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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)

Third Quarterly Report of 2021

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 subsidiaries for the nine months ended September 30, 2021. 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, 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 they assume individual and joint and several liabilities for the information in this quarterly report.

1.2 The Third Quarterly Report of 2021 has been considered and approved at the meeting of the Board of the Bank held on October 28, 2021. There were 14 directors eligible for attending the meeting, among whom 14 attended in person.

1.3 These quarterly financial statements have not been audited.

1.4 Mr. Zhang Jinliang, Legal Representative of the Bank, Mr. Zhang Xuewen, Vice President in charge of finance of the Bank, and Mr. Liu Yucheng, General Manager of 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
A share	郵儲銀行	601658	Shanghai Stock Exchange
H share	PSBC	1658	The Stock Exchange of Hong Kong Limited
Offshore preference share	PSBC 17USDPREF	4612	The Stock Exchange of Hong Kong Limited
Board Secretary and 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	psbc.ir@psbcoa.com.cn		

2.2 Major accounting data and financial indicators

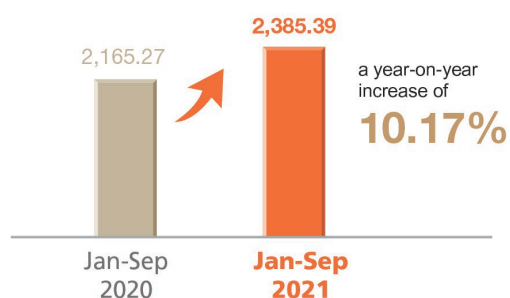
Financial information set out in this quarterly report has been prepared in accordance with the International Financial Reporting Standards (“IFRSs”). Unless otherwise specified, it is the consolidated data of the Bank and its subsidiaries and is presented in Renminbi (“RMB”)¹.

¹ The installment fee income of credit card has been reclassified from fee and commission income to interest income for the previous corresponding periods in this report.

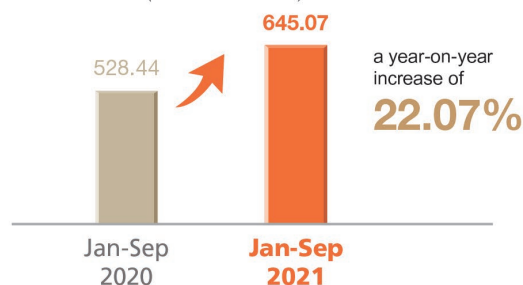
The data indicators related to asset quality in this report are calculated using the data caliber without accrued interests.

2 CORPORATE INFORMATION

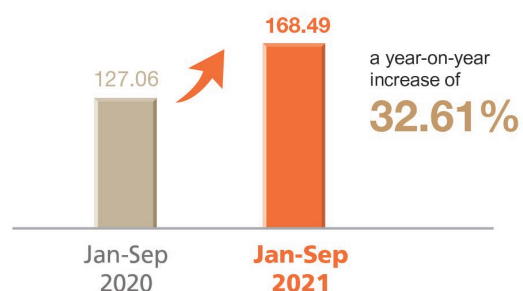
Operating income (in RMB100 million)



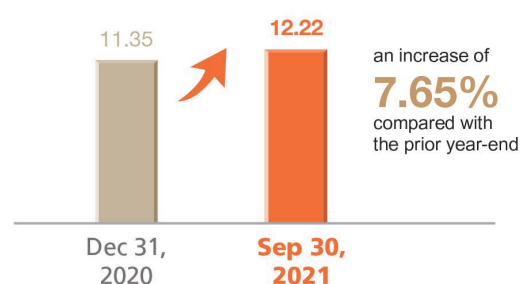
Net profit attributable to equity holders of the Bank (in RMB100 million)



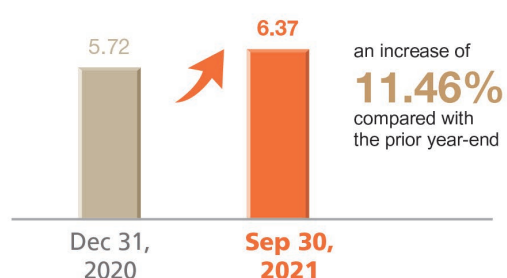
Net fee and commission income (in RMB100 million)



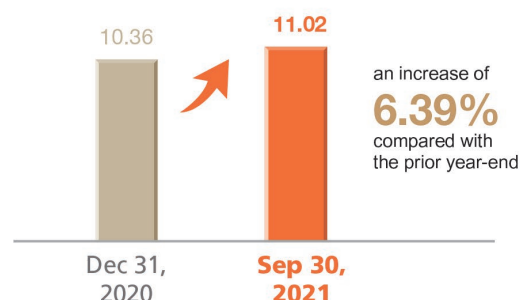
Total assets (in RMB trillion)



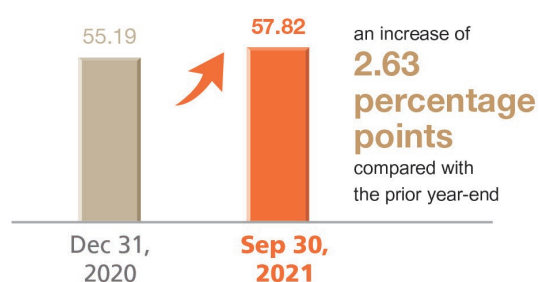
Total loans to customers (in RMB trillion)



