

Composition of Capital

Composition of Capital

In millions of RMB, except for percentages

	Amount
Core tier 1 capital:	
1 Paid-in capital	81,031
2 Retained earnings	232,481
2a Surplus reserves	25,159
2b General reserve	101,011
2c Undistributed profits	106,311
3 Accumulated other comprehensive income and disclosed reserve	69,615
3a Capital reserve	74,659
3b Others	(5,044)
4 Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	—
5 Valid portion of minority interest	304
6 Core tier 1 capital before regulatory adjustments	383,431
Core tier 1 capital: Regulatory adjustments	
7 Prudential valuation adjustments	—
8 Goodwill (net of deferred tax liabilities)	0
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	1,758
10 Deferred tax assets that rely on future profitability and arising from operating loss	—
11 Reserves that relate to the cash flow hedging of items that are not fair valued on the balance sheet	—
12 Shortfall of provision for loan impairment	0
13 Gain on sale related to asset securitization	—
14 Unrealized gains and losses that have resulted from changes in the fair value of liabilities due to changes in own credit risk	—
15 Defined-benefit pension fund net assets (net of deferred tax liabilities)	—
16 Directly or indirectly holding in own ordinary shares	—
17 Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	—
18 Deductible amount of insignificant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	0
19 Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	0
20 Mortgage servicing rights	—
21 Other deductible amount in deferred tax assets dependent on future profitability	0

Composition of Capital (Continued)

In millions of RMB, except for percentages

	Amount
22 Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences	0
23 Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	0
24 Including: Deductible amount of mortgage servicing rights	—
25 Including: Deductible amount in deferred tax assets arising from temporary differences	0
26a Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	0
26b Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	0
26c Others that should be deducted from core tier 1 capital	0
27 Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	0
28 Total regulatory adjustments to core tier 1 capital	1,758
29 Core tier 1 capital	381,673
Additional tier 1 capital:	
30 Additional tier 1 capital instruments and related premium	47,846
31 Including: Portion classified as equity	47,846
32 Including: Portion classified as liabilities	—
33 Invalid instruments to additional tier 1 capital after the transition period	—
34 Qualifying non-controlling interests	41
35 Including: invalid portion to additional tier 1 capital excluded after the transition period	—
36 Additional tier 1 capital before regulatory adjustments	47,887
Additional tier 1 capital: Regulatory adjustments	
37 Directly or indirectly holding additional tier 1 capital of the Bank	—
38 Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	—
39 Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	0
40 Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	0
41a Investment in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	0
41b Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	0
41c Others that should be deducted from additional tier 1 capital	0

Composition of Capital (Continued)

In millions of RMB, except for percentages

	Amount
42 Undeducted shortfall that should be deducted from tier 2 capital	0
43 Total regulatory adjustments to additional tier 1 capital	0
44 Additional tier 1 capital	47,887
45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)	429,560
Tier 2 capital:	
46 Tier 2 Capital instruments and related premium	75,000
47 Invalid tier 2 instruments to capital after the transition period	—
48 Valid portion of minority interests	69
49 Including: Invalid portion to tier 2 capital after the transition period	—
50 Valid portion of surplus provision for loan impairment	50,816
51 Tier 2 capital before regulatory adjustments	125,885
Tier 2 Capital: Regulatory adjustments	
52 Directly or indirectly holding tier 2 capital of the Bank	—
53 Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	—
54 Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	0
55 Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	0
56a Investment in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	0
56b Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	0
56c Others that should be deducted from tier 2 capital	0
57 Total regulatory adjustments to tier 2 capital	0
58 Tier 2 capital	125,885
59 Total capital (tier 1 capital + tier 2 capital)	555,445
60 Total risk-weighted assets	4,440,497
Requirements for capital adequacy ratio and reserve capital (%)	
61 Core tier 1 capital adequacy ratio	8.60
62 Tier 1 capital adequacy ratio	9.67
63 Capital adequacy ratio	12.51
64 Institution specific capital requirement	2.10
65 Including: Capital conservation buffer requirement	2.10
66 Including: Counter cyclical buffer requirement	—
67 Including: Additional buffer requirement of global systematically important banks	—
68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets	1.50

Composition of Capital (Continued)

