



Postal Savings Bank of China Co., Ltd.

2025 Pillar 3 Disclosure Report on Capital Management

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1 Introduction

1.1 Preparation Basis

The Report is prepared and disclosed in accordance with the Rules on Capital Management of Commercial Banks (Decree No. 4 of National Financial Regulatory Administration, 2023) and relevant regulations.

1.2 Disclaimer

The Bank has established a sound governance structure for Pillar 3 capital management information disclosure, approved by the Board of Directors, with effective internal control processes implemented by the senior management to conduct reasonable review of disclosure content and ensure the truthfulness and reliability of Pillar 3 disclosed information. After review by the senior management of the Bank, the Report was submitted to and considered and approved by the Board of Directors of the Bank on March 27, 2026.

The Report is prepared in accordance with the Rules on Capital Management of Commercial Banks and relevant regulations rather than the financial accounting standards.

2 Overview of Risk Management, Key Prudential Regulatory Indicators and Risk Weighted Assets

2.1 Table KM1: Key Prudential Regulatory Metrics at Consolidated Group Level

In RMB million, except for percentages

	a	b	c	d	e	
	As at	As at	As at	As at	As at	
	December 31,	September 30,	June 30,	March 31,	December 31,	
	2025	2025	2025	2025	2024	
Available capital (amounts)						
1	Net Common Equity Tier 1 (CET1) capital	1,003,478	1,008,754	983,753	839,119	824,191
2	Net tier 1 capital	1,153,653	1,158,927	1,133,918	989,279	1,024,332
3	Net capital	1,384,271	1,389,210	1,362,487	1,214,705	1,244,111
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	9,533,914	9,474,768	9,349,529	9,106,551	8,617,743
4a	Total risk-weighted assets (pre-floor)	9,533,914	9,474,768	9,349,529	9,106,551	8,617,743
Risk-based capital ratios as a percentage of RWA						
5	CET1 capital adequacy ratio (%)	10.53	10.65	10.52	9.21	9.56
5a	CET1 capital adequacy ratio (%) (pre-floor ratio)	10.53	10.65	10.52	9.21	9.56
6	Tier 1 capital adequacy ratio (%)	12.10	12.23	12.13	10.86	11.89
6a	Tier 1 capital adequacy ratio (%) (pre-floor ratio)	12.10	12.23	12.13	10.86	11.89
7	Capital adequacy ratio (%)	14.52	14.66	14.57	13.34	14.44
7a	Capital adequacy ratio (%) (pre-floor ratio)	14.52	14.66	14.57	13.34	14.44
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical buffer requirement (%)	–	–	–	–	–
10	Bank G-SIB and/or D-SIB additional requirements (%) ⁽¹⁾	0.50	0.50	0.50	0.50	0.50
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.00	3.00	3.00	3.00	3.00
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.53	5.65	5.52	4.21	4.56
Leverage ratio						
13	Adjusted on- and off-balance sheet exposures	19,653,676	19,624,920	19,162,535	18,522,819	17,907,043
14	Leverage ratio (%) ⁽²⁾	5.87	5.91	5.92	5.34	5.72
14a	Leverage ratio a (%) ⁽³⁾	5.87	5.91	5.92	5.34	5.72
14b	Leverage ratio b (%) ⁽⁴⁾	5.88	5.91	5.93	5.33	5.73
14c	Leverage ratio c (%) ⁽⁵⁾	5.88	5.91	5.93	5.33	5.73
Liquidity coverage ratio						
15	High-quality liquid assets	3,402,004	3,007,550	3,052,575	3,230,956	3,296,267
16	Net cash outflow	1,124,806	1,312,116	1,367,074	1,438,343	1,147,394
17	Liquidity coverage ratio (%)	302.45	229.21	223.29	224.63	287.28
Net stable funding ratio						
18	Total available stable funding	15,700,224	15,370,042	15,287,803	15,038,926	14,555,976
19	Total required stable funding	9,127,223	9,159,392	9,069,883	8,890,209	8,472,650
20	Net stable funding ratio (%)	172.02	167.81	168.56	169.16	171.80

Note (1): As at the end of the reporting period, the Bank was a Group II domestic systemically important bank, to which the additional capital requirement of 0.5 percent applies.

Note (2): Leverage ratio refers to the leverage ratio taking into account the temporarily exempted deposit reserves.

Note (3): Leverage ratio a refers to the leverage ratio without taking into account the temporarily exempted deposit reserves.

Note (4): Leverage ratio b refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, taking into account the temporarily exempted deposit reserves.

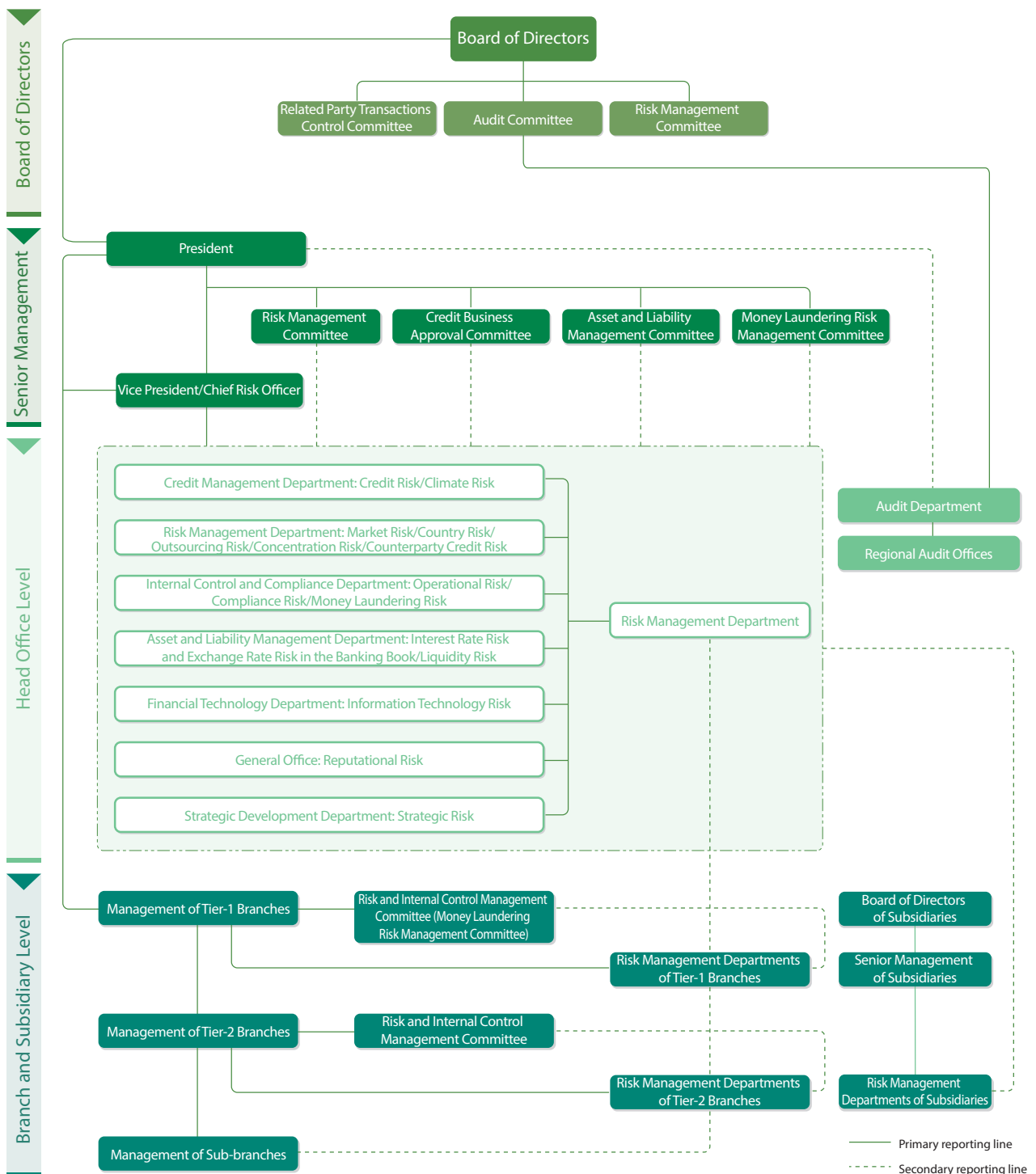
Note (5): Leverage ratio c refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, without taking into account the temporarily exempted deposit reserves.

2.2 Table OVA: Risk Management Qualitative Information

Risk Management Organizational Structure

The Bank appropriately defines risk management responsibilities at all organizational levels, strengthens coordination between risk management functions and business lines, and provides organizational safeguards for risk management.