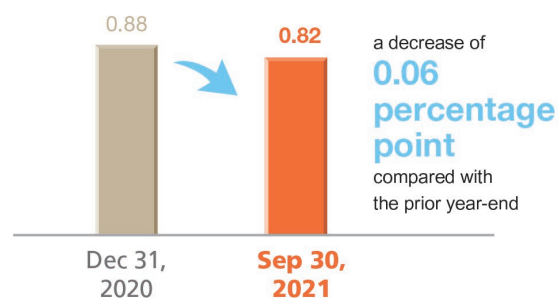
Customer deposits (in RMB trillion)



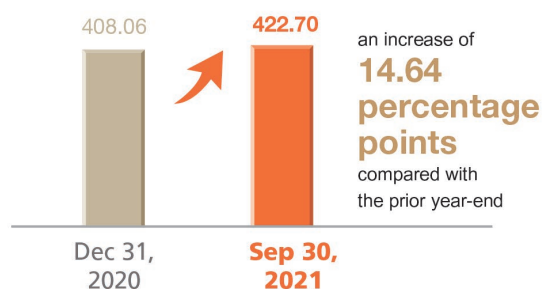
Loan-to-deposit ratio (%)



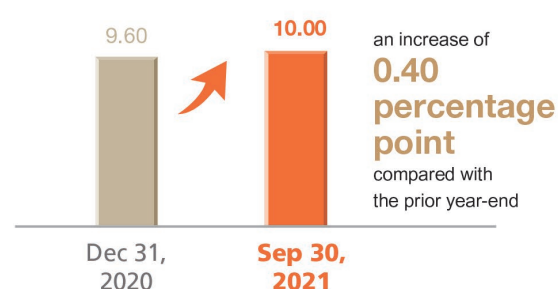
NPL ratio (%)



Allowance to NPLs ratio (%)



Core tier 1 capital adequacy ratio (%)



2 CORPORATE INFORMATION

2.2.1 Major accounting data and financial indicators

In millions of RMB, except for percentages or otherwise stated

Item	September 30, 2021	December 31, 2020	Changes as compared with the prior year-end (%)
Total assets	12,221,662	11,353,263	7.65
Total loans and advances to customers	6,371,353	5,716,258	11.46
Allowance for impairment losses on loans ⁽¹⁾	218,811	203,897	7.31
Financial investments	4,132,947	3,914,650	5.58
Total liabilities	11,442,541	10,680,333	7.14
Customer deposits	11,019,437	10,358,029	6.39
Equity attributable to equity holders of the Bank	777,706	671,799	15.76
Net assets per share (in RMB) ⁽²⁾	6.71	6.25	7.36

Note (1): Allowance for impairment losses on loans to customers at amortized cost.

Note (2): Calculated by dividing equity attributable to ordinary shareholders of the Bank at the end of the period by the total number of ordinary shares at the end of the period.

In millions of RMB, except for percentages or otherwise stated

Item	July to September 2021	Changes as compared to the period from July to September of the prior year (%)	January to September 2021	Changes as compared to the period from January to September of the prior year (%)
Operating income	80,761	15.30	238,539	10.17
Net profit	23,581	22.68	64,825	22.55
Net profit attributable to equity holders of the Bank	23,497	22.47	64,507	22.07
Net cash flows from operating activities	Not applicable	Not applicable	(49,786)	(311.32)
Basic and diluted earnings per share (in RMB) ⁽¹⁾	0.25	13.64	0.65	12.07
Return on weighted average equity (% annualized) ⁽¹⁾	14.65	Increased by 0.38 percentage point	13.68	Increased by 0.51 percentage point

Note (1): Calculated in accordance with the Information Disclosure, Compilation and Reporting Rules for Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the China Securities Regulatory Commission. There were no potential diluted ordinary shares of the Bank, so the diluted earnings per share was the same as the basic earnings per share.

2 CORPORATE INFORMATION

2.2.2 Changes in major accounting data and financial indicators and the reasons thereof

In millions of RMB, except for percentages

Item	January to September 2021	January to September 2020	Change (%)	Major reasons for change
Net cash flows from operating activities	(49,786)	23,559	(311.32)	Increase in cash outflows which was mainly due to repayment of matured borrowings from central bank

2.2.3 Explanation of differences in financial statements prepared under PRC GAAP and IFRSs

There was no difference between the net profit and shareholders' equity for the reporting period in the consolidated financial statements prepared by the Bank under PRC GAAP and the corresponding figures prepared by the Bank under IFRSs.

2 CORPORATE INFORMATION

2.3 Number of ordinary shareholders and shareholdings

As of the end of the reporting period, the Bank had a total of 217,808 ordinary shareholders (including 215,178 holders of A shares and 2,630 holders of H shares) and no holders of preference shares with voting rights restored.

