

2020 Interim Results Presentation

August 2020

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Note: 1. Unless otherwise specified, the data in this presentation is all in line with IFRSs and is presented in RMB.
2. Some of the data has been rounded based on the data in the interim report.



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Outlook

01 | Business Performance

Key Financial Indicators

(in RMB100 million)	30 Jun. 2020	31 Dec. 2019	Change
Total assets	109,661.86	102,167.06	↑ 7.34%
Total loans to customers	54,811.04	49,741.86	↑ 10.19%
Total liabilities	103,244.70	96,718.27	↑ 6.75%
Customer deposits	98,665.83	93,140.66	↑ 5.93%

	30 Jun. 2020	31 Dec. 2019	Change
Capital adequacy ratio (CAR)	13.97%	13.52%	↑ 0.45ppts
NPLs ratio	0.89%	0.86%	↑ 0.03ppts
Allowance to NPLs ratio	400.12%	389.45%	↑ 10.67ppts

(in RMB100 million)	1H2020	1H2019	Change
Operating income	1,464.85	1,417.04	↑ 3.37%
Net interest income	1,229.54	1,190.82	↑ 3.25%
Net fee & commission income	97.28	93.39	↑ 4.17%
Pre-provision operating profit (PPOP)	698.21	684.82	↑ 1.96%
Net profit	336.73	374.22	↓ 10.02%

Business Performance

Work together to support the fight against COVID-19

Leverage network strength to serve the people's livelihood

According to the overall plan of the central government on pandemic prevention and control, the Bank made reasonable business opening arrangements for outlets, leveraged network strength and ensured smooth provision of basic financial services to the greatest extent. So far, all outlets of the Bank that are open to the public **have returned to normal operations**, and **their business volume is gradually recovering**.

Leverage the Bank's characteristic strength to support micro and small businesses in work and production resumption

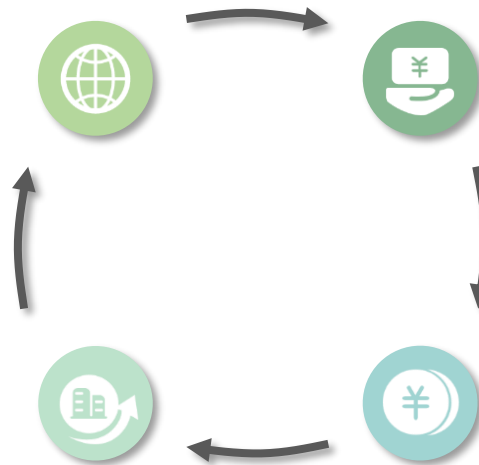
The Bank focused on providing financial services to Sannong customers, urban and rural residents and SMEs. The balance of inclusive loans to small and micro enterprises amounted to **RMB756,612 million**, representing an increase of **RMB103,427 million** compared with the prior year-end.

Steadily implement the targeted central bank lending to provide sufficient credit support to enterprises

In 1H2020, the Bank granted a total of more than **RMB100 billion** loans to enterprises of all types relating to pandemic prevention and control, and granted nearly **RMB9 billion** targeted central bank lending to nearly **700** key enterprises on pandemic prevention and control.

Respond to the central government's call to cut fees and make interest concessions, to reduce enterprises' financing cost

In 1H2020, the interest rate of new loans granted by the Bank to enterprises fell by over **40 bps** year on year, and that of inclusive loans to small and micro enterprises fell by over **60 bps** year on year.



Business Performance

Actively perform duties as a major state-owned bank and fully serve the real economy

Strengthen support to key fields of inclusive finance and contribute to the fight against poverty

- The Bank increased credit supply to impoverished areas, gave further favorable policies and resource guarantee to such areas, and improved the basic financial services in poverty-stricken areas, making all efforts to contribute to the fight against poverty.
- The balance of the agriculture-related loans was **RMB1.35 trillion** and the balance of targeted poverty alleviation loans was **RMB90,226 million**.



Increase support to major national strategies and focus on the construction of "new infrastructure and new urbanization initiatives and major projects"

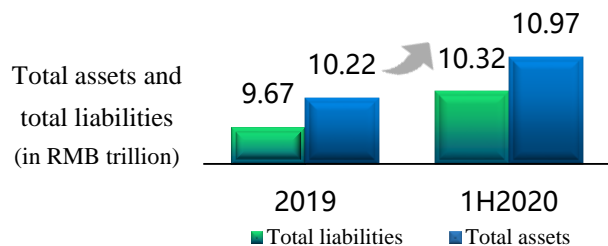
- The Bank actively supported the development of key strategic development areas such as Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze Economic Belt.
- The Bank gave major support to the construction of **new infrastructure, new urbanization initiatives and major projects such as transportation and water conservancy projects**.

