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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)

First Quarterly Report of 2022

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 three months ended March 31, 2022. 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 First Quarterly Report of 2022 was considered and approved at the meeting of the Board of the Bank held on April 29, 2022. There were 13 directors eligible for attending the meeting, among whom 13 attended in person.
- 1.3 These quarterly financial statements have not been audited.
- 1.4 Liu Jianjun¹, Legal Representative of the Bank, and Zhang Xuewen, Vice President in charge of finance of the Bank (performing the duties on behalf of General Manager of Finance and Accounting Department of the Bank²), hereby represent and warrant that the financial statements contained in this quarterly report are true, accurate and complete.

¹ Mr. Zhang Jinliang ceased to be Chairman and Legal Representative of the Bank due to the change of job. Upon approval by the Board, Mr. Liu Jianjun, Executive Director and the President of the Bank, has been performing the duties on behalf of Chairman and Legal Representative of the Bank since April 25, 2022.

² Mr. Liu Yucheng ceased to be General Manager of Finance and Accounting Department of the Bank due to the reason of age. Mr. Zhang Xuewen, the Vice President in charge of finance of the Bank, has been performing the duties on behalf of General Manager of Finance and Accounting Department of the Bank.

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

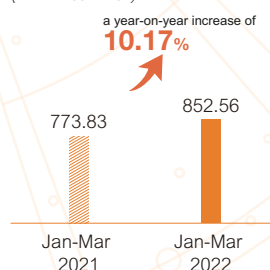
Fax 86-10-68858165

E-mail psbc.ir@psbcoa.com.cn

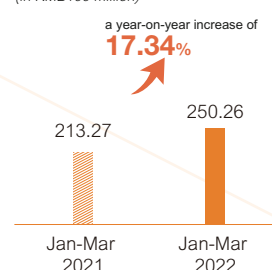
2.2 Major financial data

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.

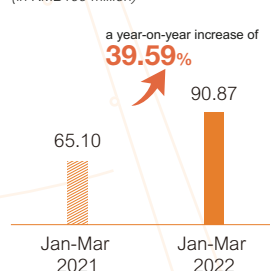
Operating income
(in RMB100 million)



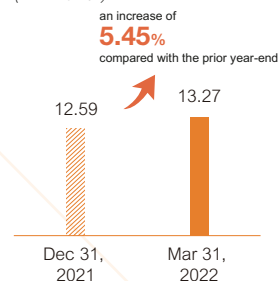
Net profit
(in RMB100 million)



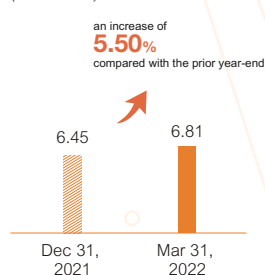
Net fee and commission income
(in RMB100 million)



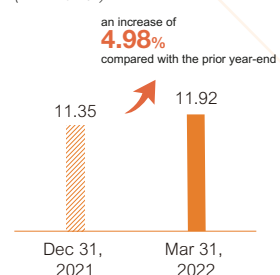
Total assets
(in RMB trillion)



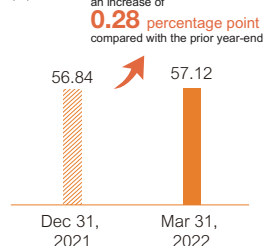
Total loans to customers
(in RMB trillion)



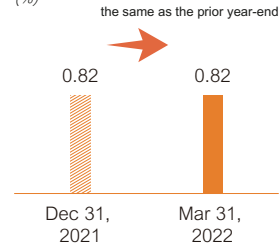
Total customer deposits
(in RMB trillion)



Loan-to-deposit ratio
(%)



NPL ratio
(%)



¹ “Loans to customers” refers to “loans and advances to customers” and “customer deposits” refers to “deposits from customers”.

