

# Leverage Ratio

*In millions of RMB, except for percentages*

Item	As at June 30, 2019	As at December 31, 2018
Net tier 1 capital	488,763	469,605
On and off-balance sheet assets after adjustments	10,463,878	9,871,166
Leverage Ratio (%)	4.67	4.76

No.	Item	As at June 30, 2019	As at December 31, 2018
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	9,918,872	9,269,358
2	Less: Deduction from tier 1 capital	1,774	1,696
3	On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	9,917,098	9,267,662
4	Replacement costs of various derivatives (excluding eligible margin)	3,090	7,166
5	Potential risk exposures of various derivatives	12,648	12,510
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	15,738	19,676
12	Accounting assets arising from securities financing transactions	144,595	239,687
13	Less: Deductible assets arising from securities financing transactions	—	—
14	Counter-party credit risk exposure arising from securities financing transactions	1,876	3,169
15	Assets arising from the agency services in connection with securities financing transactions	—	—
16	Securities financing transactions assets	146,471	242,856
17	Off-balance sheet assets	1,150,594	1,066,842
18	Less: Decrease in off-balance sheet assets due to credit conversion	766,023	725,870
19	Off-balance sheet assets after adjustments	384,571	340,972
20	Net tier 1 capital	488,763	469,605
21	On and off-balance sheet assets after adjustments	10,463,878	9,871,166
22	Leverage Ratio (%)	4.67	4.76

# Composition of Capital

## Composition of Capital

*In millions of RMB, except for percentages*

	Amount
<b>Core tier 1 capital:</b>	
1 Paid-in capital	81,031
2 Retained earnings	286,447
2a Surplus reserve	30,371
2b General reserve	103,959
2c Undistributed profits	152,117
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	478
6 Core tier 1 capital before regulatory adjustments	442,604
<b>Core tier 1 capital: regulatory adjustments</b>	
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)	1,774
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities)	–
11 Reserve 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 (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	1,774
29 Core tier 1 capital	440,830
<b>Additional tier 1 capital:</b>	
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	64
35 Including: invalid portion to additional tier 1 capital excluded after the transition period	–
36 Additional tier 1 capital before regulatory adjustments	47,933
<b>Additional tier 1 capital: regulatory adjustments</b>	
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	47,933
45 Tier 1 capital (core tier 1 capital + additional tier 1 capital)	488,763
<b>Tier 2 capital:</b>	
46 Tier 2 Capital instruments and related premium	74,941
47 Invalid tier 2 instruments to capital after the transition period	–
48 Valid portion of minority interests	128
49 Including: Invalid portion to tier 2 capital after the transition period	–
50 Valid portion of surplus provision for loan impairment	54,582
51 Tier 2 capital before regulatory adjustments	129,651
<b>Tier 2 capital: regulatory adjustments</b>	
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	129,651
59 Total capital (tier 1 capital + tier 2 capital)	618,414
60 Total risk-weighted assets	4,765,613
<b>Requirements for capital adequacy ratio and reserve capital (%)</b>	
61 Core tier 1 capital adequacy ratio	9.25
62 Tier 1 capital adequacy ratio	10.26
63 Capital Adequacy Ratio	12.98
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	1.75
<b>Domestic minimum requirements for regulatory capital</b>	
69 Core tier 1 capital adequacy ratio	7.50
70 Tier 1 capital adequacy ratio	8.50
71 Capital Adequacy Ratio	10.50
<b>Amounts below the thresholds for deduction</b>	
72 Undeducted amount of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	33,635
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)	40,780
<b>Valid caps of surplus provision for loan impairment to tier 2 capital</b>	
76 Provision for loan impairment under the weighted approach	153,452
77 Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	54,582
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	–

## Composition of Capital

## Detailed Description of Related Items

*In millions of RMB*

	The regulatory consolidated balance sheet	Code
Goodwill	0	a
Intangible assets	1,774	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 reserve	30,371	i
General reserve	103,959	j
Undistributed profits	152,117	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
<b>Core tier 1 capital:</b>		
1 Paid-in capital	81,031	e
2 Retained earnings	286,447	i+j+k
2a Surplus reserve	30,371	i
2b General reserve	103,959	j
2c Undistributed profits	152,117	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	478	
6 Core tier 1 capital before regulatory adjustments	442,604	
<b>Core tier 1 capital: regulatory adjustments</b>		
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)	1,774	b-d
10 Deferred tax assets that rely on future profitability	—	
11 Reserve 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	—	
<b>Additional tier 1 capital:</b>		
30 Additional tier 1 capital instruments and related premium	47,869	f
31 Including: Portion classified as equity	47,869	f

## Composition of Capital

### Main Features of 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	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
<b>Regulatory processing</b>						
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	RMB24,982	RMB29,976	RMB19,983	RMB47,869
9	Par value of instrument	RMB19,865	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	28/9/2016	7/9/2015	26/10/2016	22/3/2017	27/9/2017
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Perpetual
13	Including: Original maturity date	No Maturity Date	9/9/2025	28/10/2026	24/3/2027	No Maturity Date

## Main Features of 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)
14	Issuer's redemption (subject to regulatory approval)	No	Yes	Yes	Yes	Yes
15	Including: Redemption date (or contingent redemption date) and Amount	N/A	9/9/2020	28/10/2021	24/3/2022	The first redemption date is September 27, 2022
16	Including: Subsequent redemption date (if any)	N/A	Part or full N/A	Part or full N/A	Part or full N/A	Part or full September 27 in each year after the first redemption date
<b>Dividend or interest payment</b>						
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	N/A	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	N/A	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	N/A	N/A	N/A	Noncumulative
23	Conversion into shares	No	No	No	No	Yes
24	Including: Please specify the trigger condition for share conversion, if allowed	N/A	N/A	N/A	N/A	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 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

## Composition of Capital

### Main Features of 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)
25	Including: Please specify share conversion in whole or in part, if allowed	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	Mandatory
28	Including: Please specify the instrument type after conversion, if allowed	N/A	N/A	N/A	N/A	Core tier 1 capital
29	Including: Please specify the issuer of the instrument type after conversion, if allowed	N/A	N/A	N/A	N/A	The Bank
30	Write-down or not	No	Yes	Yes	Yes	No

## Main Features of 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)
31	Including: Please specify the trigger point of writedown, if allowed	N/A	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.	N/A
32	Including: Please specify the trigger point of write-down, if allowed	N/A	In whole	In whole	In whole	N/A
33	Including: Please specify the write-down is perpetual or temporary, if write-down is allowed	N/A	Perpetual	Perpetual	Perpetual	N/A
34	Including: Please specify the book entry value recovery mechanism, if temporary write-down	N/A	N/A	N/A	N/A	N/A

## Composition of Capital

### Main Features of 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)
35 Hierarchy of claims (please specify instrument types enjoying higher priorities)	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital instruments) and additional tier 1 capital instruments	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 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 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 subordinated debts (including tier 2 capital instruments), pari passu with those capital instruments with the same repayment order
36 Does the instrument contain temporary illegible attribute?	No	No	No	No	No
Including: If yes, please specify such attribute	N/A	N/A	N/A	N/A	N/A