up
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	362,500,000	100.00	-	Unknown

- Notes: (1) The shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) The issuance of offshore preference shares was non-public, and the register of offshore preference shareholders presented the information on nominees of places.
- (3) “Shareholding percentage” refers to the percentage of the number of offshore preference shares held by offshore preference shareholders to the total number of offshore preference shares.

3. BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE FIRST QUARTER

Financial Results

During the reporting period, the net profit of the Group amounted to RMB20,105 million, representing an increase of 8.39% as compared to the same period of the previous year. Annualized return on average total assets was 0.77% and annualized return on weighted average equity was 15.77%.

During the reporting period, the operating income of the Group amounted to RMB72,250 million, representing an increase of 5.51% as compared to the same period of the previous year.

Net interest income was RMB61,721 million, representing an increase of 4.38% as compared to the same period of the previous year. Net interest spread was 2.41%, and net interest margin was 2.46%. Net fee and commission income amounted to RMB4,983 million, representing an increase of 1.53% as compared to the same period of the previous year. Cost to income ratio was 52.02%, representing a decrease of 0.53 percentage point as compared to the same period of the previous year.

Assets and Liabilities

As of the end of the reporting period, total assets of the Group amounted to RMB10,798,624 million, representing an increase of RMB581,918 million or 5.70% as compared to the end of the previous year. Total loans and advances to customers amounted to RMB5,242,248 million, representing an increase of RMB268,062 million or 5.39% as compared to the end of the previous year, of which corporate loans were RMB1,864,518 million, personal loans were RMB2,869,978 million and discounted bills were RMB507,752 million.

Total liabilities amounted to RMB10,147,563 million, representing an increase of RMB475,736 million or 4.92% as compared to the end of the previous year. Customer deposits amounted to RMB9,762,687 million, representing an increase of RMB448,621 million or 4.82% as compared to the end of the previous year, of which corporate deposits were RMB1,170,535 million and personal deposits were RMB8,589,477 million.

Total shareholders' equity amounted to RMB651,061 million, representing an increase of RMB106,182 million or 19.49% as compared to the end of the previous year.

Asset Quality and Capital Adequacy

As of the end of the reporting period, according to the five-category classification of loans, the balance of non-performing loans of the Group was RMB45,118 million, the non-performing loan ratio was 0.86%, and the allowance to NPLs ratio was 387.30%.

As of the end of the reporting period, the core tier 1 capital adequacy ratio was 9.64%, tier 1 capital adequacy ratio was 12.03%, and capital adequacy ratio was 14.57%, all meeting regulatory requirements.

4. SIGNIFICANT EVENTS

4.1 Significant changes in key financial data and financial indicators and the reasons thereof

Applicable Not Applicable

Expressed in millions of RMB, unless otherwise stated

Item	March 31, 2020	December 31, 2019	Change (%)	Major reasons for change
Deposits with banks and other financial institutions	57,984	28,373	104.36	Increase in fixed deposits with banks
Financial assets held under resale agreements	210,637	147,394	42.91	Increase in bonds held under resale agreement
Financial assets at fair value through profit or loss	419,235	310,161	35.17	Increase of investment in debt securities and securities investment fund at fair value through profit or loss
Financial assets at fair value through other comprehensive income – equity instruments	4,142	1,053	293.35	Increase in equity instruments designated at fair value through other comprehensive income
Borrowings from the central bank	4,395	–	N/A	Re loans from the central bank for poverty alleviation and pandemic control
Placements from banks and other financial institutions	44,193	25,796	71.32	Increase in placements of fund to meet the needs for assets and liabilities allocation
Other equity instruments – perpetual bonds	79,989	–	N/A	Issuance of undated capital bonds

Expressed in millions of RMB, unless otherwise stated

Item	Three months ended March 31, 2020	Three months ended March 31, 2019	Change (%)	Major reasons for change
Net trading gains	1,510	339	345.43	Gains from the increase in valuation of bonds held for trading
Net gains on securities investment	2,389	3,724	(35.85)	Decrease in yield generated from interbank investment business
Net gains/(losses) from other operations	1,647	347	374.64	Increase in exchange gains arising from fluctuation of exchange rate
Net profit - non-controlling interests	11	29	(62.07)	Decrease in net profit of subsidiaries

