

CreditEase Social Responsibility Report 2006-2011

About the Report

Content

“CreditEase Social Responsibility Report 2006-2011” (hereafter referred to as “the Report” or “Report”) includes elaboration of CSR (corporate social responsibility) strategy of CreditEase, as well as its CSR performance between May 2006 and April 2011.

Data collection

Data collection for this report follows the current work flows of CreditEase, covering all business operations of CreditEase as well as its secondary organizations. Some data may need further updates for reasons of sources of data and line of action. CreditEase has planned improvements for the data collection system step by step in the future as to make future versions of this Report comprehensive. Data collected and disclosed in the report is generated from actual operation of CreditEase within the reporting period, and their original records are maintained.

Criteria

The report is compiled in accordance with G3 Sustainability Reporting Guidelines by “Global Reporting Initiative (GRI)”.

Forward-looking statement

Parts of this Report contain plans and predictions, which may not be in agreement with facts. Due to influence of uncertain external factors, the trend and results in reality may differ from what predicts in the report. CreditEase shall not bear any legal liabilities for any investment decisions and behaviors of any individuals or organizations made on the basis of this report.

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CSR Report Compilation Team is responsible for compiling the report. The team comprises of members of relevant departments of CreditEase and professional institutions. CreditEase shall reserve the copyright of the report.

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Message from the CEO

In May 2006, CreditEase was founded in Beijing. In the early stage, we worked in a very small office with a few colleagues, starting our efforts in inclusive credit from education credit. Five years later, today CreditEase has over 5000 team members nationwide, with a service networking covering more than 40 cities and some 10 rural areas. The past five years saw rapid growth of CreditEase. With entrepreneurial spirit and the goal of pursuing excellence, CreditEase has stood out and marked its presence in the vast market of Microfinance through innovation in mode and technology. In the past five years, CreditEase committed to fulfilling its social responsibility as a corporate citizen, shouldering inclusive credit as its own mission and taking the establishment of China's credit system.

The essential social responsibility of CreditEase lies in providing service for our clients and helping them achieve credit value. Taking “Everyone has credit. Credit has value” as the core value for credit services, CreditEase successively launches microcredit loan services targeting at students, wage-earners, micro entrepreneurs, and farmers, who are characterized with full earning potential. Though their current incomes are relatively low, they desire to change and will gain fast development with the help of microcredit loans. We help our clients grow and achieve their credit value with our quality and efficient services. In addition, credit management services of CreditEase help build trust between clients. Such trust can be carried on between lenders, borrowers and the social networks they belong, thus increasing the overall the social capital. CreditEase takes promotion of inclusive credit and building of a society with integrity as the core of CSR. The 5000 team members of CreditEase are spreading the idea of credit in every corner of China. We believe that tens of thousands of people will lead a better life with the help of CreditEase.

CreditEase needs a strong team to make its vision of inclusive credit come true in reality. CreditEase made a myriad of miracles in five years’ rapid development, which has everything to do with selfless contributions of every team member. CreditEase values team members as the most important assets of the corporation. Holding fast to the “people-oriented” philosophy, CreditEase satisfies diverse demands of team members and provides a stage for them to display their talents. We are glad to see that, with further development of the company, we have increased salaries and benefits, and doubled efforts in team members caring and professional training. We firmly believe that CreditEase will become a better and cozier home for our team members.

On the path of CSR, CreditEase actively answers to appeal and expectation of various stakeholders including partners, communities, and governments. CreditEase combines efforts from all sides toward a society with sustainable development in an all-round way.

CreditEase establishes cooperative relations with rural poor assisting organizations, helping these organizations raise fund and farmers cast off poverty and set out on a road to prosperity through innovative business models. CreditEase also promotes entrepreneurial and credit education in institutions of higher learning, sharpening the sense of social responsibility of young people. CreditEase has gained wider and wider support for its diverse corporate citizen behaviors. With concerted efforts, we will make the society a harmonious one.

Shouldering important corporate social responsibilities, CreditEase has a long way to go. In the future, we will continue to stick to our values of inclusive credit and help build a society with integrity, as to do our bits for the sustainable development of the society in an all-round way.

Ning Tang *Founder and CEO of CreditEase*



Ning has over 10 years of inclusive finance experience dating back to his college years during which he went to Bangladesh to study microfinance with Professor Yunus.

Ning founded CreditEase in 2006, initially with an innovative peer-to-peer (P2P) lending model to target the financially underserved population in China. Since then, the company has grown into a national leader in inclusive finance and wealth management, with a service network covering about 50 cities and 20 rural locations.

