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2017

Social Responsibility Report
Environmental | Social | Governance

中國郵政儲蓄銀行股份有限公司
Postal Savings Bank of China Co., Ltd.
(A joint stock limited liability company incorporated in the
People's Republic of China)
Stock Code: 1658
Stock Code of Preference Shares: 4612

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About This Report

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<p>Scope of this report: This report covers the Head Office of Postal Savings Bank of China Co., Ltd. and branches under its administration.</p> <p>Time span of this report: From January 1, 2017 to December 31, 2017. But part of the contents may exceed the above-mentioned time span.</p> <p>Release cycle of this report: This is an annual report.</p>	<p>This report meets relevant requirements of Opinions on Strengthening Social Responsibilities of Banking Financial Institutions issued by China Banking Regulatory Commission, Corporate Social Responsibilities Guidelines for China's Banking Financial Institutions issued by China Banking Association and ESG Reporting Guide Content Index issued by Hong Kong Stock Exchange, and it was prepared with reference to GRI-Sustainability Reporting Guidelines (GRI 4.0), ISO26000 Guidance on Social Responsibility (2010) issued by International Standard Organization and Guidance on Social Responsibility (GB/T36000) issued by National Standards Committee.</p>	<p>Financial data in this report all came from the 2017 annual report, and other data were mainly from 2017, some of which included the data of previous years. Currency amounts involved in this report are measured in RMB unless otherwise specified.</p> <p>"Our Bank, the Bank" in this report refer to "Postal Savings Bank of China Co, Ltd."</p>	<p>To ensure truthfulness and reliability, this report is submitted to PricewaterhouseCoopers China to execute limited assurance services for selected key data disclosed in this report in accordance with International Assurance Business Standard No. 3000: Assurance Engagements Other Than Audit or Review of Historical Financial Information and issue an independent assurance report.</p>	<p>This report is published in both print and electronic formats. Print copies are prepared in the office of the Board of Directors of the Bank for review by shareholders and stakeholders of the Bank, and the electronic version is available for review on the website of the Bank.</p>	<p>Office of the Board of Directors of Postal Savings Bank of China Co., Ltd</p> <p>Address: No. 3 Financial Street, Xicheng District, Beijing</p> <p>Telephone: 86-10-68858158 Fax: 86-10-68858165</p>

Chairman's Statement

Never forget why you started, and your mission can be accomplished. Since its establishment in 2007, Postal Savings Bank of China has always adhered to the development concept of "popularize in urban and rural areas, benefit the people", cared about people's livelihood and the society, reflecting the missions and responsibilities of the state-owned large retail commercial bank in practice. 2017 marks the 10th anniversary of the establishment of Postal Savings Bank of China. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics For a New Era, the Bank made further headway in promoting balanced economic, political, cultural, social, and ecological progress as well as in following the Four-Pronged Comprehensive Strategy (i.e. making comprehensive moves to finish building a moderately prosperous society, deepen reform, advance the law-based governance of China and comprehensively strengthen Party self-governance), fully put into practice the vision of innovative, coordinated, green, open and inclusive development, took solid steps to serve the national economy and people's livelihood, and open a new chapter in fulfilling our social responsibilities.

Continued to make progresses in financial inclusion by leveraging our professional advantages

We actively responded to the calls of the Central Committee of the Party and identified the strategic positioning as a large retail commercial bank to serve the community, SMEs and "Sannong" customers. Through approximately 40,000 outlets, 143,000 withdrawal locations for farmers and around 120,000 self-service equipment, we successfully went beyond "the last mile" to extend financial services to every corner of the vast land in China. Giving full play to the advantages of numerous outlets, wide customer base and extensive resource distribution down to the county level, we explored the law, mechanism and characteristics of inclusive finance in practice, and gradually discovered a way for sustainable development of inclusive financial business as a large retail commercial bank in China. We provide basic financial services to around 40% of China's population with the number of customers further increasing to 553 million. We built an ecosystem of community financial services that covers consumer finance and wealth management and we made great efforts and provided quality service to broaden channels for customers to grow their property income. The balance of consumer credit reached RMB1.41 trillion. We have pushed forward the building of a specialized SME account manager team, integration of customer development, and intensification of post-loan management. We applied the principle of "professional team, franchised institutions and dedicated service", addressed the problem of financing difficulties and higher financing costs of small and micro enterprises. The total number of loans issued to small and micro enterprises amounted to RMB760.75 billion throughout the year. We conscientiously implemented the deployment of the No. 1 Document of the Central Government, focused on supporting the key areas of rural revitalization, created professionalized agricultural service systems and completed the institutional set-up of the Sannong Finance Department nationwide. The balance of agricultural loans exceeded RMB 1 trillion for the first time, reaching RMB1.05 trillion.

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Effectively served national strategies by leveraging our fund advantage

"The finance will flourish and maintain stability if every industry flourishes and develops steadily." Serving the real economy is the bounden duty of the financial industry and also the foundation for the development of banks. In response to the national strategic requirements, we gave full play to capital advantages, optimized the loan portfolio, and actively facilitated the major development strategies such as the Belt and Road Initiative, the construction of Xiong'an New Area, the coordinated development of the Beijing-Tianjin-Hebei region, and the development of the Yangtze Economic Belt. We relentlessly served the supply-side structural reform, promoted industrial transformation and upgrading, and stepped up financial support for major national projects and major infrastructure construction. The balance of corporate loans was RMB1.39 trillion. We focused on advancing more than 10 major infrastructure projects involving transportation, construction, and power in the countries along the Belt and Road route, expanding the network of agency banks and actively establishing business partnerships with overseas financial institutions along the route. A total of 997 banks have become its agency banks. The trade financing amount reached RMB247.5 billion.

Made innovation in our products and services and explored new models of finance-aided poverty alleviation

Securing a decisive victory in the battle against poverty is the solemn commitment of the Communist Party of China. By attaching great importance to the finance-aided, targeted poverty alleviation and leveraging our network and fund advantages, we gradually explored a commercially sustainable model for poverty alleviation based on distinctive products and product innovation and guaranteed by risk sharing. We deepened the reform of Sannong Finance Department, improved the working mechanism of setting up Poverty Alleviation Division under the Sanong Finance Department. We took targeted measures to support the infrastructure construction and development of distinctive industries in poverty-stricken areas. With a thorough understanding of the local realities, we took into account the local characteristics and integrated resources from multi-parties, designed and developed distinctive finance-aided poverty alleviation modes suited to the local conditions, such as the "Caichuan mode" (distinctive industries, talent leadership and financial assistance) and the "Down-to-village and down-to-household mode" (the planning and projects are detailed to the village and household level while branch managers visit customers at the village and household), and the "multi-layered poverty alleviation mode" to effectively help farmers obtain funds for development and production, creating significant social effects. As of the end of 2017, the balance of the Bank's targeted poverty alleviation loans was RMB45.82 billion, of which the balance of targeted poverty alleviation loans for individuals was RMB15.44 billion, and the balance of loans for registered poor people amounted to RMB12.84 billion.

Vigorously developed green finance and built a green finance brand with PSBC characteristics

The lucid waters and lush mountains are invaluable assets. The current achievements in green development will benefit the future generations. It will also lead to a profound financial reform. The colour of Postal Savings Bank of China is green, and we must continue to work hard to embody the green development idea in our behaviours and create a distinctive green finance brand. We adhered to taking strategic planning as guidance, organizational management as guarantee, policies and institutions as basis and financial products as focus, and promoted green and sustainable development. We improved the strategic planning for green credit, set up Social Responsibility Committee under the Board of Directors, set up a Green Banking Steering Group.

We prioritized resources allocation and increased credit support to the top ten key areas such as green transportation, renewable energy and clean energy, and green equipment manufacturing. As of the end of 2017, the Bank's green credit balance was RMB176.63 billion, representing a year-on-year increase of 134.78%.

Actively promoted deep integration of technology and finance, creating an efficient financial service chain

"Innovation is the primary driving force for development". Modern science and technology are leading the profound reform and reshaping of commercial banks. We focused on upgrading the traditional business mode to create scenario-oriented, personalized and intelligent Internet finance, enabling the integration of traditional businesses and new business models. IT application has been highlighted to a strategic level and considered vital to the survival of the Bank. New technologies such as big data, cloud computing, block-chain and artificial intelligence are used to strengthen the IT support for business management. We introduced the new version of UI Mobile Banking 3.0, and innovatively applied biometric technologies such as face recognition and fingerprint recognition. As of the end of 2017, the number of e-banking customers exceeded 234 million, among which mobile banking customers reached 175 million, hitting a new record. The number of electronic banking transactions reached 20.08 billion, representing an increase of 64.91% year on year. The transaction amount amounted to RMB14.12 trillion, representing an increase of 35.38%. The electronic banking transaction substitution rate reached 86.97%, representing an increase of 5.19 percentage points from the end of the previous year.

Adhered to a prudent risk management strategy and continued to maintain leading asset quality

Excellent asset quality is the foundation and the core strength of Postal Savings Bank of China. We adhered to a problem-oriented approach, held to the risk bottom line, and regarded "ensuring compliance, holding the risk bottom line and controlling risk" as the prerequisite and basis for all works. We carried out series of targeted rectification such as those aiming to crack down on "Three Violations, Three Arbitrages, Four Improper Behaviors and Ten Irregularities", and "special inspections of the risk control responsibilities of the Board of Directors, the Board of Supervisors and the senior management," and strengthened risk management and control in key areas, deepened the construction of internal control systems and strengthened compliance management basis. As of the end of 2017, the Bank's capital adequacy ratio was 12.51%, representing an increase of 1.38 percentage points from the end of the previous year. The non-performing loan ratio was 0.75%, representing a decrease of 0.12 percentage points from the end of the previous year. The provision coverage ratio was 324.77%, representing an increase of 53.08 percentage points from the end of the previous year.

2018 marks the first year for implementing the spirit of the 19th Session of National Congress of the CPC, and the 40th anniversary of the reform and opening-up policy and a crucial year for the Bank's transformation and development. Standing on the starting point of a new decade for the Postal Savings Bank of China, we will further implement Xi Jinping Thought on Socialism with Chinese Characteristics For a New Era, work with firm belief, tenacity and a pioneering spirit and actively respond to new challenges and explore new ideas, continuously enhance its ability in serving the public and creating values by leveraging new advantages and growth drivers in the Bank's development, and make greater contributions to secure a decisive victory in the building a moderately prosperous society in all respects and the great rejuvenation of the Chinese nation!

President's Statement

In 2017, faced with complex and changing macro situations, considerable pressure on risk control and fierce market competition, as well as the new characteristics of financial demand amid China's economic transition from rapid growth to high-quality development, Postal Savings Bank of China regarded serving the real economy as the starting point and purpose of its work, practiced the new development philosophy, adhered to the strategic positioning of a large retail commercial bank and upheld the underlying principle of pursuing progress while ensuring stability, actively supported the supply-side structural reform, promoted the development of inclusive finance and green finance, and focused on providing customers with satisfactory services, delivering positive values to the society, and reflecting the responsibility and undertakings of a large state-owned bank. In 2017, the Bank continued to grow its operating results faster than the average level of the domestic banking sector, recording an operating income of RMB224.86 billion, with an increase of 18.60%; net profit of RMB47.71 billion, with an increase of 19.94%; superior asset quality with a non-performing loan ratio of 0.75%. Its ability for value creation was steadily improved.

Focused on facilitating national strategies and further enhanced the capability to serve the real economy.

Based on the essential requirement that finance should serve the real economy, the Bank proactively brought its advantages into full play as a bank of strong liquidity, focused on deepening the supply-side structural reform and major strategic policies of the country, optimized resources allocation, improved the lending structure, and allocated more financial resources to the priority areas of economic development, in order to meet diversified financial needs of the real economy and further enhance the capability to serve the real economy. In 2017, loans of the Bank grew by RMB619.49 billion, representing an increase of 20.58%. The Bank is committed to providing financial support to the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt and "Made in China 2025" strategy. As of the end of 2017, corporate loans to the Beijing-Tianjin-Hebei region exceeded RMB120 billion, corporate loans to the Yangtze Economic Belt exceeded RMB310 billion, and corporate loans to western regions for large-scale development and those to six provinces in central China amounted to nearly RMB190 billion respectively. The Bank served the Belt and Road Initiative in an innovative way and successfully granted sovereign loans to the Ministry of Finance of Oman; applied modes such as "credit + non-credit", "equity + debt" and "commercial banking + investment banking" to serve the diversified financial needs of corporate clients with USD3.8 billion of financing, including onshore guarantees for offshore loans and overseas refinancing, to "going global" corporates, and nearly RMB10 billion for overseas mergers and acquisitions by domestic manufacturing, aviation, gas and steel corporates.



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Developed inclusive finance and reflected the responsibility and undertakings of a forerunning bank.

Since its established 10 years ago, the Bank has always been adhering to the strategic positioning of providing financial services to communities, SMEs and "Sannong" customers, and has become a forerunning bank in the commercially sustainable development of inclusive finance. In 2017, the Bank deepened the reform in the area of inclusive finance and worked hard to make further progress. "Sannong" financial services were continuously improved, and requirements of the Document No.1 of the central government were implemented as scheduled, with the establishment of Sannong Finance Business Unit steadily rolled out across the country. As of the end of 2017, the balance of agriculture-related loans reached RMB1.05 trillion, representing an increase of 14.91% as compared to the end of the previous year. Among the agriculture-related loans, the balance of loans to farmers was RMB863.52 billion, representing an increase of RMB106.43 billion or 14.06% compared to the end of the previous year. The system of financial services to small and micro enterprises had become perfected gradually. The Bank promoted the establishment of independent institutions on small and micro finance with a focus on industries of distinctiveness, launched the service platform on small and micro finance via the application of big data technology, and provided "financing+ intellectualizing" services to small and micro customers. In 2017, the balance of loans to small and micro enterprises reached RMB760.75 billion. The number of credit customers reached 1.66 million. By leveraging its advantages of network, fund and professionalism, the Bank played an active role in targeted poverty alleviation and granted micro loans to county- and district level key poverty-stricken areas. The Bank successfully helped the whole village of Caichuan in Ningxia Province out of poverty, which has become a typical model of targeted poverty alleviation via finance.

Promoted green innovation and contributed to high-quality economic development.

The Bank thoroughly implemented the new development philosophy and fully promoted high-quality development in business management. The Bank promoted the construction of smart banking with the deep integration of finance and information technology, architected a physical network with the largest number of branches (including machines) and an electronic banking system with diversified functionalities, explored a new ecology of consumer finance in cross-sector cooperation with the theme of "Cheer up for your happiness (幸福加邮)", and built a one-stop family eco-economic circle with finance at the centre and full-scenario coverage. The Bank developed green finance and formulated a total of 40 policies and institutions on green banking. As of the end of 2017, the green credit balance reached RMB176.63 billion, focusing on the top 10 key areas such as green transportation, renewable and clean energy, new energy vehicles and green equipment manufacturing, etc.

Upholding the concept of "Together we make it better" and striding towards becoming the most valuable and trustworthy bank.

The Bank attached great importance to upgrading service capability and quality, adhered to the customer-centric service concept and devoted itself to protecting rights and interests of consumers. The Bank improved consumer experiences and continuously enhanced responsiveness and customer satisfaction through process optimization and application of new technologies like artificial intelligence. We deepened the dissemination of financial knowledge, blended into communities, took the initiative to meet special groups such as children and the elderly, conducted volunteer services on a regular basis, and made contributions to the improvement of people's financial awareness and harmonious stability of the financial sector. We cared about and focused on employees' career development, strictly complied with relevant laws and regulations, and actively organized professional trainings, and provided good working and development environments for employees. The Bank consolidated its own resources, jointly promoted the "PSBC Love Public Welfare Fund" with China Foundation for Poverty Alleviation, implemented the "PSBC Love Growth Plan" to help poor students with further education, and established the "Volunteer Association for Public Welfare" with a Public Welfare Day, and endeavoured to become an innovator and practitioner of public welfare undertaking for a new era.

2018 is the beginning year for carrying out the spirit of the 19th session of CPC National Congress and is crucial for our country to make a decisive victory in building a moderately prosperous society in an all-round way and to achieve the goal set in the Thirteenth Five-Year plan. It is also a start as the Bank enters its second decade and starts a new journey. The Bank will follow the guidelines of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, take serving the real economy as fundamental aspiration, risk control as core goal and deepening reform as basic motivation, adhere to the underlying principle of pursuing progress while ensuring stability, stick to our strategic positioning, fulfil our duty as a large bank, promote high-quality economic development with superior and efficient financial services, facilitate social harmony and stability, and make new contributions to the building of a new era.

About Us

Postal Savings Bank of China is a leading large retail bank in China, strategically focuses on providing financial services to communities, SMEs and "Sannong" customers and is committed to meeting the financial needs of the most promising customers during China's economic transformation. Meanwhile, Postal Savings Bank actively serves large corporate customers, and participates in the construction of major projects, making important contribution to China's economic development.

With approximately 40,000 outlets serving 553 million individual customers, Postal Savings Bank of China boasts superior asset quality and significant development potential. At present, we have established an all-around e-banking system consisting of online banking, mobile banking, self-service banking, telephone banking, television banking and Wechat banking, etc., forming a financial service system in which electronic banking functions connect with physical network and offline physical banking keeps pace with online virtual banking. In 2015, we introduced ten domestic and foreign strategic investors, which further improved our comprehensive strength. In 2016, Postal Savings Bank of China successfully completed the initial public offering on the Main Board of Hong Kong Stock Exchange and accessed the international capital market, successfully completing the three-step roadmap of "joint-stock reform - introduction of strategic investors - IPO". In 2017, Postal Savings Bank of China successfully issued offshore preference shares to further optimize the capital structure and broaden channels of capital replenishment. According to The Banker's list of "Top 1000 World Banks 2017", Postal Savings Bank of China ranked 21st in terms of total assets by the end of 2016, 55th on the 2016 Forbes Global 2000 list of the World's Biggest Public Companies, and 34th on the list of Fortune Top 500 Chinese Corporates in 2016.