The top ten ordinary shareholders as of the end of the reporting period are as follows:

Share, except for percentages

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,242,514,189	67.37	61,253,339,187	-	State-owned legal person	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,322,560	21.48	-	Unknown	Foreign legal person	Overseas listed foreign shares
China Life Insurance Company Ltd.	2,498,177,191	2.70	-	-	State-owned legal person	RMB ordinary shares
China Telecommunications Corporation	1,117,223,218	1.21	-	-	State-owned legal person	RMB ordinary shares
Ant Group Co., Ltd.	738,820,000	0.80	-	-	Domestic non-state-owned legal person	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	379,923,172	0.41	-	-	Foreign legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited - Lombarda China Times Pioneer Stock Promoter Securities Investment Fund	272,002,002	0.29	-	-	Domestic non-state-owned legal person	RMB ordinary shares
Bank of Communications Co., Ltd. - ICBC Credit Suisse Double Interest Bond Securities Investment Fund	190,000,024	0.21	-	-	Domestic non-state-owned legal person	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	0.12	-	-	State-owned legal person	RMB ordinary shares
Dajia Life Insurance Co., Ltd. - Universal Products	100,000,000	0.11	-	-	Domestic non-state-owned legal person	RMB ordinary shares

Note (1): The total number of shares held by HKSCC Nominees Limited, as the nominee, is the total number of H shares held by all institutional and individual investors registered with the company as of the end of the reporting period, which includes the 80,700,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong and overseas investors as the nominee.

Note (3): The Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): The Bank is not aware of any holder of shares held on behalf by HKSCC Nominees Limited participating in securities margin trading business. As of the end of the reporting period, other top ten ordinary shareholders of the Bank did not participate in securities margin trading and refinancing businesses.

2 CORPORATE INFORMATION

The top ten ordinary shareholders not subject to restrictions on sales as of the end of the reporting period are as follows:

Name of shareholder	Number of circulating shares held not subject to restrictions on sales	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	19,843,322,560	Overseas listed foreign shares	19,843,322,560
China Life Insurance Company Ltd.	2,498,177,191	RMB ordinary shares	2,498,177,191
China Telecommunications Corporation	1,117,223,218	RMB ordinary shares	1,117,223,218
China Post Group Corporation Limited	989,175,002	RMB ordinary shares	908,475,002
		Overseas listed foreign shares	80,700,000
Ant Group Co., Ltd.	738,820,000	RMB ordinary shares	738,820,000
Hong Kong Securities Clearing Company Limited	379,923,172	RMB ordinary shares	379,923,172
Industrial and Commercial Bank of China Limited - Lombarda China Times Pioneer Stock Promoter Securities Investment Fund	272,002,002	RMB ordinary shares	272,002,002
Bank of Communications Co., Ltd. - ICBC Credit Suisse Double Interest Bond Securities Investment Fund	190,000,024	RMB ordinary shares	190,000,024
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Dajia Life Insurance Co., Ltd. - Universal Products	100,000,000	RMB ordinary shares	100,000,000

Note (1): The total number of shares held by HKSCC Nominees Limited, as the nominee, is the total number of H shares held by all institutional and individual investors registered with the company as of the end of the reporting period, which includes the 80,700,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong and overseas investors as the nominee.

Note (3): The Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): The Bank is not aware of any holder of shares held on behalf by HKSCC Nominees Limited participating in securities margin trading business. As of the end of the reporting period, other top ten ordinary shareholders not subject to restrictions on sales of the Bank did not participate in securities margin trading and refinancing businesses.

2 CORPORATE INFORMATION

2.4 Number of offshore preference shareholders and shareholdings

As of the end of the reporting period, the total number of offshore preference shareholder (or nominee) of the Bank was 1. Shareholdings of the top ten offshore preference shareholders (or nominees) of the Bank are as follows:

Share, except for percentages

Name of shareholder	Nature of shareholder	Class of shares	Change during the reporting period	Number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of shares pledged, marked or locked-up
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	362,500,000	100.00	-	Unknown

Note (1): Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders.

Note (2): As the issuance of offshore preference shares was non-public, the register of offshore preference shareholders presented the information on nominees of places.

Note (3): "Shareholding percentage" refers to the percentage of offshore preference shares held by offshore preference shareholders in total number of offshore preference shares.

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

3.1 Overview of Operations

Focusing on high-quality development as the general aim, following its blueprint of the 14th Five-year Plan and all strategic objectives, the Bank seized strategic opportunities arising from rural revitalization, redoubled efforts to promote inclusive finance, wealth finance, industrial finance and green finance, continued to advance the reform, transformation and management innovation, ensured the good start for the next five years and broke new ground in the high-quality development.

The Bank registered stable performance with good momentum for growth. Firstly, the Bank achieved stable growth in business scale. As of the end of the reporting period, the Bank's total assets amounted to RMB12.22 trillion, representing an increase of 7.65% compared with the prior year-end, of which total loans to customers amounted to RMB6.37 trillion, representing an increase of 11.46% compared with the prior year-end; total liabilities amounted to RMB11.44 trillion, representing an increase of 7.14% compared with the prior year-end, of which total customer deposits exceeded RMB11 trillion, representing an increase of 6.39% compared with the prior year-end. **Secondly**, the Bank continuously improved its profitability. In the first three quarters of 2021, the net profit attributable to equity holders of the Bank was RMB64,507 million, representing a year-on-year increase of 22.07%; the operating income was RMB238,539 million, representing a year-on-year increase of 10.17%, of which the net interest income was RMB200,890 million, representing a year-on-year increase of 6.49%. Annualized return on average total assets and annualised return on weighted average equity were 0.74% and 13.68% respectively, up by 0.08 percentage point and 0.51 percentage point compared with the same period of last year.