CreditEase provides credit products and solutions to micro-entrepreneurs, students, salary workers, and extremely poor rural females in China. As its strategic CSR efforts, the company runs a philanthropic microcredit program matching the urban rich with the rural poor, is a pioneer in arranging wholesale funds for microfinance NGOs, and provides value-added services such as management training and business consulting to urban micro-entrepreneurs.

Ning is on Tsinghua University China Entrepreneur Training Program's advisory committee and advisor to Peking University Social Entrepreneurship Training Program. He also heads China Association of Microfinance's strategy committee.

Chapter 1 About CreditEase

◆ 1.1 CreditEase Profile

Founded in 2006 and headquartered in Beijing, CreditEase is a national leader in credit risk evaluation and management, credit data consolidation, wealth management, petty loan consultation and transaction promotion, microfinance platform service for helping farmers, and investment in petty loan sector. Since its inception, CreditEase has established a national service network covering over 40 cities in China, including Shanghai, Guangzhou, Shenzhen, Shenyang, Dalian, Harbin, Jinan, Qingdao, Wuhan, Changsha, Kunming, Hangzhou, Nanjing, Suzhou, Xi'an, Chengdu, Chongqing, and Zhengzhou.

In 2006, CreditEase took the lead in China in launching “Person to Person” (“P2P”) credit management and wealth management service. CreditEase platform bridges clients on both ends. On one end of the platform are people with ascending social status and demands for small amount of funds. Their current incomes are at the average level or below the average, yet they will achieve rapid personal development in short terms by individual efforts and support from the society, particularly the help of microcredit funds. They stand for progress of the society; the middle class will be their future when they rise. On the other end of the platform are lenders with extra funds expecting financial returns and spiritual satisfaction by helping others. CreditEase introduces state-of-the-art credit management ideas and takes social credit conditions of China into consideration to provide a wide range of credit management and wealth management services, including credit consultation, credit assessment, credit solutions designing, agreement management and payment management, for clients on both ends of the platform. On the innovative platform, transactions between lenders and borrowers are safer, more efficient, professional and standard.



In 2011, CreditEase is expanding its business to provide comprehensive wealth management services to middle class and high net worth individuals, introducing advanced wealth management tools and practices to China.

◆ 1.2 History of development

In 2006, CreditEase started P2P credit management and wealth management services from Study Credit Aid, and gradually grew into the leading credit management service provider in education and training. In the same year, CreditEase extended its business scope into a wider realm of personal credit management.

In 2009, CreditEase launched “Rural Credit Aid”, which enables lenders to lend their extra money through P2P platform to rural creditworthy borrowers in remote poverty-stricken locations.

In 2010, as an outstanding representative of innovative microcredit operation, CreditEase was elected council member of “CMA”, the largest and the most typical organization in China. Mr. Ning Tang, CEO of CreditEase, was elected director of Strategy Committee of the alliance council.

In 2011, as the strategic cooperative partner of development, CreditEase became a member of China Inclusive Finance Working Committee, urging governments to formulate supportive policies for Microfinance industry, promoting responsible investment behaviors, and powering the development of Chinese inclusive finance .

CreditEase has established a nationwide service network, covering more than 40 first-tier and second-tier cities and some of the rural areas. In the future, CreditEase will continue to expand the service network to benefit more people with inclusive credit.

Chapter 2 Social Performance—Better Credit, Better Life

The way CreditEase conducts business and fulfils its social responsibility can best be described as “better credit, better life”. CreditEase is committed to achieving and helping others achieve success on the strength of credit value created to help China continue on its path of soaring development. Simple as it may sound, the notion is profound and requires working in constantly changing circumstances.

Credit is the key component of CreditEase’s business model. Focusing on “CREDIT” and relying upon conceptual breakthroughs, CreditEase facilitates innovation in technology and

business models by making it a social imperative. By translating intangible “CREDIT” assets into tangible value, CreditEase helps clients not only obtain financial capital, but also enhance their economic status, providing a shortcut to the middle class for the ambitious rank and file who are ascending the social class ladder.

Credit also forms the very core of the social responsibility shouldered by CreditEase. CreditEase’s understanding of social responsibility as well as its business practices can be encapsulated by the six points that make up the acronym “CREDIT”.

C-Credit: With its innovative business model, CreditEase serves as a matchmaker between borrowing and lending demands, guaranteeing more secure, effective, professional and compliant credit transactions for clients, and rewarding clients with the double return of both economic and social value.

R-Risk Management: Risk control is both the key element for CreditEase’s business model and a focus of CreditEase’s social responsibility strategy. CreditEase has established a creative, multi-dimensional risk control system, which enables risk identification, prevention, avoidance and mitigation, so that the interest of clients can be well-protected and the secure and sustained development of the company be ensured.