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

2.2.1 Major accounting data and financial indicators

In millions of RMB, except for percentages or otherwise stated

Item	March 31, 2022	December 31, 2021	Changes as compared with the prior year-end (%)
Total assets	13,274,075	12,587,873	5.45
Total loans and advances to customers	6,808,773	6,454,099	5.50
Allowance for impairment losses on loans ⁽¹⁾	228,173	216,900	5.20
Financial investments	4,560,510	4,348,620	4.87
Total liabilities	12,430,546	11,792,324	5.41
Customer deposits	11,919,329	11,354,073	4.98
Equity attributable to equity holders of the Bank	842,022	794,091	6.04
Net assets per share (in RMB) ⁽²⁾	7.08	6.89	2.76

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	January to March 2022	January to March 2021	Changes as compared to the same period of the prior year (%)
Operating income	85,256	77,383	10.17
Net profit	25,026	21,327	17.34
Net profit attributable to equity holders of the Bank	24,977	21,201	17.81
Net cash flows from operating activities	143,558	112,904	27.15
Basic and diluted earnings per share (in RMB) ⁽¹⁾	0.26	0.24	8.33
Return on weighted average equity (% , annualized) ⁽¹⁾	14.82	14.80	Increased by 0.02 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. Preference shares and perpetual bonds outstanding of the Bank are classified as other equity instruments. Therefore, the impact of preference shares and perpetual bonds is deducted when relevant indicators are calculated.

2.2.2 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.

2.3 Number of ordinary shareholders and shareholdings

As at the end of the reporting period, the Bank had a total of 169,728 ordinary shareholders (including 167,161 holders of A shares and 2,567 holders of H shares) and no holders of preference shares with voting rights restored.

The top ten ordinary shareholders as at 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 selling restrictions	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,244,339,189	67.38	61,253,339,187	–	State-owned legal entity	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,728,510	21.48	–	Unknown	Foreign legal entity	Overseas listed foreign shares
China Life Insurance Company Ltd.	2,197,732,315	2.38	–	–	State-owned legal entity	RMB ordinary shares
China Telecommunications Corporation Limited	1,117,223,218	1.21	–	–	State-owned legal entity	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	1,088,863,186	1.18	–	–	Foreign legal entity	RMB ordinary shares
Dajia Life Insurance Co., Ltd. – Universal Products	133,468,645	0.14	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No.1 Fund	113,380,000	0.12	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	0.12	–	–	State-owned legal entity	RMB ordinary shares
Foresea Life Insurance Co., Ltd. – Self-owned funds	99,999,997	0.11	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
E Fund Management Co., Ltd. – Social Insurance Fund Portfolio 1104	88,813,176	0.10	–	–	Domestic non-state-owned legal entity	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 at the end of the reporting period, which includes 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 investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, 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): Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders of the Bank did not participate in margin trading, short selling or refinancing.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

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

Share

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	19,843,728,510	Overseas listed foreign shares	19,843,728,510
China Life Insurance Company Ltd.	2,197,732,315	RMB ordinary shares	2,197,732,315
China Telecommunications Corporation Limited	1,117,223,218	RMB ordinary shares	1,117,223,218
Hong Kong Securities Clearing Company Limited	1,088,863,186	RMB ordinary shares	1,088,863,186
China Post Group Corporation Limited	991,000,002	RMB ordinary shares	910,300,002
		Overseas listed foreign shares	80,700,000
Dajia Life Insurance Co., Ltd. – Universal Products	133,468,645	RMB ordinary shares	133,468,645
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No.1 Fund	113,380,000	RMB ordinary shares	113,380,000
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Foresea Life Insurance Co., Ltd. – Self-owned funds	99,999,997	RMB ordinary shares	99,999,997
E Fund Management Co., Ltd. – Social Insurance Fund Portfolio 1104	88,813,176	RMB ordinary shares	88,813,176

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 at the end of the reporting period, which includes 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 investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, 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): Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders not subject to selling restrictions of the Bank did not participate in margin trading, short selling or refinancing.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

2.4 Number of offshore preference shareholders and shareholdings

As at the end of the reporting period, the total number of offshore preference shareholder (or nominee) of the Bank was 1. Shareholdings 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 selling restrictions	Number of shares pledged, marked or locked-up
The Bank of New York Depository (Nominees) Limited	Foreign legal entity	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 FIRST QUARTER