In millions of RMB, except for percentages

	Amount
Domestic minimum requirements for regulatory capital (%)	
69 Core tier 1 capital adequacy ratio	7.10
70 Tier 1 capital adequacy ratio	8.10
71 Capital adequacy ratio	10.10
Amounts below the thresholds for deduction	
72 Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	26,234
73 Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	0
74 Mortgage servicing rights (net of deferred tax liabilities)	0
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	22,258
Valid caps of surplus provision for loan impairment to tier 2 capital	
76 Provision for loan impairment under the weighted approach	88,564
77 Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	50,816
78 Surplus provision for loan impairment under the internal ratings-based approach	—
79 Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	—
Capital instruments subject to phase-out arrangements	
80 Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	—
81 Excluded from core tier 1 capital due to phase-out arrangements	—
82 Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	—
83 Excluded from additional tier 1 capital due to phase-out arrangements	—
84 Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	—
85 Excluded from tier 2 capital for the current period due to phase-out arrangements	—

Detailed Description of Related Items

In millions of RMB

	The regulatory consolidated balance sheet	Code
Goodwill	0	a
Intangible assets	1,758	b
Deferred income tax liabilities		
Including: Deferred tax liabilities related to goodwill	—	c
Including: Deferred tax liabilities related to other intangible assets other than land use rights	—	d
Paid-in capital		
Including: Amount included in core tier 1 capital	81,031	e
Other equity instruments		
Including: Preference shares	47,846	f
Capital reserve	74,659	g
Other	(5,044)	h
Surplus reserve	25,159	i
General reserve	101,011	j
Undistributed profits	106,311	k

Correspondence between All the Items Disclosed in the Second Step and Items in the Disclosure Template of Capital Composition

In millions of RMB

	Amount	Code
Core tier 1 capital:		
1 Paid-in capital	81,031	e
2 Retained earnings	232,481	i+j+k
2a Surplus reserves	25,159	i
2b General reserve	101,011	j
2c Undistributed profits	106,311	k
3 Accumulated other comprehensive income and disclosed reserve	69,615	g+h
3a Capital reserve	74,659	g
3b Others	(5,044)	h
4 Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	—	
5 Valid portion of minority interest	304	
6 Core tier 1 capital before regulatory adjustments	383,431	
Core tier 1 capital: Regulatory adjustments		
7 Prudential valuation adjustments	—	
8 Goodwill (net of deferred tax liabilities)	0	a
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	1,758	b-c-d
10 Deferred tax assets that rely on future profitability and arising from operating loss	—	
11 Reserves that relate to the cash flow hedging of items that are not fair valued on the balance sheet	—	
12 Shortfall of provision for loan impairment	0	
13 Gain on sale related to asset securitization	—	
14 Unrealized gains and losses that have resulted from changes in the fair value of liabilities due to changes in own credit risk	—	
15 Defined-benefit pension fund net assets (net of deferred tax liabilities)	—	
16 Directly or indirectly holding in own ordinary shares	—	
17 Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	—	
18 Deductible amount of insignificant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	0	
19 Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	0	
20 Mortgage servicing rights	—	
Additional tier 1 capital		
30 Additional tier 1 capital instruments and its premiums	47,846	f
31 Including: Portion classified as equity	47,846	f

Main Features of Qualified Capital Instruments

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
1 Issuer	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.
2 Identification code	1658.HK	1528007.IB	1628016.IB	1728005.IB	4612
3 Applicable laws Regulatory process	PRC/Hong Kong laws	PRC laws	PRC laws	PRC laws	The creation and issuance of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by and shall be construed in accordance with PRC laws
Regulatory processing					
4 Including: Applicable to transitional period rules specified by Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Additional tier 1 capital
5 Including: Applicable to the rules after expiration of the transitional period specified by Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Additional tier 1 capital
6 Including: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7 Instrument type	Core tier 1 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Additional tier 1 capital instruments