E-Environment: It is incumbent on CreditEase to protect the environment. CreditEase adheres to sustainable development and has implemented policies for protecting the environment and saving resources through energy efficiency in the office, low-carbon operations and participation in environmental campaigns.

D-Development: For CreditEase, sustainable development means a winning combination of business success and social progress. CreditEase’s business development is closely aligned with the financial demands of those with ascending social status. Together with its team members, clients and social organizations, CreditEase will foster social innovation through financial innovation to allow sustainable development.

I- Inclusive Finance: CreditEase is committed to advocating Inclusive Finance and putting it into action, providing innovative and considerate services for people with improving social status through P2P platform. In addition, as an industry pioneer, CreditEase actively participates in industry organizations, leads industry-wide innovation, promotes self-regulation, in an effort to help the industry as a whole develop and thrive.

T-Trust: CreditEase helps build mutual trust between lenders and borrowers through its P2P platform, and raises the self-confidence and self-esteem of borrowers to enhance their

development. When an increasing number of people join together in a circle of mutual trust, it increases social capital on the whole and helps build a society with integrity.

◆ 2.1 C-Credit

As a kind of intangible assets, credit cannot be seen or touched, yet it exerts influences upon our life and work. Everyone has a dream; no matter it is young people taking part in professional training, wage-earners in busy decoration of new houses, small enterprise owners who just receive an order, or farmers raising livestock, it makes no exception, and one needs a sum of fund to start making his or her dream come true at the beginning. However, without any collateral or guarantor, they find it difficult to get loans from the existing financial system, even though they own a valuable asset -- credit.

CreditEase believes: Everyone has credit. Credit has value. As early as in 1970s, Professor Muhammad Yunus in Bangladesh lent small-amount fund to poor people he didn't know and on that basis he founded Grameen Bank. For years, the repayment rate of Grameen Bank keeps above 98%, indicating that poor people are creditworthy. A large number of farmers have cast off the chain of poverty with the help of microcredit, and realized their credit value through loans. The mode of microcredit has since then been introduced to the whole world and achieved great success. In 2006, Muhammad Yunus and the Grameen Bank he founded won the Nobel Peace Prize "for their efforts to create economic and social development from below".

However, in the Chinese society, social transactions face extremely high cost due to unsound credit system. It is a responsibility handed over to CreditEase to find a way to put the seed of microcredit discovered by Pro. Yunus into the soil of China, so that inclusive credit can be achieved and creditworthy people in the society can be rewarded with value. CreditEase pioneers in China in promoting the innovative P2P mode. P2P (Person to Person) microcredit is a new type of private borrowing and lending with close connection with innovative technologies and financial modes, such as the Internet and microcredit, allowing the greatest possibility for individuals to reach transparent, open, direct and secure microcredit transactions.

In addition to encouraging innovation, CreditEase keeps optimizing service quality and dedicates itself to providing innovative, high quality and efficient services to clients on both ends of the platform, as to bring the best out of the P2P platform.

◆ 2.2 R-Risk Management

Risk control is the key to the business mode of CreditEase, and the focus of its social responsibility. CreditEase strives to be a sustainable personal credit management service platform, which can't go anywhere without stakeholders. Therefore, CreditEase conducts comprehensive risk management not only from the perspective of the organization, but for a larger and wider ecological circle involving mutual development of the organization and the stakeholders.

Based on sustainable comprehensive risk management concepts, CreditEase further combines business process and daily operation and conducts all-sided assessment of benefits of all sides, so as to effectively indentify and respond to risks.

What CreditEase faces is largely credit management risks. Beginning with identification of credit management risks, CreditEase clarifies the types of risks and takes all-round risk control measures according characteristics of microcredit risks. CreditEase establishes a set of complete, effective and multidimensional risk control and management patterns by diversifying risk, preparing payment risk funds and conducting risk control over the entire process of loans, operation of IT information system, and compliant operations.

◆ 2.3 E-Environment

Environment-friendliness requires people's awareness of protecting and properly utilizing natural resources, preventing pollution and damage to natural environment, and creating and maintaining favorable ecological environment for life and work.

Chinese laws have clearly defined legal responsibilities regarding environmental protection for enterprises, which is a key part of the corporate social responsibility. The UN Global Compact also includes terms regarding environmental protection for enterprises. It has become an international trend that enterprises fulfill their obligations to protect the environment.

As a responsible company, CreditEase is well aware of the importance of discharging the responsibility of protecting the environment. CreditEase strives to do its bits by promoting green office, e-business and participation in environmental protection.