3.1 Overview of Operations

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank acquired a deep understanding of the political importance and the people-centered nature of financial work and firmly implemented the major decisions and plans of the CPC Central Committee and the State Council. It grounded its work in the new development stage, applied the new development philosophy and served and integrated itself into the new development pattern. Since the beginning of 2022, the Bank has implemented its 14th Five-Year Plan with high-quality development as the priority, committed itself to supporting the real economy and green development, strengthened comprehensive risk management, accelerated the transformation toward more intensive operation, promoted technology empowerment, and strived to build a first-tier large retail bank, achieving a steady start in the first quarter.

The business performance was steady and in good condition. First, the business scale increased steadily. As at the end of the reporting period, the Bank's total assets exceeded RMB13 trillion to reach RMB13.27 trillion, representing an increase of 5.45% compared with the prior year-end, of which total loans to customers posted RMB6.81 trillion, representing an increase of 5.50% compared with the prior year-end. Total liabilities exceeded RMB12 trillion to reach RMB12.43 trillion, representing an increase of 5.41% compared with the prior year-end, of which total customer deposits amounted to RMB11.92 trillion, representing an increase of 4.98% compared with the prior year-end. **Second, profitability remained stable.** In the first quarter, the net profit attributable to equity holders of the Bank stood at RMB24,977 million, representing a year-on-year increase of 17.81%; the operating income registered RMB85,256 million, representing a year-on-year increase of 10.17%, among which the net fee and commission income was RMB9,087 million, representing a year-on-year increase of 39.59%. Annualized return on average total assets and annualized return on weighted average equity were 0.78% and 14.82% respectively, up by 0.04 and 0.02 percentage point compared with the same period of the previous year.

The quality of development improved steadily. With structural optimization as the focus and ultimate goal of management, the Bank worked hard to promote high-quality business development. **In terms of asset allocation,** the Bank used risk-adjusted return on capital (RAROC) as the yardstick in asset allocation, and made forward-looking arrangements for credit asset allocation to ensure "faster pace, real economy first, and optimized structure". During the reporting period, the loans and advances to customers increased by RMB354,674 million, representing a year-on-year increase of RMB82,184 million, of which new loans granted to the real economy accounted for 98.56%. The loan-to-deposit ratio and the share of credit assets increased by 0.28 and 0.02 percentage point respectively over the prior year-end. In respect of non-credit asset allocation, the Bank continuously strengthened investment analysis, improved portfolio management capacity, increased the proportion of assets with high RAROC, accelerated asset transfer and stabilized portfolio yields. **In respect of liability management,** the Bank strengthened liability cost control and refined management. A liability development mechanism was established with value deposits at the core in order to increase low-cost deposits. The new deposits were mainly value deposits with one-year term or below, while the proportion of high-cost three-year deposits continued to decrease. **In respect of income structure,** the Bank implemented fee cuts and profit concession across the Bank and upgraded the wealth management system to increase the contribution of the intermediary business. During the reporting period, the Bank's net fee and commission income accounted for 10.66% of the operating income, representing a year-on-year increase of 2.25 percentage points. **In respect of customer management,** the Bank strengthened the capacity building on customer services, with the number of its personal customers exceeding 640 million, of which the number of VIP customers increased by 2,356,800 to around 45 million compared with the prior year-end; the number of affluent customers increased by 321,600 to 3.88 million compared with the prior year-end; the number of corporate clients increased by 56,400 and exceeded 1.2 million compared with the prior year-end; and the number of interbank customers increased by 351 to 1,809 compared with the prior year-end. Committed to creating value for customers, the Bank strengthened peak-season marketing to achieve fast AUM growth of personal customers, which surpassed RMB13 trillion as at the end of the reporting period.