Given China's economic transformation and upgrade, deepening financial reform and robust development of information technology, Postal Savings Bank of China is committed to becoming the most trusted and valuable first-tier large retail bank by providing more comprehensive and convenient financial services to our customers while seizing new strategic opportunities, giving full play to its advantages, consistently enriching its business varieties, expanding its service channels and improving its service capability.



Special Topic: A New Journey • Large Retail Financial Ecosystem

With continuous deepening of China's economic transformation and upgrade, Postal Savings Bank of China brought its own advantages into full play and is committed to providing all-round, multi-layered consumer financial services to both urban and rural residents. As of the end of 2017, the Bank's balance of personal consumer loans reached **RMB1.41 trillion**, representing a year-on-year increase of **28.11%** and accounting for **38.88%** of total loans. The Bank made full use of "online + offline" channels, built and integrated various resources, and constructed an extensive, in-depth and unique scenario-driven consumer financial service ecosystem.

The Bank has constructed a complete consumer credit product system. It has designed four types of consumer credit products including mortgages, auto loans, general consumer loans and education loans to support emerging consumption fields such as education and culture, tourism and leisure, retirement and healthcare as well as environmental protection, covering various consumer needs.

The Bank continues to construct a new generation retail credit factory. Through business process optimization, process integration and standardized operations, establishing data-driven scoring models and strategies, so as to fully upgrade the operational mode of retail credit businesses and effectively enhance operational efficiency and customer experience.

The Bank interconnects electronic channels and physical networks, constantly optimize the customer experience, constitute the financial services pattern that offline physical banks and online virtual banks go hand in hand, so that consumer financial services can better meet people's needs in their livelihood.

Interconnection of "Online + Offline" Channels



Build a physical network including approximately 40,000 outlets, 143,000 withdrawal locations for farmers and close to 120,000 self-service equipment, covering all cities and nearly 99% of county-level rural areas in China (excluding Hong Kong, Macao and Taiwan), a service network with the largest number of outlets in China, which is most deep-rooted and closest to customers.



Intensively develop e-banking business, build an all-round e-banking system including online banking, mobile banking, self-service banking, telephone banking and WeChat Bank, etc.



Launch "Cheer up for your happiness" (幸福加邮) theme activities at community branches, introduce the concept of eco-finance, customize one-stop financial services for customers, build a new mode of "combination of industry and finance", and create a new ecology of consumer finance.



Deeply explore consumers' diversified needs for customization, actively support the financial needs in key and new consuming areas, speed up the Internet-based and scenario-based products. The Bank uses big data technology to support the online application process and have in place a series of online loan products so as to provide small-amount, fast and convenient financial services to customers. Gradually establish a business channel system with the complementation of online payment channels and physical outlets, improve the single access for products and services, and further enhance the customer experience.



As a major contributor, PSBC initiated to establish PSBC Consumer Finance Company Limited. It complements the Bank's retail credit products to realize the market segmentation and satisfy the diversified consumer financial needs of all sectors in an all-round way. As of the end of 2017, PSBC Consumer Finance Company Limited, a subsidiary of Postal Savings Bank of China, has lent RMB32.18 billion in total.

Special Topic: PSBC Love Charity Foundation, Benefiting Households

On March 20th, 2017 on the occasion of its tenth anniversary, the Postal Savings Bank of China officially launched "PSBC Love Charity Platform". This is an important measure taken by PSBC to integrate internal and external and online and offline resources systematically and continuously to carry out public welfare undertakings.

The Platform adheres to the principle of inclusive finance, unites social powers, raises public awareness, passes down compassionate care, and promotes the development of public welfare in China in a constant, diversified and sustainable manner. PSBC is striving to become China's public welfare innovator and practitioner. The PSBC Love Charity Foundation was set up to perform PSBC Love Growth Plan. Besides, the Bank also set up the PSBC Charity Association of Volunteers and the PSBC Charity Day.

PSBC Love Charity Foundation

Postal Savings Bank of China and China Foundation for Poverty Alleviation jointly launched the PSBC Love Charity Foundation.

Postal Savings Bank of China donated **RMB5 million** to PSBC Love Charity Foundation at the start as its initial capital.

Postal Savings Bank of China collaborated with China Foundation for Poverty Alleviation in launching the campaign Donate Together on Tencent Charity Platform. As of the end of 2017, the number of donors reached **310,000 person times** in total, with the amount of donation over **RMB6.3 million**, and the total size of the Foundation exceeds **RMB11 million**.

Set up a specialized agency to coordinate with China Foundation for Poverty Alleviation in the operation and management of the Foundation.

Donation can now be made to the foundation through online accesses of the Bank, such as mobile banking, personal internet banking and Wechat platform.

PSBC Love Growth Plan

Mainly includes projects such as PSBC Love Class of Self-Commitment and One-Thousand-People Recruitment Plan. The Plan effectively complements the nine-year compulsory education to cover the entire growth period of poverty-stricken students and forms a complete chain to support the development of poverty-stricken students.

PSBC Love Class of Self-Commitment

It is planned to fund **1,700** high-school students from poverty-stricken families who have registered for schooling to complete their high school education. With increasing amount from donation in the future, the number of beneficiaries and amount of funding will also be further increased.

One-Thousand-People Recruitment Plan

Postal Savings Bank of China will select and employ **1,000** college graduates from poor families throughout three years to usher in a new phase of life for them.

PSBC Charity Association of Volunteers

Improve the charity awareness of all its employees, set up the PSBC Charity Association of Volunteers, integrate the public welfare matters of all branches, forge the charity brand of "PSBC Love". The Bank will also put efforts on the overall planning, tracking, and assessing of its charity programs, forming a long-term mechanism of PSBC Love public welfare activities.

PSBC Charity Day

The Bank has named **March 20th** every year the PSBC Charity Day. On that day, the Bank launches various charity programs.



PSBC Charity volunteers visited the home of a student in PSBC Love Class of Self-Commitment to send their carings.



PSBC Charity Day activities organized by Jiangxi provincial branch



PSBC Charity Volunteers visited Ethnic Middle School of Huangnan Tibetan Autonomous Prefectures, Qinghai Province and had a group photo with the PSBC Love Class of Self-Commitment.



The launch ceremony of "PSBC Charity Jogging" organized by Qianjiang branch in Chongqing

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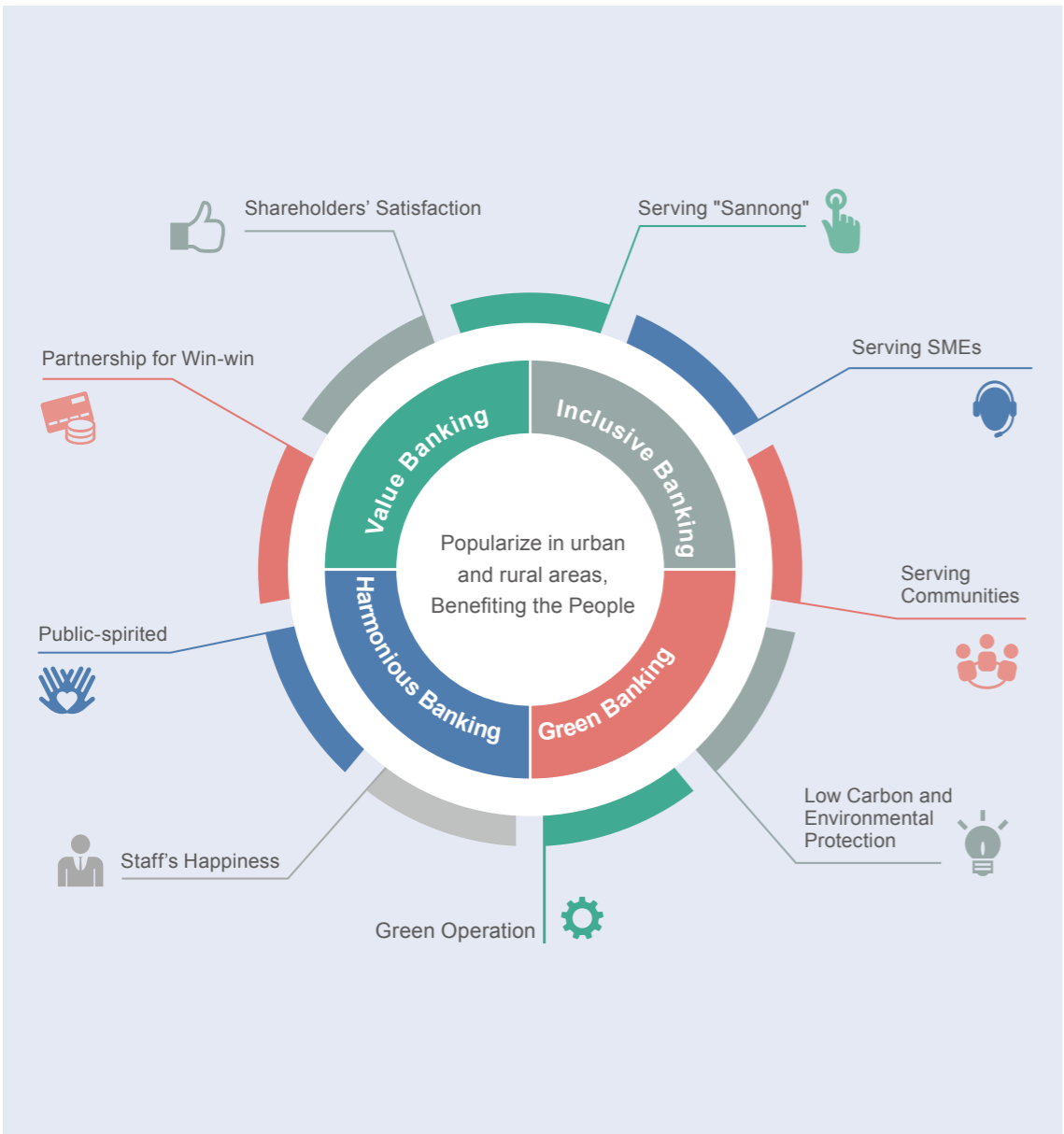
Philosophy

Philosophy and Model of Responsibility
Stakeholder Engagement and Evaluation of Important Issues






Philosophy

Philosophy and Model of Responsibility

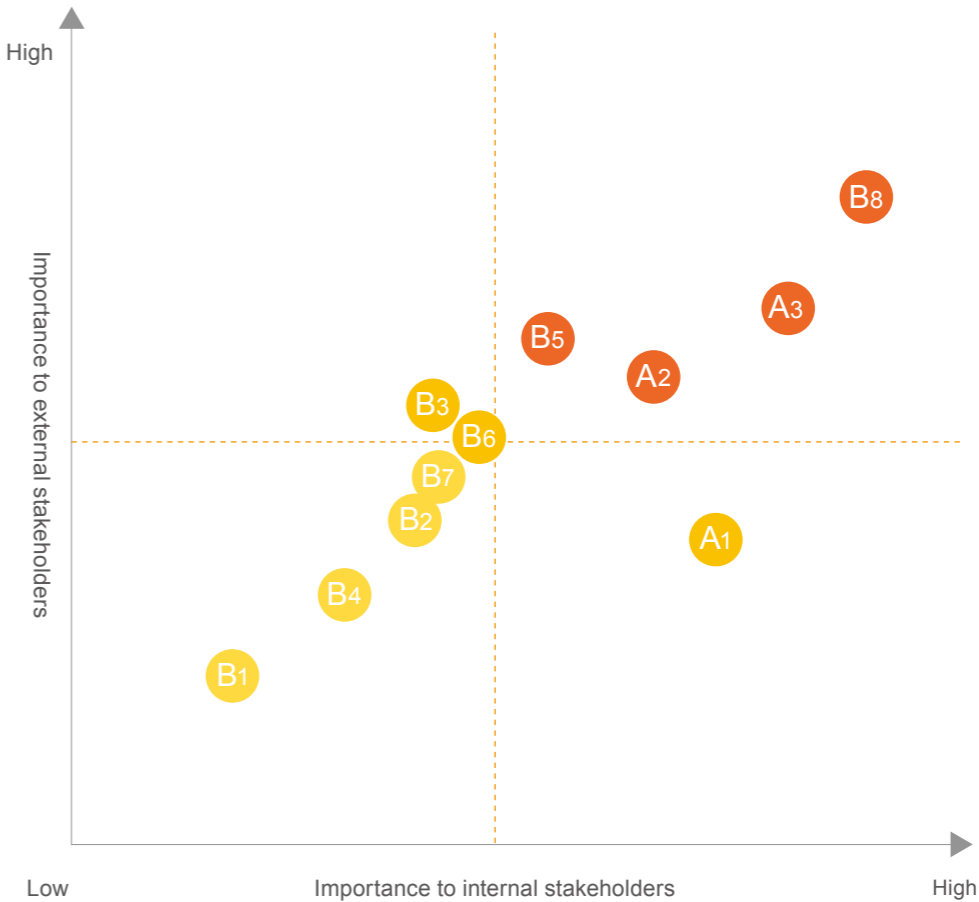


Stakeholder Engagement and Evaluation of Important Issues

Stakeholders	Communication mechanism	Response Measures
 Government	Policy guidelines Reports on special topics Daily communication	<ul style="list-style-type: none">•Implement macroeconomic policies•Support China's industrial restructuring and the development and transformation of economy•Adhere to the strategic positioning of serving communities, SMEs and "Sannong" customers
 Regulatory authorities	Work reports On-site inspection Off-site supervision Conferences	<ul style="list-style-type: none">•Operate with integrity and in compliance with laws and regulations, perfect corporate governance•Improve comprehensive risk management capabilities and strengthen the internal control system•Promote the implementation of New Basel Capital Accord•Intensify anti-money laundering efforts
 Shareholders	Shareholders meeting Notices from the board of directors Periodic reports Daily communication	<ul style="list-style-type: none">•Promote business development and increase profitability•Strictly control risks to boost sound operation•Timely, accurate and comprehensive information disclosure
 Customers	Satisfaction surveys Trainings and promotion conferences Product introductions 95580 Call Centre Official website WeChat platform	<ul style="list-style-type: none">•Strengthen customer relationship management•Broaden customer service channels•Accelerate innovation in financial products and services•Optimize business processes
 Partners	Biding & purchasing Supply and demand discussions meetings Business exchange	<ul style="list-style-type: none">•Adhere to fair cooperation•Increase transparency in cooperation•Achieve mutual benefit and win-win

Stakeholders	Communication mechanism	Response Measures
 Staff	Staff survey Opinion solicitation and feedback mechanisms Visits by the management	<ul style="list-style-type: none">•Diligently safeguard the legitimate rights and interests of staff•Strengthen training for the position and vocational skill training•Promote fair and transparent personnel selection•Perfect remuneration incentive and benefit system•Enrich staff activities in their spare time
 Public and media	Websites Platforms such as Microblog and WeChat Charity activities Dissemination of financial knowledge Media interviews	<ul style="list-style-type: none">•Disclose information timely and objectively•Communicate and respond in a smooth manner•Build harmonious communities
 Environment	Build a green financial system Strengthen environmental and social risk management Adhere to green operations	<ul style="list-style-type: none">•Promote the construction of a green financial system•Support the development of green industries•Enhance environmental and social risk management•Implement green operation

Based on above-mentioned work, the Bank invited representatives of major stakeholders to evaluate the key issues listed in the Social Responsibility (ESG) Report and found that stakeholders were most concerned about investment in communities, resources utilization and supply chain management.



- | | | |
|-----------------------------|------------------------------------|---|
| B1 Employment | B3 Development and training | B5 Supply Chain Management |
| B2 Health and safety | B6 Product responsibilities | B8 Community investment |
| B4 Code of Conduct | A1 Emissions | A2 Resources utilization |
| B7 Anti-corruption | | A3 Environment and natural resources |

Chart 1: Level of attention by major stakeholders on environment, social and governance issues

Management

Party-Building First Corporate Governance Risk Management



Management

Party-Building First

To uphold the Party's leadership and strengthen Party building is a glorious tradition of China's state-owned enterprises, the "root" and "soul" of state-owned enterprises, as well as the unique advantages of China's state-owned enterprises.

—Stressed by General Secretary Xi Jinping at the Work Conference of Party Building in State-owned Enterprises

The Party Committee of PSBC took Xi Jinping Thought on Socialism with Chinese Characteristics for the New Era as the guidance, implemented the spirit of the 19th CPC National Congress, and identifies "adhering to the Party's leadership" as the most fundamental political principle. It always incorporated Party's leadership and Party building in the strategic development, reform and transformation, corporate governance, operation and management, and risk management of the Bank, guided the development of the Bank with correct political directions and ensures the implementation of the Party's and national principles and policies, major deployments in the Bank. It adhered to the strategic positioning of a large retail bank that serves communities, SMEs and "Sannong" customers, demonstrated the responsibility of a state-owned bank through promoting economic and social development, protecting and improving people's livelihood.

Unswervingly Upholding Party's Leadership

Incorporated fundamental principles of upholding the Party's leadership and the requirements of Party Building into the Articles of Association, exercised Party building in the Thirteenth Five-Year Development Planning of the Bank, ensured the Party's leadership run through all stages of the reform and development of the Bank and gave full play to the leading role of the Party Committee.

