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POSTAL SAVINGS BANK OF CHINA CO., LTD. 中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

Postal Savings Bank of China Co., Ltd. Third Quarterly Report of 2020

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 (collectively, the “**Group**”) for the nine months ended September 30, 2020. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. IMPORTANT NOTICE

- 1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and members of the senior management of the Bank undertake that the information in this quarterly report is true, accurate and complete, contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities for the information in this quarterly report.
- 1.2 The Third Quarterly Report of 2020 has been considered and approved at the meeting of the Board of Directors of the Bank held on October 29, 2020. 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 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 the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in this quarterly report are true, accurate and complete.

2. CORPORATE INFORMATION

2.1 Basic information

	Stock name	Stock code	Stock exchange on which shares are listed
A shares	Postal Savings Bank of China	601658	Shanghai Stock Exchange
H shares	Postal Savings Bank of China	1658	The Stock Exchange of Hong Kong Limited
Offshore preference shares	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 Group, and is presented in RMB.

2.2.1 Major accounting data and financial indicators

Expressed in millions of RMB, unless otherwise stated

Item	September 30, 2020	December 31, 2019	Changes as compared to the end of the previous year (%)
Total assets	11,133,942	10,216,706	8.98
Total loans and advances to customers	5,652,101	4,974,186	13.63
Allowance for impairment losses on loans	199,877	166,124	20.32
Financial investments	3,998,805	3,675,030	8.81
Total liabilities	10,475,700	9,671,827	8.31
Customer deposits	10,006,331	9,314,066	7.43
Equity attributable to shareholders of the Bank	657,179	543,867	20.83
Net assets per share (in RMB)	6.09	5.75	5.91

Expressed in millions of RMB, unless otherwise stated

Item	July to September 2020	Changes as compared to the period from July to September of the previous year (%)	January to September 2020	Changes as compared to the period from January to September of the previous year (%)
Operating income	70,042	1.73	216,527	2.83
Net profit	19,222	13.59	52,895	(2.67)
Net profit attributable to shareholders of the Bank	19,186	13.48	52,844	(2.66)
Net cash flows from operating activities	N/A	N/A	23,559	(72.79)
Basic and diluted earnings per share (in RMB) ⁽¹⁾	0.22	4.76	0.58	(9.38)
Return on weighted average equity (%, annualized) ⁽¹⁾	14.27	Down by 0.11 percentage point	13.17	Down by 2.52 percentage points

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

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

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

2.3 Number of ordinary shareholders and shareholdings

As of the end of the reporting period, the Bank's total ordinary shareholders amounted to 277,059 (including 274,293 A shareholders and 2,766 H shareholders) and there were no holders of preference shares with voting rights restored.

The top 10 ordinary shareholders as of the end of the reporting period are as follows:

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of shares pledged or locked up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	56,752,833,873	65.25	55,847,933,782	–	State-owned legal person	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,233,630	22.81	–	Unknown	Foreign legal person	Overseas listed foreign shares
China Life Insurance Company Ltd.	3,341,900,000	3.84	3,341,900,000	–	State-owned legal person	RMB ordinary shares
China Telecommunications Corporation	1,117,223,218	1.28	1,117,223,218	–	State-owned legal person	RMB ordinary shares
Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.	738,820,000	0.85	738,820,000	–	Domestic non-state-owned legal person	RMB ordinary shares
China Construction Bank Corporation – E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	461,009,000	0.53	461,009,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Bank of China Limited – China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	424,837,000	0.49	424,837,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited – China Southern 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	343,983,000	0.40	343,983,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited – China Universal 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	271,640,000	0.31	271,640,000	–	Domestic non-state-owned legal person	RMB ordinary shares
Industrial and Commercial Bank of China Limited – China AMC 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	212,773,000	0.24	212,773,000	–	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 institutions and individual investors registered with the company as of the end of the reporting period, which includes the 67,400,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): 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.

The top 10 ordinary shareholders not subject to restrictions on sales as of the end of the reporting period are as follows:

Name of shareholder	Number of floating shares held not subject to restrictions on sales	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	19,843,233,630	Overseas listed foreign shares	19,843,233,630
China Post Group Corporation Limited	904,900,091	RMB ordinary shares	837,500,091
		Overseas listed foreign shares	67,400,000
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Dajia Life Insurance Co., Ltd. – Universal Products	100,786,856	RMB ordinary shares	100,786,856
Foresea Life Insurance Co., Ltd. – Self-owned Fund	99,999,997	RMB ordinary shares	99,999,997
Huaxia Life Insurance Co., Ltd. – Self-owned Fund	91,011,759	RMB ordinary shares	91,011,759
Hong Kong Securities Clearing Company Limited	90,963,636	RMB ordinary shares	90,963,636
Sinatay Life Insurance Co., Ltd. – Traditional Products	80,171,700	RMB ordinary shares	80,171,700
Rizhao Steel Co., Ltd.	42,306,015	RMB ordinary shares	42,306,015
National Social Security Fund – Portfolio 114	40,721,431	RMB ordinary shares	40,721,431