The Bank continuously improved value creation capability. The Bank actively adapted to the new economic circumstances, strengthened refined, preemptive and proactive management, channelled resources to areas with high RAROC, deeply tapped the potential of structural adjustment and continuously improved the quality of development. **Firstly**, the Bank promoted the optimization of asset structure and increased the granting of credits, especially retail loans. In the third quarter of 2021, loans increased by RMB179 billion, of which 69.69% were contributed by personal loans. As of the end of the reporting period, the loan-to-deposit ratio, the percentage of credit assets and the percentage of personal loans were 57.82%, 52.13% and 57.80%, up by 2.63 percentage points, 1.78 percentage points and 0.88 percentage point respectively over the prior year-end. **Secondly**, the Bank increased the investments in non-credit assets with high returns, seized the favorable opportunity to increase bonds investments, lending to banks and other financial institutions, and maintained a stable rate of return on investments. **Thirdly**, the Bank applied high-quality development philosophy for deposits. It continued to strictly control long-term and high-cost deposits, and achieved initial success in raising the percentages of short-term and demand deposits. The proportion of personal demand deposits to personal deposits increased by 0.18 percentage point from the end of June, 2021. The optimization of asset and liability structure led to the stable return on assets and the steady decline of costs for interest-bearing liabilities. The net interest margin was 2.37% in the first three quarters, the same as that in the first half of 2021.

The Bank further promoted capital-light transformation. The Bank thoroughly implemented the philosophy of capital saving and value creation, attached importance to the quality of growth, and continued to promote the capital-light transformation. **Firstly**, the capital efficiency was enhanced. The Bank actively established an asset business system with low capital consumption, low risk weight and

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

high comprehensive return, and made great efforts to reduce the low-efficiency capital occupancy of some off-balance sheet business and promote the efficient use of capital. **Secondly**, the income structure was further optimized. Intermediary business continued to maintain rapid growth, with the net fee and commission income of RMB16,849 million, representing a year-on-year increase of 32.61%. The net fee and commission income accounted for 7.06% of the operating income, up by 1.19 percentage points year on year. **Thirdly**, the operating cost efficiency was further improved. The cost to income ratio fell by 0.75 percentage point year on year to 53.26%.

The Bank steadily enhanced its abilities to withstand risks. The Bank continued to improve “all aspects, whole process and entire staff” comprehensive risk management system, carried out the comprehensive risk assessment of its subsidiaries, and strengthened risk consolidated management of the Group. It actively promoted the advanced approaches for capital management, and deepened the application of internal rating in automatic approval, differentiated post-lending management as well as risk monitoring and reporting. It identified, prevented and controlled credit risks in a forward-looking manner, further strengthened the application of “Jinjing” (Golden Eye) credit risk monitoring system and “Jindun” (Golden Shield) asset quality management system, and enhanced risk investigation in key areas. As of the end of the reporting period, the Bank maintained sound asset quality, with non-performing loan (NPL) ratio of 0.82%, down by 0.06 percentage point over the prior year-end. The risk compensation capacity remained adequate, with the allowance to NPLs ratio of 422.70%, up by 14.64 percentage points over the prior year-end. Endogenous capital accumulation continued to be strengthened, and exogenous capital replenishment was arranged scientifically. The Bank successfully issued RMB60 billion tier 2 capital bonds, the capital adequacy ratio was 15.48%, up by 1.60 percentage points compared with the prior year-end.

The Bank actively promoted the strategy implementation and continuously accelerated development and transformation.

Firstly, the Bank firmly consolidated the county market. Focusing on the digital transformation of Sannong business, the Bank gave full play to its own advantages, accelerated the application of FinTech, kept improving the professional service system for Sannong, built an integrated online and offline service model, and created a Sannong comprehensive service ecosystem. It optimized the functions of online products such as “Speedy Loan” and continued to promote the digital transformation of the whole process of micro loans based on mobile business terminals. The Bank engaged actively to build a rural credit system, and innovatively launched “Online Creditworthy Households Loan” and provided accurate portrait, active credit granting and comprehensive services for farmers. As of the end of the reporting period, the balance of “Speedy Loan” stood at RMB245,406 million, and the online micro loans accounted for 94.73% of the total micro loans granted in the year. Focusing on the supply of important agricultural products, agricultural modernization and rural construction, the Bank actively promoted product innovation, strengthened collaboration between the Head Office and branches, linkage between wholesale banking and retail banking, as well as cooperation with external institutions, and integrated financial services into various Sannong service scenarios. It supported the development of new agricultural operating entities and the improvement of rural infrastructure and public services, facilitated the connection between small farmers and the development of modern agriculture, and contributed to promoting the efficiency and quality of the agricultural sector, making rural areas suitable to live and work in, and ensuring that farmers are affluent and well-off. The Bank actively aligned efforts to consolidate the achievements in poverty alleviation with efforts to promote rural revitalization, promoted

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

the solid work to support key counties for receiving assistance for rural revitalization, and provided preferential policies for those counties in terms of credit scale, credit approval, institutional setting, pricing authorization, etc. As of the end of the reporting period, the balance of agriculture-related loans of the Bank registered RMB1.58 trillion, representing an increase of RMB166,133 million compared with the prior year-end, higher than the full-year increase in 2020.

