

Appendix IV: Composition of Capital

Composition of Capital

In millions of RMB

	Amount
Core tier 1 capital:	
1 Paid-in capital	81,031
2 Retained earnings	247,475
2a Surplus reserve	25,159
2b General reserve	101,011
2c Undistributed profits	121,305
3 Accumulated other comprehensive income and disclosed reserve	74,648
3a Capital reserve	74,648
3b Others	0
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 interests	307
6 Core tier 1 capital before regulatory adjustments	403,461
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)	1,703
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 Direct or indirect investments 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 non-significant 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

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	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	1,703
29 Core tier 1 capital	401,758
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 Valid portion of minority interests	42
35 Including: invalid portion to additional tier 1 capital excluded after the transition period	—
36 Additional tier 1 capital before regulatory adjustments	47,888
Additional tier 1 capital: Regulatory adjustments	
37 Direct or indirect investments in own additional tier 1 instruments	—
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

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	Amount
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
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	47,888
45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)	449,646
Tier 2 capital:	
46 Tier 2 capital instruments and related premium	75,000
47 Invalid instruments to tier 2 capital after the transition period	—
48 Valid portion of minority interests	82
49 Including: Invalid portion to tier 2 capital after the transition period	—
50 Valid portion of surplus provision for loan impairment	51,281
51 Tier 2 capital before regulatory adjustments	126,363
Tier 2 capital: Regulatory adjustments	
52 Direct or indirect investments in own tier 2 instruments	—
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	126,363
59 Total capital (tier 1 capital + tier 2 capital)	576,009
60 Total risk-weighted assets	4,464,276
Requirements for capital adequacy ratio and reserve capital (%)	
61 Core tier 1 capital adequacy ratio	9.00
62 Tier 1 capital adequacy ratio	10.07
63 Capital adequacy ratio	12.90

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	Amount
64 Institution specific capital requirement	2.50
65 Including: Capital conservation buffer requirement	2.50
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
Domestic minimum requirements for regulatory capital (%)	
69 Core tier 1 capital adequacy ratio	7.50
70 Tier 1 capital adequacy ratio	8.50
71 Capital adequacy ratio	10.50
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	30,347
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)	26,372
Valid caps of surplus provision for loan impairment to tier 2 capital	
76 Provision for loan impairment under the weighted approach	104,989
77 Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	51,281
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	—

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Detailed Description of Related Items

In millions of RMB

	Regulatory and Consolidated Balance sheet	Code
Goodwill	0	a
Intangible assets	1,703	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	74,648	g
Others	0	h
Surplus reserve	25,159	i
General reserve	101,011	j
Undistributed profits	121,305	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	247,475	i+j+k
2a Surplus reserve	25,159	i
2b General reserve	101,011	j
2c Undistributed profits	121,305	k
3 Accumulated other comprehensive income and disclosed reserve	74,648	g+h
3a Capital reserve	74,648	g
3b Others	0	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)	—	

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	Amount	Code
5 Valid portion of minority interests	307	
6 Core Tier 1 capital before regulatory adjustments	403,461	
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)	1,703	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 Direct or indirect investments 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 non-significant 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 related premium	47,846	f
31 Including: Portion classified as equity	47,846	f

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Main Features of Qualified Capital Instruments

	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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	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 noncontractual 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

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	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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
8 Amount that can be included in regulatory capital (in 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

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		Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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

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	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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 CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become nonviable; 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

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	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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

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		Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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
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

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	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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 CBIRC 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 CBIRC 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 CBIRC 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

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		Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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

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	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
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 and are in the same priority as other tier 2	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 and are in the same priority as other tier 2	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 and are in the same priority as other tier 2	After depositor, general creditor, and holders of tier 2 capital instrument

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	Ordinary shares (H Shares)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Preference shares (Offshore)
		capital instruments that may be issued in the future and in the same repayment order as the current bonds	capital instruments that may be issued in the future and in the same repayment order as the current bonds	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