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POSTAL SAVINGS BANK OF CHINA CO., LTD.

中國郵政儲蓄銀行股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

Postal Savings Bank of China Co., Ltd. Third Quarterly Report of 2019

The Board of Directors (the “**Board**”) of Postal Savings Bank of China Co., Ltd. (the “**Bank**”) hereby announces the results of the Bank and its subsidiary (collectively, the “**Group**”) for the nine months ended September 30, 2019. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. IMPORTANT NOTICE

- 1.1 The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of the senior management of the Bank undertake that the information in this quarterly report is true, accurate and complete, contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities for the information in this quarterly report.
- 1.2 The Third Quarterly Report of 2019 has been considered and approved at the meeting of the Board of Directors of the Bank held on October 29, 2019. There were 14 directors eligible for attending the meeting, among whom 11 attended in person, and 3 attended by proxy. Mr. Zhang Xuewen, the Director appointed Ms. Yao Hong, the Director, Mr. Han Wenbo, the Director appointed Mr. Liu Yaogong, the Director, and Ms. Bi Zhonghua, the Director appointed Mr. Hu Xiang, the Director to attend the meeting and vote on behalf.
- 1.3 These quarterly financial statements have not been audited.
- 1.4 Mr. Zhang Jinliang, Legal Representative of the Bank, Mr. Zhang Xuewen, the person in charge of finance of the Bank, and Mr. Liu Yucheng, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in this quarterly report are true, accurate and complete.

2. CORPORATE INFORMATION

2.1 Basic information

	Stock name	Stock code	Stock exchange on which shares are listed
H shares	PSBC	1658	The Stock Exchange of Hong Kong Limited
Offshore preference shares	PSBC 17USDPREF	4612	The Stock Exchange of Hong Kong Limited
Board Secretary and Joint Company Secretary:			
Name	Du Chunye		
Correspondence address	No. 3 Financial Street, Xicheng District, Beijing (Postcode: 100808)		
Telephone	86-10-68858158		
Fax	86-10-68858165		
E-mail	ir@psbc.com		

2.2 Major accounting data and financial indicators

Financial information set out in this quarterly report has been prepared in accordance with the International Financial Reporting Standards (“IFRSs”). Unless otherwise specified, it is the data of the Group, and is presented in RMB.

Expressed in millions of RMB, unless otherwise stated

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Changes as compared to the end of the previous year (%)
Total assets	10,110,524	9,516,211	6.25
Total loans and advances to customers	4,846,845	4,276,865	13.33
Allowance for impairment on loans	156,057	127,327	22.56
Total liabilities	9,598,929	9,040,898	6.17
Customer deposits	9,165,526	8,627,440	6.24
Equity attributable to shareholders of the Bank	510,630	474,404	7.64

Expressed in millions of RMB, unless otherwise stated

	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)	Changes as compared to the same period of the previous year (%)
Operating income	210,558	196,523	7.14
Net profit	54,344	46,717	16.33
Net profit attributable to shareholders of the Bank	54,288	46,710	16.22
Net cash flows from operating activities	86,570	76,388	13.33
Basic earnings per share (RMB) ⁽¹⁾	0.64	0.55	16.36
Diluted earnings per share (RMB) ⁽¹⁾	0.64	0.55	16.36
Return on weighted average net assets (% , annualized) ⁽¹⁾	15.69	14.60	An increase of 1.09 percentage points

(1) Without the deduction of non-recurring gains and losses.

2.3 Number of ordinary shareholders and shareholdings

As of the end of the reporting period, the Bank's total ordinary shareholders amounted to 2,916. Among them, there were 2,911 H shareholders and 5 domestic shareholders. The top 10 ordinary shareholders are as follows:

Shareholders	Class of shares	Number of shares held (share)	Shareholding percentage (%)	Changes in the number of shares during the reporting period (share)	Number of shares pledged or locked-up (share)
China Post Group Corporation*	Domestic shares	55,847,933,782	68.92	0	None
HKSCC Nominees Limited	H shares	19,842,748,660	24.49	213,000	Unknown
China Life Insurance Company Limited*	Domestic shares	3,341,900,000	4.12	0	None
China Telecommunications Corporation*	Domestic shares	1,117,223,218	1.38	0	None
Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.	Domestic shares	738,820,000	0.91	0	None
Shenzhen Tencent Domain Computer Network Company Limited	Domestic shares	128,530,000	0.16	0	None
LI KIU	H shares	207,000	0.0003	0	Unknown
CHENG SUI SUN	H shares	173,000	0.0002	0	Unknown
WONG WAI FUK	H shares	173,000	0.0002	0	Unknown
TSEUNG KWOK FAI	H shares	139,000	0.0002	139,000	Unknown

Notes: (1) The shareholdings of H shareholders are calculated based on the number of shares listed in the register of shareholders of the Bank set up by the H Share Registrar.

