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

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

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

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**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)**

**ENGAGEMENT OF ACCOUNTING FIRMS FOR 2024  
ADJUSTMENT TO DEPOSIT AGENCY FEE PRICING FOR AGENCY  
DEPOSIT TAKING BUSINESS  
ELECTION OF MR. LIU RUIGANG AS NON-EXECUTIVE  
DIRECTOR OF THE BANK  
ELECTION OF MR. CHEN BINGHUA AS NON-EXECUTIVE  
DIRECTOR OF THE BANK  
AND  
NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING  
INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD  
COMMITTEE AND THE INDEPENDENT SHAREHOLDERS  
**ALTUS CAPITAL LIMITED****

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Postal Savings Bank of China Co., Ltd. will convene the EGM at 10:00 a.m. on Friday, October 25, 2024 on-site at Block A, Jinjia Plaza, No. 6 Financial Street, Xicheng District, Beijing. The letter from the Board of Directors is set out on pages 4 to 28 of this circular. The notice of the EGM is set out on pages 29 to 30 of this circular. The letter from the Independent Board Committee is set out on page 31 of this circular. The letter from Altus Capital containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement is set out on pages 33 to 57 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM. If you intend to appoint a proxy to attend the EGM, 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 Centre, 183 Queen's Road East, Wan Chai, 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 or any adjournment thereof. 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.

\* *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.*

October 9, 2024

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## DEFINITIONS

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

“2022 Supplemental Agreement”	supplemental agreement to the Agency Banking Businesses Framework Agreement (2022) dated September 29, 2022 between the Bank and China Post Group with conditions precedent
“2024 Supplemental Agreement”	supplemental agreement to the Agency Banking Businesses Framework Agreement (2024) dated September 30, 2024 between the Bank and China Post Group with conditions precedent
“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
“Adjustment to Deposit Agency Fee Pricing” or “Adjustment”	the Bank and China Post Group’s proposed optimization and adjustment of the pricing for deposit agency fee of Agency Deposit Taking Business under the Agency Banking Businesses Framework Agreement to be considered and approved at the EGM, details of which are set out in this circular
“Agency Banking Businesses Framework Agreement”	the agency banking businesses framework agreement dated September 7, 2016 between the Bank and China Post Group
“Altus Capital” or “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities 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 Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement
“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

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## DEFINITIONS

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“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” or “Board of Directors”	the board of Directors of the Bank
“China Post Group”	China Post Group Corporation Limited, a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People’s Republic of China, is the controlling Shareholder of the Bank
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Bank
“EGM”	the 2024 first extraordinary general meeting to be convened by the Bank at 10:00 a.m. on Friday, October 25, 2024 on-site at Block A, Jinjia Plaza, No. 6 Financial Street, Xicheng District, Beijing
“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 Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee comprising Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong, the Independent Non-executive Directors
“Independent Shareholder(s)”	the Shareholder(s) of the Bank except for China Post Group and its associates
“Latest Practicable Date”	October 7, 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Prospectus”	prospectus of the Bank dated September 14, 2016
“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(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
“Supervisor(s)”	the supervisor(s) of the Bank

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## LETTER FROM THE BOARD OF DIRECTORS

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

### 中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

**Board of Directors:**

*Executive Directors:*

Mr. Liu Jianjun (Acting on behalf of  
the Chairman of the Board)

Ms. Yao Hong

*Non-executive Directors:*

Mr. Han Wenbo

Mr. Chen Donghao

Mr. Liu Xin'an

Mr. Zhang Xuanbo

Mr. Hu Yuting

Mr. Ding Xiangming

Mr. Yu Mingxiong

*Independent Non-executive Directors:*

Mr. Wen Tiejun

Mr. Chung Shui Ming Timpson

Mr. Hu Xiang

Ms. Pan Yingli

Mr. Tang Zhihong

*To the Shareholders:*

Dear Sir or Madam,

#### I. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the EGM to be convened at 10:00 a.m. on Friday, October 25, 2024 on-site at Block A, Jinjia Plaza, No. 6 Financial Street, Xicheng District, Beijing.

The purpose of this circular is to provide you with the notice of the EGM 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.

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## LETTER FROM THE BOARD OF DIRECTORS

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### II. MATTERS TO BE CONSIDERED AT THE EGM

The resolutions to be proposed and approved as ordinary resolutions at the EGM include: (1) Engagement of Accounting Firms for 2024; (2) Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group; (3) Election of Mr. Liu Ruigang as Non-executive Director of the Bank; and (4) Election of Mr. Chen Binghua as Non-executive Director of the Bank.

The above proposal (2) involves the Bank and China Post Group entering into the 2024 Supplemental Agreement on the Agency Banking Businesses Framework Agreement (see “F. 2024 Supplemental Agreement” below for details). The major contents include:

- Adjusting the deposit agency fee rates for Agency Renminbi Deposit Taking Business (as defined below) based on the triggering of the passive adjustment mechanism: As the trigger conditions for the passive adjustment mechanism of deposit agency fee rates for Agency Renminbi Deposit Taking Business as agreed in the Agency Banking Businesses Framework Agreement have been met, it is proposed to lower the Scaled Fee Rates for agency deposits;
- Optimizing the trigger conditions of the passive adjustment mechanism: Taking into account the current trend of interest margin in the banking industry, and on the basis of maintaining the overall framework and foundation of the current proactive and passive adjustment mechanisms for the deposit agency fee rates for Agency Renminbi Deposit Taking Business, the number of years for calculating the average net interest spread of the Big Four (as defined below), which is referenced in determining the upper and lower trigger limits of the passive adjustment mechanism, will be reduced (from “the average net interest spread over the most recent ten years” to “the average net interest spread over the most recent five years”) to optimize the parameter for the trigger conditions of the passive adjustment mechanism; and
- Updating the deposit agency fee pricing for the Agency Foreign Currency Deposit Taking Business (as defined below): In view of the cessation of all LIBOR quotes, the deposit agency fee pricing for the Agency Foreign Currency Deposit Taking Business will be updated in order to adapt to the latest market development.

#### 1. Engagement of Accounting Firms for 2024

Reference is made to the announcement of the Bank on the change of accounting firms dated September 30, 2024.

In light of the Bank’s business development needs and demand for audit services, with reference to the market situation, and in accordance with the relevant regulations on the selection and engagement of accounting firms by state-owned financial enterprises and the results of the bidding and procurement of accounting firms by the Bank, the Bank intends to

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## LETTER FROM THE BOARD OF DIRECTORS

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engage KPMG Huazhen LLP (Special General Partnership) and KPMG LLP as the accounting firms of the Bank for 2024, which will be respectively responsible for providing auditing and related services for the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards. The audit fee is RMB18.18 million, of which the audit fee for internal control is RMB1.6644 million.

The accounting firms engaged by the Bank for 2023, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, have confirmed that there are no matters relating to the termination of their services that need to be brought to the attention of the Shareholders. The Board also confirms that the Bank has no disagreement or any pending matters with Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu and it is not aware of any relevant matters that need to be brought to the attention of the Shareholders.

The Proposal Regarding the Engagement of Accounting Firms for 2024 was considered and approved by the Board on September 30, 2024, and is hereby proposed to the EGM for Shareholders' consideration and approval.

### **2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group**

Reference is made to the section headed "Connected Transactions" in the Prospectus, in relation to, among others, the Agency Banking Businesses Framework Agreement entered into between the Bank and China Post Group regarding the Bank's entrustment of China Post Group to conduct part of the Bank's commercial banking businesses through agency outlets (the "**Agency Banking Businesses**"). References are also made to the announcement of the Bank dated September 29, 2022 and the circular of the Bank dated October 14, 2022, in relation to, among others, the 2022 Supplemental Agreement entered into between the Bank and China Post Group to adjust the scaled fee rates for deposit agency fees for the agency renminbi personal deposit taking business (the "**2022 Deposit Agency Fee Rate Adjustment**") and reset the trigger conditions for the passive adjustment.

#### **A. Overview of transaction**

The Agency Banking Businesses under the Agency Banking Businesses Framework Agreement include: (1) Renminbi personal deposit taking business (the "**Agency Renminbi Deposit Taking Business**") and foreign currency personal deposit taking business (the "**Agency Foreign Currency Deposit Taking Business**") (the Agency Renminbi Deposit Taking Business and the Agency Foreign Currency Deposit Taking Business are collectively referred to as the "**Agency Deposit Taking Business**"); and (2) financial settlement services, financial agency services and other services provided by agency outlets (collectively, the "**Agency Banking Intermediary Businesses**").



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## LETTER FROM THE BOARD OF DIRECTORS

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### *B. Waivers from strict compliance with the Hong Kong Listing Rules*

As disclosed in the Prospectus, a term of not more than three years for the Agency Banking Businesses Framework Agreement pursuant to Rule 14A.52 of the Hong Kong Listing Rules, which would subject the Agency Banking Businesses Framework Agreement to Independent Shareholders' approval every three years in light of the size of the transactions contemplated thereunder, would be unduly burdensome and impracticable. The Bank and China Post Group will be exposed to the risk of not being able to fulfil the respective regulatory obligations if the Agency Banking Businesses Framework Agreement could not be renewed upon expiry and this would give rise to uncertainty of whether the Bank's business model, which contributes to its success, is sustainable. Therefore, the Agency Banking Businesses Framework Agreement shall have an indefinite term. In addition, for the cap of the deposit agency fee payable for Agency Deposit Taking Business, the amount of the deposit agency fee depends on the amount and type of agency deposits of Renminbi and foreign currency, over which the Bank has no control. Therefore, the Bank is unable to estimate the amount of the deposit agency fee payable to China Post Group and/or its associates. Moreover, there is fluctuation in the historical amounts of deposit agency fees and reference to historical amounts of transactions under the Agency Banking Businesses Framework Agreement may not fairly and meaningfully reflect the expected deposit agency fee in the future. Hence, it is impracticable to set a monetary cap on the deposit agency fee payable by the Bank to China Post Group. For this reason, upon the listing of H Shares, the Bank has applied for, and the Hong Kong Stock Exchange has granted the Bank, in respect of the Agency Banking Businesses Framework Agreement, a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Hong Kong Listing Rules; and in respect of Agency Deposit Taking Business and Agency Banking Intermediary Businesses, a waiver from strict compliance with the requirements to set annual monetary caps under Rule 14A.53(1) of the Hong Kong Listing Rules.

### *C. Adjusting deposit agency fee rates of Agency Renminbi Deposit Taking Business*

#### *(1) Pricing mechanism*

The Bank pays deposit agency fees to China Post Group in respect of the Agency Deposit Taking Business.

In respect of the Agency Renminbi Deposit Taking Business, the Bank currently calculates the deposit agency fees for the Agency Renminbi Deposit Taking Business according to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", i.e. different deposit agency fee rates are applicable to deposits with different maturities (the "**Scaled Fee Rates**").

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## LETTER FROM THE BOARD OF DIRECTORS

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In 2011, the Bank and China Post Group, having taken into account costs and other factors with reference to the historical weighted average net interest spread of agency deposits of our predecessor, agreed to adopt 1.50% as the initial composite rate for deposit agency fee and implemented the “Fixed Rate, Scaled Fees Based on Deposit Type” on that basis. Accordingly, the Bank and China Post Group agreed to impose an initial cap on the composite rate (the “**Composite Rate**”) for deposit agency fee (the “**Cap on Composite Rate**”) at 1.50% in 2016.

After the 2022 Deposit Agency Fee Rate Adjustment, the current Scaled Fee Rates for all types of deposits are set out in the table below:

Type	Scaled Fee Rate
Demand deposits	2.33%
Time-demand optional deposits	1.50%
Call deposits	1.70%
3-month time deposits	1.25%
6-month time deposits	1.15%
1-year time deposits	1.10%
2-year time deposits	0.35%
3-year time deposits	0.10%
5-year time deposits	0.00%
Daily aggregate cash (including cash in transit)	-1.50%

According to the principle of “Fixed Rate, Scaled Fees Based on Deposit Type”, the formula for the deposit agency fee corresponding to each type of deposit based on the Scaled Fee Rates is as follows: Monthly deposit agency fee at the relevant outlet =  $\sum(\text{aggregate amount of deposit for each type of deposit at the outlet for the month} \times \text{the respective deposit agency fee rate}^1 \text{ of the relevant type of deposit}/365) - \text{aggregate cash (including cash in transit) for the month at the relevant outlet} \times 1.50\%/365$ .

Deposit agency fee is only payable for the agency deposits received by the Bank (i.e. excluding the reserves held by agency outlets and the agency deposits in transit). Accordingly, the formula above deducts the deposit agency fee corresponding to the “cash at the relevant outlet” (comprising the reserves held by agency outlets and the agency deposits in transit) to reach the actual amount of deposit agency fee payable by the Bank. 1.50% (being the Composite Rate initially set and applied in 2011) instead of the actual Composite Rate for any relevant year is applied for calculating the fee corresponding to the “cash at the relevant outlet” which is to be deducted from the total deposit agency fee payable.

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1. Namely, the Scaled Fee Rates listed in the table above.

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## LETTER FROM THE BOARD OF DIRECTORS

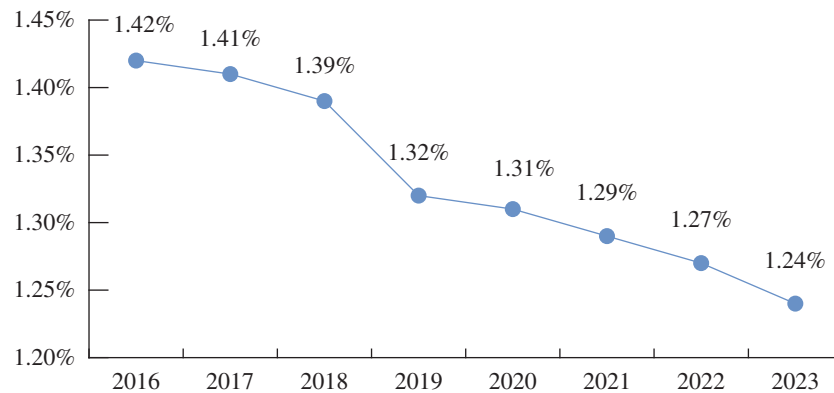
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### Overview of the actual Composite Rate

The Composite Rate for each year is calculated from the Scaled Fee Rates and the daily average balance of agency deposits with different maturities during the year, and the Composite Rate derived varies with the Bank's agency deposit structure.

