

# Appendix IV: Composition of Capital

## Composition of Capital Table

*In millions of RMB, except for percentages*

	June 30, 2017	December 31, 2016
<b>Core tier-1 capital:</b>		
1 Paid-in capital	81,031	81,031
2 Retained earnings	211,398	190,770
2a Surplus reserves	20,395	20,395
2b General reserve	93,803	93,803
2c Retained profits	97,200	76,572
3 Accumulated other comprehensive income (and other public reserves)	72,003	74,729
3a Capital reserve	74,659	74,659
3b Others	(2,656)	70
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	206	44
6 Core tier-1 capital before regulatory adjustments	364,638	346,574
<b>Core tier-1 capital: Regulatory adjustments</b>		
7 Prudential valuation adjustments	—	—
8 Goodwill (net of deferred tax liabilities)	—	—
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	1,725	1,744
10 Deferred tax assets that rely on future profitability and arise from operating loss	14	13
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	—	—
13 Gain on sale related to asset securitization	—	—
14 Unrealized gains and losses due to changes in fair value of liabilities caused by changes in self credit risk	—	—
15 Defined-benefit pension fund net assets (net of deferred tax liabilities)	—	—
16 Directly or indirectly holding the Bank's ordinary shares	—	—

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	June 30, 2017	December 31, 2016
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	—	—
19 Deductible amount of significant minority investment in core tier-1 capital instruments issued by financial institutions that are not subject to consolidation	—	—
20 Mortgage servicing rights	Not applicable	Not applicable
21 Other deductible amount in deferred tax assets dependent on future profitability	—	—
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	—	—
23 Including: Deductible amount of significant minority investments in core tier-1 capital instruments issued by financial institutions	—	—
24 Including: Deductible amount of mortgage servicing rights	Not applicable	Not applicable
25 Including: Deductible amount in deferred tax assets arising from temporary differences	—	—
26a Investment in core tier-1 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—
26b Shortfall in core tier-1 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—
26c Others that should be deducted from core tier-1 capital	—	—
27 Undeducted shortfall that should be deducted from additional tier-1 capital and tier-2 capital	—	—
28 Total regulatory adjustments to core tier-1 capital	1,739	1,757
29 Core tier-1 capital	362,899	344,817

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	June 30, 2017	December 31, 2016
<b>Additional tier-1 capital:</b>		
30 Additional tier-1 capital instruments and related premium	—	—
31 Including: Portion classified as equity	—	—
32 Including: Portion classified as liabilities	—	—
33 Invalid instruments to additional tier-1 capital after the transition period	—	—
34 Qualifying non-controlling interests	27	6
35 Including: Invalid portion to additional tier-1 capital excluded after the transition period	—	—
36 Additional tier-1 capital before regulatory adjustments	27	6
<b>Additional tier-1 capital: Regulatory adjustments</b>		
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	—	—
40 Significant minority investments in additional tier-1 capital instruments issued by financial institutions that are not subject to consolidation	—	—
41a Investment in additional tier-1 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—
41b Shortfall in additional tier-1 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—
41c Others that should be deducted from additional tier-1 capital	—	—
42 Undeducted shortfall that should be deducted from tier-2 capital	—	—
43 Total regulatory adjustments to additional tier-1 capital	—	—
44 Additional tier-1 capital	27	6
45 Tier-1 capital (core tier-1 capital + additional tier-1 capital)	362,926	344,823
<b>Tier-2 capital:</b>		
46 Tier-2 capital instruments and related premium	75,000	55,000
47 Invalid tier-2 instruments to capital after the transition period	—	—

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	June 30, 2017	December 31, 2016
48 Valid portion of minority interests	55	12
49 Including: Invalid portion after the transition period	—	—
50 Valid portion of surplus provision for loan impairment	47,794	45,084
51 Tier-2 capital before regulatory adjustments	122,849	100,096
<b>Tier-2 capital: Regulatory adjustments</b>		
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 insignificant minority investment in tier-2 capital instruments issued by financial institutions that are not subject to consolidation	—	—
55 Significant minority investments in tier-2 capital instruments issued by financial institutions that are not subject to consolidation	—	—
56a Investment in tier-2 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—
56b Shortfall in tier-2 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—
56c Others that should be deducted from tier-2 capital	—	—
57 Total regulatory adjustments to tier-2 capital	—	—
58 Tier-2 capital	122,849	100,096
59 Total capital (tier-1 capital + tier-2 capital)	485,775	444,919
60 Total risk-weighted assets	4,161,826	3,995,908
<b>Requirements for capital adequacy ratio and reserve capital (%)</b>		
61 Core tier-1 capital adequacy ratio	8.72	8.63
62 Tier-1 capital adequacy ratio	8.72	8.63
63 Capital adequacy ratio	11.67	11.13
64 Institution specific capital requirement	2.10	1.70
65 Including: Capital conservation buffer requirement	2.10	1.70
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	1.62	1.93