The Party Committee of PSBC always adhered to the principle of Four Synchronizations and Four Connects and integrated Party's leadership into all aspects of deepening corporate reforms, and reflected it in every aspect.

Optimized the "Three-Importance and One-Large" decision-making procedures. All major issues concerning the strategic development, operation and management, engineering construction, appointment and dismissal of cadres of the Bank were decided upon in strict accordance with the principles of collective leadership, democratic centralism, individual consultations and decision by meetings. Strengthened the role of the Party Committee in decision-making and direction setting, implemented democratic centralism and carried out discussions by the Party Committee before management meetings.

Incorporated Party organization into the corporate governance structure with the Party Committee Secretary serving as Chairman and Party Committee members as executive Directors in the Board. A Party committee member served as Chief Supervisor and the person in charge from the Party Building Department served as staff representative in the Board of Supervisors.

Improved the system of Party building institutions and the evaluation system of Party building, incorporated Party building as one of the performance evaluation indicators, and gave full play to its stimulating and constraining role. Formulated and pushed forward the establishment of Party's working organization structure and staffing plans, and equipped with a sufficient number of outstanding Party building staff.

Comprehensively Strengthening Party Building

Further promoted grass-roots Party organizational building

The Party Committee of PSBC focused its efforts on regulating intraparty political life. Through the three-step roadmap of "demonstration point - foundation consolidation - demonstration zone", it explored an effective path of grass-roots Party organizational building featuring "foundation consolidation, demonstration at multiple levels, synergy between Party organizations at four levels and practical results first".

In 2015, the Party Committee of PSBC selected 10 out of more than 4,000 grass-roots Party organizations of the Bank to build demonstration points, and focused on the unified standards of organizational building "three types of meetings and one lecture" (holding Party branch general meetings, meetings of Party branch committees, Party group meetings, and Party lectures), education and management of Party members, and basic Party affairs, etc., forming a four-level working pattern of "unified leadership by the head office, organization and promotion by tier1 branches, specific guidance by tier-2 branches, implementation by party committees at the branch level".

In 2016, the number of grass-roots Party organizations under the direct leadership of the Party committee of the Head Office was further increased and projects of firm-wide Foundation Consolidation were carried out. Around 500 outstanding grass-roots Party organizations featuring "strong leadership, prominent roles by party members, intraparty life in compliance, superior organizational guarantees".

In 2017, Foundation Consolidation 2.0 projects were organized firm-wide to build 6 grass-roots Party organization demonstration zones at tier 2 branches. The standards, measures and goals of Party building were enhanced, and full coverage of standardized grass-roots Party organizations in the Bank was almost achieved.

Adhered to the concept that Party supervising officials

The Bank adhered to the concept of the Party supervising officials, and earnestly implemented the 20-character standard of "be loyal to the Party, have the courage to pursue reform and break new ground, govern corporates in a proper way, develop business with right measures, honesty and integrity" put forward by General Secretary Xi Jinping, and continued to push forward leadership building and cadre building, comprehensively strengthened supervision and management of cadres, focused on the Party's financial undertakings and the reform and development of PSBC, selected and managed cadres properly.

Worked ceaselessly to improve the Party conduct and uphold integrity

We adhered to ensure responsibility and implementation through accountability, continued to implement the central Party leadership's eight-point decision on improving Party and government conduct, carried out examination and evaluation of the system of accountability for improving Party conduct and upholding integrity and targeted inspection on the implementation of the "two responsibilities" at tier 1 branches on a continuous basis, carried out re-examination of rectifications on outstanding issues, conducted four forms of oversight over discipline compliance, and continued to improve Party conduct and enforce Party discipline and purified the political atmosphere for the Bank's reform and development.

Pushed forward the work of mass organization and corporate cultural building in a coordinated way Stimulate the internal forces for corporate reform and development

The Party Committee of PSBC aimed to unite all development forces, pushed forward the work of mass organization, corporate cultural building as well as public etiquette and ethical standards improvement in a coordinated way.

Strengthened the Party's mass organization. The trade unions at all levels continued to promote standardization of Workers' Congress and protection of rights and interests of workers, plan to achieve the goal of building "Employees' Corner" at tier-1 and tier-2 branches during the year. The platform of Recommending and Electing the Excellent was improved. Innovation was made on labour skills competitions in an all-round way and staff culture enriched from multiple channels. Staff expression channels were further smoothened. We cared for the youth, strengthened the construction of Communist Youth League (CYL) organizations at all levels, supported CYL organizations in taking into account the characteristics and needs of young staff and performing their work in a lively and creative form, so as to promote the growth and development of young staff.

Accelerated corporate cultural building. Continued to carry out corporate cultural building activities with characteristics of PSBC, integrated traditional cultures such as hard-working, candidness and sincerity with modern banking cultures such as integrity and accountability, created a good atmosphere of "have the courage to take the lead, be accountable and dedicated to work" with the power of cultural integration.

Continued to improve employees' etiquette and ethical standards. We will further enhance the efforts in building a role model company in ethical and cultural progress, role model as a service provider, star-rated role model, role model staff in ethical and cultural progress and Youth Role Model Award winner, actively built "Lei Feng Posts" and "Lei Feng Role Models" in the Banking industry across the country. At the same time, we focused on the cultivation, selection and wide communication of role model employees, explored to set up the cultivation, selection, tracking and incentive mechanisms of role model employees to gather positive forces for the reform of PSBC.



Picture: Beijing branch visited the Anti-Japanese War Memorial Hall, and enhanced learning and education for party members.

Corporate Governance

The Bank considers a well performed corporate governance as the core component of the stable operation and sustainable development of a commercial bank. Adhering to the governance principles of a modern commercial bank, the Bank strives to optimize and improve its corporate governance structure and enhances the corporate governance mechanism as well as its standardization and effectiveness, so as to further refine the corporate governance.

Annual General Meeting

During the reporting period, we held 3 annual general meetings, 2 domestic shareholders' meetings and 2 H-share category shareholders' meetings at which 32 proposals were deliberated and approved. These general meetings of the Bank were convened and held in accordance with relevant laws and regulations, ensuring the Shareholders' rights to attend and exercise their rights at the meeting.

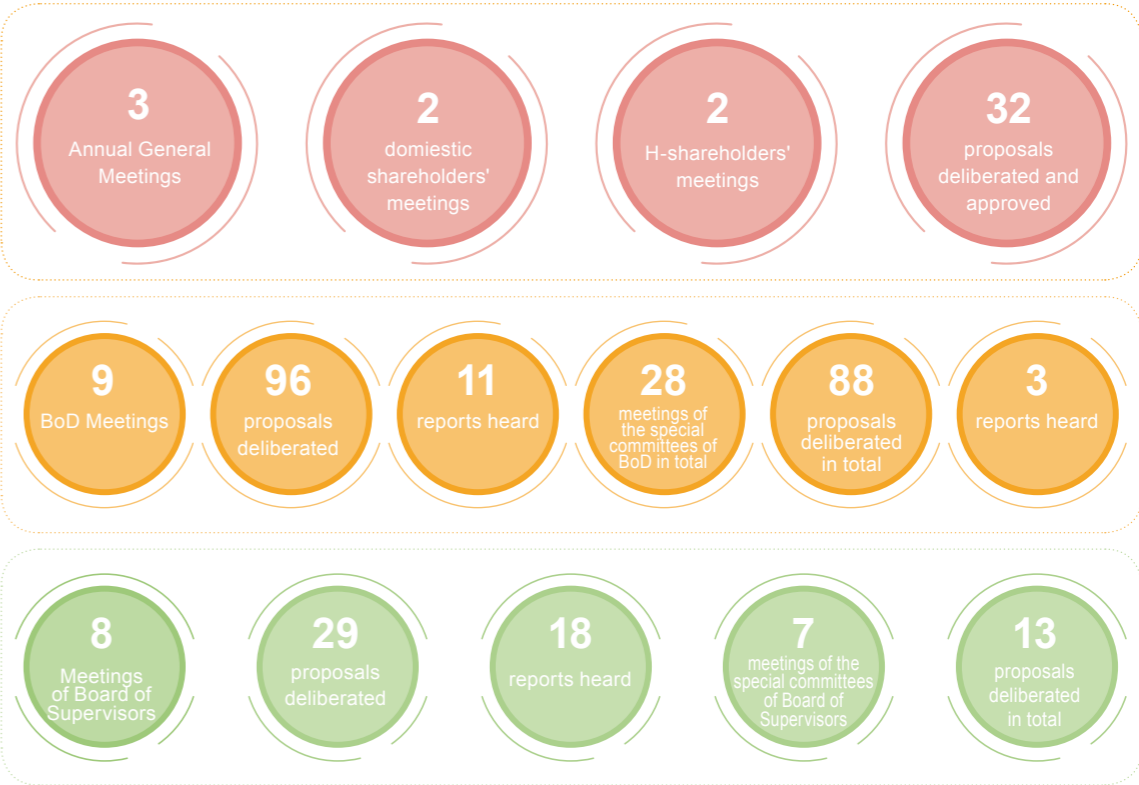
Board of Directors

As of the end of the reporting period, the Board of Directors consisted of 15 directors in total and set up six special committees, namely the Strategic Planning Committee, Related Party Transactions Control Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee and Social Responsibility Committee. During the reporting period, the Bank held 9 board meetings, reviewed 96 proposals and heard 11 reports in total. A total of 28 meetings of the special committees of the Board of Directors were held, with 88 proposals reviewed and 3 reports heard. During the reporting period, the Bank held a meeting attended by the Chairman and non-executive Directors only (including independent non-executive Directors) in January 2017.

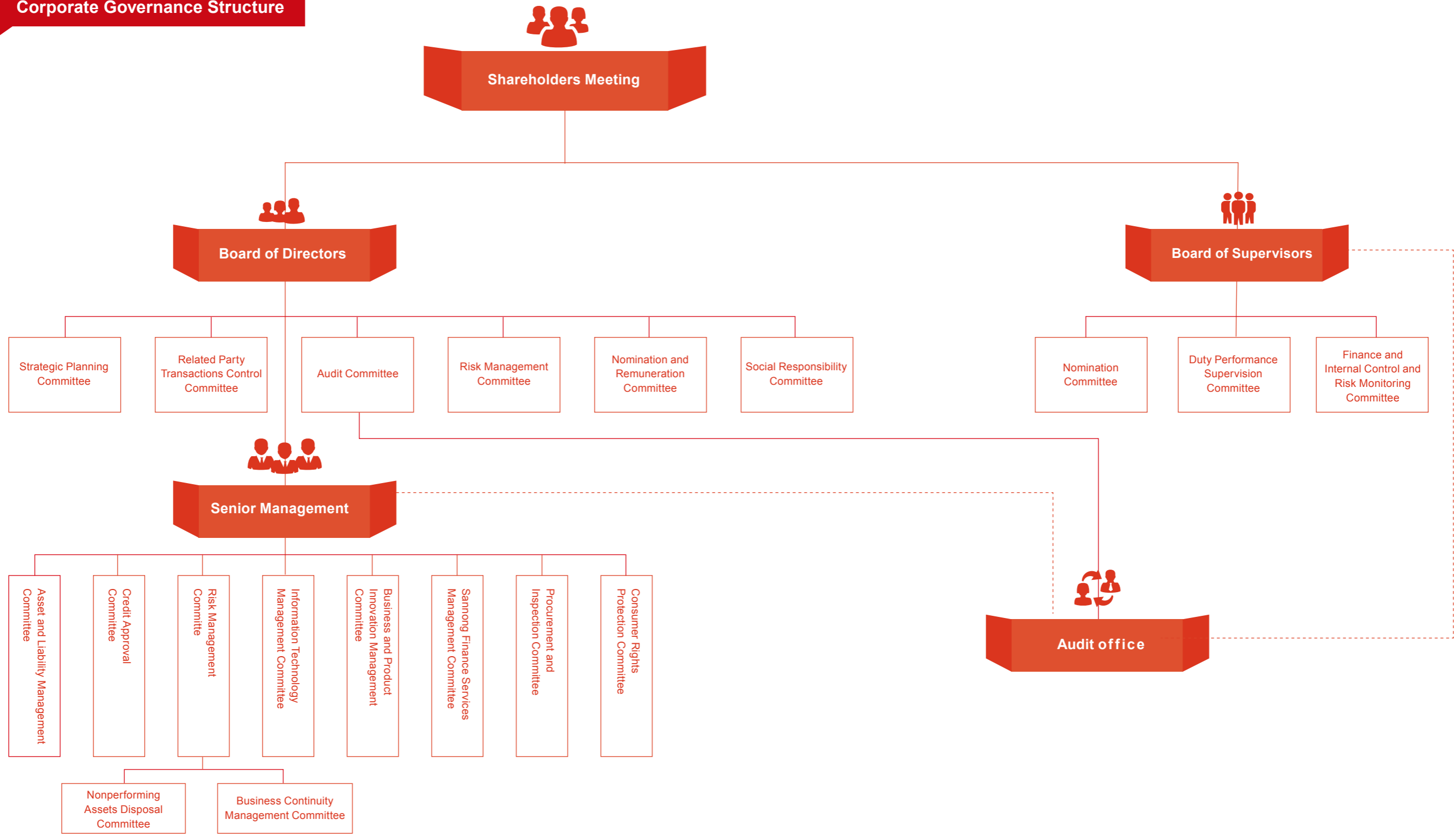
Board of Supervisors

As of the end of the reporting period, the Board of Supervisors of the Bank consisted of 9 supervisors in total and set up 3 special committees, namely the Nomination Committee, Duty Performance Supervision Committee and Finance and Internal Control and Risk Monitoring Committee. During the reporting period, the Bank held 8 meetings of the Board of Supervisors, deliberated 29 proposals and heard 18 reports. The special committees of the Board of Supervisors held 7 meetings in total and deliberated 13 proposals in total.

In 2017, PSBC received *Hong Kong Corporate Governance Excellence Awards 2017* by the Chamber of Hong Kong Listed Companies and Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.



Corporate Governance Structure



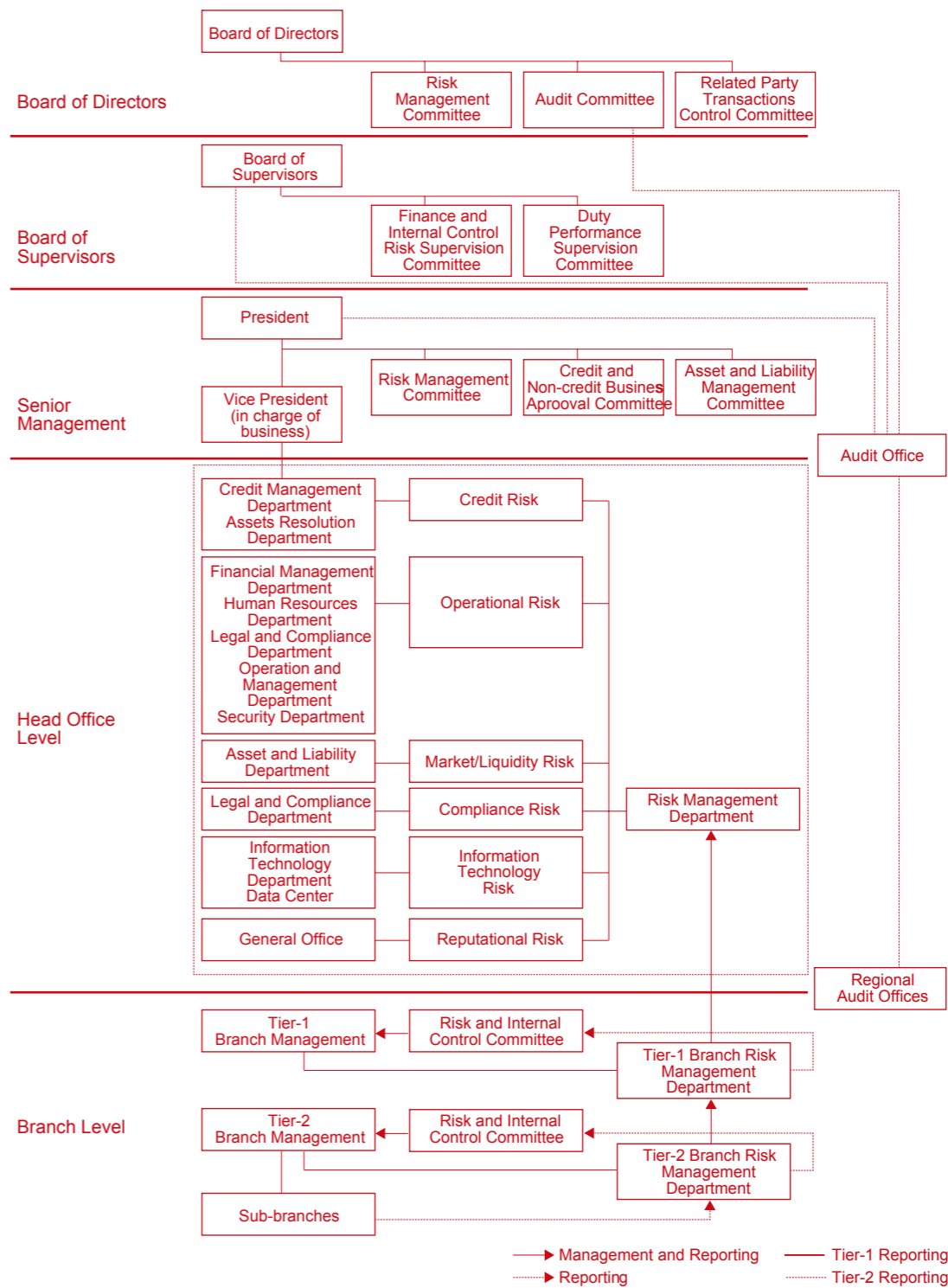
Risk Management

In 2017, the Bank resolutely implemented relevant requirements of the Central Government on prevention and control of financial risks, adhered to prudent risk management, continuously improved and perfected a comprehensive risk management system, proactively implemented a series of targeted regulatory activities and continuously strengthened risk prevention and defusing in key areas, accelerated the construction of quantitative risk management tools, and further improved the overall risk management capability. The Bank continued to deepen its internal control system, reviewed its internal control management procedures, strengthened monitoring of compliance risks, perfected its rectification mechanism and strengthened its non-compliance accountability mechanism. As of the end of 2017, *the non-performing loan ratio was 0.75% and the provision coverage ratio was 324.77%.*