The support for the real economy was steady and effective. The Bank stepped up financial services for Sannong customers, continued to develop the rural credit system, accelerated the development of micro loans, provided credit support for spring ploughing and its preparation, and made all-round efforts to promote rural revitalization. As at the end of the reporting period, the Bank rated 232,800 villages and 3,897,800 households as creditworthy. The total amount of micro loans exceeded RMB1 trillion, and the balance of agro-related loans amounted to RMB1.68 trillion. It upgraded financial services for micro and small-sized enterprises (MSEs), accelerated the digital transformation of microfinance and expanded the coverage of MSE financial services through the competitive digital products such as the “Easy Small and Micro Loan” and “Speedy Micro Loan”, in a bid to continuously provide steady and efficient credit support to MSEs. As at the end of the reporting period, the balance of inclusive finance loans to MSEs exceeded RMB1 trillion, whose share in the Bank’s total loans was among the highest of large banks. The Bank advanced financial services to specialized and sophisticated enterprises that produce new and unique products as well as technology startups, signed a strategic cooperation agreement with the Torch High Technology Industry Development Center of the Ministry of Science and Technology, and granted loans to more than 19,000 specialized and sophisticated enterprises that produce new and unique products as well as technology startups. Efforts were made to establish the Xiongan Branch with a new model and a new structure, so as to provide high-standard services for the development of the Xiongan New Area. In order to promote financial services for new urbanites, the Bank developed a financial service plan for new urbanites. A special “U+ Card” was launched with multiple fee cuts and discounts, so as to increase credit support and continuously improve the financial service experience for new urbanites and help them to live a better life with good use of financial resources. The Bank implemented the policy to extend the repayment of residential mortgage loans during the epidemic, and adopted policies to ease the difficulties of mortgage customers in severely affected areas.

The concept of green development was put into practice. Upholding the concept of green development, the Bank formulated an action plan to achieve peak carbon emissions and carbon neutrality, created a blueprint and master plan for green development, and put forward a timetable and road map for the phased implementation of the carbon peak and carbon neutrality goals. It identified the focus for 2022 in achieving carbon peak and neutrality goals as well as developing green finance, and set the targets and tasks for the year. It adopted the Principles for Responsible Banking (PRB), vigorously developed green financial businesses including green loans, green financing, green bonds, etc., and established a total of 11 green financial institutions. As at the end of the reporting period, the balance of green loans amounted to RMB402,537 million, representing an increase of 8.12% compared with the prior year-end. It accelerated the digital transformation of green finance. The “big data-based green credit services” program was listed as a trial project of comprehensive financial data application led by the People’s Bank of China.

The guarantee of risk control was enhanced. With the worst-case scenario in mind, the Bank continuously improved the development of the comprehensive risk management system featuring “all aspects, whole process and entire staff.” It promoted the implementation of the advanced approaches for capital management, and planned a new round of implementation of advanced approaches. It identified its overall risk appetite and the strategies for major risks of the Bank in 2022, so as to support the high-quality business development. It accelerated the digital transformation of risk management, and recruited more risk control talents. It also carried out risk investigation in key fields, improved the dynamic risk monitoring mechanism, and initiated the development of the comprehensive risk management system to ensure more proactive and forward-looking risk monitoring. The asset quality remained good and stable. The non-performing loan ratio was 0.82%, the same as the prior year-end. The Bank further improved its capital strength by the successful issuance of RMB30 billion perpetual bonds and RMB40 billion tier 2 capital bonds. The capital adequacy ratio was 14.99%, representing an increase of 0.21 percentage point compared with the prior year-end.

The operation efficiency was further improved. The Bank accelerated the development of an intensive operation mode and further increased the input-output efficiency. Efforts were made to establish industry-leading retail credit factories and develop a centralized retail credit system across the country. As a result, the retail credit factory model was upgraded from centralized operation by provincial branches to a nation-wide network. The Bank improved post-lending management and post-lending services, promoted the development of a centralized post-lending management system for retail credits with collaboration between the Head Office, branches and sub-branches, and explored a nationwide centralized collection model. The cost-income ratio recorded a year-on-year drop of 0.15 percentage point.