The chart below illustrates the organizational structure of the Bank's risk management system as of the end of 2025:



Note: Other risks not mentioned above have been incorporated into the Bank's comprehensive risk management framework.

The Board of Directors assumes ultimate responsibility for comprehensive risk management. It is responsible for establishing the risk culture; formulating and approving risk management strategies; setting and approving the risk appetite and ensuring the establishment of risk limits; reviewing and approving major risk management policies and procedures; monitoring comprehensive risk management implemented by the senior management; reviewing comprehensive risk management reports; reviewing and approving the aggregation of risk data and the risk reporting framework, ensuring adequate resource support, regularly receiving thematic reports, and fully understanding and grasping the progress of the aggregation of risk data and risk reporting work; reviewing and approving disclosure of comprehensive risks and various significant risks; appointing the Chief Risk Officer or other senior management personnel to take the lead in comprehensive risk management; and performing other duties related to risk management.

The senior management assumes the responsibility for the implementation of comprehensive risk management and carries out the resolutions of the Board of Directors. It is responsible for setting up the operation and management structure in line with the requirements of comprehensive risk management, clarifying the division of responsibilities among functional departments responsible for comprehensive risk management, business departments and other departments in risk management, and establishing an operational mechanism with coordination and effective checks and balances across departments; formulating a clear execution and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetite and risk limits; setting risk limits according to risk appetite determined by the Board of Directors, including but not limited to dimensions such as industry, region, customer, product, etc; formulating risk management policies and procedures, evaluating them regularly, and adjusting them when necessary; establishing a risk data aggregation and reporting system covering all material risk areas; assessing overall risks and the management of various material risks, and reporting to the Board of Directors; establishing a sound management information system and a data quality control mechanism; overseeing breaches of risk appetite, risk limits and violations of risk management policies and procedures, and dealing with them under the authorization of the Board of Directors; and assuming other responsibilities of risk management.

The Bank kept improving the “three lines of defense” for internal control, classified risks into major categories such as credit risk, market risk, and operational risk, and incorporated all institutions and departments into the “three lines of defense”. The first line of defense refers to the business management departments, tier-1 and tier-2 sub-branches, and agency business institutions associated with relevant risks, all of which bear the primary responsibilities for risk prevention and control. The second line of defense refers to risk management departments, internal control and compliance departments, and departments for leading the management of relevant risks, which are responsible for coordinating, supervising and reviewing the work related to risk and internal control. The third line of defense refers to the audit and the discipline inspection departments which supervise the first and second lines of defense.

Risk Management

During the 14th Five-Year Plan period, the Bank focused on developing its risk management capability of steady and sustained progress, and built up its risk management framework that covers “all aspects, whole process, all time and all areas”. The Bank accelerated the implementation of advanced approaches for capital management, vigorously promoted the application of intelligent risk control technologies, and effectively prevented and mitigated risks in key areas. It comprehensively enhanced the refined and digitalized risk management, and effectively realized the identification, measurement, monitoring, mitigation and control of various risks, with the overall major risk level of the Bank remaining stable and under control. The Bank continued to improve the operating mechanism of the comprehensive risk management report, regularly formed a comprehensive risk management report, and submitted it to the senior management and the Board of Directors for review.

The Bank maintained a prudent and sound overall risk appetite, and sought a long-term equilibrium between stable growth and risk prevention. It closely followed changes in internal and external risk landscape, prioritized risk prevention in key fields, and set management objectives against all types of major risks in line with the strategic positioning of the Bank Group, the Bank (as a legal entity), and its subsidiaries. In doing so, it ensured that risks remained generally under control, which continuously empowered the sound operation and high-quality development of all businesses.

The Bank continued to strengthen comprehensive risk management, improved the top-level design of risk management, optimized the setting of risk compliance management institutions and positions, and strengthened checks and balances of risks at key stages. The Bank steadily advanced the process of achieving compliance with the advanced approaches for capital management, promoted the deep integration between their implementation and business development, and enhanced the forward-looking and refined levels of risk measurement and management. It tightened credit risk management, improved its industry research framework, adhered to the “One Policy for One Industry” approach, and achieved full coverage of differentiated regional credit extension. It strictly upheld risk thresholds in key areas, prudently resolved risks in real estate, urban investment platforms and other sectors, optimized and reshaped retail loan products and processes, and improved the efficiency of risk identification and resolution. The Bank reinforced the foundations of internal control and compliance, organized internal control and compliance knowledge competitions, established the Case Warning Education Platform, fostered a compliance-centric operational philosophy, and consolidated the foundation of the compliance culture. It improved the compliance management structure, enhanced the organizational system for compliance management, and strengthened the responsibilities of the “three lines of defense”. Furthermore, the Bank deepened and expanded digital and intelligent risk control capabilities, and actively explored and applied graphs and LLM technologies, to empower the digital and intelligent transformation of risk management, and comprehensively improve the precision of risk identification and the quality and effectiveness of management and control.

The Bank actively cultivated a financial culture with Chinese characteristics. Adhering to the enduring theme of risk prevention and control in financial work, the Bank promoted the “Sunshine Credit” culture of “openness, transparency, integrity, righteousness in profit-seeking, compliance with laws and regulations, incorruptibility and self-discipline, effective supervision, and strict accountability” on a regular and institutionalized basis, and fortified the defense line for employees' integrity and compliance in performance of duties. The Bank attached great importance to compliance culture education, carried out themed compliance culture communication initiatives year by year, cultivated fertile ground for compliance and rule-abiding conduct, regularly carried out the selection of “Golden Shield Award” for outstanding institutions and individuals in internal control and risk management, developed a Case Warning Education Platform, organized and carried out internal control and compliance knowledge competitions and other activities, and guided employees to know and abide by laws, as well as to understand and adhere to regulations. The Bank established a system of accountability for violations and clarified the accountability procedures for violations of relevant risk management regulations.

Stress Testing

The Bank continued to improve its stress testing system, systematically carried out stress testing verification and auditing, and comprehensively carried out various stress tests to provide effective support for coping with tail risks of major businesses and asset portfolios under extreme scenarios. During the reporting period, the Bank actively responded to the severe and complex internal and external risk situation, prudently carried out the capital adequacy stress testing, the People's Bank of China stress testing, recovery and disposal plan stress testing and special stress testing, and applied the results of stress testing for capital planning, capital contingency and capital replenishment, and business risk management.

Capital Management

The Bank actively implemented the relevant requirements of the Rules on Capital Management of Commercial Banks, comprehensively covered Pillar 1 risks including credit risk, market risk, operational risk, as well as major risks under the Pillar 2, and adopted the standardized approach for credit risk, the standardized approach mainly for market risk, and the standardized approach for operational risk.

In 2025, the Bank strictly implemented the requirements of the new rules on capital management, and formulated a three-year capital plan and an annual capital adequacy ratio management plan by taking into account the economic and financial situation, development strategy, risk appetite and other factors. It set capital adequacy ratio management targets based on its own development needs, clarified long-term management measures, and continuously strengthened the constraints on capital planning and management. The Bank gave play to the strategic leading role of capital management to ensure that the Bank's capital adequacy level continuously meet regulatory requirements and remain appropriate to long-term sustainable development and shareholder return requirements. During the reporting period, the Bank continued to improve its capital management framework, effectively implemented all regulatory requirements, promoted refined capital management, and strictly implemented capital conservation, so as to consolidate the capability to replenish capital from internal sources. Meanwhile, the Bank actively replenished its capital through external sources. It successfully completed the issuance of A shares to specific subscribers, issued undated capital bonds in an orderly manner, reinforced capital strength with multiple measures, and effectively supported the sustained and sound development of various businesses. Its capital adequacy ratios at all tiers met the regulatory requirements and were maintained at a sound and reasonable level.

Subsequently, in accordance with the requirements of the new rules on capital management, the Bank will prepare capital plans on a rolling basis, optimize the capital management framework, continuously enhance the refined capital management, and adopt RAROC (risk-adjusted return on capital) as the core yardstick for asset allocation. The Bank will continuously strengthen its capability to replenish capital by retained profits while actively expanding channels for external capital replenishment. The Bank will coordinate capital replenishment and capital use, and maintain a sound and reasonable level of capital adequacy, to support the sustained and sound development of various businesses.

Internal Capital Adequacy Assessment

The Bank has systematically advanced the implementation of the Pillar 2 framework, establishing the internal capital adequacy assessment process (“ICAAP”) management framework and working mechanism in line with the Bank’s business scale and business complexity. The Bank’s ICAAP framework includes risk identification, risk assessment, capital adequacy stress testing, and capital planning. Based on a comprehensive assessment of the major risks faced by the Bank, it measured the alignment between capital and risk, and established a management framework that takes both risk and capital into consideration to ensure that the Bank’s capital level can fully withstand various risks it faces and meet external regulatory requirements and internal business operation and management needs.

