
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Postal Savings Bank of China Co., Ltd., you should at once hand this circular and the accompanying form of proxy and reply slip, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Bank.

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

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

**2019 WORK REPORT OF THE BOARD OF DIRECTORS
2019 WORK REPORT OF THE BOARD OF SUPERVISORS
FINAL FINANCIAL ACCOUNTS FOR 2019
PROFIT DISTRIBUTION PLAN FOR 2019
BUDGET PLAN OF FIXED ASSETS INVESTMENT FOR 2020
APPOINTMENT OF ACCOUNTING FIRMS FOR 2020
REMUNERATION ADJUSTMENT PLAN FOR INDEPENDENT NON-EXECUTIVE
DIRECTORS
REMUNERATION ADJUSTMENT PLAN FOR EXTERNAL SUPERVISORS
INCREASE IN 2020 EXTERNAL DONATIONS LIMIT
GENERAL MANDATE BY THE SHAREHOLDERS' GENERAL MEETING TO
THE BOARD OF DIRECTORS ON SHARE ISSUANCE
2019 WORK REPORT OF INDEPENDENT DIRECTORS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD.
REPORT ON THE IMPLEMENTATION OF THE PLAN ON AUTHORIZATION OF THE
SHAREHOLDERS' GENERAL MEETING TO THE BOARD OF DIRECTORS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD. IN 2019
REPORT ON THE 2019 SPECIAL REPORT ON CONNECTED TRANSACTIONS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD.
AND
NOTICE OF THE 2019 ANNUAL GENERAL MEETING**

Postal Savings Bank of China Co., Ltd. will convene the AGM at 2:30 p.m. on Thursday, 28 May, 2020 at the head office of the Bank (No. 3 Financial Street, Xicheng District, Beijing). The notice of the AGM is set out on pages 41 to 43 of this circular.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM. If you intend to appoint a proxy to attend the AGM, you are required to complete and return the enclosed proxy form in accordance with the instructions printed thereon. The proxy form should be returned to Computershare Hong Kong Investor Services Limited (17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong) for H Shareholders, in any event served by hand or by post not less than 24 hours before the time designated for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the enclosed reply slip to Computershare Hong Kong Investor Services Limited on or before Friday, 8 May, 2020.

Unless otherwise specified, the dates and time contained in this circular are in Hong Kong time.

* *Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

14 April, 2020

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board of Directors	3
Appendix I 2019 Work Report of the Board of Directors	10
Appendix II 2019 Work Report of the Board of Supervisors	19
Appendix III 2019 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd.	28
Appendix IV Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2019	36
Appendix V Report on the 2019 Special Report on Connected Transactions of Postal Savings Bank of China Co., Ltd.	37
Notice of the 2019 Annual General Meeting	41

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions have the following meanings:

“A Share(s)”	ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
“AGM”	the 2019 annual general meeting to be convened by the Bank at 2:30 p.m. on Thursday, 28 May, 2020 at the head office of the Bank (No. 3 Financial Street, Xicheng District, Beijing)
“Articles of Association”	the Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
“Bank”	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets’ operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
“Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“Director(s)”	the director(s) of the Bank
“H Share(s)”	ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange of Hong Kong
“H Shareholder(s)”	holder(s) of H Shares
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Stock Exchange of Hong Kong”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)” or “Independent Director(s)”	the independent non-executive Director(s) of the Bank

DEFINITIONS

“Latest Practicable Date”	9 April, 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Non-executive Director(s)”	the non-executive Director(s) of the Bank
“PRC”	the People’s Republic of China
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)” or “ordinary share(s)”	the A Share(s) and H Share(s) of the Bank
“Shareholder(s)”	holder(s) of Shares of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank

LETTER FROM THE BOARD OF DIRECTORS



POSTAL SAVINGS BANK OF CHINA CO., LTD.

中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

Board of Directors:

Chairman and Non-executive Director:

Mr. Zhang Jinliang

Executive Directors:

Mr. Zhang Xuewen

Ms. Yao Hong

Non-executive Directors:

Mr. Han Wenbo

Mr. Liu Yaogong

Mr. Liu Yue

Mr. Ding Xiangming

Independent Non-executive Directors:

Mr. Fu Tingmei

Mr. Wen Tiejun

Mr. Chung Shui Ming Timpson

Mr. Hu Xiang

Ms. Pan Yingli

Registered Office:

No. 3 Financial Street,

Xicheng District,

Beijing, PRC

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower,

No. 248 Queen's Road East

Wanchai,

Hong Kong

To the Shareholders,

I. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the AGM to be convened at 2:30 p.m. on Thursday, 28 May, 2020 at the head office of the Bank (No. 3 Financial Street, Xicheng District, Beijing).

The purpose of this circular is to provide you with the notice of the AGM and all reasonably necessary information, to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

II. MATTERS TO BE CONSIDERED AT THE AGM

Ordinary resolutions which will be proposed at the AGM to approve include (1) 2019 Work Report of the Board of Directors; (2) 2019 Work Report of the Board of Supervisors; (3) Final Financial Accounts for 2019; (4) Profit Distribution Plan for 2019; (5) Budget Plan of Fixed Assets Investment for 2020; (6) Appointment of Accounting Firms for 2020; (7) Remuneration Adjustment Plan for Independent Non-executive Directors; (8) Remuneration Adjustment Plan for External Supervisors; and (9) Increase in 2020 External Donations Limit.

LETTER FROM THE BOARD OF DIRECTORS

Special resolution which will be proposed at the AGM to approve includes (10) General Mandate by the Shareholders' General Meeting to the Board of Directors on Share Issuance.

Pursuant to the relevant regulatory requirements, the Articles of Association and the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd., 2019 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd., Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2019 and Report on the 2019 Special Report on Connected Transactions of Postal Savings Bank of China Co., Ltd. are matters to be reported to the AGM but not for Shareholders' approval. For details of the 2019 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd., Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2019 and Report on the 2019 Special Report on Connected Transactions of Postal Savings Bank of China Co., Ltd., please refer to Appendix III, Appendix IV and Appendix V.

Ordinary Resolutions:

1. 2019 Work Report of the Board of Directors

The 2019 Work Report of the Board of Directors was deliberated on and approved by the Board of Directors on 25 March, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval. For details of the Work Report of the Board of Directors, please refer to Appendix I.

2. 2019 Work Report of the Board of Supervisors

The 2019 Work Report of the Board of Supervisors was deliberated on and approved by the Board of Supervisors on 25 March, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval. For details of the Work Report of the Board of Supervisors, please refer to Appendix II.

3. Final Financial Accounts for 2019

The Final Financial Accounts for 2019 was deliberated on and approved by the Board of Directors on 25 March, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval. For details of the Final Financial Accounts for 2019, please refer to the Annual Results Announcement published by the Bank on 25 March, 2020.

4. Profit Distribution Plan for 2019

Pursuant to relevant laws and regulatory requirements, the Bank formulated the following profit distribution plan for 2019:

- (1) RMB6,068 million will be appropriated for the statutory surplus reserve pursuant to the Company Law of the PRC.
- (2) RMB12,166 million will be appropriated for the general risk reserve pursuant to relevant requirements, including the Administrative Measures for Provisioning of Financial Enterprises issued by the Ministry of Finance.
- (3) On the basis of 86,978,562,200 ordinary shares of the total share capital of the Bank, RMB18,283 million (tax included) of cash dividends will be distributed to all the ordinary Shareholders whose names appeared on the share register on the record date with RMB2.102 (tax included) per ten ordinary shares, accounting for 30% of the net

LETTER FROM THE BOARD OF DIRECTORS

profit attributable to Shareholders of the Bank under the consolidated statements. The record date for the distribution of dividends for A Shares and H Shares is Tuesday, 9 June, 2020. Dividends on A Shares and H Shares of the Bank are expected to be paid on Wednesday, 10 June, 2020 and on Friday, 17 July, 2020, respectively, subject to the deliberation and approval by the AGM of the Profit Distribution Plan for 2019. Dividends on A Shares will be paid in RMB; dividends on H Shares will be paid in Hong Kong Dollars, converted at the central parity rate of RMB against Hong Kong Dollars published by the People's Bank of China on the date of the AGM.

- (4) No capital reserve will be converted to increase the share capital of the Bank.

The Profit Distribution Plan for 2019 was deliberated on and approved by the Board of Directors on 25 March, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

5. *Budget Plan of Fixed Assets Investment for 2020*

According to the development strategy of the Bank, focusing on promoting transformation towards "uniqueness, comprehensiveness, lightness, intelligence and intensiveness", fixed assets investment in 2020 aims to improve operating capabilities, with a focus on further enhancing scientific and technological capabilities as well as the level of intelligence, improving the operating conditions and equipment of the tier-1 sub-branches, and updating basic operating equipment and vehicles. In 2020, the fixed assets investment of the whole Bank is planned to be RMB9,649 million.

The Budget Plan of Fixed Assets Investment for 2020 was deliberated on and approved by the Board of Directors on 16 January, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

6. *Appointment of Accounting Firms for 2020*

The Bank proposed to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank for 2020, to be responsible for providing auditing and relevant services in relation to financial statements of the Bank in accordance with PRC GAAP and International Financial Reporting Standards respectively, and the term of service will expire at the end of the next annual general meeting. The audit fees shall be RMB36.00 million.

The proposal of Appointment of Accounting Firms for 2020 was deliberated on and approved by the Board of Directors on 25 March, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

7. *Remuneration Adjustment Plan for Independent Non-executive Directors*

In order to strengthen the remuneration management of Independent Non-executive Directors of the Bank, strengthen the incentive and restraint mechanism, and in accordance with the actual situation of the Bank, it is recommended to appropriately adjust the allowance standard for Independent Non-executive Directors of the Bank. After the adjustment, the allowance for Independent Non-executive Directors includes basic allowance and service allowance. The basic allowance standard is uniformly RMB350,000/year; the service allowance is determined based on the Independent Non-executive Directors' positions on the special committees of the Board of Directors. Among the Independent Non-executive Directors who serve as chairman of the special committees of the Board of Directors, the service allowance is RMB50,000/position/year; as a member of the special committees of the Board of Directors, the service allowance is RMB30,000/position/year; for Independent Non-executive Directors who hold multiple positions in the special committees, the

LETTER FROM THE BOARD OF DIRECTORS

allowance can be calculated cumulatively. The basic allowance for Independent Non-executive Directors is pre-paid on a monthly basis, and the pre-payment standard is RMB29,000 per month and squared up according to their performance at the end of the year. The service allowance will be paid at the end of the year based on the Independent Non-executive Directors' service and performance. The aforementioned salary standards are all pre-tax standards.

The Remuneration Adjustment Plan for Independent Non-executive Directors was deliberated on and approved by the Board of Directors on 25 March, 2020, and is hereby proposed to the AGM for Shareholders' deliberation and approval. If the above remuneration adjustment plan is approved by the AGM, it would be implemented from 1 January, 2020.

8. *Remuneration Adjustment Plan for External Supervisors*

In order to strengthen the remuneration management of the Bank's external Supervisors, strengthen the incentive and restraint mechanism, and in line with the Bank's actual situation, it is recommended to appropriately adjust the remuneration standard of external Supervisors of the Bank, and uniformly adjust to RMB300,000/year. The remuneration for external Supervisors is pre-paid on a monthly basis, and the pre-payment standard is RMB25,000/month and squared up according to their performance at the end of the year. The aforementioned salary standards are all pre-tax standards.

The Remuneration Adjustment Plan for External Supervisors was deliberated on and approved by the Board of Supervisors on 25 March, 2020, and is hereby proposed to the AGM for Shareholders' deliberation and approval. If the above remuneration adjustment plan is approved by the AGM, it would be implemented from 1 January, 2020.

9. *Increase in 2020 External Donations Limit*

In order to actively fulfill social responsibilities, support governments at all levels and people to fight against the COVID-19 outbreak, and in accordance with the actual needs of the external donations in 2020 of the Bank, it is recommended that, based on the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. and Plan on Authorization of the Board of Directors to the President of Postal Savings Bank of China Co., Ltd., the authorized amount of external donations of the Board of Directors and President is to be increased to RMB75 million in 2020. The external donation items within the above-mentioned limit shall be authorized by the Shareholders' General Meeting to the Board of Directors and delegated by the Board of Directors to the President.

The proposal of the Increase in 2020 External Donations Limit has been deliberated on and approved by the Board of Directors on 25 March, 2020, and is hereby proposed to the AGM for Shareholders' deliberation and approval.