Technology empowerment was further advanced. The Bank implemented the IT planning for the 14th Five-Year Plan period, and 53 projects successfully went online, including the “PSBC Brain” knowledge graph system. It further enhanced its independence and controlability by adding eight self-developed systems, including the new generation AML system and cash management business system. The proportions of independent R&D projects, application of self-developed platform, and agile R&D projects in total development projects continued to improve. Furthermore, the Bank strengthened data empowerment and included special bond marketing and corporate deposits growth to the pool of major projects. It also enriched the customer data marts by adding five new sectors and over 450 customer tags. So far, close to 1,300 tags for retail customers have been put into use.

3.2 Financial Performance

3.2.1 Financial Results

During the reporting period, the Bank’s operating income reached RMB85,256 million, representing a year-on-year increase of 10.17%. The net profit amounted to RMB25,026 million, representing a year-on-year increase of 17.34%. Annualized return on average total assets was 0.78%, representing a year-on-year increase of 0.04 percentage point. Annualized return on weighted average equity was 14.82%, representing a year-on-year increase of 0.02 percentage point. The year began with sound operating results, and the Bank’s value creation ability was further improved.

(1) Net interest income

Net interest income was RMB68,716 million, representing a year-on-year increase of RMB2,702 million or 4.09%. The steady growth of net interest income was mainly driven by the increase in Bank’s assets and liabilities and the optimization of its asset-liability structure. Net interest margin was 2.32%, and net interest spread was 2.29%.

(2) Net fee and commission income

Net fee and commission income amounted to RMB9,087 million, representing a year-on-year increase of RMB2,577 million, or 39.59%. It was mainly because the Bank adhered to its strategy of developing intermediary business and focused on upgrading its wealth management system, thus achieving rapid growth in income from agency sales of insurance products, wealth management, credit card, investment banking, transaction banking and custody services.

(3) Operating expenses

Operating expenses amounted to RMB44,863 million, representing a year-on-year increase of RMB4,032 million, or 9.87%. The cost to income ratio was 51.82%, representing a year-on-year decrease of 0.15 percentage point, indicating further improvement in input-output efficiency.

(4) Credit impairment losses

Credit impairment losses amounted to RMB11,598 million, representing a year-on-year decrease of RMB729 million, or 5.91%. In specific, impairment losses on loans to customers registered RMB11,990 million, representing a year-on-year increase of RMB2,087 million, or 21.07%.

3.2.2 Assets and liabilities and shareholders' equity

As at the end of the reporting period, the Bank's total assets amounted to RMB13,274,075 million, representing an increase of RMB686,202 million, or 5.45% compared with the prior year-end. Total liabilities amounted to RMB12,430,546 million, representing an increase of RMB638,222 million, or 5.41% compared with the prior year-end. Total shareholders' equity amounted to RMB843,529 million, representing an increase of RMB47,980 million, or 6.03% compared with the prior year-end.

(1) Loans and advances to customers

Total loans and advances to customers amounted to RMB6,808,773 million, representing an increase of RMB354,674 million, or 5.50% compared with the prior year-end. Among them, personal loans amounted to RMB3,895,603 million, representing an increase of 3.71% compared with the prior year-end. It is mainly because the Bank adhered to the strategic positioning of retail banking, supported rural revitalization and granted more micro loans and consumer loans. Corporate loans amounted to RMB2,464,063 million, representing an increase of 9.32% compared with the prior year-end, primarily because the Bank actively implemented the national policy, supported the development of the real economy, and increased credit extension to key areas such as transportation infrastructure, clean energy and ecological and environmental protection, achieving steady growth in loans to small enterprises and corporate customers.

(2) Customer deposits

Customer deposits amounted to RMB11,919,329 million, representing an increase of RMB565,256 million, or 4.98% compared with the prior year-end. Among them, personal deposits amounted to RMB10,563,583 million, representing an increase of 5.16% compared with the prior year-end, primarily due to the increase in deposits with a term of one year or below. Corporate deposits amounted to RMB1,351,986 million, representing an increase of 3.57% compared with the prior year-end.

(3) Shareholders' equity

Total shareholders' equity amounted to RMB843,529 million, representing an increase of RMB47,980 million, or 6.03% compared with the prior year-end. In specific, equity attributable to equity holders of the Bank amounted to RMB842,022 million, representing an increase of RMB47,931 million, or 6.04% compared with the prior year-end, which was mainly due to the increase of RMB17,933 million in retained earnings and other reserves and the proceeds of RMB29,998 million raised from the issuance of perpetual bonds.

3.2.3 Asset quality and capital adequacy ratios

In the first quarter of 2022, affected by the increasingly grave and complex international environment and the frequent outbreaks of COVID-19 in China, the repayment ability of some micro and small enterprises and individuals was under pressure, posing challenges to the Bank's asset quality control.

The Bank continued to strengthen asset quality control, stepped up efforts in NPL disposal, and maintained stable asset quality. As at the end of the reporting period, the Bank's NPL balance amounted to RMB55,790 million, representing an increase of RMB3,105 million compared with the prior year-end. The NPL ratio was 0.82%, remaining the same as that at the prior year-end. The balance of special mention loans amounted to RMB32,363 million, representing an increase of RMB1,953 million compared with the prior year-end. Special mention loan ratio was 0.48%, representing an increase of 0.01 percentage point compared with the prior year-end. The balance of overdue loans was RMB63,089 million, representing an increase of RMB5,730 million compared with the prior year-end. The overdue loan ratio was 0.93%, representing an increase of 0.04 percentage point compared with the prior year-end. The allowance to NPLs ratio was 413.58%, representing a decrease of 5.03 percentage points compared with the prior year-end. During the reporting period, newly generated NPLs stood at RMB9,976 million, with an NPL formation ratio¹ of 0.15%, representing a year-on-year increase of 0.02 percentage point.

As at the end of the reporting period, core tier 1 capital adequacy ratio was 9.61%, representing a decrease of 0.31 percentage point compared with the prior year-end; tier 1 capital adequacy ratio was 12.37%, representing a decrease of 0.02 percentage point compared with the prior year-end; capital adequacy ratio was 14.99%, representing an increase of 0.21 percentage point 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 + collection and 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

Upon approval by the China Banking and Insurance Regulatory Commission and the People's Bank of China, the Bank publicly issued RMB30 billion write-down undated capital bonds in the national interbank bond market in January 2022. The proceeds, after deduction of issuance expenses, were used to replenish additional tier 1 capital in accordance with applicable laws and the approval of competent authorities. Please refer to the announcements published by the Bank for details.

Upon approval by the China Banking and Insurance Regulatory Commission and the People's Bank of China, the Bank publicly issued RMB40 billion tier 2 capital bonds in the national interbank bond market in March 2022. The proceeds were used to replenish tier 2 capital in accordance with applicable laws and the approval of competent authorities. Please refer to the announcements published by the Bank for details.

For other material events disclosed by the Bank pursuant to regulatory requirements during the reporting period, please refer to the announcements published by the Bank.

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
April 29, 2022

As at the date of this announcement, the Board of the Bank comprises 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. FOR THE THREE MONTHS ENDED MARCH 31, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in millions of RMB unless otherwise stated)

	January to March 2022 (Unaudited)	January to March 2021 (Unaudited)
Interest income	116,799	109,059
Interest expense	(48,083)	(43,045)
Net interest income	68,716	66,014
Fee and commission income	16,089	14,239
Fee and commission expense	(7,002)	(7,729)
Net fee and commission income	9,087	6,510
Net trading gains	721	847
Net gains on investment securities	5,930	3,210
Net gains on derecognition of financial assets at amortized cost	–	3
Net other operating gains	802	799
Operating income	85,256	77,383
Operating expenses	(44,863)	(40,831)
Credit impairment losses	(11,598)	(12,327)
Impairment losses on other assets	(2)	(1)
Profit before income tax	28,793	24,224
Income tax expenses	(3,767)	(2,897)
Net profit	25,026	21,327

POSTAL SAVINGS BANK OF CHINA CO., LTD. FOR THE THREE MONTHS ENDED MARCH 31, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	January to March 2022 (Unaudited)	January to March 2021 (Unaudited)
Net profit attributable to:		
Equity holders of the Bank	24,977	21,201
Non-controlling interests	49	126
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of equity instrument investments measured at fair value through other comprehensive income	(885)	208
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	(1,881)	(517)
Total comprehensive income for the period	22,260	21,018
Total comprehensive income attributable to:		
Equity holders of the Bank	22,211	20,892
Non-controlling interests	49	126
Basic and diluted earnings per share (in RMB Yuan)	0.26	0.24

POSTAL SAVINGS BANK OF CHINA CO., LTD.

AS AT MARCH 31, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in millions of RMB unless otherwise stated)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets		
Cash and deposits with central bank	1,251,270	1,189,458
Deposits with banks and other financial institutions	110,140	90,782
Placements with banks and other financial institutions	262,705	280,093
Derivative financial assets	5,293	6,053
Financial assets held under resale agreements	334,305	265,229
Loans and advances to customers	6,580,600	6,237,199
Financial investments		
Financial assets measured at fair value through profit or loss	797,132	750,597
Financial assets measured at fair value through other comprehensive income – debt instruments	406,553	306,132
Financial assets measured at fair value through other comprehensive income – equity instruments	9,581	11,888
Financial assets measured at amortized cost	3,347,244	3,280,003
Investments in associates and joint ventures	650	–
Property and equipment	54,722	54,669
Deferred tax assets	59,049	56,319
Other assets	54,831	59,451
Total assets	13,274,075	12,587,873
Liabilities		
Borrowings from central bank	18,710	17,316
Deposits from banks and other financial institutions	105,891	154,809
Placements from banks and other financial institutions	60,792	42,565
Derivative financial liabilities	3,999	5,176
Financial assets sold under repurchase agreements	118,780	34,643
Customer deposits	11,919,329	11,354,073
Debt securities issued	101,346	81,426
Deferred tax liabilities	9	11
Other liabilities	101,690	102,305
Total liabilities	12,430,546	11,792,324

POSTAL SAVINGS BANK OF CHINA CO., LTD. AS AT MARCH 31, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Equity		
Share capital	92,384	92,384
Other equity instruments		
Preference shares	47,869	47,869
Perpetual bonds	139,984	109,986
Capital reserve	125,486	125,486
Other reserves	216,141	219,526
Retained earnings	220,158	198,840
Equity attributable to equity holders of the Bank	842,022	794,091
Non-controlling interests	1,507	1,458
Total equity	843,529	795,549
Total equity and liabilities	13,274,075	12,587,873

Liu Jianjun
(On behalf of the Board of Directors)

Zhang Xuewen
(On behalf of the Board of Directors)

POSTAL SAVINGS BANK OF CHINA CO., LTD. FOR THE THREE MONTHS ENDED MARCH 31, 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in millions of RMB unless otherwise stated)

	January to March 2022 (Unaudited)	January to March 2021 (Unaudited)
Cash flows from operating activities		
Profit before income tax	28,793	24,224
Adjustments for:		
Amortization of intangible assets and other assets	361	244
Depreciation of property and equipment, investment properties and right-of-use assets	2,037	1,844
Impairment losses on assets	11,600	12,328
– Credit impairment losses	11,598	12,327
– Impairment losses on other assets	2	1
Interest income arising from financial investments	(31,420)	(31,331)
Interest expense arising from debt securities issued	823	495
Net gains on investment securities	(5,930)	(3,213)
Unrealized exchange losses/(gains)	604	(241)
Net gains/(losses) from disposal of property, equipment and other assets	(11)	16
Subtotal	6,857	4,366
Net (increase)/decrease in operating assets		
Deposits with central bank	(63,893)	(53,784)
Deposits with banks and other financial institutions	(15,568)	(10,899)
Placements with banks and other financial institutions	7,437	(11,305)
Financial assets measured at fair value through profit or loss	(58,163)	(35,968)
Financial assets held under resale agreements	7,943	(11,024)
Loans and advances to customers	(357,298)	(273,187)
Other operating assets	4,034	(20,695)
Subtotal	(475,508)	(416,862)