4.2 Progress of significant events and analysis of their effects and solutions

Applicable Not Applicable

4.2.1 Exercise of over-allotment option in the initial public offering and listing of shares

The over-allotment option in the initial public offering and listing of A shares (the “Issuance”) of the Bank was fully exercised on 8 January 2020. At an offer price of RMB5.50 per share, additional 775,824,000 shares were issued, and the increase in gross proceeds amounted to RMB4,267.03 million. After the exercise of over-allotment option, the final number of shares issued in the issuance was 5,947,988,200, and the total number of shares of the Bank was 86,978,562,200. For details, please refer to the announcements of the Bank published on the websites of “HKEXnews” of Hong Kong Stock Exchange and Shanghai Stock Exchange.

4.2.2 Issuance of undated capital bonds

As approved by China Banking and Insurance Regulatory Commission and the People’s Bank of China, in March 2020, the Bank publicly issued RMB80.0 billion of undated capital bonds in the national interbank bond market. After deducting issuance expenses, the proceeds will all be used to replenish the tier 1 capital of the Bank. For details, please refer to the announcements of the Bank published on the websites of “HKEXnews” of Hong Kong Stock Exchange and Shanghai Stock Exchange.

4.3 Unfulfilled commitments during the reporting period

Applicable Not Applicable

4.4 Warnings and explanations on estimated loss or significant changes as compared to the same period of the previous year in net accumulated profit from the beginning of the year to the end of the next reporting period

Applicable Not Applicable

4.5 Implementation of cash dividend policy during the reporting period

Applicable Not Applicable

During the reporting period, upon the review and approval at the 3rd meeting of the Board of Directors of the Bank in 2020, the Bank intends to appropriate RMB6,068 million, or 10% of the audited net profit of the parent company, to the statutory surplus reserve and appropriate RMB12,166 million to the general risk reserve, for the year of 2019. On the basis of the total share capital on the record date when equity distribution is implemented, cash dividends will be distributed to all the ordinary shareholders whose names appeared on the share register on the record date with RMB2.102 (tax included) per ten ordinary shares. Calculated in accordance with the 86,978,562,200 ordinary shares of the total share capital of the Bank as of the end of the reporting period, RMB18,283 million (tax included) of dividends will be distributed, representing 30% of the net profit attributable to shareholders of the Bank stated in the 2019's consolidated statements, among which, dividends of A shares will be paid in Renminbi and dividends of H shares will be paid in Hong Kong dollars converted at the RMB central parity rate announced by the People's Bank of China on the day of the Bank's 2019 Annual General Meeting. The remaining undistributed profit will be carried forward to the next year. The Bank did not convert its capital reserve to share capital. The aforesaid profit distribution scheme is subject to the review and approval at the 2019 Annual General Meeting.

5. APPENDICES

5.1 Financial statements prepared in accordance with IFRSs are attached in Appendix I to this report

5.2 Disclosures of capital adequacy ratios, leverage ratio and liquidity coverage ratio are attached in Appendix II to this report

6. RELEASE OF QUARTERLY REPORT

This report will be published simultaneously on the “HKEXnews” website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.psbc.com). The 2020 first quarterly report prepared in accordance with PRC GAAP will be published simultaneously on the website of Shanghai Stock Exchange (www.sse.com.cn) and that of the Bank (www.psbc.com).

By order of Directors
Postal Savings Bank of China Co., Ltd.
Du Chunye
Joint Company Secretary

Beijing, PRC
April 28, 2020

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; Mr. Guo Xinshuang, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Liu Yaogong, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli as Independent Non-executive Directors.

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

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in millions of RMB unless otherwise stated)

	For the three-month period ended March 31, 2020 (Unaudited)	For the three-month period ended March 31, 2019 (Unaudited)
Interest income	99,362	93,024
Interest expense	(37,641)	(33,895)
Net interest income	61,721	59,129
Fee and commission income	9,021	8,773
Fee and commission expense	(4,038)	(3,865)
Net fee and commission income	4,983	4,908
Net trading gains	1,510	339
Net gains on investment securities	2,389	3,724
Net gains on derecognition of financial assets at amortized cost	-	27
Net gains from other operations	1,647	347
Operating income	72,250	68,474
Operating expenses	(38,156)	(36,519)
Credit impairment losses	(11,430)	(11,248)
Impairment losses on other assets	(2)	(3)
Profit before tax	22,662	20,704
Income tax expenses	(2,557)	(2,155)
Net profit	20,105	18,549