(2) The total number of shares held by HKSCC Nominees Limited, as the nominee, is the total number of H shares held by all institutions and individual investors registered with the company as of September 30, 2019.

(3) * indicates the state-owned shareholders.

2.4 Number of offshore preference shareholders and shareholdings

As of the end of the reporting period, the total number of offshore preference shareholders (or proxies) of the Bank was 1. Top 10 offshore preference shareholders (or proxies) of the Bank are as follows:

Name of shareholders	Nature of shareholders	Class of shares	Increase or decrease during the reporting period (share)	The amount of shares held at the end of the period (share)	Shareholding percentage (%)	Number of shares subject to selling restrictions (share)	Number of shares pledged or locked-up (share)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	362,500,000	100	-	Unknown

- Notes: (1) The shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the issuance of offshore preference shares was non-public, the register of offshore preference shareholders presented the information on nominees of places.
- (3) "Shareholding percentage" refers to the percentage of the number of offshore preference shares held by offshore preference shareholders to the total number of offshore preference shares.

3. BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

Financial Results

For the nine months ended September 30, 2019, the net profit of the Group amounted to RMB54,344 million, representing an increase of 16.33% as compared to the same period of the previous year. Annualized return on average total assets was 0.74% and annualized return on weighted average net assets was 15.69%.

For the nine months ended September 30, 2019, the operating income of the Group amounted to RMB210,558 million, representing an increase of 7.14% as compared to the same period of the previous year.

Net interest income was RMB179,180 million, representing an increase of 3.09% as compared to the same period of the previous year. Net interest spread was 2.47%, representing a decrease of 19 basis points as compared to the same period of the previous year. Net interest margin was 2.52%, representing a decrease of 15 basis points as compared to the same period of the previous year. Net fee and commission income amounted to RMB13,448 million, representing an increase of 18.90% as compared to the same period of the previous year. Cost-to-income ratio was 52.37%, representing a decrease of 2.96 percentage points as compared to the same period of the previous year.

Assets and Liabilities

As of September 30, 2019, the total assets of the Group amounted to RMB10,110,524 million, representing an increase of RMB594,313 million or 6.25% as compared to the end of the previous year. Total loans and advances to customers amounted to RMB4,846,845 million, representing an increase of RMB569,980 million or 13.33% as compared to the end of the previous year, of which corporate loans were RMB1,733,684 million, personal loans were RMB2,634,065 million and discounted bills were RMB479,096 million.

Total liabilities amounted to RMB9,598,929 million, representing an increase of RMB558,031 million or 6.17% as compared to the end of the previous year. Customer deposits amounted to RMB9,165,526 million, representing an increase of RMB538,086 million or 6.24% as compared to the end of the previous year, of which corporate deposits were RMB1,170,437 million, personal deposits were RMB7,992,676 million and other deposits were RMB2,413 million.

Shareholders' equity in aggregate amounted to RMB511,595 million, representing an increase of RMB36,282 million or 7.63% as compared to the end of the previous year.

Asset Quality and Capital Adequacy

As of September 30, 2019, according to the five-category classification of loans, the balance of non-performing loans of the Group was RMB40,063 million, the non-performing loan ratio was 0.83%, and the allowance coverage ratio was 391.10%.

As of September 30, 2019, the core tier 1 capital adequacy ratio was 9.55%, tier 1 capital adequacy ratio was 10.55%, and capital adequacy ratio was 13.27%, all meeting regulatory requirements.

4. APPENDICES

4.1 Financial statements prepared based on IFRSs are attached in Appendix I to this report

4.2 Disclosures of capital adequacy ratios, leverage ratio and liquidity coverage ratio are attached in Appendix II to this report

5. RELEASE OF QUARTERLY REPORT

This report will be published simultaneously on the “HKEXnews” website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.psbc.com).

By order of the Board of Directors
Postal Savings Bank of China Co., Ltd.
Du Chunye
Joint Company Secretary

Beijing, PRC
October 29, 2019

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Zhang Jinliang as Chairman and non-executive Director; Mr. Zhang Xuewen and Ms. Yao Hong as executive Directors; Mr. Han Wenbo, Mr. Tang Jian, Mr. Liu Yaogong, Mr. Liu Yue and Mr. Ding Xiangming as non-executive Directors; Mr. Ma Weihua, Ms. Bi Zhonghua, Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, and Mr. Hu Xiang as independent non-executive Directors.