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 institutions and individual investors registered with the company as of the end of the reporting period, which includes the 67,400,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

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

Note (3): The Bank is not aware of any connected relations among the aforementioned shareholders or between the aforementioned shareholders and the top 10 shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

2.4 Number of offshore preference shareholders and shareholdings

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

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

share

Note (1): The shareholdings of offshore preference shareholders are calculated based on the information listed in the register of offshore preference shareholders of the Bank.

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

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

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

Financial Results

During the reporting period, the net profit of the Group amounted to RMB52,895 million, representing a decrease of 2.67% as compared to the same period of the previous year. Annualized return on average total assets was 0.66% and annualized return on weighted average equity was 13.17%.

During the reporting period, the operating income of the Group amounted to RMB216,527 million, representing an increase of 2.83% as compared to the same period of the previous year.

Net interest income was RMB186,403 million, representing an increase of 4.03% as compared to the same period of the previous year. Net interest spread was 2.35%, and net interest margin was 2.40%. Net fee and commission income amounted to RMB14,952 million, representing an increase of 11.18% as compared to the same period of the previous year. Cost-to-income ratio was 54.01%.

Assets and Liabilities

As of the end of the reporting period, total assets of the Group amounted to RMB11,133,942 million, representing an increase of RMB917,236 million or 8.98% as compared to the end of the previous year. Total loans and advances to customers amounted to RMB5,652,101 million, representing an increase of RMB677,915 million or 13.63% as compared to the end of the previous year, of which corporate loans were RMB1,991,447 million, personal loans were RMB3,193,996 million and discounted bills were RMB466,658 million.

Total liabilities amounted to RMB10,475,700 million, representing an increase of RMB803,873 million or 8.31% as compared to the end of the previous year. Customer deposits amounted to RMB10,006,331 million, representing an increase of RMB692,265 million or 7.43% as compared to the end of the previous year, of which corporate deposits were RMB1,252,508 million and personal deposits were RMB8,751,057 million.

Total shareholders' equity amounted to RMB658,242 million, representing an increase of RMB113,363 million or 20.81% as compared to the end of the previous year.

Asset Quality and Capital Adequacy

As of the end of the reporting period, according to the five-category classification of loans, the balance of non-performing loans of the Group was RMB49,762 million, the non-performing loan ratio was 0.88%, and the allowance to NPLs ratio was 403.21%.

As of the end of the reporting period, the core tier 1 capital adequacy ratio was 9.51%, tier 1 capital adequacy ratio was 11.81%, and capital adequacy ratio was 13.86%, all meeting regulatory requirements.

4. SIGNIFICANT EVENTS

4.1 Significant changes in key financial data and financial indicators and the reasons thereof

✓ Applicable Not Applicable

Expressed in millions of RMB, unless otherwise stated

Item	September 30, 2020	December 31, 2019	Change (%)	Major reasons for change
Deposits with banks and other financial institutions	43,345	28,373	52.77	Increase in fixed deposits with banks
Derivative financial assets	6,751	5,009	34.78	Increase in valuation of derivative contracts arising from fluctuation of exchange rate and other factors, resulting in the increase in derivative financial assets
Financial assets held under resale agreements	60,176	147,394	(59.17)	Decrease in bonds held under resale agreement
Financial assets at fair value through profit or loss	430,588	310,161	38.83	Increase in debt securities and securities investment funds at fair value through profit or loss
Financial assets at fair value through other comprehensive income – debt instruments	312,039	228,672	36.46	Increase of investments in debt securities at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income – equity instruments	5,443	1,053	416.90	Increase of investments in equity instruments designated at fair value through other comprehensive income
Other assets	54,007	34,671	55.77	Increase in clearance payables
Borrowings from the central bank	23,432	–	N/A	Borrowings from the central bank during the reporting period, including special central bank lending for poverty alleviation and pandemic control
Deposits from banks and other financial institutions	92,645	47,252	96.07	Increase in interbank borrowing to meet the needs for assets and liabilities allocation
Placements from banks and other financial institutions	54,388	25,796	110.84	Increase in placements of fund to meet the needs for assets and liabilities allocation
Other equity instruments – perpetual bonds	79,989	–	N/A	Issuance of undated capital bonds during the reporting period