Implement the national policy of strengthening the fundamental role of consumption in economic development and continue to steadily develop consumer credit business

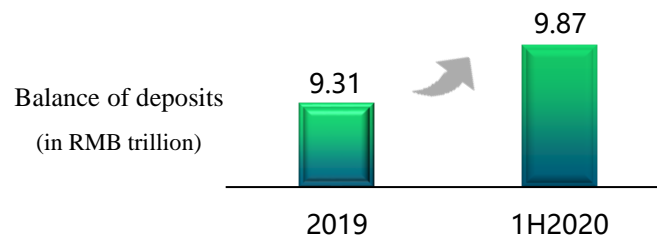
- The balance of consumer loans was **RMB2.20 trillion**, up by **9.21%** compared with the prior year-end.
- The balance of personal micro loans was **RMB709,268 million**, up by **16.24%** compared with the prior year-end.

Business Performance

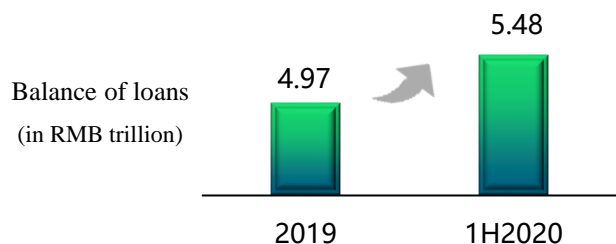
- Increases of total assets and total liabilities from the prior year-end **7.34% 6.75%**



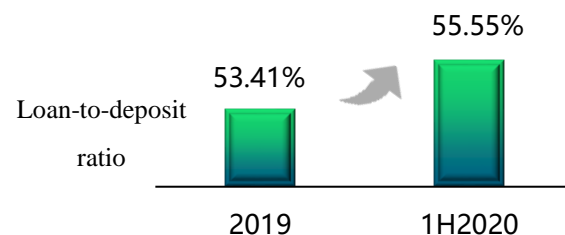
- Increase of the balance of deposits from the prior year-end **5.93%**



- Increase of the balance of loans from the prior year-end **10.19%**

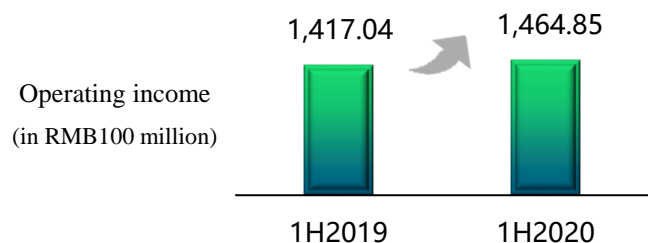


- Increase of loan-to-deposit ratio **2.14ppts**

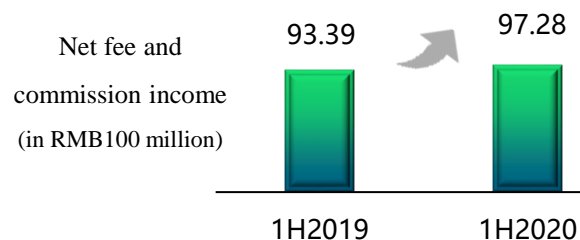


Business Performance

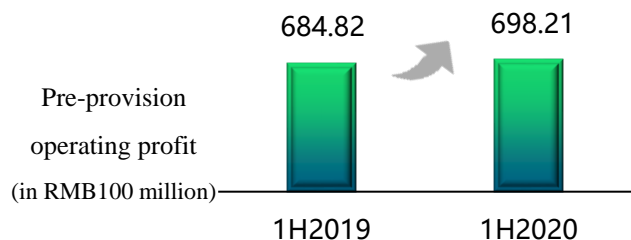
- YoY increase of operating income **3.37%**