◆ 2.4 D-Development

Sustainable development is the main theme for human development, as well as the major target for an enterprise to discharge its social responsibility. To make sustainable

development possible, an enterprise needs to lay equal emphasis on commercial and social sustainability, so that the enterprise will not only become an incubator of fortune, but an engine for social development.

CreditEase builds its business operation upon the cornerstone of social sustainability. P2P microcredit can be regarded as a commercial innovative mode serving people with high potential of growth, as well as a pattern for social innovation. Through such mode or pattern, an enterprise will embrace its own development as well as social sustainability.

For CreditEase, clients, team members and social organizations are not only stakeholders in terms of commercial operation, but are important cooperative partners for pushing forward social development.

CreditEase focuses on the demand of clients--people with high earnings potentials, and is committed to financial innovation and constant pursuit of social value by providing assistance to farmers, students and micro businesses.

Team members are inexhaustible power of sustainable development of CreditEase. CreditEase not only cares about its clients but also the rapid growth of all its team members.

Social organizations, such as schools and NGOs, are important partners of CreditEase on the path of sustainable development. CreditEase feels it is incumbent on it to work with schools and NGOs to pass on the idea of inclusive credit and promote social innovation.

◆ 2.5 I-Inclusive Inclusive Finance

Financial capital serves as one of the cornerstones for the development of economy and society. Traditional financial systems frequently neglect the financial demands from the low-income underclass, which is the impetus to social development- and exclude them from financial services and innovations. Microcredit, which was born in 1970s, is the prelude of Inclusive Finance. In the present world, Inclusive Finance has become a key issue to development of economies and societies across the globe.

A question always on the minds of people from CreditEase is that what can Inclusive Finance do for China's economic and social development? And what social responsibilities does CreditEase shoulder to help build Inclusive Financial System in China?

◆ 2.6 T-Trust

As China's first enterprise running "credit" via P2P pattern, CreditEase is fully aware that P2P platform not only builds loan relationship between lenders and borrowers, but helps

establish the trust between them. Though such trust is built on the perfect credit management system of CreditEase, for the lenders and borrows and the entire society, it is an indispensable part of market economy, and more than that, it is a crucial cornerstone for a society with integrity.

To lenders, such trust not only helps them gain capital return, but also gives them spiritual satisfaction that their financial help matters. To borrowers, such trust is even more important, for it not only brings financial support, but also self-confidence, self-esteem and self-empowerment. It gives them confidence and enthusiasm so that they can create and seize opportunities for their development.

Based on the same reasons, the trust built upon P2P platform not only exists between borrowers and lenders, but also reproduced, carried on and extended in the respective social relations of the lenders and borrowers. As for the whole of the society, the reproduction, carrying-on and extension of trust mean increase and improvement of social capital, which is the cornerstone of a society with integrity and harmony.

CreditEase's P2P not only provides an innovation platform for market optimization of financial capital, but also lays a foundation of trust for a society with harmony and integrity. Building trust becomes a further and distinct social responsibility for CreditEase.

Appendix 1 Social Recognition and Reputation

- ✓ In October 2008, CreditEase won the champion of "China Business Plan Competition" and Best Popularity Award by University of Maryland, USA.
- ✓ In November 2008, CreditEase was honored "Leading Enterprise of Study Loan for Education & Training of China" by China IT Education Summit.
- ✓ In January 2010, CreditEase was honored "Education and Training Credit Service Organization Recommended by A Million Readers" by a selection jointly sponsored by Beijing Evening News and various media.
- ✓ In May 2010, CreditEase established strategic cooperation with top international investment organization KPCB and gained the first venture capital injected in China's microcredit sector.
- ✓ In September 2010, CreditEase was honored the Top 30 Dark Horse Enterprises with the Greatest Potential by *Entrepreneur* magazine.
- ✓ In September 2010, CreditEase was elected member of China Association of Microfinance (CAM) council.

- ✓ In October 2010, CreditEase won “Best Innovative Financial Services Awards” by *CEO & CIO* magazine.
- ✓ In December 2010, YiNongDai won the first "China Merchants Award for Innovation Poverty Alleviation Actions" sponsored by China Association of Non-Profit Organization(CANPO) and China Merchants Charitable Foundation
- ✓ In March 2011, CreditEase joined Working Committee of China Inclusive Finance and was responsible for strategic development.