Special Resolution:

10. *General Mandate by the Shareholders' General Meeting to the Board of Directors on Share Issuance*

In order to sustain the business development of the Bank and protect the long-term interests of Shareholders, and to improve capital management, in accordance with relevant laws and regulations, the relevant regulatory provisions of the place where the Shares of the Bank are listed and the provisions of the Articles of Association, we propose that Shareholders' General Meeting grant the Board of Directors a general mandate to allot, issue and deal with, either separately or concurrently, additional A Shares and/or additional H Shares which shall not exceed 20% of the respective number of the issued A Shares and issued H Shares as at the date of approving the general mandate at the

LETTER FROM THE BOARD OF DIRECTORS

Shareholders' General Meeting, preference shares and/or share options (including share warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into Shares). Detailed authorization content is as follows:

- (I) Subject to the conditions set out in (1), (2) and (3) under this item, the Bank unconditionally approves the grant of a general mandate to the Board of Directors to exercise every right to allot, issue and deal with, separately or concurrently, additional A Shares and/or H Shares and preference shares and to make or grant offers, agreements and/or share options (including share warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into Shares) requiring or probably requiring the allotment of Shares during the Relevant Period (as defined below):
 - (1) Save the offers, agreements and/or share options (including share warrants, convertible bonds, and other securities which carry rights to subscribe for or are convertible into Shares) that the Board of Directors may make or grant during the Relevant Period, and such offers, agreements and/or share options may need to be performed or exercised at or after the end of the Relevant Period, such mandate shall not extend beyond the Relevant Period;
 - (2) The number of A Shares and/or H Shares and preference shares to be allotted, issued and dealt with (preference shares are calculated at the number of A Shares and/or H Shares upon full conversion at the mandatory conversion price) and the number of Shares underlying the offers, agreements and/or share options (including share warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into Shares) made or granted by the Board of Directors (the securities above are calculated at the number of A Shares and/or H Shares allotted/upon conversion) shall not exceed 20% of the respective number of the issued A Shares and issued H Shares of the Bank as at the date of the proposal being passed at the Shareholders' General Meeting;
 - (3) The Board of Directors shall exercise the authorization under the general mandate in accordance with the relevant applicable laws, regulations and regulatory documents including but not limited to relevant regulatory requirements of the jurisdiction in which the Bank's Shares are listed, as well as the approval of China Securities Regulatory Commission and other relevant PRC government departments and authorities.
- (II) In terms of the proposal, "Relevant Period" refers to the period starting from the date when this proposal is deliberated on and approved at the Shareholders' General Meeting to the earliest of the following three dates:
 - (1) The end of the Bank's next annual general meeting; or
 - (2) The date of expiry of 12 months after this proposal is deliberated on and approved at the Shareholders' General Meeting; or
 - (3) The date when the authorization granted to the Board of Directors according to this proposal is revoked or amended by the Bank's Shareholders by any special resolution at any Shareholders' General Meeting.
- (III) The Board of Directors is authorized to make appropriate amendments to the Articles of Association as deemed appropriate and necessary to reflect the new share capital structure and registered capital (if involved) based on the actual situation of the Bank of share issuance method, type, quantity and the share capital structure of the Bank after

LETTER FROM THE BOARD OF DIRECTORS

the completion of the share issuance, as well as take any other required actions and carry out any required procedures (including but not limited to obtaining approval from relevant regulatory agencies and going through industrial and commercial registration filing procedures, etc.) to achieve share issuance pursuant to this proposal.

- (IV) To facilitate the issuance of Shares, a proposal is made to the Shareholders' General Meeting to approve the Board of Directors, provided that it has obtained the aforesaid authorization, to delegate the aforesaid authorization to the Chairman and President, to jointly or individually handle issuance-related matters under the general mandate.

The proposal of General Mandate by the Shareholders' General Meeting to the Board of Directors on Share Issuance was deliberated on and approved by the Board of Directors on 25 March, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

III. AGM

Attached are the proxy form and reply slip for the AGM.

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the enclosed proxy form in accordance with the instructions printed thereon. The proxy form should be returned to Computershare Hong Kong Investor Services Limited (17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong) for H Shareholders, in any event served by hand or by post not less than 24 hours before the time designated for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the enclosed reply slip to Computershare Hong Kong Investor Services Limited on or before Friday, 8 May, 2020.

To determine the name list of H Shareholders entitled to attend the AGM, the Bank will suspend registration of transfer of H Shares from Tuesday, 28 April, 2020 to Thursday, 28 May, 2020 (both days inclusive). To attend the AGM, H Shareholders shall, before 4:30 p.m. on Monday, 27 April, 2020 submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the AGM will be voted by poll.

LETTER FROM THE BOARD OF DIRECTORS

V. RECOMMENDATIONS

The Board of Directors considers that all resolutions proposed at the AGM are in the interests of the Bank and its Shareholders as a whole. As such, the Board of Directors recommends you to vote in favour of all resolutions proposed at the AGM.

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

14 April, 2020

2019 WORK REPORT OF THE BOARD OF DIRECTORS

In 2019, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Directors thoroughly studied the guiding principles of the 19th National Congress of the Communist Party of China, the Second, Third, and Fourth Plenary Sessions of the 19th Central Committee, as well as the Central Economic Work Conference, and strictly complied with laws, regulations and the Articles of Association. Under the care and guidance of the regulatory department, with the support of the Shareholders, and under the supervision of the Board of Supervisors, the Board of Directors earnestly fulfilled all the responsibilities entrusted by Articles of Association, continuously improved the level of corporate governance, continued to deepen reform and accelerate transformation and achieved good operation results. The Board of Directors successfully completed all tasks set at the beginning of the year, and achieved continuous growth in Shareholder value.

In accordance with PRC GAAP (similarly hereinafter), as of the end of 2019, the Bank achieved operating income of RMB276,809 million, an increase of 6.06% year-on-year; net profit of RMB61,036 million, an increase of 16.52% year-on-year, significantly higher than the industry average. The non-performing loan ratio was 0.86%, which was stable compared with the beginning of the year; the allowance to NPLs ratio was 389.45%, an increase of 42.65 percentage points from the beginning of the year. The asset quality continued to maintain the leading level in the industry. In addition, the market position and influence of the Bank are becoming more and more obvious. In 2019, it ranked 22nd in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital. It has been rated A+ and A1 by Fitch and Moody's respectively, which are the same as China's sovereignty credit rating. It has been rated A by Standard & Poor's, the highest rating among the large state-owned commercial banks. It has been assigned the "AAAspc" rating by S&P Global (China) Ratings, the issuer credit rating, making the Bank the first large state-owned commercial bank to be assigned an issuer credit rating by S&P Global (China) Ratings.

In 2019, the Board of Directors complied with laws and regulations and performed its duties diligently. We convened a total of 5 Shareholders' General Meetings, including 1 annual general meeting, 1 domestic Shareholders' class meeting, 1 H Shareholders' class meeting, and 2 extraordinary general meetings. A total of 35 proposals were reviewed, and 3 reports were heard; 17 meetings of the Board of Directors were held, 101 proposals were reviewed, and 14 reports were heard; 37 meetings of special committees of the Board of Directors were convened, 98 proposals were reviewed, and 10 reports were heard. The main work of the Board of Directors of the Bank in 2019 is as follows:

I. DEEPENED REFORM, PROMOTED TRANSFORMATION, AND PROMOTED SUSTAINABLE DEVELOPMENT OF THE BANK

In 2019, the Board of Directors effectively implemented the requirements of national policies and financial supervision, took into consideration of our development reality, focused on our issues, and promoted the deepening of reform and transformation of the Bank.

(I) Successfully Completed the A Share IPO and Fully Completed the "Three-step" Reform

Following the H Share listing on 28 September, 2016, the A Share IPO of the Bank was successfully completed at an issue price of RMB5.50 per Share, and the over-allotment option mechanism was re-introduced for the first time in ten years. The financing scale reached RMB32.7 billion, the largest A Share IPO in nearly a decade. This marks the Bank's completion of the three-step reform of the "joint stock reform, introduction of strategic investors and initial public offering of A and H Shares" required by the State Council, and the Bank becomes the last large state-owned bank listed in both A Share and H Share markets. The successful listing of A Shares will help the Bank to further improve corporate governance, improve capital replenishment channels, and enhance its ability to serve the real economy.

(II) A Major Breakthrough was Made in Deepening the Institutional Reform

Considering the actual development of the Bank and market competition, and after extensively soliciting opinions and suggestions, we further promoted the reform of the organizational structure and other mechanisms. First, we implemented the reform of subsidiaries and quasi-business divisions. We implemented the central government's decisions and plans and the requirements of the "New Asset Management Regulations", smoothly realized the opening of our subsidiary PSBC Wealth Management Co., Ltd., and promoted the standardization, specialization and marketization of asset management services. Steady progress was also made in the institutional reform of credit cards business to release development vitality. Second, we promoted organizational reform. We carried out Bank-wide institutional reforms from top to bottom, improved our organizational structure, and clarified the functions of the front, middle and back offices. In accordance with the principles of overall planning, step-by-step implementation, clear powers and responsibilities, and seamless connection, we implemented institutional reforms at our head office. We improved the agency finance management system, and strengthened the centralized and standardized management of agency outlets. In addition, the establishment of Hebei Xiong'an New Area Branch was approved. Third, we selected and introduced talents in a large scale. We have chosen and appointed chief risk officer and chief information officer, as well as chairman of PSBC Wealth Management Co., Ltd., and reasonably adjusted the presidents and general managers of the tier-1 branches and departments of head office. We carried out large-scale social recruitment and recruitment from the inside of the Bank, enriched urgently needed professionals in areas of information technology, capital and asset management, retail banking, corporate banking, audit and risk control and others. Fourth, we fully started the systematic transformation of outlets. We focused on areas of full business service capabilities, intelligent equipment, hall layout optimization, outlet team configuration and performance evaluation optimization. We established 27 demonstration outlets in 10 provinces (cities) and expanded the pilots to 108 outlets in other provinces (cities) to promote the implementation of the transformation plan. Fifth, we did a solid work in promoting the coordination between China Post Group Corporation Limited and the Bank. We expanded the business types of agency outlets and carried out the pilot of auxiliary micro loans at agency outlets in six provinces; 2.13 million EMS co-branded credit cards were issued; key collaborative projects with China Post Group Corporation Limited like projects on auto industry chain, projects benefiting farmers, government services, and e-commerce collaboration achieved good results.

(III) Accurately Grasped Opportunities to Promote the Steady Development of Various Businesses

First, we took advantage of retail features and unswervingly promoted the transformation and upgrading of retail business. In terms of personal banking, we strengthened the acquisition of customers at the source of deposits, increased the promotion of key projects, and accelerated the coordination between personal and corporate banking business. The annual increase of personal deposits was RMB715.4 billion, the size of personal deposits reached RMB8.18 trillion, and the number of personal customers exceeded 600 million. In terms of consumer credit, we adhered to the integration of online and offline channels and deepened cooperation with platforms. The balance of personal consumer loans was RMB2.02 trillion, an increase of RMB323,957 million or 19.13% over the end of the previous year. In terms of the credit card, we fully started the building of a sales team, continued to deepen cross-selling among our existing customers, and innovated the instant issuance model of ETC owner's virtual card. We newly issued 9,704,100 cards with the number of cards in circulation reaching 31,100,700, ranking top in terms of the growth rate in the industry. In terms of Internet finance, we focused on the projects such as "PSBC Canteen", acquiring business, electronic payment and cooperation with leading internet enterprises. We launched mobile banking 5.0 and enhanced scenario-based financial service ability. As of the end of 2019, the number of e-banking customers reached 318 million, including 260 million mobile banking customers.

Second, in terms of corporate finance, we actively shored up weaknesses. In terms of transaction banking, we gave play to the integration of products and technology, promoted automobile finance, and built an open payment platform with over 1,300 cooperative enterprises. In terms of investment banking, we made all-out efforts to provide integrated financing solutions for clients by means of bond underwriting, M&A financing, asset securitization and other products, and underwrote RMB142,771 million worth of bonds throughout the year, an increase of 31.64% over the previous year. In addition, we successfully issued the first bond at the LPR-linked floating rate in China. We continued to improve corporate business, supported the strategic development of the country, and put more emphasis on institutional customers and strategic customers, so as to expand corporate business in a rapid way. As of the end of 2019, the Bank served 687,300 corporate customers, representing an increase of 99,000 compared with the prior year-end, and the balance of corporate loans reached RMB1.74 trillion, an increase of 12.12% over the end of last year.

Third, in terms of treasury and asset management business, we developed steadily. In terms of financial market business, we accurately judged the trend of interest rates, strengthened product innovation, and obtained the qualifications of futures margin depository and China Securities Depository and Clearing Corporation Limited clearing bank. As of the end of 2019, the average size of our investment assets was RMB3.32 trillion, with a yield of 3.81%; the average size of our deposits with banks and other financial institutions was RMB523,770 million, with a yield of 3.68%, and the two combined accounted for 40% of the Bank's total interest-earning assets. In terms of asset management, we continued to promote the net worth transformation of wealth management products, and the scale of net worth wealth management products increased steadily. As of the end of 2019, the scale of assets under wealth management was RMB925,342 million, an increase of 13.60% from the end of the previous year. In terms of the custody business, we proactively adapted to the trend of the transformation and development of the asset management market, and actively adjusted the business layout through the synergy of sales and investment as well as the coordination between the head office and branches. In addition, we vigorously promoted key business areas such as public funds, insurance and asset securitization to promote the high-quality development of the custody business.