- YoY increase of net fee and commission income **4.17%**



- YoY increase of PPOP **1.96%**



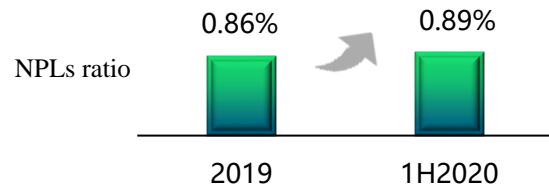
- Profitability

Net interest margin **2.42%**

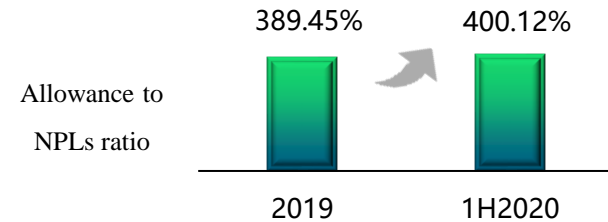
Net interest spread **2.36%**

Business Performance

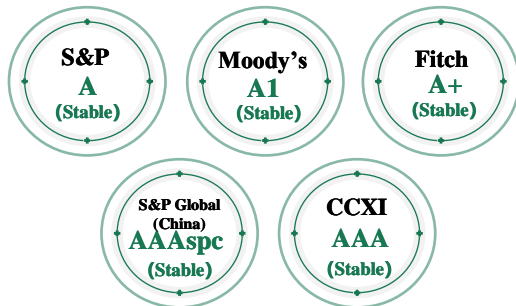
- Slight increase of NPLs ratio from the prior year-end **0.03ppts**



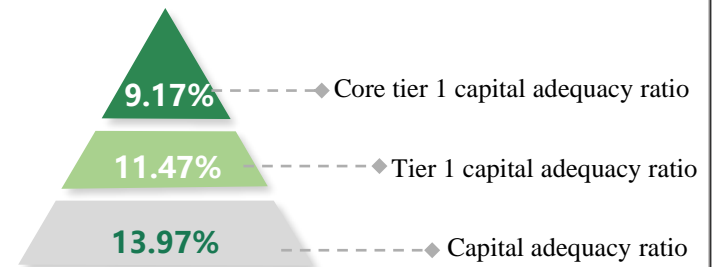
- Increase of allowance to NPLs ratio from the prior year-end **10.67ppts**



- Credit rating



- Capital adequacy ratio



02 Business Strategies



Stick to the strategic positioning—retail business



Be customer-centered

- Huge and characteristic customer groups, with **613 million** individual customers
- VIP customers increased by **8.33%** from the prior year-end.
- AUM reached **RMB10.78 trillion**.



Build scenarios

- **Online scenarios:** The Bank was gradually forming characteristic ecological layout of “**PSBC Canteen+postal service+life scenarios**”. The number of real-name-verified users of “PSBC Canteen” was **36.743 million**, up by **222.67%** compared with the prior year-end. It introduced the “**U Star Party**” live streaming platform, and promoted special zones including “**U micro-store**”.
- **Offline scenarios:** Based outlets covering urban and rural areas, the Bank continued to advance the development of micro business circles and industry development in an orderly manner and formed **over 2,000** business circle development plans.



Diversify products

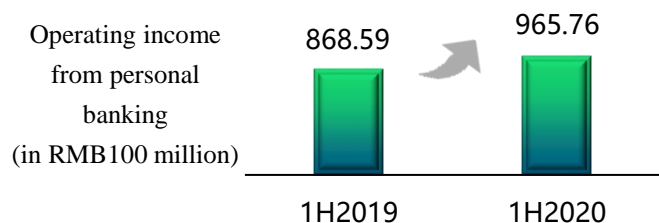
- The Bank vigorously developed low-cost deposits. The funding cost of personal deposits was **1.61%** in 1H2020.
- The Bank built a “two-wheel driven” customer acquisition mode featuring **exploration of existing customers internally and expansion of cooperation externally**. In 1H2020, the balance of non-housing consumer loans reached **RMB359.2 billion**, an increase of **13.19%** from the prior year-end; and the growth in the number of credit cards in circulation in 1H2020 **topped the industry**.
- The Bank vigorously promoted the development of e-payment business and continued to carry out marketing promotion with **Tenpay, Alipay, JD.com and UnionPay**.
- The Bank improved development capability of investment and wealth management business on all sides, sped up the development of the wealth management system, and continued to enrich products.