In 2025, the Bank continuously improved the ICAAP management framework, updated the ICAAP methods and tools, carried out annual internal capital adequacy assessment, and completed the annual internal capital adequacy assessment report, which was submitted to the Board of Directors for review and approval and reported to the regulatory authorities. During the reporting period, the Bank adhered to the risk-based approach, fully promoted the development and implementation of advanced approaches for capital management, and improved its risk management framework that covers “all aspects, whole process, all time and all areas”. It comprehensively managed various material risks and developed a more proactive risk management capability. Its capital adequacy level could cover the major risks faced by the Bank, and consistently met regulatory requirements. The Bank achieved continuous enhancement in its capital management and risk management capabilities.

2.3 Table OV1: Overview of Risk-Weighted Assets

In RMB million

	a	b	c	
	Risk-weighted assets		Minimum capital requirements	
	As at	As at	As at	
	December 31,	September 30,	December 31,	
	2025	2025	2025	
1	Credit risk	8,931,793	8,904,847	714,544
2	Credit risk (excluding counterparty credit risk, credit valuation adjustment risk, asset management products in banking book and securitisation exposures in banking book)	8,587,993	8,642,660	687,039
3	Of which: standardized approach (SA)	8,587,993	8,642,660	687,039
4	Of which: exposure formed in the process of clearing securities, commodities and foreign exchange transactions	–	–	–
5	Of which: amounts below the thresholds for deduction (subject to 250% risk weight)	176,435	178,977	14,115
6	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–
7	Of which: supervisory slotting approach	–	–	–
8	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–
9	Counterparty credit risk (CCR)	8,456	11,575	676
10	Of which: standardized approach	8,456	11,575	676
11	Of which: current exposure method	–	–	–
12	Of which: other approaches	–	–	–
13	Credit valuation adjustment (CVA)	1,096	1,165	88
14	Asset management products in banking book	307,444	224,264	24,596
15	Of which: look-through approach	48,038	51,444	3,843
16	Of which: mandate-based approach	245,023	158,716	19,602
17	Of which: 1250% risk weight	14,383	14,104	1,151
18	Securitisation exposures in banking book	26,804	25,183	2,145
19	Of which: securitisation IRB approach (SEC-IRBA)	–	–	–
20	Of which: securitisation external ratings-based approach (SEC-ERBA)	16,458	13,796	1,317
21	Of which: securitisation standardized approach (SEC-SA)	10,346	11,387	828
22	Market risk	78,854	98,633	6,308
23	Of which: standardized approach (SA)	78,854	98,633	6,308
24	Of which: internal model approach (IMA)	–	–	–
25	Of which: simplified standardized approach	–	–	–
26	Capital charge for switch between trading book and banking book	–	–	–
27	Operational risk	523,267	471,288	41,861
28	Additional adjustment due to the application of capital floor	–	–	–
29	Total	9,533,914	9,474,768	762,713

3 Composition of Capital and Total Loss-Absorbing Capacity (“TLAC”)

3.1 Table CCA: Main Features of Regulatory Capital Instruments and of Other TLAC-eligible Instruments

Please refer to the Bank’s website (<https://www.psbc.com/cn/gyyt/tzzgx/jgzbt/>) for the table of main features of the Group’s regulatory capital instruments as of the end of December 2025.

3.2 Table CC1: Composition of Capital

In RMB million, except for percentages

	a As at December 31, 2025 Amounts	b Code
Common Equity Tier 1 capital		
1	391,792	e+g
2	612,953	
2a	84,157	h
2b	243,454	i
2c	285,342	j
3	5,405	
4	1,339	
5	Common Equity Tier 1 capital before deductions	1,011,489
Common Equity Tier 1 Capital: deductions		
6	–	
7	–	
8	8,011	a-b-d
9	–	
10	–	
11	–	
12	–	
13	–	
14	–	
15	–	
16	–	
17	–	
18	–	
19	–	
20	–	
21	–	

	a	b
	As at December 31, 2025	
	Amounts	Code
22	–	
23	–	
24	–	
25	8,011	
26	1,003,478	
Additional tier 1 capital		
27	149,996	
28	149,996	
29	–	
30	179	
31	150,175	
Additional tier 1 capital: deductions		
32	–	
33	–	
34	–	
35	–	
36	–	
37	–	
38	–	
39	150,175	
40	1,153,653	
Tier 2 capital		
41	119,993	
42	356	
43	110,269	
44	230,618	
Tier 2 capital: deductions		
45	–	
46	–	
47	–	
47a	–	
48	–	
48a	–	

	a	b
	As at December 31, 2025	
	Amounts	Code
49	–	
50	–	
51	230,618	
52	1,384,271	
53	9,533,914	
Capital adequacy ratio and additional capital requirements		
54	10.53%	
55	12.10%	
56	14.52%	
57	3.00	
58	2.50	
59	–	
60	0.50	
61	5.53	
Domestic minimum requirements for regulatory capital		
62	5.00%	
63	6.00%	
64	8.00%	
Amounts below the thresholds for deduction		
65	64,859	
65a	–	
66	–	
67	65,425	
Applicable caps on the inclusion of surplus provisions in tier 2 capital		
68	132,659	
69	110,269	
70	–	
71	–	

3.3 Table CC2: Differences Between the Scope of Accounting Consolidation and the Scope of Regulatory Consolidation

In RMB million

	a	b	c	
	As at December 31, 2025			
	Under the scope of accounting consolidation	Under the scope of regulatory consolidation	Code	
Assets				
1	Cash and deposits with central bank	1,319,171	1,319,171	
2	Deposits with banks and other financial institutions	391,408	391,408	
3	Placements with banks and other financial institutions	413,827	413,827	
4	Derivative financial assets	3,604	3,604	
5	Financial assets held under resale agreements	510,890	510,890	
6	Loans and advances to customers	9,440,874	9,440,874	
7	Financial investments			
8	Financial assets held for trading	959,654	959,654	
9	Debt investments	4,688,443	4,688,443	
10	Other debt investments	704,440	704,440	
11	Investments in other equity instruments	5,616	5,616	
12	Long-term equity investment	764	764	
13	Fixed assets	48,023	48,023	
14	Construction in progress	14,287	14,287	
15	Right-of-use assets	11,638	11,638	
16	Intangible assets	9,657	9,657	a
17	Of which: land use rights	1,646	1,646	b
18	Deferred tax assets	65,425	65,425	
19	Other assets	94,346	94,346	
20	Total assets	18,682,067	18,682,067	

	a	b	c	
	As at December 31, 2025			
	Under the scope of accounting consolidation	Under the scope of regulatory consolidation	Code	
Liabilities				
21	Borrowings from central bank	27,184	27,184	
22	Deposits from banks and other financial institutions	189,271	189,271	
23	Placements from banks and other financial institutions	56,135	56,135	
24	Derivative financial liabilities	4,671	4,671	
25	Financial assets sold under repurchase agreements	255,400	255,400	
26	Customer deposits	16,541,716	16,541,716	
27	Employee benefits payable	26,298	26,298	
28	Tax payable	4,489	4,489	
29	Bonds payable	251,284	251,284	
30	Lease liabilities	10,878	10,878	
31	Deferred tax liabilities	17	17	
32	Of which: deferred tax liabilities related to goodwill	–	–	c
33	Of which: deferred tax liabilities related to intangible assets	–	–	d
34	Other liabilities	152,379	152,379	
35	Total liabilities	17,519,722	17,519,722	
Shareholders' equity				
36	Paid-in capital (or share capital)	120,095	120,095	
37	Of which: amount included in common equity tier 1 capital	120,095	120,095	e
38	Of which: amount included in other tier 1 capital	–	–	f
39	Other equity instruments			
40	Perpetual bonds	149,996	149,996	
41	Capital reserve	271,697	271,697	g
42	Other comprehensive income	5,405	5,405	
43	Surplus reserve	84,157	84,157	h
44	General risk reserve	243,454	243,454	i
45	Undistributed profits	285,342	285,342	j
46	Total shareholders' equity attributable to the Bank	1,160,146	1,160,146	
47	Minority interests	2,199	2,199	
48	Total shareholders' equity	1,162,345	1,162,345	
49	Total liabilities and shareholders' equity	18,682,067	18,682,067	

Note (1): Pursuant to the regulatory requirements, insurance companies and industrial and commercial enterprises should not be included under the scope of regulatory consolidation. As the Group does not have any subsidiaries of the above-mentioned type, the scope of regulatory consolidation is the same as the scope of accounting consolidation.

