

LEVERAGE RATIO

In millions of RMB, except for percentages

Item	December 31, 2018	December 31, 2017
Tier 1 capital — net	469,605	429,560
On and off-balance sheet assets after adjustments	9,871,166	9,444,741
Leverage Ratio (%)	4.76	4.55

No.	Item	December 31, 2018	December 31, 2017
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	9,269,358	8,878,533
2	Less: Deduction from tier 1 capital	1,696	1,758
3	On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	9,267,662	8,876,775
4	Replacement costs of various derivatives (excluding eligible margin)	7,166	6,584
5	Potential risk exposures of various derivatives	12,510	11,235
6	Total collateral deducted from the balance sheet	—	—
7	Less: Assets receivable arising from the provision of eligible margin	—	—
8	Less: Derivative assets arising from central counterpart transactions when providing clearing services to customers	—	—
9	Nominal principals arising from sales of credit derivatives	—	—
10	Less: Deductible assets arising from sales of credit derivatives	—	—
11	Derivative assets	19,676	17,819
12	Accounting assets arising from securities financing transactions	239,687	127,434
13	Less: Deductible assets arising from securities financing transactions	—	—
14	Counter-party credit risk exposure arising from securities financing transactions	3,169	70,237
15	Assets arising from the agency services in connection with securities financing transactions	—	—
16	Securities financing transactions assets	242,856	197,671
17	Off-balance sheet assets	1,066,842	1,079,518
18	Less: Decrease in off-balance sheet assets due to credit conversion	725,870	727,041
19	Off-balance sheet assets after adjustments	340,972	352,476
20	Tier 1 capital — net	469,605	429,560
21	On and off-balance sheet assets after adjustments	9,871,166	9,444,741
22	Leverage Ratio (%)	4.76	4.55

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	267,263
2a	Surplus reserves	30,371
2b	General reserve	103,959
2c	Undistributed profits	132,933
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	432
6	Core tier 1 capital before regulatory adjustments	423,374
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)	1,696
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities)	–
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	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liabilities)	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 (net of related tax liabilities)	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	1,696
29 Core tier 1 capital	421,678
Additional tier 1 capital:	
30 Additional tier 1 capital instruments and related premium	47,869
31 Including: Portion classified as equity	47,869
32 Including: Portion classified as liabilities	–
33 Invalid instruments to additional tier 1 capital after the transition period	–
34 Valid portion of minority interests	58
35 Including: invalid portion to additional tier 1 capital excluded after the transition period	–
36 Additional tier 1 capital before regulatory adjustments	47,927
Additional tier 1 capital: regulatory adjustments	
37 Directly or indirectly 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
41b Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	0

COMPOSITION OF CAPITAL

Composition of Capital (Continued)

In millions of RMB, except for percentages

	Amount
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	47,927
45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)	469,605
Tier 2 capital:	
46 Tier 2 Capital instruments and related premium	74,937
47 Invalid tier 2 instruments to capital after the transition period	–
48 Valid portion of minority interests	115
49 Including: Invalid portion to tier 2 capital after the transition period	–
50 Valid portion of surplus provision for loan impairment	49,072
51 Tier 2 capital before regulatory adjustments	124,124
Tier 2 capital: regulatory adjustments	
52 Directly or indirectly investments in own tier 2 instruments	0
53 Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	0
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	124,124
59 Total capital (tier 1 capital + tier 2 capital)	593,729
60 Total risk-weighted assets	4,316,219
Requirements for capital adequacy ratio and reserve capital (%)	
61 Core tier 1 capital adequacy ratio	9.77
62 Tier 1 capital adequacy ratio	10.88
63 Capital adequacy ratio	13.76
64 Institution specific capital requirement	2.50

Composition of Capital (Continued)

In millions of RMB, except for percentages

	Amount
65 Including: Capital conservation buffer requirement	2.50
66 Including: Countercyclical buffer requirement	–
67 Including: G-SIB buffer requirement	–
68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets	2.27
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	32,431
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)	35,887
Valid caps of surplus provision for loan impairment to tier 2 capital	
76 Provision for loan impairment under the weighted approach	127,327
77 Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	49,072
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	–

COMPOSITION OF CAPITAL

Detailed Description of Related Items

In millions of RMB

	The regulatory consolidated balance sheet	Code
Goodwill	0	a
Intangible assets	1,696	b
Deferred income tax liabilities	0	
Including: Deferred tax liabilities related to goodwill	0	c
Including: Deferred tax liabilities related to other intangible assets other than land use rights	0	d
Paid-in capital		
Including: Amount included in core tier 1 capital	81,031	e
Other equity instruments		
Including: Preference shares	47,869	f
Capital reserve	74,648	g
Others	0	h
Surplus reserves	30,371	i
General reserve	103,959	j
Undistributed profits	132,933	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	267,263	i+j+k
2a	Surplus reserves	30,371	i
2b	General reserve	103,959	j
2c	Undistributed profits	132,933	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)	–	
5	Valid portion of minority interests	432	
6	Core tier 1 capital before regulatory adjustments	423,374	
Core tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	–	
8	Goodwill (net of deferred tax liabilities)	0	a-c
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	1,696	b-d
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities)	–	
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	–	

COMPOSITION OF CAPITAL

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

		Amount	Code
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	47,869	f
31	Including: Portion classified as equity	47,869	f

Main Features of Eligible Capital Instruments

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	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 Administrative Measures for the Capital of 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 Administrative Measures for the Capital of 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
8	Amount that can be included in regulatory capital (in RMB millions; on the latest reporting date)	RMB74,482	RMB24,980	RMB29,975	RMB19,982	RMB47,869
9	Par value of instrument (in millions)	RMB19,856	RMB25,000	RMB30,000	RMB20,000	USD7,250

COMPOSITION OF CAPITAL

Main Features of Eligible Capital Instruments (Continued)

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)
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	Perpetual or dated	Perpetual	Dated	Dated	Dated	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	October 28, 2021	March 24, 2022	The first redemption date is September 27, 2022
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
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

Main Features of Eligible Capital Instruments (Continued)

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)
22	Including: Cumulative or noncumulative	Noncumulative	Not applicable	Not applicable	Not applicable	Noncumulative
23	Conversion into shares	No	No	No	No	Yes
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
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

COMPOSITION OF CAPITAL

Main Features of Eligible Capital Instruments (Continued)

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)
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 (March 24, 2017) on the Offshore 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
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
32	Including: Please specify the trigger point of write-down, if allowed	Not applicable	In whole	In whole	In whole	Not applicable

Main Features of Eligible Capital Instruments (Continued)

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)
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 book entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
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 capital instruments that may be issued in the future 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 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.	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 capital instruments that may be issued in the future and in the same repayment order as the current bonds.	After depositor, general creditor, and holders of tier 2 capital instrument
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