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

(All amounts in millions of RMB unless otherwise stated)

	For the three-month period ended March 31, 2020 (Unaudited)	For the three-month period ended March 31, 2019 (Unaudited)
Net profit attributable to:		
Shareholders of the Bank	20,094	18,520
Non-controlling interests	<u>11</u>	<u>29</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value changes on other equity investment, designated at fair value through other comprehensive income	109	–
Items that may be reclassified subsequently to profit or loss		
Fair value changes on financial assets at fair value through other comprehensive income	<u>1,774</u>	<u>(172)</u>
Subtotal	<u>1,883</u>	<u>(172)</u>
Total comprehensive income for the period	<u>21,988</u>	<u>18,377</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	21,977	18,348
Non-controlling interests	<u>11</u>	<u>29</u>
Basic and diluted earnings per share (in RMB)		
Basic/Diluted	<u>0.23</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in millions of RMB unless otherwise stated)

	As at March 31, 2020 (Unaudited)	As at December 31, 2019 (Audited)
Assets		
Cash and deposits with the central bank	1,146,480	1,154,843
Deposits with banks and other financial institutions	57,984	28,373
Placements with banks and other financial institutions	303,542	269,597
Derivative financial assets	4,727	5,009
Financial assets held under resale agreements	210,637	147,394
Loans and advances to customers	5,068,206	4,808,062
Investment instruments		
Financial assets at fair value through profit or loss	419,235	310,161
Financial assets at fair value through other comprehensive income – debt instruments	292,298	228,672
Financial assets at fair value through other comprehensive income – equity instruments	4,142	1,053
Financial assets at amortized cost	3,160,430	3,135,144
Property and equipment	45,964	46,490
Deferred tax assets	47,789	47,237
Other assets	37,190	34,671
	<u>10,798,624</u>	<u>10,216,706</u>
Total assets	<u>10,798,624</u>	<u>10,216,706</u>
Liabilities		
Borrowings from the central bank	4,395	–
Deposits from banks and other financial institutions	45,990	47,252
Placements from banks and other financial institutions	44,193	25,796
Derivative financial liabilities	4,509	5,065
Financial assets sold under repurchase agreements	112,953	98,658
Customer deposits	9,762,687	9,314,066
Debt securities issued	96,149	96,979
Other liabilities	76,687	84,011
	<u>10,147,563</u>	<u>9,671,827</u>
Total liabilities	<u>10,147,563</u>	<u>9,671,827</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

(All amounts in millions of RMB unless otherwise stated)

	As at March 31, 2020 (Unaudited)	As at December 31, 2019 (Audited)
Equity		
Share capital	86,979	86,203
Other equity instruments – preference shares	47,869	47,869
Other equity instruments – perpetual bonds	79,989	–
Capital reserve	100,906	97,477
Other reserves	156,770	154,887
Retained earnings	<u>177,525</u>	<u>157,431</u>
Equity attributable to shareholders of the Bank	<u>650,038</u>	<u>543,867</u>
Non-controlling interests	<u>1,023</u>	<u>1,012</u>
Total equity	<u>651,061</u>	<u>544,879</u>
Total liabilities and equity	<u><u>10,798,624</u></u>	<u><u>10,216,706</u></u>

Zhang Jinliang

(On behalf of Board of Directors)

Zhang Xuewen

(On behalf of Board of Directors)

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in millions of RMB unless otherwise stated)