Note (2): Prepared in accordance with PRC GAAP.

4 Linkage Between Financial Statements and Regulatory Risk Exposures

4.1 Table LIA: Reasons for Differences Between Financial Data and Regulatory Data

There is no discrepancy between the scope of the Group's consolidated financial statements prepared for regulatory purposes (regulatory scope of consolidation) and that of the Group's consolidated financial statements prepared for reporting purposes (accounting scope of consolidation).

The discrepancies between the carrying amounts of the Group's financial statements and the values of the risk exposures for regulatory capital measurement are mainly due to off-balance sheet items.

The Group uses valuation techniques to estimate the fair value of financial instruments not traded in an active market. These valuation techniques include the use of recent prices of arm's length transactions, observable prices of similar financial instruments, risk-adjusted discounted cash flows analysis, as well as commonly used market pricing models. Where practicable, the Group's valuation models for derivatives and other financial instruments utilize observable market data, such as interest rate yield curves and foreign exchange rates. However, estimates are still required for factors such as credit risk (both its own and counterparty's), volatilities, and correlations. Fair values calculated using valuation techniques are verified based on the industry practice and currently observable prices of the same or similar financial instruments in the market.

The Group, through regular review and approval procedures, reviews the assumptions and market expectations used in the valuation techniques, including the examination of assumptions and pricing factors of models, changes in assumptions of models, the nature of market parameters, market activity levels, fair value adjustment factors not covered by models, and the consistency of valuation techniques across periods. Valuation techniques are subject to validity testing and are reviewed periodically; they are updated where appropriate to reflect market conditions as of the balance sheet date.

5 Remuneration

5.1 Table REMA: Remuneration Policy

Information on Nomination and Remuneration Committee of the Board of Directors

Up to now, the Nomination and Remuneration Committee of the Bank's Board of Directors comprises seven Directors, namely Executive Director Mr. Lu Wei; Non-executive Directors Mr. Liu Ruigang and Ms. Chen Xue; and Independent Non-executive Directors Mr. Wen Tiejun, Ms. Pan Yingli, Mr. Tang Zhihong and Mr. Yang Yong. Mr. Wen Tiejun serves as the Chairman of the Committee. The Committee is mainly responsible for conducting annual review of the structure, size, and composition of the Board of Directors, and making suggestions to the Board regarding its size and composition; formulating the criteria and review procedures for the selection and appointment of relevant Directors, chairmen and members of the relevant special committees of the Board of Directors, and senior management members, and submitting the same to the Board of Directors for its decision; performing preliminary reviews of the qualifications and qualities of candidates for relevant Directors and senior management members, and making recommendations to the Board of Directors regarding the nomination, appointment or removal of relevant Directors, as well as the appointment or dismissal of senior management members; developing remuneration measures or schemes for Directors and senior management members, and submitting them to the Board of Directors for consideration. For details, please refer to the Articles of Association and Rules of Procedure for the Nomination and Remuneration Committee of the Board of Directors on the Bank's website.

In 2025, the Nomination and Remuneration Committee convened nine meetings, at which it reviewed and approved 16 proposals. It carefully reviewed and approved the qualifications and eligibility of several Directors and senior management members, and reviewed and approved the proposals on the structure, size, and composition of the Board of Directors and the implementation of the board diversity policy. It fully considered factors such as the gender, age, educational background, and professional experience, ensured that the Board's composition met regulatory requirements, effectively advanced the implementation of the board diversity policy, and continuously enhanced the Board's diversity level. The Committee reviewed and approved several proposals including the one to make adjustments to the composition of the special committees under the Board. In accordance with regulatory requirements and corporate governance needs, it continued to dynamically optimize the personnel structure of the special committees to fully leverage their roles in professional research and supporting scientific Board decision-making. It regularly reviewed and approved the results of the annual strategic performance evaluation and the remuneration settlement plan for Directors and the senior management members, drove continuous refinement of the Bank's remuneration incentive and constraint mechanisms, and gave full play to the guiding role of performance appraisal.

For the criteria for identification and position categories of senior management members, please refer to the section "Corporate Governance" of the 2025 Annual Report of Postal Savings Bank of China Co., Ltd. The Bank determines the scope of other key position holders by considering factors such as its own institutional type and characteristics, market size, and risk management capability.

Remuneration Policy

Remuneration management structure

The Bank has established a scientific and rational remuneration distribution system in thorough compliance with China's laws and regulations, regulatory policies, and the requirements of the Bank's corporate governance. The Bank strictly follows the relevant decision-making procedures regarding remuneration management policies and systems in accordance with the Articles of Association and the requirements related to the "Three Majors and One Substantial" system (decisions on major matters, appointment/removal of key cadres, major investment projects, and use of substantial funds). Among them, matters related to the formulation of the basic remuneration policies, remuneration schemes for senior management members, etc., shall be decided by the Board of Directors. Matters such as remuneration schemes for Directors shall be decided by the Shareholders' General Meeting. The Bank goes through rigorous processes to amend and adjust policies and systems in this regard.

Alignment of remuneration and performance

The Bank ensures that total payroll allocation balances efficiency and fairness, is guided by operational effectiveness and value creation, and is linked to the achievement of institutional performance targets and the results of its performance assessment. The Bank strictly implements national and regulatory requirements and refines its employee remuneration management mechanism. Employee remuneration is closely linked to their position, competencies, and performance, with a deliberate focus on prioritizing frontline roles and positions that drive exceptional contributions. Employee remuneration consisted of basic salary, performance-based remuneration, and statutory welfare income such as social insurance and housing provident fund. The base salary is determined based on factors such as position, rank, and job responsibilities, reflecting the value of the role and the individual's capabilities. The performance-based pay is linked to the performance assessment results of the employees and their institution, department, and team, emphasizing work achievements and performance outcomes.

Remuneration and risks

The Bank implements a deferred payment and clawback management for the performance-related pay of senior management members and those having an important influence on risks, which guides employees to effectively balance profitability and risk control as well as current development and long-term development. A prescribed portion of performance-based pay for personnel in relevant positions shall be subject to deferred payment, whereby the payment deferral period shall be consistent with the risk duration of the underlying business activities. In the event of abnormal exposure to risk losses within the scope of responsibilities during the prescribed period, the Bank shall have the right to claw back all performance-based remuneration already paid for the corresponding period, and to withhold all unpaid portions thereof.

Independence of remuneration for employees of the risk and compliance departments

Employees of the risk and compliance departments of the Bank are included in the Bank's remuneration management system, and their remuneration is determined on the basis of their performance and other factors, and is not directly linked to the businesses they oversee; the remuneration level is appropriately guaranteed. Meanwhile, to reflect the independence of the internal control department, branches and departments do not conduct service evaluations for the internal control department, and the assessment results primarily reflect the completion of key tasks and work performance.

For information on the annual remuneration of the Bank's Directors and senior management, please refer to the 2025 Annual Report of Postal Savings Bank of China Co., Ltd.

6 Credit Risk

6.1 Table CRA: Qualitative Information on Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating or weakened capability to fulfill contractual obligations of an obligor or counterparty. The Bank is exposed to credit risk primarily through its loans, treasury business (including deposits and placements with banks, financial assets held under resale agreements, investments in corporate bonds and financial bonds, interbank investment, etc.) and off-balance sheet credit businesses (including guarantees, commitments, etc.).

The Bank optimized the top-level design of the risk management system in the three major areas of “Sannong”, urban and rural residents, and small and medium-sized enterprises, and continued to improve the risk management decision-making mechanism for product innovation and customer group access; built a risk management model of supply chain finance and logistics finance that matches the business model; established a retrospective review mechanism for credit review and approval, strengthened incentives and constraints for review and approval, and improved active defense capabilities of risk monitoring and early warning; improved the responsibility constraints for key positions, improved the due diligence exemption and accountability management system, and established a suspension-and-recovery management mechanism; optimized the management process and job responsibilities of collateral appraisal, and improved the quality, efficiency and automation level of valuation review.

The Bank’s organizational system of credit risk management is composed of the Board of Directors, the senior management and relevant departments of the “three lines of defense” of credit risk management, forming a credit risk governance framework with centralized and unified management and hierarchical authorization implementation.

The Bank regularly formulated credit risk management strategy and credit risk appetite in accordance with the Bank’s risk management strategy and preference management requirements, and monitored and reported on their implementation. The credit risk management strategy includes but is not limited to the basic principles, requirements, objectives and strategic orientation of credit risk management, and the credit risk appetite includes a set of core credit risk indicators and their limits.