Since the listing of H Shares of the Bank in 2016, the Composite Rate decreased from 1.42% by 18 BPs to 1.24% in 2023, representing a decrease of 12.52%, as shown in the following chart:

**The Composite Rate from 2016 to 2023**



### *(II) Adjustment to deposit agency fee rates and background*

According to the Agency Banking Businesses Framework Agreement, the adjustment to deposit agency fee rates for Agency Renminbi Deposit Taking Business is divided into proactive adjustment (For details, please refer to “Appendix I – 3. Pricing Policies” in this circular) and passive adjustment. To be specific, passive adjustment means the Bank and China Post Group shall discuss whether and how to adjust the Composite Rate and corresponding Scaled Fee Rates adjusted based on the proposed Composite Rate within six months from the date on which the parties are aware of any significant fluctuation of interest rate in the future, for instance, the average annual net interest spread (calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities) of the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and China Construction Bank (the “**Big Four**”) for the most recent period fluctuates by more than a certain threshold (the “**Triggering Threshold**”, initially 24%) compared to the average annual net interest spread of the Big Four for the 10 accounting years preceding the last passive adjustment (including the year in which the last passive adjustment was made), and decision-making procedures will be followed.

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## LETTER FROM THE BOARD OF DIRECTORS

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Based on the 2021 annual results of the Big Four announced by March 30, 2022, the average net interest spread of the Big Four was 1.86%, which was lower than the lower limit of 1.87% of passive adjustment for the first time, triggering the passive adjustment. After the consideration and approval by the Bank's 2022 Eighth Board Meeting and the 2022 First Extraordinary General Meeting, the Bank adjusted the deposit agency fee rates for Agency Renminbi Deposit Taking Business and reset the trigger conditions for passive adjustment (“**2022 Resetting**”). On September 29, 2022, the Bank and China Post Group entered into the 2022 Supplemental Agreement with conditions precedent, providing for the above adjustment plan. The 2022 Supplemental Agreement became effective from November 1, 2022.

Based on the 2023 annual results of the Big Four announced by March 29, 2024, the average net interest spread of the Big Four was 1.44%, which is lower than the lower limit of 1.64% of passive adjustment after the 2022 Resetting, triggering the passive adjustment again.

### *(III) Adjustment plan for the deposit agency fee rates*

In recent years, the net interest margin and net interest spread of the banking industry have been narrowing. In the context of the passive adjustment to renminbi deposit agency fee pricing being triggered, the Bank, taking into account the current and future interest rate environment and trends and based on its active negotiations with China Post Group, and acting in the interest of all Shareholders, intends to further reduce the Scaled Fee Rates for agency deposits. It aims to continuously optimize the agency deposit structure of the Bank, reduce interest payment costs, enhance its proactive liability management capabilities, and promote the long-term healthy development of the Agency Deposit Taking Business.

To achieve its sustainable and healthy development, the Bank, along with China Post Group, based on principles of fairness, impartiality, commercial sustainability, protection of Shareholders' interests, market orientation, co-ordination of the growth rate of deposit agency fees with the revenue growth rate of the Bank, and smooth transition, strictly adhering to the relevant requirements of laws and regulations such as the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision) and the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, as well as regulatory rules of places where the Bank' shares are listed, in accordance with the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, and based on its negotiations with China Post Group, intends to adjust the deposit agency fee pricing and strengthen the application of the proactive adjustment mechanism in the future.

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## LETTER FROM THE BOARD OF DIRECTORS

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### Adjustment to the Scaled Fee Rates

The following factors are the main considerations for the adjustment to the Scaled Fee Rates:

The first is the changes in the market interest rates in recent years. Taking the net interest spread of the Big Four as an example: The percentage change in the average net interest spread of the Big Four in the most recent three years (2021-2023) (1.67%) compared with the average net interest spread of the Big Four in the three years preceding the most recent passive adjustment (2019-2021) (1.94%) was -13.97%. The extent of downward adjustment to the Scaled Fee Rates for each type of agency deposits is based on the percentage change in the net interest spread of the Big Four.

The second is the importance and costs of different types of agency deposits. Deposits with a maturity of less than one year (excluding one-year maturity) account for a relatively high percentage of the agency deposits (27.48% in 2023) with relatively low costs, thus the extent of adjustment to the Scaled Fee Rates is similar to the percentage change in the average net interest spread of the Big Four over the last three years. The 1-year time deposits account for a relatively high percentage of the agency deposits (57.18% in 2023), which has played an important role in consolidating the core deposit position, maintaining stability of customers and a stable source of liabilities, and preserving liquidity, thus the extent of adjustment to the Scaled Fee Rates is smaller than the percentage change in the average net interest spread of the Big Four over the last three years. The 2-year time deposits and 3-year time deposits account for a relatively low percentage of the agency deposits (15.29% in 2023) with higher costs than those of other types of agency deposits, therefore the extent of adjustment to their Scaled Fee Rates is significantly higher than the percentage change in the average net interest spread of the Big Four over the last three years.

The third is the guidance on the agency outlets' deposit taking behavior. Through the differentiated adjustment to the Scaled Fee Rates for different types of deposits, the agency outlets will be guided to actively take deposits with a maturity of one year or less, thus further optimizing the deposit structure and reducing the cost of liabilities.

The specific adjustment plan is as follows:

Type	Before the Adjustment	After the Adjustment	Change
Demand deposits	2.33%	1.992%	Decreased by 33.8 BPs
Time-demand optional deposits	1.50%	1.302%	Decreased by 19.8 BPs
Call deposits	1.70%	1.475%	Decreased by 22.5 BPs
3-month time deposits	1.25%	1.085%	Decreased by 16.5 BPs

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## LETTER FROM THE BOARD OF DIRECTORS

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Type	Before the Adjustment	After the Adjustment	Change
6-month time deposits	1.15%	1.001%	Decreased by 14.9 BPs
1-year time deposits	1.10%	0.999%	Decreased by 10.1 BPs
2-year time deposits	0.35%	0.149%	Decreased by 20.1 BPs
3-year time deposits	0.10%	0.020%	Decreased by 8.0 BPs
5-year time deposits	0.00%	0.000%	–
Daily aggregate cash (including cash in transit)	-1.50%	-1.500%	–

The Scaled Fee Rates for agency deposits with a maturity of three years and below are adjusted downward as follows: (1) for deposits with a maturity of less than one year (excluding one-year maturity), the higher the Scaled Fee Rates, the more basis points are adjusted downward this time, and the Scaled Fee Rates for demand deposits, time-demand optional deposits, call deposits, 3-month time deposits and 6-month time deposits are decreased by 33.8 BPs, 19.8 BPs, 22.5 BPs, 16.5 BPs and 14.9 BPs, respectively; (2) for time deposits with a maturity of one year and above, the Bank intends to reduce the Scaled Fee Rate for 1-year time deposits by 10.1 BPs, by taking into account the relative advantage of 1-year time deposits in terms of costs, and the high proportion of 1-year time deposits, which play an important role in consolidating the core deposit position, maintaining customer stability, improving the maturity matching of deposits and loans, and preventing liquidity risks. Given that the costs of both 2-year time deposits and 3-year time deposits are higher than that of 1-year time deposits and that the 2-year time deposits and 3-year time deposits account for a relatively low percentage of deposits, the Scaled Fee Rates for the 2-year time deposits and 3-year time deposits are adjusted downward by 20.1 BPs and 8.0 BPs, respectively.

The adjustment to the Scaled Fee Rates is conducive to reflecting the value guidance for agency deposits of different maturities, enhancing the Bank's proactive liability management capability, optimizing the deposit structure, and lowering the overall cost of agency deposits, thus facilitating the long-term healthy development of the Agency Deposit Taking Business.

The adjusted Scaled Fee Rates shall become effective from the date of approval by the Shareholders' general meeting of the Bank. Considering (1) the continuous changes in the interest rate environment since the passive adjustment was triggered in March 2024; (2) the period from the triggering of the passive adjustment mechanism to the decision on the adjustment to the agency fee rates within six months and until the consideration and approval by the Shareholders' general meeting is relatively long; and in order to better reflect the changes in the interest rate environment and to protect the interests of minority Shareholders, upon negotiation between the Bank and China Post Group, it was agreed that the deposit agency fees incurred for the period from July 1, 2024 to the date of approval by the Shareholders' general meeting of the Bank shall be settled in accordance with the adjusted Scaled Fee Rates.

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## LETTER FROM THE BOARD OF DIRECTORS

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### *D. Optimizing the trigger conditions of the passive adjustment mechanism*

Save as described in the above contents headed “C. Adjusting deposit agency fee rates of Agency Renminbi Deposit Taking Business”, according to the Agency Banking Businesses Framework Agreement, a passive adjustment mechanism has been set up for the adjustment to deposit agency fee rates for Agency Renminbi Deposit Taking Business.

The passive adjustment mechanism serves as a requirement for the negotiation on the deposit agency fees between the Bank and China Post Group, and the mechanism itself is not directly related to the calculation of the deposit agency fee rates. The passive adjustment mechanism is a mechanism arrangement made by both parties to protect the rights of Independent Shareholders. The initial parameters of trigger conditions and the deposit agency fee rates were determined by both parties through negotiation. The passive adjustment mechanism itself does not determine the term of the agreement or the transaction amount.

When the passive adjustment mechanism was initially set up and disclosed in the Prospectus, the reference value for the calculation of the upper and lower limits for triggering the passive adjustment mechanism was disclosed by way of example, i.e. the average annual net interest spread of the Big Four for the most recent accounting year fluctuates by more than an initial Triggering Threshold of 24% compared to the average annual net interest spread of the Big Four for the 10 accounting years preceding the last passive adjustment (including the year in which the last passive adjustment was made). The foregoing example provides parameters for the application of the passive adjustment mechanism, and at the same time allows for flexibility for identifying reference variables that better align with the latest market conditions based on market conditions.

The market interest rates have been declining in recent years. The change in the average net interest spread of the Big Four over ten years, as referenced by the current passive adjustment mechanism, lags behind due to the impact of historical data and cannot reflect changes in the market environment in a timely manner. Taking into account the current trend of interest margin in the banking industry, and with the aim to make the passive adjustment more adaptable to the current situation, make the upper and lower trigger limits reflect the current interest rate level in a more objective way, and ensure the stable operation of the passive adjustment mechanism, it is recommended that the Adjustment, on the basis of maintaining the overall framework and foundation of the current proactive and passive adjustment mechanisms, should fully reflect the market changes in recent years and appropriately reduce the number of years for calculating the average net interest spread of the Big Four, which is referenced in determining the upper and lower trigger limits of the passive adjustment mechanism, so as to make the triggering interval of the passive adjustment mechanism more in line with the changes in the market interest rates and the upper and lower trigger limits closer to the current interest rate level. Considering that if the length of time as reference is too short, it may lead to a significant increase in the difficulty in triggering the passive adjustment mechanism and a weakening of the effectiveness of the mechanism, the number of years for calculating the average net



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## LETTER FROM THE BOARD OF DIRECTORS

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interest spread of the Big Four, which is referenced in determining the upper and lower trigger limits of the passive adjustment mechanism, are adjusted from the most recent ten years to the most recent five years.

In accordance with the Agency Banking Businesses Framework Agreement, after the passive adjustment mechanism is triggered, when the Bank and China Post Group negotiate and determine whether and how to adjust the Composite Rate and the Scaled Fee Rates, they shall determine the specific percentage of the Triggering Threshold applicable for the next passive adjustment. Therefore, triggering the passive adjustment mechanism is a prerequisite for the optimization of the trigger conditions of the passive adjustment mechanism. Based on such agreement and the current optimization of the trigger conditions of the passive adjustment mechanism, the year of the latest passive adjustment shall be updated as 2023, with the five accounting years preceding the latest passive adjustment being updated as 2019-2023. The average net interest spread of the Big Four is 1.80% during this period, which will be used as the new benchmark for comparison. The specific percentage of the applicable Triggering Threshold remains at 24%. It means that the passive adjustment will be triggered in the future when the average net interest spread of the Big Four is above 2.23% or below 1.37%.

In addition, in accordance with the agreed decision-making procedures under the Agency Banking Businesses Framework Agreement, after the passive adjustment mechanism is triggered, if the Board decides to make the adjustment, it shall also submit the adjustment to the Shareholders' general meeting of the Bank for consideration. Therefore, the optimization of the trigger conditions of the passive adjustment mechanism and the Adjustment to Deposit Agency Fee Pricing are subject to the consideration and approval by the Shareholders' general meeting of the Bank. In the future, if the Bank intends to further optimize the trigger conditions of the passive adjustment mechanism in the event that the passive adjustment mechanism is triggered, it will also submit the optimization to the Shareholders' general meeting of the Bank for consideration and approval.

### ***E. Updating deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business***

#### *(I) Pricing mechanism and background of updating*

According to the Agency Banking Businesses Framework Agreement, the deposit agency fee rates for Agency Foreign Currency Deposit Taking Business vary with the maturity of the deposits, (i) for short term foreign currency deposits (i.e. with a term of less than 12 months), the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the PRC interbank foreign currency market quoted on Bloomberg, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and (ii) for long term foreign currency deposits (i.e. with a term of 12 months or more), the deposit agency fee rate shall be calculated based



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## LETTER FROM THE BOARD OF DIRECTORS

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on the composite interest rate of foreign currency deposit with corresponding term in the global interest rate swap market quoted on Bloomberg (adjusted by the differences between overnight interest rate in the PRC interbank foreign currency market and London Interbank Offered Rate (LIBOR)), and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term. From 2021 to 2023, the deposit agency fees paid by the Bank to China Post Group for the Agency Foreign Currency Deposit Taking Business performed by the agency business organizations were RMB3 million, RMB11 million and RMB21 million, respectively, representing relatively small amounts, which had minimal impact on the Agency Deposit Taking Business and the financial condition of the Bank.

In view of the cessation of all LIBOR quotes, it is necessary to update the deposit agency fee pricing for the Agency Foreign Currency Deposit Taking Business, so as to adapt to the latest market development. The update is made on the basis of maintaining the overall framework and foundation of the current deposit agency fee pricing mechanism for the Agency Foreign Currency Deposit Taking Business due to the cessation of LIBOR quotes. The update does not result in any substantial adjustment to the current deposit agency fee pricing mechanism for the Agency Foreign Currency Deposit Taking Business.

## LETTER FROM THE BOARD OF DIRECTORS

### (II) Updating plan

With regard to Article 44 of the Agency Banking Businesses Framework Agreement, there are four main updates. Firstly, in order to make the pricing of foreign currency deposit agency fees more flexible and more in line with the market interest rate, the criteria for defining the maturity for the short-term foreign currency deposits and long-term foreign currency deposits is deleted. Secondly, compared with China onshore foreign exchange offered rate, the corresponding interbank offered rate in the corresponding country (region) has a higher degree of trading activity and is closer to the actual interest rate of the corresponding currency. Therefore, the “PRC interbank foreign currency market” is changed to “interbank foreign currency market and other rates”. Thirdly, in order to improve coherence and referenceability, the maturity spread method is adopted to form the deposit agency fee rates for the long term foreign currency deposits; and, taking into account the high market recognition and representativeness of treasury bond yields, for long term foreign currency deposits, “in the global interest rate swap market” is adjusted to “based on the short-term composite interest rate, in combination with the maturity spreads such as the global interest rate swap market rate and treasury bond yields”. Fourthly, the “LIBOR”, which has been ceased, is replaced with “the relevant foreign currency interbank offered rate recognized by the banking industry”. Please see the table below for details:

Before amendment	After amendment
<p>Regarding the deposit agency fee for the agency foreign currency deposit business performed by the agency business organizations, (1) for short term foreign currency deposits (<del>i.e. with a term of less than 12 months</del>), the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the PRC interbank foreign currency market, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and (2) for long term foreign currency deposits (<del>i.e. with a term of 12 months or more</del>), the deposit agency fee rate shall be <del>calculated based on</del> the composite interest rate of foreign currency deposit with corresponding term in the global interest rate swap market (adjusted by the <del>differences between overnight</del> interest rate in the PRC interbank foreign currency market and the London Interbank Offered Rate (“LIBOR”)), and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term.</p>	<p>Regarding the deposit agency fee for the agency foreign currency deposit business performed by the agency business organizations, (1) for short term foreign currency deposits, the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the interbank foreign currency market <b><u>and other rates</u></b><sup>1</sup>, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and (2) for long term foreign currency deposits, the deposit agency fee rate shall be <b><u>determined by calculating</u></b> the composite interest rate of foreign currency deposit with corresponding term <b><u>based on the short-term composite interest rate, taking into account the maturity spreads such as</u></b> the global interest rate swap market rate <b><u>and treasury bond yields</u></b>, adjusted <b><u>based on</u></b> interest rate in the PRC interbank foreign currency market and <b><u>the relevant foreign currency interbank offered rate recognized by the banking industry</u></b><sup>2</sup>, and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term.</p>

1. “foreign currency interbank market rate and other rates” refers to a group of market reference rates used for determining short-term composite interest rate, including the U.S. Secured Overnight Financing Rate (SOFR), China onshore US dollar offered rate, the Euro Interbank Offered Rate (EURIBOR), and the Hong Kong Interbank Offered Rate (HIBOR).
2. The adjustment based on interest rate in the PRC interbank foreign currency market and the relevant foreign currency interbank offered rate recognized by the banking industry is to align the credit level of the composite interest rate with that of the Bank. In terms of the specific adjustment methods, there are differences between different foreign currencies. Taking U.S. dollar as an example, China onshore US dollar offered rate will be used as the reference rate, with a difference adjustment against the Secured Overnight Financing Rate (SOFR).

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## LETTER FROM THE BOARD OF DIRECTORS

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### *F. 2024 Supplemental Agreement*

The details of the 2024 Supplemental Agreement are set out below:

<b>Date of Signing</b>	:	September 30, 2024
<b>Contracting Parties</b>	:	The Bank and China Post Group
<b>Main Contents</b>	:	(1) Adjusting Scaled Fee Rates

The deposit agency fees for the Agency Renminbi Deposit Taking Business continue to follow the current principle of “Fixed Rate, Scaled Fees Based on Deposit Types”, i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. To adjust the existing Scaled Fee Rates, please refer to the above “C. Adjusting deposit agency fee rates of Agency Renminbi Deposit Taking Business – (III) Adjustment plan for the deposit agency fee rates – Adjustment to the Scaled Fee Rates” for specific adjustment method.

The adjusted Scaled Fee Rates shall become effective from the date of approval by the Shareholders’ general meeting of the Bank. Upon negotiation between the parties, it was agreed that the deposit agency fees incurred for the period from July 1, 2024 to the date of approval by the Shareholders’ general meeting of the Bank shall be settled in accordance with the adjusted Scaled Fee Rates.

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## LETTER FROM THE BOARD OF DIRECTORS

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- (2) Optimizing the trigger conditions of the passive adjustment mechanism

If interest rate environment changes significantly in the future, for instance, the average annual net interest spread (calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities) of the Big Four for the most recent accounting year fluctuates by more than the Triggering Threshold compared to the average annual net interest spread of the Big Four for the five accounting years preceding the last passive adjustment (including the year in which the last passive adjustment was made), both parties shall negotiate whether and how to adjust the Composite Rate and the Scaled Fee Rates based on the adjusted Composite Rate accordingly within six months from the date on which the parties are aware of such circumstance, and shall implement relevant decision-making procedures, the requirements of which are the same as those in the Agency Banking Businesses Framework Agreement<sup>1</sup>. Regardless of whether the parties complete such negotiation and decision-making procedures within six months or not, the parties shall continue to follow the original Scaled Fee Rates in settlements before the negotiation and decision-making procedures are completed. If it is finally decided to adjust the Composite Rate and the Scaled Fee Rates, the adjusted Composite Rate and Scaled Fee Rates will be applied from the date provided in the Supplemental Agreement.

The specific percentage of the applicable Triggering Threshold after the execution of the 2024 Supplemental Agreement is 24%, with 2023 as the year of the latest passive adjustment. If the two parties discuss and determine whether and how to adjust the Composite Rate and the Scaled Fee Rates again in the future, the parties shall determine the specific percentage of the Triggering Threshold applicable for the next passive adjustment, and shall enter into the corresponding supplemental agreement.

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1. Relevant decision-making procedures include: the Related Party Transactions Control Committee of the Bank shall conduct a review and issue its written opinion to the Board for consideration; all independent non-executive Directors shall also express their written opinion after considering the advice of an independent financial advisor; the Board shall then make a resolution; and if the Board decides to make the adjustment, it shall also submit the resolution to the Shareholders' general meeting for consideration.

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## LETTER FROM THE BOARD OF DIRECTORS

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- (3) Updating deposit agency fee pricing for Agency Foreign Currency Deposit Taking Business

For short term foreign currency deposits, the agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the interbank foreign currency market and other rates, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and for long term foreign currency deposits, the deposit agency fee rate shall be determined by calculating the composite interest rate for foreign currency deposit of the corresponding term based on the short-term composite interest rate, in combination with the maturity spreads such as the global interest rate swap market rate and treasury bond yields, adjusted based on interest rate in the PRC interbank foreign currency market and the relevant foreign currency interbank offered rate recognized by the banking industry, and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term.

- (4) Managed as unified transaction agreement

Pursuant to the relevant management requirements for unified transaction agreement by the banking regulatory authority of the State Council, the Agency Banking Businesses Framework Agreement is labeled as “unified transaction agreement” in the form of an attached sheet.

**Conditions Precedent** : The 2024 Supplemental Agreement shall not take effect until all of the following conditions are satisfied:

1. The 2024 Supplemental Agreement shall be affixed with the signature and official seal of the legal representatives/persons-in-charge of both parties or their authorized representatives;
2. The relevant contents of the 2024 Supplemental Agreement shall be approved by the Shareholders’ general meeting of the Bank.

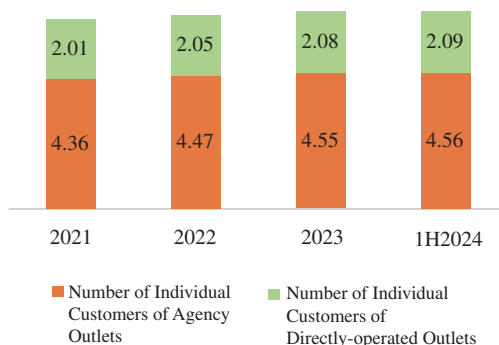
## LETTER FROM THE BOARD OF DIRECTORS

The 2024 Supplemental Agreement is an alteration of the Agency Banking Businesses Framework Agreement and has the same legal effect as the Agency Banking Businesses Framework Agreement. To the extent of any inconsistency between the 2024 Supplemental Agreement and the Agency Banking Businesses Framework Agreement, the 2024 Supplemental Agreement shall prevail. Upon the entry into force of the 2024 Supplemental Agreement, Article 44 of the Agency Banking Businesses Framework Agreement (for details, please refer to “E. Updating deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business – (II) Updating plan” above) and the 2022 Supplemental Agreement will be repealed. Please refer to “Appendix I” in this circular for other major provisions of the Agency Banking Businesses Framework Agreement.

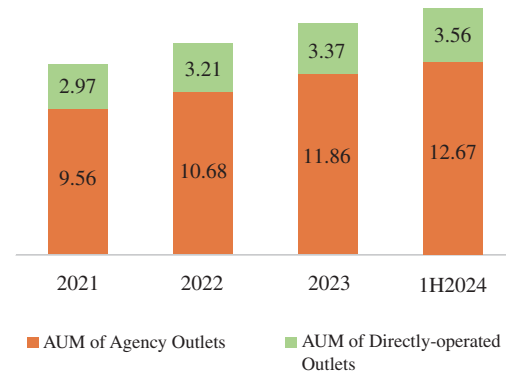
### ***G. Reasons for and benefits of the Adjustment and the entering into the 2024 Supplemental Agreement***

For a long time, agency deposits have played a vital role in the development of the Bank, laying a solid foundation for the growth of the Bank’s assets and liabilities as well as the improvement of its profitability. Agency deposits of more than RMB10 trillion provide the Bank with a long-term, stable and relatively low-cost source of funding, provide strong support to the development of the Bank’s credit business, and provide solid guarantee for asset layout and funds utilization, so that the Bank’s ability to continuously serve the real economy and promote inclusive finance has been enhanced. Meanwhile, agency deposits promote the continued growth of the Bank’s individual customers and the scale of individual customers’ assets under management (AUM). Approximately 69% of effective individual customers<sup>1</sup>, 80% of personal deposits and 78% of individual customers’ AUM of the Bank are from agency finance, which is of great significance to the Bank’s implementation of strategies such as serving rural revitalization and delivering achievements in the “five priorities” (i.e. technology finance, green finance, inclusive finance, pension finance, and digital finance).

**Number of Individual Customers  
(100 million)**



**Scale of Individual Customers’ Assets under Management (AUM) (RMB trillion)**



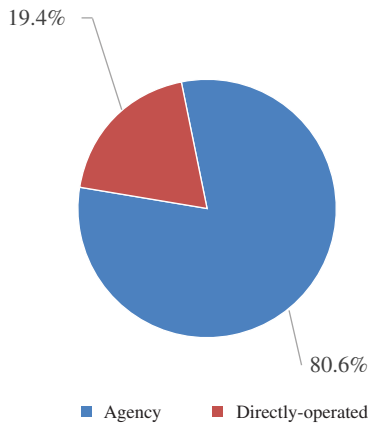
1. “effective individual customers” refers to individual customers whose average daily assets are greater than zero for the year.

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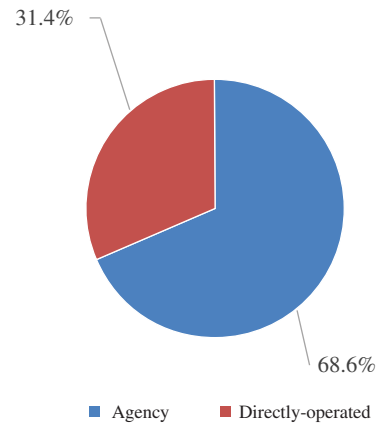
## LETTER FROM THE BOARD OF DIRECTORS

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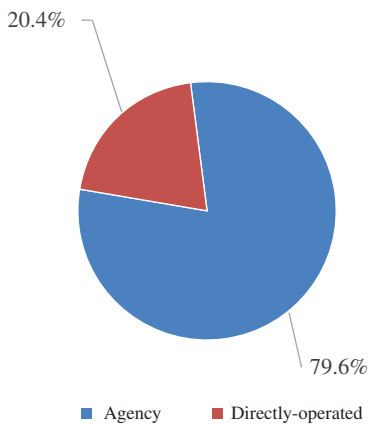
**Number of Outlets<sup>1</sup>**



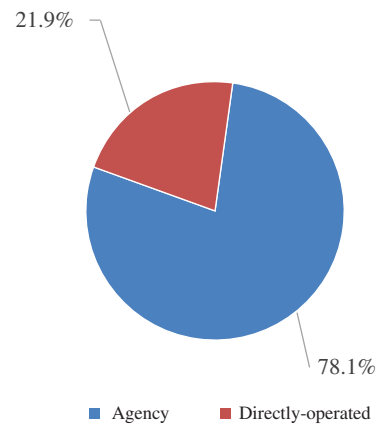
**Number of Effective Individual Customers<sup>1</sup>**



**Personal Deposits<sup>1</sup>**



**AUM of Individual Customers<sup>1</sup>**



Note 1: Calculated based on data as of the end of June 2024.

### *Changes in Composite Rate*

Based on the agency deposits in 2023, and calculated according to the adjusted Scaled Fee Rates, the Composite Rate for agency fees of the Bank in 2023 decreased from 1.24% to 1.08%, representing a decrease of 16 BPs, and deposit agency fees decreased from RMB115.623 billion by RMB15.058 billion to RMB100.565 billion. Despite the increase in agency deposits of RMB1.06 trillion for the year, deposit agency fee still decreased by RMB4.205 billion or 4.01% as compared with the deposit agency fee in 2022, with a growth rate lower than the revenue growth rate of the Bank for the corresponding period (2.25%).

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## LETTER FROM THE BOARD OF DIRECTORS

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Changes in net interest spread reflect the extent of changes in the interest rate environment. Considering that the passive adjustment mechanism for deposit agency fees refers to the average net interest spread of the Big Four, the Composite Rate for the deposit agency fee can be adjusted with reference to the percentage change in the net interest spread of the Big Four in order to fully reflect the market-orientated principle.

In order to ensure the stability of the data, as well as to reduce the impact of contingent factors, the percentage change (-13.97%) in the average net interest spread of the Big Four in the most recent three years (2021-2023) (1.67%) compared with the average net interest spread of the Big Four in the three years preceding the most recent passive adjustment (2019-2021) (1.94%) can be used as a reference for the extent of the deposit agency fee rate adjustment. The average net interest spread of the Big Four was 1.86% in 2021, which was below the lower limit of passive adjustment of 1.87% for the first time and triggered the passive adjustment, indicating that there was a significant change in the interest rate environment. Therefore, the current adjusted agency fee rate is calculated on the basis of the agency fee rate in 2021 to reflect the changes in the market environment in recent years. On the basis of the agency fee rate of 1.29% in 2021, the Composite Rate for agency fees is calculated to be 1.11% ( $1.29\% \times (1-13.97\%)$ ), which is higher than the Composite Rate of 1.08% after the Adjustment.

If the three-year interval is expanded to a five-year interval, i.e. the percentage change (-9.76%) in the average net interest spread of the Big Four in the most recent five years (2019-2023) (1.80%) compared with the average net interest spread of the Big Four in the five years preceding the most recent passive adjustment (2017-2021) (1.99%) can be used as a reference for the extent of the deposit agency fee rate adjustment. Based on the agency fee rate of 1.29% in 2021, the Composite Rate for agency fee is calculated to be 1.16% ( $1.29\% \times (1-9.76\%)$ ), which is also higher than the Composite Rate of 1.08% after the Adjustment. Based on the above, the Adjustment is sufficient and reasonable.

### ***H. Internal control measures***

To ensure that the terms of the Agency Banking Businesses Framework Agreement (as amended by the 2024 Supplemental Agreement) are fair and reasonable and that the transactions contemplated under it are conducted on normal commercial terms, the Bank has adopted the following internal control measures:

- the Bank shall re-comply with the announcement and independent Shareholders' approval requirements before any proposed substantial amendment to the terms of the Agency Banking Businesses Framework Agreement pursuant to Rule 14A.54 of the Hong Kong Listing Rules;



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## LETTER FROM THE BOARD OF DIRECTORS

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- the Bank's Independent Non-executive Directors shall review the transactions under the Agency Banking Businesses Framework Agreement every year pursuant to Rule 14A.55 of the Hong Kong Listing Rules and confirm in the annual report whether such transactions are: (1) entered into in the Bank's ordinary and usual course of business; (2) conducted on normal commercial terms or better; and (3) carried out in accordance with the Agency Banking Businesses Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- in the event that the Composite Rate for a certain year is expected to exceed the Cap on Composite Rate (namely 1.50%), it will be regarded as a material change to the Agency Banking Businesses Framework Agreement and will require compliance with the circular, independent financial adviser's opinion and independent shareholders' approval requirements under the Hong Kong Listing Rules. The adjustment of Scaled Fee Rates in other scenarios will also be subject to the supervision by the Related Party Transactions Control Committee under the Board, Independent Non-executive Directors, the Board and/or the Independent Shareholders to varying degrees, and will be disclosed by way of announcement;
- the Board shall report annually to the Shareholders' general meeting on the implementation of related party transaction management systems, operation of the Related Party Transactions Control Committee under the Board as well as the conduction of related party transactions, mainly covering the Composite Rate of Renminbi Deposit Agency Fee, level of market interest rate and other matters as specified by laws and regulations;
- the Bank will disclose in the annual reports the information in respect of the Agency Deposit Taking Business (in respect of Agency Renminbi Deposit Taking Business, the Composite Rates, the Scaled Fee Rates, the daily average balance of deposits with different maturities and the corresponding deposit agency fee for the relevant year; in respect of Agency Foreign Currency Deposit Taking Business, the pricing principle of the deposit agency fee for short-term and long-term agency deposits for the relevant year) and Agency Banking Intermediary Businesses (including the fees and commissions paid in the relevant year); and
- the transactions under the Agency Banking Businesses Framework Agreement shall be reviewed by accountants engaged by the Bank on an annual basis pursuant to Rule 14A.56 of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD OF DIRECTORS

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### ***I. Hong Kong Listing Rules implications***

China Post Group, as the controlling Shareholder of the Bank, holds approximately 62.78% of the total issued ordinary share capital of the Bank as at the Latest Practicable Date. Therefore, China Post Group constitutes a connected person of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the Agency Banking Businesses Framework Agreement, the 2024 Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(2) of the Hong Kong Listing Rules, if the Bank intends to substantially revise the terms of the continuing connected transactions, the Bank will be required to re-comply with the relevant provisions of Chapter 14A of the Hong Kong Listing Rules in respect of the relevant continuing connected transactions. At the same time, as disclosed in the Prospectus, according to the Agency Banking Businesses Framework Agreement, the Bank and China Post Group's adjustments to the deposit agency fee rates of the Agency Renminbi Deposit Taking Business shall be submitted to the Shareholders' general meeting of the Bank for consideration.

### ***J. Board confirmation***

The Directors (including the Independent Non-executive Directors) believe that the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms. The Adjustment and the entering into the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

For the Adjustment and the entering into the 2024 Supplemental Agreement, except for Mr. Liu Jianjun, Ms. Yao Hong, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Liu Xin'an and Mr. Zhang Xuanbo, none of the Directors has a material interest in the above matters and is required to abstain from voting on the board resolution approving the above matters. The above Directors have abstained from voting on the resolution.

### ***K. Independent Board Committee and the Independent Financial Adviser***

An Independent Board Committee comprising all Independent Non-executive Directors has been established to advise the Independent Shareholders on the Adjustment and the entering into the 2024 Supplemental Agreement.

An Independent Financial Adviser, Altus Capital Limited, has been appointed by the Bank to advise the Independent Board Committee and the Independent Shareholders on the Adjustment and the entering into the 2024 Supplemental Agreement.

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## LETTER FROM THE BOARD OF DIRECTORS

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### *L. General information of the Bank and China Post Group*

The Bank is a leading retail bank in China with the largest distribution network, largest customer base and superior asset quality. The major businesses of the Bank include personal banking, corporate banking and treasury business.

In accordance with the national regulations, China Post Group conducts diversified operations with postal services, express logistics, finance and e-commerce as its main businesses. China Post Group is principally engaged in domestic and international mail delivery; domestic and international parcel express delivery; distribution of publications such as newspapers, journals and books; stamp issuance; postal remittance; confidential correspondence; postal financial business; postal logistics; e-commerce; postal agency businesses; and other businesses conducted as stipulated by the state.

It is hereby proposed to the Shareholders at the Shareholders' general meeting to approve the Adjustment, and agree to authorize the Board to delegate full authority to the Chairman and the President, to jointly or individually, deal with matters relevant to the adjustment to the deposit agency fee pricing subject to the framework and principles approved at the Shareholders' general meeting and in compliance with the requirements of relevant laws, regulations and normative documents as well as opinions and recommendations of regulatory authorities. The content and scope of the authorization include but are not limited to regulatory filing and necessary alterations of the 2024 Supplemental Agreement.

The Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group was considered and approved by the Board on September 30, 2024, and is hereby proposed to the EGM for Shareholders' consideration and approval.

### **3. Election of Mr. Liu Ruigang as Non-executive Director of the Bank**

Reference is made to the announcement of the Bank dated September 30, 2024 in relation to, among other things, the proposed nomination of Directors of the Bank. The proposal on the nomination of Mr. Liu Ruigang as the candidate of Non-executive Director of the Bank was considered and approved by the Board. The term of office of Mr. Liu Ruigang will be three years commencing from the date of approval of his qualification by the National Financial Regulatory Administration. Mr. Liu Ruigang will not receive remuneration from the Bank.

The profile of Mr. Liu Ruigang is set out as follows:

Liu Ruigang, male, Chinese nationality, born in 1967, obtained a bachelor's degree in economics from Central University of Finance and Economics. He was a member of the leading Party members' group and Deputy Supervision Commissioner of the Commissioner's Office of the Ministry of Finance in Inner Mongolia, Secretary of the leading Party members' group and Supervision Commissioner of the Commissioner's Office of the Ministry of Finance in

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## LETTER FROM THE BOARD OF DIRECTORS

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Qinghai, Secretary of the leading Party members' group and Director-General of Qinghai Supervision Bureau of the Ministry of Finance, Secretary of the leading Party members' group and Director-General of Shanxi Supervision Bureau of the Ministry of Finance, etc. He is currently Director of China Post Group Corporation Limited.

As at the Latest Practicable Date, Mr. Liu Ruigang confirmed that, save as disclosed in this circular, he did not hold any directorship in other public companies the securities of which are listed on any securities market in the Chinese mainland, Hong Kong or overseas in the past three years, nor did he have any other relationship with any director, supervisor, senior management, substantial shareholder or controlling shareholder of the Bank, nor did he hold any other positions in the Bank or any of its subsidiaries; did not have any interest in the shares of the Bank or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Save as disclosed above, there is no other information in relation to the appointment of Mr. Liu Ruigang that shall be disclosed pursuant to the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules, nor any other matters that need to be brought to the attention of the shareholders.

The proposal on the nomination of Mr. Liu Ruigang as Non-executive Director of the Bank was considered and approved by the Board on September 30, 2024, and the election of Mr. Liu Ruigang as Non-executive Director of the Bank is hereby proposed to the EGM for consideration and approval.

#### **4. Election of Mr. Chen Binghua as Non-executive Director of the Bank**

Reference is made to the announcement of the Bank dated September 30, 2024 in relation to, among other things, the proposed nomination of Directors of the Bank. The proposal on the nomination of Mr. Chen Binghua as the candidate of Non-executive Director of the Bank was considered and approved by the Board. The term of office of Mr. Chen Binghua will be three years commencing from the date of approval of his qualification by the National Financial Regulatory Administration. Mr. Chen Binghua will not receive remuneration from the Bank.

The profile of Mr. Chen Binghua is set out as follows:

Chen Binghua, male, Chinese nationality, born in 1965, obtained a bachelor's degree in management from Beijing Technology and Business University and holds the title of Economist. He was Deputy Counsel, member of Party Committee and Deputy Director-General of Hebei Supervision Bureau of China Banking Regulatory Commission; member of Party Committee and Deputy Director-General of Hebei Supervision Bureau of China Banking and Insurance Regulatory Commission, etc. He is currently Director of China Post Group Corporation Limited.

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## LETTER FROM THE BOARD OF DIRECTORS

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As at the Latest Practicable Date, Mr. Chen Binghua confirmed that, save as disclosed in this circular, he did not hold any directorship in other public companies the securities of which are listed on any securities market in the Chinese mainland, Hong Kong or overseas in the past three years, nor did he have any other relationship with any director, supervisor, senior management, substantial shareholder or controlling shareholder of the Bank, nor did he hold any other positions in the Bank or any of its subsidiaries; did not have any interest in the shares of the Bank or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Save as disclosed above, there is no other information in relation to the appointment of Mr. Chen Binghua that shall be disclosed pursuant to the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules, nor any other matters that need to be brought to the attention of the shareholders.

The proposal on the nomination of Mr. Chen Binghua as Non-executive Director of the Bank was considered and approved by the Board on September 30, 2024, and the election of Mr. Chen Binghua as Non-executive Director of the Bank is hereby proposed to the EGM for consideration and approval.

### III. THE EGM

Enclosed is the form of proxy for the EGM.

China Post Group and its associates (holding a total of approximately 62.78% of the issued Shares of the Bank as at the Latest Practicable Date) shall abstain from voting on the following proposal at the EGM: (2) To consider and approve the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group. 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 above resolution and are required to abstain from voting on the resolution at the EGM.

If you intend to appoint a proxy to attend the EGM, 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 Centre, 183 Queen's Road East, Wan Chai, 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 or any adjournment thereof. 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 desire.

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## LETTER FROM THE BOARD OF DIRECTORS

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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, October 22, 2024 to Friday, October 25, 2024 (both days inclusive). To attend the EGM, H Shareholders shall, before 4:30 p.m. on Monday, October 21, 2024, 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 Centre, 183 Queen's Road East, Wan Chai, 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, the resolutions proposed at the EGM will be voted by poll.

#### V. RECOMMENDATIONS

The Board has passed the resolutions to be submitted to the Shareholders for consideration and approval. At the relevant Board meeting, Directors Mr. Liu Jianjun, Ms. Yao Hong, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Liu Xin'an and Mr. Zhang Xuanbo have material interests in the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement and have abstained from voting on the following resolution: (2) To consider and approve the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group. Except for the above Directors, no Directors have or are deemed to have material interests in the above resolution.

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

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

October 9, 2024

# NOTICE OF THE 2024 FIRST 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)

## NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2024 first extraordinary general meeting (the “EGM”) of Postal Savings Bank of China Co., Ltd. (the “**Bank**”) will be held on-site at Block A, Jinjia Plaza, No. 6 Financial Street, Xicheng District, Beijing at 10:00 a.m. on Friday, October 25, 2024 to consider and approve the following ordinary resolutions:

1. To consider and approve the Engagement of Accounting Firms for 2024;
2. To consider and approve the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group;
3. To consider and approve the Election of Mr. Liu Ruigang as Non-executive Director of the Bank; and
4. To consider and approve the Election of Mr. Chen Binghua as Non-executive Director of the Bank.

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

Beijing, the PRC  
October 9, 2024

*As at the date of this notice, the Board of the Bank comprises Mr. Liu Jianjun and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Chen Donghao, Mr. Liu Xin'an, Mr. Zhang Xuanbo, Mr. Hu Yuting, Mr. Ding Xiangming and Mr. Yu Mingxiong as Non-executive Directors; Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong 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.*



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## NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

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*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 as well as the disclosure website of Hong Kong Exchanges and Clearing Limited.
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, Wan Chai, 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, October 22, 2024 to Friday, October 25, 2024 (both days included). To attend the EGM, H Shareholders shall, before 4:30 p.m. on Monday, October 21, 2024, 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 Centre, 183 Queen's Road East, Wan Chai, 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 proof of the identity of their principal as Shareholders.
7. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.
8. 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





**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)**

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION: ADJUSTMENT TO DEPOSIT  
AGENCY FEE PRICING AND THE ENTERING INTO THE  
2024 SUPPLEMENTAL AGREEMENT**

We refer to the circular of the Bank dated October 9, 2024 (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 2024 Supplemental Agreement has been entered into in the ordinary and usual course of business of the Bank on normal commercial terms, on whether the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Bank and the Shareholders as a whole.

Altus 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 Altus Capital on pages 33 to 57 of the Circular.

We also wish to draw your attention to the Letter from the Board of Directors set out on pages 4 to 28 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 Altus Capital, we are of the opinion that the 2024 Supplemental Agreement is entered into in the ordinary and usual course of business of the Bank on normal commercial terms, the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the Independent Shareholders vote in favour of the matters regarding the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement at the EGM.

Yours faithfully,

### Independent Board Committee

<b>Wen Tiejun</b>	<b>Chung Shui Ming Timpson</b>	<b>Hu Xiang</b>	<b>Pan Yingli</b>	<b>Tang Zhihong</b>
<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>	<i>Independent Non-executive Director</i>

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement, which has been prepared for the purpose of incorporation in this circular.*

# ALTUS

**Altus Capital Limited**

21 Wing Wo Street

Central

Hong Kong

October 9, 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION ADJUSTMENT TO DEPOSIT AGENCY FEE PRICING FOR AGENCY DEPOSIT TAKING BUSINESSES**

#### **OVERVIEW**

According to the announcement of Postal Savings Bank of China Co., Ltd. (the “**Bank**”) dated September 30, 2024, the passive adjustment mechanism for the deposit agency fee rates for the agency Renminbi personal deposit taking business under the Agency Banking Businesses Framework Agreement signed between the Bank and China Post Group on September 7, 2016 and the 2022 Supplemental Agreement on September 29, 2022, has been triggered. Both parties shall negotiate whether and how to adjust the Composite Rate and the Scaled Fee Rates based on the adjusted Composite Rate accordingly within six months of from the date on which the parties are aware of such circumstance and shall implement relevant decision-making procedures. Additionally, the London Interbank Offered Rate (“**LIBOR**”) quotes used in the pricing the deposit agency fee for the agency foreign currency deposit business performed by the agency business organisations under the Agency Banking Businesses Framework Agreement has been ceased, it is necessary to update the deposit agency fee pricing for the Agency Foreign Currency Deposit Taking Business. To achieve a sustainable and healthy development of the Bank, in accordance with the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, and based on the Bank’s negotiation with China Post Group, the bank intends to optimise and adjust the Renminbi and foreign currency deposit agency fees pricing, and enter into the 2024 Supplemental Agreement.

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## LETTER FROM ALTUS CAPITAL

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Altus Capital Limited has been engaged to issue an independent financial adviser's written opinion (the "**Report**") in relation to the Adjustment to Deposit Agency Fee Pricing, which has been prepared for the purposes of incorporation into the circular of the Bank dated October 9, 2024 (the "**Circular**"). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE ADJUSTMENT**

#### **1. Basic information on the connected transaction**

##### *1.1. General information of the Bank and China Post Group*

The Bank is a leading retail bank in China with the largest distribution network, largest customer base and superior asset quality. The major businesses of the Bank include personal banking, corporate banking and treasury business.

In accordance with the national regulations, China Post Group conducts diversified operations with postal services, express logistics, finance and e-commerce as its main businesses. China Post Group is principally engaged in domestic and international mail delivery; domestic and international parcel express delivery; distribution of publications such as newspapers, journals and books; stamp issuance; postal remittance; confidential correspondence; postal financial business; postal logistics; e-commerce; postal agency businesses; and other businesses conducted as stipulated by the state.

##### *1.2. Basic information relating to the agency deposit business*

According to the Agency Banking Businesses Framework Agreement, China Post Group provides, among others, Renminbi personal deposit taking business (the "**Agency Renminbi Deposit Taking Business**") and foreign currency personal deposit taking business ("**Agency Foreign Currency Deposit Taking Business**") (the Agency Renminbi Deposit Taking Business and the Agency Foreign Currency Deposit Taking Business are collectively referred to as the "**Agency Deposit Taking Business**").

Both the Bank and China Post Group shall follow a proprietary "self-operated + agency" operation model for an indefinite term and neither of them shall have the right to terminate the agency relationship. The Agency Banking Businesses Framework Agreement took effect from the date of execution (i.e. September 7, 2016) and would be valid for an indefinite period subject to compliance with the requirements of the regulatory rules of the place where the shares of the Bank are listed or if the relevant requirements are waived. At the time of the listing of the Bank's H shares in 2016 and A shares in 2019, given that it is not feasible to estimate the annual caps due to the special nature of the agency banking businesses, waivers from strict compliance with the requirement that the term of the agreement must not exceed three years and the requirement to set annual caps in terms of monetary value had been applied for and granted by the Hong Kong Stock Exchange according to the relevant requirements of

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## LETTER FROM ALTUS CAPITAL

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the Hong Kong Listing Rules; and, in accordance with the relevant requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the review and disclosure as a related party transaction had been waived.

The Bank and China Post Group entered into the 2022 Supplemental Agreement on September 29, 2022 to adjust the scaled fee rates for deposit agency fees for the Agency Renminbi Deposit Taking Business and reset the trigger conditions of the passive adjustment, details of which were set out in the Bank's circular dated October 14, 2022.

### ***1.3. The particularity of the “self-operated + agency” model and its significance to the business development of the Bank***

#### *1.3.1. The “self-operated + agency” model is based on a unique policy approval*

According to the Notice of the State Council on Issue of the Postal Service System Reform Plan (Guo Fa [2005] No. 27) and the Notice of the CBRC on Issuing Measures for the Administration of Agency Business Institutions (Amended) for PSBC (Yin Jian Fa [2015] No. 49), both the Bank and China Post Group shall follow a proprietary “self-operated + agency” operation model for an indefinite period and neither of them is entitled to terminate the agency arrangement.

In view of the unique “self-operated + agency” model in the banking industry in China, the Bank was granted a waiver on the term and caps for its agency banking businesses by the regulatory authorities when its H shares were listed in 2016 and A shares were listed in 2019.

#### *1.3.2. The significance of the “self-operated + agency” model for the business development of the Bank*

The “self-operated + agency” model has positive implications for the business development of the Bank.

Firstly, by operating under the “self-operated + agency” model, the Bank leads the four major state-owned commercial banks in terms of the number of outlets. According to the Interim Report of the Bank for 2024, as at June 30, 2024, the Bank had 39,326 outlets, with approximately 19.4% being self-operated outlets and 80.6% being agency outlets respectively. According to publicly available information, as at June 30, 2024, the number of branches and outlets of each of Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation (the “**Big Four**”) was 15,453, 22,863, 10,280 and 14,219 respectively.

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## LETTER FROM ALTUS CAPITAL

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Secondly, the agency outlets provide an important source of deposits. According to the “Letter from the Board”, the deposits taken through agency outlets accounted for approximately 80% of the Bank’s personal deposits.

### ***1.4. Pricing mechanism for deposit agency fee***

#### *1.4.1. Agency Renminbi Deposit Taking Business*

In respect of the Agency Renminbi Deposit Taking Business, the Bank calculates the deposit agency fees according to the principle of “Fixed Rate, Scaled Fees Based on Deposit Type”, i.e. different fee rates are applicable to deposits with different maturities (the “**Scaled Fee Rates**”), and the actual weighted average deposit agency fee rate based on the Scaled Fee Rates and daily average balance of agency deposits of each type (“**Composite Rate**”).

Formula for the deposit agency fee corresponding to each type of deposit based on the Scaled Fee Rates is set out below:

Monthly deposit agency fee at the relevant outlet =  $\sum$  (aggregate amount of deposit for each type of deposit at the outlet for the month  $\times$  the respective deposit agency fee rate<sup>1</sup> of the relevant type of deposit/365) – aggregate cash (including that in transit) for the month at the relevant outlet  $\times$  1.50%/365

When the above formula is used to calculate the actual deposit agency fee to be paid by the Bank, the corresponding deposit agency fee for the cash of the outlet (i.e. reserve funds retained by the agency outlet and agency deposits in transit) will be deducted.

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<sup>1</sup> Namely, the Scaled Fee Rate.

## LETTER FROM ALTUS CAPITAL

### Fixed Rate, Scaled Fees Based on Deposit Type

The fixed rate for each type of deposit varies with the maturity of the deposit, with Scaled Fee Rates ranging from 0.00% to 2.33%. The daily average balance and Scaled Fee Rates of each type of agency deposit of the Bank and the deposit agency fees of the relevant type of deposit paid to China Post Group in 2021, 2022 and 2023 are set out below:

**Table 1**

*In RMB million, except for percentages*

Type	2023			2022			2021			
	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	Daily average balance	Scaled Fee Rate before adjustment (%) (Note 1)	Scaled Fee Rate after adjustment (%) (Note 1)	Deposit agency fee	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee
Demand deposits	2,080,719	2.33	48,481	2,024,231	2.30	2.33	46,663	1,934,703	2.30	44,498
Time-demand optional deposits	14,853	1.50	223	14,416	1.50	1.50	216	14,133	1.50	212
Call deposits	42,286	1.70	719	46,824	1.70	1.70	796	44,300	1.70	753
3-month time deposits	166,080	1.25	2,076	153,143	1.25	1.25	1,914	140,764	1.25	1,760
6-month time deposits	252,535	1.15	2,904	225,714	1.15	1.15	2,596	190,345	1.15	2,189
1-year time deposits	5,318,262	1.10	58,501	4,428,043	1.08	1.10	47,978	3,640,495	1.08	39,317
2-year time deposits	611,376	0.35	2,140	596,398	0.50	0.35	2,828	510,853	0.50	2,554
3-year time deposits	810,787	0.10	811	750,399	0.30	0.10	1,997	769,341	0.30	2,308
5-year time deposits	4,655	0.00	0	4,456	0.20	0.00	7	4,895	0.20	10
Daily aggregate cash (including cash in transit)	15,467	(1.50)	(232)	15,022	(1.50)	(1.50)	(225)	14,995	(1.50)	(225)
Total	9,301,553	1.24 (Note 2)	115,623	8,243,624	1.27 (Note 2)		104,770	7,249,829	1.29 (Note 2)	93,376

*Notes:*

1. The Scaled Fee Rates were adjusted during 2022 pursuant to the 2022 Supplemental Agreement.
2. I.e. the Composite Rate of the relevant year.

### Composite Rate

The Composite Rate for each year is calculated based on the Scaled Fee Rate and daily average balance of each type of deposit during the year, which varies with the composition of agency deposits of the Bank from year to year. The cap of the Composite Rate is set at 1.50% as prescribed in the Agency Banking Businesses Framework Agreement. From 2016 to 2023, the Composite Rate of the deposit agency fee for RMB personal deposits was 1.42%, 1.41%, 1.39%, 1.32%, 1.31%, 1.29%, 1.27% and 1.24% respectively.

*1.4.2. Agency Foreign Currency Deposit Taking Business*

According to the Agency Banking Businesses Framework Agreement, for the agency foreign currency deposit taking, the deposit agency fee is calculated separately based on the deposit term, being short term foreign currency deposits (i.e. with a term of less than 12 months) and long term foreign currency deposits (i.e. with a term of 12 months or more). The agency fee rate for long term foreign currency deposits is linked to factors such as global interest rate swap market rates, China's foreign currency overnight lending rate, LIBOR, and the comprehensive interest rate, etc. From 2021 to 2023, the deposit agency fees paid by the Bank to China Post Group for the Agency Foreign Currency Deposit Taking Business performed by the agency business organizations were RMB3 million, RMB11 million and RMB21 million, respectively, representing relatively small amounts.

**1.5. Adjustment method of deposit agency fee pricing and decision-making procedures**

*1.5.1. Agency Renminbi Deposit Taking Business*

The deposit agency fee pricing adjustment for Agency Renminbi Deposit Taking Business includes proactive adjustment and passive adjustment. The Adjustment is a passive adjustment.

Passive adjustment mechanism

According to the Agency Banking Businesses Framework Agreement, passive adjustment means the Bank and China Post Group shall discuss whether and how to adjust the Composite Rate and corresponding Scaled Fee Rates adjusted based on the proposed Composite Rate within six months from the date on which the parties are aware of any significant fluctuation of interest rate in the future, for instance, the average annual net interest spread (calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities) of the Big Four for the most recent accounting year fluctuates by more than a certain threshold (the "**Triggering Threshold**") compared to the average annual net interest spread of the Big Four for the 10 accounting years preceding the last passive adjustment (including the year in which the last passive adjustment was made), and the agreed decision-making procedures will be followed (see the paragraph headed "Decision-making procedures" below for details).

The average annual net interest spread of the Big Four for the ten accounting years preceding the last passive adjustment (in 2021) was made (including the year in which the last passive adjustment was made) is 2.16%, and the Triggering Threshold is 24%. The passive adjustment mechanism will be triggered when the average net interest spread of the Big Four falls below 1.64% or exceeds 2.68%.



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## LETTER FROM ALTUS CAPITAL

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The following table sets forth the average net interest spread of the Big Four for the most recent accounting year (i.e. the accounting year ended December 31, 2023):

**Table 2**

	<b>Industrial and Commercial Bank of China</b>	<b>Agricultural Bank of China</b>	<b>Bank of China</b>	<b>China Construction Bank</b>	<b>Average net interest spread</b>
2023	1.41%	1.45%	1.40%	1.50%	1.44%

Data source: A Share annual reports of the Big Four in 2023.

The average net interest spread of the Big Four for the most recent fiscal year (2023) was 1.44%, which is lower than the abovementioned lower limit of passive adjustment of 1.64% and triggered the passive adjustment mechanism. As a result, the agreed decision-making procedures should be implemented (see the paragraph headed “Decision-making procedures” below for details). Given that the passive adjustment is conducted pursuant to the terms of the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, we are of the view that the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank.

### Decision-making procedures

In accordance with the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, the following decision-making procedures shall be implemented after a passive adjustment is triggered:

- (1) The Related Party Transactions Control Committee of the Bank shall conduct a review and issue its written opinion to the Board of the Bank, and submit the matter to the Board of the Bank for consideration;
- (2) All Independent Non-executive Directors of the Bank shall express their written opinion after considering the opinion of an independent financial adviser;
- (3) The Board of the Bank shall make a resolution;
- (4) If the Board decides to make the adjustment, it shall also submit the resolution to the Shareholders’ general meeting for consideration. Regardless of whether the parties complete such negotiation and decision-making procedures and agree on the proposed adjustment within six months or not, the parties shall continue to follow the original Scaled Fee Rates in settlements before the negotiation and decision-making procedures are completed; and

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## LETTER FROM ALTUS CAPITAL

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- (5) If it is finally decided to adjust the Composite Rate and the Scaled Fee Rates, the adjusted Composite Rate and Scaled Fee Rates shall be applied from the date of approval at the Shareholders' general meeting.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms, whether the Adjustment to Deposit Agency Fee Pricing and the entering into the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

### *1.5.2. Agency Foreign Currency Deposit Taking Business*

The Bank shall re-comply with the announcement and independent Shareholders' approval requirements before any proposed substantial amendment to the terms of the Agency Banking Businesses Framework Agreement pursuant to Rule 14A.54 of the Hong Kong Listing Rules.

## **2. Hong Kong Listing Rules implications**

China Post Group, as the controlling Shareholder of the Bank, holds approximately 62.78% of the total issued ordinary share capital of the Bank as at the Latest Practicable Date. Therefore, China Post Group constitutes a connected person of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the Agency Banking Businesses Framework Agreement, the 2024 Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(2) of the Hong Kong Listing Rules, if the Bank intends to substantially revise the terms of the continuing connected transactions, the Bank will be required to re-comply with the relevant provisions of Chapter 14A of the Hong Kong Listing Rules in respect of the relevant continuing connected transactions. At the same time, as disclosed in the Prospectus, according to the Agency Banking Businesses Framework Agreement, the Bank and China Post Group's adjustments to the deposit agency pricing for the Agency Renminbi Deposit Taking Business shall be submitted to the Shareholders' general meeting of the Bank for consideration.

## **3. Independent Financial Adviser**

### *3.1. Purpose of this Report and the role of the independent financial adviser*

Altus Capital, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (providing asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong Special Administrative Region), has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM ALTUS CAPITAL

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As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to: (i) whether the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; (ii) whether the adjustment to deposit agency fee rates of Agency Renminbi Deposit Taking Business, optimising the trigger conditions of passive adjustment mechanism, the update to deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business and the entering into and the terms of the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the Shareholders' general meeting.

Altus Capital had acted as the independent financial adviser of the Bank for: (i) the adjustment to the deposit agency fee rates of agency Renminbi deposit taking business; and (ii) the discloseable and connected transaction in relation to the transfer of the beneficial interest of the trusts and the beneficial interest of the asset management plan, details of which were set out in the Bank's circulars dated October 17, 2022 and June 7, 2024. Except for the above transactions, Altus Capital has not acted as an independent financial adviser or financial adviser in respect of any transactions of the Bank in the last two years from the date of the Circular. In accordance with Rule 13.84 of the Hong Kong Listing Rules, and given that the remuneration of Altus Capital for its engagement to opine on the Adjustment to Deposit Agency Fee Pricing is at market level and not conditional upon the successful passing of the resolution to be proposed at the general meeting, and that the engagement of Altus Capital is on normal commercial terms, Altus Capital is independent of and not associated with the Bank, its controlling Shareholder(s) or connected person(s).

### ***3.2. Basis and assumptions of the opinion of the Independent Financial Adviser***

In formulating our opinion, we have carried out the following work: (i) reviewing the relevant materials, including: (1) the prospectus for the initial public offering of shares (A shares) of the Bank dated November 6, 2019; (2) the Prospectus for H shares of the Bank dated September 14, 2016; (3) the annual reports for A shares of each of the Big Four for the years 2017 to 2023 and their interim reports for 2024; (4) the annual reports for A shares and H shares of the Bank for the years 2019 to 2023 and its interim report for 2024; and (5) other materials provided by the Bank; (ii) communicating with all Independent Non-executive Directors; (iii) communicating the relevant staff of the Bank to understand the operation of the pricing mechanism of the deposit agency fee; and (iv) reviewing the questions and concerns of small and medium investors in relation to the deposit agency fee on public channels.

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## LETTER FROM ALTUS CAPITAL

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We have also relied on the information, opinions and representations provided by the Bank, its Independent Non-executive Directors and the management. We have assumed that all the information, opinions and representations provided by the Bank, its Independent Non-executive Directors and the management in relation to the Bank were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and up to the Latest Practicable Date. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion.

#### **4. Background of the Adjustment to Deposit Agency Fee Pricing**

The strategic vision of the Bank is to build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value. The Bank has set up self-operated outlets and agency outlets, which are the channels for its retail banking business to obtain deposits from retail customers. Generally, the establishment of self-operated outlets may incur expenses related to site selection with scientific methods, rental and maintenance of offices, employment of outlet staff and business operations, as well as depreciation of offices and equipment. Compared to the establishment of self-operated outlets, the Bank only needs to pay deposit agency fee for deposits received through agency outlets. If the deposit agency fee is reasonable, the agency outlets model will continuously attract deposits for the Bank, and help to promote synergistic development with China Post Group.

In addition to considering the direct cause that triggered the passive adjustment mechanism, namely the decreased average net interest spread of the Big Four, we have also taken into account the following market background.

##### ***4.1. Downward movement of net interest spread***

The average net interest spread of the Big Four is the benchmark triggering the passive adjustment mechanism for deposit agency fee of the Bank. According to the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, the passive adjustment mechanism will be triggered when the average net interest spread of the Big Four is lower than 1.64% or higher than 2.68%. The average net interest spread of the Big Four for the latest accounting year (2023) was 1.44%, which is lower than 1.64%, triggering the passive adjustment mechanism of Renminbi agency deposit fees under the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement.

Facing the downward trend of the market interest rates and the further decrease of the average net interest spread of the Big Four, we agreed that the Bank needs to adjust the deposit agency fee with an aim to control the overall cost of Renminbi deposit-taking.

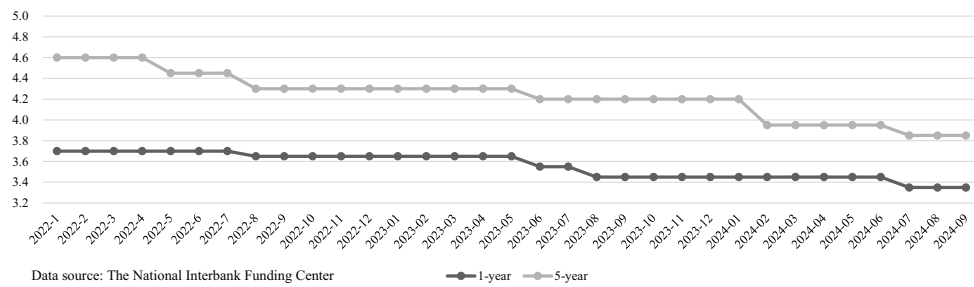
# LETTER FROM ALTUS CAPITAL

## 4.2. Downward movement of loan interest rates and net interest margin

With the further development of interest rate liberalization reforms in China, the overall interest rate environment has shown the following changes since 2022:

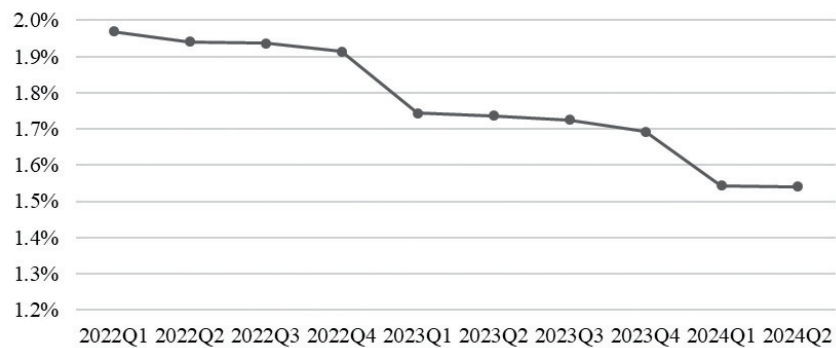
- (1) The continuous decline in loan interest rates. The following table outlines the historical trends of the Loan Prime Rate (LPR) for both one-year and five-year terms since January 2022.

### Loan Prime Rate (LPR)



- (2) The narrowing of the overall net interest margin for commercial banks. The table below outlines the historical quarterly data of the overall net interest margin in the banking industry since January 2022.

### Net Interest Margin for Commercial Banks



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## LETTER FROM ALTUS CAPITAL

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Since the adjustment to the Scaled Fee Rates pursuant to the 2022 Supplement Agreement effective from November 1, 2022, loan interest rate and net interest margin for commercial banks have continued to decline. Against the backdrop of changes in the overall interest rate environment, deposits, being the primary source of loan funding, and deposit agency fee, as part of the Bank's comprehensive cost of Renminbi deposit taking, should align with market interest rate levels and be adjusted accordingly based on market conditions.

### **4.3. Section conclusion**

Considering that (i) the average net interest spread of the Big Four for 2023 was 1.44%, which is lower than 1.64%, triggering the passive adjustment mechanism of Renminbi agency deposit fee pricing under the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement; and (ii) the trends in the interest rate environment and net interest margins for commercial banks in recent years, we believe that there is a need for the Bank to adjust the deposit agency fee rates for Agency Renminbi Deposit Taking Business, and the adjustment should be downward as a whole.

### **5. Adjustment plan of the agency fee rates of Agency Renminbi Deposit Taking Business and optimising the trigger conditions of passive adjustment mechanism**

To achieve its sustainable and healthy development, the Bank, along with China Post Group, based on principles of fairness, justice, commercial sustainability, protection of Shareholders' interests, market orientation, co-ordination of the growth rate of deposit agency fees with the revenue growth rate of the Bank, and smooth transition, strictly adhere to the relevant requirements of laws and regulations such as the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision) and the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, as well as regulatory rules of places where the Bank's shares are listed. In accordance with the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, and based on its negotiations with China Post Group, the Bank intends to adjust the deposit agency fees pricing, and strengthen the application of the proactive adjustment mechanism in the future.

#### **5.1. Adjustment plan of the agency fee rates of Agency Renminbi Deposit Taking Business**

##### *5.1.1. Adjustment to the Scaled Fee Rates*

The specific adjustment to the Scaled Fee Rates is as follows:

**Table 3**

Type	Before the Adjustment	After the Adjustment	Change
Demand deposits	2.33%	1.992%	Decreased by 33.8 BPs
Time-demand optional deposits	1.50%	1.302%	Decreased by 19.8 BPs

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## LETTER FROM ALTUS CAPITAL

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Type	Before the Adjustment	After the Adjustment	Change
Call deposits	1.70%	1.475%	Decreased by 22.5 BPs
3-month time deposits	1.25%	1.085%	Decreased by 16.5 BPs
6-month time deposits	1.15%	1.001%	Decreased by 14.9 BPs
1-year time deposits	1.10%	0.999%	Decreased by 10.1 BPs
2-year time deposits	0.35%	0.149%	Decreased by 20.1 BPs
3-year time deposits	0.10%	0.020%	Decreased by 8.0 BPs
5-year time deposits	0.00%	0.000%	–
Daily aggregate cash (including cash in transit)	-1.50%	-1.500%	–

According to the “Letter from the Board”, the Scaled Fee Rates for agency deposits with a maturity of three years and below are adjusted downward as follows: (i) for deposits with a maturity of less than one year (excluding one-year maturity), the higher the Scaled Fee Rates, the more basis points are adjusted downward this time; and (ii) for time deposits with a maturity of one year and above, the Bank intends to reduce the Scaled Fee Rate for 1-year time deposits by 10.1 BPs, by taking into account the relative advantage of 1-year time deposits in terms of the interest payment rate, and the high proportion of 1-year time deposits, which plays an important role in consolidating the core deposit position, maintaining customer stability, improving the maturity matching of deposits and loans, and preventing liquidity risks. Given that the interest payment rates of both 2-year time deposits and 3-year time deposits are higher than that of 1-year time deposits and that the 2-year time deposits and 3-year time deposits account for a relatively low percentage of deposits, the Scaled Fee Rates for the 2-year time deposits and 3-year time deposits are adjusted downward by 20.1 BPs and 8.0 BPs, respectively.

We have reviewed the composition of agency deposits of the Bank for the recent three years (2021-2023), taking into account the costs data provided by the Bank, and noted that:

- (i) Time deposits with a maturity of less than one year (excluding one-year): The overall interest payment rate are low, but its proportion<sup>2</sup> decreased from approximately 32.1% in 2021 to approximately 27.5% in 2023, representing a cumulative drop of approximately 4.6 percentage points.
- (ii) One-year time deposits: The interest payment rate is lower than that of longer-term time deposits, but its portion has continued to increase, rising from approximately 50.2% in 2021 to approximately 57.2% in 2023, representing a cumulative increase of approximately 7.0 percentage points, making it the largest portion of Renminbi agency deposits.

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<sup>2</sup> The proportion of the daily average balance of the relevant type of deposits over total daily average balance of agency deposits.



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## LETTER FROM ALTUS CAPITAL

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- (iii) Time deposits with a maturity of over one year (excluding one-year): The interest payment rate of both 2-year time deposits and 3-year time deposits are higher than that of 1-year time deposits, and their portion decreased from approximately 17.7% in 2021 to approximately 15.3% in 2023, representing a cumulative drop of approximately 2.4 percentage points. There was no significant change in the portion of five-year time deposits.

We noted that the Scaled Fee Rates for agency deposits with a maturity of three years and below are adjusted downwards. The adjusted Scaled Fee Rates maintained the characteristic of lower Scaled Fee Rates for longer deposit terms, aligning with the overall feature of interest payment rates across different type of deposits. In particular, the downward-adjusted Scaled Fee Rates for agency deposits with a maturity of less than one year (excluding one-year) are still higher than the Scaled Fee Rates for agency deposits with a maturity of over one year (excluding one-year), and the Scaled Fee Rates for two-year time deposits and three-year time deposits have been significantly reduced, which is conducive to the growth of shorter-term deposits with lower interest payment rates. Considering the relative advantage of the interest payment rate for one-year time deposits and their significant role in the composition of deposits, as well as the fact that the current Scaled Fee Rate for one-year time deposit is lower than the Scaled Fee Rate for time deposits with a maturity of less than one year (excluding one-year), the reduction in basis points for the Scaled Fee Rate for one-year time deposits is relatively small. Based on the analysis above, we believe that the adjustment to the Scaled Fee Rates for agency deposits of different maturities under the adjustment plan is conducive to the growth of shorter-term deposits with lower interest payment rates, reflecting the value guidance for agency deposits of different maturities, enhancing the Bank's proactive liability management capability, optimising the composition of deposits.

The adjusted Scaled Fee Rates shall become effective from the date of approval by the Shareholders' general meeting of the Bank. Upon negotiation between the Bank and China Post Group, it is agreed that the deposit agency fees incurred for the period from 1 July 2024 to the date of the approval by the Shareholders' general meeting of the Bank shall be settled in accordance with the adjusted Scaled Fee Rates. For details of the 2024 Supplemental Agreement, please refer to the paragraph headed "F. 2024 Supplemental Agreement" under the "Letter from the Board".

*5.1.2. Possible effect of the adjustment plan on the Bank: using the composition of agency deposits of 2023 (for illustrative purposes only)*

Taking into account the uniqueness of the "self-operated + agency" operation model of the Bank in the banking industry in China, it is unlikely to find any comparable transactions in the market to assess its pricing, especially the fairness of the specific Scaled Fee Rate. Composite Rate is a reflection of the combined effect of the composition of agency deposits and Scaled Fee Rate. The effect of the adjusted Scaled Fee Rate on the overall deposit agency fees is therefore reflected in changes in the Composite Rate.



## LETTER FROM ALTUS CAPITAL

Therefore, if we calculate and compare the historical Composite Rate based on the adjusted Scaled Fee Rate, the result will be able to reflect the effect of the adjustment plan (if implemented) on deposit agency fees.

For illustrative purposes only, based on the composition of agency deposits in 2023, and calculated according to the adjusted Scaled Fee Rates, the Composite Rate decreased from 1.24% to 1.08%, representing a decrease of 16 BPs, and the deposit agency fee decreased from RMB115.623 billion by RMB15.058 billion to RMB100.565 billion. Despite the increase in agency deposits of RMB1.06 trillion for the year, deposit agency fee still decreased by RMB4.205 billion or 4.01% as compared with the deposit agency fee in 2022, with a growth rate lower than the revenue growth rate of the Bank for the corresponding period (2.25%). Details are as follows.

**Table 4**

*In RMB million, except for percentages*

Type	Daily average balance	Before the Adjustment		After the Adjustment		Change in level of deposit agency fee
		Scaled Fee Rate (%)	Deposit agency fee	Scaled Fee Rate (%)	Deposit agency fee	
Demand deposits	2,080,719	2.33	48,481	1.992	41,448	Decreased by 7,033
Time-demand optional deposits	14,853	1.50	223	1.302	193	Decreased by 30
Call deposits	42,286	1.70	719	1.475	624	Decreased by 95
3-month time deposits	166,080	1.25	2,076	1.085	1,802	Decreased by 274
6-month time deposits	252,535	1.15	2,904	1.001	2,528	Decreased by 376
1-year time deposits	5,318,262	1.10	58,501	0.999	53,129	Decreased by 5,372
2-year time deposits	611,376	0.35	2,140	0.149	911	Decreased by 1,229
3-year time deposits	810,787	0.10	811	0.020	162	Decreased by 649
5-year time deposits	4,655	–	–	–	–	Unchanged
Daily aggregate cash (including cash in transit)	15,467	1.50	(232)	1.500	(232)	Unchanged
Total	9,301,553	1.24	115,623	1.08	100,565	Decreased by 15,058

Changes in net interest spread reflect the extent of changes in the interest rate environment. Considering that the passive adjustment mechanism for deposit agency fees is linked to the average net interest spread of the Big Four, the Composite Rate for the deposit agency fee can be adjusted with reference to the percentage change in the net interest spread of the Big Four in order to fully reflect the market-orientated principle.