Secondly, the Bank continuously cultivated inclusive finance. As of the end of the reporting period, the balance of inclusive loans to micro and small enterprises exceeded RMB750 billion, serving more than 1.65 million customers, remaining at the forefront in the banking industry. Taking digital transformation as an important driving force, the Bank upgraded its product system, operation model, risk control system and service channels for micro and small enterprises, and continuously developed towards “digital products, open platforms and online scenarios” while leveraging the advantages of traditional outlets. As of the end of the reporting period, the balance of micro and small loans granted online by the Bank stood at RMB662,844 million, representing an increase of 45% compared with the prior year-end. The Bank further improved the comprehensive service system featuring online and offline coordination, launched “PSBC SMEs Partner Application” for micro and small enterprises, and built a comprehensive service platform for micro and small enterprises through “agile connection + optimized process + scenario-based service innovation”, so as to provide micro and small enterprises with one-stop services featuring “finance plus scenario”.

Thirdly, the Bank strategically upgraded the wealth management system. The Bank carried out stratified customer management, built a differentiated wealth service system to meet the needs for wealth management of a wider range of customers, promoted special training programs on funds and insurance business, continued hosting customer investment education salons at around 40,000 outlets and built those outlets into investor education centers. All of these measures were adopted to create value for customers sincerely. For ordinary and VIP customers, the Bank introduced thoughtful and precise management measures, carefully selected insurance, fund, and exclusive wealth management products and intelligently recommended product portfolios for customers, held the first PSBC wealth management festival, and enhanced the brand influence with the theme of “Nourish your life with wealth”. For affluent customers, the Bank engaged in professional operation, promoted the personal wealth management system and asset allocation service, and transformed from “selling products” to “providing solutions”. It established a lineup of products exclusive for affluent customers, selected excellent partner institutions across the market, and collaborated with PSBC Wealth Management with a high degree of synergy to continuously enhance the supply of products. It organized the wealth management managers contest to select excellent wealth management managers and wealth advisors as well as built professional teams. It created a pool of experts in legal, taxation, and other fields to meet the needs of high-net-worth customers in terms of asset allocation, wealth inheritance, corporate investment and financing, etc. As of the end of the reporting period, the Bank’s assets under management (AUM) of retail customers totaled RMB12.2 trillion, up by nearly RMB1 trillion from the beginning of this year. The number of VIP customers exceeded 40 million, and the number of affluent customers stood at 3.46 million, representing an increase of 20.59% from the prior year-end.

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

Fourthly, the Bank supported the industrial structural transformation and upgrading. The Bank facilitated the economic transformation and upgrading, supported the state's major strategies, initiatives and projects. It optimized the industrial layout, provided a full package of financial services in the fields of "new infrastructure and new urbanization initiatives and major projects", and stepped up support for manufacturing, scientific and technological innovation, emerging industries, etc. The Bank explored the proactive risk control and online management mode, developed a core system for supply chain finance with high standard, and launched the U-chain supply chain platform to provide convenient and efficient supply chain-based financial services for core enterprises and their upstream and downstream customers. All of these moves were aimed to ensure the industrial chain could run smoothly and efficiently. As of the end of the reporting period, the Bank's corporate loans reached RMB2.22 trillion, up by 12.37% from the prior year-end.

Fifthly, the Bank made great efforts to develop green finance. The Bank actively implemented the strategic plan of peak carbon dioxide emissions and carbon neutrality, vigorously developed sustainable finance, green finance and climate financing, and strengthened biodiversity conservation. The Bank became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). As of the end of the reporting period, the balance of green loans of the Bank amounted to RMB346.743 billion, representing an increase of 23.42% over the prior year-end.

Sixthly, the Bank continuously pushed forward the technology-driven development. The Bank launched a new generation distributed core system operation and maintenance platform, opening a new chapter of intelligent operation and maintenance. It completed the formulation of the IT Planning for the 14th Five-Year Plan period, mapped out the blueprint of business architecture, application architecture, data architecture, technical architecture, financial technology and IT governance, and put forward more than 200 key tasks. During the 14th Five-year Plan period, the Bank will focus on building six technological capabilities, i.e., scenario innovation, product R&D, risk prevention and control, data analysis, technological support and organizational governance, and enhance its technological empowerment on all fronts.

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

3.2 Financial Performance

3.2.1 Financial Results

During the reporting period, the Bank's operating income reached RMB238,539 million, representing a year-on-year increase of 10.17%. The net profit amounted to RMB64,825 million, representing a year-on-year increase of 22.55%. Annualized return on average assets was 0.74%, representing a year-on-year increase of 0.08 percentage point. Annualized return on weighted average equity was 13.68%, representing a year-on-year increase of 0.51 percentage point. The operating results improved steadily.