The formulation of credit risk appetite fully considers factors such as regulatory requirements, target ratings, business plans, maximum tolerable losses, asset quality management objectives, credit risk internal rating results and risk parameter estimates, sensitivity to the economic environment, and the expectations of internal and external stakeholders. For quantitative indicators that can be calculated based on internal rating-based risk parameters, internal rating parameters shall be used first.

When the actual performance of the credit risk appetite indicator approached the control target, the Bank promptly issued an early warning, formulated and implemented solutions to ensure that the credit risk level was within an acceptable range.

The Board of Directors undertakes the ultimate responsibilities for credit risk management. The senior management undertakes the responsibilities for the implementation of credit risk management, and is responsible for the implementation of resolutions on credit risk approved by the Board of Directors. Under the senior management, the Risk Management Committee and Credit Business Approval Committee are responsible for credit risk management and approving credit extension within the scope of authorization respectively. Each business department bears the primary responsibility for credit risk prevention and control, and implements policies, standards, and requirements of credit risk management in its field of business in accordance with the division of functions. Departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and other relevant departments are responsible for the overall planning, supervision and review of credit risk prevention and control, among which the Credit Management Department is the leading department of credit risk management; and the internal audit department exercises independent and objective supervision of the performance of duties in credit risk management.

Credit risk reporting is conducted through a two-way method: the business departments report to both the credit risk management department at the same level and the line departments at the supervising branch, and the credit risk management department reports to both the Risk Management Committee at the same level and the credit risk management department at the supervising branch. The reporting may take the form of joint meetings, written reports, etc., depending on the situation. Reports on material credit risks are submitted to the senior management and Board of Directors. Relevant credit risk reports shall be promptly submitted to the regulatory authorities according to the regulatory requirements.

The main contents of the credit risk report include:

- (I) The overall situation of credit risks, credit risks in each dimension, and changes compared with the previous period, major risk factors faced, causes and extent of the impact of the risks, and trends of risk changes during the reporting period.
- (II) Asset quality and changes during the reporting period.
- (III) Information related to large exposures during the reporting period.
- (IV) Implementation of credit risk management strategies, risk appetite and risk limits during the reporting period.
- (V) Concentration risk monitoring during the reporting period.
- (VI) Migration between different levels and asset pools, valuation of relevant risk parameters for each level and asset pool and the comparison with actual values during the reporting period.
- (VII) Validation results of the internal rating system during the reporting period.
- (VIII) Changes in regulatory capital and the reasons for such changes during the reporting period.
- (IX) Pressure test conditions and results during the reporting period.
- (X) Disposal of non-performing assets during the reporting period.

6.2 Table CR5-2: Credit Risk Exposures and Credit Conversion Factors (by Risk Weights)

In RMB million, except for percentages

		a	b	c	d
		As at December 31, 2025			
	Risk weight	On-balance sheet exposure	Off-balance sheet exposure (pre-conversion)	Weighted average credit conversion factor*	Exposure (post-conversion and post-mitigation)
1	Less than 40%	8,613,294	120,240	17.39%	9,563,245
2	40-70%	1,730,442	206,847	20.11%	1,997,533
3	75%	2,752,713	751,461	18.87%	2,808,394
4	85%	658,241	253,864	13.45%	638,790
5	90-100%	3,331,713	1,303,764	43.58%	2,882,231
6	105-130%	408,074	310,365	2.15%	414,423
7	150%	92,285	33,404	6.21%	92,042
8	250%	72,518	–	–	72,518
9	400%	12	–	–	12
10	1250%	104	–	–	104
11	Total exposures	17,659,396	2,979,945	27.36%	18,469,292

* Weighting is based on off-balance sheet exposure (pre-conversion).

7 Counterparty Credit Risk

7.1 Table CCRA: Qualitative Information on Counterparty Credit Risk

Counterparty credit risk refers to the risk caused by counterparty default before the settlement of cash flows related to derivatives and securities financing transactions is completed, including counterparty credit risk arising from derivatives trading and securities financing transactions with counterparties. During the reporting period, the Bank continued to conduct counterparty credit risk monitoring and reporting, performed periodic revaluation of derivatives, monitored collateral status of clients, and added support for capital measurement of CCP clearing products for RMB/FX transaction.

Before entering into derivative transactions with the Bank, the counterparty shall meet the relevant provisions of the Bank's customer access standards. The Bank conducts a comprehensive evaluation of the counterparty's credit status, risk management level, capital strength, etc., and determines the special credit limit for derivative transactions and conducts regular reviews. When conducting specific transactions, the Bank shall check in advance whether the counterparty's credit limit is sufficient.

The Bank measured counterparty credit risk-weighted assets in accordance with the requirements of the Rules on Capital Management of Commercial Banks, adopted the standardized approach to measure exposure at default and central counterparty transaction exposure, adopted the standardized approach to measure counterparty risk-weighted assets formed by securities financing transactions, adopted the weighted approach to measure counterparty default risk-weighted assets of non-centrally cleared derivative instruments, and adopted the rules for qualified central counterparties to measure central counterparty risk-weighted assets.

For over-the-counter derivative financial transactions, the Bank signs the Credit Support Annex (CSA) under the ISDA Master Agreement as required. When the counterparty's credit rating is downgraded, whether the downgraded party needs to provide additional collateral to the counterparty depends on the terms of the agreement. If there is no relevant statement in the agreement, the downgrade of the counterparty's credit rating shall not affect the collateral swap between the two parties; if the agreement contains relevant statements, the amount of collateral shall be adjusted according to the regulations. For trading institutions that have not yet signed the CSA agreement, the agreement signing strategy shall be adjusted in a timely manner according to changes in domestic and foreign compliance regulatory requirements.

7.2 Table CCR1: Counterparty Credit Risk Exposures (by Approach)

In RMB million, except for coefficients

	a	b	c	d	e	f
	Replacement cost (RC)	Potential future exposure (PFE)	As at December 31, 2025 Additional factors of potential future exposure (Add-on)	a used for computing regulatory exposure at default	Exposure at default post-credit risk mitigation	Risk-weighted assets
1 Standardized approach (for derivatives)	1,202	6,434		1.4	10,690	5,625
2 Current exposure method (for derivatives)	–		–	1	–	–
3 Securities financing transactions					170,940	2,809
4 Total					181,630	8,434

8 Asset Securitisation

8.1 Table SECA: Qualitative Information on Asset Securitisation

Asset securitisation refers to a business where the originator packages and transfers its assets that are expected to generate future cash flows to a special purpose vehicle (SPV). The SPV then issues securities with different payment priorities and credit ratings, which are backed by the future cash flows of these assets. In line with the Bank's overall credit structure adjustment plan, the Bank conducts asset securitisation business with the following goals: optimizing the asset portfolio, improving the asset-liability structure, and expanding the disposal channels for non-performing assets. The Bank participates in asset securitisation business mainly in the following ways: as the originator and loan servicer, as an investor, and as an underwriter of asset securitisation business.

As the originator and loan servicer, the Bank's objectives in conducting asset securitization business are to optimize the asset portfolio, improve the asset-liability structure, and broaden the disposal channels for non-performing assets, in accordance with the Bank-wide credit structure adjustment program.

The extent of risk transfer for underlying assets and the risks borne by the Bank vary across each securitisation product. Specific opinions are comprehensively determined by accounting firms recognised by regulatory authorities based on factors including cash flow, accounting standards, and risk-reward transfer test results, and an Accounting Opinion Letter is issued. Relevant materials are submitted to regulatory authorities for filing prior to each product issuance. In credit asset transfer transactions related to asset securitisation business, the Bank may acquire some asset-backed securities and fund shares at the senior and subordinated tranche level. Accordingly, the Bank may retain parts of the risks and rewards of the transferred credit assets. Regarding accounting treatment, the Bank would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it transfers the risks and rewards of the assets. For the accounting policies on asset securitisation, please refer to the relevant content about credit asset securitisation in the transfer of financial assets in the notes to the financial statements of the 2025 Annual Report of Postal Savings Bank of China Co., Ltd.

As an underwriter, the Bank strictly abides by laws and regulations, and adheres to professional norms and codes of conduct. In accordance with relevant regulations and agreements, we fulfill our obligations and conscientiously carry out the work of soliciting, structuring, issuing, and selling asset-backed securities. As of the end of 2025, in our capacity as an underwriter for asset securitisation business, the Bank has neither consolidated any special purpose entities nor provided liquidity support, credit enhancement, or implicit support to any projects or entities.

As of the end of 2025, for the ongoing asset securitisation projects issued by the Bank, the external rating agencies include China Bond Rating Co., Ltd., etc.

