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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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, 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.

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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.

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

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

**(Stock Code: 1658)**

**(Stock Code of Preference Shares: 4612)**

**2020 WORK REPORT OF THE BOARD OF DIRECTORS  
2020 WORK REPORT OF THE BOARD OF SUPERVISORS  
FINAL FINANCIAL ACCOUNTS FOR 2020  
PROFIT DISTRIBUTION PLAN FOR 2020  
BUDGET PLAN OF FIXED ASSETS INVESTMENT FOR 2021  
APPOINTMENT OF ACCOUNTING FIRMS FOR 2021  
GENERAL MANDATE BY THE SHAREHOLDERS' GENERAL MEETING TO  
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2020 WORK REPORT OF INDEPENDENT DIRECTORS OF  
POSTAL SAVINGS BANK OF CHINA CO., LTD.  
REPORT ON THE 2020 SPECIAL REPORT ON RELATED PARTY TRANSACTIONS OF  
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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 2020  
AND  
NOTICE OF THE 2020 ANNUAL GENERAL MEETING**

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Postal Savings Bank of China Co., Ltd. will convene the AGM at 2:30 p.m. on Tuesday, June 29, 2021 at the head office of the Bank (No. 3 Financial Street, Xicheng District, Beijing). The letter from the Board of Directors is set out on pages 3 to 7 of this circular. The notice of the AGM is set out on pages 8 to 10 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.

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.*

May 28, 2021

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## DEFINITIONS

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*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 2020 annual general meeting to be convened by the Bank at 2:30 p.m. on Tuesday, June 29, 2021 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
“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
“Latest Practicable Date”	May 24, 2021, 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

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## DEFINITIONS

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“Non-executive Director(s)”	the non-executive Director(s) of the Bank
“PRC”	the People’s Republic of China
“RMB”	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

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## LETTER FROM THE BOARD OF DIRECTORS

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### POSTAL SAVINGS BANK OF CHINA CO., LTD.

### 中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

**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 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, Dah Sing Financial Centre,

No. 248 Queen's Road East,

Wanchai,

Hong Kong

*To the Shareholders*

Dear Sir or Madam,

#### **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 Tuesday, June 29, 2021 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) 2020 Work Report of the Board of Directors; (2) 2020 Work Report of the Board of Supervisors; (3) Final Financial Accounts for 2020; (4) Profit Distribution Plan for 2020; (5) Budget Plan of Fixed Assets Investment for 2021; and (6) Appointment of Accounting Firms for 2021.

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## LETTER FROM THE BOARD OF DIRECTORS

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Special resolution which will be proposed at the AGM to approve includes (7) 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., 2020 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd., Report on the 2020 Special Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd. and 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 2020 are matters to be reported to the AGM but not for Shareholders' approval. For details of the 2020 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd., Report on the 2020 Special Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd. and 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 2020, please refer to Appendix III, Appendix IV and Appendix V.

### **Ordinary Resolutions:**

#### **1. 2020 Work Report of the Board of Directors**

The 2020 Work Report of the Board of Directors was deliberated on and approved by the Board of Directors on March 29, 2021 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. 2020 Work Report of the Board of Supervisors**

The 2020 Work Report of the Board of Supervisors was deliberated on and approved by the Board of Supervisors on March 29, 2021 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 2020**

The Final Financial Accounts for 2020 was deliberated on and approved by the Board of Directors on March 29, 2021 and is hereby proposed to the AGM for Shareholders' deliberation and approval. For details of the Final Financial Accounts for 2020, please refer to the Annual Results Announcement published by the Bank on March 29, 2021.

#### **4. Profit Distribution Plan for 2020**

Pursuant to relevant laws and regulatory requirements, the Bank formulated the following profit distribution plan for 2020:

- (1) RMB6,249 million will be appropriated for the statutory surplus reserve pursuant to the Company Law of the PRC.
- (2) RMB13,572 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 92,383,967,605 ordinary shares of the total share capital of the Bank, RMB19,262 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 RMB2.085 (tax included) per ten ordinary shares, accounting for 30% of the net

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## LETTER FROM THE BOARD OF DIRECTORS

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profit attributable to Shareholders of the Bank under the consolidated statements. Among which, 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 2020 AGM of the Bank.

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

The Profit Distribution Plan for 2020 was deliberated on and approved by the Board of Directors on March 29, 2021 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

### **5. Budget Plan of Fixed Assets Investment for 2021**

According to the development strategy of the Bank, focusing on supporting transformation towards "digitalization and intelligence", fixed assets investment in 2021 aims to promote high-quality development, with a focus on increasing investment in the field of financial technology, speeding up the construction of information technology capabilities; improving operational capabilities, and ensuring the construction of productive infrastructure. In 2021, the budget for fixed assets investment of the whole Bank is planned to be RMB13,031 million.

The Budget Plan of Fixed Assets Investment for 2021 was deliberated on and approved by the Board of Directors on March 29, 2021 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

### **6. Appointment of Accounting Firms for 2021**

Reference is made to the announcement of the Bank dated August 28, 2020 in relation to the change of auditors.

As the originally appointed PricewaterhouseCoopers Zhong Tian LLP ("**PricewaterhouseCoopers Zhong Tian**") and PricewaterhouseCoopers ("**PricewaterhouseCoopers**") have reached the limitation of appointment period prescribed under the Measures for State-owned Financial Enterprises to Select and Appoint Accounting Firms (Cai Jin [2020] No. 6) promulgated by the Ministry of Finance of the People's Republic of China, they will no longer serve as the auditors of the Bank after the completion of the audit for 2020. The Bank intended to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors of the Bank for 2021, which are responsible for providing audit and related services for the Bank's financial statements compiled in accordance with the China Accounting Standards for Business Enterprises and International Financial Reporting Standards respectively in 2021, and their terms of office will expire at the end of the next annual general meeting of the Bank. The proposed audit fee for 2021 is RMB29.8 million, including internal control audit fee of RMB1.8 million.

PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers confirmed that there were no matters regarding their termination of service that need to be brought to the attention of the Shareholders of the Bank. The Board also confirmed that there were no disagreements or unresolved matters between the Bank and PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers, and is not aware of any related matters that should be brought to the attention of the Shareholders of the Bank.

The proposal of Appointment of Accounting Firms for 2021 was deliberated on and approved by the Board of Directors on August 28, 2020 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

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## LETTER FROM THE BOARD OF DIRECTORS

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### Special Resolution:

#### 7. *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, 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) 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 Shareholders' General Meeting. 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



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## LETTER FROM THE BOARD OF DIRECTORS

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(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) 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 March 29, 2021 and is hereby proposed to the AGM for Shareholders' deliberation and approval.

### III. AGM

Attached is the proxy form 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.

To determine the name list of H Shareholders entitled to attend the AGM, the Bank will suspend registration of transfer of H Shares from Thursday, June 24, 2021 to Tuesday, June 29, 2021 (both days inclusive). To attend the AGM, H Shareholders shall, before 4:30 p.m. on Wednesday, June 23, 2021 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.

### 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*

May 28, 2021

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## NOTICE OF THE 2020 ANNUAL GENERAL MEETING

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### POSTAL SAVINGS BANK OF CHINA CO., LTD.

### 中國郵政儲蓄銀行股份有限公司

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

**(Stock Code: 1658)**

**(Stock Code of Preference Shares: 4612)**

## NOTICE OF THE 2020 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2020 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 Tuesday, June 29, 2021 to deal with the following matters:

### ORDINARY RESOLUTIONS

1. To consider and approve the 2020 Work Report of the Board of Directors;
2. To consider and approve the 2020 Work Report of the Board of Supervisors;
3. To consider and approve the Final Financial Accounts for 2020;
4. To consider and approve the Profit Distribution Plan for 2020;
5. To consider and approve the Budget Plan of Fixed Assets Investment for 2021; and
6. To consider and approve the Appointment of Accounting Firms for 2021.

### SPECIAL RESOLUTION

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

### MATTERS TO BE REPORTED

8. 2020 Work Report of Independent Directors of Postal Savings Bank of China Co., Ltd.;
9. Report on the 2020 Special Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd.; and
10. 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 2020.

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

Beijing, the PRC  
May 28, 2021

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## NOTICE OF THE 2020 ANNUAL GENERAL MEETING

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*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 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 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. After the AGM, relevant voting results will be published on the website of the Bank ([www.psb.com](http://www.psb.com)) as well as the disclosure website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).
2. Shareholders entitled to attend and vote at the AGM announced to be convened herein may appoint one or more proxies to attend and vote in their 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 Thursday, June 24, 2021 to Tuesday, June 29, 2021 (both days inclusive). To attend the AGM, H Shareholders shall, before 4:30 p.m. on Wednesday, June 23, 2021, 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.
6. 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.

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## NOTICE OF THE 2020 ANNUAL GENERAL MEETING

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7. If the AGM considers and approves the Profit Distribution Plan for 2020, the Bank is expected to distribute 2020 dividends to A Shareholders and H Shareholders on Thursday, July 22, 2021 and Thursday, August 5, 2021, respectively. To determine the name list of H Shareholders entitled to receive 2020 dividends, the Bank will suspend registration of transfer of H Shares from Friday, July 16, 2021 to Wednesday, July 21, 2021 (both days inclusive). Shareholders whose names appear on the register of members of H Shares of the Bank on Wednesday, July 21, 2021 are entitled to receive 2020 dividends. Unregistered H Shareholders of the Bank who wish to qualify for the entitlement to the cash dividends proposed to distribute for 2020 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 Thursday, July 15, 2021.
8. According to the Articles of Association, 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.
9. In order to implement the current requirements regarding the prevention and control of Novel Coronavirus (COVID-19), avoid crowds gathering, protect the health and safety of the Shareholders and the attendees of the AGM, and ensure the exercise of Shareholder's rights by the Shareholders, it is suggested that Shareholders consider attending and voting at the AGM through off-site means. The Shareholders can consider voting by filling in and submitting the proxy form, i.e., indicating his/her voting intention in the proxy form for the AGM, and appointing the chairman of the AGM as his/her proxy. The Shareholders of A shares can also choose to vote by means of online voting. Please refer to the voting methods set out in the notice of the AGM published on the website of the Shanghai Stock Exchange by the Bank on May 28, 2021.
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.