Expressed in millions of RMB, unless otherwise stated

Item	January to September 2020	January to September 2019	Change (%)	Major reasons for change
Net gains/(losses) from other operations	(339)	4,015	(108.44)	Decrease in exchange gains arising from fluctuation of exchange rate
Other comprehensive income	(2,859)	135	(2,217.78)	Decrease in valuation on financial assets at fair value through other comprehensive income

4.2 Development of significant events and analysis of their implications and solutions

Applicable Not Applicable

4.2.1 Issuance of undated capital bonds

In May 2020, the Proposal on the Issuance of Write-down Undated Capital Bonds by Postal Savings Bank of China was considered and approved at the 2019 Annual General Meeting held by the Bank. The Bank proposed to issue write-down undated capital bonds with a total amount of no more than RMB60 billion (inclusive) or equivalent in foreign currency. During the reporting period, the Bank received approvals from the China Banking and Insurance Regulatory Commission and the People's Bank of China, pursuant to which the public issuance of the undated capital bonds of not more than RMB60 billion in China interbank bond market by the Bank was approved. For details, please refer to the announcements of the Bank published on the websites of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

4.3 Undertakings failed to be fulfilled during the reporting period

Applicable Not Applicable

4.4 Warnings and explanations of any forecasted losses or significant changes as compared to the same period of the previous year in accumulated net profit from the beginning of the year to the end of the next reporting period

Applicable Not Applicable

4.5 Implementation of cash dividend policy during the reporting period

✓ Applicable Not Applicable

The profit distribution plan for 2019 of the Bank was considered and approved at the 2019 Annual General Meeting held by the Bank on May 28, 2020. On the basis of 86,978,562,200 ordinary shares, cash dividends will be distributed to all the ordinary shareholders whose names appeared on the share register on the record date with RMB2.102 (tax included) per ten shares, totaling approximately RMB18,283 million (tax included). The implementation of the profit distribution plan has been completed.

According to the resolution and authorization of the Shareholders' General Meeting and upon the consideration and approval at the 5th meeting of the Board of Directors of the Bank in 2020, the Bank was approved to distribute dividends on the offshore preference shares for the period from September 27, 2019 (inclusive) to September 27, 2020 (exclusive) on September 27, 2020, with a dividend rate of 4.50% (after tax), totaling USD362.5 million (before tax), of which USD326.25 million (after tax) were paid to the holders of offshore preference shares. The implementation of the dividend distribution plan of the offshore preference shares has been completed.

5. APPENDICES

- 5.1 Financial statements prepared in accordance with IFRSs are attached in Appendix I to this report**
- 5.2 Capital adequacy ratios, leverage ratio and liquidity coverage ratio are attached in Appendix II to this report**

6. RELEASE OF QUARTERLY REPORT

This report will be published simultaneously on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.psbc.com). The quarterly report prepared in accordance with PRC GAAP will be published simultaneously on the website of the Shanghai Stock Exchange (www.sse.com.cn) and that of the Bank (www.psbc.com).

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

Beijing, PRC
October 29, 2020

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; Mr. Guo Xinshuang, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Liu Yaogong, 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 COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

(All amounts in millions of RMB unless otherwise stated)

	July to September 2020 (Unaudited)	July to September 2019 (Unaudited)	January to September 2020 (Unaudited)	January to September 2019 (Unaudited)
Interest income	105,142	98,710	306,464	289,007
Interest expense	<u>(41,693)</u>	<u>(38,612)</u>	<u>(120,061)</u>	<u>(109,827)</u>
Net interest income	<u>63,449</u>	<u>60,098</u>	<u>186,403</u>	<u>179,180</u>
Fee and commission income	9,465	7,833	27,285	24,533
Fee and commission expense	<u>(4,241)</u>	<u>(3,724)</u>	<u>(12,333)</u>	<u>(11,085)</u>
Net fee and commission income	<u>5,224</u>	<u>4,109</u>	<u>14,952</u>	<u>13,448</u>
Net trading gains	555	200	2,326	2,772
Net gains on investment securities	3,077	1,937	13,184	11,024
Net gains on derecognition of financial assets at amortized cost	–	91	1	119
Net gains/(losses) from other operations	<u>(2,263)</u>	<u>2,419</u>	<u>(339)</u>	<u>4,015</u>
Operating income	<u>70,042</u>	<u>68,854</u>	<u>216,527</u>	<u>210,558</u>
Operating expenses	(41,920)	(38,528)	(118,584)	(111,750)
Credit impairment losses	(6,975)	(12,165)	(40,565)	(39,858)
Impairment losses on other assets	<u>(4)</u>	<u>(1)</u>	<u>(8)</u>	<u>(4)</u>
Profit before tax	21,143	18,160	57,370	58,946
Income tax expenses	<u>(1,921)</u>	<u>(1,238)</u>	<u>(4,475)</u>	<u>(4,602)</u>
Net profit	<u>19,222</u>	<u>16,922</u>	<u>52,895</u>	<u>54,344</u>

POSTAL SAVINGS BANK OF CHINA CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	July to September 2020 (Unaudited)	July to September 2019 (Unaudited)	January to September 2020 (Unaudited)	January to September 2019 (Unaudited)
Net profit attributable to:				
Shareholders of the Bank	19,186	16,907	52,844	54,288
Non-controlling interests	36	15	51	56
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value changes of equity instrument investment designated at fair value through other comprehensive income	633	–	947	–
Items that may be reclassified subsequently to profit or loss				
Net gains/(losses) on financial assets at fair value through other comprehensive income	(3,329)	614	(3,806)	135
Other comprehensive income	(2,696)	614	(2,859)	135
Total comprehensive income for the period	<u>16,526</u>	<u>17,536</u>	<u>50,036</u>	<u>54,479</u>
Total comprehensive income attributable to:				
Shareholders of the Bank	16,490	17,521	49,985	54,423
Non-controlling interests	36	15	51	56
Basic and diluted earnings per share (in RMB Yuan)				
Basic/Diluted	<u>0.22</u>	<u>0.21</u>	<u>0.58</u>	<u>0.64</u>

POSTAL SAVINGS BANK OF CHINA CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

(All amounts in millions of RMB unless otherwise stated)

	As at September 30, 2020 (Unaudited)	As at December 31, 2019 (Audited)
Assets		
Cash and deposits with central bank	1,156,533	1,154,843
Deposits with banks and other financial institutions	43,345	28,373
Placements with banks and other financial institutions	263,072	269,597
Derivative financial assets	6,751	5,009
Financial assets held under resale agreements	60,176	147,394
Loans and advances to customers	5,452,224	4,808,062
Financial investments		
Financial assets at fair value through profit or loss	430,588	310,161
Financial assets at fair value through other comprehensive income – debt instruments	312,039	228,672
Financial assets at fair value through other comprehensive income – equity instruments	5,443	1,053
Financial assets at amortized cost	3,250,735	3,135,144
Property and equipment	46,617	46,490
Deferred tax assets	52,412	47,237
Other assets	54,007	34,671
Total assets	<u>11,133,942</u>	<u>10,216,706</u>
Liabilities		
Borrowings from central bank	23,432	–
Deposits from banks and other financial institutions	92,645	47,252
Placements from banks and other financial institutions	54,388	25,796
Derivative financial liabilities	6,102	5,065
Financial assets sold under repurchase agreements	103,935	98,658
Customer deposits	10,006,331	9,314,066
Debt securities issued	97,696	96,979
Other liabilities	91,171	84,011
Total liabilities	<u>10,475,700</u>	<u>9,671,827</u>

**POSTAL SAVINGS BANK OF CHINA CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020 (CONTINUED)**

(All amounts in millions of RMB unless otherwise stated)

	As at September 30, 2020 (Unaudited)	As at December 31, 2019 (Audited)
Equity		
Share capital	86,979	86,203
Other equity instruments		
Preference shares	47,869	47,869
Perpetual bonds	79,989	–
Capital reserve	100,906	97,477
Other reserves	152,036	154,887
Retained earnings	<u>189,400</u>	<u>157,431</u>
Equity attributable to shareholders of the Bank	<u>657,179</u>	<u>543,867</u>
Non-controlling interests	<u>1,063</u>	<u>1,012</u>
Total equity	<u><u>658,242</u></u>	<u><u>544,879</u></u>
Total equity and liabilities	<u><u>11,133,942</u></u>	<u><u>10,216,706</u></u>

Zhang Jinliang

(On behalf of Board of Directors)

Zhang Xuewen

(On behalf of Board of Directors)

POSTAL SAVINGS BANK OF CHINA CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(All amounts in millions of RMB unless otherwise stated)