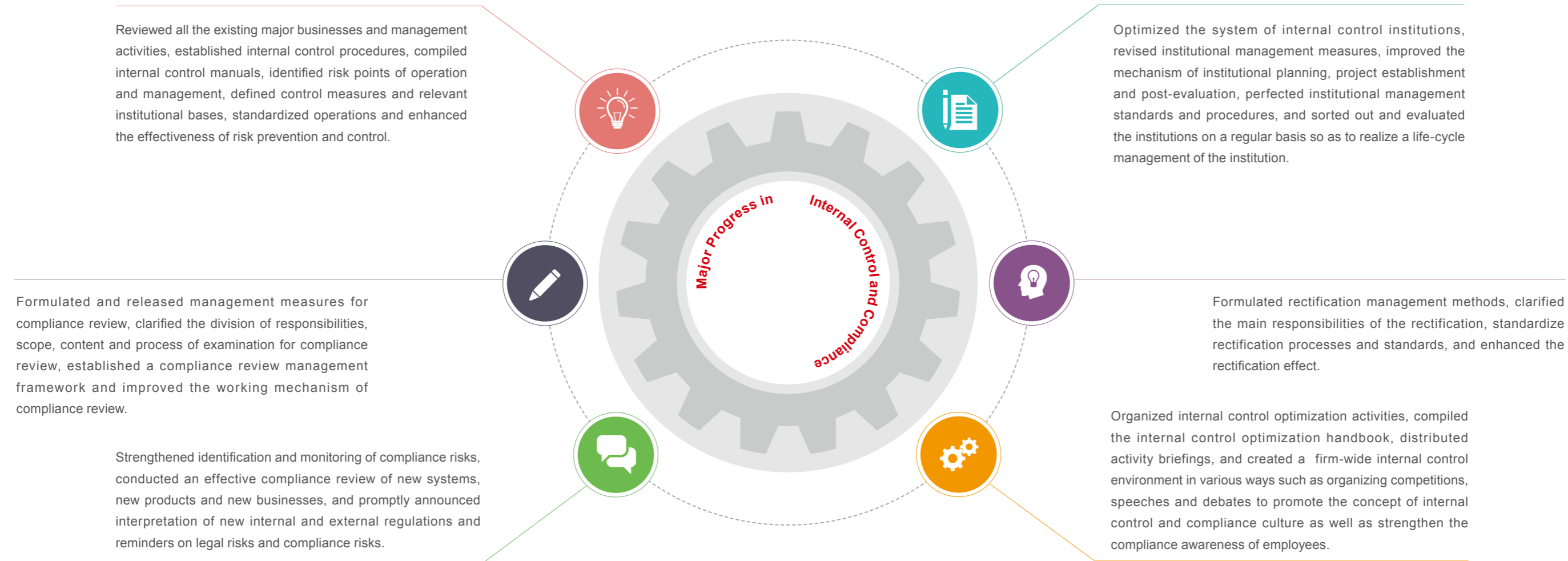
Major Progress in Risk Management



Risk Management Structure



Major Progress in Internal Control and Compliance



Anti-Money Laundering

Constantly optimized functions of the AML system, improved the suspicious transaction reporting process, increased 37 functions such as configuration of the suspicious transaction monitoring model and data verification of large transactions.

Improved institutions and processes, revised institutions such as large transactions and suspicious transactions reporting, customer identification, and those that support AML regulation, etc. to strictly enforce customer identification and due diligence.

Abided by laws and regulations including the Anti-Money Laundering Law of the People's Republic of China, improved AML management system, optimized AML monitoring system, intensified internal and external communications and trainings on AML and focused on building a centralized AML processing team, enhanced the efficiency and effectiveness of AML work.

Enhanced customer identification, strengthened prevention and control of high-risk customers and risk prevention businesses, more than **340 incidents** involving money laundering risks such as suspected fraud and pseudonymous account were successfully discouraged or blocked, among which more than **180 cases** were sent to public security organs.

Anti-Corruption

Strictly abided by laws and regulations including the Criminal Law of the People's Republic of China, and the Party's rules and regulations such as Disciplinary Punishment Ordinance of the Communist Party of China and Accountability Ordinance of the Communist Party of China, advanced the building of the internal control system and guarded against corruption, and sternly punished staff who violated laws and regulations.

Formulated and executed management measures on staff reporting, discipline inspection and supervision, complaint letters and visits, carried out targeted inspections from time to time to ensure that all staff and third parties are able to report via letters, phone calls and emails the corruption, bribery and fraud of the Bank's staff or suppliers.



Shandong branch carried out an AML knowledge contest

Inclusive Finance Serving the Real Economy

Prioritizing Resources for National Strategies

Supporting "Sannong" through Mechanism Innovation

Multi-measure Assistance for Poverty Alleviation

Mode Optimization for Small and Micro Enterprises



Inclusive Finance Serving the Real Economy

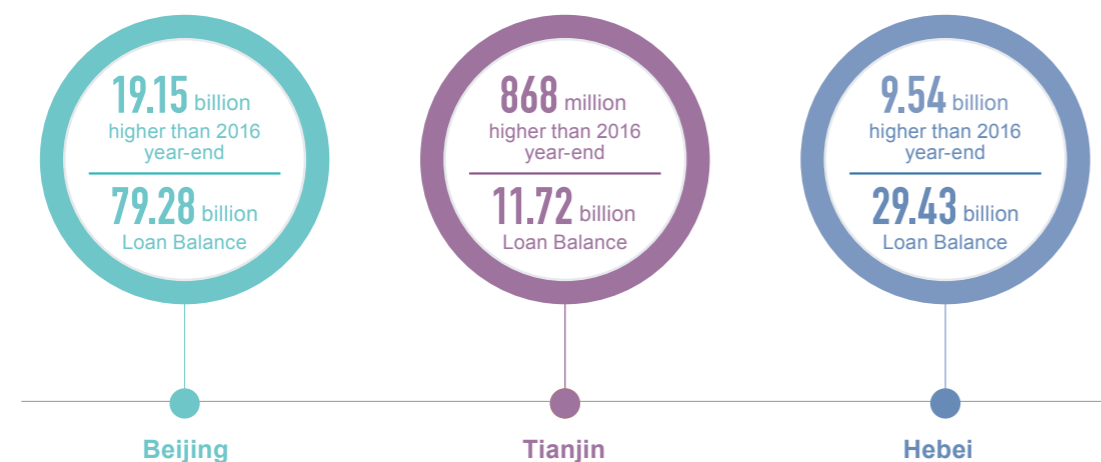
Serving the real economy is the bounden duty of the financial industry and also the foundation for the development of banks. At the beginning of its establishment, based on its inherent resources and characteristics, Postal Savings Bank of China adheres to its strategic positioning of serving communities, SMEs and "Sannong" customers, closely integrating its development with China's economic and social development towards the same direction.

Prioritizing Resources for National Strategies

In 2017, the Bank actively utilized its advantage of strong liquidity and devoted itself to providing financial support to the Belt and Road Initiative and strategies including the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt and "Made in China 2025", earnestly implemented supply-side structural reform, intensified efforts to cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness, applied innovative modes such as "credit + non-credit", "equity + debt" and "commercial banking + investment banking" to serve diversified financial needs of corporates and supported the sound development of the real economy.

Supporting the strategy of the coordinated development of the Beijing-Tianjin-Hebei region

As of the end of 2017, loan balances¹ in the Beijing-Tianjin-Hebei region amounted to: 79.28billion in Beijing, 11.72billion in Tianjin and 29.43billion in Hebei, representing an increase of 19.15billion, 868million and 9.54billion respectively compared to the end of 2016.



¹ The figure in this part refers to general corporate loans (not including loans to small enterprises and trade finance, the same below)

Supported Development of the Yangtze River Economic Belt

As of the end of 2017, corporate loan balances in the Yangtze River Economic Belt amounted to 310.07billion, an increase of 109.91billion compared to the end of 2016. Focused on supporting highways and hydropower development, etc.



Promoted the Major Development of the Western Regions

As of the end of 2017, corporate loan balances in western developing regions amounted to 189.70 billion. Focused on supporting hydropower development, highways, railway constructions, etc.



Facilitated the rise of central regions in China

As of the end of 2017, corporate loan balances of six central provinces, namely Shanxi, Henan, Hubei, Hunan, Anhui and Jiangxi totalled 186.69billion. Focused on supporting rail transports, highways, railway constructions, development and construction of ancient cities, etc.



Facilitated the revitalization of the northeast region

As of the end of 2017, corporate loan balances in northeast regions including Heilongjiang, Liaoning and Jilin amounted to 43.21billion. Focused on supporting highways, airport construction, wind power development and railway construction, etc.



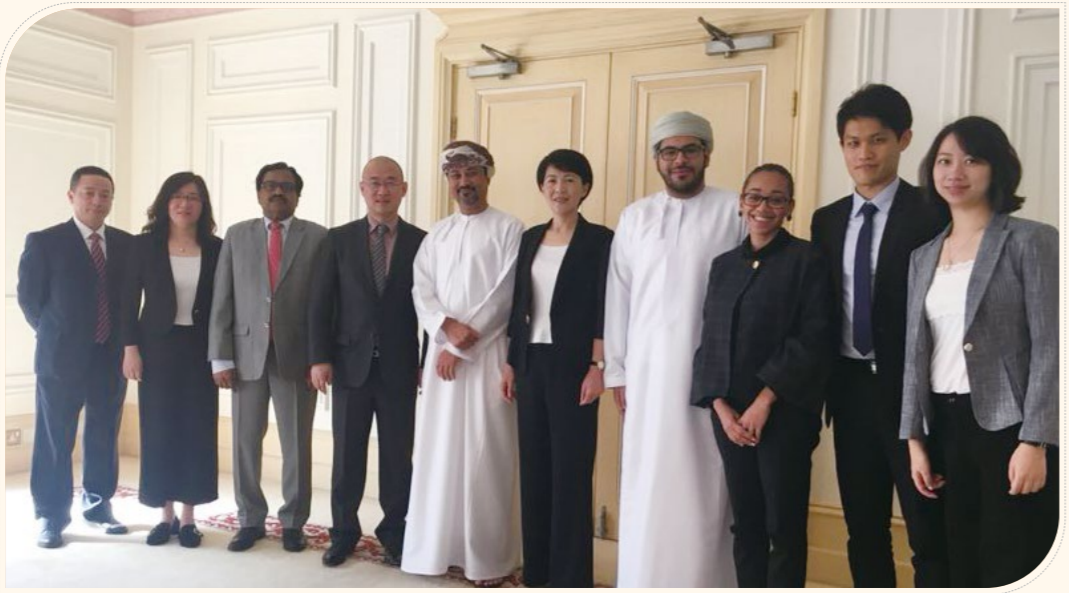
Taking measures to serve the Belt and Road Initiative

The Bank incorporated serving the Belt and Road Initiative with financial services into its own Thirteenth Five-Year planning, gave full play to its inherent advantages and resources to actively provide all-round, multi-product financial services to the development of the Belt and Road Initiative

We supported financial services to infrastructures construction along the Belt and Road route, with more than 10 ongoing projects, mainly in Pakistan, Indonesia and other countries.

We intensified efforts to cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness, focused on areas like infrastructure construction, development and utilization of energy and resources, construction of economic and trade cooperation zones, actively supported corporates in their going-global activities with M&A loans, trade finance, industrial funds, financial leasing and other means. We has provided about USD3.8 billion of financing such as onshore guarantee for offshore loans, overseas refinancing to support overseas mergers and acquisitions of domestic companies in manufacturing, aviation, gas, steel and other industries, totalling nearly RMB10 billion.

We broadened the network of agency banks along the Belt and Road route and actively established business cooperation with relevant overseas financial institutions, with the number of agency banks reaching 997 as of the end of 2017, covering 40 countries, 240 banks in the Belt and Road countries.



In July 2017, Beijing branch successfully launched a sovereign loan for Oman Ministry of Finance to cover the development and construction of China-related projects, embodying its responsibility in the development of the Belt and Road Initiative.



Wenzhou branch actively supported the Belt and Road construction

Fujian branch vigorously supported the electronics and information industry

Fujian is a province for the planning of integrated circuit productivity in China's Thirteenth Five-Year Plan, and for the deployment of China's 910 engineering projects. The sales department of Fujian branch gained a thorough understanding of the corporate needs, actively supported the project of providing chips and screens for corporates, providing a strong support for the development of corporates. As of the end of 2017, Fujian branch lent RMB1 billion to Fujian Electronic Information (Group) Co., Ltd.



An account manager of Fujian provincial branch carried out pre-lending investigation on site.

Multi-measure Assistance for Poverty Alleviation

In 2017, the Bank further advanced the finance-aided poverty alleviation, gave full play to its advantages in network, capital and expertise, innovated products and services, increased capital input, gradually explored a new model of finance-aided poverty alleviation that relies on distinctive industries, takes products innovation as the basis and risk sharing as guarantee.

As of the end of 2017, the balance of the Bank's targeted poverty alleviation loans was *RMB45.82 billion*, of which the balance of targeted poverty alleviation loans for individuals was *RMB15.44 billion*, and the balance of loans for registered poor people amounted to *RMB12.84 billion*.

Key Measures For Targeted Poverty Alleviation



In the set-up of the organizational structure, Postal Savings Bank of China set up poverty alleviation business division under the Sannong Finance Department and specialized operation teams of micro loan at county-level sales department, cultivating specialized workforce to deliver financial services for targeted poverty alleviation.



In policy support, Postal Savings Bank of China formulated and released a series of poverty relief documents including the Guidance of Postal Savings Bank China of China on the Implementation of Finance-aided Poverty Alleviation in 2017 and the Opinions on Carrying out Finance-aided Poverty Alleviation in Areas of Extreme Poverty, providing favourable policies to poverty alleviation and improve institutional support.



In product design, Postal Savings Bank of China developed targeted micro credit products for poverty alleviation featuring RMB50,000 in amount, three-year term, zero guarantee and zero collateral, and benchmark interest rate. The Bank adhered to the idea of developing distinctive industry and advocated "one industry in one county, one credit product by one branch", intensified efforts to identify pillar industry for poverty alleviation.



In poverty alleviation mode, Postal Savings Bank of China launched a series of innovative modes for poverty alleviation, including "poverty alleviation + intellectual shoring-up", micro loans for poverty alleviation, cooperation between the Bank and the government, developing distinctive industries, poverty alleviation by charity activities, "finance + e-commerce", talent leadership, building a credit system, poverty alleviation by projects, poverty alleviation by PV installation, etc. boosting the development of industries for poverty alleviation in poverty-stricken areas according to local conditions.

Innovative Mode For Poverty Alleviation

Caichuan Mode

Caichuan Mode is a new financial mode of "developing distinctive industries + talent leadership + financial assistance" for poverty alleviation. With cadres of the village committee, farming experts, borrowing farmers sharing the risks with the Bank, the new business model solves the problem that ordinary farmers lack collaterals for loans, effectively help farmers get funds to produce. As a result, the per capita net income of the village increased significantly, helping Caichuan to get out of poverty with significant social effects.

Down-to-village and down-to-household Mode

"Down-to-village and down-to-household" Mode, i.e. the planning and projects should be detailed to the village and household level while branch managers should visit customers at the village and household. Increased micro loans for poverty alleviation with the project fund of this Mode as risk compensation. Currently, this Mode has been rolled out in Inner Mongolia, and created a unique path for poverty alleviation.

Mode of multi-layered finance-aided poverty alleviation

Mode of multi-layered finance-aided poverty alleviation, i.e. supported poverty alleviation on six aspects including corporate loans and financial market business, financing to distinctive planting and farming industries, intellectualizing support, establishment of e-commerce platforms, logistics and distribution, and basic financial services, aiming to create a comprehensive mode of poverty alleviation featuring online and offline offering and covering all kinds of micro financing needs.

Caichuan Mode facilitating poverty alleviation

Located in the extremely impoverished Liupanshan area, Caichuan Village of Zhaike Township, Yuanzhou District, Guyuan City, Ningxia Province was identified as one of the "most inhospitable areas for human habitation" by UN World Food Program due to its poor natural environments and is the blind spot for financial services. In order to allocate financial resources to poor villages and promote the effective linkage between micro loans with targeted poverty alleviation, Ningxia branch identified the inherent advantage of Caichuan in farming industry, and implemented the strategic deployment of fighting poverty, focusing on micro loans for farmers and door-to-door services.

As of the end of 2017, Ningxia branch lent RMB113 million to Caichuan Village. With the support of those loans from PSBC, the per capita net income of Caichuan Village increased from less than RMB2,000 in 2008 to RMB8,260 now, realizing the whole village out of poverty. Talents played a pivotal role in development of raising sheep and cattle in the village for poverty alleviation. "distinctive industry + talent leadership + financial assistance" has become a typical mode of the finance-aided poverty alleviation of PSBC.