8.2 Table SEC1: Securitisation Exposures in the Banking Book

In RMB million

	a				b				c				d				e				f				g				h				i				j				k				l			
	Bank acts as originator								Bank acts as sponsor								Bank acts as investor																															
	Of which simple, transparent and comparable								Of which								Of which																															
	Traditional	(STC)	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total	Traditional	STC	Synthetic	Sub-total																
1	Retail (total) - of which																4,459	-	-	4,459	-	-	-	-	-	-	-	-	-	69,007	-	-	69,007															
2	residential mortgage																4,231	-	-	4,231	-	-	-	-	-	-	-	-	7,983	-	-	7,983																
3	credit card																32	-	-	32	-	-	-	-	-	-	-	-	-	42	-	-	42															
4	other retail exposures																196	-	-	196	-	-	-	-	-	-	-	-	-	60,982	-	-	60,982															
5	re-securitisation																-		-	-	-		-	-	-	-	-		-	-	-																	
6	Wholesale (total) - of which																-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,351	-	-	24,351														
7	loans to corporates																-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,816	-	-	5,816											
8	commercial mortgage																-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
9	lease and receivables																-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,767	-	-	17,767						
10	other wholesale																-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	768	-	-	768				
11	re-securitisation																-		-	-	-		-	-	-	-	-		-	-	-																	

8.3 Table SEC2: Securitisation Exposures in the Trading Book

The Group's trading book did not involve securitisation exposures as at December 31, 2025.

9 Market Risk

9.1 Table MRA: Qualitative Information on Market Risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of the Bank arising from adverse movements in market prices (including interest rate, exchange rate, stock price and commodity price).

Market Risk Management Policies and Procedures

The Bank has developed sound market risk management policies and procedures, which comprehensively covered the process requirements for the identification, measurement, monitoring, assessment, control and reporting of market risks. The Bank has defined the annual market risk appetite of the Board of Directors, established a market risk limit framework for senior management, and conducted regular monitoring and reporting, so as to maintain the market risks within a reasonable and appropriate range and achieve a reasonable balance between risk and return.

In accordance with the Rules on Capital Management of Commercial Banks, the Bank classifies on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank developed a book classification and management policy, clearly defined the scope of instruments to be included in the trading book and the criteria for book classification, strictly adhered to the general presumption principle set by regulators in the classification process, and regularly assessed its implementation.

During the reporting period, the Bank did not conduct book classification that was contrary to the general presumption, book reclassification, or internal risk transfer.

Market Risk Governance Framework

The Bank strictly follows the relevant regulatory requirements on market risk management and has established a market risk governance framework commensurate with the nature, scale and complexity of the Bank's businesses. The Board of Directors undertakes the ultimate responsibilities for market risk management; the senior management takes the responsibility for the implementation of market risk management and is responsible for formulating, periodically reviewing and monitoring the implementation of the market risk management policies and procedures; the Risk Management Department is responsible for conducting market risk management and each business department is responsible for the market risk management in its field of business in accordance with the division of functions.

Risk Reporting and Measurement System

The Bank has established a multi-level market risk reporting system, implementing regular market risk reporting mechanism with varying frequencies, content, and recipients, and conducts ad hoc market risk reporting in response to financial market fluctuations and significant external market risk events.

The measurement of market risk capital of the Bank covers general interest rate risk, credit spread risk, default risk, and equity risk within the trading book, as well as foreign exchange risk and commodity risk across the entire book. The Bank measures and manages the trading book activities by adopting multiple methods including exposure analysis, profit or loss analysis, sensitivity analysis, scenario analysis, value at risk (VaR) and stress testing.

9.2 Table MR1: Market Risk Under Standardized Approach

In RMB million

		a
		Capital requirement under standardized approach
		As at December 31, 2025
1	General interest rate risk	1,053
2	Equity risk	–
3	Commodity risk	1
4	Foreign exchange risk	2,853
5	Credit spread risk – non-securitisations	1,468
6	Credit spread risk – securitisations (non-correlation trading portfolio)	–
7	Credit spread risk – securitisation (correlation trading portfolio)	–
8	Default risk – non-securitisations	663
9	Default risk – securitisations (non-correlation trading portfolio)	–
10	Default risk – securitisations (correlation trading portfolio)	–
11	Residual risk add-on	270
12	Total	6,308

10 Operational Risk

10.1 Table ORA: Qualitative Information on Operational Risk

Basic System and Management Requirements for Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, employees and IT systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

In accordance with the Rules on Capital Management of Commercial Banks, the Rules on Operational Risk Management of Banking and Insurance Institutions and other regulatory requirements, the Bank formulated and issued a series of policies and rules, including the Measures for Operational Risk Management, to clarify the organizational structure, division of responsibilities, risk appetite, and related management processes for operational risk management. It improved the “matrix-style” operational risk management model and clearly defined the process for operational risk event identification and reporting. With the overall goal of sound business operation, the Bank continuously enhanced its ability to respond to internal and external event shocks, thereby strengthening the prevention of operational risks.

The Bank further strengthened the coordinated management responsibilities of the “three lines of defense”, and continuously refined its operational risk management mechanisms. The Bank focused on deepening and advancing the integrated development of operational risk management, and iteratively improved operational risk management tools to strengthen the foundation for precise operational risk control and to enhance the effectiveness of operational risk management.

Organizational Structure for Operational Risk Management

The Bank has established a robust organizational structure for operational risk management in line with its business nature, scale, and complexity, and clearly defined the division of responsibilities of the “three lines of defense” in operational risk management.

The Board of Directors undertakes the ultimate responsibilities for operational risk management, and has incorporated operational risk as one of the core risk categories facing the Bank into its comprehensive risk management framework. The senior management takes the responsibility for the implementation of operational risk management, ensuring that the management system operates effectively.

The Bank has established the “three lines of defense” framework for operational risk management, with ongoing efforts to enhance the sharing of risk data and information between the three lines and within each line. The first line of defense includes business and management departments at all levels, which are the primary bearers and managers of operational risk, responsible for managing operational risk within their respective areas. The second line of defense includes internal control and compliance departments at all levels, which lead the operational risk management efforts, guiding and supervising the operational risk management work of the first line of defense. The third line of defense consists of internal audit departments at all levels, which supervise and evaluate the duty performance status and effectiveness of the first and second lines of defense. As the first line of defense, postal agency business institutions bear the primary responsibility for the prevention and control of operational risks in agency business institutions.

Organizational Structure for Internal Control

In strict compliance with the Internal Control Guidelines for Commercial Banks, the Guidelines on Compliance Risk Management of Commercial Banks and other regulatory requirements, the Bank has established an organizational structure for internal control and compliance management, comprising the Board of Directors, senior management, internal control management functional departments, internal audit departments, and business departments, with clearly defined authorities and responsibilities as well as reporting lines.

The Bank has established “three lines of defense” framework for internal control, clarifying that the business management departments, tier-1 and tier-2 sub-branches, and agency business institutions associated with relevant risks are the first line of defense and bear the primary responsibilities for risk prevention and control. Risk management departments, internal control and compliance departments, and leading management departments for relevant risks are the second line of defense, responsible for coordinating, supervising and reviewing the work related to risk and internal control. The audit and the discipline inspection departments are the third line of defense, responsible for supervising the first and second lines of defense.

Operational Risk Measurement System

The Bank has established a systematic operational risk management system, which includes core functions such as operational risk and control self-assessment (RCSA), key risk indicators (KRI), loss data collection (LDC), capital measurement, reports and statements, etc., and regularly advances iterative upgrade of system functionality. The Bank introduced large language model technology to enhance risk identification and improve the system's intelligent analysis capabilities. Meanwhile, the information collected on loss data meets regulatory requirements, and the capital measurement module supports operational risk capital measurement under the basic indicator approach and the standardized approach.

Operational Risk Report

The Bank continually enhances the reporting mechanism for operational risk management, and implements a "matrix" reporting procedure for operational risk management. Through operational risk management reports, the Bank timely, comprehensively, objectively, and accurately reflects its operational risk management status, and incorporates operational risk management into the comprehensive risk management reporting framework, submitting uniformly to the Board of Directors and senior management for review. The Bank's operational risk management report covers aspects such as operational risk identification, assessment, monitoring, control or mitigation.

Operational Risk Mitigation and Risk Transfer Measures

The Bank implements control and mitigation measures based on risk identification and assessment results, maintains the operational risk loss ratio at a low level to ensure operational risk is effectively controlled within its risk appetite. Targeted control measures are applied to the risks associated with business, products, processes, and related management activities according to the risk levels, with dynamic monitoring of their implementation to establish a robust internal control environment and foster a sound operational risk management culture. The Bank mitigates operational risk through measures such as purchasing insurance and outsourcing, transferring, diversifying, reducing, or avoiding operational risk to bring the exposure of operational risk within acceptable limits, and ensuring that mitigation measures are substantively effective.

The Bank strengthened risk management strategy and risk appetite management. The Bank developed and issued the 2025 risk management strategy and risk appetite plan, which covered strategic directions for operational risk management, set operational risk appetite indicators and control targets, defined circumstances that deviate from operational risk appetite targets and their handling methods, and monitored and reported on the implementation status on a quarterly basis.

The Bank enhanced outsourcing risk management. The Bank conducted annual assessments of outsourcing risks, identified outsourcing risk exposures across the Bank, paid attention to outsourcing risks associated with specialized areas and the relevant management, deepened special outsourcing risk assessments and conducted entry risk assessments for new outsourcing activities.

The Bank solidly advanced operational risk culture development. In 2025, the Bank held the Third Internal Control and Compliance Knowledge Competition. By learning through competition, the Bank cultivated a culture of "self-compliance and universal compliance" among all employees. It organized the Bank-wide Case Warning Education Conference for Credit Business, with over 60,000 credit line personnel of the Bank participating in the training. The Bank developed a dedicated case warning education section, on which 530 pieces of content on warning education, including articles, infographics and videos, were published with total visits exceeding 120 thousand.

10.2 Table OR3: Operational Risk Capital Requirement

In RMB million, except for the internal loss multiplier

		a
		As at December 31, 2025
1	Business indicator component (BIC)	41,861
2	Internal loss multiplier (ILM)	1
3	Operational risk capital requirement (ORC)	41,861
4	Operational risk weighted assets (RWA)	523,267

11 Interest Rate Risk in Banking Book

11.1 Table IRRBBA: Risk Management Objectives and Policies for Interest Rate Risk in Banking Book

Interest rate risk in banking book refers to the risk that causes losses to the economic value and overall earnings of the banking book due to adverse changes in interest rates and maturity structure, etc., which mainly includes gap risk, benchmark risk and option risk.

Management of Interest Rate Risk in Banking Book

The Bank has established a governance framework for interest rate risk in banking book with clearly defined authorities and responsibilities as well as effective operation. The Board of Directors undertakes the ultimate responsibilities for management of interest rate risk in banking book; the senior management takes the responsibility for the implementation of management of interest rate risk in banking book; the Asset and Liability Management Department and other departments at the Head Office manage interest rate risk in banking book based on a division of responsibilities; the Audit Department is tasked with performing independent and objective reviews and assessments of the adequacy and effectiveness of the management system of interest rate risk in banking book.

The Bank has established a management framework for interest rate risk in banking book commensurate with its systemic importance, risk profile, and business complexity. Based on factors such as the macroeconomic environment, market dynamics and risk appetite, the Bank implements a prudent interest rate risk management strategy for the banking book, which mainly includes methods such as repricing gap analysis, sensitivity analysis of net interest income and economic value, limit management, duration management, scenario simulation, stress testing and proactive adjustments to the asset-liability structure. The Bank monitors risk exposure levels and changes at least quarterly from the perspectives of change in economic value and change in net interest income.

During the reporting period, the Bank closely monitored both domestic and international economic and financial conditions. It enhanced the control of key business limits, conducted regular multi-scenario simulation such as stress testing and model validations, actively promoted loan diversification and repricing, and maintained a balance among volume, pricing, and risk as well as a balance between current earnings and long-term value.

Measurement and Hedging of Interest Rate Risk in Banking Book

The Bank regularly conducts identification, measurement, monitoring, control, and mitigation of interest rate risk in its banking book. The key model assumptions used in the Bank's internal measurement system are consistent with those used for data disclosures in Table IRRBB1. The Bank employed a standardized measurement framework to assess interest rate risk in banking book, adopted six standardized interest rate shock scenarios, and included the commercial spread in the cash flow calculations related to changes in economic value. The discount rate used is the government bond yield. The Bank applied the results from the measurement of interest rate risk in banking book to risk monitoring, limit management, stress testing, and other areas. The Bank established sound management policies and processes for interest rate risk in banking book and clarified the use of hedge accounting for hedging activities to ensure effective overall control of interest rate risk in banking book.

Key Model and Parameter Assumptions for Measuring Interest Rate Risk in Banking Book

Non-maturity deposits are classified into core and non-core categories. Non-core deposits are treated as overnight deposits, while core deposits have their cash flow maturity periods established based on their characteristics and historical data. For retail deposits (trading accounts), the average repricing period is no more than 4.5 years, with the maximum repricing period not exceeding 10 years. For retail deposits (non-trading accounts), the average repricing period is no more than 3.15 years, with the maximum repricing period not exceeding 10 years. For wholesale deposits, the average repricing period is no more than 2 years, with the maximum repricing period not exceeding 10 years.

For fixed-rate loans with prepayment options, the Bank first calculates the baseline prepayment rate for loan portfolios with similar prepayment characteristics based on historical data under the baseline scenario, then determines prepayment rates for each loan portfolio under different interest rate shock scenarios based on the interest rate scenario multipliers, and identifies the notional repricing cash flows. For time deposits with early withdrawal options, the Bank first calculates the baseline early withdrawal rate for deposit portfolios with similar early withdrawal characteristics under the baseline scenario, then determines early withdrawal rates for deposit portfolios under different interest rate shock scenarios based on the interest rate scenario multipliers, and identifies the notional repricing cash flows. Additionally, the Bank incorporates commercial spread into its calculation of changes in economic value.

The Bank calculates the changes in economic value separately for currencies that represent 5.00% or more of the total assets or liabilities in the banking book. By aggregating the results for each currency, the maximum loss from changes in economic value across six interest rate shock scenarios is established as the interest rate risk in banking book as measured by changes in economic value.

11.2 Table IRRBB1: Quantitative Information on Interest Rate Risk in Banking Book

In RMB million

Period	Changes in economic value		Changes in net interest income	
	As at	As at	As at	As at
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Parallel up	161,546	112,744	(14,134)	(12,336)
Parallel down	(162,754)	(83,077)	(206,706)	(191,820)
Steepening	68,256	37,412		
Flattening	(41,452)	(18,077)		
Short rate shock up	24,897	23,507		
Short rate shock down	(15,217)	(22,542)		
Maximum	161,546	112,744	(206,706)	(191,820)
Period	As at December 31, 2025		As at December 31, 2024	
Tier 1 capital	1,132,344		1,000,540	

Note (1): This table is completed based on the legal person's data. In line with regulatory reporting requirements, a positive change in economic value indicates a loss, while a negative change suggests a profit. Conversely, a positive change in net interest income denotes a profit, while a negative change indicates a loss.

Note (2): The Bank's calculation of cash flows incorporates commercial spread, and cash flows are discounted using government bond yields as the risk-free rate of return.

Note (3): The change in net interest income represents the projected variation over the next 12-month period. In the upward parallel scenario, all interest-earning assets and interest-bearing liabilities undergo a uniform 250-basis-point increase in interest rates. Conversely, the downward parallel scenario maintains deposit rates unchanged while implementing a parallel 250-basis-point reduction in interest rates applicable to interest-earning assets and other interest-bearing liabilities.

Note (4): During the reporting period, there were no significant changes in the Bank's level of relevant risks.

12 Macprudential Regulatory Measures

12.1 Table GSIB1: Disclosure of G-SIB Indicators

For details on the assessment indicators of global systemically important banks of the Group for the previous year and previous periods, please refer to the Bank's website (www.psbcc.com/en/investor_relations/finance/financial_reports/).

In RMB million

No.	Indicator Category	Indicator	2025 Amount
1	Cross-jurisdictional activity	Cross-jurisdictional claims	66,593
2		Cross-jurisdictional liabilities	9,855
3	Size	Balance of adjusted on- and off-balance sheet assets	19,663,842
4	Interconnectedness	Intra-financial system assets	2,752,155
5		Intra-financial system liabilities	314,506
6		Securities and other financing instruments issued	1,040,338
7	Substitutability	Assets under custody	6,031,633
8		Payments settled via payment systems or correspondent banks	141,960,020
9		Underwritten transactions in debt and equity markets	635,370
10a		Trading volume of fixed-income securities	7,534,626
10b		Trading volume of equity and other securities	525
11	Complexity	Notional amount of over-the-counter derivatives	822,053
12		Level 3 assets	279,190
13		Trading and available-for-sale securities	397,744

Note (1): The above assessment indicators were calculated and disclosed in accordance with the G-SIB Assessment Reporting Instructions issued by the Basel Committee on Banking Supervision, which differed from the disclosure in the financial statements.