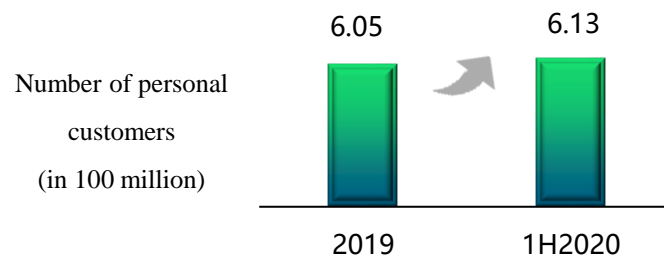


Stick to the strategic positioning—retail business

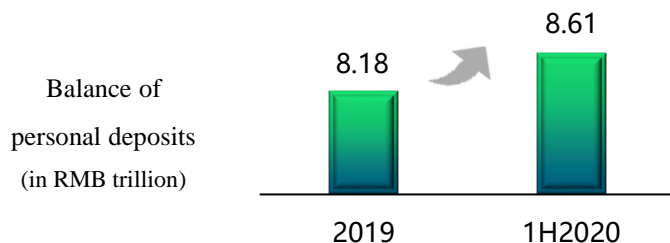
- YoY increase of operating income from personal banking **11.19%**



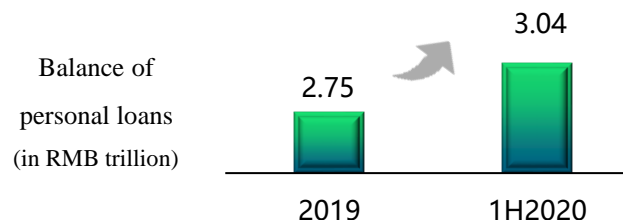
- Number of personal customers **613 million**



- Increase of the balance of personal deposits from the prior year-end **5.15%**

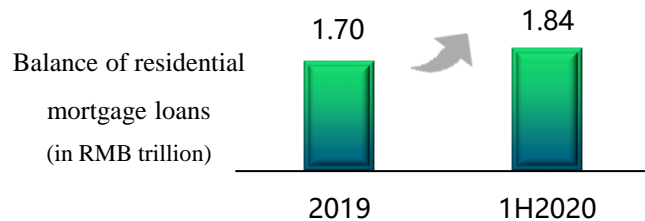


- Increase of the balance of personal loans from the prior year-end **10.46%**

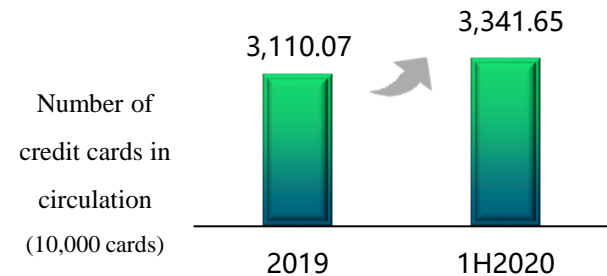


Stick to the strategic positioning—retail business

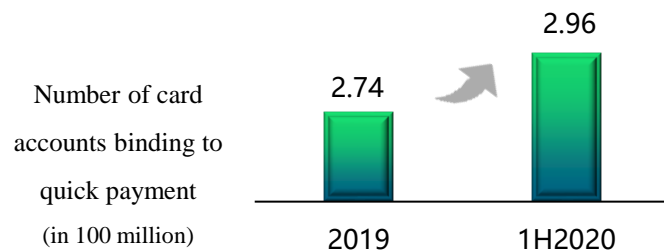
- Increase of the balance of residential mortgage loans from the prior year-end **8.47%**



- Increase of the number of credit cards in circulation from the prior year-end **7.45%**



- Increase of the number of card accounts binding to quick payment from the prior year-end **8.03%**



- Speed up the development of the wealth management system

The Bank continued to advance the development of the wealth management system, and comprehensively improved wealth management level by enhancing the capabilities of the wealth management team, enriching product types and supply and building differentiated customer service models.



Stick to the strategic positioning—corporate business

Focus on expanding basic customer base

- The Bank strengthened the expansion of corporate customers through six initiatives, namely “**increasing customers in campaigns, attracting customers on platforms, capturing customers online, exploring existing customers, expanding customer base through cooperation and retaining customers with services**”.
- In 1H2020, the number of corporate customers increased significantly to **747,200**, an increase of **89,100** from the prior year-end.

1

Leverage traditional strengths to expand deposit and loan business

- The balance of corporate deposits recorded **RMB1.26 trillion**, an increase of **RMB129,409 million** or **11.46%** from the prior year-end.
- The balance of corporate loans recorded **RMB1.95 trillion**, an increase of **RMB208.4 billion** or **11.97%** from the prior year-end.

2

Speed up the building of the transaction banking product system

- The Bank officially launched the online corporate banking system 2.0.
- The Bank continued to promote the development of the open-ended payment platform and enrich payment scenarios. The number of open-ended payment cooperative institutions reached **4,996**, an increase of **3,654** compared with the prior year-end, covering more than **50%** of county-level administrative districts.

3

Improve integrated products and services for investment banking

- The Bank intensified product innovation and promotion, designed a variety of anti-pandemic financing products and issued **China's first innovative anti-pandemic debt financing plan and the first “poverty alleviation + pandemic prevention and control” asset-backed note** to achieve breakthroughs in key businesses.
- In 1H2020, the Bank underwrote a variety of bonds with a total amount of **RMB190,407 million**.

4

Stick to the strategic positioning—treasury and asset management

Financial markets

Achieve breakthroughs in product innovation

Became **one of the first** commercial banks to obtain the **qualification of interbank RMB interest rate options trading**, and obtained the qualification for **“Bond Connect”** business

Achieve breakthroughs in structural adjustment

Actively promoted improvement in structures of interbank investment business, and focused on products with **a high degree of standardization and relatively competitive returns**

Interbank business

Asset management business

Achieve breakthroughs in transformation and development

Created a product system featuring **“inclusion + wealth + pension”**, continuously diversified its product strategies, and steadily advanced NAV-based products, with their scale and speed of growth ranking high among others in the industry

Achieve breakthroughs in key products

Enhanced collaboration and cooperation, innovated the marketing model, and focused on key products such as public funds and insurance funds
Assets under custody recorded **RMB4.14 trillion**, an increase of **RMB159,975 million** from the prior year-end.

Custody business

Speed up digital transformation

- Accelerate the building of the information technology team, and carry out regular recruitment



Increase of the number of IT personnel at the Head Office from the prior year-end

20.35%

In accordance with the general principle of “**attracting, retaining and making good use of IT personnel**”, the Bank further optimized and improved the system and mechanism for the training of IT talents.

- Strengthen the leading role of technology, and accelerate IT development



Work resumption rate during the pandemic

Over 96%

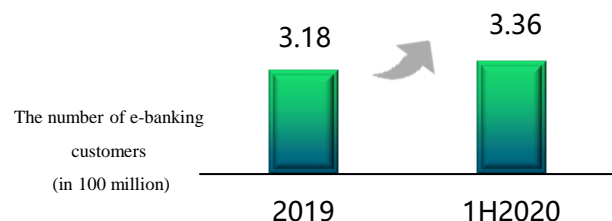


Overall progress of the "13th Five-Year" IT planning

Over 90%

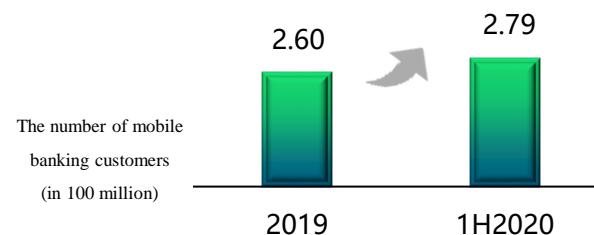
- Build technology capability to support business development

The number of e-banking customers reached **336 million**



- Build technology capability to support business development

The number of mobile banking customers reached **279 million**



Improve risk resistance capability

Actively respond to the impact of the pandemic, and continue to strengthen comprehensive risk management

- Implemented **differentiated credit granting** policy and standard
- Carried out in-depth **comprehensive risk assessment**
- Enhanced **monitoring and diffusion of risks** during the pandemic
- Strengthened **control and supervision** on large-sum credit deterioration risk
- Accelerated **collection and write-off** of NPLs
- Prudently **studied and assessed internal and external risk situations**
- Conducted **forward-looking provision for asset impairment**
- Enhanced risk resistance capability and maintained a **clean balance sheet**

Proportion of NPLs
+ special mention
loans

1.42%

• Corporate banking

Customers with large-sum risk exposure accounted for a relatively small proportion in the Bank's corporate loans. The Bank have conducted comprehensive risk assessment and stress test. The fluctuations of asset quality is under control.