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
8 Amount that can be included in regulatory capital (in RMB millions; on the latest reporting date)	HKD59,150	RMB25,000	RMB30,000	RMB20,000	USD7,250
9 Par value of instrument	HKD59,150	RMB25,000	RMB30,000	RMB20,000	USD7,250
10 Accounting treatment	Share capital, capital reserve	Bonds payable	Bonds payable	Bonds payable	Other equity instruments
11 Initial issuance date	September 28, 2016	September 7, 2015	October 26, 2016	March 22, 2017	September 27, 2017
12 Term (term or perpetual)	Perpetual	Term	Term	Term	Perpetual
13 Including: Original maturity date	No maturity date	September 9, 2025	October 28, 2026	March 24, 2027	No maturity date
14 Issuer's redemption (subject to regulatory approval)	No	Yes	Yes	Yes	Yes
15 Including: Redemption date (or contingent redemption date) and amount	Not applicable	September 9, 2020 Part or full	October 28, 2021 Part or full	March 24, 2022 Part or full	The first redemption date is September 27, 2022 Part or full
16 Including: Subsequent redemption date (if any)	Not applicable	Not applicable	Not applicable	Not applicable	September 27 in each year after the first redemption date

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
Dividend or interest payment					
17 Including: Fixed or floating dividend or interest payment	Floating	Fixed	Fixed	Fixed	Floating: The dividend yield is fixed in a single dividend yield adjustment cycle (five years) and is reset every five years
18 Including: Coupon rate and relevant indicators	Not applicable	4.50%	3.30%	4.50%	The dividend yield in the first five years is 4.50%, and it is reset every five years based on the yield of five-year US treasury bond on the resetting date plus 263.4 basis points
19 Including: Existence of dividend brake mechanism	Not applicable	No	No	No	Yes
20 Including: Discretion to cancel dividend or interest payment	Full discretion	No	No	No	Full discretion
21 Including: Existence of redemption incentive mechanism	No	No	No	No	No
22 Including: Cumulative or noncumulative	Noncumulative	Not applicable	Not applicable	Not applicable	Noncumulative
23 Conversion into shares	No	No	No	No	Yes

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
24 Including: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Upon the occurrence of any additional tier 1 capital instrument trigger event, that is, the CET 1 CAR drops to 5.125% or below; or upon the occurrence of any tier 2 capital instrument trigger event, which means either of the following circumstances (whichever is earlier): (1) the CBRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
25 Including: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Upon the occurrence of additional tier 1 capital instrument trigger event, the Bank shall have the right to, without the consent of holders of preference shares, convert all or part of the issued and outstanding overseas preference shares into common H shares; upon the occurrence of tier 2 capital instrument trigger event, the Bank shall have the right to, without the consent of holders of preference shares, convert all of the issued and outstanding overseas preference shares into common H shares
26 Including: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	The initial conversion price is the average trading price of common H Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution (24 March 2017) on the Preference Shares issuance

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
27 Including: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Mandatory
28 Including: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Core tier 1 capital
29 Including: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	The Bank
30 Write-down or not	No	Yes	Yes	Yes	No

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
31 Including: Please specify the trigger point of write-down, if allowed	Not applicable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBRC having concluded that a write-off is necessary without which the issuer would become non-viable; or 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBRC having concluded that a write-off is necessary without which the issuer would become non-viable; or 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBRC having concluded that a write-off is necessary without which the issuer would become non-viable; or 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Not applicable
32 Including: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	In whole	In whole	In whole	Not applicable
33 Including: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Perpetual	Perpetual	Perpetual	Not applicable
34 Including: Please specify the bookentry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
35 Hierarchy of claims (please specify instrument types enjoying higher priorities)	After depositor, general creditor, and creditor of the subordinated debts	The liquidation order of the principal of the bonds and the payment order of the interest is after depositor and general creditor and before equity capital, additional tier 1 capital instrument and mixed capital bonds. The current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer and in the same repayment order as the current bonds	The liquidation order of the principal of the bonds and the payment order of the interest is after depositor and general creditor and before equity capital, additional tier 1 capital instrument and mixed capital bonds. The current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer and in the same repayment order as the current bonds	The liquidation order of the principal of the bonds and the payment order of the interest is after depositor and general creditor and before equity capital, additional tier 1 capital instrument and mixed capital bonds. The current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer and in the same repayment order as the current bonds	After depositor, general creditor, and holders of tier 2 capital instrument

Main Features of Qualified Capital Instruments (Continued)

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (overseas)
		and are in the same priority as other tier 2 capital instruments that may be issued in the future and in the same repayment order as the current bonds	and are in the same priority as other tier 2 capital instruments that may be issued in the future and in the same repayment order as the current bonds	and are in the same priority as other tier 2 capital instruments that may be issued in the future and in the same repayment order as the current bonds	
36 Does the instrument contain temporary illegible attribute?	No	No	No	No	No
Including: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable