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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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**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)

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
GRANT OF AUTHORIZATION TO THE BOARD AND ITS AUTHORIZED
PERSONS TO HANDLE THE SPECIFIC MATTERS RELATING TO
THE NON-PUBLIC ISSUANCE OF A SHARES
SHARE SUBSCRIPTION CONTRACT WITH CONDITIONS PRECEDENT
CONNECTED TRANSACTION: CHINA POST GROUP SUBSCRIPTION
RE-ELECTION OF MR. LIU YUE AS NON-EXECUTIVE DIRECTOR OF THE
BANK
RE-ELECTION OF MR. DING XIANGMING AS NON-EXECUTIVE DIRECTOR OF
THE BANK
RE-ELECTION OF MR. HU XIANG AS INDEPENDENT NON-EXECUTIVE
DIRECTOR OF THE BANK
REMUNERATION SETTLEMENT PLAN FOR DIRECTORS FOR 2019
REMUNERATION SETTLEMENT PLAN FOR SUPERVISORS FOR 2019
NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING
Independent Financial Adviser to the Independent Board Committee and the Independent
Shareholders regarding the China Post Group Subscription**



Postal Savings Bank of China Co., Ltd. will successively convene the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting at 2:30 p.m. on Monday, December 21, 2020 at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing). A letter from the Board is set out on pages 4 to 24 of this circular. The notice of the EGM and the notice of the H Shareholders' Class Meeting are set out on pages 25 to 30 of this circular. A letter from the Independent Board Committee is set out on page 31 of this circular. A letter from Gram Capital containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 42 of this circular.

Whether or not you are able to attend the EGM and/or the H Shareholders' Class Meeting, you are advised to read the notice of the EGM and the notice of the H Shareholders' Class Meeting. If you intend to appoint a proxy to attend the EGM and/or the H Shareholders' Class Meeting, you are required to complete the enclosed proxy form(s) in accordance with the instructions printed thereon. The proxy form(s) 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 EGM and the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy form(s) will not preclude you from attending and voting in person at the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof if you so wish.

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.

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DEFINITIONS

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

“A Share Non-public Issuance Plan”	the A Share non-public issuance plan of the Bank to be considered and approved at the EGM and Shareholders’ Class Meetings, details of which are set out in this circular
“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
“A Shareholder(s)”	holder(s) of A Shares
“A Shareholders’ Class Meeting”	the first class meeting of A Shareholders of 2020 to be convened after the conclusion of the EGM at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing) on Monday, December 21, 2020
“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
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bank” or “Postal Savings Bank of China”	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company incorporated 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 Supervisors”	the board of Supervisors of the Bank
“Board” or “Board of Directors”	the board of Directors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“China Post Group”	China Post Group Corporation, the controlling Shareholder of the Bank
“China Post Group Subscription”	the subscription of A Shares by China Post Group under the Non-public Issuance pursuant to the Share Subscription Contract, details of which are set out in this circular
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank

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“EGM”	the 2020 second extraordinary general meeting to be convened by the Bank at 2:30 p.m. on Monday, December 21, 2020 at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing)
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the China Post Group Subscription
“Group”	the Bank and its subsidiaries
“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
“H Shareholders’ Class Meeting”	the first class meeting of H Shareholders of 2020 to be convened after the conclusion of the A Shareholders’ Class Meeting at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing) on Monday, December 21, 2020
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Independent Board Committee”	the committee of the Board comprising Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli, the Independent Non-executive Directors, established for the purpose of making recommendations to the Independent Shareholders in respect of the China Post Group Subscription
“Independent Shareholder(s)”	the Shareholder(s) of the Bank except for China Post Group and its associates
“Latest Practicable Date”	November 30, 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Non-public Issuance of A Shares” or “Non-public Issuance”	the non-public issuance of A Shares by the Bank pursuant to the A Share Non-public Issuance Plan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Subscription Contract with Conditions Precedent” or “Share Subscription Contract”	Share Subscription Contract with Conditions Precedent for the Non-public Issuance of A Shares by Postal Savings Bank of China Co., Ltd. entered into between the Bank and China Post Group on November 30, 2020

DEFINITIONS

“Share(s)” or “Ordinary Share(s)”	the A Share(s) and/or H Share(s) of the Bank
“Shareholder(s)”	holder(s) of Shares of the Bank
“Shareholders’ Class Meetings”	A Shareholders’ Class Meeting and H Shareholders’ Class Meeting
“The Stock Exchange of Hong Kong”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank

LETTER FROM THE BOARD OF DIRECTORS



POSTAL SAVINGS BANK OF CHINA CO., LTD.

中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

Board of Directors:

Chairman and Non-executive Director:

Mr. Zhang Jinliang

Executive Directors:

Mr. Guo Xinshuang

Mr. Zhang Xuewen

Ms. Yao Hong

Non-executive Directors:

Mr. Han Wenbo

Mr. Liu Yaogong

Mr. Liu Yue

Mr. Ding Xiangming

Independent Non-executive Directors:

Mr. Fu Tingmei

Mr. Wen Tiejun

Mr. Chung Shui Ming Timpson

Mr. Hu Xiang

Ms. Pan Yingli

Registered Office:

No. 3 Financial Street,

Xicheng District,

Beijing, PRC

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower,

No. 248 Queen's Road East

Wanchai,

Hong Kong

To the Shareholders:

I. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the EGM and subsequent H Shareholders' Class Meeting to be convened at 2:30 p.m. on Monday, December 21, 2020 at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing).

The purpose of this circular is to provide you with the notice of the EGM and the notice of the H Shareholders' Class Meeting 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 EGM and the H Shareholders' Class Meeting.

II. MATTERS TO BE CONSIDERED AT THE EGM AND THE H SHAREHOLDERS' CLASS MEETING

Resolutions to be proposed and approved at the EGM include: (1) the Proposal regarding Postal Savings Bank of China's Satisfaction of the Conditions of the Non-public Issuance of A Shares; (2) the Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China; (3) the Proposal regarding the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of Postal Savings Bank of China; (4) the Proposal regarding the Report on the Use of Previously Raised

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Proceeds of Postal Savings Bank of China as of September 30, 2020; (5) the Proposal regarding the Dilution of Immediate Returns by the Non-public Issuance of A Shares, Remedial Measures and Commitments of Related Entities of Postal Savings Bank of China; (6) the Proposal regarding the Shareholders' Return Plan of Postal Savings Bank of China for the Next Three Years of 2021-2023; (7) the Proposal to the Shareholders' General Meeting to Authorize the Board of Directors and Its Authorized Persons to Handle the Specific Matters relating to the Non-public Issuance of A Shares; (8) the Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China; (9) the Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber; (10) the Proposal on the Re-election of Mr. Liu Yue as Non-executive Director of Postal Savings Bank of China; (11) the Proposal on the Re-election of Mr. Ding Xiangming as Non-executive Director of Postal Savings Bank of China; (12) the Proposal on the Re-election of Mr. Hu Xiang as Independent Non-executive Director of Postal Savings Bank of China; (13) the Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Directors for 2019; and (14) the Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Supervisors for 2019. Particularly, Proposals (1), (3) to (6), and (10) to (14) are ordinary resolutions, and Proposals (2) and (7) to (9) are special resolutions.

Resolutions to be proposed and approved at the H Shareholders' Class Meeting as special resolutions include: (2) the Proposal regarding the Non-public Issuance of A Shares by Postal Savings Bank of China; (7) the Proposal to the Shareholders' General Meeting to Authorize the Board of Directors and Its Authorized Persons to Handle the Specific Matters Relating to the Non-public Issuance of A Shares; (8) the Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China; and (9) the Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber.

1. *Proposal regarding Postal Savings Bank of China's Satisfaction of the Conditions of the Non-public Issuance of A Shares*

In accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies, the Implementation Rules for Non-public Issuance of Shares by Listed Companies, the Interim Measures for the Equity Management of Commercial Banks and other related laws, regulations and regulatory documents, after self-examination on the actual operation and relevant matters of the Bank item by item, it is considered that the Bank has complied with the conditions for the Non-public Issuance of A Shares.

The Proposal regarding Postal Savings Bank of China's Satisfaction of the Conditions of the Non-public Issuance of A Shares has been reviewed and approved by the Board on November 30, 2020 and is now submitted to the Shareholders for consideration and approval at the EGM.

2. *Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China*

According to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures on the Issuance of Securities of Listed Companies, the Implementation Rules for Non-public Issuance of Shares by Listed Companies and other relevant laws, regulations and normative documents, the Bank proposed the A Share Non-public Issuance Plan. The details are as follows:

LETTER FROM THE BOARD OF DIRECTORS

A. Non-public Issuance plan

(I) Class and nominal value of securities to be issued

The A Shares to be issued under the Non-public Issuance is the Bank's domestically listed Ordinary Shares denominated in RMB with a nominal value of RMB1.00 per Share.

(II) Method and time of issuance

The Shares will be issued to the target subscriber by way of non-public offering. The Bank will issue Shares at an appropriate time within the validity period upon obtaining the approval documents of the CSRC in respect of the Non-public Issuance.

(III) Amount and use of proceeds

The proceeds from the Non-public Issuance of A Shares shall not exceed RMB30 billion (inclusive, and the same applies below) which, after deducting the relevant issuance expenses, will be fully used to replenish the core tier 1 capital of the Bank. The amount of the Non-public Issuance of RMB30 billion was determined in accordance with regulatory capital requirements in order to meet the Bank's needs for replenishing core tier 1 capital and supporting the sustained and healthy development of our business, with reference to the core tier 1 capital adequacy ratio of the Bank (as of September 30, 2020, the core tier 1 capital adequacy ratio of the Bank was 9.51%) and based on the results of an arm's length negotiation between the Bank and China Post Group. The size of proceeds will depend on the final issuance plan approved by the relevant regulatory authorities.

(IV) Target subscriber and subscription method

The target subscriber for the Non-public Issuance is China Post Group, the controlling Shareholder of the Bank. The proposed subscription amount by China Post Group shall not exceed RMB30 billion, the maximum proceeds from the and the subscription amount will be determined in accordance with the amount of proceeds approved by regulatory authorities. China Post Group will subscribe for A Shares to be issued under the Non-public Issuance in cash.

(V) Issue price and pricing principles

The pricing benchmark date of the Non-public Issuance is November 30, 2020 (i.e. the date of announcement of the Bank's Board resolution that approved the Non-public Issuance). The price of Shares to be issued under the Non-public Issuance shall not be lower than the higher of the following:

- (1) 80% of the average trading price (rounded up to the nearest two decimal places) of the RMB-denominated Ordinary Shares of the Bank for the 20 trading days preceding the pricing benchmark date (excluding the pricing benchmark date). The average trading price of the RMB-denominated Ordinary Shares for the 20 trading days preceding the pricing benchmark date is equal to the total trading amount of the RMB-denominated Ordinary Shares of the Bank for the 20 trading days preceding the pricing benchmark date divided by the total trading volume of the RMB-denominated Ordinary Shares for the 20 trading days preceding the pricing benchmark date. In the event that there are ex-right or ex-dividend

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activities causing adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the adjusted price caused by the ex-right or ex-dividend activities.

- (2) the latest audited net assets per Share of the Bank attributable to the ordinary Shareholders of the parent company before the issuance. In the event that the Bank distributes dividends, grants bonus shares, allots shares, converts capital reserve to share capital or carries out ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial reports before the issuance to the Issuance date, adjustments shall be made to the abovementioned net assets per Share accordingly.

The basis for determining the issue price of the Non-public Issuance of the Bank is fairly determined in accordance with past cases and the guidance of relevant regulatory authorities. The basis for determining the issue price of the Non-public Issuance is in line with the pricing practices of large state-owned banks for non-public issuance (issue price was determined based on the audited net assets per Share). The Board of the Bank believes that the basis for determining the issue price is fair and reasonable.

(VI) Number of Shares to be issued

The maximum number of the Shares to be issued under the Non-public Issuance is calculated based on the net assets per Share of the Bank attributable to ordinary Shareholders of the parent company (excluded dividend) most recently disclosed (the audited net asset value per Share of the Bank in 2019 was RMB5.75 per Share, and the net asset value per Share after ex-dividend is RMB5.55 per Share). The number of Shares to be issued under the Non-public Issuance shall not exceed 5,405,405,405 (inclusive, and the same applies below). The final number of Shares to be issued will be determined based on the latest audited relevant data before the issuance and the aforesaid pricing method, as well as the maximum amount of proceeds and maximum number of Shares to be issued approved by the relevant regulatory authorities.

The maximum number of Shares to be subscribed for by China Post Group equals to its proposed subscription amount divided by the issue price calculated based on the aforesaid pricing method. The maximum number of Shares to be subscribed for is calculated to the nearest integer with digits after the decimal point rounded off. The maximum number of Shares under the Non-public Issuance that China Post Group proposed to subscribe for is 5,405,405,405.

The maximum number of Shares to be issued under the Non-public Issuance and the maximum number of Shares proposed to be subscribed for by China Post Group will be adjusted accordingly if any ex-rights events of the Bank's Shares such as bonus issue and capitalization of capital reserve occur during the period from the pricing benchmark date to the date of the issuance.

(VII) Lock-up period of Shares to be issued

Pursuant to the relevant requirements of the CSRC, the CBIRC and the Shanghai Stock Exchange, all the Shares subscribed for by China Post Group under the Non-public Issuance shall not be transferred within five years from the date on which it obtains the equity interests.

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If the lock-up period for the Shares subscribed for and the transfer of Shares upon expiry of the lock-up period are otherwise regulated by the relevant regulatory authorities, such regulations shall be followed.

Upon expiry of the lock-up period, the Shares subscribed for by China Post Group may be transferred in accordance with the Company Law of the People's Republic of China and other relevant laws and regulations as well as the relevant regulations of the CSRC, the CBIRC and the Shanghai Stock Exchange.

(VIII) Listing venue

The A Shares to be issued under the Non-public Issuance will be listed and traded on the Shanghai Stock Exchange.

(IX) Arrangement of accumulated undistributed profits prior to the completion of the issuance

The accumulated undistributed profits prior to the completion of the Non-public Issuance will be shared by the new and old Shareholders after the completion of the Non-public Issuance.

(X) Validity period of the resolution

The Non-public Issuance Plan shall be submitted to the Shareholders' general meeting of the Bank for consideration item by item. The resolution of the Non-public Issuance of Shares shall be valid within twelve months from the date when the resolution is considered and approved at the Shareholders' general meeting.

B. Reasons for the issuance

In order to continue to meet regulatory standards in respect of capital for commercial banks, improve the capital adequacy level and promote the steady and healthy development of businesses, the Bank proposes to non-publicly issue A Shares.

C. Approvals at the Shareholders' general meeting and from the regulatory authorities

Pursuant to the relevant PRC laws and regulations as well as the Hong Kong Listing Rules, the implementation of the Non-public Issuance is subject to, among others, (i) the approval by the Shareholders at the EGM and the Shareholders' Class Meetings; (ii) the approval by the CBIRC; and (iii) the approval by the CSRC. The Non-public Issuance is subject to the final plan to be approved by the aforesaid regulatory authorities. Any of the above conditions shall not be waived, therefore, if any of the above conditions are not fulfilled, the Bank shall not proceed with the Non-public Issuance.

As at the Latest Practicable Date, the Bank has not submitted the application of the Non-public Issuance to the CBIRC or CSRC for approval. In accordance with the applicable laws and regulations of the PRC, the Bank will submit the applications of the Non-public Issuance to the CBIRC and CSRC for approval after the approval of the Non-public Issuance by the Shareholders at the EGM and the Shareholders' Class Meetings.

D. Basic information of the target subscriber

The target subscriber of the Non-public Issuance is China Post Group.

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China Post Group, a wholly state-owned enterprise incorporated in accordance with the Company Law of the People's Republic of China, was established on October 4, 1995, and restructured and renamed as China Post Group Corporation Limited on December 17, 2019. It engages in various postal businesses in accordance with law, undertakes the obligations of general postal services and provides special postal services entrusted by the government. China Post Group has a registered capital of RMB137.6 billion. Its registered address is No. 3 Financial Street, Xicheng District, Beijing. Its unified social credit code is 91100000000192465 and legal representative is Mr. Liu Aili. China Post Group is principally engaged in domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with the law, confidential correspondence, postal financial business, emerging business such as postal logistics and emails, e-commerce, various postal agency businesses and other businesses as stipulated by the state.

As at the Latest Practicable Date, China Post Group held 56,690,008,873 A Shares and 80,700,000 H Shares of the Bank with a total of 56,770,708,873 Shares and a shareholding percentage of 65.27%.

E. Effect of the Non-public Issuance of A Shares on the shareholding structure of the Bank

The following table sets out the shareholding structure of the Bank as at the Latest Practicable Date and immediately after the completion of the Non-public Issuance (on the assumption that a total of 5,405,405,405 A Shares will be issued under the Non-public Issuance, and there will be no further change in the existing shareholding structure of the Bank until the completion of the Non-public Issuance):

Name of Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Non-public Issuance	
	Number of Shares	As a percentage of total issued Shares	Number of Shares	As a percentage of total issued Shares
A Shares				
– China Post Group	56,690,008,873	65.18%	62,095,414,278	67.21%
– China Post Securities Co., Ltd.	11,874,150	0.01%	11,874,150	0.01%
– Public A Shareholders	10,420,512,177	11.98%	10,420,512,177	11.28%
Total issued A Shares	67,122,395,200	77.17%	72,527,800,605	78.51%
H Shares				
– China Post Group	80,700,000	0.09%	80,700,000	0.09%
– DBS Bank Ltd. ⁽¹⁾	398,460,000	0.46%	398,460,000	0.43%
– Public H Shareholders	19,377,007,000	22.28%	19,377,007,000	20.97%
Total issued H Shares	19,856,167,000	22.83%	19,856,167,000	21.49%
Total issued Shares	86,978,562,200	100%	92,383,967,605	100%

Notes:

- (1) DBS Bank Ltd. is a core connected person (as defined in the Hong Kong Listing Rules) of the Bank, therefore the Shares held by DBS Bank Ltd. shall not be calculated as a part of the public Shares.

LETTER FROM THE BOARD OF DIRECTORS

- (2) Percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Based on publicly available information and to the knowledge of the Board, as at the Latest Practicable Date, the Bank has maintained sufficient public float in compliance with the minimum requirement under Rule 8.08 of the Hong Kong Listing Rules and the waivers granted by The Stock Exchange of Hong Kong at the time of listing.

Based on publicly available information and to the knowledge of the Board, assuming that a total of 5,405,405,405 A Shares will be issued pursuant to the Non-public Issuance and that there are no other changes to the share capital of the Bank prior to the completion of the Non-public Issuance, the public float percentage of the Bank immediately after the Non-public Issuance will continue to satisfy the minimum requirement under Rule 8.08 of the Hong Kong Listing Rules.

F. Whether the Non-public Issuance leads to changes in the controlling right over the Bank

Upon the completion of the Non-public Issuance, China Post Group will remain the controlling Shareholder and de facto controller of the Bank. Therefore, there will be no change in the controlling right over the Bank.

G. Equity fund raising activities in the past twelve months

Pursuant to the Approval of the Initial Public Issuance of Shares by Postal Savings Bank of China Co., Ltd. (Zheng Jian Xu Ke [2019] No. 1991) issued by the CSRC on October 25, 2019, the Bank completed the initial public issuance of 5,172,164,200 RMB Ordinary Shares on November 28, 2019 and the listing on the Main Board of the Shanghai Stock Exchange on December 10, 2019 at an offer price of RMB5.50 per Share, with the closing price at RMB5.61 on December 10, 2019, and the total funds raised amounted to RMB28,446.90 million. After deducting issuance fees, net proceeds totaled RMB28,000.55 million, with net proceeds per Share of approximately RMB5.41, and were used to replenish the Bank's capital. The joint lead underwriters exercised the over-allotment option in full on January 8, 2020, with the closing price at RMB5.85 on January 8, 2020. Based on the offer price of RMB5.50 per Share, the Bank issued an addition of 775,824,000 Shares on the basis of the initial issuance of 5,172,164,200 Shares, increasing total proceeds by RMB4,267.03 million. Together with the proceeds of RMB28,446.90 million from the initial issuance of 5,172,164,200 Shares, the total proceeds raised from this issuance amounted to RMB32,713.94 million. After deducting issuance fees, net proceeds amounted to approximately RMB32,205.98 million, with net proceeds per Share of approximately RMB5.41, and were used to replenish the Bank's capital. For details of the above Initial Public Issuance of A Shares and implementation of the over-allotment option, please refer to the circular dated April 12, 2019 and the announcements dated December 8, 2019 and January 9, 2020 of the Bank.

Save as disclosed above, the Bank did not conduct any equity fund raising activity or issue any equity securities within the 12 months immediately preceding the Latest Practicable Date.

H. Specific mandate to issue A Shares

The Bank will issue the A Shares under the specific mandate to be sought from the Independent Shareholders at the EGM and the Shareholders' Class Meetings.

LETTER FROM THE BOARD OF DIRECTORS

The Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China was considered and approved by the Board on November 30, 2020 and is now proposed to Shareholders for consideration and approval at the EGM and H Shareholders' Class Meeting.

3. *Proposal regarding the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of Postal Savings Bank of China*

According to the Administrative Measures for the Issuance of Securities by Listed Companies by the CSRC, the Bank has prepared Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of Postal Savings Bank of China, which analyzed and reported on the use of raised proceeds, the necessity of Non-public Issuance, the feasibility of the use of proceeds, and the impact on the Bank's business management and financial status. See Appendix I for details.

After deduction of the expenses relating to the issuance, the proceeds raised from the issuance will be fully applied to replenish the core tier 1 capital of the Bank. The Bank will reasonably utilize the proceeds, actively support the transformation and development of businesses, strengthen capital constraint and reduce capital consumption so as to maintain sound return on net assets.

The Proposal regarding the Feasibility Report on the Use of Proceeds Raised from the Non-Public Issuance of A Shares of Postal Savings Bank of China has been reviewed and approved by the Board on November 30, 2020 and is now submitted to the Shareholders for consideration and approval at the EGM.

4. *Proposal regarding the Report on the Use of Previously Raised Proceeds of Postal Savings Bank of China as of September 30, 2020*

In accordance with the Rules on Report on Use of Previously Raised Funds issued by the CSRC, the Bank has prepared the Report on the Use of Previously Raised Proceeds of Postal Savings Bank of China as of September 30, 2020. See Appendix II for details.

The Proposal regarding the Report on the Use of Previously Raised Proceeds of Postal Savings Bank of China has been reviewed and approved by the Board on November 30, 2020 and is now submitted to the Shareholders for consideration and approval at the EGM. It will also be proposed to the Shareholders' general meeting to authorize the Board, and the Board will then delegate the authority to the Chairman of the Board and the President, to individually or jointly adjust the report in accordance with the relevant changes of laws, regulations, normative documents and relevant policies as well as the opinions of regulatory authorities. Please refer to Appendix II for details about the Report on the Use of Previously Raised Proceeds as of September 30, 2020.

5. *Proposal regarding the Dilution of Immediate Returns by the Non-public Issuance of A Shares, Remedial Measures and Commitments of Related Entities of Postal Savings Bank of China*

In accordance with the relevant requirements of the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets, the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets and the Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring by the CSRC, the Bank has formulated the Dilution of Immediate Returns by the Non-public Issuance of A Shares, Remedial Measures and Commitments of Related Entities of Postal Savings Bank of China, conducted relevant analysis in respect of the impact of the Non-public Issuance of A Shares on the dilution of the immediate returns and formulated relevant remedial measures in light of the actual situation. See Appendix III for details.

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The Proposal regarding the Dilution of Immediate Returns by the Non-public Issuance of A Shares, Remedial Measures and Commitments of Related Entities of Postal Savings Bank of China has been reviewed and approved by the Board on November 30, 2020 and is now submitted to the Shareholders for consideration and approval at the EGM. It will also be proposed to the Shareholders' general meeting to authorize the Board, and the Board will then delegate the authority to the Chairman of the Board and the President, to individually or jointly adjust the remedial measures in accordance with the relevant changes of laws, regulations, normative documents and relevant policies as well as the opinions of regulatory authorities.

6. *Proposal regarding the Shareholders' Return Plan for the Next Three Years of 2021-2023 of Postal Savings Bank of China*

In order to further strengthen the intent of rewarding Shareholders, improve the profit distribution system and offer reasonable, continuous and stable investment returns to Shareholders, the Bank has formulated the Shareholders' Return Plan for the Next Three Years of 2021-2023 of Postal Savings Bank of China in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice of the China Securities Regulatory Commission on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies, the No.3 Guideline for the Supervision of Listed Companies - Cash Dividend Distribution of Listed Companies, Guideline for the Cash Dividend Distribution of Companies Listed on the Shanghai Stock Exchange and the Articles of Association, and taking into full account its actual operation condition and the needs of future development. See Appendix IV for details.

The Proposal regarding the Shareholders' Return Plan for the Next Three Years of 2021-2023 of Postal Savings Bank of China has been reviewed and approved by the Board on November 30, 2020 and is now submitted to the Shareholders for consideration and approval at the EGM. It will also be proposed to the Shareholders' general meeting to authorize the Board, and the Board will then delegate the authority to the Chairman of the Board and the President, to individually or jointly adjust the Shareholders' return plan in accordance with the relevant changes of laws, regulations, normative documents and relevant policies as well as the opinions of regulatory authorities.

7. *Proposal to the Shareholders' General Meeting to Authorize the Board of Directors and Its Authorized Persons to Handle the Specific Matters relating to the Non-Public Issuance of A Shares*

In accordance with the arrangements of the Non-public Issuance of the A Shares of the Bank and for the purpose of carrying out the Non-public Issuance in an efficient and orderly manner, it will be proposed at the Shareholders' general meeting to authorize the Board, and the Board will delegate the authority to the Chairman and the President, to individually or jointly, deal with matters relevant to the Non-public Issuance subject to the framework and principles approved at the Shareholders' general meeting and in compliance with the requirements of relevant laws, regulations and other normative documents as well as opinions and recommendations of regulatory authorities. These matters include but are not limited to:

- (I) formulating, adjusting, amending, supplementing and implementing the specific plan of the Non-public Issuance, including but not limited to determining or adjusting the time of issuance, size of issuance, issue price and other matters, according to the laws, regulations and other normative documents, as well as the relevant rules and opinions of the regulatory authorities, while taking into consideration of the market environment and the specific conditions of the Bank;
- (II) drafting, amending and signing various applications, relevant reports or materials in relation to the Non-public Issuance and submitting them to relevant government agencies, regulatory authorities, stock exchanges and securities registration and clearing

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houses (including but not limited to the CSRC, the CBIRC, The Stock Exchange of Hong Kong, the Shanghai Stock Exchange, and Shanghai Branch of China Securities Depository and Clearing Corporation Limited), completing the procedures for approval, registration, filing, ratification, permission, listing and other procedures, and handling the information disclosure for the Non-public Issuance in accordance with regulatory requirements;

- (III) deciding upon and engaging the intermediary institutions that participate in the Non-public Issuance, as well as amending, supplementing, signing, implementing and terminating any agreement, contract and document related to the Non-public Issuance (including but not limited to sponsorship and underwriting agreements, intermediary engagement agreements, agreements related to raised funds, subscription agreements entered into with investors, announcements and other disclosure documents);
- (IV) upon the completion of the Non-public Issuance, modifying the relevant provisions in the Articles of Association in accordance with the results of the Non-public Issuance, and reporting to the relevant government agencies and regulatory authorities for approval or filing, and completing the change of industrial and commercial registration, the registration and custody of new Shares and other relevant matters with the industrial and commercial administrative departments and other relevant departments;
- (V) opening a special account for proceeds from the Non-public Issuance, and handling the relevant matters in relation to the use of proceeds from the Non-public Issuance;
- (VI) subject to the applicable PRC laws, if there are new requirements on policies in respect of listed companies issuing new shares under the laws, regulations and other normative documents and by relevant regulatory authorities and if there are changes in market conditions, except for those which are subject to another voting at a Shareholders' general meeting of the Bank and cannot be authorized as required by relevant laws, regulations and other normative documents and the Articles of Association, adjusting the plan of the Non-public Issuance in accordance with relevant rules and requirements of regulatory authorities (including any feedback upon review of the application for the Non-public Issuance) and the market situation, and continuing to handle the matters related to the Non-public Issuance;
- (VII) further analysing and demonstrating the impacts of the Non-public Issuance on the immediate returns of the Bank, formulating and modifying relevant remedial measures and policies, and handling other relevant matters, in the event that the laws, regulations and other normative documents impose new requirements or relevant regulatory authorities require any changes to be made regarding compensating immediate returns for refinancing; and
- (VIII) handling other matters that are necessary, suitable and appropriate for the Non-public Issuance on behalf of the Bank, subject to the relevant laws and regulations and other normative documents.

The above authorization will be valid for 12 months commencing from the date of approval at the Shareholders' general meeting of the Bank.

The Proposal to Shareholders' General Meeting to Authorize the Board of Directors and its Authorized Persons to Handle the Specific Matters Relating to the Non-Public Issuance of A Shares was considered and approved by the Board on November 30, 2020 and is now proposed to Shareholders for consideration and approval at the EGM and H Shareholders' Class Meeting.

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8. *Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China*

The Bank proposes to non-publicly issue A Shares to China Post Group. The total proceeds raised from it shall not exceed RMB30 billion, which will be used to replenish core tier 1 capital after deducting related issuance expenses.

On November 30, 2020, the Bank and China Post Group entered into the Share Subscription Contract with Conditions Precedent. For details, please refer to “9. The Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber” in this circular.

As of the Latest Practicable Date, China Post Group holds 56,770,708,873 Shares of the Bank with a shareholding percentage of 65.27%, and is the controlling Shareholder and de facto controller of the Bank. In accordance with the Listing Rules of the Shanghai Stock Exchange, the Hong Kong Listing Rules, the Articles of Association, the Administrative Measures on Related Party Transactions of Postal Savings Bank of China Co., Ltd. and relevant requirements, China Post Group is a related party of the Bank and a connected person under the Hong Kong Listing Rules, and the subscription of the Shares under the Non-public Issuance by China Post Group constitutes a connected transaction with China Post Group and is also subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

A. General information on the parties

The Bank is a leading retail bank in China with the largest distribution network, largest customer base and superior asset quality among Chinese commercial banks. The principal businesses of the Bank include personal banking, corporate banking and treasury business. The ultimate beneficial owner is the Ministry of Finance of the People’s Republic of China.

The main businesses operated by China Post Group include: domestic and international mail delivery and express delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging businesses such as postal logistics and e-mail, e-commerce, various postal agency businesses and other businesses as stipulated by the PRC. The ultimate beneficial owner is the Ministry of Finance of the People's Republic of China.

B. Reasons for and benefits of the China Post Group Subscription

The implementation of the China Post Group Subscription will help the Bank to further replenish its capital, strengthen its ability to resist risks, implement its strategies to achieve business objectives, and promote the steady development of business. With China Post Group as the subscriber of the Non-public Issuance, it is conducive to stabilizing the Bank’s equity structure, ensuring the Bank’s continued steady development in the long term, and enhancing its profitability.

C. Board confirmation

The Board (including the Independent Non-executive Directors) believes that the China Post Group Subscription is fair and reasonable and entered into on normal commercial terms. Entering into the Share Subscription Contract is in line with the overall interests of the Bank and the Shareholders.

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Directors, Zhang Jinliang, Guo Xinshuang, Zhang Xuewen, Yao Hong, Han Wenbo and Liu Yaogong, have material interests in the China Post Group Subscription and have abstained from voting on the relevant resolutions at the Board meeting. Except for the above Directors, no Directors have or are deemed to have material interests in the above transactions. Therefore, no other Directors were required to abstain from voting on relevant resolutions.

An Independent Board Committee has been formed by the Bank to advise the Independent Shareholders in respect of the China Post Group Subscription in accordance with Chapter 14A of the Hong Kong Listing Rules. Gram Capital has been appointed as the Independent Financial Adviser by the Bank to advise the Independent Board Committee and the Independent Shareholders on the above matters.

The Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China was considered and approved by the Board on November 30, 2020 and is now proposed to Shareholders for consideration and approval at the EGM and H Shareholders' Class Meeting.

9. *Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber*

On November 30, 2020, the Bank and China Post Group entered into the Share Subscription Contract. The main contents are as follows:

(I) *Subscription number and amount*

The proposed subscription amount by China Post Group shall not exceed RMB30 billion, the maximum size of proceeds, and the subscription amount will be determined in accordance with the scale of proceeds finally approved by regulatory authorities. The maximum number of the Shares under the Non-public Issuance is calculated based on the audited net assets per Share of the Bank attributable to ordinary Shareholders of the parent company (excluded dividend) most recently disclosed (at the end of 2019). The number of Shares to be issued under the Non-public Issuance shall not exceed 5,405,405,405. The final number of Shares to be issued will be determined based on the latest audited relevant data before the issuance and the aforesaid pricing method, as well as the size of proceeds and maximum number of Shares to be issued approved by the relevant regulatory authorities.

The maximum number of Shares proposed to be subscribed for by China Post Group equals to its proposed subscription amount divided by the issue price calculated based on the aforesaid pricing method. The maximum number of Shares to be subscribed for is calculated to the nearest integer with digits after the decimal point rounded off. The maximum number of Shares under the Non-public Issuance that China Post Group proposed to subscribe for is 5,405,405,405.

The maximum number of Shares of the Bank proposed to be issued under the Non-public Issuance and the maximum number of Shares proposed to be subscribed for by China Post Group will be adjusted accordingly if any ex-right and ex-dividend events such as dividend distribution, bonus issue and capitalization of capital reserve occur during the period from the pricing benchmark date to the date of the issuance (being the payment date stated in the payment notice sent by the Bank to China Post Group, the same below).

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(II) Pricing principles

The pricing benchmark date of the Non-public Issuance is November 30, 2020 (i.e. the date of announcement of the Board resolution approving the Non-public Issuance). The issue price of Shares to be issued under the Non-public Issuance shall not be lower than the higher of the following:

1. 80% of the average trading price of the RMB-denominated Ordinary Shares of the Bank for the 20 trading days preceding the pricing benchmark date (excluding the pricing benchmark date) (rounding up to the nearest two decimal places). The average trading price of the RMB-denominated Ordinary Shares of the Bank for the 20 trading days preceding the pricing benchmark date is equal to the total trading value of the RMB-denominated Ordinary Shares of the Bank for the 20 trading days preceding the pricing benchmark date divided by the total trading volume of the RMB-denominated Ordinary Shares for the 20 trading days preceding the pricing benchmark date. In the event that any ex-right or ex-dividend activities causes any adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the adjusted price caused by the ex-right or ex-dividend activities.
2. the latest audited net assets per Share of the Bank attributable to the ordinary Shareholders of the parent company before the issuance. In the event that the Bank distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial reports before the issuance to the issuance date, adjustments shall be made to the above net assets per Share accordingly.
3. Subscription price: According to the above pricing principles, the subscription price per Share of the Shares to be subscribed for by China Post Group under the Non-public Issuance of A Shares (the “**Subscription Price Per Share**”) is RMB5.55 per Share.
4. Price adjustment mechanism: If any ex-right and ex-dividend events such as dividend distribution, bonus issue and capitalization of capital reserve occur on the Shares of the Bank during the period commencing from the pricing benchmark date to the issuance date, adjustments shall be made to the Subscription Price Per Share of the Non-public Issuance accordingly.

(III) Formation and execution of contract

1. The Share Subscription Contract shall be formed upon the signing by the legal representatives or authorized representatives of both parties and affixed with the official seals of both parties.
2. Terms such as the representations and warranties of the parties, the liability for breach of contract, confidentiality, compensation for breach of contract, dispute resolution and notifications, etc. under the Share Subscription Contract that are related to the rights and obligations to be enjoyed or performed before the conditions precedent of the Share Subscription Contract are met, will take effect

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after it is entered into, and shall continue to be effective after the Share Subscription Contract is fully or partially fulfilled or terminated; other terms will become effective on the day when all the following conditions are met:

- (1) The Board of the Bank and the Shareholders' general meeting have passed resolutions to approve all matters related to the Non-public Issuance;
 - (2) The Non-public Issuance of the Bank and other administrative licensing matters related to the Non-public Issuance have been approved by the CBIRC;
 - (3) The Non-public Issuance of the Bank has been approved by the CSRC;
 - (4) China Post Group has obtained the approval of the competent regulatory authorities to participate in the Non-public Issuance of Shares (if necessary);
 - (5) The Non-public Issuance has obtained other necessary approvals (if any) from the regulatory authorities with review and approval authority.
3. Both parties agree that if any of the above conditions precedent is not fulfilled and the purpose of the Share Subscription Contract cannot be realized, the Share Subscription Contract will be automatically terminated. In addition, when both parties unanimously agree to terminate the Share Subscription Contract, the Share Subscription Contract can be terminated in writing.
4. If a party violates the Share Subscription Contract or violates its warranties or promise, which causes heavy losses to the observant party if it continues to observe the Share Subscription Contract, the observant party has the right to unilaterally terminate the Share Subscription Contract.

(IV) Payment of subscription price

China Post Group agreed to subscribe for Shares under the Non-public Issuance of the Bank fully in cash.

After the Bank obtains the approval of the CSRC for the Non-public Issuance of Shares and the Share Subscription Contract has come into effect, the Bank shall follow the requirements of the CSRC and relevant regulatory authorities to perform relevant procedures and make announcements. In accordance with the requirements of the payment notice issued by the Bank and the lead underwriter, China Post Group shall remit the lump-sum subscription amount for Shares to be issued under the Non-public Issuance to the account designated by the lead underwriter before the confirmed payment date. After capital verification has been completed by the auditor, the lead underwriter shall deduct related expenses and then transfer such subscription amount to the Bank's special savings account for raised funds.

(V) Lock-up period

China Post Group promises to the Bank and agrees that, China Post Group shall not transfer the Shares it subscribed for within five years from the date of completion of the registration of such Shares in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The Shares derived from the Shares subscribed for by China Post Group due to activities by the Bank, such as distribution of dividends and capitalization of capital reserve, shall also comply with the above-mentioned lock-up arrangement. If the lock-

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up period for the Shares to be subscribed for, the transfer of Shares and Shareholder qualification of the transferee are otherwise regulated by the relevant regulatory authorities, such regulations shall be followed. China Post Group shall, in accordance with relevant laws and regulations and the relevant requirements of the CSRC, the CBIRC, and the Shanghai Stock Exchange, issue relevant lock-up commitments for the Shares subscribed for under the Non-public Issuance at the requests of the Bank, and handle related lock-up matters after the completion of the Non-public Issuance. After the expiry of the above-mentioned lock-up period, the Shares subscribed for by China Post Group shall be transferred and traded in accordance with the laws, administrative regulations and rules of the Shanghai Stock Exchange in effect at that time.

(VI) Liability for breach of contract

1. If any party to the Share Subscription Contract has false statement or misrepresentation, or violates its statements, promises or guarantees, or fails to perform any of its responsibilities and obligations under the Share Subscription Contract, it constitutes a breach of contract. The breaching party shall continue to perform its obligations, take remedial measures or pay full and adequate compensation to the observant party at the request of the other party.
2. The compensation in the preceding paragraph includes compensation for direct and indirect losses, but it shall not exceed the losses that may or should be foreseen by the party that violates the Share Subscription Contract when it concludes the Share Subscription Contract.
3. After the Share Subscription Contract comes into effect, if China Post Group fails to make the subscription payment in full when due, it shall pay the Bank a penalty of 1% of the total subscription amount. If such penalty is not sufficient to cover all losses, claims and expenses caused to the Bank due to its failure of payment, China Post Group shall compensate the Bank for the shortfall.
4. After the Share Subscription Contract comes into effect, if the Bank fails to issue the Shares subscribed for by China Post Group after the payment of the full subscription amount by China Post Group in accordance with the provisions of the contract, the corresponding subscription amount shall be returned to China Post Group by the Bank, and China Post Group has the right to claim a penalty of 1% of the total subscription amount from the Bank.
5. Upon the formation of the Share Subscription Contract, if there are major changes in regulatory requirements or the capital market, the contract can be terminated by mutual agreement and does not constitute a breach of contract by either party.

The Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber has been considered and approved by the Board on November 30, 2020 and is now submitted to the Shareholders for consideration and approval at the EGM and H Shareholders' Class Meeting.

10. Proposal on the Re-election of Mr. Liu Yue as Non-executive Director of Postal Savings Bank of China

Reference is made to the announcement of the Bank dated October 29, 2020 in relation to the proposed re-election of Directors of the Bank. The proposal on the re-election of Mr. Liu Yue as the candidate for Non-executive Director of the Bank was considered and approved by the Board. Mr.

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Liu Yue, as a Non-executive Director of the Bank, will not receive any remuneration from the Bank. The term of office of Mr. Liu Yue as a Director shall be effective for three years which shall commence from the date of consideration and approval at the EGM.

Please refer to Appendix VI for the biography of Mr. Liu Yue.

The Proposal on the re-election of Mr. Liu Yue as Non-executive Director of Postal Savings Bank of China was considered and approved by the Board on October 29, 2020, and is hereby proposed to the EGM for Shareholders' consideration and approval.

11. *Proposal on the Re-election of Mr. Ding Xiangming as Non-executive Director of Postal Savings Bank of China*

Reference is made to the announcement of the Bank dated October 29, 2020 in relation to the proposed re-election of Directors of the Bank. The proposal on the re-election of Mr. Ding Xiangming as the candidate for Non-executive Director of the Bank was considered and approved by the Board. Mr. Ding Xiangming, as a Non-executive Director of the Bank, will not receive any remuneration from the Bank. The term of office of Mr. Ding Xiangming as a Director shall be effective for three years which shall commence from the date of consideration and approval at the EGM.

Please refer to Appendix VI for the biography of Mr. Ding Xiangming.

The Proposal on the re-election of Mr. Ding Xiangming as Non-executive Director of Postal Savings Bank of China was considered and approved by the Board on October 29, 2020, and is hereby proposed to the EGM for Shareholders' consideration and approval.

12. *Proposal on the Re-election of Mr. Hu Xiang as Independent Non-executive Director of Postal Savings Bank of China*

Reference is made to the announcement of the Bank dated October 29, 2020 in relation to the proposed re-election of Directors of the Bank. The proposal on the re-election of Hu Xiang as the candidate for Independent Non-executive Director of the Bank was considered and approved by the Board. The remuneration for Mr. Hu Xiang as an Independent Non-executive Director of the Bank shall be implemented in accordance with relevant resolution of the Proposal on the Remuneration Adjustment Plan for Independent Non-executive Directors of Postal Savings Bank of China at the 2019 Shareholders' general meeting of the Bank. The term of office of Mr. Hu Xiang as a Director shall be effective for three years which shall commence from the date of consideration and approval at the EGM.

Please refer to Appendix VI for the biography of Mr. Hu Xiang.

The Proposal on the re-election of Mr. Hu Xiang as Independent Non-executive Director of Postal Savings Bank of China was considered and approved by the Board on October 29, 2020, and is hereby proposed to the EGM for Shareholders' consideration and approval.

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13. Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Directors for 2019

The Remuneration Settlement Plan of the Bank for Directors for 2019 is as follows:

Unit: RMB0'000

Name	Position	Remuneration before tax received from the Bank for 2019			Whether remunerated by Shareholder's company(ies) or other related party(ies) in 2019
		Remuneration payable	Social insurance, housing provident fund and enterprise annuity, etc. contributed by the Bank	Other monetary income	
Zhang Jinliang	Chairman of the Board, Non-executive Director	–	–	–	Yes
Guo Xinshuang	Executive Director, President	–	–	–	–
Zhang Xuewen	Executive Director, Vice President	183.17	18.37	–	No
Yao Hong	Executive Director, Vice President	167.68	18.12	–	No
Han Wenbo	Non-executive Director	–	–	–	Yes
Liu Yaogong	Non-executive Director	–	–	–	Yes
Liu Yue	Non-executive Director	–	–	–	Yes
Ding Xiangming	Non-executive Director	–	–	–	Yes
Fu Tingmei	Independent Non- executive Director	30.00	–	–	Yes
Wen Tiejun	Independent Non- executive Director	5.34	–	–	No
Chung Shui Ming Timpson	Independent Non- executive Director	5.34	–	–	Yes
Hu Xiang	Independent Non- executive Director	30.00	–	–	Yes
Pan Yingli	Independent Non- executive Director	0.80	–	–	Yes
Resigned Directors					
Lyu Jiabin	Former Executive Director, President	–	–	–	Yes
Chin Hung I David	Former Non-executive Director	56.49	–	–	No
Tang Jian	Former Non-executive Director	–	–	–	Yes
Ma Weihua	Former Independent Non- executive Director	45.00	–	–	Yes
Bi Zhonghua	Former Independent Non- executive Director	30.00	–	–	No
Gan Peizhong	Former Independent Non- executive Director	25.00	–	–	Yes

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Notes:

- (1) The remuneration disclosed in the above table is the remuneration payable to the Directors of the Bank before tax during the reporting period (excluding annual performance-based remunerations of previous years paid in 2019), which includes figures disclosed in the 2019 Annual Report of the Bank.
- (2) Mr. Zhang Jinliang, the Chairman and the Non-executive Director, receives remuneration from China Post Group, the controlling Shareholder of the Bank, and did not receive any remuneration from the Bank.
- (3) Part of the annual performance-based remuneration of the before-tax remuneration of relevant Directors was deferred in payment, and the term of deferred payment would be 3 years. The ratio of payment is 1/3 on an annual basis. If the risk exposure within the duties of the above personnel exceeds usual level in a defined period, the Bank will not pay the unpaid amount, in part or in whole.
- (4) Mr. Han Wenbo, Mr. Liu Yaogong, Mr. Liu Yue and Mr. Ding Xiangming, as our Non-executive Directors, did not receive any remuneration from the Bank.
- (5) Mr. Lyu Jiabin, the resigned former Executive Director and President, received remuneration from China Post Group, the controlling Shareholder of the Bank, and did not receive any remuneration from the Bank before his resignation.
- (6) Mr. Tang Jian, the resigned former Non-executive Director, did not receive any remuneration from the Bank before his resignation.
- (7) For the terms of office of the Directors of the Bank, please refer to the 2019 Annual Report of the Bank.

The Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Directors for 2019 was considered and approved by the Board on October 29, 2020, and is hereby proposed to the EGM for Shareholders' consideration and approval.

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14. Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Supervisors for 2019

The remuneration settlement plan of the Bank for Supervisors for 2019 is as follows:

Unit: RMB0'000

Name	Position	Remuneration before tax received from the Bank for 2019				Whether remunerated by Shareholder's company(ies) or other related party(ies) in 2019
		Remuneration payable	Social insurance, housing provident fund and enterprise annuity, etc. contributed by the Bank	Other monetary income	Other monetary income	
Chen Yuejun	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	183.34	18.46	-	-	No
Li Yujie	Shareholder Representative Supervisor	-	-	-	-	Yes
Zhao Yongxiang	Shareholder Representative Supervisor	-	-	-	-	Yes
Wu Yu	External Supervisor	-	-	-	-	Yes
Bai Jianjun	External Supervisor	4.45	-	-	-	Yes
Chen Shimin	External Supervisor	1.63	-	-	-	Yes
Li Yue	Employee Supervisor	-	-	-	-	No
Song Changlin	Employee Supervisor	-	-	-	-	No
Bu Dongsheng	Employee Supervisor	-	-	-	-	No
Resigned Supervisors						
Zeng Kanglin	Former External Supervisor	20.83	-	-	-	Yes
Guo Tianyong	Former External Supervisor	25.00	-	-	-	Yes

Notes:

- (1) The remuneration disclosed in the above table is the remuneration payable to the Supervisors of the Bank before tax during the reporting period (excluding annual performance-based remunerations of previous years paid in 2019), which includes figures disclosed in the 2019 Annual Report of the Bank.

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- (2) Part of the annual performance-based remuneration of the before-tax remuneration of Mr. Chen Yuejun, the Chairman of the Board of Supervisors and the Shareholder Representative Supervisor, was deferred in payment, and the term of deferred payment would be 3 years. The ratio of payment is 1/3 on an annual basis. If the risk exposure within the duties of the above personnel exceeds usual level in a defined period, the Bank will not pay the unpaid amount, in part or in whole.
- (3) Mr. Li Yujie and Mr. Zhao Yongxiang, as Shareholder Representative Supervisors, did not receive any remuneration from the Bank.
- (4) Mr. Wu Yu, as External Supervisor, did not receive any remuneration from the Bank.
- (5) Employee Supervisors of the Bank did not receive any remuneration from the Bank as Employee Supervisors, and the compensation due to them as employees of the Bank is not included.
- (6) For the terms of office of the Supervisors of the Bank, please refer to the 2019 Annual Report of the Bank.

The Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Supervisors for 2019 was considered and approved by the Board of Supervisors on October 29, 2020, and is hereby proposed to the EGM for Shareholders' consideration and approval.

III. THE EGM AND H SHAREHOLDERS' CLASS MEETING

Enclosed are the forms of proxy for the EGM and H Shareholders' Class Meeting.

China Post Group and its associates (holding a total of approximately 65.28% of the issued Shares of the Bank as at the Latest Practicable Date) shall abstain from voting on the following proposals at the EGM and H Shareholders' Class Meeting: (2) the Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China; (3) the Proposal regarding the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of Postal Savings Bank of China; (7) the Proposal to the Shareholders' General Meeting to Authorize the Board of Directors and Its Authorized Persons to Handle the Specific Matters relating to the Non-public Issuance of A Shares; (8) the Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China; and (9) the Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber. Save as disclosed above, to the best of the Directors' knowledge, information and belief, there are no other Shareholders who have any material interest in the Non-public Issuance of A Shares and are required to abstain from voting on the relevant resolutions at the EGM and/or H Shareholders' Class Meeting. In addition, to the best of the Directors' knowledge, information and belief, there are no Shareholders who have any material interest and are required to abstain from voting on other resolutions set out in this circular.

If you intend to appoint a proxy to attend the EGM and/or H Shareholders' Class Meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon. H Shareholders shall return the proxy form(s) to Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM and/or H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy form(s) will not preclude you from attending and voting in person at the EGM and/or H Shareholders' Class Meeting if you so desire.

In order to determine the list of H Shareholders who are entitled to attend the EGM, the Bank's H Share register of members will be closed from Tuesday, December 15, 2020 to Monday, December 21, 2020, both days inclusive, during which period no transfer of the H Shares of the Bank will be affected. To attend the EGM, H Shareholders shall, before 4:30 p.m. on Monday, December 14, 2020, submit the share

LETTER FROM THE BOARD OF DIRECTORS

certificates 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 shareholders' 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 EGM and H Shareholders' Class Meeting will be voted by poll.

V. RECOMMENDATIONS

The Board has passed the relevant resolutions to be submitted to the Shareholders for consideration and approval. At the relevant Board meeting, the Directors, Zhang Jinliang, Guo Xinshuang, Zhang Xuewen, Yao Hong, Han Wenbo and Liu Yaogong have material interests in the proposed Non-public Issuance of A Shares and have abstained from voting on the following resolutions: (2) the Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China; (3) the Proposal regarding the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of Postal Savings Bank of China; (7) the Proposal to the Shareholders' General Meeting to Authorize the Board of Directors and Its Authorized Persons to Handle the Specific Matters relating to the Non-public Issuance of A Shares; (8) the Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China; and (9) the Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber. Except for the above Directors, no Directors have or are deemed to have material interests in the proposed Non-public Issuance of A Shares. In addition, no Director abstained from voting on other resolutions set out in this circular.

The Board considers that all resolutions proposed at the EGM and H Shareholders' Class Meeting are in the interests of the Bank and its Shareholders as a whole. As such, the Board recommends you to vote in favour of all resolutions to be proposed at the EGM and H Shareholders' Class Meeting.

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

December 4, 2020

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING



POSTAL SAVINGS BANK OF CHINA CO., LTD.

中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 second extraordinary general meeting (the “EGM”) 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 Monday, December 21, 2020 to consider and pass the following resolutions:

1. To consider and approve the Proposal regarding Postal Savings Bank of China’s satisfaction of the conditions of the Non-public Issuance of A Shares;
2. To consider and individually approve each of the following items of the Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China:
 - (1) Class and nominal value of securities to be issued
 - (2) Method and time of issuance
 - (3) Amount and use of proceeds
 - (4) Target subscriber and subscription method
 - (5) Issue price and pricing principles
 - (6) Number of Shares to be issued
 - (7) Lock-up period of Shares to be issued
 - (8) Listing venue
 - (9) Arrangement of accumulated undistributed profits prior to the completion of the Issuance
 - (10) Validity period of the resolution
3. To consider and approve the Proposal regarding the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares by Postal Savings Bank of China;
4. To consider and approve the Proposal regarding the report on the use of previously raised proceeds of Postal Savings Bank of China as of September 30, 2020;
5. To consider and approve the Proposal regarding the dilution of immediate returns by the Non-public Issuance of A Shares, remedial measures and commitments of related entities of Postal Savings Bank of China;

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

6. To consider and approve the Proposal regarding the Shareholders' return plan for the next three years of 2021-2023 of Postal Savings Bank of China;
7. To consider and approve the Proposal to the Shareholders' General Meeting to authorize the Board of Directors and its authorized persons to handle the specific matters relating to the Non-public Issuance of A Shares;
8. To consider and approve the Proposal regarding the Connected Transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China;
9. To consider and approve the Proposal regarding entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the target subscriber;
10. To consider and approve the Proposal on the re-election of Mr. Liu Yue as Non-executive Director of Postal Savings Bank of China;
11. To consider and approve the Proposal on the re-election of Mr. Ding Xiangming as Non-executive Director of Postal Savings Bank of China;
12. To consider and approve the Proposal on the re-election of Mr. Hu Xiang as Independent Non-executive Director of Postal Savings Bank of China;
13. To consider and approve the Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Directors for 2019; and
14. To consider and approve the Proposal on the Remuneration Settlement Plan of Postal Savings Bank of China for Supervisors for 2019.

In the above Proposals, 1, 3 to 6 and 10 to 14 are ordinary resolutions, Proposals 2, 7 to 9 are special resolutions, among which, the items of Non-Public Issuance of A Shares in the Proposal 2 must be approved individually.

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

Beijing, the PRC
December 4, 2020

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

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

NOTICE OF THE 2020 SECOND EXTRAORDINARY GENERAL MEETING

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 EGM will be voted by poll. After the EGM, relevant voting results will be published on the website of the Bank (www.psb.com) as well as the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).
2. A Shareholder entitled to attend and vote at the EGM announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy need not be a Shareholder of the Bank.
3. The proxy form 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 EGM or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.
4. To determine the name list of H Shareholders entitled to attend the EGM, the Bank will suspend registration of transfer of H Shares from Tuesday, December 15, 2020 to Monday, December 21, 2020, (both days included). To attend the EGM, H Shareholders shall, before 4:30 p.m. on Monday, December 14, 2020, submit the share certificates 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 shall be entitled to attend the EGM and vote in respect thereof.
6. Shareholders or their proxies shall present their identity documents when attending the EGM:
 - (1) Legal representatives of legal person Shareholders who attend the meeting shall provide their valid personal identification certificates, valid 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 valid personal identification certificates 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 valid personal identification certificates, resolution of the authorization by the Board of Directors or other decision-making institution of legal person Shareholders and proof of identity as a Shareholder.
 - (2) Natural person Shareholders who attend the meeting in person shall provide their valid personal identification certificates and proof of identity as a Shareholder; where others are delegated to attend the meeting, proxies of Shareholders shall provide their valid personal identification certificates, the authorization letters from the Shareholders and documents proving their Shareholder identities.
7. According to the Articles of Association, if the number of shares of the Bank pledged by the Shareholder is equal to or greater than 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' general meeting. Upon completion of the share pledge registration, the Shareholder shall timely provide the Bank with information relating to the share pledge.
8. The EGM 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.
9. The address of Computershare Hong Kong Investor Services Limited is 17M Floor and Shops 1712-1716, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
10. 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
11. Unless otherwise specified, the dates and time contained in this notice are in Hong Kong time.

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING



POSTAL SAVINGS BANK OF CHINA CO., LTD.

中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

(Stock Code of Preference Shares: 4612)

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2020 second extraordinary general meeting, 2020 first A Shareholders' class meeting and 2020 first H Shareholders' class meeting (the "**H Shareholders' Class Meeting**") 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 Monday, December 21, 2020, among which, to deal with the following matters at H Shareholders' Class Meeting:

SPECIAL RESOLUTIONS

1. To consider and individually approve each of the following items of the Proposal regarding the A Share Non-public Issuance Plan by Postal Savings Bank of China:
 - (1) Class and nominal value of securities to be issued
 - (2) Method and time of issuance
 - (3) Amount and use of proceeds
 - (4) Target subscriber and subscription method
 - (5) Issue price and pricing principles
 - (6) Number of Shares to be issued
 - (7) Lock-up period of Shares to be issued
 - (8) Listing venue
 - (9) Arrangement of accumulated undistributed profits prior to the completion of the Issuance
 - (10) Validity period of the resolution
2. To consider and approve the Proposal to the Shareholders' General Meeting to authorize the Board of Directors and its authorized persons to handle the specific matters relating to the Non-public Issuance of A Shares;
3. To consider and approve the Proposal regarding the connected transaction relating to the Non-public Issuance of A Shares of Postal Savings Bank of China; and

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

4. To consider and approve the Proposal regarding entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the target subscriber.

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

Beijing, the PRC
December 4, 2020

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

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

Notes:

1. According to the 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 H Shareholders' Class Meeting will be voted by poll. After the H Shareholders' Class Meeting, relevant voting results will be published on the website of the Bank (www.psbc.com) as well as the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).
2. A Shareholder entitled to attend and vote at the H Shareholders' Class Meeting announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy need not be a Shareholder of the Bank.
3. The proxy form 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 H Shareholders' Class Meeting or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the H Shareholders' Class Meeting or any adjournment thereof if you so wish.
4. To determine the name list of H Shareholders entitled to attend the H Shareholders' Class Meeting, the Bank will suspend registration of transfer of H Shares from Tuesday, December 15, 2020 to Monday, December 21, 2020, (both days included). To attend the H Shareholders' Class Meeting, H Shareholders shall, before 4:30 p.m. on Monday, December 14, 2020, submit the share certificates 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 shall be entitled to attend the H Shareholders' Class Meeting and vote in respect thereof.

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

6. Shareholders or their proxies shall present their identity documents when attending the H Shareholders' Class Meeting:
 - (1) Legal representatives of legal person Shareholders who attend the meeting shall provide their valid personal identification certificates, valid 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 valid personal identification certificates 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 valid personal identification certificates, resolution of the authorization by the Board of Directors or other decision-making institution of legal person Shareholders and proof of identity as a Shareholder.
 - (2) Natural person Shareholders who attend the meeting in person shall provide their valid personal identification certificates and proof of identity as a Shareholder; where others are delegated to attend the meeting, proxies of Shareholders shall provide their valid personal identification certificates, the authorization letters from the Shareholders and documents proving their Shareholder identities.
7. According to the Articles of Association, if the number of shares of the Bank pledged by the Shareholder is equal to or greater than 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 general meeting. Upon completion of the share pledge registration, the Shareholder shall timely provide the Bank with information relating to the share pledge.
8. The H Shareholders' Class Meeting 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.
9. The address of Computershare Hong Kong Investor Services Limited is 17M Floor and Shops 1712-1716, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
10. 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
11. Unless otherwise specified, the dates and time contained in this notice are in Hong Kong time.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION: CHINA POST GROUP SUBSCRIPTION

We refer to the circular of the Bank dated December 4, 2020 (the “**Circular**”). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

We have formed the Independent Board Committee to advise you as to whether, in our opinion, the China Post Group Subscription is fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. The details of the recommendations, together with the major considerations and reasons for reaching the recommendations, are set out in the Letter from Gram Capital on pages 32 to 42 of the Circular.

We also wish to draw your attention to the Letter from the Board of Directors set out on pages 4 to 24 of the Circular. After considering the information contained in the Letter from the Board of Directors, the interests of Independent Shareholders and the opinions and suggestions of Gram Capital, we are of the opinion that the China Post Group Subscription is entered into on normal commercial terms and is fair and reasonable, and although it is not conducted in the ordinary and usual course of business of the Bank due to its nature, it is in the interests of the Bank and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM and Shareholders' Class Meetings for approving the proposal regarding the China Post Group Subscription.

Yours faithfully,

Independent Board Committee

Fu Tingmei	Wen Tiejun	Chung Shui Ming Timpson	Hu Xiang	Pan Yingli
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the China Post Group Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

4 December 2020

To: The independent board committee and the independent shareholders of Postal Savings Bank of China Co., Ltd.

Dear Sirs,

CONNECTED TRANSACTION: CHINA POST GROUP SUBSCRIPTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the China Post Group Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 4 December 2020 issued by the Bank to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 November 2020, the Bank was pleased to announce that the Board has approved the Non-public Issuance in order to continue to meet regulatory standards in respect of capital for commercial banks, improve the capital adequacy level and promote the steady and healthy development of businesses. The proceeds from the Non-public Issuance of A Shares shall not exceed RMB30 billion (inclusive), which after deducting the relevant issuance expenses, will be fully used to replenish the core tier 1 capital of the Bank. On the even date, the Bank and China Post Group entered into the Share Subscription Contract.

With reference to Board Letter, China Post Group Subscription constitutes a connected transaction of the Bank and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli (all being Independent Non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the China Post Group Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the China Post Group Subscription is in the interests of the Bank and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Bank; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the China Post Group Subscription at the EGM and the Shareholders’ Class Meetings. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM GRAM CAPITAL

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Bank during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Bank, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Non-public Issuance. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Bank, China Post Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Bank or the Shareholders as a result of the China Post Group Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Bank.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the China Post Group Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the China Post Group Subscription

Information on the Bank

With reference of the Board Letter, the Bank is a leading retail bank in China with the largest distribution network, largest customer base and superior asset quality among Chinese commercial banks. The principal businesses of the Bank include personal banking, corporate banking and treasury business.

The table below sets out the capital adequacy ratio requirements of the 《商業銀行資本管理辦法(試行)》(the Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*, the “**Administrative Measures for Capital**”) promulgated by the China Banking Regulatory Commission (now known as CBIRC) which took effect on 1 January 2013 (Note: the previous version of Administrative Measures for Capital was revoked on the same date) and the respective capital adequacy ratio of the Bank as at 31 December 2019, 30 June 2020 and 30 September 2020 as extracted from the interim report of the Bank for the six months ended 30 June 2020 and third quarterly report of the Bank for the nine months ended 30 September 2020, respectively:

	Requirements	As at 30 September 2020	As at 30 June 2020	As at 31 December 2019
	%	%	%	%
Core tier 1 capital adequacy ratio	7.5	9.51	9.17	9.90
Tier 1 capital adequacy ratio	8.5	11.81	11.47	10.87
Capital adequacy ratio	10.5	13.86	13.97	13.52

With reference to the Board Letter and the 《首次公開發行A股股票募集資金存放與實際使用情況專項報告》(Special Report in respect of the Custody and Actual Utilization Status of Proceeds from Initial Public Offering of A Shares*) issued by the Bank in March 2020, the Bank completed the initial public issuance of 5,172,164,200 RMB Ordinary Share on 28 November 2019 and the listing on the Main Board of the Shanghai Stock Exchange on 10 December 2019 (the “**Listing Date**”), and the total funds raised amounted to RMB28,446,903,100.00. After deducting issuance fees, net proceeds totaled RMB28,000,549,145.25 were used to supplement the Bank’s capital. The joint lead underwriters exercised the over-allotment option in full on 8 January 2020. The Bank issued an addition of 775,824,000 Shares on the basis of the initial issuance of 5,172,164,200 Shares, increasing total proceeds by RMB4,267,032,000.00. Together with the proceeds of RMB28,446,903,100.00 from the initial issuance of 5,172,164,200 Shares, the total proceeds raised from this issuance amounted to RMB32,713,935,100.00. After deducting issuance fees, net proceeds amounted to approximately RMB32,205,977,448.55 were used to supplement the Bank’s capital. As confirmed by the Directors, the aforesaid proceeds were fully utilized as intended.

Save as disclosed above, the Bank did not conduct any equity fund raising activity or issue any equity securities within the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM GRAM CAPITAL

Information on China Post Group

With reference to the Board Letter, the main businesses operated by China Post Group include: domestic and international mail delivery and express delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging businesses such as postal logistics and email, e-commerce, various postal agency businesses and other businesses as stipulated by the PRC.

Reasons for and benefits of the China Post Group Subscription and use of proceeds

Reasons for and benefits of the China Post Group Subscription are set out under the section headed “Reasons for and benefits of the China Post Group Subscription” of the Board Letter.

With reference to the Bank’s interim report for the six months ended 30 June 2020, with approximately 40,000 outlets and services covering over 600 million individual customers, the Bank strategically focuses on providing financial services to agriculture, rural areas and farmers customers, urban and rural residents and SMEs and is committed to meeting the financial needs of the most promising customers during PRC’s economic transformation. In addition, the Bank is accelerating its transformation towards a new retail bank featuring data-driven, channel coordination, interaction between wholesale and retail as well as efficient operation. It has shown its superior asset quality and significant development potential, and is a leading retail commercial bank in the PRC.

We understood from the Directors that to continue to meet the regulatory capital requirements^(Note), to further promote its capital adequacy ratio, in particular, the core tier 1 capital adequacy ratio, in order to better tackle the fast changes and challenges in the PRC and abroad and to bring about better return to all the Shareholders, while ensuring a sound development of business operation of the Bank. As mentioned below, core tier 1 capital constitutes, among other things, paid-in capital or ordinary shares. Accordingly, we concur with the Bank that the core tier 1 capital adequacy ratio of the Bank will be further enhanced after the completion of the Non-public Issuance, which is beneficial for enhancing the ability to resist various risks and ensuring healthy development of the Bank’s business.

In addition, pursuant to the the A Share Non-public Issuance Plan, the total proceeds from the Non-public Issuance of A Shares shall not exceed RMB30 billion (inclusive) which, after deducting the relevant issuance expenses, will be fully used to replenish the core tier 1 capital of the Bank.

As at 30 September 2020, the Bank recorded net core tier 1 capital of approximately RMB527,846 million and risk-weighted assets of approximately RMB5,552,213 million. As at 30 September 2020, the Bank’s core tier 1 capital adequacy ratio (which was calculated by net core tier 1 capital over risk-weighted assets) was 9.51%. According to 「2020年商業銀行主要監管指標情況表(季度)」 (2020 Commercial Banks Major Regulatory Indicators Table (Quarterly)*) published by CBIRC, the average core tier 1 capital adequacy ratio of the PRC commercial banks was 10.44% in the third quarter of 2020. The Bank’s core tier 1 capital adequacy ratio was lower than the industry average of that of PRC commercial banks. Assuming total proceeds from the Non-public Issuance of A Shares amounting to RMB30 billion and all of which being used to replenish the Bank’s core tier 1 capital and based on the Bank’s financial information as at 30 September 2020, the Bank’s core tier 1

Note: For instance, (i) the effective implementation of Administrative Measures for Capital since 1 January 2013, which set up a new capital adequacy regulatory system by reference to Basel III to replace the previous version of Administrative Measures for Capital; (ii) the CBIRC’s issue of 《銀行保險機構公司治理監管評估辦法(試行)》 (the Supervision and Assessment Measures on the Corporate Governance of Banks and Insurance Institutions (Provisional)) on 25 November 2019, which stipulated that the CBIRC and its local offices will categorize commercial banks into five grades based on the outcome of their judgement and assessment on the corporate governance and risk management and will impose differential regulatory measures accordingly; etc.*

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capital adequacy ratio as at 30 September 2020 will increase to 10.05%. Despite that the Bank's core tier 1 capital adequacy ratio upon the completion of replenishment of the core tier 1 capital will still be lower than the average core tier 1 capital adequacy ratio of the PRC commercial banks based on relevant figures as at 30 September 2020, having considered (i) the Bank's core tier 1 capital adequacy ratio will exceed the Bank's core tier 1 capital adequacy ratio as at 31 December 2019 (i.e. 9.90%), 31 March 2020 (i.e. 9.64%) and 30 June 2020 (i.e. 9.17%); (ii) the issuance size was determined after the arm's length negotiation between the Bank and China Post Group; and (iii) the Bank's core tier 1 capital adequacy ratio will be improved, we do not doubt the reasonableness of the issuance size.

Financing methods available to the Bank

As advised by the Directors, the Bank conducted relevant research and compared various re-financing plans which are commonly used to replenish the core tier 1 capital of the Bank before determining the Non-public Issuance of A Shares. We understood that:

- According to the Administrative Measures for Capital, core tier 1 capital constitutes (i) paid-in capital or ordinary shares (實收資本或普通股); (ii) capital reserve (資本公積); (iii) surplus reserve (盈餘公積); (iv) general risk reserve (一般風險準備); (v) retained earnings (未分配利潤); and (vi) qualified portion of non-controlling interests (少數股東資本可計入部分). Accordingly, we concur with the Bank that it is not applicable to replenish the core tier 1 capital of the Bank by pure debt financing.
- In accordance with PRC market practice, the issue price of the A shares (including the issue price under the rights issue, subscription and placing of A shares and H shares) of the Bank, as a state-owned bank, shall not be lower than the latest audited net assets per share (the "NAV Per Share"). The Bank's NAV Per Share as at 31 December 2019 was approximately RMB5.75 (being approximately RMB5.55 based on the adjustment as a result of the distribution of the final dividend of RMB0.2102 per A Share for the financial year of 2019).

However, both the closing prices of A Shares (i.e. RMB5.18 per A Share) and H Shares (i.e. HK\$4.40 per H Share) of the Bank as at the last trading day preceding the date of the A Share Non-public Issuance Plan (i.e. 27 November 2020) represented discount to the NAV Per Share. Therefore, in light of the current market conditions and having considered the possibility of public Shareholders/potential investors to accept a subscription price which represented a premium over the prevailing Share price, it would be difficult to use rights issue, open offer and placing of A Shares or H Shares to public Shareholders/potential investors as the re-financing plan to replenish core tier 1 capital.

Note:

In order to study whether the issue price under rights issue/issuance of A shares by a state-owned bank (listed on the mainboard of the Shanghai Stock Exchange) shall be higher than its latest audited net assets per share, we searched through mainboard of the Shanghai Stock Exchange for listed banks' fund raising activities by way of rights issue and non-public issuance of A shares since 2020. We found three non-public issue cases and one rights issue case which met the aforesaid criteria and are exhaustive to the best of our knowledges. As there was only one rights issue case and PRC listed commercial banks normally conducted fund raising activities other than rights issue in recent years, we searched rights issue case of the Shanghai Stock Exchange mainboard listed state-owned bank which took place since 2011. We found three rights issue cases which met the aforesaid criteria.

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We noted from (i) the proposals for the non-public issue of A shares by Bank of Changsha Co., Ltd. (SH601577), Bank of Guiyang Co., Ltd. (SH601997), Bank of Hangzhou Co., Ltd. (SH600926); and (ii) the proposals for rights issue of A shares and H shares by China Merchants Bank Co., Ltd. (3968 & SH600036) and China CITIC Bank Corporation Limited (998 & SH601998) that the issue prices of the A shares shall, among other things, not be lower than the their respective latest audited net assets per share.

Pursuant to the proposal for rights issue of A shares by Bank of Jiangsu Co., Ltd. (SH600919), it did not expressly mention in the proposal that the issue price of the A shares shall not be lower than their respective latest audited net assets per share.

- In relation to convertible bonds, it is a financing instrument combining characteristics of both shares and debts and normally have a long conversion period, allowing the investors to have a longer period to decide whether to (i) convert the convertible bonds into A shares; or (ii) hold to maturity. Comparing with issuance of A Shares, it would be longer and of greater uncertainty for the Bank to replenish its core tier 1 capital by way of issuance of convertible bonds.
- In relation to the non-public issuance, the Bank may choose to issue A Share and/or H Share. However, as advised by the Directors, as the major operations and customers of the Bank are located in the PRC with most of the operating assets and transactions denominated and settled in RMB, it will be more convenient for the Bank to issue new A Shares to obtain the funding directly in RMB.

Having considered the above, we concur with the Directors that regarding the current market condition, the China Post Group Subscription is an appropriate fund raising method for the Bank to replenish core tier 1 capital.

Taking into account (i) the aforesaid reasons for and benefits of the China Post Group Subscription; (ii) the proposed use of proceeds from the China Post Group Subscription; (iii) that the China Post Group Subscription also reflects the confidence of the controlling Shareholder on the Bank; and (iv) regarding the current market condition, the China Post Group Subscription is an appropriate fund raising method for the Bank to replenish core tier 1 capital, we concur with the Directors that although the China Post Group Subscription is not conducted in the ordinary and usual course of business of the Bank, is in the interests of the Bank and the Shareholders as a whole.

(2) Principal terms of the China Post Group Subscription

The table below summarises the principal terms of the Share Subscription Contract (details of which are set out under the section headed “9. The Proposal regarding Entering into the Share Subscription Contract with Conditions Precedent between Postal Savings Bank of China and the Target Subscriber” in the Board Letter:

Date

30 November 2020

Parties

- (1) The Bank as the issuer; and
- (2) China Post Group as the subscriber.

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Subscription number and amount

The proposed subscription amount by China Post Group shall not exceed RMB30 billion, the maximum size of proceeds, and the subscription amount will be determined in accordance with the scale of proceeds finally approved by regulatory authorities. The maximum number of the Shares under the Non-public Issuance is calculated based on the audited net assets per Share of the Bank attributable to ordinary shareholders of the parent company (excluded dividend) most recently disclosed (at the end of 2019). The number of Shares to be issued under the Non-public Issuance shall not exceed 5,405,405,405. The final number of Shares to be issued will be determined based on the latest audited relevant data before the issuance and the aforesaid pricing method, as well as the maximum amount of proceeds and maximum number of Shares to be issued approved by the relevant regulatory authorities.

The maximum number of Shares proposed to be subscribed for by China Post Group equals to its proposed subscription amount divided by the issue price calculated based on the aforesaid pricing method. The maximum number of Shares to be subscribed is calculated to the nearest integer with digits after the decimal point rounded off. The maximum number of Shares under the Non-public Issuance that China Post Group proposed to subscribe for is 5,405,405,405.

The maximum number of Shares of the Bank proposed to be issued under the Non-public Issuance and the maximum number of Shares proposed to be subscribed for by China Post Group will be adjusted accordingly if any ex-right and ex-dividend events such as dividend distribution, bonus issue and capitalization of capital reserve occur during the period from the pricing benchmark date to the date of the issuance (being the payment date stated in the payment notice sent by the Bank to China Post Group).

Pricing principles

The pricing benchmark date of the Non-public Issuance (the “**Pricing Benchmark Date**”) is 30 November 2020 (i.e. the date of announcement of the Board resolution approving the Non-public Issuance). The issue price of Shares to be issued under the Non-public Issuance shall not be lower than the higher of the following:

- 80% of the average trading price of the RMB-denominated Ordinary Shares of the Bank for the 20 trading days preceding the pricing benchmark date (excluding the pricing benchmark date) (rounding up to the nearest two decimal places). The average trading price of the RMB-denominated Ordinary Shares for the 20 trading days preceding the pricing benchmark date is equal to the total trading value of the RMB-denominated Ordinary Shares for the 20 trading days preceding the pricing benchmark date divided by the total trading volume of the RMB-denominated Ordinary Shares for the 20 trading days preceding the pricing benchmark date. In the event that any ex-right or ex-dividend activities causes any adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the adjusted price caused by the ex-right or ex-dividend activities.
- the latest audited net assets per Share of the Bank attributable to the ordinary Shareholders of the parent company before the issuance. In the event that the Bank distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial reports before the issuance to the issuance date, adjustments shall be made to the above net assets per Share accordingly.

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According to the above pricing principles, the subscription price per Share of the Shares to be subscribed for by China Post Group under the Non-public Issuance of A Shares is RMB5.55 per Share. The subscription price of RMB5.55 per A share represents:

- (a) a premium of approximately 6.12% over the closing price of RMB5.23 per A Share as at the Latest Practicable Date;
- (b) a premium of approximately 7.14% over the closing price of RMB5.18 per A Share as quoted on the Shanghai Stock Exchange on 27 November 2020, being the last trading day of A Shares preceding the Pricing Benchmark Date (the “**Last Trading Day**”);
- (c) a premium of approximately 8.40% over the average trading price of approximately RMB5.12 per A Share on the last trading day of A Shares preceding the Pricing Benchmark Date;
- (d) a premium of approximately 15.38% over the average closing price of approximately RMB4.81 per A Share for the last 20 trading days preceding the Pricing Benchmark Date;
- (e) a premium of approximately 14.43% (the “**20-day Premium**”) to the average trading price of approximately RMB4.85 per A Share for the last 20 trading days preceding the Pricing Benchmark Date; and
- (f) the audited consolidated net asset value per Share, after the adjustment as a result of the distribution of the final dividend of RMB0.2102 per A Share for the financial year of 2019, of approximately RMB5.55 as at 31 December 2019.

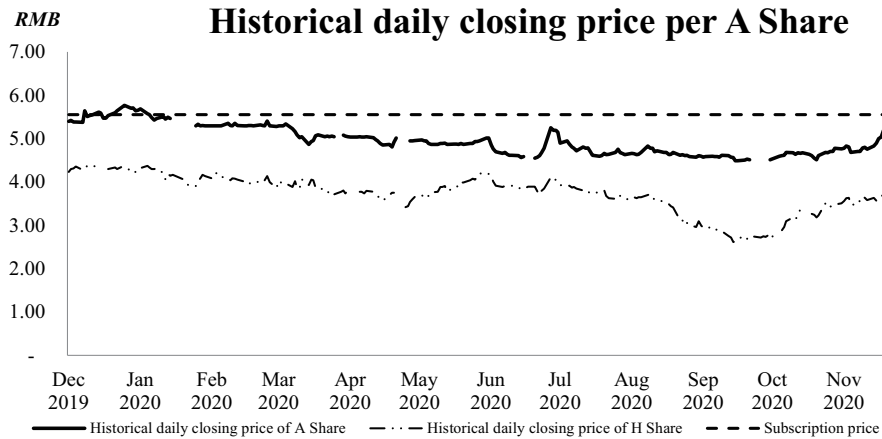
To assess the fairness and reasonableness of the subscription price, we took into account the following factors:

Review of A-Shares price

We have reviewed the daily closing price of the A Shares as quoted on Bloomberg during the period commencing from 10 December 2019 (i.e. the first trading day of A Shares) up to and including the Last Trading Day (the “**Review Period**”). We consider the Review Period, being the entire trading days of A Shares since the Listing Date to the Last Trading Day, to be representative.

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The comparison of closing price of the A Shares and the subscription price are illustrated as follows (the daily closing price of the H Shares (presented in RMB equivalent based on the exchange rate of HK\$1: RMB0.84867) as quoted on Bloomberg is also included for reference):



Notes:

1. Trading dates of the A Shares may vary from those of the H Shares.
2. During the Review Period, closing prices of the A Shares during 10 December 2019 to 9 June 2020 (both days inclusive) and closing prices of H Shares during 10 December 2019 to 1 June 2020 (both days inclusive) was adjusted after taking into account of final dividend for FY2019 (RMB0.2102 per A Share or HK\$0.228625 per H Share)

During the Review Period, the A Shares were traded with closing prices in the range of approximately RMB4.49 to RMB5.77 per A Share. The subscription price falls within the said price range and represents premiums over the daily closing price of the H Shares in RMB equivalent during the Review Period. Furthermore, we noted that the subscription price was above the closing price of the A Shares in 222 trading days out of the total 235 trading days during the Review Period.

Having considered that (i) the subscription price was above the closing price of the A Shares in 222 trading days out of the total 235 trading days during the Review Period; and (ii) the subscription price represents premiums over the recent daily closing price of the A Shares, we consider that the subscription price is fair and reasonable.

Lock-up period

China Post Group promises to the Bank and agrees that, China Post Group shall not transfer the Shares it subscribed for within five years from the date of completion of the registration of such Shares in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The Shares derived from the Shares subscribed for by China Post Group due to activities by the Bank, such as distribution of dividends and capitalization of capital reserve, shall also comply with the above-mentioned lock-up arrangement. If the lock-up period for the Shares to be subscribed for, the transfer of Shares and Shareholder qualification of the transferee are otherwise regulated by the relevant regulatory authorities, such regulations shall be followed.

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China Post Group shall, in accordance with relevant laws and regulations and the relevant requirements of the CSRC, the CBIRC and the Shanghai Stock Exchange, issue relevant lock-up commitments for the Shares subscribed for under the Non-public Issuance at the requests of the Bank, and handle related lock-up matters after the completion of the Non-public Issuance. After the expiry of the above-mentioned lock-up period, the Shares subscribed for by China Post Group shall be transferred and traded in accordance with the laws, administrative regulations and rules of the Shanghai Stock Exchange in effect at that time.

We noted that 《中資商業銀行行政許可事項申請材料目錄及格式要求》 (Catalogue and Requirements for the Formats of the Application Materials for the Administrative Licensing Items of Chinese-funded commercial banks*) requires that, among other things, a lock-up period of 60 months commencing from the date of settlement (交割日) for the proposed subscribers who will be in the interests of 5% or more equity interests of the PRC commercial bank.

Having considered that the lock-up arrangement is required by relevant PRC regulation, we consider that such arrangement is on normal commercial term and fair and reasonable.

Having considered the above, we are of the view that the terms of the China Post Group Subscription are on normal commercial terms, fair and reasonable and in the interest of the Bank and its Shareholders as a whole.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the sub-section headed “Effect of the Non-public Issuance of A Shares on the shareholding structure of the Bank” of the Board Letter, the shareholding interests of the existing public Shareholders (including all of the public A Shareholders and H Shareholders) in the Bank would be diluted by approximately 2.01 percent points immediately after completion of the Non-public Issuance. Nonetheless, in view of (i) the reasons for and the benefits of the China Post Group Subscription (including the proposed use of proceeds from the China Post Group Subscription, the China Post Group Subscription reflecting the confidence of the controlling Shareholder on the Bank, and the China Post Group Subscription being an appropriate fund raising method for the Bank to replenish core tier 1 capital); (ii) the terms of the China Post Group Subscription being fair and reasonable (including the subscription price being fair and reasonable, and the lock-up arrangement being on normal commercial term and fair and reasonable); and (iii) our assessment and independent work done on points (i) and (ii) as mentioned above, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the China Post Group Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the China Post Group Subscription is not conducted in the ordinary and usual course of business of the Bank, it is in the interests of the Bank and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM and the Shareholders' Class Meetings to approve the China Post Group Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purposes only*

**FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE
NON-PUBLIC ISSUANCE OF A SHARES OF POSTAL SAVINGS BANK OF
CHINA**

The target subscriber of the Non-public Issuance of A Shares is China Post Group. According to the Administrative Measures for the Issuance of Securities by Listed Companies issued by the CSRC, the feasibility report on the use of proceeds from the Non-public Issuance is as follows:

I. USE OF THE PROCEEDS FROM THE NON-PUBLIC ISSUANCE

After deducting relevant issuance fees, the proceeds from the Non-public Issuance will be fully used to replenish the core tier 1 capital of the Bank so as to support the future business development.

II. NECESSITY ANALYSIS OF THE NON-PUBLIC ISSUANCE**(I) Continue to meet regulatory capital requirements**

On January 1, 2013, the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) was officially implemented, which imposed stricter and more prudential regulations on the qualification standards and measurement requirements of various types of capital, and further strengthened the regulatory capital requirements for commercial banks. The People's Bank of China introduced the Macro Prudential Assessment (MPA) system since 2016, emphasizing that the core assessment under the MPA is the macro prudential capital adequacy ratio, the capital level is an important way for financial institutions to strengthen their loss absorption capabilities, and that asset expansion must continue to be subject to capital constraint. Therefore, it is of high strategic significance to the development of the Bank to establish a long-term capital replenishment and constraint mechanism, so as to continue to comply with the regulatory requirements on capital adequacy ratios.

In recent years, the Bank has been stepping up its capital constraint in its daily operation and management, and replenishing its capital by different ways such as retaining profits, introducing strategic investors, listing as well as issuing capital bonds and preference shares. As at September 30, 2020, the Group's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and the capital adequacy ratio were 9.51%, 11.81% and 13.86%, respectively. In order to further consolidate the core tier 1 capital and to ensure continued compliance with regulatory capital requirements, the Bank needs to replenish the core tier 1 capital through the capital market.

(II) Support the steady development of the Bank's business

For a long time, the Bank has resolutely implemented the requirements of serving the real economy via financial service from the Party Central Committee and the State Council, took full advantages of its own resource endowment, and continued to increase support for the real economy. The Bank's business scale grew steadily. As of the end of September 2020, the total assets of the Bank amounted to RMB11,133,942 million, an increase of 8.98% from the end of 2019. The average compound annual growth rate of the Bank's total assets from 2017 to 2019 was 6.47%. As of the end of September 2020, the total loans of the Bank amounted to RMB5,652,101 million, an increase of 13.63% from the end of 2019. The average compound annual growth rate of the Bank's total loans from 2017 to 2019 was 17.06%. It is expected that in the next few years, the Bank's business scale will continue to maintain a steady growth trend, and the stable development of business and asset scale requires sufficient capital as support. Meanwhile, on the basis of continuing to meet the

minimum capital adequacy requirements of the regulatory authorities, the Bank needs to reserve a certain percentage of capital buffer to further enhance its risk resistance capability, respond to the uncertainties of future macroeconomic development, and achieve the goal of stable operation.

In summary, the Non-public Issuance will effectively supplement the Bank's core tier 1 capital, which is of great significance for maintaining the Bank's compliance with regulatory capital requirements, supporting the sustainable and healthy development of the business, and enhancing risk resistance capability.

III. FEASIBILITY ANALYSIS OF THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE

Guided by its development strategies, the Bank will reasonably utilize the proceeds, actively promote the transformation and development of businesses, strengthen capital constraints and reduce capital consumption so as to maintain sound return on net assets and further improve all Shareholders' return on investment while realizing the Bank's continuous development. The Bank will adopt the following measures to achieve business development and implement strategic goals, and to ensure the rational and effective use of raised funds:

(I) Based on the strategic vision, accelerate the transformation and development

The Bank will strive to be a first-tier large retail bank which is trustworthy, distinctive, prudent and safe, innovative, and with remarkable value. The Bank will accelerate the transformation and development towards "uniqueness, comprehensiveness, lightness, intelligence and intensiveness". Relying on the existing network, funds and customer advantages, the Bank will continue to improve the "self-operated + agency" operation model, strengthen its distinctive businesses, improve its distinctive flagship products, innovate its distinctive financial services, and realize distinctive development of retail banking business. The Bank will comprehensively coordinate the financial needs of customers, strengthen coordination and linkage, integrate various financial resources, and provide customers with one-stop integrated financial services.

(II) Comprehensively promote business transformation and upgrading, and create new competitive advantages

The Bank will comprehensively promote the intensive and intelligent transformation of personal financial business, accelerate the establishment of a data-driven and value-oriented customer stratification operation system, vigorously develop consumer finance and wealth management, establish an integrated online and offline channel system, and strengthen intelligent big data application. The Bank will accelerate the comprehensive transformation of corporate banking business. Relying on the advantages of widely distributed outlets, strong financial strength, and high-quality asset quality, it will continue to expand the scale of corporate banking business, focus on serving the real economy, support supply-side structural reforms and major national strategies, enhance the service capabilities of transaction banking and investment banking business, strengthen sector coordination and linkage between corporate and retail businesses, and realize the comprehensive transformation of corporate banking business. The Bank will also promote the transformation and upgrading of its treasury and asset management business. Under the premise of meeting the Bank's capital and liquidity management needs, it will comply with regulatory guidance, go back to the fundamental purpose, and transform development model. On the basis of scale-driven model, the Bank will upgrade to investment research and service-driven model, further promote the steady development, transformation and innovation of treasury and asset management business, and consolidate and enhance the Bank's activity and returns in various financial markets. In addition, the Bank will improve the inclusive financial service system. Starting with the establishment of institutional mechanisms, product and service model innovation, and the application of information

technology, the Bank will continuously improve the inclusive financial service system, strive to play a leading role in practicing inclusive finance and realize the commercially sustainable development of inclusive finance.

(III) Strengthen capital constraints and improve the efficiency of capital use

The Bank will comprehensively establish and apply a value management system centered on economic capital, strengthen capital constraints, transmit the concept of value creation, improve the efficiency of capital use, and raise the level of capital return. The Bank will continuously improve the economic capital management system and mechanism, enhance the ability on active economic capital management, optimize economic capital allocation and strengthen capital constraint and value transmission. The Bank will embed the idea of “paying for the scarcity of capital” into its operation, enhance the awareness of saving economic capital across the whole Bank, achieve a better balance between risk and return and promote the transformation of its business model towards a capital efficient one. The Bank will proactively promote the development and implementation of advanced approaches of capital management to provide a solid technical and management foundation for strengthening capital constraints.

(IV) Improve the comprehensive risk management system

The Bank will adhere to a steady and prudent risk appetite, continue to improve the “all aspects, whole process and entire staff” comprehensive risk management system, and establish a long term mechanism for internal control and compliance management. The Bank will improve the risk management structure, optimize division of responsibilities for risk management, enhance the building of professional risk management system, and ensure that everyone concerned fulfills their duties. The Bank will implement joint asset quality control, improve the accountability mechanism on the person in charge, and comprehensively investigate and deal with potential risks. The Bank will continue to promote the rectification of disorders, hold strictly to account those who violate rules and regulations, strengthen the internal control system and firmly hold the bottom line for compliance. The Bank will also accelerate the development of IT system for risk management, optimize risk management means and tools, and promote the implementation of New Basel Capital Accord and advance approaches of capital management, thus continuously improving its capabilities for comprehensive risk management.

IV. IMPACTS OF THE NON-PUBLIC ISSUANCE ON THE BANK’S OPERATION, MANAGEMENT AND FINANCIAL CONDITION

The Non-public Issuance will be conducive to the improvement of the Bank’s capital adequacy level, thereby enhancing ability to withstand risks and providing sufficient capital basis for the sustainable development of various businesses of the Bank.

The impacts of the Non-public Issuance on the Bank’s operation, management and financial condition are mainly as follows:

(I) Impacts on shareholding structure and controlling right

Before and after the Non-public Issuance, the Bank’s shareholding structure and corporate governance structure was and will remain stable, and China Post Group was and will remain the controlling Shareholder of the Bank. The Non-public Issuance will not lead to changes in the controlling right of the Bank.

(II) Impacts on net asset, net asset per share and return on net assets

After the completion of the Non-public Issuance, the Bank's net assets will increase, and the return on net assets may be diluted to a certain extent in the short term. However, in the long run, the benefits arising from the use of raised funds to support the development of various businesses will gradually appear, which will have a positive impact on operating results.

(III) Impacts on capital adequacy ratio

The proceeds raised from the Non-public Issuance will effectively replenish the Bank's core tier 1 capital and improve the Bank's capital adequacy ratio, thereby enhancing the Bank's ability to withstand risks and providing sufficient fund to support steady growth of the Bank's asset scale and sustainable development of various businesses.

(IV) Impacts on profitability

The Non-public Issuance will assist in increasing the Bank's capital scale, laying a capital base for stable and sustainable development of businesses, promoting the Bank's further business expansion and enhancing its profitability and core competitiveness.

In summary, the proceeds raised from the Non-public Issuance will be used to supplement the Bank's core tier 1 capital, which complies with relevant laws and regulations and conforms to the Bank's long-term development strategy. It will help the Bank consolidate its capital strength, support the sustained and healthy development of its business, and improve its risk resistance and sustainable development capabilities. It has important strategic significance for the long-term development of the Bank and the enhancement of shareholder value.

**REPORT ON THE USE OF PREVIOUSLY RAISED PROCEEDS OF POSTAL
SAVINGS BANK OF CHINA AS OF SEPTEMBER 30, 2020**

According to the Rules on Report on Use of Previously Raised Funds issued by the CSRC, the report on the use of previously raised proceeds as of September 30, 2020 is as follows:

I. INFORMATION ON THE PROCEEDS FROM THE PREVIOUS ISSUANCE

The proceeds from the previous issuance referred in this report include proceeds from the Initial Public Offering of A Shares in December 2019 and proceeds from the over-allotment issuance of A Shares in January 2020.

As approved by the Reply by the CBIRC on the Initial Public Offering of A Shares and Listing and Amendments to the Articles of Association of Postal Savings Bank of China Co., Ltd. (Yin Bao Jian Fu [2019] No.565) issued by the CBIRC and the Approval of the Initial Public Offering of Shares by Postal Savings Bank of China Co., Ltd. (Zheng Jian Xu Ke [2019] No.1991) issued by the CSRC, the Bank completed the Initial Public Offering of 5,172,164,200 A Shares (excluding over-allotment) with a par value of RMB1.00 per Share and an issue price of RMB5.50 per Share in December 2019 (the “**Initial Issuance**”). The shares were fully paid in RMB, and the total proceeds were RMB28,446,903,100.00. After deducting sponsorship costs, underwriting costs, and other issuance expenses directly related to the Initial Issuance totaling RMB446,353,954.75, the net proceeds was RMB28,000,549,145.25 (excluding the interest income generated by the subscription funds for the Initial Issuance during the freezing period). The proceeds have been remitted to the special account for the public issuance of A Shares opened by the Bank on December 4, 2019 with the account number 911008010001351658.

Besides, over-allotment option was exercised in January 2020 by the Bank. A total of 775,824,000 A Shares were issued under an over-allotment option with a par value of RMB1.00 per Share and an issue price of RMB5.50 per Share. The Shares were fully paid in RMB, and the total proceeds were RMB4,267,032,000.00. After deducting sponsorship costs, underwriting costs, and other issuance expenses directly related to the over-allotment issuance totaling RMB61,603,696.70, the net proceeds was RMB4,205,428,303.30 (excluding the interest income generated by the subscription funds for the over-allotment issuance during the freezing period). The proceeds have been remitted to the above-mentioned special account for proceeds from the public issuance of A Shares by the Bank on January 10, 2020.

The net proceeds from above Initial Issuance and over-allotment issuance of A Shares was RMB32,205,977,448.55 in total.

PricewaterhouseCoopers Zhong Tian LLP has verified the actual receipt of proceeds from above Initial Issuance and over-allotment issuance of A Shares and issued the Report on the Capital Verification of Proceeds from Initial Public Offering of Ordinary Shares (A Shares) Denominated in RMB by Postal Savings Bank of China Co., Ltd. (PricewaterhouseCoopers Zhong Tian Yan Zi (2019) No. 0657) and the Report on the Capital Verification of Proceeds from Over-allotment of Ordinary Shares (A Shares) Denominated in RMB by Postal Savings Bank of China Co., Ltd. (PricewaterhouseCoopers Zhong Tian Yan Zi (2020) No. 0015).

II. ACTUAL USE OF THE PREVIOUSLY RAISED PROCEEDS

According to the Prospectus of Initial Public Offering of Shares (A Shares) by Postal Savings Bank of China Co., Ltd., the proceeds from the issuance and listing shall be used to supplement the Bank’s capital after deducting issuance fees. As of September 30, 2020, all the net proceeds from the above Initial Issuance and over-allotment issuance of A Shares have been used to supplement the core tier 1 capital of the Bank

(including the share capital of RMB5,947,988,200.00 and the capital reserve of RMB26,257,989,248.55). All the proceeds have been used up. For details on the use of the previously raised proceeds, please refer to the “Checklist on Use of Previously Raised Proceeds” in the schedule to this report.

According to the Administrative Measures for Raised Proceeds by Postal Savings Bank of China Co., Ltd. (2019 Edition) (You Yin Zhi [2019] No. 245), as of September 30, 2020, the Bank has cancelled the designated account for the proceeds from the public issuance of A Shares, and the balance of the proceeds was RMB0.

There is no inconsistency between the proceeds raised from Initial Issuance and over-allotment issuance of A Shares and the use of raised proceeds as disclosed in the public offering plan of A Shares of the Bank, there exists no change in investment projects of raised proceeds, there is no earlier investment and replacement for the investment project of raised proceeds, no use of idle proceeds to temporarily replenish working capital, no cash management and investment of relevant products with idle proceeds, no permanent replenishment of working capital or repayment of bank loans with over raised proceeds, no over raised proceeds used in projects under construction and new projects (including the acquisition of assets, etc.) and no use of surplus proceeds and other proceeds.

The Bank has compared the actual use of the above proceeds with the relevant contents disclosed in the information disclosure documents announced by the Bank from 2019 to September 30, 2020, and the actual use is consistent with the relevant disclosure.

III. CONCLUSION

The Bank has used the previously raised proceeds in accordance with the use of proceeds as disclosed in the public offering plan of A Shares.

The above-mentioned proceeds enhanced the Bank’s capital adequacy ratio. Due to the particularity of the banking business, the proceeds were put into operation with other funds of the Bank, and its benefits realized cannot be accounted separately. The Bank made relevant information disclosure in a timely, truthful, accurate and complete manner, and there were no problems with the use of proceeds and its disclosure.

Schedule 1

Checklist on Use of Previously Raised Proceeds

The use of previously raised proceeds of the Bank as of September 30, 2020 is as follows:

Unit: RMB yuan

Total net proceeds: 32,205,977,448.55		Total proceeds that has been used cumulatively: 32,205,977,448.55	
Total proceeds with changed use: Nil		Total proceeds that has been used for each year:	
Percentage of total proceeds with changed use: Nil		2019: 28,000,549,145.25	
		2020: 4,205,428,303.30	
Investment project		Total accumulated investment amount of proceeds as at September 30, 2020	
		Expected usable date for the project	
		Difference between actual investment amount and committed investment amount after raising	
		Actual investment amount	
		Committed investment amount after raising	
		Committed investment amount before raising	
		Actual investment amount	
		Committed investment amount after raising	
		Committed investment amount before raising	
		Actual investment amount	
No.	Investment project	Committed investment amount before raising	Actual investment amount
1	Replenishment of capital	32,205,977,448.55	32,205,977,448.55
	Replenishment of capital	32,205,977,448.55	32,205,977,448.55
		0	N/A

Note: The proceeds have all been used to replenish the core tier 1 capital of the Bank. Since the funds invested in the project include the Bank's original own funds and the raised proceeds, it is impossible to calculate the benefits of raised proceeds separately.

APPENDIX III DILUTION OF IMMEDIATE RETURNS BY THE NON-PUBLIC ISSUANCE OF A SHARES, REMEDIAL MEASURES AND THE COMMITMENTS OF RELATED ENTITIES

DILUTION OF IMMEDIATE RETURNS BY THE NON-PUBLIC ISSUANCE OF A SHARES, REMEDIAL MEASURES AND THE COMMITMENTS OF RELATED ENTITIES OF POSTAL SAVINGS BANK OF CHINA

According to the relevant requirements set out in Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets, the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets and Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring by the CSRC, the Bank has analyzed the impact of the Non-public Issuance of the A Shares on the dilution of immediate returns and proposed the relevant measures to remedy the diluted immediate returns based on the actual situation, specifically as follows:

I. ANALYSIS OF THE DILUTIVE EFFECT OF THE NON-PUBLIC ISSUANCE ON IMMEDIATE RETURNS

The proceeds from the Non-public Issuance shall not exceed RMB30 billion (inclusive), all of which will be used to supplement core tier 1 capital of the Bank after the deducting the related issuance expenses to consolidate the Bank's capital strength, support the future business development, and enhance risk resilience of the Bank.

(I) Assumptions and conditions

1. It is assumed that there will be no material and adverse changes in the macroeconomic situation, industrial development trends and the Bank's operations.
2. It is assumed that the Non-public Issuance will be completed on March 31, 2021.
3. It is assumed that 5,405,405,405 Shares will be issued through the Non-public Issuance, the total amount of proceeds raised from the Non-public Issuance is no more than RMB30 billion, and the issuance expenses have not been taken into account.
4. According to the actual operating conditions of the Bank and the principle of prudence, it is assumed that the net profit attributable to shareholders of the parent company in 2020 and 2021 and the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses are measured based on three situations: (1) decreasing by 5% from 2019 to 2020, and zero growth in 2021 compared with 2020; (2) zero growth in 2020 compared with 2019, and increasing by 5% from 2020 to 2021; (3) increasing by 5% from 2019 to 2020, and increasing by 10% from 2020 to 2021.
5. Other than the Non-public Issuance, other factors that may cause changes to the ordinary share capital (e.g. profit distribution, conversion of capital reserve into share capital, mandatory conversion of preference shares) have not been taken into account.
6. The impact of the proceeds from the Non-public Issuance on Bank's operation and financial situation has not been taken into account.

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(II) Calculations of the impacts of the Non-public Issuance on the main financial indicators (such as earnings per share) of the Bank

Based on the above assumptions, the Bank calculated the impacts of the Non-public Issuance on major financial indicators such as earnings per share, and the details are as follows:

Item	December 31, 2020/for the year 2020	Comparison before and after the issuance (December 31, 2021/for the year 2021)	
		Before the Non-public Issuance	After the Non-public Issuance
Total ordinary shares (million shares)	86,979	86,979	92,384
Total weighted average ordinary shares (million shares)	86,914	86,979	91,033
Total proceeds from the Non-public Issuance (in RMB million)	30,000		
Scenario 1: net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2020 decreases by 5% compared to 2019, and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2021 has zero growth compared with 2020			
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses (in RMB million)	56,733	56,733	56,733
Net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (in RMB million)	54,149	51,197	51,197
Basic earnings per share attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (RMB per share)	0.62	0.59	0.56
Diluted earnings per share attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (RMB per share)	0.62	0.59	0.56
Scenario 2: net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2020 has zero growth compared with 2019, and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2021 increases by 5% compared with 2020			
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses (in RMB million)	59,719	62,705	62,705
Net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (in RMB million)	57,135	57,169	57,169
Basic earnings per share attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (RMB per share)	0.66	0.66	0.63
Diluted earnings per share attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (RMB per share)	0.66	0.66	0.63
Scenario 3: net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2020 increases by 5% compared to 2019, and net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2021 increases by 10% compared to 2020			
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses (in RMB million)	62,705	68,975	68,975
Net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (in RMB million)	60,121	63,439	63,439
Basic earnings per share attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (RMB per share)	0.69	0.73	0.70
Diluted earnings per share attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses (RMB per share)	0.69	0.73	0.70

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Note: Basic and diluted earnings per share are calculated in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share.

(III) Notes on the calculations

1. The assumptions and analysis in this calculation do not constitute the Bank's profit forecast and investors should not make investment decisions in reliance of them. The Bank will not be liable for any losses of investors incurred as a result of investment decisions made based on such analysis;
2. The number of shares to be issued, the total amount of funds raised and the completion time of the Non-public Issuance in this calculation are only estimates, and will ultimately be determined based on the approval of the regulatory authorities, and the issuance and subscription status, etc.

II. SPECIAL RISK WARNING ON DILUTION OF IMMEDIATE RETURNS DUE TO THE NON-PUBLIC ISSUANCE

After the funds raised from the Non-public Issuance are in place, the Bank's total share capital and net assets will increase. If the raised funds fail to maintain the current capital operation efficiency, the basic earnings per share after deducting non-recurring gains and losses and the weighted average return on net assets after deducting non-recurring gains and losses may decline to a certain extent.

Therefore, investors are advised to pay attention to the risks in connection with dilution of immediate returns caused by the Non-public Issuance. The Bank's remedial measures for dilution of immediate returns do not mean any guarantee for future profit of the Bank. The Bank will continue to disclose in its regular reports the progress of remedial measures for dilution of immediate returns, as well as the fulfillment of the commitments made by related entities.

III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE

The Non-public Issuance can help consolidate the Bank's capital base for sustainable development of various businesses and further improve its capital adequacy ratio, which is of great significance in the enhancement of the Bank's profitability and risk resistance capacity.

(I) Continue to meet regulatory capital requirements

On January 1, 2013, the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) was officially implemented, which imposed stricter and more prudential regulations on the qualification standards and measurement requirements of various types of capital, and further strengthened the regulatory capital requirements for commercial banks. The People's Bank of China introduced the Macro Prudential Assessment (MPA) system in 2016, emphasizing that the core assessment under the MPA is the macro prudential capital adequacy ratio, the capital level is an important way for financial institutions to strengthen their loss absorption capabilities, and that asset expansion must continue to be subject to capital constraint. Therefore, it is of high strategic significance to the development of the Bank to establish a long-term capital replenishment and constraint mechanism, so as to continue to comply with the regulatory requirements on capital adequacy ratios.

In recent years, the Bank has been stepping up its capital constraint in its daily operation and management, and replenishing its capital by different ways such as retaining profits, introducing strategic investors, listing as well as issuing capital bonds and preference shares. As at the end of

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September 2020, the Group's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and the capital adequacy ratio were 9.51%, 11.81% and 13.86%, respectively. In order to further consolidate the core tier 1 capital and to ensure continued compliance with regulatory capital requirements, the Bank needs to replenish the core tier 1 capital through the capital market.

(II) Support the steady development of the Bank's business

For a long time, the Bank has resolutely implemented the requirements of serving the real economy via financial service of the Party Central Committee and the State Council, took full advantages of its own resource endowment, and continued to increase support for the real economy. The Bank's business scale grew steadily. As of the end of September 2020, the total assets of the Bank amounted to RMB11,133,942 million, an increase of 8.98% from the end of 2019. The average compound annual growth rate of the Bank's total assets from 2017 to 2019 was 6.47%. As of the end of September 2020, the total loans of the Bank amounted to RMB5,652,101 million, an increase of 13.63% from the end of 2019. It is expected that in the next few years, the Bank's business scale will continue to maintain a steady growth trend, and the stable development of business and asset scale requires sufficient capital as support. Meanwhile, on the basis of continuing to meet the minimum capital adequacy requirements of the regulatory authorities, the Bank needs to reserve a certain percentage of risk buffer capital to further enhance its risk resistance capability, respond to the uncertainties of future macroeconomic development, and achieve the goal of stable operation.

In summary, the Non-public Issuance will effectively supplement the Bank's core tier 1 capital, which is of great significance for maintaining the Bank's compliance with regulatory capital requirements, supporting the sustainable and healthy development of the business, and enhancing risk resistance capability.

IV. THE RELATIONSHIP BETWEEN THE PROCEEDS-FUNDED INVESTMENT PROJECTS AND THE BANK'S EXISTING BUSINESS, THE BANK'S PERSONNEL, TECHNOLOGY, AND MARKET RESERVES FOR PROCEEDS-FUNDED PROJECTS

(I) Relationship between the proceeds-funded investment projects and the Bank's Existing Business

All the funds raised from the Non-public Issuance of the Bank will be used to supplement the Bank's core tier 1 capital after deducting relevant issuance expenses to consolidate the Bank's capital strength, support future business development, and enhance the Bank's risk resilience.

(II) The Bank's Personnel, Technology and Market Reserves for proceeds-funded investment projects

In terms of personnel, the Bank adhered to an open and inclusive attitude and recruited talents from the society. As of September 30, 2020, there are a total of 193,144 employees. The Bank paid attention to the professional capacity building of the talent team, continuously improved the vision of professional talents, and built core competitive advantages. The Bank continued to deepen talent development and training, and closely followed business management and development trend, strengthened compliance and risk training, and built a high-quality professional talent team, as well as improved our talent training and development system with face-to-face training and long-distance training as major approaches and supplementary approaches such as Party School training, overseas training, and qualification certification.

In terms of the technology, the Bank considered information technology as the core driver of business development, and continued to deepen IT governance and promote the optimization of IT architecture by focusing on digital transformation. It also accelerated the development of the new

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generation personal business core system, and built a technology infrastructure platform; it enhanced its independence and controllability and promoted the deep integration of business and technology; it deepened the application of big data, enhanced the capability of financial technology innovation, strove to enhance its core competitiveness in terms of information technology, and promoted high-quality business development through technology empowerment.

In terms of the market, as of September 30, 2020, the Bank served 617 million individual customers, continued to promote the transformation and upgrading of retail finance, and strengthened product/service innovation as well as comprehensive marketing. The Bank actively promoted the management of and support to services on the electronic banking channels such as mobile banking, online banking, telephone banking and WeChat banking, promoted the integration of online and offline channels, and provided convenient services to customers at anytime and anywhere. In terms of corporate customer marketing reserves, the Bank intensively cultivated two key customer groups, namely institutional customers and strategic customers, so as to provide broad space for future business development.

V. THE SPECIFIC REMEDIAL MEASURES FOR THE DILUTION OF IMMEDIATE RETURNS OF THE NON-PUBLIC ISSUANCE

The Bank will take effective measures to strengthen capital management, improve the efficiency of the use of proceeds, further enhance the Bank's profitability, minimize the impact of the Non-public Issuance on the immediate returns of ordinary Shareholders, and fully protect the legitimate rights of the ordinary Shareholders of the Bank, especially the minority interests. The Bank intends to take measures as follows:

(I) Strengthening the management of proceeds and improving the efficiency of use of proceeds

The Bank will strengthen the management of the proceeds from the Non-public Issuance, standardize the use of proceeds, further improve the efficiency of the use of raised funds, so as to realize a reasonable level of return on capital, have a positive impact on financial indicators such as return on net assets and earnings per share, effectively cover the impact of the Non-public Issuance on the dilution of the immediate returns of ordinary Shareholders, and further enhance the Bank's sustainable development capabilities.

(II) Strengthening the operation and management and internal control of the Bank

The Bank will further strengthen the operation and management and internal control, improve and strengthen the operating decision-making procedures. The Bank will adhere to the strategic positioning of retail banking, continue to increase business transformation, optimize the structure of assets and liabilities, increase the yield of asset business, effectively control the interest-bearing costs and various expenses or expenditures, and actively create capital returns for Shareholders.

(III) Strengthening risk management measures

The Bank will continue to strengthen the construction of a risk management system, continuously improve the level of risk management, advance the ability to effectively prevent and measure risks, continuously perfect the comprehensive risk management system integrating front, middle and back offices, and effectively support the steady business development.

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(IV) Further improving profit distribution system and enhancing investors' return mechanism

The Bank attaches great importance to protection of Shareholders' rights and interests and reasonable investment returns. Meanwhile, the Bank further specifies the matters of cash dividend policies and percentages as well as the minimum percentage of profit distribution in cash in general conditions, so as to achieve sustainable development of the Bank and shape investors' expectation for steady returns.

VI. THE UNDERTAKINGS OF THE BANK'S DIRECTORS AND SENIOR MANAGEMENT TO ENSURE THE IMPLEMENTATION OF REMEDIAL MEASURES FOR THE DILUTED IMMEDIATE RETURNS

The Directors and senior management of the Bank have undertaken to faithfully and diligently perform their duties and protect the legitimate rights and interests of the Bank and all the shareholders and made the following undertakings so as to ensure the implementation of the Bank's remedial measures for the diluted immediate returns as a result of the Non-public Issuance according to relevant provisions of CSRC:

- (I) Undertake not to transfer interests to other entities or individuals for free or on unfair terms, nor to damage the Bank's interests in other ways;
- (II) Undertake to restrict the expenditures incurred in the course of duties;
- (III) Undertake not to draw upon the Bank's assets to make any investment or participate in any consumption activities unrelated to their performance of duties;
- (IV) Undertake to proactively promote the improvement of the Bank's remuneration system to better comply with requirements for compensating immediate returns; to support the linkage between the remuneration system set up by the Board of Directors or the nomination and remuneration committee and the implementation of the Bank's remedial measures for immediate returns, and strictly enforce the above system;
- (V) Undertake there will be linkage between the vesting conditions of equity incentive to be published and the implementation of the Bank's remedial measures for immediate returns when the Bank sets up an equity incentive plan (if any).

**SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS OF 2021-
2023 OF POSTAL SAVINGS BANK OF CHINA**

To specify a plan for reasonable return on Shareholders' investment, refine the cash dividend distribution policy, improve the transparency and practicability of decision-making over profit distribution, and facilitate the Shareholders to supervise the Bank's operation and profit distribution, the Bank has formulated the Shareholders' Return Plan For the Next Three Years of 2021-2023 of Postal Savings Bank of China Co., Ltd. (hereinafter referred to as the "**Plan**") in accordance with relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies issued by China Securities Regulatory Commission, the Guideline No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies, the Guidelines for the Cash Dividend Distribution of Companies Listed in the Shanghai Stock Exchange and the Articles of Association, and the Plan is detailed as follows:

I. PRINCIPLES IN THE FORMULATION OF THE PLAN

The Bank will implement a reasonable, sustainable and stable dividend distribution policy, giving weight to the reasonable return on investments and long-term benefits to investors while taking into account the sustainable development of the Bank. On the premise of compliance with the regulatory requirements, by taking into account sustained profitability, the Bank's ongoing business operation and long-term development, the Bank will give priority to the form of cash dividend.

In accordance with the Company Law of the People's Republic of China and the Articles of Association of the Bank, on the premise of meeting the regulatory requirements on capital adequacy ratios, the Bank shall distribute dividends to preference Shareholders and the holders of undated capital bonds (hereinafter referred to as the "**Perpetual Bonds**") when there is distributable after-tax profit after making up losses and making allocations to the statutory reserve fund and general reserve. Preference Shareholders and holders of the Perpetual Bonds shall receive distribution of dividends in priority to ordinary Shareholders. For all ordinary Shareholders, the Bank shall make distribution in proportion to the number of Bank's shares held by each Shareholder based on the principle of "equal rights and returns for each share".

II. FACTORS CONSIDERED IN MAKING THE PROFIT DISTRIBUTION PLAN

When formulating dividend distribution plan, the Bank focuses on its current operation and sustainable development, conducts comprehensive analysis and has taken into account following key factors:

(I) To safeguard the legitimate rights and interests of Shareholders and meet regulatory requirements

1. The Bank shall proactively perform its social and legal responsibilities to safeguard the legitimate rights and interests of Shareholders and provide reasonable investment returns for the investors.
2. The Bank will proactively implement regulatory requirements of CSRC on profit distribution and cash dividends policy of listed companies and perform profit distribution decision-making procedures in compliance with laws and regulations.
3. It is necessary for a commercial bank to meet the requirements on capital adequacy ratio of relevant laws, regulations and regulatory authorities in its operation and development. In determining the Bank's dividend distribution policy, the Bank will take into account

the effect of dividend distribution on capital adequacy ratio on the premise of sustained business development, and specify reasonable cash dividend distribution ratio on this basis, to ensure the feasibility of such policy.

(II) Stage of development of the Bank

The Bank is now in the growing stage of development, with strong momentum in all business areas and huge development potential, and is in need of sufficient capital to ensure future development. The Bank will take into full consideration of the effects of various factors when determining the dividend distribution policy, to ensure that its capital satisfies the ongoing business operation and sustainable development of the Bank.

(III) Expectation and will of Shareholders

The Bank encourages small and medium investors and institutional investors to participate in the decision-making of profit distribution matters. The Bank will communicate and exchange ideas through multiple channels with Shareholders (in particular, the minority Shareholders), fully consider the opinions and requests of the minority Shareholders. The Bank gives weight to the reasonable return on investments to investors while taking into account their expectations on sustained and rapid development and long-term and stable operation of the Bank. The specific dividend distribution plan (including the proportion of cash dividend distribution and adoption of stock dividend distribution, etc.) is subject to the approval of the Shareholders' general meeting based on the particular operation condition of the year and needs of the Bank for future ongoing development.

(IV) Cost of social funds and external financing environment

Currently, the Bank can expand its capital scale by issuing ordinary shares, capital instruments and retaining profit, of which retaining profit is one of the important ways to replenish the capital of the Bank. Profit distribution could diminish internal capital replenishment (by retaining profit) and increase external capital replenishment (by issuing new shares or capital instruments). Therefore, the Bank will take into full account factors such as reasonable capital structure for the Bank, cost of social funds and external financing environment, when formulating the dividend distribution policy.

III. SPECIFIC DIVIDEND DISTRIBUTION PLAN

(I) Order of profit distribution

The after-tax profits of the Bank for the year shall be distributed in the following order:

to make up for the losses of the previous year;

to allocate 10% to the statutory reserve fund;

to allocate to the general reserve;

to allocate to the discretionary reserve fund;

to distribute profits in proportion to Shareholders' shareholdings

Where the accumulated amount of the statutory reserve fund of the Bank amounts to 50% or more of the registered capital of the Bank, allocation is no longer necessary. After allocation to the statutory reserve fund and general reserve, whether to make allocation to the discretionary reserve

fund shall be determined by the Shareholders' general meeting. The Bank shall not distribute profits to Shareholders before making up for its losses and making allocations to the statutory reserve fund and general reserve. The Bank's shares held by the Bank shall not participate in profit distribution.

The payment of dividends on preference shares and the Perpetual Bonds shall be proceeded in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authorities of the place where the Bank's shares are listed and where the preference shares and the Perpetual Bonds are issued or listed, and the Articles of Association of the Bank.

(II) Form and interval of profit distribution

The Bank shall distribute profit in proportion to Shareholders' shareholdings, and may distribute dividends in form of cash, shares or both combined; where cash dividends distribution is possible, the Bank shall distribute profit in form of cash as the priority. On the premise of profit distribution principle, the Bank's ongoing operation and sustainable development, the Bank shall make one profit distribution each year in principle, and might make interim profit distribution when the condition allows. However, in no circumstances shall profit distributed exceed the amount of accrued distributable profit or impair the Bank's capability of sustainable operation.

(III) Conditions and proportion of cash dividends

1. Except under special circumstances, the Bank shall distribute dividends to Shareholders of ordinary shares in the form of cash every year with an aggregate amount of not less than 10% of the net profit attributable to the Shareholders of the Bank on a consolidated basis of such financial year. The special circumstances refer to circumstances where:
 - (1) the profit distribution is restricted by laws, administrative regulations and regulatory requirements;
 - (2) cash dividend distribution may adversely affect the long-term interests of the Shareholders;
 - (3) the Bank's capital adequacy ratio is lower than the requirements of the banking regulatory authority of the State Council and other regulatory department on the Bank.
2. Under circumstances where the Bank has sound operation, and the Board of Directors determines that the share price of the Bank does not match the size of its share capital and share dividend distribution is beneficial to the interests of all the Shareholders of the Bank as a whole, a plan on dividend distribution in the form of shares may be formulated and implemented upon approval at the Shareholders' general meeting, provided that the requirements on cash dividend distribution set out above have been met. Distributing profit in form of shares dividends shall be preconditioned on reasonable cash dividends return to Shareholders and maintenance of an appropriate equity scale, by taking into account the Bank's growth potential, dilution of net assets per share and other factors.

3. By taking into account the nature of the industry, external business environment, stage of development, business operation model, profitability level of the Bank and whether there shall be significant capital expenditures arrangements, the Board of Directors of the Bank shall make differentiated cash dividends distribution policies under the following conditions in accordance with procedures in the Articles of Association:
 - (1) when the Bank is in a mature stage of development and there shall be no significant capital expenditures arrangements, the cash dividends distributed should be at least 80% in total profit distributed;
 - (2) when the Bank is in a mature stage of development and there shall be significant capital expenditures arrangements, the cash dividends distributed should be at least 40% in total profit distributed;
 - (3) when the Bank is in a growing stage of development and there shall be significant capital expenditures arrangements, the cash dividends distributed should be at least 20% in total profit distributed;

When it is difficult to differentiate a stage of development but there shall be significant capital expenditure arrangements, cash dividends distribution can be processed based on the preceding provisions.

IV. DECISION-MAKING AND SUPERVISION SYSTEM FOR THE PLAN

When formulating a specific cash dividend distribution plan, the Board of Directors of the Bank shall carefully study and demonstrate the rationality of the profit distribution plan. After formulating a resolution, it shall be presented to the Shareholders' general meeting as an ordinary resolution for consideration and shall be put into effect upon approval. The Independent Directors should express clear opinions and may consult and collect the opinions of minority Shareholders, make dividends distribution proposals and present it to the Board of Directors directly for consideration. Before a specific cash dividend distribution plan is considered by the Shareholders' general meeting, the Bank should take initiative to communicate with Shareholders, in particular minority Shareholders, fully listen to their opinions and requests, and timely respond to the issues of their concerns and interests through multiple channels.

If the Bank does not distribute cash dividend under special circumstances, the profit distribution plan proposed to the Shareholders' general meeting for review and approval shall include the reasons for not distributing dividends and the use of the undistributed fund retained in the Bank, and corresponding disclosure shall be made in the periodic reports.

V. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN

After the resolution on the profit distribution plan is approved by the Shareholders' general meeting, the Board of Directors of the Bank shall complete the matters of dividends distribution (in cash or shares) within two months after the Shareholders' general meeting.

VI. PLANNING CYCLE AND ADJUSTMENT MECHANISM FOR THE PLAN

- (I) The Bank shall formulate the dividend distribution plan based on the profit distribution policy determined according to the Articles of Association, make appropriate and necessary amendments to existing plan at least once in three years, and plan on the dividends distribution policy for the next three years. When preparing the dividend distribution plan, the Board of Directors of the Bank shall fully listen to and take the opinions and suggestions of Shareholders (in particular, the minority Shareholders), Independent Directors and external

Supervisors through multiple channels. The profit distribution policy and three-year dividend distribution plan formulated by the Board of Directors shall be proposed to the Shareholders' general meeting and shall be put into effect upon approval.

- (II) In case of force majeure such as war or natural disaster or in the event of any change to external operation environment (such as significant public health emergency) with material impact on the Bank's operation, or any significant change to the Bank's own operation condition, the Bank may adjust the profit distribution policy based on the Articles of Association. Any adjustment to the profit distribution policy by the Bank should be presented by the Board of Directors as a subject matter, demonstrate the rationale for adjustment in detail, and a written report should be formed. The Independent Directors shall express their opinions which shall be, together with the written report, submitted to the Shareholders' general meeting as a special resolution for approval. Review of adjustment to profit distribution plan should be in line with regulatory requirements of the regulatory authorities where the Bank's shares are listed, and the Bank shall provide shareholders with the option to vote online.

VII. MECHANISM FOR THE PLAN TO COME INTO FORCE

The return for Shareholders referred to in this Plan means the return for ordinary Shareholders. Dividend distribution for preference shares and the Perpetual Bonds shall be processed based on the Articles of Association and the relevant terms of the issuance plan of preference shares and the Perpetual Bonds. Matters not covered by the Plan shall be processed in accordance with relevant provisions of relevant laws, regulations, normative documents, and the Articles of Association. The Plan herein is subject to the interpretation of the Board of Directors of the Bank. The Plan shall take effect from the date of approval by the Shareholders' general meeting of the Bank.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, none of the Directors, supervisors nor the senior executives of the Bank had any interests or short positions in the Shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the Part XV of the SFO), which were required to be notified to the Bank and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which Directors, supervisors, senior executives or their respective associates were deemed or taken to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which will not expire within one year or terminated by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business (other than businesses of the Group) which competes or may compete, whether directly or indirectly, with that of the Bank (if they are controlling Shareholders, such interest shall be disclosed in accordance with the requirements of Rule 8.10 of the Hong Kong Listing Rules).

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, there is no material adverse change in the financial position or operations of the Bank since December 31, 2019, being the date up to which the latest published audited accounts of the Bank were made.

6. INTERESTS IN THE GROUP'S ASSETS OR MAJOR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since December 31, 2019 (being the date up to which the latest published audited financial statements of the Group were made), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements, effective at the date of this circular, which is significant to the business of the Group.

7. DIRECTORS' EMPLOYMENT WITH SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Bank which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Positions held in specific companies
Zhang Jinliang	Board Member, President of China Post Group
Guo Xinshuang	Deputy President of China Post Group
Liu Yue	Chairman of China Shipbuilding Capital Limited
Ding Xiangming	Vice President and Board Secretary of Shanghai International Port (Group) Co., Ltd.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert which has given its opinions or advices which are contained in this circular:

Name	Qualifications
Gram Capital Limited	A licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO

Gram Capital issued a letter dated December 4, 2020, regarding its recommendation to the Independent Board Committee and Independent Shareholders for the purpose of inclusion in this circular. As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital:

- (a) did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group since December 31, 2019, being the date to which the latest audited financial statements of the Group were made up, or was proposed to be acquired, or disposed of by, or leased to any member of the Group; and
- (b) was not interested in the shares of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Bank's principal place of business at 40/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong during normal business hours within 14 days from the date of this circular (excluding public holidays):

- (a) Share Subscription Contract;
- (b) Letter from the Independent Board Committee, the full text of which is set out in this circular;
- (c) Letter from Gram Capital, the full text of which is set out in this circular; and
- (d) Written consent from Gram Capital as set out in this appendix.

BIOGRAPHIES OF CANDIDATES FOR DIRECTORS

The biographies of the candidates for Directors to be re-elected at the EGM are set out as follows:

Liu Yue, male, obtained a doctor's degree in Engineering from Harbin Engineering University and holds the title of Senior Engineer. Mr. Liu has served as Non-executive Director of the Bank since December 2017. He previously served as an engineer and Deputy Director of Comprehensive Planning Bureau of China State Shipbuilding Corporation, Deputy Director of Science, Technology and Quality Control Department of China National Space Administration, Board Secretary, Director and Executive Director of CSIC Science & Technology Investment & Development Co., Ltd., Assistant Director, Deputy Director and Director of Planning and Development Department and Chief Economist of China Shipbuilding Industry Corporation. Mr. Liu currently serves as Chairman of China Shipbuilding Capital Limited.

Ding Xiangming, male, obtained an MBA degree from Shanghai Maritime University, and holds the title of professor-level Senior Economist and Engineer. Mr. Ding has served as Non-executive Director of the Bank since October 2017. He previously served as Technical Management Director of Jungonglu Wharf Technology Department, Equipment Director of Baoshan Wharf Technology Department, Technical Support Director of Engineering Technology Department, Business Management Director of General Manager Office of Shanghai Container Terminal Co., Ltd., Assistant Manager of Investment Management Department of Shanghai Port Container Co., Ltd., Manager of Project Development Office, and Deputy Manager and General Manager of Investment and Development Department of Shanghai International Port (Group) Co., Ltd. ("SIPG"). Mr. Ding currently serves as Vice President and Board Secretary of SIPG.

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. He concurrently serves as Director of World Transmission Technology (Tianjin) Co., Ltd. and Independent Director of New China Fund Management Co., Ltd.

As at the Latest Practicable Date, the above candidates for Directors confirmed that, save as disclosed in this circular, they did not hold any Directorship in other public companies the securities of which are listed on any securities market in Chinese mainland, Hong Kong or overseas in the past three years, nor did they have any other relationship with any Director, Supervisor, senior management or substantial shareholder or controlling shareholder of the Bank, nor did they hold other positions in the Bank or any of its subsidiaries; did not have any interests in the shares of the Bank or its associated companies within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, and there is no information that shall be disclosed pursuant to the requirements set out in Rule 13.51(2)(h) to (v) of the Listing Rules, nor any matters that need to be brought to the attention of the Shareholders of the Bank.

The Bank considers that the above candidates for Directors meet the independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules.

Pursuant to Rule A.5.5 in Appendix 14 to the Hong Kong Listing Rules, the Nomination and Remuneration Committee of the Bank and the Board have discussed the matters regarding the re-election of Mr. Hu Xiang as the candidate of independent non-executive Director. Mr. Hu Xiang has served as the independent non-executive Director of the Bank for more than three years and is familiar with the Bank's business. He has also provided the Bank with objective, independent and sufficient opinions and analysis from different perspectives and with his professional knowledge(including financial and listing compliance areas) and unique experience. Mr. Hu Xiang, as an independent non-executive Director, is also able to promote the diversity of the structure of the Board of the Bank in various aspects, including culture, knowledge, educational background, experience and skills.