13 Leverage Ratio

13.1 Table LR1: Summary Comparison of Accounting Assets versus Leverage Ratio Exposure Measure

In RMB million

		a
		As at December 31, 2025
1	Total consolidated assets	18,682,067
2	Adjustments that are consolidated for accounting purposes but outside the regulatory scope of consolidation	–
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	8,823
5	Adjustments for securities financing transactions	160,901
6	Adjustments for off-balance sheet items	809,896
7	Adjustments for asset securitisation transactions	–
8	Adjustments for unsettled financial assets	–
9	Adjustments for eligible cash pooling transactions	–
10	Adjustments for temporary exemption of central bank reserves (if applicable)	–
11	Adjustments for prudent valuation adjustments and provisions	–
12	Other adjustments	(8,011)
13	Adjusted on- and off-balance sheet exposures	19,653,676

13.2 Table LR2: Leverage Ratio Common Disclosure

In RMB million, except for percentages

	a As at December 31, 2025	b As at September 30, 2025	
On-balance sheet exposures			
1	On-balance sheet assets (excluding derivatives and securities financing transactions (SFTs))	18,400,750	18,436,646
2	Less: provisions associated with on-balance sheet exposures	(233,177)	(240,798)
3	Less: Tier 1 capital deductions	(8,011)	(6,241)
4	Total on-balance sheet exposures (excluding derivatives and SFTs)	18,159,562	18,189,607
Derivatives exposures			
5	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	2,675	3,640
6	Add-on amounts for potential future exposure associated with all derivatives transactions	9,087	10,605
7	Gross-up for derivatives collateral provided where deducted from the balance sheet assets	–	–
8	Less: deductions of receivable assets for cash variation margin provided in derivatives transactions	–	–
9	Less: exempted central counterparty (CCP) leg of client-cleared trade exposures	–	–
10	Adjusted effective notional amount of written credit derivatives	665	852
11	Less: adjusted effective notional offsets and add-on deductions for written credit derivatives	–	–
12	Total derivative exposures	12,427	15,097
Securities financing transaction exposures			
13	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	510,890	407,030
14	Less: netted amounts of cash payables and cash receivables of gross SFT assets	–	–
15	Counterparty credit risk exposure for SFT assets	160,901	172,056
16	Agent transaction exposures	–	–
17	Total securities financing transaction exposures	671,791	579,086

	a As at December 31, 2025	b As at September 30, 2025	
Other off-balance sheet exposures			
18	Off-balance sheet exposure at gross notional amount	2,981,385	2,860,958
19	Less: adjustments for conversion to credit equivalent amounts	(2,165,972)	(2,014,756)
20	Less: provisions associated with off-balance sheet exposures	(5,517)	(5,072)
21	Off-balance sheet items	809,896	841,130
Capital and total exposures			
22	Net tier 1 capital	1,153,653	1,158,927
23	Adjusted on- and off-balance sheet exposures	19,653,676	19,624,920
Leverage ratio			
24	Leverage ratio	5.87%	5.91%
24a	Leverage ratio a ⁽¹⁾	5.87%	5.91%
25	Minimum leverage ratio requirements	4.00%	4.00%
26	Additional leverage buffers	0.25%	0.25%
Disclosure of mean values			
27	Mean value of gross SFT assets	482,053	387,522
27a	Quarter-end value of gross SFT assets	510,890	407,030
28	Adjusted on- and off-balance sheet exposures a ⁽²⁾	19,624,839	19,605,412
28a	Adjusted on- and off-balance sheet exposures b ⁽³⁾	19,624,839	19,605,412
29	Leverage ratio b ⁽⁴⁾	5.88%	5.91%
29a	Leverage ratio c ⁽⁵⁾	5.88%	5.91%

Note (1): Leverage ratio a refers to the leverage ratio without taking into account the temporarily exempted deposit reserves.

Note (2): Adjusted on- and off-balance sheet exposures a refers to the balance of adjusted on- and off-balance sheet assets calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, taking into account the temporarily exempted deposit reserves.

Note (3): Adjusted on- and off-balance sheet exposures b refers to the balance of adjusted on- and off-balance sheet assets calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, without taking into account the temporarily exempted deposit reserves.

Note (4): Leverage ratio b refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, taking into account the temporarily exempted deposit reserves.

Note (5): Leverage ratio c refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, without taking into account the temporarily exempted deposit reserves.

14 Liquidity Risk

14.1 Table LIQA: Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial banks at a reasonable cost in a timely manner to repay matured debts, fulfill other payment obligations, and meet other financial needs of normal operation. Liquidity risk may arise from the following events or factors: significant adverse changes in market liquidity, withdrawal of customers' deposits, loan drawdown by customers, default by debtors, excessive maturity mismatch between assets and liabilities, difficulty in liquidating assets, weakened financing ability, operating losses and risks associated with the affiliates, etc.

Governance Structure of Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of a decision-making system, an execution system, and an oversight system. Among them, the decision-making system includes the Board of Directors and its Risk Management Committee, as well as the senior management and its Asset and Liability Management Committee and Risk Management Committee; the execution system comprises the department responsible for liquidity management, departments leading the management of on- and off-balance sheet businesses, Risk Management Department, Information Technology Department, and Operation Management Department of the Head Office, and relevant departments at branches and sub-branches; the oversight system consists of organizations with supervisory responsibilities that monitor the performance of duties by relevant entities.

Objective, Strategy and Policy of Liquidity Risk Management

The main objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk via the establishment of a scientific and comprehensive liquidity risk management framework, and to ensure that the liquidity demand is satisfied and its payment obligation to external parties is fulfilled at a reasonable cost without delay under the normal operation scenario and the stress scenario. The Bank adheres to a prudent and sound liquidity risk management strategy, proactively assesses changes in both internal and external conditions, reasonably manages the overall amount, structure and pace of its fund raising and utilization, and strikes a balance among safety, liquidity and profitability. The Bank, in accordance with requirements of regulatory policies, changes in external environment as well as the characteristics of its business, has formulated liquidity risk management policies such as those on limit management, intraday liquidity management, stress testing, and contingency plans. It manages the liquidity risk of the Bank in a centralized manner and clarifies that its affiliates assume primary responsibilities for their liquidity management.

Liquidity Risk Management Method

The Bank paid close attention to changes in the macroeconomic situation and monetary policies, and closely monitored liquidity conditions in the market and of the Bank. It strengthened trend forecast and analysis on factors affecting liquidity, strictly implemented limit management, strengthened asset-liability portfolio and matching management, and effectively controlled the risk of maturity mismatch. The Bank adhered to the philosophy of high-quality liability development, ensured a stable source of deposits, and used interbank liabilities as liquidity replenishment and adjustment tools to enhance the diversification of fund sources. The Bank strengthened its fund position management to meet various payment requirements. It also strengthened consolidated liquidity risk management to ensure the safety of the Bank Group's liquidity. Meanwhile, the Bank regularly conducted stress tests and emergency drills to enhance its capacity for liquidity contingency management. It continued to optimize its liquidity management system and enhanced digital and intelligent management capabilities.

Liquidity Risk Stress Testing

The Bank conducted liquidity risk stress testing on a quarterly basis to test the risk tolerance under stress scenarios, and constantly improved stress testing methods based on regulatory and internal management requirements. During the reporting period, the stress testing results indicated that the Bank could pass the minimum viability test under various stress scenario assumptions.

Liquidity Risk Analysis

The Bank's liabilities were stable, as its major source of funds was retail deposits. Its assets were highly liquid, with a relatively large proportion of high-quality qualified bonds. Its overall liquidity position was sufficient, secure and under control. As at the end of the reporting period, the liquidity ratio of the Bank was 104.46%, the liquidity coverage ratio 302.45%, and the net stable funding ratio 172.02%, all meeting the regulatory requirements.

14.2 Table LIQ1: Liquidity Coverage Ratio

In RMB million, except for percentages

		a
		Total adjusted value
		As at December 31, 2025
1	High-quality liquid assets	3,402,004
2	Net cash outflow ⁽¹⁾	1,124,806
3	Liquidity coverage ratio (%)	302.45

Note (1): Net cash outflow refers to the net cash outflow for the next 30 days.

14.3 Table LIQ2: Net Stable Funding Ratio

In RMB million, except for percentages

		a	b
		Total weighted value	Total weighted value
		As at December 31, 2025	As at September 30, 2025
1	Total available stable funding	15,700,224	15,370,042
2	Total required stable funding	9,127,223	9,159,392
3	Net stable funding ratio (%)	172.02	167.81