Fourth, we actively implemented social responsibility and improved the quality and efficiency of inclusive financial services. We always adhered to the market positioning of serving the Sannong, urban and rural residents and small and medium-sized enterprises. Centering on the national strategy, we gave full play to our own advantages, adhered to the barbell strategy, and strove to serve the real economy and financial weaknesses. At the end of 2019, the balance of agriculture-related loans was RMB1.26 trillion; the balance of targeted poverty alleviation loans was RMB82,456 million, an increase of RMB21,259 million. We sped up the development of online credit business and the transformation and upgrading of micro loan business towards "digitalization, intelligence and standardization" based on big data platform. In 2019, the number of micro loans extended online accounted for more than 60% of all micro loans. We implemented the plan of supporting small businesses and supporting farmers in terms of small and micro finance business, focused on building three types of data connection with government big data, industrial chain and channel diversion, achieved direct connection with taxation authorities of 31 provinces/regions/cities and linking with the industrial chain platforms of core enterprises, to provide financial services for upstream and downstream small and micro enterprises. Through the empowerment of science and technology, the application of big data technology, we constantly optimized online credit loan products. The balance of inclusive loans to small and micro enterprises amounted to RMB653,185 million, a net increase of RMB108,194 million from the end of the previous year. The number of accounts with loan balances was 1,516,000, a net increase of 58,300 from the end of last year, ranking first in the industry.

(IV) Accelerated the Construction of Information Technology and Supported the Reform and Development of the Bank

In 2019, the development of information technology of the Bank was significantly accelerated. We fully promoted the implementation of the “13th Five-Year” IT plan and deepened IT governance. We established the Financial Technology Innovation Department and the Management Information Department, forming an IT governance structure consisting of “three departments and two centers” at the head office. We strengthened the introduction of talents and increased incentives. The number of IT personnel in head office doubled from the previous year. We completed the selection of 2019 technology leaders and launched 164 “13th Five-Year” IT planning projects. The new-generation IT platform for treasury business, credit business, unified counter and CRM was put into use at the enterprise level. We continued to improve the ability to prevent and control technological risks. We established information technology risk management committee to carry out in-depth information technology risk investigations and implement special Internet security rectification. The Bank’s information system operated safely and steadily. The core system had an average daily transaction volume of 201 million transactions, and the success rate of important system transactions reached 99.90%. There were no major system failures or information security risk breaches throughout the year. Technological R&D and innovation capabilities continued to improve. We promoted innovation in the application of new technologies, expanded the application of artificial intelligence, blockchain and the Internet of Things, and put into operation and promoted the use of systems such as the centralized authorization robots and operation centers at outlets. We launched the construction of robo-adviser, blockchain technology platform and “PSBC Brain” machine learning platform to support innovation in the application of technologies across the Bank. We strengthened self-management and control of core technology architecture, established enterprise-level software development specifications, and conducted in-depth research on distributed technology as well as domestic software and hardware technology evaluation.

II. IMPROVED THE SYSTEM AND MECHANISM, AND THE GOVERNANCE LEVEL REACHED A NEW LEVEL

In 2019, the Bank continued to strengthen system construction, integrated the leadership of the Party into corporate governance, optimized and adjusted the settings of special committees of the Board of Directors, strengthened the support of the operation of the Board of Directors, and further improved the level of corporate governance.

(I) Actively Implemented the Requirements of Integrating Party Leadership into Corporate Governance, and Gave Play to the Leading Role of Party Organizations in Corporate Governance

We strengthened Party leadership and Party building, and further improved the working mechanism. We established the feedback mechanism of the Board of Directors on major issues with the pre-decision of the Party Committee. We strengthened the management of the process that pre-decision of the Party Committee shall be implemented in terms of the major issues of Board of Directors. The Party Committee of the head office was the first one to conduct research and decision-making on major issues to be submitted to the Board of Directors for deliberation, integrated Party leadership into all steps and aspects of corporate governance, and gave full play to the leadership role of the Party Committee.

(II) Strengthened System Construction and Improved the Corporate Governance Operation Mechanism

In 2019, according to the A Share listing requirements and relevant regulatory regulations, and benchmarking to our peers, we comprehensively and systematically sorted out the corporate governance system, revised the existing regulations and created new ones, and improved the corporate

governance system. We revised the Articles of Association; the rules of procedures for Shareholders' general meetings; the Plan of Authorization from the Shareholders' General Meeting to the Board of Directors, from the Board of Directors to the President and from the Board of Directors to the special committees of the Board of Directors; the rules of procedures of the meetings of the Board of Directors; the work rules of Independent Directors; and the work rules of the secretary of the Board of Directors. We also revised the work rules of the Strategic Planning Committee, the Related Party Transactions Control Committee and Audit Committee of the Board of Directors. Our corporate governance system was more complete and perfect, providing a solid foundation for continuous optimization of the operation of corporate governance mechanisms.

We continuously improved the pre-meeting communication mechanism of the Board of Directors to ensure that the Directors can fully understand the situation and proposals of the meetings of the Board of Directors can be fully discussed, so as to give full play to the professional role of Directors, effectively absorb the opinions of Directors, and improve the quality of proposals and efficiency of meetings. We strengthened the supervision on the implementation of the resolutions and opinions of the meetings of the Board of Directors to ensure their effective implementation. We improved the duty performance guarantee mechanisms for research and study, training, and information submission of Directors, and stepped up the duty performance guarantee for Directors.

(III) Enriched the Members of the Board of Directors, Adjusted the Personnel Structure of Special Committees, and Strengthened the Decision-making Ability of the Board of Directors

We continuously promoted the diversification of the Board of Directors and continuously improved the scientific decision-making level of the Board of Directors. Taking into account the expiry of the terms of certain Independent Directors, the Board of Directors nominated three candidates for Independent Directors, and they were elected and approved by Shareholders' General Meeting. The relevant Directors are experts in economics, finance, law and audit, further enriching the knowledge and experience structure of the members of the Board of Directors, enhancing the diversity of the Board of Directors, and effectively enriching the strength of the Board of Directors.

Meanwhile, in accordance with the professional field and expertise of the members, the Board of Directors adjusted the composition of its special committees in a timely manner to ensure that the Directors could give full play to their professional advantages. After the adjustment, each special committee comprises at least three members. In particular, Independent Non-executive Directors form the majority of Nomination and Remuneration Committee, Audit Committee and Related Party Transactions Control Committee and such committees are chaired by Independent Non-executive Directors; all the members of the Audit Committee are Non-executive Directors; and other special committees also comprise at least one Independent Non-executive Director. Such composition highlighted the role of Independent Directors and Non-executive Directors in the special committees of the Board of Directors and further enhanced the decision-making capability of special committees.

III. EMPHASIZED RISK MANAGEMENT AND AUDIT SUPERVISION AND PREVENTED VARIOUS RISKS STRICTLY

(I) Focused on Capital Management and Kept Enhancing Capital Strength

In order to strengthen the overall planning of capital and earnestly fulfill the responsibility of capital management, the Board of Directors thoroughly studied the economic capital allocation plan of the Bank, and guided the business transformation from large-scale development to high-quality development based on the principles of intensive capital management and maximum value creation. Taking into account factors such as changes in the economic and financial situation in 2019, business development strategies, risk appetite, capital regulatory requirements and capital availability, the Board of Directors deliberated on and approved the proposal for the 2019-2021 three-year capital

rolling plan to ensure strict implementation of the Capital Rules for Commercial Banks (Provisional), and effectively raised the level of capital adequacy and met regulatory requirements. As of 31 December 2019, the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.90%, 10.87% and 13.52% respectively.

(II) Reinforced Comprehensive Risk Management and Improved Risk Prevention Capabilities

We continued to strengthen comprehensive risk management to prevent various risks. First, we continued to focus on comprehensive risk management. The Board of Directors thoroughly implemented the decisions and plans of the central government to resolutely prevent and resolve major risks, and made every effort to prevent risks, promote compliance and maintain asset quality. Second, we strengthened credit risk management and control. The Board of Directors dynamically optimized the credit policy, implemented the accountability mechanism on the person in charge, and comprehensively made clear the operating entities and risk management responsibilities of institutions at all levels. Third, we strengthened the construction of internal control system of institutions at primary level. The presence rate of business supervisor/comprehensive tellers at the outlets reached 100%, and all physical seals of outlets have been managed under the e-seals system. Fourth, the Board of Directors improved the internal control and compliance mechanism and system, improved the "three lines of defense" working mechanism, and focused on strengthening the construction of internal control system of institutions at primary level. Fifth, the Board of Directors innovated inspection methods, organized and implemented the "Blue Army" project, and identified risk points in key areas. Sixth, the Board of Directors attached great importance to anti-money laundering and consumer protection, improved working mechanism, strengthened assessment, carried out key tasks such as rectification of consumer rights violation and customer information governance, strengthened money laundering risk management, and developed a unified complaint management system throughout the Bank to improve the level of complaint management.

(III) Enhanced Audit Supervision and Safeguarded the Bottom Line of Risks

The Board of Directors enhanced audit supervision, urged senior management to implement the important task of transformation and development of the Bank, and fully played the role of "the third line of defense" by continuously expanding the depth and breadth of audit supervision and effectively using audit results. The Board of Directors continued to appoint accounting firms to audit the Bank's financial reports, giving full play to the role of external audit, and improved internal control management level of the Bank's financial reports to ensure the quality of financial reporting information.

The Board of Directors reviewed the annual internal control evaluation report, listened to the reports on the internal control and compliance management of the Bank, and monitored and evaluated the sufficiency and effectiveness of the internal control system. Taking into consideration of optimizing the policy system and case prevention mechanism, strengthening supervision and inspection, and strengthening rectification and accountability, the Board of Directors improved compliance management capability.

IV. BROUGHT INTO PLAY FUNCTIONS OF SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS TO SUPPORT THE SCIENTIFIC AND EFFICIENT DECISION-MAKING OF THE BOARD OF DIRECTORS

Within authorization of the Board of Directors and in accordance with the Articles of Association and relevant rules of procedures, special committees of the Board of Directors demonstrated expertise and diligently performed duties in 2019. Focusing on major matters of the Bank including development strategies, key targets, risk management, internal control and case prevention, special committees convened

37 meetings, deliberated on 98 proposals, heard 10 reports and made advices and recommendations to the Board of Directors, which provided strong support for the scientific and efficient decision-making of the Board of Directors.

The Strategic Planning Committee of the Board of Directors convened six meetings, and deliberated on 15 proposals including the outline of medium- and long-term development strategy (2019-2025), investment budget plan for fixed assets, issuance of write-down undated capital bonds and plan on organizational structure adjustment of the head office. The Strategic Planning Committee made advices and recommendations to the Board of Directors on matters such as development strategies, investment budget plan for fixed assets, major investment and financing plans, and organizational structure adjustment.

The Related Party Transaction Control Committee of the Board of Directors convened three meetings, and deliberated on eight proposals including the 2018 report on related party transactions, amendments to the administrative measures on related party transactions, and the report on related parties. The Related Party Transaction Control Committee made advices and suggestions to the Board of Directors on approving major related party transactions and strengthening the management over related party transactions.

The Audit Committee of the Board of Directors convened seven meetings, deliberated on 26 proposals including the audit work report for 2018 and audit work plan for 2019, financial statements and audit reports, annual internal control evaluation report and administrative measures on external audit of financial reports, and heard five reports including the report on audit of financial statements. The Audit Committee made advices and suggestions to the Board of Directors on matters such as internal and external audit, internal control evaluation, and construction of the internal audit system.

The Risk Management Committee of the Board of Directors convened eight meetings, deliberated on 28 proposals including risk management strategies and risk appetite plan for 2019, the 2019-2021 three-year capital rolling plan and 2019 management plan on capital adequacy ratio, the comprehensive risk management report, and basic provisions of internal control. The Risk Management Committee heard five reports, including reports on the work of anti-money laundering in 2018 and on self-assessment of money laundering and terrorist financing risks. The Risk Management Committee regularly tracked the effectiveness of risk management of the Bank, and made advices and recommendations on matters such as enhancement of risk management and internal control.

The Nomination and Remuneration Committee of the Board of Directors convened seven meetings, and deliberated on 14 proposals including the report on the structure, size and composition of the Board of Directors and the implementation of the diversity policy on the Board of Directors, the adjustment on special committees of the Board of Directors, the remuneration settlement plan for Directors, senior management and the person in charge of the internal audit department for 2018, measures of the Board of Directors on performance evaluation of Directors, and the qualifications and requirements on appointment of Directors. The Nomination and Remuneration Committee conducted researches on items such as the structure, size and composition of the Board of Directors and the implementation of the diversity policy on the Board of Directors, the qualifications and requirements for re-elected and newly-elected Directors, the remuneration settlement plan for Directors and senior management, and the measures of the Board of Directors on performance evaluation of Directors, and made advices and recommendations to the Board of Directors.

The Social Responsibility and Consumer Rights Protection Committee of the Board of Directors convened six meetings, deliberated on seven proposals including the work summary for 2018 and work plan for 2019 of consumer rights protection, the 2018 corporate social responsibility (environmental, social and governance) report, and 2018 work report on construction of green banking. The Social Responsibility and Consumer Rights Protection Committee deliberated on, supervised and evaluated the Bank's performance of social responsibilities, implementation of consumer rights protection and development of green banking, and made advices and recommendations to the Board of Directors.