"In 2008, our village wanted to guide villagers develop industries through loans, but many banks were not willing to lend to us due to our poor conditions except Post Savings Bank of China. The Bank did not leave us along and provided us with timely assistance."

- Ma Jinguo, Party secretary of Caichuan Village



Serving "Sannong" wholeheartedly with micro loans



poor families borrowed micro loans featuring "convenient lending and easy return" by Ningxia branch and got rid of poverty with sheep raising



loan officers and Caichuan villagers

Targeted poverty alleviation for improving people's livelihood. Farmers left cave dwelling and fulfilled their dreams of comfortable living

Qingcheng County of Qingyang City is located in the Loess Plateau, and many poor people there still live in caves. Having a safe and comfortable house to sleep in becomes a dream for those people. In 2017, Gansu branch innovatively launched micro loans for house refurbishment in rural areas, which was secured by the government and subsidized by the County's treasury department for interests. In 2017, the branch lent RMB180 million of micro loans for house refurbishment to 3,006 poor households, which showed that Qingyang branch of PSBC fulfils its social responsibilities, cares about people's livelihood, and takes measures for targeted poverty alleviation, realizing residential dreams of poverty-stricken households. This project is expected to lend RMB300million, benefiting nearly 6,000 poor households in Qingcheng County.



Loan officers from Luoyuan sub-branch in Fuzhou visited the village and promoted the targeted poverty alleviation

A mountain village in Guizhou reduces poverty through industrial development

Galongtang village is a small, beautiful and poetic mountain village located in Mugang Town, Liuzhi Special Region, Liupanshui City, Guizhou Province. Local people are embarking on the road to prosperity through integration of rose cultivation and tourism.

In September 2017, Liuzhi Special Region sub-branch of PSBC and the Government of Liuzhi Special Region reached a cooperation agreement to meet rose growers' demands for funds. The Liuzhi sub-branch provided small secured loans supporting industrial integration and poverty alleviation, with the government setting up a risk compensation fund to provide guarantees for loans and subsidies to pay

for interests.

As of the end of 2017, Liuzhi Special Region sub-branch issued RMB22.4 million loans in total to 224 households in Mugang Town, and Liupanshui branch released RMB243.75 million loans in total in the whole city, helping more than 2,000 households develop towards prosperity.

Zhou Qiansheng, a local villager said, "I am grateful to Postal Savings Bank of China for extending a RMB100,000 subsidized start-up loan to me, with which I can plant additional 50 mu of roses. Next year, I will change my own house into a farmhouse hotel to provide accommodation for travellers. I believe life will get better for my family."

Danjiang sub-branch of shiyan city, hubei province took targeted poverty alleviation measures based on local conditions

Located in the north bank of Danjiangkou reservoir area in Hubei Province, Xijiadian Town is a combination of mountainous areas, reservoir areas and old revolutionary base areas, where poverty-stricken households account for 52.01% of all the local population. Based on the cooperation platforms between the bank and the government, between the bank and enterprises, Danjiangkou sub-branch actively pushed forward the building of targeted finance-aided poverty alleviation workstation and gridded workstation of financial service. As of the end of 2017, the Bank has established 4 finance-aided poverty alleviation workstations and 78 gridded financial service workstations in Danjiangkou City, collecting 51,657 pieces of grid information in total. Moreover, the Bank has issued 384 loans of all kinds for poverty alleviation, accounting for RMB164.9 million, benefiting 1,860 households and enterprises, helping 1,251 poor households out of poverty.



Staff of Shiyan City branch visited households in Majiayuan Village.

Supporting "Sannong" through Mechanism Innovation

As a major provider of "Sannong" financial services for a long time, the Bank has always placed great importance on "Sannong" financial services and prioritized supporting the development of agri-economy and helping farmers for income increase. In 2017, the Bank sped up the improvement of the operation mechanism of Sannong Finance Department, actively served the supply-side structural reform of the agricultural industry, and continuously increased the credit supply in key areas of "Sannong".

As of the end of 2017, 70% of the 553 million individual customers served by the Bank were located in county-level areas; the balance of agriculture-related loans reached RMB1.05 trillion, with a year-on-year growth of 14.91%. The balance of loans to farmers' households was RMB863.52 billion, representing an increase of RMB106.43 billion or 14.06% compared to the end of the previous year.

"Sannong Finance Department will lead the Bank's financial business for 'Sannong', and the Bank will step up its efforts in network building, product development, team building and service upgrades to give full play to its unique advantages in funds and network. By leveraging advanced technologies such as the Internet, mobile communications and big data, the Bank will provide better financial services to farmers, new-type agricultural operators, micro and small enterprises and leading agricultural enterprises, and as a large-scale commercial bank, we will strive to explore an inclusive finance development road to serve 'Sannong'."

- Li Guohua, Chairman of PSBC

PSBC speeded up the improvement of the operation mechanism of Sannong Finance Department

In 2017, the Bank deepened the reform of Sannong Finance Department and accelerated the improvement of the operation mechanism of the Sannong Finance Department as requested by the central government. During the reporting period, 27 tier 1 branches at provincial, city and county levels completed the establishment of Sannong finance departments.

Organizational structure	<p>The Bank established a four-layered "Sannong" finance organizational structure, namely Sannong Finance Departments at head office, tier 1 branches at the provincial level, tier 2 branches at city-level as well as county-level, making credit services more accessible for the public at grass-roots level and improving the efficiency of agriculture-related credit services.</p> <p>The Bank has established a total of 550 modern agricultural demonstration sub-branches in 283 national modern agricultural demonstration zones to provide modern agricultural financial services.</p>
Management mechanism	<p>The Bank established and improved the financial accounting, business planning, capital management, credit management, risk management, performance evaluation related to "Sannong" finance, as well as institutional guarantee like special resource allocation policies and IT support for "Sannong" finance.</p>
Approval system	<p>The Bank attached importance to the efficiency of its review and approval functions. It not only optimized the review form and approval form for micro loans, solving the problems like inconsistency between on-line and off-line forms, repeated filling-in, additional scanning and uploading of documents, but also provided self-service systems to help clients fill up and print forms, enhancing the efficiency of review and approval.</p>
Service team	<p>The Bank cultivated a professional "Sannong" finance service team, enhanced trainings of professional knowledge and service delivery to ensure the scale and quality of the team for "Sannong" financial services.</p>
Scope of service	<p>The Bank broadened and deepened its research on China's macroeconomic policies, agricultural industry, regional economy and other aspects, and gradually expanded the agriculture-related corporate business and projects in rural areas to better meet the needs of economic restructuring in rural society.</p>



Hosted the First Workshop on Rural Financial Inclusion of the World Savings and Retail Banking Institute (WSBI)

On December 7th, 2017, WSBI's First Workshop on Rural Financial Inclusion was organized by PSBC in Beijing with the theme of "Realizing the sustainable development of inclusive finance in rural areas". Representatives of WSBI and more than 20 financial institutions from 15 countries around the world discussed the opportunities and challenges faced by the inclusive finance business model in rural areas and shared their professional knowledge and practical experiences.



A fruit farmer's heartfelt word: "the loan came just in time and solved my problem."

Yuan Quan, a rancher in Shanting District, Zaozhuang City, contracted for a land of more than 500 mu in Chengtou Town, Shanting District via land transfer and set up a family farm to grow vegetables and fruits on a large scale.

When talking about difficulties of starting his business, Yuan Quan has particular deep feelings on the lack of funds, especially in the early stage, which put him in a very difficult situation, "Farmers lack enough collateral, while credit loan generally offers a small amount and can hardly meet the developmental needs of modern agriculture."

"In May this year, I intended to introduce a new nursery project which needed an investment of RMB800,000. However, I was short of funds as I had invested more than RMB3 million in the farm," Yuan Quan said, "Later, through the recommendation of the Agriculture Bureau of Shanting District, I contacted the branch of PSBC, which just launched a new type of agricultural loan with high credit line and low interest rate, a product exactly satisfying my needs. I applied for the loan, and it took only a week for me to obtain a RMB500,000 loan. I successfully launched the nursery project. The loan came just in time and solved my problem!"

In response to the above-mentioned problem of "difficulty in getting loans" by farmers, PSBC launched a loan product for family farm operators (large-scale ranchers) by upgrading the former loan products. The new loan product provides lower interest rates, more flexible guarantee means and more convenient loan procedures. Additionally, the credit line exceeded RMB1 million, effectively solving problems faced by large-scale ranchers. At present, Zaozhuang City Branch has granted a total of RMB328 million loan to family farm operators (large-scale ranchers), benefiting 1,100 large-scale ranchers and effectively supporting the development of new-type agricultural economy in the area.



Supported the dairy plant's ecological recycling transformation

Jiangsu Nantong Fuyang Dairy Cattle Specialized Cooperative once faced multiple problems including the traditional production mode, machinery, equipment and breeding concept no longer suitable for modern agricultural production. However, the introduction of green aquaculture mode and intelligent management often require millions of working capital. The Bank's Hai'an County sub-branch granted "Funong Loan" to the Fuyang Cow Cooperative in Nantong, Jiangsu Province, which was pledged by account receivables and a loan of RMB2 million was released in just a few days. After receiving financial support, the Cooperative introduced professional testing equipment to achieve 100% checking on each batch of milk. The "Internet +" management concept was implemented to achieve real-time monitoring on the production and transportation of dairy products. A new 200-cubic-meter biogas digester was installed to solve the problem of cattle feces. The biogas was used to generate power, and electricity is sent to the fields free of charge to facilitate agricultural production. The Cooperative studied the ammonization technology for green straw and offered high price to buy it from surrounding areas, helping solve environment problems generated by straw burning and discard, realizing comprehensive utilization of straw and achieving the virtuous circle of ecological agriculture while ensuring the quality of the feed.



Loan officers from Hai'an County sub-branch visited a client to conduct post-loan management

Filled in the blanks and provided financial services to "hundreds of townships and thousands of villages"

Located in the mountains, Longyan City enjoys a mild climate and well-developed agricultural industry. In early 2017, financial services were still unavailable in among 390 out of 1,831 administrative villages of the city. Longyan Branch actively promoted the program of "Developing Business in Hundreds of Townships and Thousands of Villages", lending loans to villagers, promoting the construction of "credible villages" and filling the gap of financial services. As of the end of 2017, the newly extended micro loans of Longyan branch amounted to RMB1.32 billion, benefiting 1,356 farmer families and providing financial services to 181 villages that lacked financial services before.



Credit managers from Longyan branch provided financial services to a modern agricultural operator

Helped fishermen with acute funding problems

As China's well-known "hometown of marine economy", Qidong, in Nantong, Jiangsu Province, enjoys a 203-km "gold coastline" and more than 600,000 mu of intertidal zone. Every year, its harvest of marine products accounts for about one-third of the total marine catches of Jiangsu Province. Fishing vessel loan is a highlight in agriculture-related loans in Qidong sub-branch. Since 2009, Qidong sub-branch has successively launched fishing vessel mortgage loans and on-line approval pledge loans. According to the market demand, Qidong sub-branch has constantly adjusted the elements of loan products and effectively solved the fund problems for local fishermen to renovate their fishing vessels. As of the end of 2017, a total of RMB900 million fishing vessel loans were issued to 1,086 fishermen by Qidong sub-branch.



Lei Yingguo, a star farmer and representative of the 19th National Congress, praised the Bank: "The application and approval for Sunshine Credit of PSBC is highly efficient and fast in release. It has given me financial support for more than 6 years and my business has developed into a large-scale one. I have to give thumbs-up for both its loan products and the professionalism and good services of its loan officers."



A Loan officer from Qingdao branch gained in-depth understanding of a farmer's planting condition

Mode Optimization for Small and Micro Enterprises

In 2017, the Bank was committed to building an efficient, convenient and fully-covered financial service system to small and micro enterprises, and supported the development of small and micro enterprises in all aspects. The Bank actively adapted to the national economic restructuring, continued to focus on four aspects, namely traditional fields, government-bank cooperation, people's livelihood as well as "entrepreneurship and innovation", accelerated the transformation of traditional business, intensified efforts on the development of people's livelihood industries such as health care, energy conservation, environmental protection and clean energy, etc. The Bank promoted loan products like loans pledged by sewage treatment, gas supply usufruct, and the right of charging for heating and water supply. The Bank also promoted the integration of small and micro finance with "Internet+", strengthened the application of big data technologies and tools, effectively enhanced the capability of information collection and analysis for small and micro enterprises. Relying on transaction information such as corporate tax payments and invoices, as well as operation information such as water and electricity consumption, the Bank launched a series of innovative big data products to explore a white-list model with pre-approved credit for customers and better provided targeted financial services to enterprises in need.

Striving to extend the small and micro financial services to the grassroots and further push the business focus to the lowest level of organization, the Bank promoted the construction of specialized sub-branches for small

and micro enterprises within all the 36 provincial branches in regions including those under-banked regions such as Tibet Autonomous Region, Qinghai Province and Xinjiang Uygur Autonomous Region. The Bank has continued to expand the breadth and depth of the financial services for small and micro enterprises and provided more convenient services and fast access to loans for small and micro enterprises in urban and rural areas.

Multi-win cooperation platforms have been set up. The Bank has entered into strategic cooperation agreements with the PRC Ministry of Industry and Information Technology, Shanghai Stock Exchange and Aerospace Information Co., Ltd., vigorously promoted various cooperation projects with enterprises from science and technology, industry and commerce and other sectors, gave full play to the advantages in platform cooperation between the Bank and governments, associations, enterprises and guarantee companies in terms of information interaction, risk sharing, advantage complementarity, and made great efforts to improving the financing environment for SMEs.

The Bank strengthened infrastructure construction, improved management framework and pushed forward the specialization of customer managers, integration of customer development and intensification of post-loan management in an all-round way for small enterprises so as to provide more dedicated, franchised and professional services to small enterprises. It launched the upgrade of the SME Finance Department in tier-two branches for the first round, effectively driving the Bank's annual business growth. In 2017, the Bank's accumulated loans for small and micro enterprise reached **RMB760.75 billion** and the number of credit customers reached **1,662,500**.



In March 2017, PSBC entered into the SME Financial Services Strategic Cooperation Agreement with the Ministry of Industry and Information Technology



Stage scene of Start-up Heroes

Supported entrepreneurs to appear on the grand stage

In 2017, the Bank actively responded to the call of the country to support innovation and entrepreneurship. In cooperation with CCTV and relying on its financial channel's program *Start-up Heroes*, the Bank provided a professional brand showcasing stage, professional guidance on entrepreneurship and broad financing platforms to China's outstanding entrepreneurs and small and micro enterprises. It also provided them with a full range of financial services offline. With the help of this program, the Bank played the role of recommender, guider and supporter for these entrepreneurs, and at the same time contributed to the initiative of mass innovation and entrepreneurship.

On September 5th, 2017, the final round of PSBC Mass Entrepreneurship and Wealth Creation Contest and the qualification trial of *Start-up Heroes* jointly organized by PSBC and CCTV were held in Guangzhou. Among the more than 5,000 entries, 28 projects won the awards of Mass Entrepreneurship and Wealth Creation and 5 projects won the qualification to participate in the program *Start-up Heroes* of CCTV.

On December 12th, 2017, the final of the general election at Shenzhen leg for *Start-up Heroes* jointly organized by PSBC and CCTV was held in Shenzhen. More than 400 agriculture-related and small and micro enterprises' start-up teams were shortlisted from all over the country by PSBC to participate in the Program. Projects covered many fields such as new medical materials, biomedicine, mobile Internet, electronic information, new energy, energy conservation, environmental protection, modern agriculture and education, etc. In the end, 11 high-quality projects stood out and appeared on the *Start-up Heroes* of CCTV.

Since 2010, the Bank has held a series of wealth creation activities for eight years in a row. Through the participation of governments, experts and media, the Bank has combined financing with intelligence support to provide an integrated financial service platform, covering financial support, brand communication, technical guidance and business model exchange, to a large number of entrepreneurs and small and micro enterprises.

Created a cooperation platform of "Government-Bank-Guarantee Company" and solving the problem of "difficulty and high costs in getting loans"

Products manufactured by Jiaxun Technology Co., Ltd in Hefei, Anhui Province, including four-rotor drones, six-rotor drones, professional flight control and navigation systems and cradle heads for a variety of photography and video equipment, have gained popularity among the police, military and big communications enterprises in recent years. "Each drone is tailor-made according to customers' requirements and the Company has to carry out ongoing R&D to develop different systems. The financial pressure is high and PSBC has given us great support," said Zhang Shuping, Chairman of Jiaxun.

The orders received by Jiaxun amounted to RMB30 million. After learning about the actual needs of the Company, Anhui Branch took the initiative to offer a cooperation mode of "government-bank-guarantee company". Under this mode, the interest rates and guarantee costs are substantially reduced and the credit line is higher. "In less than a week, a loan of RMB5 million was issued to us. The efficiency surprised us," said Zhang Shuping.



"When it was the time to pluck tea leaves, I was always anxious and restless because I cannot expand the scale of production for short of money." Recalling the difficult situation in the past years, Zhao Yugui, Chairman of Anhui Baiyunchunhao Tea Leaf Development Co., Ltd., still has mixed feelings, "Later, PSBC brought me with hope. For a loan of RMB3 million, from the day loan officers came for investigation to the day the loan was granted, it only took more than a week."