## **2020 WORK REPORT OF THE BOARD OF DIRECTORS**

In 2020, the Board of Directors took the A-share listing as a new milestone, upheld Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and was keenly aware of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment with the central Party leadership. The Board stayed confident in the path, theory, system, and culture of socialism with Chinese characteristics, upheld General Secretary Xi Jinping's core position on the Party Central Committee and in the Party as a whole, and uphold the Party Central Committee's authority and its centralized, unified leadership. The Board followed the guiding principles of the Party's 19th National Congress and the second through fifth plenary sessions of the 19th Party Central Committee in full, earnestly implemented the important instructions of General Secretary Xi Jinping as well as the decision-making and deployment of the CPC Central Committee, and strictly abided by laws, regulations and Articles of Association. Under the care and guidance of regulatory authorities, with the support of all Shareholders, and under the supervision of the Board of Supervisors, the Board of Directors conscientiously performed its duties, continuously improved the level of corporate governance, and successfully completed the tasks set at the beginning of the year.

In 2020, with the strong support of the Ministry of Finance, the People's Bank of China and the CBIRC, and under the correct leadership of the Party Committee and the Board of Directors of the Head Office, the business development of the Bank achieved outstanding results. In 2020, the Bank realized an operating income of RMB286.202 billion, a year-on-year increase of 3.39%, and a net profit of RMB64.318 billion, up 5.38% year on year. We registered an NPL ratio of 0.88% and an allowance to NPLs ratio of 408.06%. In 2020, 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 in 2020 by Fitch Ratings and Moody's Investors Service respectively, which are the same as China's sovereignty credit rating. The Bank has been rated A and AAAspc with a stable outlook by Standard & Poor's Global and S&P Global (China) Ratings.

In 2020, the Board of Directors complied with laws and regulations and performed its duties diligently. 5 Shareholders' General Meetings were held, 37 proposals were reviewed, and 3 reports were heard; 11 meetings of the Board of Directors were held, 102 proposals were reviewed, and 17 reports were heard; 38 meetings of special committees of the Board of Directors were convened, 105 proposals were reviewed, and 10 reports were heard. The main work of the Board of Directors of the Bank in 2020 is as follows:

### **I.        COMPREHENSIVELY STRENGTHENED THE LEADERSHIP OF THE PARTY AND LED THE REFORM AND DEVELOPMENT WITH PARTY BUILDING**

#### **(I)      Adhered to the Leadership of the Party and Continued to Promote the Integration of Leadership of the Party into Corporate Governance**

We adhered to the role of the Party Committee in leading the direction, managing the overall situation, and ensuring implementation. On the basis of the integration of having Party Committee as the first line of decision making on major issues and the Board's performance of duties in accordance with the laws, we have further improved the quality and efficiency of corporate governance. In 2020, the Party Committee pre-reviewed major matters decided by the Board of Directors so as to transform the views and opinions of the Party into the decisions of the Board of Directors through statutory and democratic procedures.

We insisted on including the implementation of major decisions and deployments of the CPC Central Committee in the regular deliberation matters of the Board of Directors to ensure that major decisions and deployments of the Party Central Committee are implemented effectively in the Bank. In 2020, the Board of Directors successively heard the reports on supporting rural revitalization and poverty alleviation, supporting small and micro enterprises, supporting private enterprises and supporting high-quality development of manufacturing industry, etc.

**(II) Implemented the Central Deployment and Fought Effectively Against the COVID-19 Epidemic**

To fight the pandemic, the Bank established a mechanism for pandemic prevention and control without delay, and coordinated this task with the delivering of financial service. Since the outbreak of COVID-19, there has been no confirmed gathering case in the Bank. At the same time, we took the initiative to extend special re-lending of RMB8.9 billion to fight against the pandemic, granted more than RMB100 billion to enterprises engaged in pandemic response, donated RMB30 million to Hubei Province on time.

**(III) Strengthened the Responsibility as A Central Government-owned Enterprise and Fully Served National Strategies**

We resolutely implemented the various decisions and deployments of the CPC Central Committee, the State Council and regulatory agencies, and fully fulfilled the economic, political and social responsibilities as a major state-owned bank.

We supported major strategies for regional development such as the coordinated development of Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze Economic Belt by extending more than RMB30 billion to these regions. We also improved our capabilities of cross-border financial service to better serve the Belt and Road Initiative, and further displayed our role in serving national strategies and economic and social development.

We endeavored to help ensure stability on six key fronts and maintain security in six key areas to accelerate the establishment of a new development pattern featuring a strong domestic market and positive interplay between domestic circulation and international circulation, and achieve a higher-level dynamic balance in which demand leads supply and supply creates demand. We grasped new development opportunities, sped up establishing systems and mechanisms that effectively serve the real economy, enhanced technology empowerment, innovated business modes and continuously improved the Bank's capabilities for serving the real economy. We defused existing risks and prevented incremental risks, replenished capital through multiple channels, and fully supported the establishment of a new development framework.

**II. DEEPENED REFORM, ACCELERATED TRANSFORMATION AND PROMOTED HIGH-QUALITY DEVELOPMENT****(I) Deepened Reform and Improved Management Efficiency**

The Bank implemented the strategy of building a strong bank with talents and improved the talent development system. It formulated the 2020-2022 talent development plan. The plan focused on the Bank's development strategy in the new era, followed the law on development of the enterprise and talents, and built a talent development system with the Bank's characteristics. The Bank adhered to the right approach in selecting and appointing managers, and improved the cadre selection mechanism. It actively built the talent pool for head and deputy posts in tier-1 branches and for division heads in the head office. A number of competent cadres with integrity and ability, excellent comprehensive quality, as well as ideas, vitality and potential stood out from the selection, providing cadre talent reserve for transformation and development.

We optimized financial management, highlighted strategic orientation, business line management as well as reform and transformation requirements, and fully supported the development of intermediary businesses. We built the product system of business, optimized accounting standards, and gradually released overall management efficiency. We vigorously controlled costs, refined control objectives and imposed rigid restrictions with benchmarks set.

**(II) Accelerated Transformation and Improved the Quality of Development**

Personal banking business is our strategic core business for building the Bank into a first-tier large retail bank. In adherence to the business strategy featuring retail banking as the key driver with coordinated development of wholesale banking, the Bank continued to grow in size and optimize the business structure while constantly improving customer experience so as to strengthen its leading position in the market and give full play to its strength in retail banking business. In 2020, facing the impact of COVID-19, a dynamic external environment and changing customer needs, the Bank upheld the corporate spirit of “being responsible, resilient and caring”. Putting customers at the core, the Bank continued to promote the systematic transformation of outlets, strengthened technology empowerment, and sped up the establishment of a three-in-one development model characterized by “attracting users, retaining customers, and delivering more value” to achieve high-quality development in retail business.

Corporate banking business is an essential part of the retail banking strategy. Adhering to the customer-oriented principle, the Bank focused on the synergy between different segments and coordination between the retail and corporate banking business. It pushed forward the expansion of customer base, product upgrade, channel optimization, team building and mechanism reengineering. All these efforts contributed to an evident breakthrough in the development of the corporate banking business with continuous optimization of structure and steady increase in scale. Regarding the transaction banking business, it constantly optimized the service process, deepened the cooperation with governments and enterprises, and gradually improved its integrated service capabilities. Regarding the investment banking business, it continued to improve the customer service mindset, actively explored customer needs, and offered customized financing packages. It strengthened the coordination between investment banking and investment, and continued to promote the collaborative development of “commercial banking plus investment banking”.

In terms of the treasury and asset management business, the Bank focused on serving the real economy and the supply-side reform objectives, readily followed the regulatory guidance, constantly strengthened capacity building, and continuously promoted the high-quality development of the business, which served as a ballast and a stabilizer in the process of building a first-tier modern large retail bank. In 2020, facing the severe and complicated market environment, the Bank adhered to rational judgment, continuous innovation as well as collaboration and coordination, enhanced its comprehensive service capacity in a customer-centric approach, and promoted the transformation of treasury and asset management business.

**(III) Strengthened Scientific and Technological Construction, and Empowered Reform and Transformation**

The Bank carried out 333 IT projects, focused on 10 major projects of new generation core system, personal banking, credit card, online banking, corporate banking, treasury and custody, operation management, technology innovation, risk management, big data, etc. It successfully completed tasks under the IT Planning for the 13th Five-Year Plan period, among which, 16 enterprise-level platforms such as the credit business platform and two bus systems had been put into use. These platforms and systems played an important role in enterprise-level process integration, rapid product innovation, ecosystem development and customer experience improvement, etc., fully showcasing the business value of IT planning. During the 13th Five-Year Plan period, it built eight new platforms related to process integration, credit business, internet finance, treasury business, combination transactions, CRM, internal rating and open service platform as well as 145 new information systems. Through the implementation of the IT Planning for the 13th Five-Year Plan period, it built four underlying IT capabilities such as enterprise-level service sharing, significantly improved seven business capabilities such as customer services, channel collaboration and product innovation, etc., and built an enterprise-level application architecture so as to realize the blueprint of the Bank’s business architecture.

### **III. SEIZED THE OPPORTUNITY OF A-SHARE IPO TO STRENGTHEN CAPITAL OPERATION AND MANAGEMENT**

The year 2020 is the first year of the Bank's full operation after the listing of A shares. Taking this as an opportunity, we increased capital replenishment and strengthened capital operation and management.

The Bank increased the efforts on capital replenishment, made overall plans, and actively promoted the preparatory work for non-public issuance, which have achieved substantial progress. The Bank thoroughly studied additional core tier 1 supplementary tools and made a long-term plan for core tier 1 capital supplementation. The Bank seized the favorable time window throughout the year and successfully issued RMB80 billion perpetual bonds with issuance interest rate of 3.69%, realizing efficient and low-cost capital replenishment; the Bank is also intensively preparing for the issuance of new phase of RMB60 billion perpetual bonds, and obtained regulatory approval before the third quarter to make full preparation for subsequent capital replenishment.

The Bank continued to improve the level of refined management of economic capital and consolidated the active management mechanism of economic capital. It improved the capital allocation mechanism with risk-adjusted return on capital (RAROC) as the core indicator. The Bank guided resources to favor businesses with high capital returns and strictly controlled the growth of inefficient assets. The awareness of saving capital and value creation across the Bank was further enhanced, and business structure has been continuously improved. As at the end of 2020, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.6%, 11.86% and 13.88%, respectively.