• Micro and small business

The Bank adopted risk mitigation measures such as deferred repayment for micro and small businesses affected by the pandemic according to regulatory requirements, and extended repayment period for eligible micro and small businesses as far as possible. The asset quality of business with extended repayment period is controllable.

1.48

Non-performing
loans/loans
overdue for over 90
days

Allowance to NPLs ratio was **400.12%**, up by **10.67 ppts** from the prior year-end. The Bank was among the best in the industry in terms of asset quality and risk resistance capability.

Improve risk resistance capability

Further improve a long-term mechanism for capital replenishment
Fully promote the implementation of advanced approaches to capital management

Maintain a **robust and reasonable** capital adequacy level
Continue to **meet regulatory policies and macro prudential requirements**

- Established and applied a value management system with economic capital at its core, enhanced capital constraint, delivered the concept of value creation, and improved capital utilization and return
- Continued to strengthen the Bank-wide capital base, enhanced endogenous capital supplementation capability, and actively expanded external capital supplementation channels



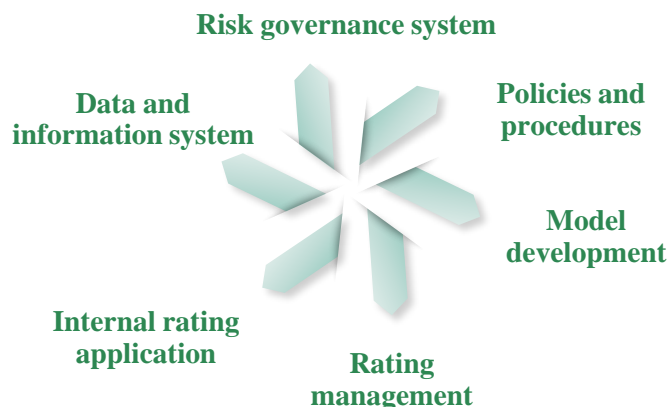
Successfully issued perpetual bonds

Both issuer rating and bond rating were **AAA**
Coupon rate was **3.69%**
The first among major state-owned banks in 2020



Promote the implementation of advanced approaches in an orderly manner
Improve capability and level of **refined risk management**

- Formulated the development and implementation plan for advanced approaches
- Put forward improvement and development tasks from the perspectives of risk governance system, policies and procedures, model development, rating management, internal rating application, data and information system, etc.
- Issued matching program management measures, and standardized program management



Continue to deepen reform



Strengthen top-level design, and promote the reform of the organizational structure

- Strengthened the Head Office
- Deepened the reform of the Credit Card Center
- Continued to improve institutional setting, and strengthened the support of organizational structure
- Continued to advance the reform of branches and sub-branches



Strengthen coordination and sharing and leverage resource integration effect

- Promoted joint marketing among sectors and departments and between the Head Office and branches
- Strengthened profit distribution, cost sharing and collaborative evaluation mechanisms
- Established and improved the mechanism of agency financial management, and consolidated the base for coordinated development



Enhance talent management and explore and establish the market-oriented management mechanism

- Formulated a three-year talent development plan and implementation plan for building a talent pool for the Pioneering Project to comprehensively promote the construction of talent teams
- Launched the market-oriented recruitment process for the high-end and urgently-needed talents in order to boost leadership by the Head Office
- Explored the application of market-oriented salary distribution mechanism and continuously improved the incentive and restraint mechanism

03 | Outlook


Strategic vision

A first-tier large retail bank which is trustworthy, distinctive, prudent and safe, innovative, and with remarkable value

Firmly implement the decisions and plan of the central government

Do a good job in pandemic prevention and control and work and production resumption, fully perform the duties as a major state-owned bank, and actively put in place major national strategies

To promote the transformation and development towards “uniqueness, comprehensiveness, lightness, intelligence and intensiveness”



Continue to promote stable growth of asset and liability business

Continue to promote “stable growth, structural adjustment and cost control” of liability business, strive to achieve high-quality growth of asset business, continue to expand the scale of fee-based business, and actively seize market opportunities of treasury and asset management business

Continue to build a good financial ecosystem

Build a retail, corporate and interbank finance ecosystem

Continue to improve IT strength

Bring IT management to a higher level, and deepen data governance and empowerment on all sides

Strengthen risk and internal control and compliance management

Maintain asset quality under the impact of the pandemic, and improve the level of refined risk management

感謝

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