Client managers from Quanzhou branch kept abreast of small and micro enterprises' demands for financial services



Loan officers from Qingdao branch conducted in-depth discussion about business development with small and micro business owners

Green Finance for Ecological Civilization

Management and Policy Green Credit Green Operation



Green Finance for Ecological Civilization

The Bank adhered to the concept of green development, formulated the strategy of green credit and the development objectives, and integrated such concept into its business development and credit management. Through continuous improvement on the service and management systems of green finance, we facilitated the construction of ecological civilization and actively built itself into a first-class green bank with strong influence and sustainable development capability.

Management and Policy

The Bank improved the organization and management mechanism. The Board of Directors led the efforts in formulating the development planning for green credit, assigned the Social Responsibility Committee under the Board to supervise, inspect and assess the implementation of the green credit strategy. Under the leadership of the senior management, green banking steering groups have been set up in both the head office and branches, with presidents acting as the group leaders and departments in front-, mid- and back-offices collaborating with each other to strengthen the management and implementation.

The Bank further improved the differentiated credit granting policy for green finance and clarified the directions of and key areas for green finance to support. It strictly controlled the credit supply to "industries with high pollution, high energy consumption and overcapacity", "zombie enterprises", and enterprises that don't meet environmental protection standards and entities who are not compliant with China's industrial regulations and policies. The Bank carried out environmental and social risk management throughout business processes and adhered to the "veto mechanism for environmental protection" so as to ensure strict admission, scientific assessment and dynamical monitoring. The Bank accelerated management and product innovation, formulated a total of more than 40 policies and institutions related to green banking, including green credit classification and green procurement, and continuously improved the system of green finance policies and institutions.

The Bank introduced International Finance Corporation (IFC) as one of our strategic investors. Through consulting with IFC on environmental and social risk management, it learned the wisdom and experience from the leading green finance institutions over the world.

Green Credit

The Bank prioritized its resources to support fields such as green transportation, renewable energy and clean energy, industrial energy-saving, waste treatment and pollution prevention and control. As of the end of 2017, the balance of green credit was **RMB176.63 billion**, providing great support to the development of green economy. The Bank speeded up the introduction of green retail credit products such as poverty alleviation loans by photovoltaic installation, loans pledge by the right to charge for sewage treatment, green consumer loans, and actively supported the development of inclusive green finance.

Building a green expressway

As a means of green transportation, rail transport not only boosts land development along the route, meets people's travel demand, but also reduces urban environmental pollution. In 2017, in order to improve the travel efficiency of citizens, Tianjin City accelerated its subway construction and continued to increase people's sense of happiness.

As of the end of 2017, Tianjin branch granted a total of RMB2.35 billion loans to Metro Lines 1, 4, 6 and 11 and a total credit line of RMB29.32 billion to the construction of Tianjin Subway, serving the traffic flow in the Beijing-Tianjin-Hebei region and creating a new path for collaborative development.



located in the core area of Maritime Silk Road and influenced by monsoon and the "valley effect" of the Taiwan Strait, Fujian Province enjoys abundant resource of offshore wind power. Fujian provincial branch actively participated in the Putian Panzhai Wind Power Project and Offshore Wind Power Project in Zone F of Putian Pinghai Bay, granting RMB500 million loans to support them.

Micro-finance for poverty alleviation by PV installation

PSBC developed micro-finance products for poverty alleviation by photovoltaic installation and successively piloted this loan in 26 provinces and cities including Shanxi, Anhui and Hebei, with a total of nearly 6,300 loans worth more than RMB358 million was granted. On the one hand, this product provided funds to farmers for installing power generation equipment. On the other hand, it contributed to the conservation of traditional energy resources, optimization of energy structure, promotion of environmental protection and the building of beautiful urban and rural areas. It showcased the philosophy of inclusive finance, serving "Sannong" and green development.

Supported companies' sewage treatment

In July 2017, Shanwei City branch issued a loan of RMB24 million pledged by the right to charge for sewage treatment to Taihong Technology Environmental Protection Sewage Treatment Co., Ltd. for the construction of a sewage treatment plant. It is estimated that, after the completion of the project, the chemical oxygen demand, biological oxygen demand, total suspended matter, total nitrogen and total phosphorus of the waste water will reduce by 657.32 tons, 1,150.87 tons, 767.68 tons, 82.53 tons and 24.62 tons per year respectively.



Xinjiang Autonomous Region branch actively supported new energy projects and effectively addressed the problem of difficulty and high costs in getting funds for new energy companies.

Green Operation

The Bank strictly abided by the laws and regulations of the People's Republic of China such as the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and the State Council's Comprehensive Program for Energy Conservation and Emission Reduction during the 13th Five-Year Planning(2016-2020) as well as policy requirements. The Bank formulated and improved its institutions of green operation, and adopted various measures to innovate on energy conservation and emission reduction. By formulating the Rules on Energy Management of the Head Office of Postal Savings Bank of China, it made planning on the use of energy sources such as water, electricity and gasoline. In addition to assigning personnel to supervise and examine various energy facilities on a regular basis, the Bank also required that information of energy facilities, their working conditions, energy consumption, etc. were filed and managed. In the future, the Bank will continue to strengthen its energy consumption management, improve the management system on technical upgrading for energy conservation, evaluate and review the technical upgrading measures and implementation effects, and further enhance the effectiveness of energy-saving control.

The Bank actively advocated green office working. By optimizing the operation of electrical equipment, standardizing operational procedures, cultivating employees' awareness of energy conservation, enhancing the management and assessment of fuel quota for vehicles, and improving the utilization of video conferencing system, the Bank reduced unnecessary use of energy.

In terms of business and customer service, the Bank also promoted green operation. On the one hand, it used official websites, outlets, SMS and Internet platforms to encourage customers to use electronic bills instead of paper bills to reduce paper consumption. On the other hand, it used Internet technologies to simplify service processes, improving service efficiency while reducing the consumption of resources in its business operation.

In respect of engineering construction, the Bank strictly abides by relevant national and local environmental provisions as well as requirements of regulatory authorities and local governments. It strictly carries out related ecological and environmental protection activities, requires all civil works and decoration projects within the Bank to be assessed from the environmental impact perspective, and do everything possible to reduce the negative impact of engineering construction on the environment.

In terms of waste management and control, the major waste generated during the operation of the Bank includes office consumables, domestic waste, and batteries and hard disks used by the data centre. In addition to reducing waste generation through green operation, the Bank also strictly regulated the disposal of different types of waste according to relevant regulations. In particular, when disposing hazardous wastes such as used toner cartridges, the Bank carried out unified recovery and forbade employees to discard them at will. For discarded electronic products such as computers and printers, the Bank assigned staff to detect, evaluate and classify them, and to pick out and reuse those equipment that still has value in use, thereby reducing its impact on the environment.

In terms of supplier management, the Bank placed emphasis on its suppliers' fulfilment of their social responsibilities. By establishing a scientific and reasonable supplier management system, the Bank has formulated supplier management measures and standardized the management. The Bank attaches great importance to the business ethics and social morality of suppliers. Through various channels, the Bank continued to strengthen the cooperation with large suppliers who are low-carbon, honest and trustworthy enterprises that duly fulfil their social responsibilities. During the reporting period, the Bank actively built a green supplier admission mechanism and vigorously promoted the implementation of green procurement. In relevant procurement projects, energy conservation, emission reduction, products' environmental indicators and occupational health and safety management were included in the supplier selection requirements. Suppliers were required to comply with procurement-related laws, regulations and rules, abide by the principles of good faith and fair competition, and sign letters of integrity. The Bank also encouraged suppliers to produce and supply green, eco-friendly and energy-saving products.

Environmental Performance Indicators in 2017

Environmental Performance

Unless otherwise specified, the environmental performance results covered by this statistics include the head office of Postal Savings Bank of China and tier-one branches (excluding sub-branches) in China.

Energy and resource consumption	
Total energy consumption (MWh) ¹	141,237.67
Total per capita energy consumption (MWh/person)	7.00
Energy consumption per square meter of GFA (MWh/m ²)	0.20
Direct energy consumption (MWh)	
Company vehicle	6,983.54
Facility diesel	304.40
Natural gas	10,404.35
Indirect energy consumption (MWh)	
Purchased electricity ²	123,545.38
Purchased power consumption by the head office (MWh) ³	81,636.44
Water consumption for office use (tonne) ⁴	659,090.38
Water consumption for office use by the head office (tonne) ⁵	172,180.1
Per capita water consumption for office use (tonne/person)	32.65
Water consumption for office use per square meter of GFA (tons/m ²)	0.95

Notes:

1. The energy consumption was calculated based on the electricity and fuel consumption as well as the conversion factors provided by the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and Standardization Administration of the People's Republic of China, which include purchased electricity, natural gas, fuel consumption by company vehicles, and diesel used by facilities.
2. The purchased power of the Henan branch is controlled by the property company of the office building. The electricity fee is included in the property fee, and therefore the electricity consumption cannot be measured separately. Estimation was made based on the 2016 China Energy Statistics Yearbook issued by the Energy Statistics Department of the National Bureau of Statistics.
3. Consumption of purchased power by the Bank's head office includes the power consumption of Jinding Building office area, Xinsheng Building office area, Dacheng Building office area, Fengtai No.72 Building office Area, the office area of database in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area.
4. Water consumption for office use includes tap water and reclaimed water. The water use for office use at Inner Mongolia branch, Henan branch and Shenzhen branch is controlled by the property company of the office building. The water fee is included in the property fee, and therefore the water consumption cannot be measured separately. Estimation was based on the Standard of Water Quantity for City's Residential Use (GB/T 50331-2002) issued by the Ministry of Construction
5. Water consumption for office use of the head office of the Bank includes water consumption of Jinding Building office area, Dacheng Building office area, Fengtai No.72 Building office area, the office area of database in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area. The water fee of the Xinsheng Building office area is included in the property fee, therefore cannot be measured separately. Besides, the data of the water consumption for office use has little impact and is of little importance, hence not included in the statistics.
6. Data of packaging materials does not apply to the Bank.

Emissions ¹	
Sulphur dioxide (tonne) ²	0.01
Nitrogen oxides (tonne) ³	0.95
Total greenhouse gas emissions (Scope 1 and Scope 2) (tonne) ⁴	107,234.36
Per capita GHG emissions (Scope 1 and Scope 2) (tonne/person)	5.31
Greenhouse gas emissions per square meter of gross floor area(GFA) (Scope 1 and Scope 2) (tonne/m ²)	0.15
Direct emissions (Scope 1) (tonne)	
Company vehicle fuel consumption ⁵	1,711.62
Facility diesel consumption ⁶	80.04
Natural gas	2,034.43
Indirect emissions (Scope 2) (tonne)	
Purchased electricity	103,408.27
Total hazardous waste (tonne) ⁷	55.95
Total hazardous waste per person (tonne/person)	0.0028
Total hazardous waste per square meter of GFA (tonne/m ²)	0.0001
Total non-hazardous waste (tonne) ⁸	1,870.21
Total non-hazardous waste per person (tonne/person)	0.09
Total non-hazardous waste per square meter of GFA (tonne/m ²)	0.0027

Notes:

1. As the emission data and consumption data of energy and resources in the machine room could not be measured separately, the Bank's greenhouse gas emission intensity, hazardous waste emission intensity, non-hazardous waste emission intensity, energy consumption intensity and the intensity of water consumption for office use calculated in units of per person and per square meter of GFA include both office areas and machine rooms.
2. Emissions of sulphur dioxide mainly come from fuel consumption by company vehicles, and the sulphur dioxide emission was calculated according to the Technical Guideline for Compilation of Air Pollutant Emission Inventory for Road Vehicles (Tentative) released by the Ministry of Ecology and Environment of P.R.C.
3. Emissions of nitrogen oxides mainly come from fuel consumption by company vehicles, and the nitrogen oxide emission was calculated according to the Technical Guideline for Compilation of Air Pollutant Emission Inventory for Road Vehicles (Tentative) released by the Ministry of Ecology and Environment of P.R.C. .
4. Greenhouse gas inventories include carbon dioxide, methane, and nitrous oxide, which mainly come from purchased electricity and fuel. The calculation of greenhouse gases is presented in terms of CO2 equivalent and is based on the 2015 Baseline Emission Factors for Regional Power Grids in China published by the National Development and Reform Commission of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC). Among them, as there is not baseline emission factor for Tibet and the impact of its purchased electricity is minor and less important, the purchased electricity of Tibet branch was not included in the calculation of greenhouse gas emission.
5. Company vehicle fuel consumption includes petrol consumption and diesel consumption by corporate vehicles.
6. Facility diesel consumption refers to the consumption of diesel by back-up generators and minor diesel consumption by stoves and heaters.
7. The hazardous waste involved in the operations of the Bank is handled by qualified professional companies, which mainly includes used lead-acid batteries.
8. The Bank's non-hazardous waste is delivered to recyclers for disposal, which mainly includes office waste and discarded hard drives, among which the office waste of Hebei branch, Inner Mongolia branch, Zhejiang branch, Guangxi branch, Tibet branch, Ningxia branch, Xiamen branch, Shenzhen branch, Guangdong branch, Shanghai branch, Jiangxi branch, Shandong branch is handled collectively by the property company for the office buildings and therefore cannot be measured separately. Estimation is made based on the Handbook of Urban Life Waster Output Coefficient based on the First National Census on Pollution Sources released by the State Council.

Creating a Better Life Together

Progressing with Employees Together

Advancing with Clients Together

Building Harmonious Communities



Creating a Better Life Together

Progressing with Employees Together

The Bank has always cared about and valued the development of our employees. It strictly abides by the relevant laws and regulations and protects the legitimate rights and interests of its employees. The Bank organized professional trainings to enhance employees' occupational skills, held various forms of employee-care activities and cared for the employees' physical and mental health, providing a good working environment.

Employees' Rights and Interests

The Bank formulated relevant institutions of human resources management in accordance with the law and made over-all standardization on employment management such as position change and resignation, labour contract management, remuneration and benefits, performance appraisal, attendance and paid leaves. The Bank steadily promoted democratic management, expanded expression channels for employees, and ensured employees' opinions and needs are rightfully respected and responded to.

In accordance with the Labour Law of the People's Republic of China, labour Contract Law of the People's Republic of China and the State Council's Provisions on the Prohibition of Child Labour and other relevant laws and regulations, the Bank entered into labour contracts with employees and perform relevant obligations as agreed. The labour contract clearly stipulates working hours, rest, vacation, labour protection, working conditions and so on. In 2017, the Bank did not engage in the employment of child labor and any forced labor. According to the national regulations on dispatched workers, the Bank further strengthened the management of dispatched employment, and the proportion of dispatched workers this year was within the national standards.

While meeting the requirements of local minimum wage and basic welfare guarantee, the Bank provided employees with competitive remuneration, enterprise annuity, supplementary medical insurance and other benefits.

The Bank established a strategy-oriented performance evaluation system and a job-value-based, performance-oriented remuneration system corresponding to the evaluation system. The Bank continuously optimized its position system and promotion program and opened up the channel for staff's career development.

Employees' Health and Safety

The Bank strictly abided by the Fire Prevention Law of the People's Republic of China, Ordinance on the Internal Safety and Security of Enterprises and Institutions, Requirements for Security in Business Premises of Banks (GA38-2015), Requirements for Safety of Banks' Self-Service Equipment and Self-Service Banking Premises (GA745-2017) and other relevant laws and regulations and industry standards. The Bank established and improved the responsibility system for workplace safety, gave full play to the mechanism of the Production Safety Committee, and effectively enhanced the overall safety level in workplace. A security risk index of the Bank as a whole was released on a quarterly basis, and a normalizing mechanism for risk monitoring was established to improve the security and security management.

The Bank conducted health checks regularly for employees and formulated reasonable health check packages based on age, gender and characteristics of the position to ensure the effectiveness of the health check. Bearing the actual needs of employees in mind, departments and branches at all levels organized health lectures to coach employees how to prevent diseases and maintain physical and mental health.

In respect of safeguarding safe operation in branches, the Bank stepped up investment in security facilities on all aspects, conducted off-site inspections on a monthly basis, increased efforts to rectify hidden problems, and provided employees with a safe workplace. On the basis of gradually improved security organization and security workforces, the Bank further strengthened security education and training for employees at different levels to enhance the Bank's security and the staff's safety awareness and security skills in an all-round way.

Staff Training

The Bank has always upheld the concept of "Together, we make it better". Targeting at the career development of employees and focusing on improving employees' vocational skills and professionalism, the Bank provided targeted training and skill development activities to employees, creating a learning-oriented bank in a new era.

During the reporting period, the Bank used a combination of face-to-face, remote network, and on-the-job training to build a broad training and learning platform for its employees. Focusing on new business products, application of new technologies, and new systems and processes as well as according to the requirement of different positions, the Bank designed and implemented training programs in a targeted way to effectively improve the leadership skills of the management, competence of professional staff, service level of marketing team, and processing skills of tellers. Giving full play to the "introduced intellect" from strategic investors, the Bank actively carried out training programs in cooperation with strategic investors, increased the reserve and cultivation of talents with international backgrounds, held skill competitions such as competition on centralized processing of authorized business, competition between credit approval reviewers, top ten wealth management managers competition, etc. to enhance staff's job skills, thus forming a good atmosphere that encourages competition, learning, catching up and outperforming.