(1) Net interest income

Net interest income was RMB200,890 million, representing a year-on-year increase of RMB12,241 million, or 6.49%, mainly because the Bank constantly optimized its asset-liability structure and realized steady growth in net interest income. Net interest margin was 2.37%, and net interest spread was 2.30%.

(2) Net fee and commission income

Net fee and commission income amounted to RMB16,849 million, representing a year-on-year increase of RMB4,143 million, or 32.61%. It was mainly because the Bank expedited the building of a wealth management system, strengthened business synergy and collaborative marketing, and registered fast growth in revenue from agency businesses, credit card, electronic payment, custody and other businesses.

(3) Operating expenses

Operating expenses amounted to RMB128,908 million, representing a year-on-year increase of RMB10,324 million, or 8.71%. The cost to income ratio was 53.26%, representing a year-on-year decrease of 0.75 percentage point, which was due to more effective control of cost.

(4) Credit impairment losses

Credit impairment losses amounted to RMB37,267 million, representing a year-on-year decrease of RMB3,298 million, or 8.13%. It was mainly because the quality of the Bank's credit assets remained stable; the non-performing loan ratio declined steadily; and the impairment losses on loans to customers declined compared with the same period of the prior year.

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

3.2.2 Assets and liabilities and shareholders' equity

As of the end of the reporting period, the Bank's total assets amounted to RMB12,221,662 million, representing an increase of RMB868,399 million, or 7.65% compared with the prior year-end. Total liabilities amounted to RMB11,442,541 million, representing an increase of RMB762,208 million, or 7.14% compared with the prior year-end. Total shareholders' equity amounted to RMB779,121 million, representing an increase of RMB106,191 million, or 15.78% compared with the prior year-end.

(1) Loans and advances to customers

Total loans and advances to customers amounted to RMB6,371,353 million, representing an increase of RMB655,095 million, or 11.46% compared with the prior year-end. Among them, personal loans amounted to RMB3,682,650 million, representing an increase of 13.18% compared with the prior year-end. It is mainly because the Bank adhered to the strategic positioning of retail banking and promoted the growth of consumer loans and micro loans while maintaining stable supply of residential mortgage loans. Corporate loans amounted to RMB2,222,379 million, representing an increase of 12.37% compared with the prior year-end, primarily because the Bank increased financial support for micro and small enterprises, and provided more credit support to manufacturing, green credit, private enterprises and other key sectors, resulting in a steady growth of small business loans and corporate loans. Discounted bills amounted to RMB466,324 million, representing a decrease of 3.77% compared with the prior year-end, mainly because the Bank optimized the asset structure and reduced the scale of bill businesses with lower yield.

(2) Customer deposits

Customer deposits amounted to RMB11,019,437 million, representing an increase of RMB661,408 million, or 6.39% compared with the prior year-end. Among them, personal deposits amounted to RMB9,697,450 million, representing an increase of 6.62% compared with the prior year-end, primarily because the Bank continued to build on its advantage of core deposits and achieved sound growth of one-year term deposits. Corporate deposits amounted to RMB1,318,205 million, representing an increase of 4.63% compared with the prior year-end. The Bank maintained a good corporate deposit structure with the demand deposits accounting for 68.14%.

(3) Shareholders' equity

Total shareholders' equity amounted to RMB779,121 million, representing an increase of RMB106,191 million, or 15.78% compared with the prior year-end, of which equity attributable to equity holders of the Bank amounted to RMB777,706 million, representing an increase of RMB105,907 million, or 15.76% compared with the prior year-end, which was mainly due to the increase of RMB40,114 million in retained earnings, the proceeds of RMB30 billion raised from the non-public issuance of ordinary A shares, and the issuance of perpetual bonds of RMB30 billion.

3 BRIEF ANALYSIS ON OVERALL OPERATING ACTIVITIES IN THE THIRD QUARTER

3.2.3 Asset quality and capital adequacy ratios

The Bank continued to strengthen asset quality control, efficiently carried out collection and disposal, and maintained stable asset quality. As of the end of the reporting period, the Bank's non-performing loan balance amounted to RMB52,037 million, representing an increase of RMB1,670 million compared with the prior year-end. The non-performing loan ratio was 0.82%, representing a decrease of 0.06 percentage point compared with the prior year-end. The balance of special mention loans amounted to RMB28,753 million, representing a decrease of RMB1,813 million compared with the prior year-end. Special mention loan ratio was 0.45%, representing a decrease of 0.09 percentage point compared with the prior year-end. The balance of overdue loans was RMB56,404 million, representing an increase of RMB11,025 million compared with the prior year-end. The overdue ratio was 0.89%, representing an increase of 0.09 percentage point compared with the prior year-end. In the first nine months this year, new formed NPLs stood at RMB24,236 million, with an NPL formation ratio¹ of 0.42%. The allowance to NPLs ratio was 422.70%, representing an increase of 14.64 percentage points compared with the prior year-end.

As of the end of the reporting period, core tier 1 capital adequacy ratio was 10.00%, representing an increase of 0.40 percentage point compared with the prior year-end; tier 1 capital adequacy ratio was 12.55%, representing an increase of 0.69 percentage point compared with the prior year-end; capital adequacy ratio was 15.48%, representing an increase of 1.60 percentage points compared with the prior year-end, all meeting the regulatory requirements.