Appendix 2 Media Focus

- ✓ December 2008, *Occupation* magazine, Inclusive Education: Make Credit a Habit
- ✓ January 2009, *Talents* magazine, Yunus’s Chinese Disciple
- ✓ December 2009, *Distance Education in China* magazine, Mr. Ning Tang: Advocate of Inclusive Credit
- ✓ January 2010, *People's Daily Overseas Edition*, Mr. Ning Tang: “Be a Pioneer for Public Good”
- ✓ February 2010, *21st Century Business Herald* newspaper, Alipay2.0 CreditEase’s Online Credit Business
- ✓ April 2010, *People's Daily Overseas Edition*, Business for Returned Overseas Entrepreneur: VC, Where to Begin
- ✓ May 2010, *Financing Weekly* magazine, P2P Credit Finance: “Annualized Return of 12%”
- ✓ May 2010, Chinese News Online, Expert: China to See Retail Microfinance Business after Financial Crisis
- ✓ August 2010, *CBN Weekly* magazine, CreditEase: Lending to Strangers
- ✓ August 2010, *Business Time* magazine, Mr. Ning Tang: Making Money from Credit
- ✓ August 2010, *CPPCC Post*, CreditEase: CSR, Part of Corporate Strategy
- ✓ August 2010, *Forbes* magazine, Credit has Value
- ✓ September 2010, *China Entrepreneur* magazine, Stories behind the Yunus’s Chinese Disciple
- ✓ September 2010, *The Economic Observer* magazine, Credit has Gold
- ✓ October 2010, *China Poverty Alleviation* magazine, Rural Credit Aid: Cure to Rural Microcredit Predicament
- ✓ October 2010, *Global Charity* magazine, Rural Credit Aid: Empowerment with 100
- ✓ November 2010, *Southern Metropolis Daily*, CreditEase: Lending Only to “Strangers”
- ✓ November 2010, *Business* magazine, CreditEase: Credit Guardian from Beijing
- ✓ January 2011, *Beijing Times* newspaper, Microcredit Helps Rural Women Get Rich

- ✓ April 2011, *Chinese Women's Weekly*, P2P Lending “Only to Rural Women”
- ✓ April 2011, China News Online, Mr. Ning Tang: China’s Microcredit “Spearhead” “Blue Ocean” of Rural Finance.

Expert comments

This is the first CSR Report issued by CreditEase. It discloses CreditEase’s introduction of the most advanced credit idea and mode into China and practices of providing innovative, quality and efficient credit management and wealth management services for tens of thousands of people. It fully covers the rapid development of CreditEase in the past five years and its future blueprint of development. The Report has following features:

To begin with, the Report is well-structured and creative. First, the Report is based on an impressive fundamental framework of “C-R-E-D-I-T”, which is the responsibility mode for CreditEase. Second, the Report elaborates practices and achievements CreditEase made to fulfill its social responsibility around the six dimensions of the responsibility model, namely credit innovation, multidimensional risk control, environmental friendliness, sustainable development, Inclusive Finance, and trust. In this creative and reader-friendly way of arrangement, the Report highlights both the major operation of CreditEase as well as its core practices of social responsibility. Third, the innovative arrangement in the form of “C-R-E-D-I-T” helps reader with their reading experience.

Secondly, the Report is rich in content and practical. CreditEase has a short history, yet the Report contains rich contents about the company’s economic, social and environmental practices and performances. It well responds to the expectation and appeal of stakeholders. First, CreditEase utilizes specialized advantage of its business operation and satisfies demands of key stakeholders through optimized allocation of finance resources; second, CreditEase actively promotes development of Inclusive Finance in China, insisting integration and innovation, expanding the coverage of financial services, and generating both economic and social benefits; third, the Report contains a large number of user comments and photos to disclose evaluation of stakeholders on its performance of social responsibility, which are closely linked with requests of the stakeholder and make the Report more natural and tangible.

Thirdly, the Report contains distinct features showing CreditEase’s performance of social responsibility. The Report is guided by the theme of “integrity”, revealing that CreditEase sticks to “credit innovation” and “development of integrity”, integrates social responsibility into the company’s business operation, and actively launches practices to help wage-earners, farmers, micro-entrepreneurs and students. It shows its responsibility of “Better credit,

Better Life” and characteristics of which CreditEase discharges social responsibility as a financial service provider.

To sum up, it is an innovation CSR report of high quality. It will be even better if it could further integrate corporate strategy with its social responsibility strategy, and provide more information about its key performances in relevant fields.

I hope CreditEase will, through credit management and wealth management service platform, adhere to “Better Credit, Better Life” and further promote the culture and environment of integrity in China, as to make greater contributions to Inclusive credit in China.

Yin Gefei

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Reader Feedback

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Your valuable advice through the following channels is appreciated:

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