	January to September 2020 (Unaudited)	January to September 2019 (Unaudited)
Cash flows from operating activities		
Profit before income tax	57,370	58,946
Adjustments for:		
Amortization of intangible assets and other assets	633	529
Depreciation of property and equipment, investment properties and right-of-use assets	5,316	4,689
Impairment losses on assets	40,573	39,862
Interest income arising from financial investments	(94,223)	(95,013)
Interest expense arising from debt securities issued	2,809	2,495
Net gains on investment securities	(13,185)	(11,024)
Unrealized exchange gains	1,247	(2,584)
Net losses from disposal of property and equipment and other assets	2	8
Subtotal	<u>542</u>	<u>(2,092)</u>
Net (increase)/decrease in operating assets		
Deposits with central bank	(26,070)	62,321
Deposits with banks and other financial institutions	(7,277)	90,614
Placements with banks and other financial institutions	(15,137)	1,725
Financial assets at fair value through profit or loss	(16,153)	11,877
Financial assets held under resale agreements	6,961	2,852
Loans and advances to customers	(685,064)	(580,405)
Other operating assets	(22,539)	(16,951)
Subtotal	<u>(765,279)</u>	<u>(427,967)</u>
Net increase/(decrease) in operating liabilities		
Borrowings from central bank	23,432	-
Deposits from banks and other financial institutions	45,083	(30,281)
Placements from banks and other financial institutions	28,593	(9,234)
Financial liabilities at fair value through profit or loss	-	(2,360)
Financial assets sold under repurchase agreements	5,569	26,917
Customer deposits	676,579	528,234
Other operating liabilities	17,428	23,915
Subtotal	<u>796,684</u>	<u>537,191</u>

POSTAL SAVINGS BANK OF CHINA CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(CONTINUED)

(All amounts in millions of RMB unless otherwise stated)

	January to September 2020 (Unaudited)	January to September 2019 (Unaudited)
Net cash flows from operating activities before income tax	31,947	107,132
Income tax paid	<u>(8,388)</u>	<u>(20,562)</u>
Net cash flows from operating activities	23,559	86,570
Net cash flows from operating activities include:		
Interest received	217,553	197,845
Interest paid	<u>(101,545)</u>	<u>(97,643)</u>
Cash flows from investing activities		
Cash received from sale and redemption of financial investments	569,111	432,405
Cash received from income arising from financial investments	106,187	103,138
Cash paid for purchase of financial investments	(879,468)	(735,453)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets	(2,980)	(3,077)
Cash received from disposal of property and equipment, intangible assets and other long-term assets	<u>41</u>	<u>24</u>
Net cash outflow from investing activities	(207,109)	(202,963)
Cash flows from financing activities		
Cash from issuance of ordinary shares	4,203	–
Dividend paid	(20,867)	(18,197)
Interests paid on debt securities issued	(2,640)	(2,266)
Cash received from issuance of perpetual bonds	80,000	–
Cash received from issuance of debt securities	59,060	52,546
Cash payments for issuance of perpetual bonds	(11)	–
Cash payments for issuance of shares	(1)	–
Repayment of debt securities	(58,512)	(23,714)
Cash payments for principal and interest of lease liabilities	<u>(3,548)</u>	<u>(2,310)</u>
Net cash inflow from financing activities	57,684	6,059
Effect of exchange rate changes on cash and cash equivalents	(1,094)	2,407
Net decrease in cash and cash equivalents	(126,960)	(107,927)
Balance of cash and cash equivalents at the beginning of the period	<u>280,348</u>	<u>402,420</u>
Balance of cash and cash equivalents at the end of the period	153,388	294,493

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, 2020		December 31, 2019	
	The Group	The Bank	The Group	The Bank
Calculated in accordance with the Capital Rules for Commercial Banks (Provisional):				
Net core tier 1 capital	527,846	515,809	492,212	481,244
Net tier 1 capital	655,785	643,668	540,160	529,113
Net capital	769,538	756,993	671,834	660,443
Core tier 1 capital adequacy ratio (%)	9.51	9.33	9.90	9.72
Tier 1 capital adequacy ratio (%)	11.81	11.65	10.87	10.69
Capital adequacy ratio (%)	13.86	13.70	13.52	13.34

TABLE OF LEVERAGE RATIO

In millions of RMB, except for percentages

Item	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net tier 1 capital	655,785	636,586	644,503	540,160
On and off-balance sheet assets after adjustments	11,623,969	11,423,194	11,234,217	10,669,732
Leverage ratio (%)	5.64	5.57	5.74	5.06

TABLE OF LIQUIDITY COVERAGE RATIO

In millions of RMB, except for percentages

Item	September 30, 2020	December 31, 2019
High-quality liquid assets	2,133,586	2,087,050
Net cash outflow for the next 30 days	1,150,613	892,514
Liquidity coverage ratio (%)	185.43	233.84