The Bank adhered to the principle of closely following the market, being forward-looking in research and judgment, being professional and efficient, as well as comprehensiveness and synergy. By establishing contacts with various entities in the capital market, the Bank has established a multi-channel communication platform, continuously tracked regulatory trends, market focuses and analyst research reports, and developed an effective internal and external coordination mechanism. It took investor communication activities as an opportunity and relied on communication platforms such as results presentations and roadshows, researches and summits, investor hot-line and mailbox, and SSE E-interaction to maintain normal communication with the capital market through various means, display business development achievements in an all-round way, respond to investors' concerns in a timely manner and actively communicate on hot issues, receiving wide recognition from the market. The Bank raised the bank-wide capital market awareness, strengthened its research on capital market viewpoints and conveyed market response in order to promote the integration of investors' concerns into operation and management across the Bank.

### **IV. BUILT A STRONG LINE OF DEFENSE AGAINST RISK AND COMPLIANCE TO ENSURE SOUND BUSINESS DEVELOPMENT**

#### **(I) Steadily Promoted the Development of Advanced Approaches and Improved the Comprehensive Risk Management System**

The Bank adhered to the overall risk appetite of "prudence and stability", actively adapted to the regulatory requirements for internal risk control of listed banks, built the risk barrier firmly, and strengthened the awareness of internal control. Its asset quality and risk compensation capacity are better than those of major peers. First, with worst-case scenarios in mind, the Bank highly valued the work of forestalling and defusing financial risks and actively coped with the epidemic impact. It made continued efforts to well identify and monitor credit risks, warn against them in advance, and make solid judgments on and responses to these risks. It strengthened access management, optimized credit policies, intensified risk prevention and control in key areas, and worked faster to resolve distressed assets. Second, the Bank vigorously implemented the advanced approaches for capital management, comprehensively optimized the internal rating system, accelerated the development of intelligent risk control capabilities, standardized the mechanisms for supervising internet loans and managing consolidated risks and made risk management more targeted and effective.



**(II) Attached Great Importance to Audit Supervision and Improved the Internal Control Level of the Bank**

The Bank continued to enhance its internal control system, improved internal control measures, and strengthened internal control support. It clarified the responsibilities of the Board of Directors, the Board of Supervisors, senior management, functional departments of internal control management, internal audit departments and business departments, and established an internal control governance and organizational structure with reasonable division of labor, clear responsibilities and clear reporting relationships.

**V. FULLY EXERTED THE ROLE OF SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS TO EFFECTIVELY IMPROVE THE EFFICIENCY OF CORPORATE GOVERNANCE**

In 2020, within authorization of the Board of Directors and in accordance with the Articles of Association of the Bank and relevant rules of procedures, all special committees of the Board of Directors demonstrated expertise and diligently performed duties. Focusing on major matters of the Bank including development strategies, key tasks, risk management, internal control and case prevention, the special committees convened 38 meetings, at which they reviewed 105 proposals and heard 10 reports. They also made advice and recommendations to the Board of Directors, which provided strong support for the well-convinced and efficient decision-making of the Board of Directors.

The Strategic Planning Committee convened five meetings, at which it reviewed and discussed 20 proposals, including the business plan and financial budget of 2020, establishment of specialized institution for Credit Card Center, implementation assessment of Medium and Long-term Development Strategy Outline (2019-2025) in 2019, issuance of write-down undated capital bonds and establishment of PSBC online. It also conducted in-depth study of various business development strategies of the Bank, gave full play to the leading role of strategies, strengthened capital management and operation, and promoted orderly capital replenishment across the Bank and thus supported the Bank's reform and development.

The Related Party Transactions Control Committee convened four meetings, at which it reviewed five proposals, including the 2019 special report on related party transactions, forecast of the cap of related party transactions in 2020-2021 and adjustment to related parties. It kept track of and managed related party transactions of the Bank, confirmed the status of the related parties and related party transactions of the Bank, and prudently performed its duties regarding the management of related party transactions in accordance with laws and regulations. The Committee provided opinions and suggestions to the Board of Directors on the review and approval of major related party transactions and strengthening the management over the Bank's related party transactions.

The Audit Committee convened 10 meetings, at which it reviewed 20 proposals, including the 2019 audit report and 2020 audit plan, 2019 financial statements and audit reports, annual internal control and assessment report, and amendments to anti-money laundering internal audit management measures, and heard nine reports, including the report on the audit of financial statements of 2019. The Committee provided opinions and suggestions to the Board of Directors on issues such as strengthening work on internal and external audits, enhancement on level of internal control, and improvement of an internal audit mechanism.

The Risk Management Committee convened nine meetings, at which it reviewed 33 proposals, including the risk management strategies and risk appetite scheme for 2020, the three-year capital rolling plan for 2020-2022 and capital adequacy management plan for 2020, the report on comprehensive risk management, and basic rules for anti-money laundering work, and heard the report on the anti-money laundering work of 2019 and work plan for 2020. The Committee kept watching on the effectiveness of the overall risk management of the Bank on a regular basis and raised opinions and advice on improving risk management and internal control of the Bank.

The Nomination and Remuneration Committee convened four meetings, at which it reviewed 15 proposals, including 2019 evaluation report on the performance of Directors by the Board of Directors, the structure, size and composition of the Board of Directors and the implementation of the Board diversity policy, the eligibility for appointment and qualifications of Directors and the adjustment of the remuneration of Independent Non-executive Directors. The Committee studied issues such as the structure, size and composition of the Board of Directors, the implementation of the Board diversity policy, the eligibility for appointment and qualifications of re-elected Directors, the remuneration settlement proposal of Directors and senior management members, and the evaluation of the performance of Directors by the Board of Directors and gave opinions and suggestions to the Board of Directors.

The Social Responsibility and Consumer Rights Protection Committee convened six meetings, at which it reviewed 12 proposals including the summary of consumer rights protection work in 2019 and work plan for 2020, 2019 Corporate Social Responsibility (Environmental, Social and Governance) Report, and 2019 work report on green bank building. It also studied social responsibility fulfillment, consumer rights protection and green banking and provided opinions and suggestions to the Board of Directors.

## **VI. OPTIMIZED THE OPERATION MECHANISM TO IMPROVE THE CORPORATE GOVERNANCE LEVEL**

### **(I) Perfected the Policy System and Continuously Optimized the Operation Mechanism of Corporate Governance**

In accordance with the laws and regulations and the Articles of Association, the Bank has regulated the convening of Shareholders' general meetings, the meetings of the Board of Directors and relevant special committee meetings, urged the senior management to study and implement the resolutions of the Board of Directors, and standardized the daily operation and management. The Bank has continued to strengthen the communication before the meeting of the Board of Directors, carried out pre-communication at the preparation stage of major issues, and fully absorbed the professional advice of Directors.

### **(II) Optimized the Organizational Structure and Continuously Promoted the Diversification of Board Members**

According to the Articles of Association and work needs, the Board of Directors nominated a total of one executive Director, two non-executive Directors and one Independent Director candidate in 2020, which have been selected and passed at the Shareholders' general meeting and approved by the CBIRC, and further enriched the knowledge and experience structure of Board members and empowered the Board of Directors.

When nominating Directors, the Board of Directors considers various aspects of them, including but not limited to gender, age, culture, education background and professional experience in order to constantly promote the diversity of Board members. The appointment of Board members is based on the skills and experience needed for the good operation of the Board of Directors as a whole, adhering to the principle of meritocracy, adjusting the composition of the special committees under the Board of Directors in time, and ensuring that the Directors give full play to their own professional advantages. Currently, the chairman and executive Directors have long been engaged in financial or postal financial operation and management, and are familiar with the operation and management of the Bank; the non-executive Directors come from government authorities or large state-owned enterprises, and have rich experience in management; independent non-executive Directors are well-known experts in the fields of economics, finance, law and auditing, and can provide professional advice to the Bank from the perspectives of different fields. There are two female Directors and five independent non-executive Directors in the Board of Directors of the Bank, with the latter accounting for more than one third of the total number of Board members, which meets relevant regulatory requirements.

**(III) Enhanced the Information Disclosure Management and Improved the Transparency of the Disclosure**

The Bank faithfully and diligently performed its information disclosure duties, strictly abided by the regulatory requirements on A share and H share, disclosed information in a true, accurate, complete, timely and fair manner, and released periodic reports and various types of interim reports with compliance. It formulated management measures for suspension and exemption of information disclosure according to the regulatory requirements of the CSRC and SSE and improved the information disclosure system. It proactively strengthened voluntary disclosure to address concerns of the market and investors. It also closely implemented the management measures for insiders of the Bank, strengthened the management of insider information, standardized the process of information transmission, and enhanced the compliance awareness of insiders. As of the end of 2020, the Bank did not correct any material accounting error or omit any material information.

**VII. PROACTIVELY ADVANCED THE TRAINING AND RESEARCH TO PROMOTE THE CONTINUOUS ENHANCEMENT OF DIRECTORS' CAPABILITY OF DUTY PERFORMANCE****(I) Strengthened Training and Exchanges to Enhance Directors' Capability for Duty Performance**

In 2020, in compliance with the Listing Rules of the place of listing and relevant regulatory requirements, the Directors of the Bank actively participated in a series of training sessions organized by the institutions including China Association for Public Companies, the Listed Companies Association of Beijing, PricewaterhouseCoopers and the Bank, covering a wide range of topics such as macroeconomic situation, risk management, information technology, green finance development and anti-money laundering. As at the end of 2020, all Directors attended the training sessions organized by the Bank. Meanwhile, by hearing special reports and other means, the Directors had a thorough understanding of the Bank's business dynamics while enhancing their professionalism.

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

In 2020, the Directors took the initiative and conducted various forms of surveys and researches, with a total of 49 person-times. The surveys and researches focused on topics such as financial support to fight the epidemic, comprehensive risk management, fee-based business development, financial crime prevention and basic data quality management, with more than 10 research reports finished, providing reference for decision-making in improving the operation and management across the Bank, and promoting such implementation.