V. IMPROVED INVESTOR RELATIONS MANAGEMENT TO ACTIVELY DELIVER INVESTMENT VALUE TO THE MARKET

The Bank adhered to the principles of adopting market-centric approaches, making forward-looking studies and judgement, pursuing professionalism and effectiveness, and promoting comprehensive collaboration. Through contacts with various entities in the capital market, multi-access communication platforms, and continuously tracking regulatory policies, market hotspots and analyst research reports, the Bank had built up a mechanism to enable effective coordination both internally and externally. Relying on platforms such as results announcement conferences and roadshows, capital market corporate days, onsite visits and summits, investor hotline and email, and “SSE E-Interaction”, the Bank displayed achievements made on business development via communications with investors. The Bank demonstrated its investment value in a timely manner, exchanged views with investors and analysts on hot issues, maintained high-frequency interactions with the capital market, and obtained wide recognitions from various aspects.

In 2019, the Bank held the 2018 annual results announcement conference and 2019 interim results announcement conference and roadshows, and results announcement teleconferences of the first quarter and third quarter of 2019. The Bank also held the Capital Market Corporate Day with the theme of “Integration, Empowerment, and Remodeling – Creating a New Blue Ocean of Retail”. The Bank attended over 12 domestic and overseas investors summits, arranged over 30 on-site visits by investors and analysts at the head office and branches in Nanjing, Jinan, Shaoxing and Suzhou, and communicated with nearly a thousand of domestic and overseas institutional investors and analysts. During the A-share IPO, the Bank met with nearly 200 institutional investors through roadshows in cities such as Beijing, Shanghai, Guangzhou and Shenzhen, proactively presented investors with its unique competitive advantages, built up a positive and proactive image and enhanced investors’ confidence.

VI. STRENGTHENED THE MANAGEMENT OF INFORMATION DISCLOSURE AND ENHANCED DISCLOSURE TRANSPARENCY

In 2019, the Board of Directors continued to strengthen the construction of the information disclosure system, and according to A share regulatory requirements, revised and issued the administrative measures on information disclosure, administrative measures on preparation of periodic reports, administrative measures on the internal report of material information, and administrative measures on the accountability regarding major errors in annual report information disclosure, so as to lay a solid foundation of management and standardize working procedures, via the establishment of relevant measures and policies. The Board of Directors strictly implemented the administrative measures on inside information and insiders, and strengthened the registration management of insiders.

The Board of Directors fulfilled the information disclosure obligations in a timely, accurate and standardized manner in strict accordance with domestic and foreign regulatory requirements, continuously followed policies and decisions of the CPC and central government, new regulations and market hotspots, continuously optimized the content of the report, and actively responded to concerns of investors and the market. The Board of Directors also strengthened voluntary information disclosure and actively demonstrated to the capital market the Bank’s excellent operating performance and the disclosure philosophy which is open and transparent. In 2019, the Board of Directors disclosed four periodic reports, a corporate social responsibility report, 115 H shares provisional announcements and 22 A shares provisional announcements.

VII. PROMOTED THE BUILDING OF THE BOARD OF DIRECTORS TO CONTINUOUSLY IMPROVE ITS CAPABILITY FOR DUTY PERFORMANCE**(I) Strengthened Training and Exchanges to Enhance Directors' Capability for Duty Performance**

The Board of Directors made arrangements for Directors to actively participate in various trainings on a wide range of fields such as macroeconomic situations, corporate governance, risk management, green finance and information technology, which were organized by regulatory authorities, other banks, internationally-renowned companies and the Bank. Through training programs, learning sessions and exchanges, the Board of Directors acquired timely knowledge on economic and financial situations at home and abroad and the latest regulatory policies, further expanded visions of Directors on duty performance, and enhanced their professional capabilities on duty performance. Directors actively participated in various forms of prior meetings for proposals to be made, heard special reports by departments of the head office, and participated in briefing meetings of Directors, Supervisors and senior management and meetings of business analysis. The Board of Directors also invited members of the Board of Supervisors to attend meetings of the Board of Directors and its special committees, which not only strengthened the supervision over corporate governance, but also helped the Board of Directors focus on the key points relating to reform, development and management, and obtain adequate knowledge on all aspects of business operation and management, in order for scientific and efficient decisions.

(II) Conducted thorough Investigation and Research and Effectively Performed the Duties of the Board of Directors

When the Board of Directors was not in session, Directors, in accordance with work needs of the Board of Directors, conducted extensive researches in representative branches of the Bank and cooperation institutions on key issues, and made advices and suggestions focusing on such areas as compliance culture construction, risk management of organizations at the primary level, case prevention work, financial poverty alleviation, information technology construction, innovation of small and micro loans for "Sannong" and development of credit card business.

(III) Engaged a Consulting Organization to Conduct Special Research to Improve the Quality and Effectiveness of the Risk Management Committee of the Board of Directors

The Risk Management Committee of the Board of Directors engaged a consulting company to carry out the consulting project of "improvement of quality and efficiency of the Risk Management Committee of the Board of Directors", the aim of which was to comprehensively review the performance of the Risk Management Committee of the Board of Directors, analyze key factors affecting the effectiveness of duty performance, and optimize the mechanism, so as to improve the quality and efficiency of performance of the Risk Management Committee of the Board of Directors.

In 2020, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Directors fully implemented the guiding principles of the 19th National Congress of the China Communist Party, the Second, Third and Fourth Plenary Sessions of the 19th CPC Central Committee and Central Economic Work Conference, led the Bank to make every effort in pushing the reform and accelerating transformation based on the A share IPO as a new starting point for high quality development. With the perseverance of a phoenix struggling out of the ashes and the spirit of a hammer driving a nail, the Board of Directors will forge ahead to build the Bank into a modern first-class commercial bank.

2019 WORK REPORT OF THE BOARD OF SUPERVISORS

In 2019, under Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Supervisors continued to comprehensively and earnestly study and implement the 19th National Congress of the Party and the Second, Third and Fourth Plenary Sessions of the 19th CPC Central Committee and Central Economic Work Conference, strictly followed relevant laws and regulations, regulatory requirements and the Articles of Association, and earnestly implemented the overall work guidelines throughout the year. In accordance with the principle of “adhering to strategic guidance, as well as problem-oriented and risk-based approaches”, the Board of Supervisors earnestly performed supervisory duties in the fields such as performance of duties, risks, finance and internal control, effectively brought into play the function of supervision and check and balance, continued to promote the improvement of corporate governance mechanism, and actively safeguarded the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders, to ensure stable development and reform. Throughout the year, 10 meetings of Board of Supervisors were held in total with 27 proposals reviewed and 41 audit reports heard. The Board of Supervisors convened 10 special committee meetings, reviewed 32 topics, formed 22 supervision results such as research reports, supervision reports and letters of suggestions, effectively fulfilled responsibilities on supervision and decision-making, and successfully completed annual work task. Various supervisory opinions and suggestions received great attention and positive response from the Board of Directors and senior management, and the supervision work achieved remarkable results. All Supervisors performed their duties diligently, personally attended meetings on corporate governance, went through necessary data and documents, heard reports, participated in supervision and research activities, and actively made advices and suggestions on the development of the Bank. Working hours of Supervisors on duty performance for the Bank met regulatory requirements. The work of the Board of Supervisors in 2019 was as follows:

I. SOLIDLY CARRIED OUT SUPERVISION ON MAJOR STRATEGIES AND ACTIVELY PROMOTED TRANSFORMATION TO MAKE THE BANK UNIQUE, COMPREHENSIVE, LIGHT, INTELLIGENT AND INTENSIVE

The Board of Supervisors focused on implementation of major national strategic decisions, and closely integrated comprehensive implementation of decisions and plans by the central government with the implementation of the Bank’s strategic objectives. Focusing on major fields such as the implementation of new development concepts and construction of a modern economic system, the Board of Supervisors conducted in-depth strategic supervision and deeply promoted the transformation and development of the Bank.

(I) Focused on Major Strategic Decisions of the Central Government and Paid Close Attention to the Implementation by the Bank

The Board of Supervisors carried out special supervision on pushing forward rural vitalization strategy, analyzed the credit support and services by the Bank on the rural vitalization strategy in areas of corporate banking and retail banking, and put forward suggestions on strengthening comprehensive capabilities of agriculture-related services, preventing and defusing key industry risks, and improving support measures to give full play to the advantages of network resources and better promote rural vitalization. The Board of Supervisors deeply implemented relevant decisions and requirements of the central government on deepening financial services to private enterprises, conducted researches on the Bank’s support for the development of private enterprises, put forward supervisory suggestions on optimizing customer experience, increasing comprehensive marketing incentives and broadening acquisition channels of customer information, and actively promoted the healthy development of services to private enterprises. In accordance with the decisions and arrangements of the central government to raise the country’s manufacturing power, the Board of Supervisors carried out research on support that the Bank could provide to raise the country’s manufacturing power. Based on the new development concept, the Board of Supervisors proposed policy recommendations to support the upgrading of the country’s manufacturing power.

(II) Closely Followed the Bank's Key Development Strategies and Continued to Promote the Implementation of Retail Strategy

The Board of Supervisors carried out research on retail loans to individual businesses and small enterprises, and put forward targeted supervisory opinions on the problems in retail credit customer access, loan duration, concentration risk and full-process management in some branches to promote the stable development of retail credit business. The Board of Supervisors carried out special supervision on authorization of retail credit business, and put forward suggestions on optimizing authorization management system, stricter authorization management on key sectors and products, and standardizing management on delegated authorization to promote the improvement of retail credit authorization management. The Board of Supervisors implemented coordinated development strategy of the Bank, conducted research on auxiliary micro loans, and put forward suggestions on optimizing business models, diversifying pilot products, and improving system processes, so as to promote the healthy development of auxiliary micro loans, and actively roll out auxiliary micro loans as soon as possible throughout the network.

(III) Focused on the Implementation of the Transformation to make the Bank Unique, Comprehensive, Light, Intelligent and Intensive, and Actively Promoted High Quality Development

According to the general requirement of “accelerating the transformation and development to make the bank unique, comprehensive, light, intelligent and intensive” presented at the work meeting at the beginning of the year, the Board of Supervisors paid close attention to the completion of key tasks on the Bank's transformation and development. The Board of Supervisors carried out special supervision on economic capital management, reviewed and analyzed the current status of economic capital management of the Bank, put forward supervision opinions such as improving economic capital measurement, strict management of economic capital limits and strengthening the transmission of economic capital benefits, to enhance the guidance and restraint of economic capital. The Board of Supervisors carried out special supervision of outlet management, and provided supervision opinions on outlet functions, profit and loss accounting, profitability improvement and intelligent outlets, etc., and promoted the transformation and upgrading of outlets. Supervisors went to Suzhou innovation laboratory of the Bank to conduct investigations, presented and promoted advanced practical experiences of branches in financial technology innovation, rolled out the “PSBC Canteen” membership model throughout the Bank, and strengthened financial technology empowerment.

II. STRENGTHENED RISK SUPERVISION IN KEY AREAS AND EFFECTIVELY PREVENTED AND MITIGATED MAJOR RISKS

The Board of Supervisors firmly enhanced the awareness on the overall situation of preventing and controlling financial risks, and insisted on placing the prevention and mitigation of financial risks in a more important position based on the overall national security and economic and social development. The Board of Supervisors strictly implemented work requirements that “the Board of Supervisors shall give full play to the role of check and balance in the risk supervision process of the Bank, and carry out risk supervision in key areas” and “shall assume the supervision responsibility of comprehensive risk management “as presented in annual work meeting. The Board of Supervisors focused on fulfillment of responsibilities and continued to strengthen risk supervision in key areas to effectively prevent and mitigate major risks.

(I) Strengthened Risk Supervision on Key Businesses and Effectively Promoted the Prevention of Major Risks

The Board of Supervisors enhanced the supervision on risks of credit business, and push ahead the prevention of credit risk. The Board of Supervisors conducted research on the risk management of credit card business and put forward supervision recommendations to ensure the high-quality leapfrog development of credit card business. The Board of Supervisors carried out loan risk management

supervision on PSBC Consumer Finance, and urged the majority-owned subsidiaries to strengthen risk management. The Board of Supervisors actively carried out supervision on non-credit business, and reminded the Bank to strengthen potential risk management. The Board of Supervisors gave prompts on the interbank business risks of small- and medium-sized financial institutions, to promote the prevention and mitigation of interbank business risks. The Board of Supervisors carried out special supervision on the custody business, and put forward supervision opinions such as strengthening risk control and accelerating the transformation and development of custody business.

(II) Strengthened the Monitoring of Information Technology Risk and Promoted the Mitigation of Information Technology Risks

The Board of Supervisors evaluated and analyzed the operation of important business and management systems of the Bank, monitored the operation of key systems and the risk of manual input, and put forward supervision suggestions on strengthening the whole-process quality control of the system and regular post-evaluation of the online system, in order to prevent and mitigate potential risks.