Heilongjiang provincial branch adhered to the concept of "promoting learning by contests and training the teams in competition" and held the Second Comprehensive Job Skills Competition to celebrate the 10th Anniversary of the establishment of the Bank

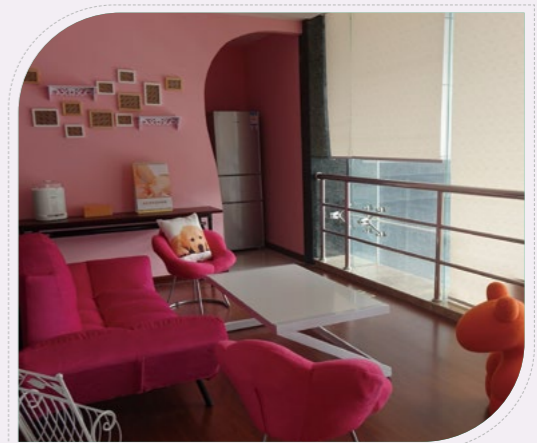
Care for the Employees

The Bank always adhered to a people-centered approach and endeavoured to enhance employees' professional well-being. The Bank carried out the Initiative "Caring for Women Employees" and built Employees' Corner, organized various types of team-building activities to enhance employees' cohesion and sense of happiness. As of the end of 2017, the Employees' Corner of PSBC was completed for 100%, benefiting 155,500 employees, with employees' satisfaction reaching 97.16% and employee coverage 99.31%.

Liaoning provincial branch, built Mummy's Rooms for women employees during their breast-feeding periods



Fuzhou branch built Mummy's Rooms for women employees during their breast-feeding periods



Dongguan branch built Women Employees' Zone



Guangdong provincial branch celebrated the International Women's Day on March 8th



PSBC's First Cyber Game concluded successfully

In order to promote the exchange and interaction between employees in different branches and positions, the Bank held the First Cyber Game in 2017. The competition lasted more than three months. 411 teams from 39 units participated in it, including Tier-1 branches, departments in head office, PSBC Consumer Finance Company and the management centre of Hefei base. Lots of young employees responded enthusiastically with active participation, showcasing the staff's happy-working and healthy-living status, demonstrating the Bank's sportsmanship, i.e., relentless pursuit of success.



First Cyber Game



Fuyang branch carried out outdoor teambuilding



Qingdao branch organized jogging activities for charity



Guangdong provincial branch celebrating the conclusion of new employees' orientation



The Most Beautiful Family Photography i.e. the Award Ceremony of the First Family Tradition Essay Competition



the Second Employees Fun Games of Ningxia branch

Advancing with Clients Together

The Bank continued to upgrade the "online + offline" internet financial service platform, speeded up the creation of a platform bank with open collaboration, a smart bank featuring "experience + intelligence" as well as an inclusive bank offering equitable and shared financial service, and provided its clients with more comprehensive and convenient financial services. It is committed to becoming the trusted, valuable and first-class large retail bank.

Physical Channel Building

As of the end of 2017, the Bank has **39,798** outlets, over 70% of which are located in the counties, serving more than **553 million** customers. A total of **4,400** ATM that can process deposit passbook business were deployed, effectively alleviating the queuing issue at outlets on days of pensions and salary payment, further improving the customer experience.



Staff from Anhui provincial branch visited a date planting base to provide farmers with financial services

Served farmers by mobile intelligent terminals

Anhui provincial branch fully utilized mobile intelligent terminals to solve the "last mile" problem in financial services and "moved" the traditional banking counter to people's doorstep. In 2017, Anhui provincial branch made a total of 157,348 transactions on mobile terminals and served 800,000 clients.

International remittance

The personal international remittance business of PSBC began with the international remittance business between the State Post Bureau and the overseas postal agencies in 1992. After more than 20 years' development, the Bank has gradually launched cash remittance business and bank account remittance business in cooperation with overseas remittance companies. As at the end of the reporting period, the Bank had over 3,500 outlets providing international remittance service. It used channels like outlets in urban and rural areas, personal e-banking, mobile banking and mobile intelligent terminals to provide multi-currency and all-around foreign currency integrated services to students studying overseas, business travellers and workers travelling abroad, overseas Chinese and small business clients with cross-border payment and settlement needs. In 2017, the transaction volume of international remittances amounted to USD3.55 billion.

Financial service van

Qinghai Province covers a vast territory. Apart from the fixed outlets, Qinghai branch employed service vehicles to provide mobile financial services to farmers and herdsmen. At present, mobile financial services have been extended to all agricultural and pastoral areas in the Province with an average annual service mileage over 150,000 km. In the aspects of New Rural Pension Scheme, agent distribution of basic living allowance, acquisition of wolfberry and cordyceps, and agent distribution of subsidies for pastoralists' pastures, it provided a wide range of financial services to herders and peasants in remote villages and towns. "This big car is wonderful. It delivers my pensions to my doorway every month," said Peng Mao Zuo Ma, a 73-year-old Tibetan woman, pointing to a service van.



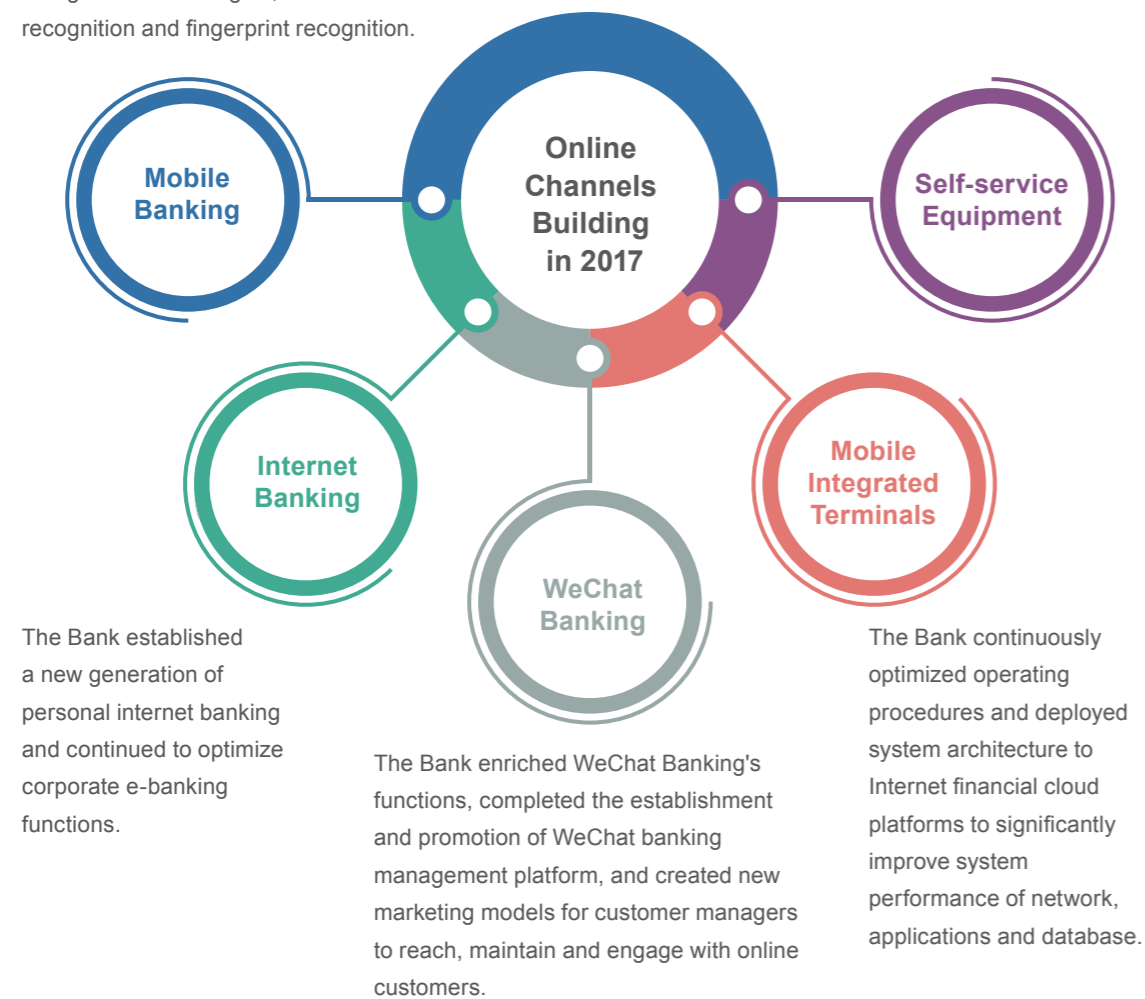
The financial service van of Qinghai provincial branch served the people in Tibetan region.

Optimizing Internet Finance

The Bank actively embraced a new era of accelerated consumption and "digital economy", and established an all-round electronic banking systems including mobile banking, online banking and WeChat banking. We continued to accelerate the optimization and iteration of products and provide our customers with unique and diversified payment services. Focusing on mobile banking, it made great efforts to create technological financing platforms and actively promote the implementation of the Internet financial development plan. As of the end of 2017, e-banking customers grew to **234 million**, an increase of **26.23%** compared with the end of 2016.

The Bank launched new UI Mobile Banking Version 3.0, featuring more clear classification of modules, and more convenient search. Innovation was made by applying biological recognition technologies, such as face recognition and fingerprint recognition.

The Bank increased investment in smart devices and promoted the use of 2,800 intelligent teller machines (ITMs), achieving full replacement of the non-cash counter business.

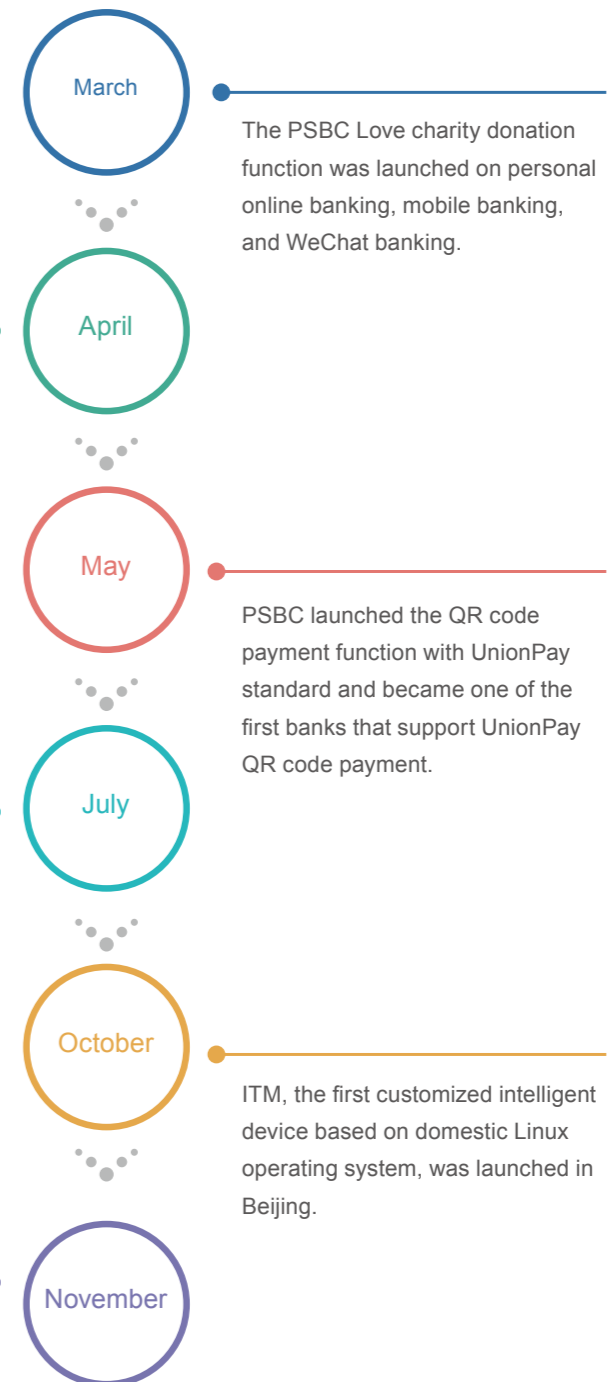


New Progress of Internet Financial Services in 2017

PSBC was added into the list of payment service providers on China Railway's customer service website www.12306.cn and its App, becoming one of the 6 banks that China Railway cooperates with in electronic payment.

SWATCH PAY launched its global debut in China. It became a new member of the UnionPay Quick Pass family and PSBC became one of the first batch of banks that support SWATCH PAY via its credit cards.

PSBC signed a cooperation agreement with the State Grid on electronic payment services and became one of the first batch of banks to collect electricity fee on behalf of the State Grid.



Paid tribute to traditional Chinese culture

In 2017, while adhering to the concept of "inclusive finance", the Bank focused on the inheritance and revival of China's excellent folk culture. In cooperation with the Forbidden City Cultural Service Centre, the Bank launched a series of precious metal products named "PSBC Gift Money in Gold" with the meaning of blessings for 12 consecutive years. It not only carried forward the longstanding Chinese tradition of courtesy, but was also an innovative attempt to meet the growing needs of the people for a better life.

In 2017, as the AR technology in the "PSBC Gift Money in Gold" for the Year of Rooster was widely welcomed by children, the Bank added another function of blessing video recording to the "PSBC Gift Money in Gold" for the Year of Dog. By scanning the QR code on the package, customers can experience the compassionate care and emotional expression brought by traditional culture via modern crafts and technology.



the self-service teller system in Heilongjiang provincial branch

Improving Customer Services

The Bank has thoroughly implemented the customer-centric culture, strengthened the development of customer call centres, optimized service processes, and continuously improved service efficiency. It also continuously strengthened customer privacy protection and is committed to optimizing customer experience and enhancing customer satisfaction.

PSBC's New Measures in Serving Customers

Improving the development of call centres

- It was operated in a model of "self-operation + outsource" and strengthened all-round operation and management. In 2017, the inbound calls to the service hotline 95580 reached 145 million, among which 40.29 million calls were answered by operators and the connection rate by human agent reached 90.39%. The inbound calls to the credit card hotline reached 14.46 million, with the connection rate by human agent of 92.73%.
- The Bank continued to promote the application of robot customer services and launched the intelligent robot "Postal" using cognitive technology, which significantly the response accuracy. The number of customers served by intelligent robots increased by 149.41% year on year, and the service volume increased by 164.84% year on year.
- The Bank carried out customer satisfaction survey. In 2017, four indicators, namely the attitude, the service behaviours, the processing efficiency of PSBC employees and the environment & comfort in PSBC branches all exceeded 95%, among which the satisfaction of credit card customers exceeded 99.5%.
- Intelligent customer service system based on artificial intelligence technology was launched.

Properly handling customer complaints

- The Bank carried out comprehensive rectification activities on complaints handling and set up working teams to reduce complaint rate on different aspects. As a result, the complaint handling timeliness ratio and customer satisfaction were improved continuously. The timeliness rate of handling complaints by the 95580 call centre reached 99.13%, customer satisfaction of complaint handling reached 97.32%, while the timeliness rate in credit card centre reached 99.63%, and the satisfaction rate for complaint handling reached 99.52%.

Protecting customer property and information

- The Bank introduced the function "security lock for debit card transactions" to help customers control account transactions in a more flexible way. By the end of 2017, the function of security locks was used by about 40,000 accounts.
- The security lock for credit card transactions went online, which enabled customers to manage transactional functions of their cards by themselves, effectively protecting customers' money.
- The transaction by magnetic stripe of the composite card with both chip and magnetic stripe completely shut down within China.
- The Bank launched the compliance and internal control function of international remittance (telegraphic transfer) to achieve double check both by the system and manually to significantly reduce the compliance risk of international remittance (telegraphic transfer) and reduce the overall financial risk of personal foreign exchange business and cross-border financial settlement.

Intensifying the efforts for product innovation

- The Bank launched BO credit card for customers who are parents and Ustyle co-branded credit card to support female entrepreneurship. Besides the existing standard gold card and standard corporate card, the Bank issued Elegance (鼎雅) and Prestige(鼎致) Platinum credit card products. It strengthened its cooperation with China Post Group and created card products for the Year of Rooster with PSBC characteristics.
- The Bank recently developed 34 co-branded IC card cooperation projects, covering fields like social insurance, medical and pharmaceutical, provident fund for housing purpose, trade unions, tourism, vehicle owners, transportation, ETC, parks, community service, parenting, rural aid, etc.

Compliant handling performance of 95580 Call Centre



Complaint handling performance of Credit Card Call Centre



Serving Overseas Chinese

Zhejiang provincial branch of PSBC supported the Qingtian branch and Wencheng branch of the People's Bank of China in facilitating the expatriate policy, protecting the interests of overseas Chinese and solving the legacy problem of remittances for overseas Chinese. Zhejiang provincial branch also held celebration activities for overseas Chinese clients and ethnic Chinese clients on a regular basis, and carried out campaigns to communicate foreign currency knowledge such as one to "communicate foreign exchange knowledge, improve financial competence and jointly build harmonious financial environment".



Beijing branch provided customers with tailed services. It successively introduced the distinctive DO Card, the BO Card for parent and child as well as the YO Credit Card for the elderly based on the service mode of "exclusive card, exclusive value propositions, and exclusive products". By customizing the value proposition and benefits for different groups, the Bank further met the needs of customers at different age for a better life.

Protecting Intellectual Property

The Bank attached great importance to independent innovation, application and protection of its own intellectual property rights, so it actively organized software copyright registration and applied for patents by strictly complying with laws and regulations including the Patent Law of the People's Republic of China and other regulatory requirements. Under the system of intellectual property governance, the Bank effectively managed intellectual property registration, application (including review), litigations and arbitrations via reasonable division of labour, clear management mechanism and procedures. In 2017, there was no violation of relevant regulations on intellectual property protection which had a significant impact on the Bank.

Regulating Advertising Activities

With respect to advertising and media publicity, the Bank strictly complied with laws and regulations including the Advertising Law of the People's Republic of China, the Copyright Law of the People's Republic of China, formulated the implementation handbook and management measures for its brand image, business and product marketing. In 2017, the Bank hasn't been informed of any event that violated laws and regulations related to product and service information, logos and market publicity which had a significant impact on the Bank.