In 2021, the reform and development of the Bank will enter into a new historical period. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Directors will continue to deeply implement the spirit of the CPC Central Committee, pursue high quality and high efficiency with a high sense of responsibility and mission under the correct leadership of the Party committee of the head office, and strive to achieve a good start of the "14th five-year" plan, build a modern first-class commercial bank and contribute to the construction of a new development layout of double circulation.

## **2020 WORK REPORT OF THE BOARD OF SUPERVISORS**

In 2020, the Board of Supervisors adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and strictly abided by relevant laws and regulations, regulatory requirements and the Articles of Association. It adhered to the leadership of the Party as well as the strategic guidance, problem-oriented and risk-oriented principle, and comprehensively promoted the epidemic prevention and control and supervision. Centering on “six comprehensiveness” work deployment, it earnestly performed its supervision duties on the fields of duty performance, risks, finance, internal control and others, strengthened the implementation of supervision advice, and fulfilled the obligation of information disclosure in compliance with the laws and regulations. The Board of Supervisors has formed a positive interaction with the Board of Directors and senior management, continuously promoted the improvement of corporate governance, actively safeguarded the legitimate rights and interests of the Bank, Shareholders, employees, creditors and other stakeholders, and provided a strong guarantee for the Bank’s high-quality development.

Based on the audited results, as of the end of 2020, the Bank recorded an operating income of RMB286,202 million, an increase of 3.39% year-on-year; and realized a net profit of RMB64,318 million, an increase of 5.38% year-on-year. The NPL ratio was 0.88%, far lower than the industry average. The allowance to NPLs ratio was 408.06%, twice the industry average. The Bank once again obtained the best credit rating among Chinese commercial banks granted by the world’s top three rating agencies.

In 2020, nine meetings of the Board of Supervisors were held in total with 87 proposals reviewed. The Board of Supervisors convened 14 special committee meetings and reviewed 34 topics. Throughout the year, 30 supervision reports were submitted to the Board of Directors and senior management, and the supervision opinions were highly valued and positively responded by the Board of Directors and senior management. The main work in 2020 is reported as follows:

### **I. SUPERVISED THE BANK’S IMPLEMENTATION OF NATIONAL AND THE BANK’S MAJOR STRATEGIC DEPLOYMENT**

The Board of Supervisors thoroughly implemented the decisions and deployment of central government and actively stepped up supervision of strategy implementation. In order to achieve quality development across the Bank, it placed emphasis on regional coordinated development strategy, conducted business development surveys in key regions, promoted empowered development of key regions, and paid attention to the issue of unbalanced and inadequate regional development. Focusing on the Bank’s strategic positioning of serving Sannong, it summarized and promoted the advanced experience of PSBC Guyuan Branch in Ningxia in adhering to retail strategy and cultivating Sannong market, and pushed forward quality development of branches in economically underdeveloped regions. It facilitated transformation towards “uniqueness, comprehensiveness, lightness, digitalization and intensiveness”, carried out supervision on the building of financial ecosystem, automobile industrial chain business, open payment business, acquiring business, corporate deposit business, etc., and actively promoted the transformation and development. It also conducted comprehensive surveys and research at the grassroots level, paid close attention to issues related to the Bank’s quality development, refined management, products and services, and production safety under the ongoing epidemic prevention and control, and oversaw and urged to strengthen coordination of epidemic prevention and control with the Bank’s operation and development.

### **II. SUPERVISION BY THE BOARD OF SUPERVISORS**

#### **(I) Meetings of the Board of Supervisors**

During the reporting period, the Board of Supervisors of the Bank held nine meetings in strict accordance with relevant laws and regulations, the Articles of Association and the rules of procedures of the Board of Supervisors, at which it studied and reviewed 28 proposals, including final accounts for 2019, 2019 profit distribution plan, 2019 Annual Report and abstract, 2019 Results

Announcement, 2019 work report of the Board of Supervisors, report by the Board of Supervisors on performance evaluation of the Board of Directors, senior management and its members in 2019, as well as 2019 internal control evaluation report. Meanwhile, it heard 59 reports including the reports on risk, internal control and financial supervision, related party transactions, internal control and compliance management, comprehensive risk management, consumer rights protection, etc. in 2019. The Board of Supervisors convened 14 special committee meetings in total throughout the year and reviewed 34 topics.

## **(II) Supervision on Risk Management**

The Board of Supervisors actively performed its risk management and supervision duties. It paid special attention to the duty performance in risk management by the Board of Directors, the senior management and its members, and pushed for the improvement of a comprehensive risk management system covering all respects, the whole process and all staff members. It heard work reports on comprehensive risk management, liquidity risk, stress testing, capital management and audit of the Bank. It also reviewed the Bank's risk, internal control and financial supervision on a quarterly basis, and provided targeted supervision opinions. Meanwhile, it paid close attention to key regulatory indicators like the Bank's capital adequacy ratio, leverage ratio, liquidity risk, etc. It enhanced monitoring of credit risk management, paid attention to development of industry credit business, and prevented key industry risks through supervision and warning. It focused on risks in new products, new technologies and new business forms, and promoted the solid development of internet loan business. With awareness of the impact of epidemic on the risks in key areas, it urged active response to the risks and challenges posed by the epidemic. It strengthened risk monitoring in non-credit business and facilitated improvement of risk prevention and control in wealth management and investment business. Meanwhile, it paid attention to risk supervision on consolidated institutions, with timely supervision and precaution of the risks of its subsidiaries. It also emphasized the risks of information technology with management and monitoring of mobile banking and software tests to promote risk management capabilities of information technology.

## **(III) Supervision on Finance**

The Board of Supervisors earnestly performed duties of supervision on finance, seriously reviewed the Bank's periodic reports, and independently, objectively and impartially proposed audit opinions on the authenticity, accuracy and completeness of the reports. It reviewed proposals including final accounts, profit distribution plan, and non-public issuance of A shares, and paid constant attention to the making and implementation of significant financial decisions such as business plan, economic capital allocation and use of raised funds. It also heard special reports including reports on management of related party transactions and related parties, and further clarified the definitions and scopes of related party transactions and reporting mechanism to the Board of Supervisors. In addition, the Board of Supervisors enhanced guidance on internal audit and regular communication with external auditors, paid close attention to internal and external audit plans, audit findings, audit recommendations and rectification, and supervised the entire process of the change of external auditors. It stepped up the supervision of key financial areas, and continuously monitored the Bank's cost-to-income ratio, return on assets, development in regions, asset write-off, etc. What's more, the Board of Supervisors conducted a special inspection on property insurance and supervision on ETC business development, and urged the Board of Directors and the senior management to improve refined management.

## **(IV) Supervision on Internal Control**

The Board of Supervisors earnestly performed the duties of supervision on internal control, paid constant attention to the performance of duties and responsibilities of internal control by the Board of Directors, the senior management and its members, and urged the enhancement of compliance operation and management. Besides, it reviewed the Bank's annual internal control

assessment report, regularly listened to reports on major fields such as case prevention and control, internal audit, anti-money laundering, internal control and compliance, consumer rights protection, etc. and conducted regular follow-up supervision. It also facilitated the continuous improvement of internal control governance and further urged the Board of Directors and the senior management to shoulder their primary responsibilities of governance. Strictly adhering to the regulatory requirements, the Board of Supervisors strengthened supervision on key areas of internal control, specific areas such as the implementation of anti-nepotism policies among employees, management of consumer complaints, penalties for employee violations, management of money laundering risk, etc., and encouraged the Board of Directors and the senior management to continuously reinforce the development of internal control system and enhance internal control on an on-going basis. A joint survey by Directors and Supervisors was conducted on the prevention of financial crimes by employees to promote the improvement of the financial crime prevention mechanism and to prevent risks of financial cases.

#### **(V) Supervision on Duty Performance**

The Board of Supervisors paid close attention to the duty performance of the Board of Directors, the senior management and its members according to laws and regulations, as well as their implementation of national macro policies, regulatory opinions and resolutions of the Shareholders' general meeting. Through attending meetings on corporate governance, it continuously strengthened process supervision on the norms as well as operational quality and efficiency of the Board of Directors, the senior management and its members, and took internal and external audit opinions as an important reference for duty performance supervision. Focusing on the improvement of voluntary information disclosure, the Board of Supervisors conducted peer benchmarking research and analysis, and proposed suggestions for improvement. It conducted supervision and provided suggestions centering on the operation of special committees of the senior management. In line with regulatory requirements, it continuously improved the performance evaluation, and earnestly completed the performance evaluation for the Board of Directors, the senior management and its members for 2019, with evaluation indicators fully reflecting the regulatory requirements and full coverage of the Board of Directors, the Board of Supervisors, the senior management and the person-in-charge of departments of the head office and tier-one branches. It also actively conducted self-evaluation within the Board of Supervisors and for its members to strengthen self-supervision. Meanwhile, it further strengthened the analysis and application of the performance evaluation results, and provided suggestions for performance of duty in areas that were of continuous concern to the participants and were expected to be improved, to improve their competence in performing duties.

#### **(VI) Self-building**

The Board of Supervisors continued to strengthen the building of the Supervisor team, performed the democratic election procedures in strict accordance with relevant regulations and rules, and successfully completed the re-election of employee supervisors. By fully utilizing internal and external resources and through online and offline training and other means, the Board of Supervisors held training on various areas such as macro situation, the Securities Law of the People's Republic of China, the operation of the board of directors and the board of supervisors of listed companies, anti-money laundering, etc., in order to enhance supervisors' ability to perform their duties. To promote tracking and supervision of the rectification regarding supervision opinions and suggestions, it carried out evaluation on the rectification regarding supervision opinions and suggestions for 4 consecutive years, regularly compiled reports on the implementation of resolutions of the Board of Supervisors and that of supervision opinions, and continued to improve the rectification supervision mechanism. Meanwhile, the Board of Supervisors took new approaches and methods to strengthen the synergy and coordination between Directors and supervisors. It organized external Directors and supervisors to jointly listen to special work reports on key areas, and conducted joint surveys in aspects including prevention of financial crimes by employees and risk management of certain retail loans, thereby enhancing the integration of supervision resources and the quality and effectiveness of supervision.