III. EFFECTIVELY CARRIED OUT FINANCIAL INTERNAL CONTROL SUPERVISION AND IMPROVED OPERATION AND MANAGEMENT

The Board of Supervisors responded to regulatory policies, firmly implemented regulatory requirements, promoted the fulfillment of responsibilities of governance bodies consisting of “the Board of Directors, the Board of Supervisors and the Senior Management”, paid close attention to major financial decision-making activities of the Bank, actively urged the Board of Directors and senior management to strengthen internal control compliance management, improved the refined management of finance, and promoted the development of the Bank in accordance with laws and regulations.

(I) Effectively Fulfilled the Responsibility of Financial Supervision and Decision-making, and Objectively and Fairly Expressed Independent Opinions

The Board of Supervisors reviewed the Bank’s periodic reports, expressed opinions on the truthfulness, accuracy and completeness of the reports; reviewed annual financial accounts and profit distribution plans; expressed opinions on the compliance and rationality of profit distribution plans; reviewed the proposal on appointment of accounting firms for the year, maintained communications with external auditors, made advices and suggestions on the preparation of periodic reports and external audit works, made full use of the results of external audit work, and supervised the independence and effectiveness of external audit works. The Board of Supervisors reviewed the related party transactions management report and supervised the implementation of the code for related party transactions.

(II) Strengthened Special Supervision on Financial Management and Promoted the Quality and Efficiency of Operation

The Board of Supervisors actively promoted the transformation and development of deposit business, carried out special supervision on savings business, and put forward supervision suggestions on transforming the development philosophies of deposit business, optimizing the term structure of deposits, enhancing the capacity of self-operated branches on taking deposits, and exploiting more potential from existing customers. In view of the market situation of declining interest rates and regulatory requirements for reducing financing costs of small and micro enterprises, the Board of Supervisors studied the trend of interest rates of the two “micro loan” products to farmers, analyzed the impact of lowering loan interest rate on the interest income of the Bank’s two “micro loan” products to farmers, and provided reference support for business development. The Board of Supervisors carried out tax-related statistical supervision, to promote the refined management of finance.

(III) Strengthened Special Supervision of Internal Control and Promoted Compliance Operation Management

The Board of Supervisors continued to focus on the effectiveness of internal control system and the operation of the Bank in accordance with laws and regulations, regularly reviewed the Bank's internal control evaluation reports and issued independent opinions, supervised the Board of Directors, senior management and its members to improve the internal control system and to perform duties on internal control. The Board of Supervisors focused on the Bank's internal control system construction, compliance risk management, anti-money laundering and consumer rights protection work, and actively promoted the construction of internal control systems. The Board of Supervisors effectively strengthened the supervision on key areas of internal control and weak links, conducted supervision on key links in NPLs collection, conducted special investigations on retail credit authorization, and reminded the Board of Directors and senior management to continuously strengthen compliance management in key areas to effectively prevent operational risks, solidly promote the rectification of regulatory feedback issues, and continuously improve internal control.

IV CONTINUOUSLY IMPROVED THE PERFORMANCE EVALUATION PLAN AND ENHANCED THE EFFECTIVENESS OF ANNUAL EVALUATION

The Board of Supervisors incorporated performance supervision into supervisions of risks, finance and internal control, continued to focus on the effective operation of the Board of Directors, senior management and its special committees, enhanced routine and targeted supervision on the compliance of the Board of Directors, senior management and its members with laws and regulations and their duty performance.

(I) Continued to Carry out Daily Performance Supervision and Paid Close Attention to the Standardized Operation of the “the Board of Directors, the Board of Supervisors and the Senior Management”

The Board of Supervisors continuously monitored the duty performance of the Board of Directors, senior management and its members in accordance with laws and regulations, implemented national macro policies, supervisory opinions and resolutions of general meeting, and focused on the duty performance in key areas such as corporate governance, development strategy, operation management, capital management, risk management, internal control, related party transactions, information disclosure, data governance and employee behavior management. The Board of Supervisors paid close attention to the compliance of regulatory risk indicators and monitored the compliance of the Bank's regulatory indicators such as capital adequacy ratio, leverage ratio and liquidity risk on a quarterly basis. Meanwhile, the Board of Supervisors established and improved the mechanism for sharing internal information and supervision achievements, strengthened the connection and integration of performance supervision with supervisions of risks, finance and internal control, to provide effective support for performance supervision and evaluation.

(II) Solidly Carried Out Annual Performance Evaluation and Promoted Duty Performance of Governance Bodies

The Board of Supervisors sorted out regulatory policies, drew up a list of responsibilities, and adjusted and optimized plans on performance evaluation accordingly, thus realizing the comprehensive coverage on supervision indicators and stakeholders subject to evaluation which included Directors, Supervisors and senior management, headquarters, and tier-1 branches, and enhanced duty performance of each stakeholder on corporate governance. The Board of Supervisors urged the Board of Directors to carry out evaluation on Directors, set up a multi-dimensional system on performance evaluation, effectively integrated approaches such as self-evaluation, performance discussions, evaluation scoring and daily supervision, in order to ensure that evaluation results were objective and fair.

(III) Evaluation Results on Duty Performance

Evaluation on Duty Performance of the Board of Directors: In 2019, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Directors comprehensively followed economic and financial guidelines and policies of the country, and strictly implemented regulatory requirements. The Board of Directors strictly abided by laws, regulations and the Articles of Association, Rules of Procedure of Shareholders' General Meetings and Rules of Procedure of Board of Directors Meetings, strictly implemented resolutions of the general meeting and convened meetings of the Board of Directors in accordance with laws and regulations. The Board of Directors earnestly fulfilled decision-making responsibilities on business development, continuously improved the Bank's corporate governance, development strategy, business philosophy, risk management, internal control, capital management, compensation management and information disclosure, and actively safeguarded legal rights of the company, shareholders, employees and other stakeholders. Within the scope authorized by the Board of Directors, the special committees of the Board of Directors fully played their professional roles, continued to strengthen self-improvement and provided strong support for the scientific and efficient decision-making of the Board of Directors. Members of the Board of Directors complied with laws and regulations and the Articles of Association, performed their duties diligently, actively participated in various meetings of the Bank, conducted research at the primary level, and made advices and suggestions on the transformation and development of the Bank. Members of the Board of Directors seriously participated in internal and external training programs and constantly improved their ability to perform duties. During the evaluation period, working hours of Directors subject to performance evaluation and the number of attendance in person of meetings of the Board of Directors met regulatory requirements and the Articles of Association. After the review by the Board of Supervisors, the Directors subject to performance evaluation were considered competent in 2019.

Evaluation on Duty Performance of Senior Management and its Members: In 2019, the senior management of the Bank firmly and thoroughly implemented the decisions and plans of the CPC Central Committee and the State Council, strictly implemented national policies, complied with laws and regulatory requirements such as the Company Law of the People's Republic of China and Law of Commercial Banks of the People's Republic of China, followed the Articles of Association and the authorization of the Board of Directors, and strictly implemented the resolutions of meetings of the Board of Directors. The senior management complied with prudent and diligent obligations, protected commercial secrets of the Bank, truthfully reported to the Board of Directors and its special committees on operation and management, financial condition, risk status and major cases of the Bank earnestly in accordance with requirements of the Board of Directors and the Board of Supervisors, and reported and disclosed to the supervisory authority on important decisions and major event information in a timely manner. The senior management had no major mistakes on operation and management or behaviors that harmed the interests of the Bank when performing their duties, continuously deepened reform and innovation in key areas, constantly improved the level of internal control and risk management, completed all tasks for the year, and achieved good operational performance. Senior management members consciously abided by relevant laws and regulations and the Articles of Association of the Bank, performed duties according to the law, and worked diligently. Self-disciplined and united, they put solid efforts on daily operations and management of the Bank, and also on the guidance, coordination, and promotion of the businesses they took charge of. The senior management communicated efficiently with the Board of Directors and the Board of Supervisors, playing an active role in the completion of annual tasks and goals. After the review by the Board of Supervisors, the senior management members subject to performance evaluation were considered competent in 2019.

Evaluation on Duty Performance of the Board of Supervisors: In 2019, under Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Supervisors of the Bank continued to comprehensively and earnestly study and implement 19th National Congress of the Party and the second, third and fourth plenary session of the 19th CPC Central Committee and

Central Economic Work Conference, strictly followed relevant laws and regulations, regulatory requirements and the Articles of Association, and earnestly implemented the overall work principles throughout the year. The Board of Supervisors earnestly performed its supervisory duties in the fields of duty performance, risks, finance and internal control, effectively played the role of supervision and check and balance, continued to promote the improvement of corporate governance mechanism, actively safeguarded the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders to ensure stable operation, reform and development of the Bank. Members of the Board of Supervisors carried out supervision work in strict accordance with requirements of relevant laws, regulations, rules and the Articles of Association, performed their duties diligently, attended in person meetings related to corporate governance, actively participated in supervision and research activities, and made advices and suggestions to the development of the Bank. Members of the Board of Supervisors protected commercial secrets of the Bank, and there was no act of obtaining illegitimate benefits or using the status of supervisors for private interest. They actively followed supervision of regulators and resolutely implemented supervisory opinions. During the evaluation period, working hours of Supervisors subject to performance evaluation and the number of attendance in person of meetings of the Board of Supervisors met regulatory requirements and the Articles of Association. After the review by the Board of Supervisors, the Supervisors subject to performance evaluation were considered competent in 2019.

V. CONTINUED TO PROMOTE THE RECTIFICATION ON SUPERVISION OPINIONS AND PLAYED AN ACTIVE ROLE IN SUPERVISION

The Board of Supervisors continued to have rectification on supervision opinions as the focus of supervision, and continuously strengthened the follow-up supervision of rectification on supervision opinions, and established and improved evaluation mechanism for rectification on supervision opinions.

(I) Continued to Focus on the Implementation of Rectification, and Establish and Improve Annual Evaluation Report Mechanism of Supervision Opinions

In recent years, the Board of Supervisors has actively promoted closed-loop management of supervision opinions, from supervision initialization to rectification on supervision opinions and evaluation, and carried out assessment of rectification on supervision opinions for three consecutive years. In 2019, the Board of Supervisors reviewed rectifications on supervision opinions and recommendations, and formed special reports which deeply analyzed the effectiveness and problems of rectification on supervision opinions, and made suggestions to further improve the mechanism on the rectification work, and strengthen long-term supervision and rectification.

(II) Promoted the Improvement of Supervision and Rectification Work Mechanism, and Actively Gave Play to the Effectiveness of Supervision

Since 2019, the Board of Directors and senior management have attached great importance to the supervision and rectification work of the Board of Supervisors. Through studies at meetings, process optimization, planning, system improvement, feedback reports and other methods, the mechanism on the rectification work has been improved, and the supervision and rectification work have achieved remarkable results.

VI. CONTINUED TO IMPROVE THE SUPERVISION MECHANISM AND PROMOTE THE ENHANCEMENT IN THE SUPERVISION AND PERFORMANCE CAPABILITIES

The Board of Supervisors followed best experiences in the industry and regulatory requirements as well, reviewed existing gaps, and made efforts to strengthen self-improvement on the basis of earnest performance of statutory supervisory responsibilities.

(I) Successfully Completed the Adjustment of Supervisors and Ensured Smooth Transition of Organizational Structure

The Bank adhered to the system of employee supervisors, worked together with labor union for re-election of two employee supervisors whose terms had expired, ensured that the proportion of employee supervisors was not less than one third, and actively protected the rights of employees to participate in democratic decision-making, democratic management and democratic supervision. Meanwhile, taking into consideration professional qualifications, influence in the industry, social impact and other factors, the Board of Supervisors orderly advanced and successfully completed the selection and addition of new external supervisors and the re-election of supervisors upon expiration strictly in line with regulatory requirements and the Articles of Association on the composition of the Board of Supervisors and nomination and election process. In response to the optimization and adjustment of the composition of special committees, the Bank performed corresponding adjustment procedures to ensure the orderly connection and continuous and effective operation of organizational structure of the Board of Supervisors.

(II) Continued to Carry Out Daily Supervision and Monitoring, and Gave Full Play to the Role of Supervision and Warning

The Board of Supervisors continued to carry out daily supervision and monitoring, and timely analyzed and warned of sudden risks or sensitive matters identified via supervision. At the same time, the Board of Supervisors continued to carry out regular supervision and reporting on finance, risks and internal control. Based on the problems identified in special supervision and daily supervision, the Supervisors regularly prepared annual and quarterly supervision reports, made recommendations on supervision, and reported to the Board of Supervisors and corresponding special committees.

(III) Consolidated the Foundation of Supervision and Continuously Improved the Ability to Perform Duties

Supervisors went to Singapore for corporate governance trainings, conducted discussions on topics such as corporate governance, financial technology and risk management with experts from relevant financial institutions in Singapore, and visited DBS Bank and POSB Singapore, in order to continuously enhance the professional capabilities of Supervisors. The Bank gave full play to the academic expertise of Supervisors, actively carried out researches in relevant areas, and focused on building a board that was driven by learning and innovation. Through electronic conference system, the Bank realized real-time review of conference documents and mobile office, which improved the timeliness and security of data transmission and ensured further improvement of the efficiency of deliberations.