POSTAL SAVINGS BANK OF CHINA CO., LTD. FOR THE THREE MONTHS ENDED MARCH 31, 2022

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	January to March 2022 (Unaudited)	January to March 2021 (Unaudited)
Net increase/(decrease) in operating liabilities		
Borrowings from central bank	1,390	(42)
Deposits from banks and other financial institutions	(48,965)	(7,495)
Placements from banks and other financial institutions	18,197	12,489
Financial assets sold under repurchase agreements	84,131	61,902
Customer deposits	608,643	473,574
Other operating liabilities	(49,210)	(13,275)
Subtotal	614,186	527,153
Net cash flows generated from operating activities before tax	145,535	114,657
Income tax paid	(1,977)	(1,753)
Net cash flows generated from operating activities	143,558	112,904
Net cash flows from operating activities include:		
Interest received	88,423	80,124
Interest paid	(90,561)	(54,718)

POSTAL SAVINGS BANK OF CHINA CO., LTD. FOR THE THREE MONTHS ENDED MARCH 31, 2022

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	January to March 2022 (Unaudited)	January to March 2021 (Unaudited)
Cash flows from investing activities		
Cash received from sale and redemption of financial investments	344,919	268,566
Cash received from income arising from financial investments	39,533	39,254
Cash received from disposal of property and equipment, intangible assets and other long-term assets	37	184
Cash paid for purchase of financial investments	(501,292)	(430,989)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets	(2,309)	(1,573)
Net cash flows used in investing activities	(119,112)	(124,558)
Cash flows from financing activities		
Cash received from issuance of ordinary shares	–	29,999
Cash received from issuance of perpetual bonds	30,000	30,000
Cash received from issuance of debt securities	40,000	–
Cash paid for dividends and interests	(5,178)	(3,852)
Cash paid for issuance of ordinary shares	–	(14)
Cash paid for issuance of perpetual bonds	(2)	–
Cash paid for issuance of debt securities	(3)	–
Cash paid for repayment of debt securities	(20,000)	–
Cash paid to repay principal and interest of lease liabilities	(939)	(998)
Net cash flows generated from financing activities	43,878	55,135
Effect of exchange rate changes on cash and cash equivalents	(78)	69
Net increase in cash and cash equivalents	68,246	43,550
Balance of cash and cash equivalents at the beginning of period	313,766	335,526
Balance of cash and cash equivalents at the end of period	382,012	379,076

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	March 31, 2022		December 31, 2021	
	Consolidated	The Bank	Consolidated	The Bank
Calculated in accordance with the Capital Rules for Commercial Banks (Provisional):				
Core tier 1 capital – net	652,776	632,300	635,024	619,935
Tier 1 capital – net	840,751	820,153	793,006	777,789
Net capital	1,018,605	997,403	945,992	930,200
Core tier 1 capital adequacy ratio (%)	9.61	9.36	9.92	9.74
Tier 1 capital adequacy ratio (%)	12.37	12.14	12.39	12.22
Capital adequacy ratio (%)	14.99	14.77	14.78	14.62

TABLE OF LEVERAGE RATIO

In millions of RMB, except for percentages

Item	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Tier 1 capital – net	840,751	793,006	776,553	747,728
On- and off-balance sheet assets after adjustments	13,733,769	13,010,219	12,673,915	12,677,234
Leverage ratio (%)	6.12	6.10	6.13	5.90

TABLE OF LIQUIDITY COVERAGE RATIO

In millions of RMB, except for percentages

Item	March 31, 2022	December 31, 2021
High-quality liquid assets	2,332,446	2,337,935
Net cash outflow for the next 30 days	947,973	940,684
Liquidity coverage ratio (%)	246.05	248.54