## APPENDIX II 2020 WORK REPORT OF THE BOARD OF SUPERVISORS

### (VII) Duty Performance of the Supervisors

During the reporting period, all supervisors actively overcame the adverse impact from the epidemic and performed their duties faithfully and diligently. In strict accordance with the relevant laws and regulations, the Articles of Association and other regulatory requirements, the supervisors attended the Shareholders' general meetings, the meetings of the Board of Supervisors and its special committee meetings, attended the relevant meetings of the Board of Directors and senior management, earnestly studied and reviewed various proposals and special reports, objectively and independently expressed opinions, and exercised voting rights in a standardized manner. The Supervisors deeply participated in supervision, investigation and inspection to comprehensively understand and accurately grasp the operation and management of the Bank, gave full play to their professional expertise, and made advice and recommendations for the transformation and development of the Bank. A total of 50 person-times of supervisors was participated in the supervision, investigation and training throughout the year. All supervisors performed their duties in accordance with the regulatory requirements, which played a positive role in promoting the improvement of corporate governance and operation and management level of the Bank.

#### Attendance of Supervisors at Meetings in 2020

Number of attendance in person/Number of meetings that should be attended

Supervisor	Board of Supervisors	Nomination Committee	Duty Performance Supervision Committee	Finance and Internal Control Risk Supervision Committee
<b>Shareholder Representative Supervisor</b>				
Chen Yuejun	9/9	-	-	-
Li Yujie	8/9	2/2	-	-
Zhao Yongxiang	9/9	-	5/5	-
<b>External Supervisor</b>				
Wu Yu	9/9	-	-	7/7
Bai Jianjun	9/9	2/2	-	-
Chen Shimin	8/9	-	5/5	-
<b>Employee Supervisor</b>				
Li Yue	9/9	-	5/5	7/7
Song Changlin	9/9	2/2	5/5	7/7
Bu Dongsheng	9/9	-	-	7/7

*Note:* "Attendances in person" refers to on-site attendances and attendances by way of electronic communications, such as telephone and video conferences. During the reporting period, supervisors who did not attend the meetings of the Board of Supervisors and its special committees in person had designated other supervisors as proxies to attend and to vote on their behalf at the meetings.

### III. THE BOARD OF SUPERVISORS' EVALUATION ON DUTY PERFORMANCE

According to the Board of Supervisors' Evaluation Scheme on the Duty Performance of the Board of Directors, Senior Management and Their Members of Postal Savings Bank of China Co., Ltd. in 2020 and the Board of Supervisors' Self-evaluation and Duty Performance Evaluation Scheme of Supervisors of

Postal Savings Bank of China Co., Ltd. in 2020, which were considered and approved by the ninth meeting of the Board of Supervisors in 2020, combined with the main work and evaluation results of duty performance of the Board of Directors, the Board of Supervisors, senior management and their members in 2020, as well as relevant opinions and daily supervision findings of regulatory authorities and external auditors, the Board of Supervisors' evaluation on duty performance is as follows.

**(I) Evaluation on Duty Performance of the Board of Directors and its Members**

In 2020, the Board of Directors of the Bank followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and earnestly implemented the national economic and financial objectives, policies and regulatory requirements. The Board of Directors, in accordance with the laws and regulations and the Articles of Association of the Bank, strictly implemented the resolutions of the Shareholders' general meetings and coordinated the epidemic prevention and control as well as reform and development, leading the Bank to maintain steady development and continuously optimize the structure, with good operating results and enhanced management ability. The Bank withstood the test in all aspects and accomplished the "13th five-year" plan successfully.

The Board of Directors comprehensively implemented the decisions and deployments of the CPC Central Committee and the State Council, actively implemented the relevant policies and requirements of epidemic prevention and control with financial support, supported the national and regional development strategies, solidly promoted inclusive finance, supported the development of SMEs and private entities, helped win the battle against poverty, and pushed ahead the implementation of major decisions and deployments of the CPC Central Committee. The Board of Directors actively promoted the organic integration of the Party's leadership and corporate governance, and adhered to the Party committee's pre-study on major issues. The Board of Directors consistently implemented the new development concept, promoted the implementation of the medium and long-term development strategic plan, carried out the evaluation of the implementation of the strategies, and accelerated the pace of building a modern first-class commercial bank. The Board of Directors strengthened capital management, took multiple measures in capital replenishment, promoted the implementation of advanced methods of capital management, and provided guarantee for the continuous and steady development of the Bank. The Board of Directors continuously improved the effectiveness of data governance, formulated data governance administrative measures, carried out special governance work, and effectively improved data quality and service level. The Board of Directors continuously improved the comprehensive risk management system, formulated comprehensive risk management measures, reviewed comprehensive risk management reports, and enhanced the coverage and standardization of comprehensive risk management; it reviewed the liquidity risk stress test report, and effectively improved the ability of scientific assessment against contingent liquidity risk incidents; and it strengthened consolidated management, guided senior management to study and formulate consolidated management measures, and standardized consolidated risk management mechanism. The Board of Directors paid close attention to the internal control and compliance, strengthened the behavior management of employees, listened to the summary of case prevention work and the report of case prevention work plan, and carried out the research on the prevention of financial crimes of employees; it strengthened the risk management of money laundering, revised the basic rules of anti-money laundering, listened to the special audit report of anti-money laundering, and constantly improved the anti-money laundering level. The Board of Directors strengthened the guidance and resource investment of internal audit, made full use of audit results, and promoted the expansion of the depth and breadth of audit supervision. The Board of Directors conscientiously performed the obligation of information disclosure and strictly implemented the inside information and insiders management requirements. It strengthened the management of investor relations and enhanced capital market exchanges. Within the scope authorized by the Board of Directors, the special committees under the Board of Directors



standardized their operation, fully exerted their expertise, put forward professional advice and recommendations, and strongly supported the scientific and efficient decision-makings of the Board of Directors.

All members of the Board of Directors of the Bank have necessary professional expertise, work experience and basic quality to perform their duties, and have good professional ethics. During the evaluation period, the members of the Board of Directors consciously abided by the laws and regulations and the Articles of Association of the Bank, duly and diligently performed their duties, and actively safeguarded the legitimate rights and interests of the Bank, Shareholders, employees, creditors and other stakeholders. All Directors proactively participated in all kinds of meetings of the Bank, carefully studied and reviewed proposals, listened to reports, objectively and independently expressed their opinions, and prudently exercised their voting rights in accordance with laws and regulations; and they continued to pay attention to the operation and management of the Bank, carried out in-depth research work, and made advice and recommendations for the transformation and development of the Bank; they actively participated in internal and external training to constantly improve the duty performance capability. The Directors who are also the members of the Party Committee strictly implemented the decisions of the Party organization, focused on the implementation of the major decisions and deployments of the CPC Central Committee and the State Council by the Board of Directors, and actively promoted the integration of the Party's leadership into the corporate governance in a more systematic, standardized and procedural way. The executive Directors organized the management to strengthen the contact and communication with the Board of Directors, the Board of Supervisors and Shareholders, actively participated in the research, discussion and decision-making of relevant matters, made advice and recommendations, and strictly implemented the resolutions of the Board of Directors. The non-executive Directors earnestly performed the communication responsibilities among Shareholders, institutions dispatching them and the Bank, continuously paid close attention to the implementation of Board resolutions, related party transaction management and capital management by senior management, and put forward constructive opinions and suggestions. Independent Directors attached great importance to safeguarding the rights and interests of depositors and minority shareholders, major related party transactions, use of proceeds, financial management, information disclosure, appointment of external auditors and other matters, and independently expressed objective and fair opinions on matters considered by the Board of Directors. 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, and no improper performance of duties such as illegal exercise of powers, seeking improper interests by taking advantage of their positions and damaging the legitimate interests of the Bank was found. Based on the comprehensive evaluation by the Board of Supervisors, the Directors subject to performance evaluation were all considered competent in 2020.

## **(II) Evaluation on Duty Performance of Senior Management and its Members**

In 2020, the senior management of the Bank strictly abided by relevant laws and regulations, regulatory requirements and the Articles of Association, conscientiously implemented the national economic and financial policies, regulatory requirements and the decisions and deployments of the Board of Directors, proactively accepted internal and external supervision, and implemented the requirements of information reporting system. Focusing on the goal of "building a modern first-class commercial bank", it guided the operation and management from "Three Perspectives" and under "Three Laws". Under the background of the epidemic and economic downturn, it successfully completed the tasks of the whole year, achieved the expected business results with continuously expanded development scale and stable asset quality.

The senior management resolutely implemented the decisions and deployments of the central government, fulfilled the political responsibilities as a state-owned enterprise, comprehensively summarized and implemented the major economic decisions and deployments of the central

government and important instructions of regulatory authorities since 2019, and achieved good results in related work, highlighting the responsibility as a state-owned bank. It continued to accelerate the pace of business transformation, vigorously promoted the transformation of retail, corporate, inter-banking and other businesses, actively explored the construction mode of financial ecosystem in combination with its own resource advantages, developed new business advantages and further improved the market competitiveness. The senior management strengthened technology empowerment, optimized data governance structure and explored data value. It strengthened comprehensive management, improved operational efficiency, enhanced customer experience, coordinated agency financial management and cultivated new driver for development. The senior management implemented the strategy of building a strong bank with talents and strengthened talent allocation in key areas to lay a solid foundation for long-term development. It actively adapted to the risk and internal control requirements of listed banks, adhered to the “moderate risk and moderate return” risk appetite, and continuously strengthened the construction of comprehensive risk management and internal control system. It strengthened the professional risk management of liquidity risk, market risk, interest rate risk of bank accounts, information technology risk and business continuity risk. It pushed ahead the implementation of advanced methods of capital management and carried out stress testing scientifically. The asset quality remained stable, liquidity was abundant and reasonable, and all kinds of risks were generally controllable. The senior management solidly promoted anti-money laundering, staff behavior management, protection of consumers’ interests and rights and other fields, strengthened rectification and accountability, and maintained a high-pressure situation in case prevention. Combined with the process of comprehensive transformation, it continued to strengthen the management of entities on a consolidated basis. The special committees standardized the performance of their duties and provided strong support for senior management’s scientific decision-making.

Senior management members consciously abided by relevant laws and regulations and the Articles of Association of the Bank, worked diligently, self-disciplined and united, and took the initiative to earnestly safeguard the legitimate rights and interests of the Bank, Shareholders, employees, creditors and other stakeholders despite complex and severe external challenges and operational pressure. They, in strict accordance with the authorization of the Board of Directors, implemented the resolutions of the Board of Directors, solidly performed the daily operation and management, actively promoted their respective work in their respective fields, accelerated the pace of business transformation, development and innovation, earnestly performed the responsibilities of comprehensive risk management and internal control compliance management, smoothly communicated with the Board of Directors and the Board of Supervisors, and successfully completed the annual work tasks and planned objectives. During the performance of their duties, senior management members strictly kept the Bank’s business secrets, and no improper behavior such as illegally exercising their powers, taking advantage of their positions to seek improper interests and impairing the legitimate interests of the Bank has been found. Based on the comprehensive evaluation by the Board of Supervisors, the senior management members subject to performance evaluation were considered competent in 2020.

### **(III) The Board of Supervisors’ Self Evaluation and Evaluation on Duty Performance**

In 2020, the Board of Supervisors of the Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strictly abided by relevant laws and regulations, the Articles of Association and the rules of procedures of the Board of Supervisors, implemented the resolutions of the Shareholders’ general meetings, promoted epidemic prevention and control and supervision, and performed supervision duties according to law. The Board of Supervisors firmly implemented the decisions and deployments of the central government, continuously supervised the Bank’s implementation of national economic and financial policies, and promoted the Bank’s high-quality development. Focusing on the strategic formulation and implementation, corporate governance, business decision-making, capital management, significant financial decision-making and implementation, comprehensive risk management, internal control and

compliance management as well as information disclosure and other key areas, the Board of Supervisors earnestly performed the supervision responsibilities in the fields of duty performance, risk, finance and internal control via study meetings, supervision investigation and urging rectification. In strict accordance with the regulatory requirements, the Board of Supervisors conducted annual performance evaluation of the Board of Directors, senior management and their members and self-evaluation of the Board of Supervisors and its members, strengthened the self-construction of the Board of Supervisors and the effective operation of its special committees, continuously promoted the improvement of corporate governance, gave full play to the supervisory function, and committed to improve the effectiveness of supervision.

All Supervisors of the Bank have necessary professional expertise, work experience and basic quality to perform their duties, and have good professional ethics. During the evaluation period, members of the Board of Supervisors performed their supervisory duties faithfully and diligently in strict accordance with relevant laws and regulations, rules and the Articles of Association, standardized the exercise of supervisory power, carried out solid investigation and inspection, resolutely implemented the supervision advice, and earnestly safeguarded the legitimate rights and interests of the Bank, Shareholders, employees, creditors and other stakeholders. During the performance of their duties, they strictly kept the Bank's business secrets, and no improper behavior such as illegally exercising their supervision powers, taking advantage of their positions to seek improper interests and impairing the legitimate interests of the Bank has been found. 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 in 2020. Based on the comprehensive evaluation by the Board of Supervisors, the Supervisors subject to performance evaluation were considered competent in 2020.

#### **IV. 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 and offering prospectuses 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 and had no 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 2020.

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

In 2021, the Board of Supervisors will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, take implementation of the principles of the Fifth Plenary Session of the 19th CPC Central Committee as the main line, focus on the new development stage, adhere to the new development philosophy, combine with the new development layout, adhere to the leadership of the Party, strategic guidance, problem-orientation and risk-based approach, center on the Bank's high quality development, and focus on "Three Challenges" including asset quality, capital constraint and operation efficiency, the transformation towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness", as well as work deployment in risk management, internal control, finance, information technology, etc. It will comprehensively implement the regulatory requirements, perform the supervision, earnestly perform the duties of the Board of Supervisors, proactively safeguard the legitimate rights and interests of the Bank, Shareholders, employees, creditors and other stakeholders, and provide solid guarantee for the Bank's high quality development.

**2020 WORK REPORT OF INDEPENDENT DIRECTORS  
OF POSTAL SAVINGS BANK OF CHINA CO., LTD.**

In 2020, in strict accordance with relevant requirements of domestic and overseas laws, regulations, normative documents, the Articles of Association and other internal management rules of the Bank, the Bank's Independent Directors performed duties prudently, earnestly, diligently and faithfully, attended the meetings of the Board of Directors and its special committees, enhanced the contact and communication with other members of the Board of Directors, the Board of Supervisors, senior management and the Shareholders, proactively participated in the research, discussion and decision-making of relevant issues, urged senior management to earnestly implement the resolution of the Board of Directors, expressed constructive opinions and advice, played an active role as an Independent Director in safeguarding the interests of minority Shareholders of the Bank, fully performed the duties of making independent and objective judgment and expressing independent opinions for the Bank's issues and effectively promoted the business development of the Bank. The work report of Independent Directors in 2020 is presented as follows.

**I. BASIC INFORMATION OF INDEPENDENT DIRECTORS**

As at the Latest Practicable Date, there are 11 members of the Board of Directors of the Bank, comprising of five Independent Directors, the proportion of whom exceeds one-third of the total number of Directors, which meets relevant regulatory requirements and the Articles of Association. Three special committees under the Board of Directors of the Bank, namely the Audit Committee, the Nomination and Remuneration Committee and the Related Party Transactions Control Committee are all chaired by Independent Directors, of which the chairman of the Audit Committee has accounting expertise, and there is at least one Independent Director in other special committees. Except for annual remunerations, Independent Directors of the Bank neither have any business or financial interests in the Bank nor assume any management positions in the Bank. The Bank has received the annual confirmation from 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 organizations are as follows:

Fu Tingmei, male, obtained a doctor's degree in Philosophy from the University of London in 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 the Hong Kong Special Administrative Region, Independent Non-executive Director of Beijing Enterprises Holdings Limited and CPMC Holdings Limited. Mr. Fu currently serves as Independent Non-executive Director of Guotai Junan International Holdings Limited, COFCO Meat Holdings Limited and China Resources Pharmaceutical Group Limited.

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 previously served as an assistant researcher of the Rural Development Research Center of the State Council, a 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 at Renmin University of China, and Independent Non-executive Director of Agricultural Bank of China Limited. Mr. Wen currently serves as Executive Dean of Institute of Rural Reconstruction of China at Southwest University, Executive Dean of Institute for New Rural Development at Fujian Agriculture and Forestry University, a member of the National Environment Advisory Committee, a member of the

Committee of Experts on Food Security, as well as a provincial and ministerial-level adviser and policy advisory expert of the Ministry of Commerce, the Ministry of Civil Affairs, the National Forestry and Grassland Administration, Beijing Municipality and Fujian Province of the PRC.

Chung Shui Ming Timpson, male, obtained an MBA degree from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and 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 previously served as Senior Auditing Director of Coopers & Lybrand, Chairman of the Management Board of the City University of Hong Kong, Chief Executive Officer of Shimao International Holdings Ltd., Chairman of the Hong Kong Housing Society, a member of the HKSAR Executive Council, Chief Executive Officer of HKSAR Government Land Fund Trust, and Independent Non-executive Director of Nine Dragons Paper (Holdings) Limited, Henderson Land Development Co., Ltd., China Everbright Bank Co., Ltd., China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, etc. 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 Ltd., China Everbright 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, Deputy General Manager of Penghua Fund Management Co., Ltd., and Director of Shanghai Zhitong Construction Development Co., Ltd. Mr. Hu currently serves as Chairman and General Manager of Great Wheel Asset Management Company Zhejiang, Director of World Transmission Technology (Tianjin) Co., Ltd. and Independent Director of New China Fund Management Co., Ltd.

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

## **II. PERFORMANCE OF INDEPENDENT DIRECTORS IN THE YEAR**

### **(I) Attendance of the Shareholders' General Meetings, Meetings of the Board of Directors and Meetings of the Special Committees of the Board of Directors**

In 2020, the Bank convened five shareholders' general meetings, at which 37 proposals were reviewed and 3 reports heard; convened 11 Board of Directors meetings at which 102 proposals were reviewed and 17 reports heard; as well as 38 meetings of special committees under the Board of Directors at which 105 proposals were reviewed and 10 reports heard. The attendance of Independent Directors at the shareholders' general meetings, meetings of the Board of Directors and those of special committees is set out below:

**APPENDIX III      2020 WORK REPORT OF INDEPENDENT DIRECTORS  
OF POSTAL SAVINGS BANK OF CHINA CO., LTD.**

Number of meetings attended in person/Number of meetings that should be attended

Directors	Shareholders' 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
<b>Incumbent Independent Directors</b>								
Fu Tingmei	5/5	11/11	-	4/4	-	9/9	4/4	-
Wen Tiejun	1/5	10/11	4/5	-	8/10	-	4/4	-
Chung Shui Ming Timpson	3/5	10/11	-	4/4	10/10	-	-	-
Hu Xiang	4/5	11/11	5/5	-	10/10	-	-	6/6
Pan Yingli	4/5	11/11	-	4/4	10/10	-	3/4	-

*Note:* “Attendances in person” refers to on-site attendances and attendances by way of electronic communications, such as telephone and video conferences. In 2020, Directors who did not attend the meetings of the Board of Directors and meetings of special committees in person designated other Directors as proxies to attend and vote on their behalf at the meetings.

The Independent Directors of the Bank earnestly attended the meetings of the Board of Directors and those of special committees, provided objective, unbiased and independent opinions based on the overall interests of the Bank, and safeguarded the interests of depositors and minority shareholders by leveraging their professional capabilities and experience. In particular, they provided independent opinions on matters including the special report on related party transactions in 2019, profit distribution plan for 2019, dividend distribution for overseas preference shares, selection of Directors and senior management members, and the engagement of accounting firms, and issued pre-approval opinions on such proposals as the engagement of accounting firms, forecast of caps of related party transactions as well as related party transactions involved in the nonpublic issuance of A shares, etc. They earnestly reviewed 2019 results announcement and 2019 annual report, 2019 corporate social responsibility report, first quarterly report of 2020, 2020 interim results announcement and 2020 interim report as well as third quarterly report of 2020 to ensure the above-mentioned disclosed contents are true, accurate and complete. An independent board committee was formed by all Independent Directors of the Bank to provide guidance on the selection of independent financial adviser for related party transactions, and ask the independent financial adviser to advise the independent board committee and independent shareholders in respect of related party transactions in relation to the nonpublic issuance of shares.