VII. INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

(I) Operations in Compliance with Laws and Regulations

During the reporting period, the Board of Directors and senior management of the Bank continued to carry out operations in compliance with laws and regulations and continuously improved internal control system with its decision-making procedures in line with laws, regulations and the Articles of Association of the Bank. Directors and senior management performed their duties conscientiously and were not found to have violated laws, regulations, or jeopardized the interests of the Bank when performing their duties.

(II) Annual Reports

The preparation and review procedures of annual reports of the Bank complied with laws, administrative regulations and regulatory provisions. The contents of the reports reflected the actual situation of the Bank in a true, accurate and complete manner.

(III) Use of Proceeds

During the reporting period, the use of proceeds raised by the Bank was in line with the purposes as stated in the prospectus of the Bank.

(IV) Acquisition and Sale of Assets

During the reporting period, there was no insider dealing, or any other activity which jeopardized the Shareholders' interests or resulted in loss of assets arising from the acquisition and sale of assets of the Bank.

(V) Related Party Transactions

During the reporting period, the Bank's related party transactions were in line with commercial principles and there were no activities which jeopardized the interests of the Bank in related party transactions. The review, voting, disclosure, and performance of related party transactions were in compliance with the relevant requirements of the laws, regulations and the Articles of Association.

(VI) Implementation of the Resolutions of Shareholders' General Meetings

During the reporting period, the Board of Supervisors had no objection to the various reports and proposals that the Board of Directors submitted to the Shareholders' General Meeting for deliberation. The Board of Directors conscientiously implemented the resolutions of the Shareholders' General Meeting.

(VII) Internal Control

During the reporting period, the Board of Supervisors reviewed the annual internal control evaluation report of the Bank without any objection.

(VIII) Implementation of Information Disclosure Management System

During the reporting period, the Bank strictly fulfilled its obligation of information disclosure in accordance with regulatory requirements, conscientiously implemented various management policies on information disclosure, and disclosed information in a timely and fair manner. The information disclosed during the reporting period was true, accurate and complete.

(IX) Social Responsibilities

During the reporting period, the Bank strictly fulfilled its social responsibilities. The Board of Supervisors reviewed the Corporate Social Responsibility (Environmental, Social and Governance) Report for the year of the Bank without any objection.

(X) Evaluation Results on Duty Performance of Directors, Supervisors and the Senior Management

The Directors, Supervisors and senior management subject to performance evaluation were considered competent in 2019.

Except for the above matters, the Board of Supervisors had no objection to other supervision matters during the reporting period.

2020 is the final year for building a moderately prosperous society in all respects and for the 13th Five-Year Plan as well. It is also an important year for the Bank, making a new start for further transformation and development based on the completion of IPOs in both Shanghai and Hong Kong. The Board of Supervisors will continue to deeply implement decisions of the CPC Central Committee and policies of regulators, effectively protect the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders, fully put the guiding principles of annual work meeting of the Bank into effect, further expand the breadth and depth of supervision, be forward-looking and effective, give full play to the functions of supervision, and safeguard the continual improvement of corporate governance and steady development of businesses.

**2019 WORK REPORT OF INDEPENDENT DIRECTORS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD.**

In 2019, in strict accordance with relevant requirements of domestic and overseas laws, regulations, normative documents, the Articles of Association and other internal management rules of Bank, the Bank's Independent Directors implemented performed duties prudently, earnestly, diligently and faithfully, attended the meetings of the Board of Directors and its special committees, independently expressed opinions and played an active role in safeguarding the minority interests of the Bank and promoting the reform and development of the Bank. The work report of Independent Directors in 2019 is presented as follows.

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

As at the Latest Practicable Date, the Board of Directors of the Bank comprises five Independent Directors in total. The proportion of Independent Directors exceeds one-third of the total number of Directors, complying with the relevant requirements specified in the Articles of Association and relevant regulatory requirements. The Independent Directors of the Bank are aware of the relevant laws and regulations regarding operation and management of commercial banks. The Audit Committee, the Nomination and Remuneration Committee and the Related Party Transactions Control Committee under the Board of Directors are all chaired by Independent Directors. Except annual remunerations, Independent Directors of the Bank neither have any business or financial interests with the Bank and its subsidiaries nor assumed any management positions in the Bank, and there are no matters that will affect the independence. The Bank has received the annual confirmation letter of each of Independent Directors on their independence, and acknowledged their independence.

As at the Latest Practicable Date, the Bank's Independent Directors comprise of Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli. Their main working experiences and positions in other units are as follows:

Fu Tingmei, male, obtained a doctor's degree in Philosophy from the University of London, United Kingdom. Mr. Fu has served as Independent Non-executive Director of the Bank since August 2016. He previously served as Director of Peregrine Capital Limited, Managing Director of BNP Paribas Peregrine Capital Limited, Consultant (part-time) to the Central Policy Unit of the Government of Hong Kong Special Administrative Region, and Independent Non-executive Director of Beijing Enterprises Holdings Limited and CPMC Holdings Limited. He currently serves as independent non-executive director of Guotai Junan International Holdings Limited, COFCO Meat Holdings Limited and China Resources Pharmaceutical Group Limited.

Mr. Wen Tiejun, male, obtained a doctor's degree in Management from China Agricultural University. Mr. Wen has served as Independent Non-executive Director of the Bank since October 2019. He served as Assistant Researcher of the Rural Development Research Center of the State Council, Researcher of the Research Center for Rural Economy of the Ministry of Agriculture, Deputy Secretary General of the China Society of Economic Reform, Dean of School of Agricultural Economics and Rural Development of Renmin University of China, and independent non-executive director of Agricultural Bank of China Limited. He currently serves as Executive Dean of School of China Rural Construction of Southwest University, Executive Dean of the Institute for New Rural Development of Fujian Agriculture and Forestry University, a member of the National Environment Advisory Committee, a member of the Expert Committee on Food Security, as well as the advisor and policy expert to provincial and ministerial-level government departments such as a provincial and ministerial-level adviser and a policy advisory expert of the Ministry of Commerce, the Ministry of Civil Affairs, the State Forestry Administration, Government of Beijing Municipality and Government of Fujian Province.

Chung Shui Ming Timpson, male, obtained a master's degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He received the title of Justice of the Peace from the HKSAR Government in 1998 and was awarded the Gold Bauhinia Star by the HKSAR Government in 2000. Mr. Chung has served as Independent Non-executive Director of the Bank since October 2019. He served as Chairman of the Management Board of the City University of Hong Kong, Chief Executive Officer of Weal Group International Limited, Chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region of the PRC ("HKSAR"), and Chief Executive Officer of HKSAR Government Land Fund Trust, as well as independent non-executive director of Nine Dragons Paper (Holdings) Limited and Henderson Land Development Co., Ltd. He served as a Senior Auditing director of Coopers & Lybrand, independent non-executive director of China Everbright Bank Co., Ltd. and China Construction Bank Corporation. He currently serves as independent non-executive director of China Unicom (Hong Kong) Limited, Miramar Hotel and Investment Company Limited, Glorious Sun Enterprises Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, China Railway Group Limited, and Orient Overseas (International) Limited.

Hu Xiang, male, obtained a master's degree in Economics from the Graduate School of the People's Bank of China. Mr. Hu has served as Independent Non-executive Director of the Bank since October 2017. He previously served as Principal Staff Member of Entrusted Investment Division of Investment Department and Deputy director (presiding over the work) of Share Transfer Division of Overseas Investment Department of National Council for Social Security Fund, and Deputy General Manager of Penghua Fund Management Co., Ltd. He currently serves as Chairman and General Manager of Great Wheel Asset Management Company Zhejiang. He concurrently serves as director of World Transmission Technology (Tianjin) Co., Ltd. and director of Shanghai Zhitong Construction Development Co., Ltd.

Pan Yingli, female, obtained a doctor's degree in World Economics from East China Normal University. Ms. Pan has served as Independent Non-executive Director of the Bank since December 2019. She was an associate professor, a professor and a tutor of doctorate candidates in East China Normal University, an invited expert of Shanghai Municipal Government on decision-making consultation, as well as independent non-executive director of China Merchants Bank Co., Ltd. He is currently director of Research Center for Global Finance of Shanghai Jiao Tong University, a professor and a tutor of doctorate candidates in Finance at Antai College of Economics and Management of Shanghai Jiao Tong University, Vice President of Shanghai World Economy Association, Chief Expert of the Decision-making Consultation Research Base Pan Yingli Studio of Shanghai Municipal Government, and an independent non-executive director of Pujiang International Group Limited.

II. ANNUAL WORK PERFORMANCE OF INDEPENDENT DIRECTORS

(1) Attendance of the General Meetings, and Meetings of the Board of Directors and Special Committees

The Bank convened 1 annual general meeting, 1 domestic shareholders' class meeting, 1 H shareholders' class meeting and 2 extraordinary general meeting, at which 35 proposals were deliberated on and approved, 3 reports were heard; 17 Board of Directors meetings at which 101 proposals were deliberated on and approved, and 14 reports were heard; as well as 37 meetings of special committees under the Board of Directors in 2019. The attendance of Independent Directors at the general meetings and meetings of the Board of Directors and special committees is set out below:

**APPENDIX III 2019 WORK REPORT OF INDEPENDENT DIRECTORS
OF POSTAL SAVINGS BANK OF CHINA CO., LTD.**

Number of meetings attended in person/number of meetings convened during term of office

Directors	General meeting	Board of Directors	Special Committees under the Board of Directors					
			Strategic Planning Committee	Related Party Transactions Control Committee	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Social Responsibility and Consumer Rights Protection Committee
Incumbent Directors								
Fu Tingmei	4/5	16/17	-	3/3	-	1/1	7/7	-
Wen Tiejun	0/0	2/2	0/0	-	0/0	-	0/0	-
Chung Shui Ming Timpson	0/0	2/2	-	0/0	0/0	-	-	-
Hu Xiang	5/5	17/17	6/6	-	7/7	-	-	1/1
Pan Yingli	0/0	0/0	-	0/0	0/0	-	0/0	-
Retired Directors								
Ma Weihua	1/5	16/17	5/6	3/3	6/7	-	-	-
Bi Zhonghua	3/5	13/17	-	3/3	7/7	-	7/7	6/6
GanPeizhong	4/5	13/15	-	-	7/7	5/7	7/7	-

- Notes:*
1. “In-person Attendance” refers to attending meetings in person or on telephone or by video conference;
 2. Directors who did not attend meetings of the Board of Directors and special committees in person entrusted other Directors to attend the meetings and exercise the voting right on their behalf.

By making full use of their rich working experience and expertise, Independent Directors of the Bank proactively attended the general meetings and meetings of the Board of Directors and special committees, duly reviewed meeting materials, actively communicated before convening, proactively understood and discussed relevant issues of the Bank and made constructive suggestions at the meeting. They expressed their independent opinions on profit distribution proposal, dividend distribution of preference shares, engagement of auditors and significant related party transactions, and had no objection to the resolutions of the Board of Directors and each special committees of the Bank.

In 2019, Independent Directors expressed their independent opinions in an objective and fair manner while deliberating on and approving the proposals at general meetings and meetings of the Board of Directors from the perspective of the overall interests of the Bank and safeguarding the interests of depositors and minority Shareholders. Additionally, Independent Directors focused on aspects such as the legality and fairness of related party transactions, annual profit distribution plans, and the completeness and authenticity of information disclosure. Independent Directors earnestly reviewed the 2018 annual report, interim report, first quarterly report, third quarterly report, social responsibility report, A-share prospectus, etc. to ensure that the content of information disclosed therein is true, accurate and complete.

(2) Independent Directors’ Participation in Research, Investigation and Seminars

In 2019, in addition to attending meetings of the Board of Directors and special committees, Independent Directors of the Bank actively communicated with members of the Board of Supervisors, senior management and regulatory authorities through researches, investigations, seminars and others

and in line with the functions of the Board of Directors and special committees. They thoroughly understood the Bank's operation, conducted in-depth research on major issues, formed relevant written reports, and provided specific advice and recommendations.

Director Ma Weihua visited the branches in Chengdu, Sichuan province in mid-July 2019 to investigate the internal control of risks and the implementation of the retail banking development strategies, and urged the branches to strengthen the construction of internal control mechanisms so as to implement the retail banking strategies.

Director Fu Tingmei conducted research on comprehensive risk management with members of the Risk Management Committee in Nanchang, Jiangxi Province in mid-August 2019, centering on risk management and control, accountability and information technology risks of self-operated and agency branches, summarizing relevant working experiences and deeply analyzing existing issues, and put forward a number of advices and recommendations for improvement to branches and outlets at the primary level.

Director Wen Tiejun conducted research on business development and risk management of credit cards, Sannong finance and other businesses at Fujian branch in mid-November 2019, and made recommendations that agricultural supply-side reform should be combined with financial supply-side reform, and business development opportunities should be explored in the process of assisting in the implementation of the national strategies.