¹ NPL formation ratio = (NPL balance at the end of the period – NPL balance at the beginning of the period + disposal amount during the period)/total loan balance at the beginning of the period

4 OTHER REMINDERS

4.1 Other important information about operation of which investors need to be reminded

Applicable Not applicable

In August 2021, the Bank received approval from the China Banking and Insurance Regulatory Commission and the People's Bank of China to issue tier 2 capital bonds in the national interbank bond market with an aggregate amount of no more than RMB150 billion. The Bank publicly issued tier 2 capital bonds of RMB60 billion in the national interbank bond market in August 2021, and the proceeds were used to replenish the Bank's tier 2 capital in accordance with the applicable laws and approval of the competent authorities.

5 APPENDICES

5.1 Financial statements prepared in accordance with IFRSs are attached in Appendix I to this report

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

6 RELEASE OF QUARTERLY REPORT

This report is published on both the HKEXnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Bank at www.psbc.com. The quarterly report prepared in accordance with PRC GAAP is also available on both the website of the Shanghai Stock Exchange at www.sse.com.cn and that of the Bank at www.psbc.com.

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

Beijing, the PRC
October 28, 2021

As at the date of this announcement, the Board of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli 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 IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(All amounts in millions of RMB unless otherwise stated)

	July to September 2021 (Unaudited)	July to September 2020 (Unaudited)	January to September 2021 (Unaudited)	January to September 2020 (Unaudited)
Interest income	114,737	105,950	335,664	308,710
Interest expense	(45,943)	(41,693)	(134,774)	(120,061)
Net interest income	68,794	64,257	200,890	188,649
Fee and commission income	9,648	8,657	33,683	25,039
Fee and commission expense	(4,228)	(4,241)	(16,834)	(12,333)
Net fee and commission income	5,420	4,416	16,849	12,706
Net trading gains	767	555	2,472	2,326
Net gains on securities investment	4,870	3,077	17,450	13,184
Net gains and losses on derecognition of financial assets at amortized cost	3	-	(43)	1
Net other operating gains and losses	907	(2,263)	921	(339)
Operating income	80,761	70,042	238,539	216,527
Operating expenses	(46,343)	(41,920)	(128,908)	(118,584)
Credit impairment losses	(7,813)	(6,975)	(37,267)	(40,565)
Impairment losses on other assets	(19)	(4)	(27)	(8)
Profit before income tax	26,586	21,143	72,337	57,370
Income tax expenses	(3,005)	(1,921)	(7,512)	(4,475)
Net profit	23,581	19,222	64,825	52,895

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	July to September 2021 (Unaudited)	July to September 2020 (Unaudited)	January to September 2021 (Unaudited)	January to September 2020 (Unaudited)
Net profit attributable to:				
Equity holders of the Bank	23,497	19,186	64,507	52,844
Non-controlling interests	84	36	318	51
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Changes in fair value of equity instrument investment measured at fair value through other comprehensive income	4,162	633	4,162	947
Items that may be reclassified subsequently to profit or loss				
Net gains/(losses) on investments in financial assets measured at fair value through other comprehensive income	779	(3,329)	1,581	(3,806)
Net other comprehensive income after tax	4,941	(2,696)	5,743	(2,859)
Total comprehensive income for the period	28,522	16,526	70,568	50,036
Total comprehensive income attributable to:				
Equity holders of the Bank	28,438	16,490	70,250	49,985
Non-controlling interests	84	36	318	51
Basic and diluted earnings per share (in RMB Yuan)				
Basic/Diluted	0.25	0.22	0.65	0.58

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2021

(All amounts in millions of RMB unless otherwise stated)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Cash and deposits with central bank	1,215,627	1,219,862
Deposits with banks and other financial institutions	87,480	43,682
Placements with banks and other financial institutions	251,244	248,396
Derivative financial assets	4,408	11,140
Financial assets held under resale agreements	218,558	259,956
Loans and advances to customers	6,152,542	5,512,361
Financial investments		
Financial assets at fair value through profit or loss	537,844	419,281
Financial assets at fair value through other comprehensive income – debt instruments	331,179	315,922
Financial assets at fair value through other comprehensive income – equity instruments	11,768	5,804
Financial assets at amortized cost	3,252,156	3,173,643
Property and equipment	50,232	48,706
Deferred tax assets	57,157	53,217
Other assets	51,467	41,293
Total assets	12,221,662	11,353,263
Liabilities		
Borrowings from central bank	8,228	25,288
Deposits from banks and other financial institutions	87,963	85,912
Placements from banks and other financial institutions	48,023	30,743
Derivative financial liabilities	3,877	9,632
Financial assets sold under repurchase agreements	62,965	25,134
Customer deposits	11,019,437	10,358,029
Debt securities issued	117,037	57,974
Other liabilities	95,011	87,621
Total liabilities	11,442,541	10,680,333

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2021 (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Equity		
Share capital	92,384	86,979
Other equity instruments		
Preference shares	47,869	47,869
Perpetual bonds	109,986	79,989
Capital reserve	125,486	100,906
Other reserves	181,295	175,484
Retained earnings	220,686	180,572
Equity attributable to equity holders of the Bank	777,706	671,799
Non-controlling interests	1,415	1,131
Total equity	779,121	672,930
Total equity and liabilities	12,221,662	11,353,263