**(II) Research and Investigations Conducted by Independent Directors**

In 2020, in addition to participating in various meetings, Independent Directors of the Bank also actively conducted research in branches by taking into account the functions of the Board and its Special Committees. They gained a thorough understanding of the Bank’s operation, conducted in-depth research on major issues, and provided advice and recommendations in a timely way. They got a thorough understanding of the Bank’s operation, conducted in-depth research on major issues, and provided advice and recommendations.

Director Wen Tiejun went to Yuanjia Village, Yanxia Town, Liquan County, Xianyang City, Shaanxi Province in December 2020 to conduct research on participating in the reconstruction of a new type of collective economy through nested financial instruments. He gained an in-depth

understanding of the cooperation model between the Bank and Yuanjia Village, and made on-site inspection of the integration of financial supply-side reforms and agricultural supply-side reforms. He also put forward an “asset-light” business model in which Yuanjia Village could make investment through its brand effects and management models. He pointed out that the Sannong business should focus on the integrated development of primary, secondary and tertiary industries in this regard and gradually become a mature economic entity in the process of the integration. As a financial institution with human touch, the Bank should participate in the cooperation with Yuanjia Village and grow together with it.

Director Pan Yingli went to Zhengzhou City and Gongyi City in Henan Province in August 2020 to conduct research on inclusive finance and agency finance. She made on-site learning about the development of inclusive finance to find out potential problems. In November 2020, she went to Changsha City in Hunan Province to conduct research on the issue of inclusive finance. She made in-depth discussions and exchanged opinions on the development strategy of the Bank and the development of inclusive financial businesses. She visited the technology start-ups financed by the Bank to understand the development prospects and obstacles of micro and small technology companies as well as the role of financial support.

### **(III) Training Attended by Independent Directors**

The Bank made an overall plan for the training of Directors and actively encouraged and organized Directors to attend various training to help them improve their ability in duty performance. In 2020, in compliance with the listing rules of the place of listing and relevant regulatory requirements, the Independent Directors of the Bank actively participated in a series of training sessions organized by organizations including PricewaterhouseCoopers and the Bank itself, covering a wide range of topics such as macroeconomic situation, risk management, information technology, green finance development and anti-money laundering. Meanwhile, by hearing special reports and other means, the Directors had a thorough understanding of the Bank’s business dynamics while enhancing their professionalism.

### **(IV) 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 timely providing information required for their performance. During the performance of duties by Independent Directors, 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 by the Board of Directors.

In 2020, the Bank organized and convened a meeting between the chairman and Independent Directors to discuss and study topics such as the Bank’s strategic development positioning, technology construction and internal risk control.

In strict accordance with relevant regulations, the Bank reported to the Board of Directors about the Bank’s operation and related information in a timely, accurate and complete way. In 2020, through the electronic conference system, the Bank timely reported to all Directors on various operation and management developments, including financial information, risk information, investor relations and others, promoted communication with senior management and effectively guaranteed the performance of Independent Directors.



### **III. FOCUS OF INDEPENDENT DIRECTORS DURING PERFORMANCE OF DUTY IN THE YEAR**

Independent Directors of the Bank focused on issues related to the management of related party transactions, guarantee business and capital utilization, the use of proceeds raised, the nomination and remuneration of senior management, cash dividends and investor returns, etc., issued independent and objective opinions on key issues and made recommendations.

#### **(I) Related Party Transactions**

Independent Directors attached great importance to the management of related party transactions. In 2020, Independent Directors of the Bank reviewed and approved the special report on related party transactions and other matters in accordance with relevant requirements, and expressed independent opinions on major related party transactions of the Bank's non-public issuance of A shares, and continued to pay attention to the general information of the Bank's related party transactions and related party management, policies and mechanism construction, system construction, development of compliance culture and other key tasks, thereby ensuring that the related party transactions were conducted in accordance with the laws and regulations and in compliance with business practices.

#### **(II) Guarantee Business and Capital Utilization**

Independent Directors of the Bank examined the guarantee business of the Bank on the principles of equity, fairness and objectivity. Upon verification, the Bank carried out the guarantee business mainly by issuing letters of guarantee, which was one of the routine banking operations within the daily business scope of the Bank approved by the People's Bank of China and the CBIRC. As of December 31, 2020, the outstanding amount of letters of guarantee issued by the Bank was RMB40.226 billion. The Independent Directors of the Bank believed that the Bank attached great importance to the risk management of the guarantee business, and set strict rules on the creditworthiness standards of the guaranteed companies, the operation process and approval procedures of the guarantee business, and conducted relevant business accordingly. The Bank's control over the risks of the guarantee business was effective, and there was no case of illegal guarantees.

#### **(III) Use of Proceeds Raised**

The funds raised by the Bank were used for the purpose disclosed in offering prospectuses and fund raising prospectuses, i.e. to replenish the Bank's capital.

#### **(IV) Nomination and Remuneration of Senior Management**

In 2020, the Board of Directors of the Bank reviewed and approved relevant proposals including the nominations of candidates for executive Directors and non-executive Directors, and the appointments of the President, Vice President, Chief Risk Officer, and Chief Information Officer of the Bank. Besides, based on the Bank's 2019 operating results, the Board of Directors and the Nomination and Remuneration Committee of the Board reviewed and approved the 2019 Remuneration Distribution Plan to Senior Management. The Independent Directors agreed to the nominations and remunerations of the senior management of the Bank.

#### **(V) Results Forecast and Preliminary Results Estimate**

In 2020, there was no results forecast or preliminary results estimate of the Bank to be disclosed.

**(VI) Appointment or Change of Accounting Firms**

In 2020, 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 2020 (has been approved by the 2019 annual general meeting), and agreed to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as auditors of the Bank for the year of 2021.

**(VII) 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 reviewed and approved by Independent Non-executive Directors. Minority Shareholders were allowed to fully make advices and suggestions with their legitimate interests being protected.

**(VIII) Performance of the Undertakings of the Company and Shareholders**

As of December 31, 2020, the commitments made by the Bank and the Bank's controlling shareholder, Directors, Supervisors and senior management during the initial public offering of A Shares were fulfilled.

**(IX) Implementation of Information Disclosure**

In 2020, the Bank strictly implemented the regulatory requirements for the listing of A and H Shares, continued to pay attention to the guidelines of the CPC Central Committee, state policies as well as new regulatory regulations and market hotspots, and actively responded to investors' concerns. The Bank 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 actively explain to the capital market the excellent operating results as well as open and transparent disclosure culture of the Bank, so as to improve the transparency of information disclosure. Independent Directors of the Bank actively fulfilled their responsibilities in the preparation and disclosure of periodic reports, and conducted full communication and discussion with external auditors on the audit work.

**(X) Implementation of Internal Control**

In 2020, the Board of Directors of the Bank continued to promote the development and implementation of internal control standards and facilitated the improvement of the effectiveness of internal control. Independent Directors attached great importance to the implementation and appraisal of internal control and reviewed the internal control appraisal report. They were of the opinion that the Bank maintained effective internal control of financial reporting in all major and important aspects in accordance with the requirements of the Bank's internal control system and related provisions. There was no major deficiency in the internal control of financial reporting, and no major deficiencies in the internal control of non-financial reporting were found.

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

In 2020, 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 on time, reviewed 102 proposals including the work report of the Board of Directors, business plan and financial budget, budget plan of fixed asset investment, issuance of write-down undated capital bonds, non-public issuance of A shares, establishment of PSBC online, and nomination of Director candidates, and heard 17 reports including the 2019 audit report and 2020 audit plan, the 2019 case prevention work report and the 2020 case prevention work plan, the work of the senior management in 2019, and the implementation of major decisions and plans of the government.

In 2020, the Strategic Planning Committee convened five meetings, at which it reviewed 20 proposals, including the business plan and financial budget of 2020, establishment of Credit Card Center as a quasi-independent institution, implementation assessment of the Outline of Medium and Long-term Strategic Development (2019-2025) in 2019, issuance of write-down undated capital bonds and establishment of PSBC online, etc. It also conducted in-depth study of various business development strategies of the Bank, gave full play to the leading role of strategies, strengthened capital management and operation, promoted capital replenishment of the Bank in an orderly manner and thus supported the Bank's reform and development.

In 2020, the Related Party Transactions Control Committee convened four meetings, at which it reviewed five proposals, including the 2019 report on related party transactions, forecast of the caps of related party transactions in 2020 and 2021 and adjustment to related parties, etc. It kept track of and managed related party transactions of the Bank, confirmed the status of the related parties and related party transactions of the Bank, and prudently performed its duties regarding the management of related party transactions in accordance with laws and regulations. The Committee provided opinions and suggestions to the Board of Directors on the review and approval of major related party transactions and strengthening the management over the Bank's related party transactions, etc.

In 2020, the Audit Committee convened ten meetings, at which it reviewed 20 proposals, including the 2019 audit report and 2020 audit plan, financial statements and audit reports, annual internal control and assessment report, and amendments to internal audit management measures on anti-money laundering, and heard 9 reports, including the report on the audit of financial statements. The Audit Committee provided opinions and suggestions to the Board of Directors on issues such as strengthening work on internal and external audits, enhancement of internal control, and improvement of an internal audit mechanism.

In 2020, the Risk Management Committee convened nine meetings, at which it reviewed 33 proposals, including the risk management strategies and risk appetite scheme for 2020, the three-year capital rolling plan for 2020-2022 and capital adequacy management plan for 2020, the report on comprehensive risk management, and basic rules for anti-money laundering work, etc., and heard the 2019 work report on the anti-money laundering and work plan for 2020. The Risk Management Committee kept close watch on the effectiveness of the overall risk management of the Bank and raised opinions and advice on improving risk management and internal control of the Bank.

In 2020, the Nomination and Remuneration Committee convened four meetings, at which it reviewed 15 proposals, including 2019 evaluation report on the performance of Directors by the Board of Directors, the structure, size and composition of the Board of Directors and the implementation of the diversity policies of Board of Directors, the eligibility for appointment and qualifications of Directors and the adjustment of the remuneration of Independent Directors, etc. The Committee studied issues such as the structure, size and composition of the Board of Directors, the

implementation of the diversity policies of Board of Directors, the eligibility for appointment and qualifications of re-elected Directors, the remuneration settlement plan of Directors and senior management members, and the evaluation of the performance of Directors by the Board of Directors and gave opinions and suggestions to the Board of Directors.