	For the three-month period ended March 31, 2020 (Unaudited)	For the three-month period ended March 31, 2019 (Unaudited)
Cash flows from operating activities		
Profit before income tax	22,662	20,704
Adjustments for:		
Amortization of intangible assets and other assets	445	205
Depreciation of property and equipment, investment properties and right-of-use assets	1,680	871
Impairment losses on assets	11,432	11,251
Interest income arising from investment instruments	(31,002)	(29,939)
Interest expense arising from debt securities issued	903	745
Net (losses)/gains on investment securities	(2,389)	(3,724)
Unrealized exchange gains	(1,465)	2,122
Net losses from disposal of property, equipment and other assets	(2)	2
Subtotal	<u>2,264</u>	<u>2,237</u>
Net (increase)/decrease in operating assets		
Deposits with the central bank	(5,597)	26,732
Deposits with banks and other financial institutions	(24,347)	69,154
Placements with banks and other financial institutions	(49,040)	(9,521)
Financial assets at fair value through profit or loss	(35,321)	(13,854)
Financial assets held under resale agreements	(3,156)	(53,680)
Loans and advances to customers	(269,195)	(257,303)
Other operating assets	(131)	(23,489)
Subtotal	<u>(386,787)</u>	<u>(261,961)</u>
Net increase/(decrease) in operating liabilities		
Borrowings from the central bank	4,395	–
Deposits from banks and other financial institutions	(1,269)	(11,350)
Placements from banks and other financial institutions	18,397	1,294
Financial liabilities at fair value through profit or loss	–	(2,298)
Financial assets sold under repurchase agreements	14,354	108,159
Customer deposits	460,789	527,839
Other operating liabilities	(24,829)	(14,586)
Subtotal	<u>471,837</u>	<u>609,058</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(All amounts in millions of RMB unless otherwise stated)

	For the three-month period ended March 31, 2020 (Unaudited)	For the three-month period ended March 31, 2019 (Unaudited)
Net cash flows from operating activities before income tax	87,314	349,334
Income tax paid	<u>(1,558)</u>	<u>(2,913)</u>
Net cash flows from operating activities	<u>85,756</u>	<u>346,421</u>
Net cash flows from operating activities include:		
Interest received	67,097	61,349
Interest paid	<u>(48,967)</u>	<u>(45,901)</u>
Cash flows from investing activities		
Cash received from sale and redemption of investment instruments	186,723	94,146
Cash received from income arising from investment instruments	34,497	33,878
Cash paid for purchase of investment instruments	(360,915)	(346,060)
Cash paid for purchase of property, equipment, intangible assets and other long-term assets	(1,005)	(866)
Cash received from disposal of property, equipment, intangible assets and other long-term assets	<u>233</u>	<u>138</u>
Net cash outflow from investing activities	<u>(140,467)</u>	<u>(218,764)</u>
Cash flows from financing activities		
Cash from issuance of ordinary shares	4,203	–
Interests paid on debt securities issued	(1,052)	(900)
Cash received from issuance of debt securities	97,830	–
Repayments of debt securities	(18,511)	–
Cash payments for principal and interest of leasing liabilities	<u>(834)</u>	<u>–</u>
Net cash inflow/(outflow) from financing activities	<u>81,636</u>	<u>(900)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,290</u>	<u>(1,718)</u>
Net increase in cash and cash equivalents	28,215	126,757
Balance of cash and cash equivalents at the beginning of the year	<u>280,348</u>	<u>402,421</u>
Balance of cash and cash equivalents at the end of the period	<u>308,563</u>	<u>527,460</u>

APPENDIX II DISCLOSURES OF CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY COVERAGE RATIO

TABLE OF CAPITAL ADEQUACY RATIOS

In millions of RMB, except for percentages

Item	March 31, 2020		December 31, 2019	
	The Group	The Bank	The Group	The Bank
Calculated in accordance with the Capital Rules for Commercial Banks (Provisional) promulgated by China Banking and Insurance Regulatory Commission:				
Net core tier 1 capital	516,564	505,523	492,212	481,244
Net tier 1 capital	644,503	633,381	540,160	529,113
Net capital	780,739	769,279	671,834	660,443
Core tier 1 capital adequacy ratio (%)	9.64	9.47	9.90	9.72
Tier 1 capital adequacy ratio (%)	12.03	11.86	10.87	10.69
Capital adequacy ratio (%)	14.57	14.41	13.52	13.34

TABLE OF LEVERAGE RATIO

In millions of RMB, except for percentages

Item	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Net tier 1 capital	644,503	540,160	505,633	488,763
On and off-balance sheet assets after adjustments	11,234,217	10,669,732	10,559,371	10,463,878
Leverage ratio (%)	5.74	5.06	4.79	4.67

TABLE OF LIQUIDITY COVERAGE RATIO

In millions of RMB, except for percentages

Item	March 31, 2020	December 31, 2019
High-quality liquid assets	2,033,025	2,087,050
Net cash outflow for the next 30 days	843,025	892,514
Liquidity coverage ratio (%)	241.16	233.84