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## LETTER FROM ALTUS CAPITAL

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The table below shows the average net interest spread of the Big Four from 2017 to 2023.

**Table 5**

Year	2017	2018	2019	2020	2021	2022	2023
Average net interest spread (%)	2.02	2.12	2.03	1.94	1.86	1.72	1.44
Average of the previous 3 years (%)					1.94		1.67
Average of the previous 5 years (%)					1.99		1.80

Data source: Compiled based on the A Share annual reports of the Big Four from 2017 to 2023

In order to ensure the stability of the data, as well as to reduce the impact of contingent factors, the percentage change (-13.97%) in the average net interest spread<sup>3</sup> of the Big Four in the most recent three years (2021-2023) (1.67%) compared with the average net interest spread of the Big Four in the three years preceding the most recent passive adjustment (2019-2021) (1.94%) can be used as a reference for the extent of the deposit agency fee rate adjustment. The average net interest spread of the Big Four was 1.86% in 2021, which was below the lower limit of passive adjustment of 1.87% for the first time and triggered the passive adjustment, indicating that there was a significant change in the interest rate environment. Therefore, the current adjusted agency fee rate is calculated on the basis of the agency fee rate in 2021 to reflect the changes in the market environment in recent years. On the basis of the agency fee rate of 1.29% in 2021, the Composite Rate for agency fee is calculated to be 1.11% ( $1.29\% \times (1-13.97\%)$ ), which is higher than the Composite Rate of 1.08% after the Adjustment.

If the three-year interval is expanded to a five-year interval, i.e. the percentage change (-9.76%) in the average net interest spread<sup>3</sup> of the Big Four in the most recent five-year period (2019-2023) (1.80%) compared with the average net interest spread of the Big Four in the five-year period preceding the most recent passive adjustment (2017-2021) (1.99%) can be used as a reference for the extent of the deposit agency fee rate adjustment. Based on the agency fee rate of 1.29% in 2021, the Composite Rate for agency fee is calculated to be 1.16% ( $1.29\% \times (1-9.76\%)$ ), which is also higher than the Composite Rate of 1.08% after the Adjustment.

Based on the analysis set out in this section, we are of the view that the Adjustment is fair, reasonable and in the interests of the Bank and the Shareholders as a whole.

<sup>3</sup> Based on the A Share annual reports of the Big Four from 2019 to 2023.

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## LETTER FROM ALTUS CAPITAL

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5.1.3. *Possible effect of the adjustment plan on the Bank: taking into account the historical trend of the composition of agency deposits and total daily average balance (for illustrative purposes only)*

To further illustrate the potential effect of the Adjustment on the deposit agency fee, we consider that the adjustment to the Scaled Fee Rates, along with changes in the composition of deposits and daily average balance, will have varying degrees of impact on the total amount of deposit agency fee and the Composite Rate. We propose to measure the effect of the Adjustment on the deposit agency fee by factoring in (i) change in composition of agency deposits; and (ii) growth of the total daily average balance of agency deposits.

**The analysis in this section is merely an illustrative calculation intended to demonstrate the potential long-term impact of the Adjustment and will not constitute a forecast of future deposit agency fee.**

Regarding the “(i) change in composition of agency deposits”, we use the average annual change in the proportion of the daily average balance of each type of agency deposit over total daily average balance of agency deposit for the recent years to adjust the composition of agency deposits (the “**Composition Adjustment**”). Considering that the more recent changes in composition of deposits better reflect the changes in the current market environment and the depositors’ choices in this context, we use the average annual change in composition of deposits over the past three years (2021-2023) as the basis for the Composition Adjustment. The table below shows the proportion of daily average balance of each type of agency deposit to the total daily average balance for the most recent three years (2021-2023).

**Table 6**

Type	2021	2022	2023	Approximate average annual change (2021-2023)
	(%)	(%)	(%)	(Note)
Demand deposits	26.7	24.6	22.4	Decreased by 216 BPs
Time-demand optional deposits	0.2	0.2	0.2	Generally unchanged
Call deposits	0.6	0.6	0.5	Generally unchanged
3-month time deposits	1.9	1.9	1.8	Decreased by 8 BPs
6-month time deposits	2.6	2.7	2.7	Generally unchanged
1-year time deposits	50.2	53.7	57.2	Increased by 348 BPs
2-year time deposits	7.0	7.2	6.6	Decreased by 24 BPs
3-year time deposits	10.6	9.1	8.7	Decreased by 95 BPs
5-year time deposits	0.1	0.1	0.1	Generally unchanged
	100	100	100	

*Note:* The average change between the current year and the previous year from 2021 to 2023.

## LETTER FROM ALTUS CAPITAL

Regarding the “(ii) growth of the total daily average balance of agency deposits”, we use the mean of the annual growth rate of the total daily average balance of agency deposit for the recent years to adjust the total daily average balance (the “**Total Balance Adjustment**”). The table below shows the total daily average balance and average annual growth rate for the last three years.

**Table 7**

*In RMB million, except for percentages*

Daily average balance of agency deposit	2021	2022	2023	Approximate average annual change
				(2021-2023) <i>(Note)</i>
Total	7,249,829	8,243,624	9,301,553	13.3%

*Note:* Mean of the percentage change between the current year and the previous year from 2021 to 2023.

As set out in the above table, the average annual growth rate of the total daily average balance for the last three years (2021-2023) is approximately 13.3%. After calculation, if we conduct Total Balance Adjustment based on the total daily average balance of agency deposits for 2023 (approximately RMB9,301,553 million), the total daily average will be approximately RMB10,538,660 million.

Assuming that a Total Balance Adjustment is conducted on the total daily average balance of agency deposits in 2023, serving as the comparison benchmark. Based on the same adjusted total daily average balance, we conducted a Composition Adjustment on the composition of agency deposits based on the average annual change for the last three years (2021-2023). With the application of the adjusted Scaled Fee Rates, we set out below the impact to the deposit agency fee and the Composite Rate.

**Table 8**

*In RMB million, except for percentages*

Type	Before the Adjustment			After the Adjustment			Change in level of deposit agency fee
	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	
Demand deposits	2,357,455	2.33	54,929	2,129,999	1.992	42,430	Decreased by 12,499
Time-demand optional deposits	16,828	1.50	252	14,971	1.302	195	Decreased by 57
Call deposits	47,910	1.70	814	39,667	1.475	585	Decreased by 229
3-month time deposits	188,169	1.25	2,352	179,943	1.085	1,952	Decreased by 400
6-month time deposits	286,122	1.15	3,290	290,836	1.001	2,911	Decreased by 379
1-year time deposits	6,025,591	1.10	66,281	6,392,397	0.999	63,860	Decreased by 2,421

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**LETTER FROM ALTUS CAPITAL**

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Type	Before the Adjustment			After the Adjustment			Change in level of deposit agency fee
	Daily	Scaled	Deposit	Daily	Scaled	Deposit	
	average		agency	average		agency	
balance	Fee Rate (%)	fee	balance	Fee Rate (%)	fee		
2-year time deposits	692,689	0.35	2,424	667,735	0.149	995	Decreased by 1,429
3-year time deposits	918,622	0.10	919	818,759	0.020	164	Decreased by 755
5-year time deposits	5,274	–	–	4,353	–	–	Unchanged
Daily aggregate cash (including cash in transit)	17,524	(1.50)	(263)	17,524	(1.500)	(263)	Unchanged
Total	10,538,660	1.24	130,998	10,538,660	1.07	112,829	Decreased by 18,169

After calculation, the Composite Rate decreased from 1.24% to 1.07%, representing a decrease of 17 BPs, and corresponding deposit agency fee decreased by RMB18,169 million.

*5.1.4. Possible effect of the adjustment plan on the Bank: optimization of composition of deposits*

Agency deposits generally exhibit the characteristics that the longer the term, the higher the interest payment rate and the lowered the Scaled Fee Rate. Taking the two-year and three-year time agency deposits in 2023 as an example, the interest payment rate for three-year time deposits was higher than that for two-year and one-year time deposits, while the interest payment rate for two-year time deposits was also higher than that for one-year time deposits, based on the information provided by the Bank. In the context of declining interest rates, the targeted differential reduction of Scaled Fee Rates for different types of agency deposits, based on the cost of deposits with different terms and the trends in changes in composition of deposits, is conducive to reflecting the value guidance for agency deposits of different maturities, optimising the composition of deposits.

**5.2. Optimising the trigger conditions of passive adjustment mechanism**

According to the Agency Banking Businesses Framework Agreement and the 2022 Supplemental Agreement, after the passive adjustment mechanism to the deposit agency fee rate pricing is triggered, the year of the latest passive adjustment shall be updated to 2023, with 10 accounting years preceding the latest passive adjustment being updated as 2014-2023. The average net interest spread of the Big Four is 1.99% during the period, which will be used as the new benchmark for comparison. If the Triggering Threshold of passive adjustment remains unchanged at 24%, the passive adjustment will be triggered when the future average net interest spread of the Big Four is higher than 2.47% or lower than 1.51%.

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## LETTER FROM ALTUS CAPITAL

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The market interest rates have been declining in recent years. The change in the average net interest spread of the Big Four over the most recent ten years, as referenced by the current passive adjustment mechanism, lags behind due to the impact of historical data and cannot reflect changes in the market environment in a timely manner. Taking into account the current trend of the interest margin in the banking industry, and with an aim to make the passive adjustment more adaptable to the current situation, make the upper and lower trigger limits reflect the current interest rate level in a more objective way, and ensure the stable operation of the passive adjustment mechanism, the Bank proposed that the Adjustment, on the basis of maintaining the overall framework and foundation of the current proactive and passive adjustment mechanisms, should fully reflect the market changes in recent years and appropriately reduce the number of years for calculating the average net interest spread of the Big Four, which is referenced in determining the upper and lower trigger limits of the passive adjustment mechanism, so as to make the triggering interval of the passive adjustment mechanism (i) more in line with the changes in the market interest rates, and (ii) the upper and lower trigger limits closer to the current interest rate level. Considering that if the length of time as reference is too short, it may lead to a significant increase in the difficulty in triggering the passive adjustment mechanism and a weakening of the effectiveness of the mechanism, the Bank proposed the number of years for calculating the average net interest spread of the Big Four, which is referenced in determining the upper and lower trigger limits of the passive adjustment mechanism, to be adjusted from the most recent ten years to the most recent five years.

Based on the adjustment above, the year of the latest passive adjustment shall be updated as 2023, with the five accounting years preceding the latest passive adjustment being updated as 2019-2023. The average net interest spread of the Big Four is 1.80% during this period, which will be used as the new benchmark for comparison. The specific percentage of the applicable Triggering Threshold remains at 24%. It means that the passive adjustment will be triggered in the future when the average net interest spread of the Big Four fluctuates by  $\pm 0.43\%$  from 1.80% (i.e. above 2.23% or below 1.37%). As compared to the current triggering range of  $\pm 0.52\%$  from 2.16% (i.e. above 2.68% or below 1.64%), the adjustment plan is able to trigger the passive adjustment mechanism by a narrower range of fluctuation of the market net interest spread, which entitles the Bank an opportunity to review the deposit agency fee rate with a more moderate change in market net interest spread in the future.

Taking into account the significant fluctuations in the interest rate environment over the past three years (2021-2023), we are of the view that adjusting the upper and lower trigger limits of the passive adjustment mechanism from being linked to the average net interest spread of the Big Four over the last ten years to being linked to their average net interest spread for the last five years, and maintaining the applicable Triggering Threshold at 24% are fair and reasonable and are in the interests of the Bank and the Shareholders as a whole.

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## LETTER FROM ALTUS CAPITAL

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### *5.3. Reasonableness of the adjustment plan and optimising the trigger conditions of passive adjustment mechanism*

Considering that:

- (i) as illustrated in section 4 above, considering that the trends in the interest rate environment and net interest margins for commercial banks in recent years, we believe that there is a need for the Bank to adjust the deposit agency fee rates for Agency Renminbi Deposit Taking Business, and the adjustment should be downward as a whole;
- (ii) as illustrated in paragraphs 5.1.1 and 5.1.4 above, the adjustment plan sets different the adjustment ranges to the respective Scaled Fee Rate, which is conducive to optimising the composition of deposits taken by agency outlets;
- (iii) as illustrated in paragraphs 5.1.2 and 5.1.3 above, under certain assumptions, adjustment plan could lower the Composite Rate and the level of deposit agency fee, which is in the interest of the Bank;
- (iv) as illustrated in paragraph 5.1.2 above, using the percentage change in the average net interest spread of the Big Four over the past three or five years as a reference, the illustrative Composite Rate after adjustment is fair and reasonable; and
- (v) as illustrated in paragraph 5.2 above, taking into account the significant fluctuations in the interest rate environment over the past three years, we are of the view that adjusting the upper and lower trigger limits of the passive adjustment mechanism from being linked to “the average net interest spread of the Big Four over the last ten years” to “the average net interest spread of the Big Four over the last five years”, and maintaining the Triggering Threshold at 24% are fair and reasonable and are in the interests of the Bank and the Shareholders as a whole,

we are of the view that the adjustment to the deposit agency fee pricing for the Agency Renminbi Deposit Taking Business is fair and reasonable, and the extent of adjustment has reasonable basis. The Adjustment is conducive to optimising the composition of deposits, lowering the interest payment rates, promoting the long-term healthy development of the Agency Deposit Taking Business. In light of the aforesaid, we are of the view that (i) the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (ii) the adjustment to deposit agency fee rates of Agency Renminbi Deposit Taking Business, optimising the trigger conditions of passive adjustment mechanism, and the entering into and the terms relating to the adjustment to the deposit agency fee pricing for the Agency Renminbi Deposit Taking Business under the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

**6. Updating deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business**

***6.1. Current terms of Agency Foreign Currency Deposit Taking Business***

The current terms of the deposit agency fee pricing of the Agency Foreign Currency Deposit Taking Business are: (i) for short term foreign currency deposits (i.e. with a term of less than 12 months), the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the PRC interbank foreign currency market, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and (ii) for long term foreign currency deposits (i.e. with a term of 12 months or more), the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the global interest rate swap market (adjusted by the differences between overnight interest rate in the PRC interbank foreign currency market and LIBOR, and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term.