* *Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

APPENDIX I FINANCIAL STATEMENTS PREPARED BASED ON IFRSs

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in millions of RMB unless otherwise stated

	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)
Interest income	289,007	266,955
Interest expense	(109,827)	(93,138)
Net interest income	<u>179,180</u>	<u>173,817</u>
Fee and commission income	24,533	22,566
Fee and commission expense	(11,085)	(11,256)
Net fee and commission income	<u>13,448</u>	<u>11,310</u>
Net trading gains	2,772	4,538
Net gains on investment securities	11,024	3,165
Net gains/(losses) on derecognition of financial assets measured at amortized cost	119	0
Net other operating gains/(losses)	<u>4,015</u>	<u>3,693</u>
Operating income	<u>210,558</u>	<u>196,523</u>
Operating expenses	(111,750)	(110,100)
Credit impairment losses	(39,858)	(35,933)
Impairment losses on other assets	<u>(4)</u>	<u>(11)</u>
Profit before tax	58,946	50,479
Income tax expenses	<u>(4,602)</u>	<u>(3,762)</u>
Net profit	<u><u>54,344</u></u>	<u><u>46,717</u></u>
Net profit attributable to:		
Shareholders of the Bank	54,288	46,710
Non-controlling interests	<u>56</u>	<u>7</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefit obligations	0	(85)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

All amounts in millions of RMB unless otherwise stated

	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)
Items that may be reclassified subsequently to profit or loss		
Net losses on investments in financial assets at fair value through other comprehensive income	<u>135</u>	<u>4,354</u>
Other comprehensive income	<u>135</u>	<u>4,269</u>
Total comprehensive income	<u>54,479</u>	<u>50,986</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	54,423	50,979
Non-controlling interests	<u>56</u>	<u>7</u>
Basic and diluted earnings per share (in RMB Yuan)		
Basic/Diluted	<u>0.64</u>	<u>0.55</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All amounts in millions of RMB unless otherwise stated

	As at September 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Assets		
Cash and deposits with central bank	1,133,555	1,202,935
Deposits with banks and other financial institutions	50,800	140,351
Placements with banks and other financial institutions	246,244	285,622
Derivative financial assets	12,080	7,166
Financial assets held under resale agreements	167,744	239,687
Loans and advances to customers	4,690,788	4,149,538
Investment instruments		
Financial assets at fair value through profit or loss	262,766	341,662
Financial assets at fair value through other comprehensive income – debt instruments	201,362	183,350
Financial assets at fair value through other comprehensive income – equity instruments	1,053	553
Financial assets at amortized cost	3,215,002	2,861,922
Property and equipment	44,825	45,399
Deferred tax assets	43,591	35,887
Other assets	40,714	22,139
Total assets	10,110,524	9,516,211
Liabilities		
Deposits from banks and other financial institutions	43,732	74,165
Placements from banks and other financial institutions	30,485	39,845
Financial liabilities at fair value through profit or loss	0	2,360
Derivative financial liabilities	12,672	6,463
Financial assets sold under repurchase agreements	161,960	134,919
Customer deposits	9,165,526	8,627,440
Debt securities issued	105,214	76,154
Other liabilities	79,340	79,552
Total liabilities	9,598,929	9,040,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

All amounts in millions of RMB unless otherwise stated

	As at September 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Equity		
Share capital	81,031	81,031
Other equity instruments	47,869	47,869
Capital reserve	74,648	74,648
Other reserves	138,058	137,923
Retained earnings	<u>169,024</u>	<u>132,933</u>
Equity attributable to shareholders of the Bank	<u>510,630</u>	<u>474,404</u>
Non-controlling interests	<u>965</u>	<u>909</u>
Total equity	<u>511,595</u>	<u>475,313</u>
Total liabilities and equity	<u><u>10,110,524</u></u>	<u><u>9,516,211</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in millions of RMB unless otherwise stated