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	June 30, 2017	December 31, 2016
<b>Domestic minimum requirements for regulatory capital</b>		
69 Core tier-1 capital adequacy ratio	7.10	6.70
70 Tier-1 capital adequacy ratio	8.10	7.70
71 Capital adequacy ratio	10.10	9.70
<b>Amounts below the thresholds for deduction</b>		
72 Undeducted amount of insignificant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	13,565	11,598
73 Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	—	—
74 Mortgage servicing rights (net of deferred tax liabilities)	Not applicable	Not applicable
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	15,781	13,465
<b>Valid caps of surplus provision for loan impairment to tier-2 capital</b>		
76 Provision for loan impairment under the weighted approach	79,018	71,431
77 Valid cap of surplus provision for loan impairment in tier-2 capital under the weighted approach	47,794	45,084
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	—	—
<b>Capital instruments subject to phase-out arrangements</b>		
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	—	—

## Appendix IV: Composition of Capital

### Detailed Description of Related Items

*In millions of RMB*

	June 30, 2017	December 31, 2016	Code
Goodwill	—	—	a
Deferred income tax liabilities	515	52	b
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	81,031	e
Including: Amount included in additional tier-1 capital	—	—	f
Capital reserve	74,659	74,659	g
Surplus reserve	20,395	20,395	h
General reserve	93,803	93,803	i
Undistributed profits	97,200	76,572	j
Other comprehensive income	(2,656)	70	k

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

*In millions of RMB*

	June 30, 2017	December 31, 2016	Code
<b>Core tier-1 capital:</b>			
1 Paid-in capital	81,031	81,031	e
2 Retained earnings	211,398	190,770	h+i+j
2a Surplus reserve	20,395	20,395	h
2b General reserve	93,803	93,803	i
2c Undistributed profits	97,200	76,572	j
3 Accumulated other comprehensive income and disclosed reserve	72,003	74,729	g+k
3a Capital reserve	74,659	74,659	g
3b Others	(2,656)	70	k

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### Main Features of Capital Instruments

Main features of regulatory capital instruments		Ordinary shares (H Shares)	Tier-2 capital instruments	Tier-2 capital instruments	Tier-2 capital instruments
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.
2	Identification code	1658.HK	1528007.IB	1628016.IB	1528007.IB
3	Applicable laws	Hong Kong, PRC/ Hong Kong laws	PRC laws	PRC laws	PRC laws
Regulatory process					
4	Including: Applicable to rules for the transitional period of Measures for Capital Management of Commercial Bank (Trial)	Core tier-1 capital	Tier-2 capital	Tier-2 capital	Tier-2 capital
5	Including: Applicable to rules after the transitional period of Measures for Capital Management of Commercial Bank (Trial)	Core tier-1 capital	Tier-2 capital	Tier-2 capital	Tier-2 capital
6	Including: Applicable to legal representatives/groups	Legal representatives and groups	Legal representatives and groups	Legal representatives and groups	Legal representatives and groups
7	Instrument type	Ordinary shares	Tier 2 capital instruments	Tier 2 capital instruments	Tier-2 capital instruments

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Main features of regulatory capital instruments		Ordinary shares (H Shares)	Tier-2 capital instruments	Tier-2 capital instruments	Tier-2 capital instruments
8	Amount that can be included in regulatory capital (in RMB millions; on the latest reporting date)	50,102	25,000	30,000	20,000
9	Instrument book value	RMB1	RMB100	RMB100	RMB100
10	Accounting treatment	Equity and capital reserve	Debt securities issued	Debt securities issued	Debt securities issued
11	Initial issuance date	September 28, 2016	September 7, 2015	October 26, 2016	March 22, 2017
12	Whether there is a deadline (terminable or continuous)	Continuous	Terminable	Terminable	Terminable
13	Including: Original deadline	No expiration date	September 9, 2025	October 28, 2026	March 24, 2027
14	Redeemed by issuer (to be approved by regulators)	No	Yes	Yes	Yes
15	Including: Redemption date (or convenient redemption date) and limit	Not applicable	September 9, 2020 Partial or full	October 28, 2021 Partial or full	March 24, 2022 Partial or full
16	Including: Subsequent redemption date (if any bonuses or dividends)	Not applicable	Not applicable	Not applicable	Not applicable
17	Including: Fixed or floating bonuses/dividends	Floating	Fixed	Fixed	Fixed
18	Including: Book interest rate and relevant indices	Not applicable	4.50%	3.30%	4.50%
19	Including: Whether there is a dividend brake mechanism	Not applicable	No	No	No
20	Including: Whether bonuses or dividends can be cancelled independently	Complete discretion right	No	No	No
21	Including: Whether there is a redemption incentive mechanism	No	No	No	No
22	Including: Accumulation or non-accumulation	Non-accumulation	Not applicable	Not applicable	Not applicable