Zhang Jinliang

(On behalf of the Board of Directors)

Zhang Xuewen

(On behalf of the Board of Directors)

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(All amounts in millions of RMB unless otherwise stated)

	January to September 2021 (Unaudited)	January to September 2020 (Unaudited)
Cash flows from operating activities		
Profit before income tax	72,337	57,370
Adjustments for:		
Amortization of intangible assets and other assets	752	633
Depreciation of property and equipment, investment properties and right-of-use assets	5,714	5,316
Impairment losses on assets	37,294	40,573
- Credit impairment losses	37,267	40,565
- Impairment losses on other assets	27	8
Interest income arising from financial investments	(95,566)	(94,223)
Interest expense arising from debt securities issued	1,727	2,809
Net gains on securities investment	(17,407)	(13,185)
Unrealized exchange losses	874	1,247
Net losses from disposal of property, equipment and other assets	21	2
Subtotal	5,746	542
Net (increase)/decrease in operating assets		
Deposits with central bank	(8,248)	(26,070)
Deposits with banks and other financial institutions	(31,381)	(7,277)
Placements with banks and other financial institutions	7,167	(15,137)
Financial assets measured at fair value through profit or loss	(32,647)	(16,153)
Financial assets held under resale agreements	(9,743)	6,961
Loans and advances to customers	(662,667)	(685,064)
Other operating assets	(7,427)	(22,539)
Subtotal	(744,946)	(765,279)

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	January to September 2021 (Unaudited)	January to September 2020 (Unaudited)
Net (decrease)/increase in operating liabilities		
Borrowings from central bank	(17,042)	23,432
Deposits from banks and other financial institutions	2,146	45,083
Placements from banks and other financial institutions	17,177	28,593
Financial assets sold under repurchase agreements	37,814	5,569
Customer deposits	653,512	676,579
Other operating liabilities	12,323	17,428
Subtotal	705,930	796,684
Net cash flows generated from/(used in) operating activities before tax	(33,270)	31,947
Income tax paid	(16,516)	(8,388)
Net cash flows generated from/(used in) operating activities	(49,786)	23,559
Net cash flows from operating activities include:		
Interest received	246,674	217,553
Interest paid	(125,144)	(101,545)

APPENDIX I FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRSs

POSTAL SAVINGS BANK OF CHINA CO., LTD. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	January to September 2021 (Unaudited)	January to September 2020 (Unaudited)
Cash flows from investing activities		
Cash received from sale and redemption of financial investments	828,185	569,111
Cash received from income arising from financial investments	108,270	106,187
Cash received from disposal of property and equipment, intangible assets and other long-term assets	236	41
Cash paid for purchase of financial investments	(1,005,288)	(879,468)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets	(6,332)	(2,980)
Net cash flows used in investing activities	(74,929)	(207,109)
Cash flows from financing activities		
Cash received from ordinary shareholders	30,000	4,203
Cash received from issuance of perpetual bonds	30,000	80,000
Cash received from issuance of debt securities	65,480	59,060
Cash paid for dividends and interests	(25,544)	(23,507)
Cash paid for issuance of perpetual bonds	(3)	(11)
Cash paid for issuance of debt securities	(4)	-
Cash paid for issuance of stocks	(15)	(1)
Cash paid for repayment of debt securities	(7,170)	(58,512)
Cash paid to repay principal and interest of lease liabilities	(3,058)	(3,548)
Net cash flows generated from financing activities	89,686	57,684
Effect of exchange rate changes on cash and cash equivalents	(170)	(1,094)
Net decrease in cash and cash equivalents	(35,199)	(126,960)
Balance of cash and cash equivalents at the beginning of period	335,526	280,348
Balance of cash and cash equivalents at the end of period	300,327	153,388

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

TABLE OF CAPITAL ADEQUACY RATIOS

In millions of RMB, except for percentages

Item	September 30, 2021		December 31, 2020	
	Consolidated	The Bank	Consolidated	The Bank
Calculated in accordance with the Capital Rules for Commercial Banks (Provisional):				
Core tier 1 capital – net	618,584	604,045	542,347	529,574
Tier 1 capital – net	776,553	761,900	670,301	657,432
Net capital	957,511	942,325	784,579	771,166
Core tier 1 capital adequacy ratio (%)	10.00	9.82	9.60	9.43
Tier 1 capital adequacy ratio (%)	12.55	12.38	11.86	11.71
Capital adequacy ratio (%)	15.48	15.31	13.88	13.73

TABLE OF LEVERAGE RATIO

In millions of RMB, except for percentages

Item	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Tier 1 capital – net	776,553	747,728	748,283	670,301
On- and off-balance sheet assets after adjustments	12,673,915	12,677,234	12,407,500	11,806,091
Leverage ratio (%)	6.13	5.90	6.03	5.68

TABLE OF LIQUIDITY COVERAGE RATIO

In millions of RMB, except for percentages

Item	September 30, 2021	December 31, 2020
High-quality liquid assets	2,393,280	2,227,634
Net cash outflow for the next 30 days	1,030,564	949,497
Liquidity coverage ratio (%)	232.23	234.61