	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)
Cash flows from operating activities		
Profit before income tax	58,946	50,479
Adjustments for:		
Amortization of intangible assets and other assets	529	633
Depreciation of property and equipment, investment properties and right-of-use assets	4,689	2,707
Impairment losses on assets	39,862	35,944
Interest income arising from investment instruments	(95,013)	(81,083)
Interest expense arising from debt securities issued	2,495	2,288
Net gains on investment securities	(11,024)	(2,986)
Unrealized exchange (gains)/losses	(2,584)	(3,000)
Net losses from disposal of property, equipment and other assets	8	9
	<u>(2,092)</u>	<u>4,991</u>
Net (increase)/decrease in operating assets		
Deposits with central bank	62,321	157,039
Deposits with banks and other financial institutions	90,614	57,840
Placements with banks and other financial institutions	1,725	17,098
Financial assets at fair value through profit or loss	11,877	123,872
Financial assets held under resale agreements	2,852	(19,771)
Loans and advances to customers	(580,405)	(528,532)
Other operating assets	(16,951)	(19,415)
	<u>(427,967)</u>	<u>(211,869)</u>
Net increase/(decrease) in operating liabilities		
Deposits from banks and other financial institutions	(30,281)	10,647
Placements from banks and other financial institutions	(9,234)	1,278
Financial liabilities at fair value through profit or loss	(2,360)	(36,598)
Financial assets sold under repurchase agreements	26,917	20,292
Customer deposits	528,234	287,270
Other operating liabilities	23,915	7,921
	<u>537,191</u>	<u>290,810</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

All amounts in millions of RMB unless otherwise stated

	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)
Net cash flows from operating activities before tax	107,132	83,932
Income tax paid	<u>(20,562)</u>	<u>(7,544)</u>
Net cash generated from/(used in) operating activities	<u>86,570</u>	<u>76,388</u>
Net cash flows from operating activities include:		
Interest received	197,845	182,977
Interest paid	<u>(97,643)</u>	<u>(93,278)</u>
Cash flows from investing activities		
Cash received from sale and redemption of investment instruments	432,405	571,353
Cash received from income arising from investment instruments	103,138	94,607
Cash paid for purchase of investment instruments	(735,453)	(718,092)
Cash paid for purchase of property, equipment, intangible assets and other long-term assets	(3,077)	(3,785)
Cash received from disposal of property and equipment, intangible assets and other long-term assets	<u>24</u>	<u>351</u>
Net cash generated from/(used in) investing activities	<u>(202,963)</u>	<u>(55,566)</u>
Cash flows from/(used in) financing activities		
Capital received from non-controlling interests for investment in subsidiary	–	500
Dividend distribution	(18,197)	(14,311)
Interests paid on debt securities issued	(2,266)	(2,056)
Cash received from issuance of debt securities	52,546	7,744
Repayments of debt securities	(23,714)	(5,750)
Cash paid relating to other financing activities	<u>(2,310)</u>	<u>–</u>
Net cash generated from/(used in) financing activities	<u>6,059</u>	<u>(13,873)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>2,407</u>	<u>1,623</u>
Net increase/(decrease) in cash and cash equivalents	(107,927)	8,572
Balance of cash and cash equivalents at the beginning of the period	<u>402,420</u>	<u>322,935</u>
Balance of cash and cash equivalents at the end of the period	<u><u>294,493</u></u>	<u><u>331,507</u></u>

APPENDIX II DISCLOSURES OF CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY COVERAGE RATIO

1. TABLE OF CAPITAL ADEQUACY RATIOS

In millions of RMB, except for percentages

Item	September 30, 2019		December 31, 2018	
	The Group	The Bank	The Group	The Bank
Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) promulgated by China Banking and Insurance Regulatory Commission:				
Net core tier 1 capital	457,698	454,977	421,678	419,107
Net tier 1 capital	505,633	502,846	469,605	466,976
Net capital	635,651	632,590	593,729	590,842
Core tier 1 capital adequacy ratio (%)	9.55	9.52	9.77	9.74
Tier 1 capital adequacy ratio (%)	10.55	10.52	10.88	10.85
Capital adequacy ratio (%)	13.27	13.24	13.76	13.73

2. TABLE OF LEVERAGE RATIO

In millions of RMB, except for percentages

Item	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Net tier 1 capital	505,633	502,846	488,067	469,605
Balance of adjusted on- and off-balance sheet assets	10,559,371	10,540,226	10,556,374	9,871,166
Leverage ratio (%)	4.79	4.77	4.62	4.76

3. TABLE OF LIQUIDITY COVERAGE RATIO

In millions of RMB, except for percentages

Item	September 30, 2019	December 31, 2018
High-quality liquid assets	2,056,364	1,578,769
Net cash outflow for the next 30 days	972,841	701,046
Liquidity coverage ratio (%)	211.38	225.20