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Main features of regulatory capital instruments		Ordinary shares (H Shares)	Tier-2 capital instruments	Tier-2 capital instruments	Tier-2 capital instruments
23	Whether shares are transferable	No	No	No	No
24	Including: Clarifying trigger events for transferring if shares are transferable	Not applicable	Not applicable	Not applicable	Not applicable
25	Including: Clarifying whether shares are wholly or partially transferable if shares are transferable	Not applicable	Not applicable	Not applicable	Not applicable
26	Including: Clarifying how to confirm the transfer price if shares are transferable	Not applicable	Not applicable	Not applicable	Not applicable
27	Including: Clarifying whether shares are compulsorily transferred if shares are transferable	Not applicable	Not applicable	Not applicable	Not applicable
28	Including: Clarifying instrument type after transferring if shares are transferable	Not applicable	Not applicable	Not applicable	Not applicable
29	Including: Clarifying instrument issuer after transferring if shares are transferable	Not applicable	Not applicable	Not applicable	Not applicable
30	Whether write-down shall be committed	No	Yes	Yes	Yes

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Main features of regulatory capital instruments	Ordinary shares (H Shares)	Tier-2 capital instruments	Tier-2 capital instruments	Tier-2 capital instruments
31 Including: Clarifying write-down trigger points if write-down shall be committed	Not applicable	Trigger events refer to the following two events whichever is earlier: 1. the CBRC has determined that, if there is no write-down, the issuers will not be able to survive, or 2. relevant departments have determined that, if there is no capital injection or equivalent support from the public departments, the issuers will not be able to survive.	Trigger events refer to the following two events whichever is earlier: 1. the CBRC has determined that, if there is no write-down, the issuers will not be able to survive, or 2. relevant departments have determined that, if there is no capital injection or equivalent support from the public departments, the issuers will not be able to survive.	Trigger events refer to the following two events whichever is earlier: 1. the CBRC has determined that, if there is no write-down, the issuers will not be able to survive, or 2. relevant departments have determined that, if there is no capital injection or equivalent support from the public departments, the issuers will not be able to survive.
32 Including: Clarifying whether it's partially or wholly written down if write-down shall be committed	Not applicable	Wholly	Wholly	Wholly
33 Including: Clarifying whether the write-down is permanent or temporary if write-down shall be committed	Not applicable	Permanent	Permanent	Permanent
34 Including: Clarifying book value recovery mechanism if the write-down is temporary	Not applicable	Not applicable	Not applicable	Not applicable

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Main features of regulatory capital instruments		Ordinary shares (H Shares)	Tier-2 capital instruments	Tier-2 capital instruments	Tier-2 capital instruments
35	Liquidation priority during settlement (clarifying instrument type with higher liquidation priority)	Ranking after depositors, general creditors, and subordinated creditors	The liquidation order of the principal of the bonds and the payment order of the interest are after depositors and general creditors and before equity capital, other tier-1 capital instruments 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, and are in the same repayment order as other subordinated debts which may be issued in the future and in the same repayment order as current bonds.	The liquidation order of the principal of the bonds and the payment order of the interest are after depositors and general creditors and before equity capital, other tier-1 capital instruments 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, and are in the same repayment order as other subordinated debts which may be issued in the future and in the same repayment order as current bonds.	The liquidation order of the principal of the bonds and the payment order of the interest are after depositors and general creditors and before equity capital, other tier-1 capital instruments 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, and are in the same repayment order as other subordinated debts which may be issued in the future and in the same repayment order as current bonds.
36	Whether there are temporary ineligible features Including: Clarifying such features if they exist	No  Not applicable	No  Not applicable	No  Not applicable	No  Not applicable