(3) Training

The Board of Directors of the Bank attached importance to the continuous professional development of Directors, and paid attention to and actively organized Directors to participate in training. In 2019, the Bank organized Independent Directors to participate in various domestic and overseas trainings held by regulatory authorities, peer organizations, and internationally renowned companies, covering the macroeconomic situations, corporate governance, risk management, green financial development, information technology, anti-money laundering and anti-terrorist financing and other fields. Through communication with regulatory authorities, peer organizations, internationally renowned companies and well-known experts, Independent Directors kept abreast of economic and financial situations at home and abroad, and the latest regulatory policies, further expanding the vision of performance, and enhancing the professional performance capabilities.

(4) The Bank's Support to the Work of Independent Directors

The Bank provided multidimensional support to Independent Directors in performing their duties, including organizing them to participate in communication meetings, seminars, training, and assisting in research before convening meetings of the Board of Directors, as well as providing performance information in a timely manner. During Independent Directors' performance of duties, the Board of Directors, the Board of Supervisors and senior management of the Bank provided strong support to ensure that Independent Directors fully understand the operation and management of the Bank, thereby ensuring the scientific decision-making of the Board of Directors.

In 2019, the Bank organized and convened a meeting between the chairman and Independent Directors to discuss and study the Bank's strategic development positioning, information technology construction and corporate culture construction.

Meanwhile, the Bank continued to improve the information reporting system, and reported various types of business information in a timely and accurate manner through an advanced electronic conference system, covering business management dynamics, financial information, risk information,

investor relations, regulatory status, etc., thereby enhancing the communication between Independent Directors and senior management and effectively supporting the performance of Independent Directors.

III. KEY ISSUES ON THE ANNUAL WORK PERFORMANCE OF INDEPENDENT DIRECTORS

Independent Directors of the Bank focused on issues related to the management of connected transactions, the use of proceeds raised, the nomination and remuneration of senior management, cash dividends and other investor returns, and made clear judgments on relevant key issues, made advices and recommendations in accordance with laws and regulations.

(1) Connected Transactions

Independent Directors attached great importance to the management of connected transactions. In 2019, Independent Directors of the Bank deliberated on and approved the special report on connected transactions and other matters in accordance with relevant requirements, perfected the connected transaction management system, and continued to pay attention to the general information of the Bank's connected transactions and related party management, policies and mechanism construction, system construction, development of compliance culture and other key tasks, thereby ensuring that the connected transactions were conducted in accordance with the laws and regulations and in compliance with business practices.

(2) External Guarantee and Capital Occupation

Independent Directors of the Bank verified the external guarantee of the Bank on the principles of equity, fairness and objectivity. After verification, the Bank's external guarantee business was mainly based on the issuance of guarantees, which was one of the regular banking operations within the daily business scope of the Bank approved by the People's Bank of China and the China Banking and Insurance Regulatory Commission. As of 31 December, 2019, the balance of guarantee issued by the Bank was RMB20,776 million. The Bank attached great importance to the risk management of external guarantee business, and strictly regulated the credit standards of the guaranteed objects, the operation process and approval procedures of the guarantee business, and conducted relevant business accordingly. The independent Directors of the Bank believed that the Bank's risk control of the guarantee business was effective, and there was no violation of external guarantees.

(3) Use of Proceeds Raised

The funds raised by the Bank were used for the purpose disclosed in offering prospectus and fund raising prospectus, that was, to enrich the Bank's capital.

(4) Nomination and Remuneration of Senior Management

In 2019, the Board of Directors of the Bank deliberated on and approved a proposal to recommend candidates for the position of President of the Bank. Meanwhile, based on the Bank's 2018 operating results, the Board of Directors and the Nomination and Remuneration Committee deliberated on and approved the 2018 Payment Plan of Remuneration to Senior Management.

Independent Directors agreed to the nomination and remuneration of senior management of the Bank.

(5) Results Forecast and Preliminary Results Estimate

In 2019, there was no results forecast or preliminary results estimate of the Bank to be disclosed.

(6) Appointment or Change of Accounting Firms

In 2019, Independent Directors maintained full communication with external auditors and effectively performed relevant responsibilities and obligations. Independent Directors were of the opinion that the accounting firm engaged by the Bank maintained independent, objective and fair practice standards in the audit process and completed all audits well. Independent Directors agreed to re-appoint PricewaterhouseCoopers ZhongTian LLP and PricewaterhouseCoopers as auditors of the Bank for the year of 2019.

(7) Cash Dividends and Other Investor Returns

The Bank formulated and implemented the cash dividend policy in line with the requirements of the Articles of Association and resolutions of the Shareholders' General Meeting. The cash dividend policy had clear distribution standards and proportions with proper decision-making procedures and mechanism and was approved by Independent Non-executive Directors. Minority Shareholders were allowed to fully make advices and suggestions with their legitimate interests being protected.

(8) Performance of the Undertakings of the Company and Shareholders

As of 31 December, 2019, the commitments made by the Bank and the Bank's controlling shareholders, Directors, Supervisors and senior management during the initial public offering of A shares were fulfilled.

(9) Implementation of Information Disclosure

In 2019, in strict compliance with the requirements of laws and regulations and taking into consideration of the listing progress of A Shares, the Bank optimized and strictly implemented the information disclosure system, disclosed the annual report, interim report, quarterly reports and various temporary announcements in a timely and complete manner, and continued to strengthen voluntary disclosure to improve the transparency of information disclosure. Independent Directors of the Bank actively fulfilled their responsibilities in the preparation and disclosure of annual report, and conducted full communication and discussion with external auditors on the annual audit work.

(10) Implementation of Internal Control

In 2019, the Board of Directors of the Bank continued to promote the construction and implementation of internal control standards. Independent Directors attached great importance to the implementation and appraisal of internal control and reviewed the internal control appraisal report, and were of the opinion that the Bank maintained effective internal control in all major and important aspects in accordance with the requirements of the Bank's internal control system and related provisions, and there was no major or important deficiencies in the internal control of financial reporting and non-financial reporting.

(11) The Operation of the Board of Directors and Its Special Committees

In accordance with the requirements of the Articles of Association, the Rules of Procedures of the Board of Directors of Postal Savings Bank of China Co., Ltd. and the Working Rules of Independent Directors of Postal Savings Bank of China Co., Ltd., Independent Directors of the Bank attended the meetings of the Board of Directors, and deliberated on and approved 101 proposals including the work report of the Board of Directors of 2018, the guidelines of medium- to long-term development strategies (2019-2025), budget plan of fixed asset investment, extension of the validity period of the initial public offering of RMB Ordinary Shares (A Shares) and listing proposals, issuance of write-down undated capital bonds, amendments to the Articles of Association, adjustment to the organizational structure of the headquarter and nomination of candidates of Directors, and heard 14 reports including the 2018 audit report and 2019 audit plan.

The Strategic Planning Committee held six meetings in 2019 and reviewed 15 proposals including the guideline of medium- and long-term development strategies (2019-2025), budget plan of fixed asset investment, issuance of write-down undated capital bonds, and adjustment to the organizational structure of the headquarter, etc. The Strategic Planning Committee put forward advices and recommendations to the Board of Directors on development strategies, budget plan of fixed asset investment, major investment and financing plans, and organizational structure adjustments, etc.

The Related Party Transaction Control Committee held three meetings, and deliberated on and approved eight proposals including the 2018 Report on Connected Transactions, Amendments to the Administrative Measures on Connected Transactions and the Report on Related Parties. The Related Party Transaction Control Committee put forward advices and recommendations to the Board of Directors on the approval of major connected transactions and the strengthening of connected transaction management.

The Audit Committee held 7 meetings in 2019 and deliberated on and approved 26 proposals including the 2018 annual audit report and the 2019 annual audit plan, financial statements and audit report, annual internal control appraisal report, and administrative measures for external audit of financial report, and heard 5 reports including the audit work of financial statements. The Audit Committee put forward advices and recommendations to the Board of Directors on internal and external audit, internal control evaluation, construction of internal audit system and mechanism and other aspects.

The Risk Management Committee held 8 meetings in 2019 and deliberated on and approved 28 proposals including the 2019 plan of risk management strategies and risk appetites, the three-year capital rolling plan in 2019-2021 and the management plan of 2019 capital adequacy ratio, comprehensive risk management report, and general rules for internal control, and heard 5 reports including 2018 anti-money laundering work, self-assessment on money laundering and terrorist financing risk. The Risk Management Committee regularly paid attention to the effectiveness of the Bank's risk management, and put forward advices and recommendations on improvement of the Bank's risk management and internal control.

The Nomination and Remuneration Committee held 7 meetings in 2019 and deliberated on and approved 14 proposals including the structure, size and composition of the Board of Directors and the implementation of the diversity policies of Board of Directors, the adjustment of special committees of the Board of Directors, and the 2018 payment plan of remuneration of Directors, senior management and personnel in charge of the internal audit department, the measures of the Board of Directors for performance evaluation on Directors, and reviewing the qualifications and conditions of Directors. The Nomination and Remuneration Committee studied and put forward advices and recommendations on matters such as the structure, size and composition of the Board of Directors and

the implementation of the diversity policies of Board of Directors, the qualifications and conditions of Directors to be re-elected or newly appointed, the payment plan of remuneration of Directors, senior management, and the measures of the Board of the Directors for performance evaluation on Directors.

The Social Responsibility and Consumer Rights Protection Committee held six meetings in 2019, and deliberated on 7 proposals including the work summary for 2018 and work planning for 2019 of Consumer Rights Protection, 2018 Corporate Social Responsibility (Environment, Society and Governance) Report, 2018 Work Report for Green Banking Construction. The Social Responsibility and Consumer Rights Protection Committee deliberated on supervised, evaluated and put forward advices and recommendations to the Board of Directors for the Bank's performance of social responsibilities, the implementation of consumer rights protection and development of green banking.

(12) Other Issues that the Independent Directors Considered Necessary to Be Improved by the Listed Company

Independent Directors of the Bank agreed with the Bank 's overall development strategies and objectives, and recommended that the Board of Directors and senior management should strengthen research and grasp the economic and financial development trends, continuously deepen reform and actively promote transformation and development, continuously increase the investment in finance and technology and strengthen the building of a team of scientific and technological talents, as well as further enhance the construction of corporate culture.

IV. OVERALL EVALUATION AND RECOMMENDATIONS

In 2019, the independent Directors of the Bank performed their duties in good faith, diligence and independence in accordance with the relevant laws and regulations and the requirement of the Articles of Association of the Bank, effectively improving the scientific decision-making level of the Board of Directors and special committees, promoting the continuous improvement of the level of corporate governance, and safeguarding the legitimate interest of the Bank and all shareholders. In 2020, Independent Directors of the Bank will further enhance their performance abilities, perform their duties in a legal, prudent, earnest and diligent manner, to make greater contributions to the Bank.

Independent Directors of Postal Savings Bank of China Co., Ltd.
Fu Tingmei, Wen Tiejun, Chung Shui Ming Timpson, Hu Xiang and Pan Yingli

**REPORT ON THE IMPLEMENTATION OF THE PLAN ON
AUTHORIZATION OF THE SHAREHOLDERS' GENERAL MEETING
TO THE BOARD OF DIRECTORS OF POSTAL SAVINGS
BANK OF CHINA CO., LTD. IN 2019**

According to the relevant provisions of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. (The "**Plan on Authorization**"), the Bank analyzed and summarized the implementation of the Plan on Authorization from 1 January, 2019 to 31 December, 2019.

In general, the Board of Directors of the Bank strictly adhered to the requirements of the Plan on Authorization, earnestly performed their duties, scientifically and prudently made decisions and diligently exercised their functions and powers. The Plan on Authorization was well implemented and there was no approval of the Board of Directors beyond its authority.

**REPORT ON THE 2019 REPORT ON CONNECTED TRANSACTIONS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD.**

In 2019, in compliance with the domestic and overseas laws and regulations and the Administrative Measures on Connected Transactions of Postal Savings Bank of China Co., Ltd. (2019 Revision), the Bank strictly implemented various institutional norms and enhanced the management of connected transactions with an aim to further improve the level of connected transaction management. The connected transaction management and connected transactions of the Bank conducted in 2019 are as follows.

I. MANAGEMENT OF CONNECTED TRANSACTIONS**(1) The Related Party Transactions Control Committee of the Board of Directors Performed Duties Diligently and Proactively Promoted the Establishment of the Connected Transaction Management System of the Bank**

The Related Party Transaction Control Committee of the Board of Directors held a total of three meetings, and deliberated on and approved eight proposals including 2018 Report on Connected Transactions, Amendments to the Administrative Measures on Connected Transactions and the Report on Related Parties. During the reporting period, the Related Party Transactions Control Committee of the Board of Directors operated in a professional and independent manner, and the members earnestly fulfilled their duties and proactively promoted the establishment of the connected transactions management system to ensure the legal compliance of connected transactions and safeguard the interests of the Bank and shareholders.

(2) Further Improved and Duly Implemented the Connected Transaction Management System

According to the requirements of listing of A Shares, the Bank revised and issued the Administrative Measures on Connected Transactions of Postal Savings Bank of China Co., Ltd. (2019 Revision), to clarify the management rules of A-Share connected transactions and effectively control the risks associated with connected transactions. The Bank has strictly complied with regulatory requirements of the Hong Kong Stock Exchange, completed the forecast of the cap of connected transactions in 2019-2021, and issued the Notice of Monitoring the Caps for Connected Transactions, to better monitor the cap of H-Share connected transactions.