Building Harmonious Communities

The Bank actively participated in community construction and development, attached great importance to and joined in public welfare projects in education, culture, sports and environmental protection, offered volunteer services for vulnerable groups such as children and the elderly on a regular basis. The Bank considered expanding financial education as an important work to enhance the financial literacy of community residents. Organizational units at various levels of the Bank carried out financial literacy outreach activities in various forms with highlighted knowledge and different levels for thousands of households, schools, small and micro residential quarters. A total of 314 million people participated in such financial literacy program.



PSBC Love Charity volunteers visited Ethnic Middle School of Huangnan Tibetan Autonomous Prefecture in Qinghai Province



Zhuhai branch organized charity activity of tree-planting



Volunteer activity by Shantou branch

Brought banking to campus and interacting with university students in Shanghai

Since June 2017, Shanghai branch has carried out a series of activities named "Bringing financial knowledge to campuses" in universities like Shanghai Ocean University, Shanghai University of Political Science and Law, and Bangde Vocational and Technical College. Through these activities, the Bank signed pair-up agreements with the universities and set up long-term cooperation relationship. They jointly organized safety lectures for new students, with volunteers from the Bank explaining the danger of "Internet P2P loans for students" and introducing PSBC financial products in compliance with laws. The Bank also organized a debate competition on "Internet P2P loans for students" to encourage rational consumption by students. Besides, the Bank set up booths in campuses from time to time to provide financial knowledge and product advisory services to actively create an honest, safe, rational and harmonious financial environment for college students.

"Bringing financial knowledge to campuses"



"Bringing financial knowledge to campuses" by Jinzhou branch



Jogging to advocate anti-money laundering by Meizhou City branch



An account manager explaining RMB knowledge in Qindao Branch

Key Performance Indicators

Business Performance

Total assets (in trillion)		Operating income (in 100 million)		Profit before tax (in 100 million)	
2015	7.30	2015	1906.33	2015	413.88
2016	8.27	2016	1896.02	2016	429.28
2017	9.01	2017	2248.64	2017	511.11

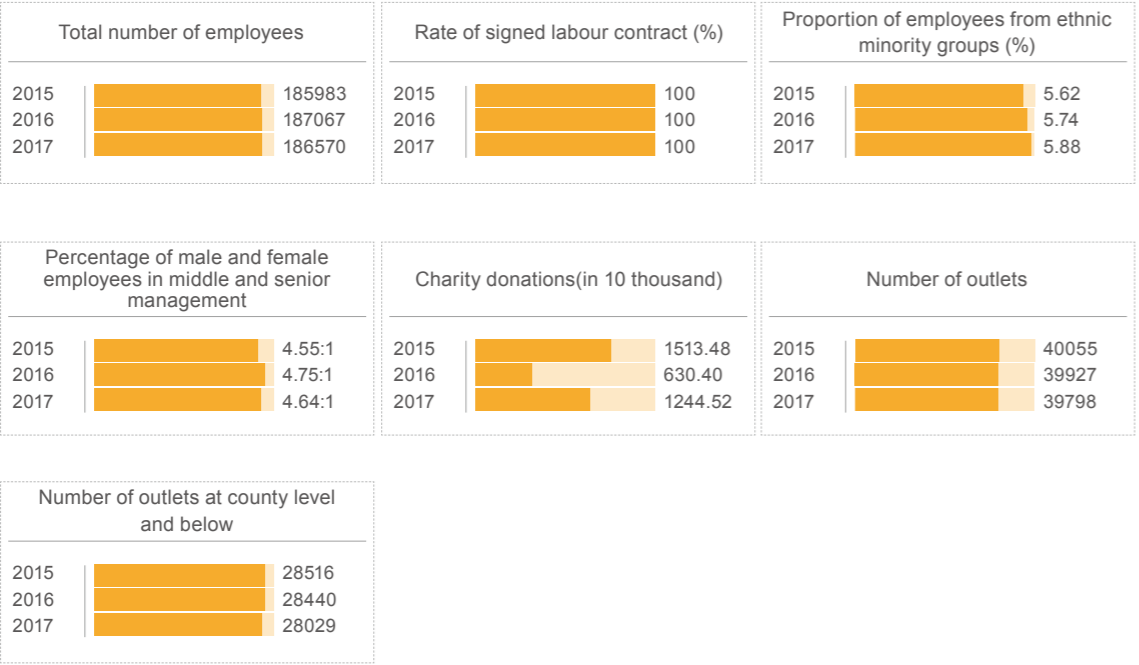
Net profit (in 100 million)		Return on average total assets (%)		NPL Ratio (%)	
2015	348.57	2015	0.51	2015	0.80
2016	397.76	2016	0.51	2016	0.87
2017	477.09	2017	0.55	2017	0.75

Capital adequacy ratio (%)		Core tier 1 capital adequacy ratio (%)		Provision coverage ratio (%)	
2015	10.46	2015	8.53	2015	298.15
2016	11.13	2016	8.63	2016	271.69
2017	12.51	2017	8.60	2017	324.77

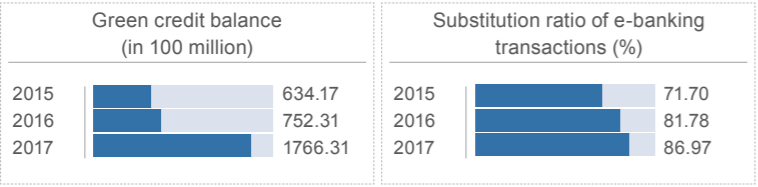
Micro loan balance(in 100 million)		Numbers of outstanding micro loan (in 10 thousand)		Credit amount for small and micro enterprises in current year (in 100 million)	
2015	1362.07	2015	199.73	2015	7680.02
2016	1392.39	2016	182.57	2016	8010.44
2017	1564.27	2017	187.06	2017	7607.52

Agriculture-related loan balance (in 100 million)	
2015	7478.92
2016	9174.45
2017	10542.08

Social Contributions



Environmental Contributions



Third-party Assurance

2018/SH-0173
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Certified Public Accountant's Independent Assurance Report

To the Board of Directors of Postal Savings Bank of China,

We have performed an independent limited assurance engagement on the selected key data in year 2017 (the "Key Data") published in the 2017 Social Responsibility Report of Postal Savings Bank of China Co., Ltd. (the "Bank").

The Key Data

This report carried out a limited assurance engagement on the following selected key data published in the 2017 Social Responsibility Report:

- Credit amount for small and micro enterprises in current year (RMB "000 million)
- Agriculture-related loan balance (RMB "000 million)
- Green credit balance (RMB "000 million)
- Total number of employees (person)
- Minority employee ratio (%)
- Labour contract signing rate (%)
- Male to female ratio of middle and senior managers
- Charity donation (RMB "00 thousand)
- Number of branches
- Number of branches at county level and below
- Consumption of purchased electricity by the head office (MWh)
- Consumption of water by the head office (tonne)
- E-banking transaction replacement rate (%)

Our assurance engagement is limited to the selected key data in 2017 published in the Social Responsibility Report. Other information disclosed in the Social Responsibility Report, and information of 2016 and previous years is not within our scope of work.

Criteria

The criteria of the preparation of the key data in the Bank's 2017 Social Responsibility Report are listed in the basis of reporting of the key data (the "basis of reporting") attached to the end of this report.

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Responsibilities of the Board of Directors

The Board of Directors of the Bank is responsible for the preparation of the key data in the 2017 Social Responsibility Report. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the key data of the Social Responsibility Report that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

It is our responsibility to express a conclusion on the key data in the 2017 Social Responsibility Report based on limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we plan and perform our work to form the conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on any matter that would materially affect the key data in the 2017 Social Responsibility Report. Our work involves assessing the risks of material misstatement in key data in the 2017 Social Responsibility Report whether due to fraud or error, and responding to the assessed risks. The extent of procedures selected depends on our judgment and assessment of the engagement risk. Within the scope of our work, we have only performed the following procedures in the Head Office of the Bank. We did not perform assurance work in other branches. The procedures we performed comprised:

- Interviews with management and personnel in the departments involved in providing information in relation to the selected key data for inclusion in the Social Responsibility Report;
- Analytical procedure;
- Sampling of selected key data in the Social Responsibility Report;
- Recalculation;
- Other procedures deemed necessary.

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Inherent Limitation

We remind the users to note that, the absence of a significant body of established practice on which to draw to evaluate and measure nonfinancial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected key data in the 2017 Social Responsibility Report are not prepared, in all material respects, in accordance with the basis of reporting.

Restriction on Use

Our report has been prepared for and only for the board of directors of the Bank and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, China
27 April 2018

Annex: The Basis of Reporting for Key Data

Small and micro enterprise credit amount for the year (in RMB100 million):

The term disclosed herein refers to the small and micro enterprise credit amount for the year calculated based on regulatory statistical indicators, including the small enterprise credit amount for the year, the micro enterprise credit amount for the year, the individual business operating credit amount for the year, credit amount for the year for the operating loans of small and micro business owners. These enterprises are classified by strictly following the Provisions on Criteria for Classifying Small and Medium-sized Enterprises promulgated by the Ministry of Industry and Information Technology (see Statistical Indicators Manual of PSBC (2015)).

Agriculture-related loan balance (in RMB100 million):

The term disclosed herein refers to the balance of agriculture-related loans calculated by regulatory statistical indicators, including the balance of farmer households' loans, the loan balance of rural enterprises and various organizations, agriculture-related loan balance for urban enterprises and various organizations, loan balance for agriculture, forestry, animal husbandry and fishery from non-agricultural individuals. The "farmer households' loans" refers to all the loans issued by the reporting agencies to the farmers; the "agriculture-related loan for urban enterprises and various organizations" refers to loans issued by the reporting agencies to the enterprises and organizations that registered in urban areas and are engaged in agriculture, forestry, animal husbandry and fishery activities, and loans for supporting agriculture and rural development. The "loans for agriculture, forestry, animal husbandry and fishery" refers to loans granted by reporting agencies to various lending entities engaged in activities in category A (agriculture, forestry, animal husbandry and fishery) (see Statistical Indicators Manual of PSBC (2015)) .

Green credit balance (in RMB100 million):

The term disclosed herein refers to the sum of the loan balance to the three strategic emerging industries, namely energy savings and environmental protection, new energy, and new energy vehicles, and the loan balance to environmental protection projects and services, among which, there are 12 types, namely green agricultural development projects, green forestry development projects, projects of industrial energy conservation and water conservation and environmental protection, projects of nature protection, ecological restoration and disaster prevention and control, resource recycling projects, projects of garbage disposal and pollution prevention, projects of renewable energy and clean energy, rural and urban water projects, energy saving building and green building, green transportation projects, energy conservation and environmental protection services, as well as overseas projects complying with international practices or international standards.

Total number of employees (person):

number of employees, including contract workers, dispatched labours and rehiring employee after retirement.

Proportion of minority employees (%):

The term disclosed herein refers to the proportion of minority employees in the total number of employees.

Rate of signed labour contract (%):

The term disclosed herein refers to the ratio of the number of employees signing labour contracts to the total number of employees.

Percentage of male and female employees in middle and senior management:

The male and female employees in middle and senior management include the following:

- 1) Leaders of the head office: directors, supervisors and senior management staff (excluding employee supervisors);
- 2) Head of departments of the head office: General Managers (Vice Chairman, Directors), Deputy General Managers, and Assistant General Managers (Assistant to Director);
- 3) Leaders of tier-one branch: senior managers, president, secretary of the party committee, Vice President, Party Committee Members, Secretary of Party Discipline Committee, Chairman of Labour Union, Chief Auditor, President Assistant, Chief Engineer.

Charity donations (in RMB10 thousand):

The term disclosed herein refers to the public welfare donations stipulated in the "Law of the People's Republic of China on Donations for Public Welfare", donated through public welfare social organizations or the people's governments at or above the county level and their departments, public welfare non-profit public institutions, etc.

Number of outlets:

The term disclosed herein refers to the total number of domestic outlets (excluding Hong Kong, Macao, and overseas branches).

Number of outlets at county level and below: the total number of outlets at or below the county level. The county outlets refer to the outlets located in a county as identified by the national administrative divisions or located inside the city of a government at the same level as a county, including outlets located inside county-level cities, counties, autonomous counties, banners, autonomous banners, administrative zones and forests identified as at the same level as a county based on national administrative divisions.

Number of outlets at county level and below:

The term disclosed herein refers to the total number of outlets at or below the county level. The county outlets refer to the outlets located in a county as identified by the national administrative divisions or located inside the city of a government at the same level as a county, including outlets located inside county-level cities, counties, autonomous counties, banners, autonomous banners, administrative zones and forests identified as at the same level as a county based on national administrative divisions. Outlets below the county level mean outlets located outside of a county as identified by national administrative divisions or outside the city of a government at the same level as a county, or outlets in jurisdictions of basic administrative unit below the county level, including towns, villages, Sumu, ethnic township, and ethnic Sumu.

Consumption of purchased electricity by the head office (MWh):

the consumption of purchased power by the Bank's head office disclosed in the Social Responsibility Report includes the power consumption of Jinding Building office area, Xinsheng Building office area, Dacheng Building office area, Fengtai No.72 Building office Area, the office area of database in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area.

Daily water consumption by the head office of the Bank (tonne):

Daily water consumption by the head office of the Bank disclosed in the Social Responsibility Report includes water consumption of Jinding Building office area, Dacheng Building office area, Fengtai No.72 Building office area, the office area of database in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area.

Substitution rate of e-banking transactions (%):

The substitution rate of comprehensive teller transactions by e-banking disclosed herein refers to the number of e-banking transactions to the number of total transactions.

GRI Index

GENERAL STANDARD DISCLOSURES				
Indicators		Ranking	Content	Page
Strategy and analysis		G4-1	Provide a statement from the most senior decision-maker of the organization.	P4-7
		G4-2	Provide a description of key impacts, risks, and opportunities.	P4-7
Organizational profile		G4-3	Report the name of the organization.	P12
		G4-4	Report the primary brands, products, and services.	P12
		G4-5	Report the location of the organization's headquarters.	P12
		G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P12
		G4-7	Report the nature of ownership and legal form.	P12
		G4-8	Report the markets served (including geographic break down, sectors served, and types of customers and beneficiaries).	P12, P84-91
		G4-9	Report the scale of the organization, including: Total number of employees Total number of operations Net sales (for private sector organizations) or net revenues (for public sector organizations) Total capitalization broken down in terms of debt and equity (for private sector organizations) Quantity of products or services provided.	P95-96
		G4-10	Report the total number of employees by employment contract and gender.	P96
		G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	P33
		G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	P95-96
		G4-18	a. Explain the process for defining the report content and the Aspect Boundaries.	P25
			b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P23-24
		G4-19	List all the material Aspects identified in the process for defining report content.	P25
Stakeholder engagement		G4-24	Provide a list of stakeholder groups engaged by the organization.	P23-24
		G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	P22
		G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P23-24

GENERAL STANDARD DISCLOSURES				
Indicators		Ranking	Content	Page
Stakeholder engagement		G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	P23-24
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		G4-31	Provide the contact point for questions regarding the report or its contents.	P3
		G4-32	Report the GRI Content Index for the chosen option.	P104-106
			Report the reference to the External Assurance Report, if the report has been externally assured.	P97-99
Assurance		G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report.	P97-99
			b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.	P97-99
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Governance	Governance Structure and Composition	G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	P33-35
	the highest governance body's role in the development of purpose, value and strategies	G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	P33-35
	Ethics and Integrity	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	P36-41
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SPECIFIC STANDARD DISCLOSURES				
Indicators		Ranking	Content	Page
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		G4-EN6	Reduction of energy consumption.	P73-75
	Water	G4-EN8	Total water withdrawal by source.	P74-75
	Emissions	G4-EN18	Greenhouse gas (GHG) emissions intensity	P74-75
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	Overall	G4-EN31	Total environmental protection expenditures and investments by type	P70-75
Social	Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	P96
	Occupational Health and Safety	G4-LA8	Health and safety topics covered in formal agreements with trade unions.	P78-79
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		G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P79-80
		G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	P79-80
	Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	P96
	Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	P92-94
	Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures.	P36-41
	Public Policy	G4-SO6	Total value of political contributions by country and recipient / beneficiary	P96
	Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	P84-91
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ESG Reporting Guide

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General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P92-93

Feedback Form

Thank you for reading the 2017 Social Responsibility Report of Postal Savings Bank of China. In order to further improve our work and to provide more valuable information to you and other partners, as well as continuously enhance our ability and improve our performance in fulfilling our social responsibilities, please provide valuable opinions and suggestions regarding our report:

Please identify yourself with one of the following options:

- ☐ Government ☐ Regulatory authority ☐ Shareholders and Investors ☐ Customers
☐ Employees ☐ Suppliers and Partners ☐ Public ☐ Media ☐ Other

Does this report accurately and comprehensively reflect the contributions of the Postal Savings Bank of China to the economy, society, environment, etc.?

- ☐ Yes ☐ No. What aspect do you think is not covered in this Report?

Is the information disclosed in this report clear in logic and data, and accurate in language?

- ☐ Yes ☐ No. In which way do you think it is not up to the above-mentioned standards?

Is the compilation and design of the report reader-friendly?

- ☐ Yes ☐ No. Where do you think requires improvement?

Which aspect(s) of this report satisfies you the most?

What suggestions do you have on our announcement of social responsibility reports in the future?

What expectations do you have for Postal Savings Bank of China in fulfilling its social responsibilities in the future?

Thanks again for your support. You may send this feedback form to us via:

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