In 2020, the Social Responsibility and Consumer Rights Protection Committee convened six meetings, at which it reviewed 12 proposals including the 2019 work report of consumer rights protection and work plan for consumer rights protections in 2020, 2019 Corporate Social Responsibility (Environmental, Social and Governance) Report, and 2019 work report on green bank building, etc. It also studied matters such as social responsibility fulfillment, consumer rights protection and green banking, etc. and provided opinions and suggestions to the Board of Directors.

**(XII) 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 consider how to further improve the development quality of the Bank as the economy is stabilized and make forward-looking research; advance the transformation and development of the Bank under the background of stable leverage levels, study the integration of financial supply-side reform and ecological transformation reform; strengthen the development of the Bank driven by science and technology, prioritize resources to IT professionals, boost services via financial technologies, and provide tailor-made services to customers.

**IV. OVERALL EVALUATION AND RECOMMENDATIONS**

In 2020, Independent Directors of the Bank performed their duties in good faith, with diligence, independence and professionalism in accordance with relevant laws and regulations, the Articles of Association and other relevant provisions, played a positive role in further improving the Bank's corporate governance, advancing its business transformation, strengthening risk prevention and control, enhancing IT support and achieving steady development, effectively improved the scientific decision-making of the Board of Directors and safeguarded the legitimate rights and interests of the Bank and all shareholders.

In 2021, Independent Directors of the Bank will continue to actively safeguard the interests of the Bank, shareholders and other stakeholders, strengthen communication and exchanges with shareholders, other members of the Board of Directors, the Board of Supervisors and senior management, further urge senior management to implement the resolutions of the Board of Directors, and make due contributions to improving corporate governance and creating value for the shareholders.

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 2020 SPECIAL REPORT ON RELATED PARTY  
TRANSACTIONS OF POSTAL SAVINGS BANK OF CHINA CO., LTD.**

In 2020, in compliance with domestic and overseas laws and regulations and the Administrative Measures on Related Party Transactions of Postal Savings Bank of China Co., Ltd. (2019 Revision) (You Yin Zhi [2019] No. 234), the Bank strictly implemented various institutional norms and enhanced the management of related party transactions with an aim to further improving the management of related party transactions. The related party transaction management and related party transactions of the Bank conducted in 2020 are as follows.

**I. MANAGEMENT OF RELATED PARTY TRANSACTIONS****(I) The Related Party Transactions Control Committee of the Board of Directors Performed Duties Diligently and Worked to Advance the Development of A Related Party Transaction Management System of the Bank**

The Related Party Transactions Control Committee of the Board of Directors held a total of four meetings, and reviewed and approved five proposals including the 2019 Special Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd., the Proposal on the Forecasted Caps of Related Party Transactions of Postal Savings Bank of China for 2020 and 2021 and the Report on Related Parties of Postal Savings Bank of China. 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 worked to advance the development of a related party transactions management system to ensure the legal compliance of related party transactions and safeguard the interests of the Bank and shareholders.

**(II) Further Improved and Duly Implemented the Related Party Transaction Management Mechanism**

According to the internal and external regulatory requirements, the Bank issued the Notice on Further Strengthening the Management of Related party transactions (Bank Work Notice [2020] No. 256), strengthened the management mechanism of related party transactions and the dynamic management requirements of related party information, updated the corporate governance procedure standards of related party transactions, combed through the exemptions of related party transactions on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and established a monitoring mechanism for the cap of related party transactions. Major related party transactions were reported to the Board of Supervisors within the prescribed time limit after being submitted to the Board of Directors for review and approval in strict accordance with regulatory requirements, which further strengthened the management of related party transactions and prevented the risks of related party transactions.

**(III) Continuously and Dynamically Update A Multi-caliber List of Related Parties to Consolidate the Foundation of Related Party Transaction Management**

Based on the regulatory trends and peer practices and together with the legal counsel, the Bank further studied the scope of collecting information of related parties and formed the Report on Adjusting the Scope of Related Parties of the Bank, which was reviewed and approved by the senior management and the Related Party Transactions Control Committee of the Board of Directors, and expanded the scope of “insiders” as stipulated by the CBIRC, and further collected relevant related party information. The Bank issued the Notice on Confirmation of Related Party Information (Fa Wu

Han [2020] No.7), organized departments who manage the related party information to carry out the confirmation of related party information, and updated and maintained a dynamic list of related parties to consolidate the management foundation of related party transactions.

**(IV) Strictly Implemented the Regulatory Requirements of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong and Completed the Forecast of the Caps of Related Party Transactions in 2020 and 2021**

In compliance with the regulatory requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange and based on its reality as being listed in both Shanghai and Hong Kong, the Bank made forecast on the caps of related party transactions in 2020 and 2021. The Proposal on the Forecasted Caps of Related Party Transactions of Postal Savings Bank of China for 2020 and 2021 was reviewed and approved by the Board of Directors, and was announced and disclosed. Meanwhile, the Bank further urged the responsible departments in the head office to properly implement and monitor the caps of related party transactions in its line of business on a daily basis, so as to ensure the standardized implementation of daily related party transactions.

**(V) Cultivated the Compliance Culture for Related Party Transaction Management and Improved the Compliance Awareness of Related Party Transaction Management across the Bank**

The Bank regularly organized special trainings on related party transaction management, and invited domestic and foreign legal advisers to interpret regulatory requirements on related party transactions and introduce practical experience, so as to further improve the related party transaction management capacity and compliance awareness of the Bank. It prepared and issued the Related Party Transaction Management Manual (2020 Edition), which comprehensively covered the focus and key points of related party transaction management under various regulatory rules, provided effective guidance on the daily work of institutions at all levels, and improved the related party transaction management across the Bank.

**(VI) Earnestly Advanced the Development of the Related Party Transaction Management System to Enhance the Fineness and Informatization of Related Party Transactions**

In line with the overall internal informatization arrangement of the Bank and based on the actual utilization, the Bank continuously optimized the functions of the related party transaction management system. By connecting the list of related parties to the big data platform, it provided support for the business and management system to realize the identification of related parties, so as to timely and effectively identify related party transactions and prevent the risks therefrom. Business systems such as credit business platform have realized related party identification and other functions, especially the functions of prior control and rigid control for unsecured loans, hence continuously improving the informatized development of the related party transaction management.

## **II. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

### **(I) Overview of Related Parties**

In 2020, the Bank further improved the information management mechanism 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 review and approval by the Related Party Transactions Control Committee under the Board of Directors. On the list, related natural persons mainly include Directors, Supervisors, senior management of the Head office and their close relatives, as well as senior management of China

Post Group and their close relatives, etc.; 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 related natural persons.

## (II) Overview of Related Party Transactions

During the reporting period, related party transactions were conducted in compliance with laws and regulations, and were in line with the interests of the Bank and its shareholders as a whole. Based on the audited financial statements, related party transactions conducted in 2020 are as follows:

### 1. *Related Party 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 RMB85,213 million, and the composite agency fee rate was 1.31%, lower than the cap of 1.5%. Fees paid for the agency settlement services amounted to RMB8,170 million, and fees paid for agency sales services and other services amounted to RMB5,531 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 composite rate of deposit agent fees is 1.31%, which is lower than the cap of rate of deposit agency fee of 1.34% under normal commercial terms deriving from the calculation of market funding cost set out above from 2016 to 2020.

#### (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 RMB82 million for the leases provided to China Post Group and its related parties; and paid RMB1,000 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 RMB624 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, entrusted management services, agency sales of collective asset management plans, agency sales of precious metals, provision of fund depository

services and sales of business materials. While the Bank paid a fee of RMB2,295 million for comprehensive services and other transactions provided by China Post Group and its related parties, including transport and storage of banknotes, mail, property services, equipment maintenance, advertising, supplementary medical insurance for employees, marketing, underwriting and sponsorship services, precious metal payment and purchasing goods from China Post Group and the related parties.

(4) *Granting loans and issuing discounted bills and letters of guarantee to China Post Group Co., Ltd. and its relevant related parties*

The Bank granted loans worth RMB17 million to Ningxia China Post Logistics Co., Ltd., issued discounted bills of RMB0.8 million to China Postal Express & Logistics Company Limited, and issued letters of guarantee with the amount of RMB0.4 million to China Postal Express & Logistics Company Limited and Jiangsu Postal Print Factory.

(5) *Deposits from China Post Group Co., Ltd. and its relevant related parties*

Deposits from related parties including China Post Group Co., Ltd., China Postal Express & Logistics Company Limited and its subsidiaries, Shanghai Ule Network Technology Co., Ltd. and China Philately Corporation with the Bank amounted to RMB9,423 million.

(6) *Other businesses with China Post Group Co., Ltd. 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 Co., Ltd., China Post Life Insurance Co., Ltd. and China Post Securities Company Limited and other related parties totaled RMB12,852 million, fee and commission income amounted to RMB27 million, fee and commission expense amounted to RMB21 million, and operation and management fees amounted to RMB5 million.

**2. *Related Party 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 and bills business with an amount of RMB704 million, deposits of RMB35 million.

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

The related party transactions with related legal persons caused by related natural persons mainly include loans of RMB1,361 million, deposits of RMB4,182 million, debt investment and other financial market businesses of RMB2,011 million, and fees and commissions of RMB5,197 million.

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

The related party transactions with related natural persons were mainly loans of RMB120 million and deposits of RMB239 million.



During the reporting period, the above-mentioned related party 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 Stock Exchange of Hong Kong and verified and confirmed by the auditors, the Bank's continuing related party transactions in 2020 were conducted pursuant to relevant transaction agreements and had not exceeded the cap.

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**APPENDIX V 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 2020**

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**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 2020**

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. (2020 Revision) (The "**Plan on Authorization**"), the Board of Directors analyzed the implementation of the Plan on Authorization from January 1, 2020 to December 31, 2020.

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 exercised their authority and powers in a well-regulated way. The Plan on Authorization was well implemented and there was no case of approval by the Board of Directors beyond its authority.