(3) A Full-Caliber Related Party List and Dynamic Update Mechanism Were Set up to Lay the Foundation for Effective Identification of Connected Transactions

The Bank systematically summarized the certification standards for related parties under various regulatory calibers at home and abroad, and organized the information collection and update of related parties according to the A-Share listing requirements, to form a full-caliber related party list. The Bank further improved the dynamic management mechanism of related party information, issued the “Notice on Further Regulating the Reporting System of Related Party Information”, to clarify the responsibilities for related party information, regulate the reporting system for change in related party information, and continuously update the list of related parties, thereby ensuring timely and accurate information updates.

(4) Strictly Regulated and Implemented the Connected Transaction Management Procedures, Ensure That All Connected Transactions Were Legal and Compliant, and in line with the Interests of the Bank and Shareholders as a Whole

Due to the unique character of the entrusted agency banking business, the Bank has applied to domestic and foreign stock exchanges, to exempt from the compliance of the requirements under the Framework Agreement on Agency Banking Businesses between Postal Savings Bank of China Co., Ltd. and Agency Branches of China Post Group Corporation in accordance with the requirements of the stock exchanges, which stipulate that the term of daily connected transaction agreement shall not exceed three years and the annual caps of estimated amounts. The Bank established a full-caliber connected transaction management mechanism, to standardize the procedures of review, approval and filing of connected transaction in daily performance, effectively prevent connected transaction risks, and safeguard the interests of the Bank and shareholders as a whole.

(5) The Bank Cultivated the Compliance Culture for Connected Transaction Management and Improved the Compliance Consciousness of Connected Transaction Management

The Bank organized relevant staff of the headquarter and tier-1 branches to carry out special training on connected transaction management, invited domestic and foreign legal advisers to interpret the regulatory requirements of connected transaction and introduce practical experiences, thereby improving the Bank's management capabilities of connected transactions. The Bank systematically summarized relevant regulatory requirements, prepared the regulatory policies of connected transactions, enhancing the Bank's compliance awareness of connected transactions. For complex connected transactions, the Bank conducted special research, and consolidated the identification rules on the basis of complying with laws and regulations and reasonably leveraging on industry experiences to facilitate effective implementation in daily operation.

(6) The Bank Proactively Promoted the Building of Management System of Connected Transactions to Enhance the Fineness and Informatization of Connected Transaction Management

The Bank actively promoted the informatization construction of connected transaction management, organized and carried out analysis on business requirements, technical testings and online promotion on connected transaction management system. The connected transaction management system has the functions of information record of related parties and connected transactions, inquiries and statistics, and effectively improves the informatization level of connected transaction management. By delivering the list of related parties to the big data platform via the system, it could support the identification of related parties for the business and management system, which facilitates the timely identification of connected transactions and effectively prevents connected transaction risks.

II. RELATED PARTIES AND CONNECTED TRANSACTIONS

(1) Overview of Related Parties

In 2019, the Bank further improved the information management system of related parties and strictly complied with relevant regulations of the CBIRC and domestic and overseas stock exchanges, collected and updated the information of related parties and formed a list of related parties upon deliberation and approval by the Connected Transactions Control Committee under the Board of Directors. In the list, the related natural persons mainly include the Directors, Supervisors, senior management and their close relatives, as well as senior management of China Post Group and their close relatives, etc.; the related legal entities mainly include China Post Group, China Shipbuilding

Industry Corporation, Shanghai International Port (Group) Co., Ltd and their controlling shareholders, de facto controllers, related parties, persons acting in concert, ultimate beneficiaries, and legal entities or other organizations controlled or significantly influenced by the related natural persons.

(2) Overview of Connected Transactions

Based on the audited financial statements, connected transactions conducted in 2019 are as follows:

1. *Connected Transactions with China Post Group, the Controlling Shareholder, and Its Relevant Related Parties*

(1) *Agency banking services provided by China Post Group*

The Bank entrusted China Post Group and its provincial subsidiaries to leverage their outlets with financial licenses as agency business institutions for certain commercial banking businesses of the Bank. The deposit agency fees paid by the Bank to China Post Group amounted to RMB78,805 million, the composite agency fee rate was 1.32%, lower than the cap of 1.5%. Fees payable to the agency settlement services amounted to RMB8,242 million, and fees payable to agency sales services and other services amounted to RMB3,971 million.

In respect of deposit agency fee, the Bank conducted simulation analysis of the market funding costs. Considering the funding cost was comparable to the weighted rate of financial bonds issued by policy banks, the Bank took the weighted rate of financial bonds issued by policy banks deducting the weighted average rate paid on personal deposits as the reference for the cap on composite rate. The Bank selected policy banks mainly because they have no liability businesses and raised funds mainly by issue of bonds. Meanwhile, their credit ratings were comparable to that of the Bank. Based on the calculation, the Bank's cap of agency fee under normal commercial terms deriving from the calculation of market funding cost set out above from 2015 to 2019 was higher than the composite rate of deposit agent fees, and was comparable with the cap of rate of deposit agency fee of 1.5%.

(2) *Mutual lease with China Post Group and its relevant related parties*

The Bank and China Post Group and its relevant related parties leased properties, ancillary equipment and other assets to each other during the course of ordinary business. The Bank received RMB85 million for the leases provided to China Post Group and its related parties; and paid RMB1,008 million for the leases provided by China Post Group and its related parties.

(3) *Comprehensive services and other transactions with China Post Group and its relevant related parties*

The Bank received a fee of RMB384 million for comprehensive services and other transactions rendered to China Post Group and its related parties, including transport and storage of banknotes, equipment maintenance, agency sales of insurance, agency sales of funds and sales of general office materials to the related parties, while the Bank paid a fee of RMB1,746 million for comprehensive services and other transactions provided by China Post Group and its related parties, including transport

and storage of banknotes, equipment maintenance, advertising, mail, marketing, supplementary medical insurance for employees and purchasing goods from China Post Group and the related parties.

(4) *Granting loans and issuing letters of guarantee to China Post Group and its relevant related parties*

The Bank granted a loan of RMB10 million to Zhejiang Postal Logistics Co., Ltd. and issued letters of guarantee with the amount of RMB1 million to Shenzhen Postal Express Co., Ltd. and Jiangsu Postal Print Factory.

(5) *Deposits from China Post Group and its relevant related parties*

The deposits of China Post Group and its related parties, China Postal Express & Logistics Co., Ltd., Shanghai Ule Network Technology Co., Ltd and China Philately Corporation with the Bank amounted to RMB11,682 million.

(6) *Other businesses with China Post Group and its relevant related parties*

The financial market business such as placements with banks and other financial institutions, and investments in financial assets between the Bank and China Post Group, China Post Life Insurance Co., Ltd. and China Post Securities Company Limited and other related parties totaled RMB3,410 million, fees and commissions thereof amounted to RMB8 million and operation and management fees amounted to RMB2 million.

2. ***Connected Transactions with Substantial Shareholders and Their Relevant Related Parties***

The transactions with substantial shareholders, Shanghai International Port (Group) Co., Ltd, China Shipbuilding Industry Corporation and their related parties, mainly comprise of loans, forfeiting and bills business with an amount of RMB4.305 billion, deposits of RMB123 million, interest rate swaps, domestic and foreign currency swaps, financial assets held for trading and debt investment and other financial market businesses of RMB3.083 billion.

3. ***Connected Transactions with Related Legal Persons caused by Related Natural Persons***

The connected transactions with related legal persons caused by related natural persons mainly include loans of RMB366 million, deposits of RMB3.434 billion, debt investment and other financial market businesses of RMB1.156 billion, and fees and commissions of RMB5.328 billion.

4. ***Connected Transactions with Related Natural Persons***

The connected transactions with related natural persons were mainly loans of RMB72 million and deposits of RMB228 million.

In 2019, the above-mentioned connected transactions were conducted in compliance with laws, as well as in line with the interests of the Bank and its shareholders as a whole. In addition, in accordance with the relevant rules of the Hong Kong Stock Exchange, verified and confirmed by the auditors, the Bank's continuing connected transactions in 2019 conducted pursuant to relevant transaction agreements and had not exceeded the cap.

NOTICE OF THE 2019 ANNUAL GENERAL MEETING



POSTAL SAVINGS BANK OF CHINA CO., LTD.

中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting (the “AGM”) of Postal Savings Bank of China Co., Ltd. (the “Bank”) will be held at the head office of the Bank (No. 3 Financial Street, Xicheng District, Beijing) at 2:30 p.m. on Thursday, 28 May, 2020 to deal with the following matters:

ORDINARY RESOLUTIONS

1. To consider and approve the 2019 Work Report of the Board of Directors;
2. To consider and approve the 2019 Work Report of the Board of Supervisors;
3. To consider and approve the Final Financial Accounts for 2019;
4. To consider and approve the Profit Distribution Plan for 2019;
5. To consider and approve the Budget Plan of Fixed Assets Investment for 2020;
6. To consider and approve the Appointment of Accounting Firms for 2020;
7. To consider and approve the Remuneration Adjustment Plan for Independent Non-executive Directors;
8. To consider and approve the Remuneration Adjustment Plan for External Supervisors; and
9. To consider and approve the Increase in 2020 External Donations Limit.

SPECIAL RESOLUTION

10. To consider and approve the General Mandate by the Shareholders' General Meeting to the Board of Directors on Share Issuance.

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

MATTERS TO BE REPORTED

11. 2019 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd.;
12. Report on the Implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2019; and
13. Report on the 2019 Special Report on Connected Transactions of Postal Savings Bank of China Co., Ltd.

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

Beijing, the PRC
14 April, 2020

As at the date of this notice, the Board of Directors of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; Mr. Zhang Xuwen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Liu Yaogong, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli as Independent Non-executive Directors.

* *Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

Notes:

1. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the AGM will be voted by poll. After the AGM, relevant voting results will be published on the website of the Bank (www.psbc.com) as well as the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).
2. A shareholder entitled to attend and vote at the AGM announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a shareholder of the Bank.
3. The proxy forms together with notarized authorization letters of signatories or other authorization documents (if any) shall be invalid unless they are filled out and returned to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time designated for holding the AGM or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy forms will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.
4. To determine the name list of H Shareholders entitled to attend the AGM, the Bank will suspend registration of transfer of H Shares from Tuesday, 28 April, 2020 to Thursday, 28 May, 2020 (both days inclusive). To attend the AGM, H Shareholders shall, before 4:30 p.m. on Monday, 27 April, 2020, submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
5. For joint holders, only the one whose name stands first in the register of members shall be entitled to attend the AGM and vote in respect thereof.

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

6. Shareholders who intend to attend the AGM in person or by proxy shall submit the reply slip for AGM in person or by mail to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited on or before Friday, 8 May, 2020.
7. Shareholders or their proxies shall present their identity documents when attending the AGM:
 - (1) Legal representatives of legal person shareholders who attend the meeting shall provide their own effective identification, effective proof of their capacity as legal representatives and proof of identity as a shareholder; where the legal representatives delegate others to attend the meeting, proxies of the shareholder shall provide, in addition to the documents above, their own effective identification and written form of proxy provided by the legal representatives (including those signed by an authorized person) according to laws. Where the other persons are authorized to attend the meeting by the legal person shareholders, they shall provide their own effective identification, resolution of the authorization by the Board of Directors of legal person shareholders or other decision making institution and proof of identity as a shareholder.
 - (2) Individual shareholders who attend the meeting in person shall provide their own effective identification and proof of identity as a shareholder; where others are delegated to attend the meeting, proxies of shareholders shall provide their own effective identification, form of proxy of the shareholder and proof of identity as a shareholder.
8. If the AGM considers and approves the Profit Distribution Plan for 2019, the Bank is expected to distribute 2019 dividends to A Shareholders and H Shareholders on Wednesday, 10 June, 2020 and Friday, 17 July, 2020, respectively. To determine the name list of H Shareholders entitled to receive 2019 dividends, the Bank will suspend registration of transfer of H Shares from Thursday, 4 June, 2020 to Tuesday, 9 June, 2020 (both days inclusive). Shareholders whose names appear on the register of members of H Shares of the Bank on Tuesday, 9 June, 2020 are entitled to receive 2019 dividends. Unregistered H Shareholders of the Bank who wish to qualify for the entitlement to the cash dividends proposed to distribute for 2019 are required to submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Wednesday, 3 June, 2020.
9. According to the Articles of Association of the Bank, if the number of shares of the Bank pledged by the shareholder is equal to or exceed 50% of the shares held by such shareholder in the Bank, the voting right attached to the pledged shares may not be exercised at the shareholders' meeting. Upon completion of the share pledge registration, the shareholder shall timely provide the Bank with information relating to the share pledge.
10. The AGM is expected to last for not more than half a day. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.
11. The address of Computershare Hong Kong Investor Services Limited is 17M/F and Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
12. The address of the Bank's Registered Office is No. 3 Financial Street, Xicheng District, Beijing, PRC.

Tel.: 86-10-68858158
Fax: 86-10-68858165
13. Unless otherwise specified, the dates and time contained in this notice are in Hong Kong time.