***6.2. Updating plan of the deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business***

The proposed new terms are set out below:

Regarding the deposit agency fee for the Agency Foreign Currency Deposit Taking Business performed by the agency business organizations, (i) for short term foreign currency deposits, the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the interbank foreign currency market and other rates, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and (ii) for long term foreign currency deposits, the deposit agency fee rate shall be determined by calculating the composite interest rate of foreign currency deposit with corresponding term based on the short-term composite interest rate, in combination with the maturity spreads such as the global interest rate swap market rate and treasury bond yields, adjusted based on interest rate in the PRC interbank foreign currency market and the relevant foreign currency interbank offered rate recognized by the banking industry, and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term.



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## LETTER FROM ALTUS CAPITAL

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### 6.3. *Reasons for the update*

In view of the cessation of all LIBOR quotes, it is necessary to update the deposit agency fee pricing for the Agency Foreign Currency Deposit Taking Business, so as to adapt to the latest market development. We noted the following major updates:

- (i) The criteria for defining the maturity for the short-term foreign currency deposits and long-term foreign currency deposits is deleted.

We have discussed with the Bank and noted that (i) considering the difference in the availability and the referability of data for the interbank offered rates of different foreign currencies across different maturities, especially for the fact that the composite interest rate for U.S. dollars deposits with a term of over 3 months needs to be constructed using the maturity spread method, the updated terminology “short-term” and “long-term” represent the short and long ends of the composite interest rate curve, rather than referring to the maturity of the deposits; and (ii) the purpose of this amendment is to make the pricing of foreign currency deposit agency fees more flexible and more in line with market interest rate, we are of the view that such update is fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

- (ii) For the agency fee rates for the short-term foreign currency deposits, the major amendment is replacing the “PRC interbank foreign currency market” to “interbank foreign currency market”, which changes the basis for calculating the short-term foreign currency deposit agency fee rate from China onshore foreign exchange offered rate to the corresponding interbank offered rate in the corresponding country (region).

We are of the view that, compared with China onshore foreign exchange offered rate, the corresponding interbank offered rate in corresponding country (region) has a higher degree of trading activity and is closer to the actual interest rate of the corresponding currency.

- (iii) In order to improve coherence and referenceability, the maturity spread method is adopted to form the deposit agency fee rates for the long term foreign currency deposits; and, taking into account the high market recognition and representativeness of treasury bond yields, for long term foreign currency deposits, “in the global interest rate swap market” is adjusted to “based on the short-term composite interest rate, in combination with the maturity spreads such as the global interest rate swap market rate and treasury bond yields”.

We have discussed with the Bank and noted that the treasury bond yields are introduced due to their high trading volume, market recognition and representativeness.

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## LETTER FROM ALTUS CAPITAL

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- (iv) For the agency fee rates for the long term foreign currency deposits, due to the cessation of all LIBOR quotes, the Bank proposed to replace LIBOR with the relevant foreign currency interbank offered rate recognised by the banking industry. For example, for foreign currency personal deposits denominated in U.S. dollars, the Secured Overnight Financing Rate (“SOFR”), which has been widely accepted by the banking industry, will be used as a replacement for U.S. dollar LIBOR.

We noted that SOFR is a benchmark interest rate administered and published by the Federal Reserve Bank of New York. It has been determined by the Alternative Reference Rates Committee as the replacement benchmark rate for U.S. dollar LIBOR.

Therefore, we are of the view that the adjustment plan is fair and reasonable and is in the interests of the Bank and the Shareholders as a whole.

### ***6.4. Possible effect of the adjustment on the Bank***

The updating plan does not cause significant changes to the calculation method of the deposit agency fee pricing for the Agency Foreign Currency Deposit Taking Business. Based on the Bank’s annual reports of the last three years, the amount of deposit agency fees for the foreign currency deposits was insignificant. Therefore, we believe that the adjustment will not have any significant impact on the Bank.

### ***6.5. Conclusions on updating the deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business***

Taking into account the analysis in this section above, we are of the view that (i) the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (ii) the update to deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business and the entering into and the terms relating to the update to the deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business under the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

## **CONCLUSION AND RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the view that (1) the 2024 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (2) the adjustment to deposit agency fee rates of Agency Renminbi Deposit Taking Business, optimising the trigger conditions of passive adjustment mechanism, the update to deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business and the entering into and the terms of the 2024 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

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## LETTER FROM ALTUS CAPITAL

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group at the general meeting.

Yours faithfully,  
For and behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Responsible Officer*

**Chang Sean Pey**  
*Responsible Officer*

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*The following is the principal terms and contents of the Agency Banking Businesses Framework Agreement (as amended by the 2024 Supplemental Agreement), and this appendix should be read in conjunction with the “LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group”.*

## 1. PRINCIPAL TERMS

The principal terms of the Agency Banking Businesses Framework Agreement are as follows:

- The agency outlets are entrusted by the Bank to conduct all or part of the following banking businesses:
  - (1) taking of Renminbi and foreign currency personal deposits;
  - (2) domestic and international remittance;
  - (3) bank card (debit card);
  - (4) credit card repayment;
  - (5) electronic banking business (including self-service banking business and SMS business);
  - (6) collection and payment agency services based on our systems;
  - (7) issuance and settlement of government bonds as an agent;
  - (8) provision of personal deposit record services;
  - (9) bancassurance, agency sales of funds, personal wealth management, asset management scheme and other financial products;
  - (10) provision of third-party escrow services; and
  - (11) other businesses entrusted by the Bank.
- The agency outlets shall not conduct credit and treasury businesses as well as corporate deposits business.

- The Bank shall authorize our branches to, and China Post Group shall authorize the Postal Affiliates to, enter into separate agency agreements (the “Agency Agreements”) at various levels, the terms of which shall not contradict those of the Agency Banking Businesses Framework Agreement.
- Postal Affiliates shall conduct commercial banking businesses entrusted by the Bank through agency outlets, and conduct the relevant businesses in our name. Unless otherwise provided by laws, regulations and other requirements of regulatory authorities, the Bank shall not entrust our commercial banking businesses to entities or individuals other than agency outlets without approval by the banking regulatory authorities. Postal Affiliates shall not conduct commercial banking businesses which are not entrusted by the Bank. The Bank is entitled to amend or terminate the Agency Agreements in the event that the operations of the agency outlets are conducted beyond the authorized scope. The agencies under Postal Affiliates shall not be entrusted to conduct our businesses and Postal Affiliates shall not entrust other entities or individuals to conduct our businesses.
- For more details of the pricing policy of the deposit agency fee for Agency Deposit Taking Business, see the section headed “3. PRICING POLICIES” in this appendix.
- The establishment of new agency outlets are governed by an annual plan agreed between our headquarters and China Post Group and shall be approved by our headquarters, which shall then be filed with the banking regulatory authorities and implemented after obtaining their consent.
- Pursuant to the relevant requirements of the Outlines of Postal Savings Bank of China for Establishment of a Comprehensive Risk Management System\* (中國郵政儲蓄銀行全面風險管理體系建設綱要), the Bank shall incorporate risk management of agency outlets into our comprehensive risk management system to identify, measure, monitor and assess the risks exposed by agency outlets arising from personal deposit taking and Agency Banking Intermediary Businesses, accounting settlement, funds settlement, outlet operations, internal control, legal compliance, anti-money laundering, information technology, consumers’ rights protection, reputation and public perception, safety and security and other businesses and management, formulate specific risk management requirements, issue risk warnings in a timely manner and assist Postal Affiliates in establishing a sound risk management system for agency outlets, thereby enabling Postal Affiliates to effectively identify, monitor, report and control various risks the agency outlets are exposed to. Postal Affiliates shall establish internal control and risk management system and accountability system in line with our requirements for management of various risks by effectively integrating requirements for identification, control and mitigation of various risks with business management process, setting up corresponding positions with adequate manpower and continuously improving infrastructure necessary for risk management so as to ensure effective operation of

the risk management system for agency outlets. Certification mechanism of qualification to conduct Agency Banking Businesses shall be implemented for relevant personnel of agency outlets, and relevant personnel shall be certified to conduct Agency Banking Businesses.

- Postal Affiliates shall maintain a separate management account for conducting the Agency Deposit Taking Business, the costs and revenues of which shall be audited separately.

## 2. TERMINATION RIGHT

Under the national policies, neither the Bank nor China Post Group is entitled to terminate the agency arrangement. In the event that there is any change in national policy in the future permitting the termination of the agency arrangement between the Bank and China Post Group and the Bank elects to terminate the Agency Banking Businesses Framework Agreement (the “Termination Right”) following discussion between the Bank and China Post Group, our independent non-executive Directors shall express their written opinions and the Board shall then make the decision. The Bank shall follow the filing and approval procedures (if required) under relevant laws and regulations. The Agency Banking Businesses Framework Agreement (which includes the Termination Right) is required to be filed with China Banking Regulatory Commission.

## 3. PRICING POLICIES

### A. Agency Deposit Taking Business

The Bank pays deposit agency fee to China Post Group in respect of the Agency Deposit Taking Business.

#### (i) *Agency Renminbi Deposit Taking Business*

For the pricing policy of deposit agency fee for Agency Renminbi Deposit Taking Business, please refer to “LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group – C. Adjusting deposit agency fee rates of Agency Renminbi Deposit Taking Business” and “LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group – F. 2024 Supplemental Agreement” in this circular.

Adjustment of Deposit Agency Fee Rate for the Agency Renminbi Deposit Taking Business

The deposit agency fee rate may be adjusted under the two scenarios set out below:

- Proactive adjustment
- (I) Adjustment of the Scaled Fee Rate based on actual operating needs and other factors by both parties
1. Where the Composite Rate derived from the adjusted Scaled Fee Rate and the average daily balance of each type of deposits for the preceding accounting year does not exceed the Cap on Composite Rate:
    - (1) if the Composite Rate will remain the same as the actual Composite Rate for the preceding accounting year, such adjustment will be determined by negotiations between China Post Group and the Bank and a supplemental agreement shall be entered into; or
    - (2) if the Composite Rate will be different from the actual Composite Rate for the preceding accounting year, the decision-making procedure below shall be followed for such adjustment and a supplemental agreement shall be entered into: our Related Party Transactions Control Committee shall conduct a review and issue its written opinion to the Board for consideration; all independent non-executive Directors shall also express their written opinion after considering the advice of an independent financial advisor; the Board shall then make a resolution.
  2. Where the Composite Rate derived from the adjusted Scaled Fee Rate and the average daily balance of deposits of each type for the preceding accounting year exceeds the Cap on Composite Rate, the decision-making procedure below shall be followed to adjust the Scaled Fee Rate and the Cap on Composite Rate and a supplemental agreement shall be entered into: our Related Party Transactions Control Committee shall conduct a review and issue its written opinion to the Board for consideration; all independent non-executive Directors shall also express their written opinion after considering the advice of an independent financial advisor; the Board shall then make a resolution; and if the Board decides to make the adjustment, it shall also submit the resolution to the Shareholders' general meeting for consideration by Independent Shareholders.

- (II) Where the Composite Rate for the year is expected to exceed the Cap on Composite Rate due to changes in the structure of agency deposits in the year, the decision-making procedure below shall be followed to adjust the Cap on Composite Rate and a supplemental agreement shall be entered into: our Related Party Transactions Control Committee shall conduct a review and issue its written opinion to the Board for consideration; all independent non-executive Directors shall also express their written opinion after considering the advice of an independent financial advisor; the Board shall then make a resolution; and if the Board decides to make the adjustment, it shall also submit the resolution to the Shareholders' general meeting for consideration by Independent Shareholders.

If the Scaled Fee Rate remains the same as that in the preceding accounting year and the actual Composite Rate changes but does not exceed the then prevailing Cap on Composite Rate due to changes in the structure of agency deposits in the year, that does not constitute an adjustment in deposit agency fee pricing.

- Passive adjustment

For the passive adjustment of deposit agency fee for Agency Renminbi Deposit Taking Business, please refer to "LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group – C. Adjusting deposit agency fee rates of Agency Renminbi Deposit Taking Business" and "LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group – F. 2024 Supplemental Agreement" in this circular.

*(ii) Agency Foreign Currency Deposit Taking Business*

For the pricing policy of deposit agency fee for Agency Foreign Currency Deposit Taking Business, please refer to "LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group – E. Updating deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business" and "LETTER FROM THE BOARD OF DIRECTORS – 2. Proposal Regarding the Adjustment to Deposit Agency Fee Pricing for Agency Deposit Taking Business by Postal Savings Bank of China and China Post Group – F. 2024 Supplemental Agreement" in this circular.



**B. Agency Banking Intermediary Businesses**

As the principal of the Agency Banking Intermediary Businesses and pursuant to the requirement of accounting standards, the revenue arising from the Agency Banking Intermediary Businesses shall initially be recognized by the Bank, and the fee and commission will then be payable by the Bank to Postal Affiliates following the principle of “fee payable to the entity providing the service (誰辦理誰受益)” and does not have any material net impact on our financial statements.

**1. RESPONSIBILITY STATEMENT**

This 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 enquiry, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters omitted which would make any statement herein or this circular misleading.

**2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE**

As at the Latest Practicable Date, none of the Directors or Supervisors 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 (within the meaning of Part XV of the SFO) which was required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are deemed to have under such provisions of the SFO), or which was required to be entered in the stipulated register pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules.

**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors entered into any service contract with the Bank or any of its subsidiaries that is subject to indemnification (other than statutory damages) upon termination by the Bank within one year.

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as is known to the Board, none of the Directors or any of their respective associates was interested in any business (apart from the Group's business) which competes or possibly competes either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder).

**5. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, there has not been any material adverse change in the financial or operation position of the Bank since December 31, 2023 (being the date to which the latest published audited accounts of the Bank were made up).

## 6. INTERESTS IN THE GROUP'S ASSETS OR MATERIAL CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since December 31, 2023 (being the date on which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting as at the date of this circular, which is significant in relation to the business of the Group.

## 7. DIRECTORS' POSITIONS IN 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 Bank pursuant to Divisions 2 and 3 of Part XV of the SFO:

<b>Name</b>	<b>Position in the specific company</b>
Liu Jianjun	Vice President of China Post Group
Han Wenbo	Director of China Post Group
Liu Xin'an	Director of China Post Group
Ding Xiangming	Vice President, Board Secretary and General Counsel of Shanghai International Port (Group) Co., Ltd.
Yu Mingxiong	Director of Asset Management Department of China State Shipbuilding Corporation Limited

## 8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice and recommendation contained in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practical Date, Altus 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 and opinion in the form and context in which they respectively appear.

Altus Capital has issued a letter dated October 9, 2024 in relation to its recommendation to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

**9. EXPERT'S INTERESTS**

As at the Latest Practicable Date, Altus Capital:

- (a) did not have any interest, either direct or indirect, in any assets which had been, since December 31, 2023 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) did not have any shareholding in any member of the Group or 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 ON DISPLAY**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange and the Bank for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Agency Banking Businesses Framework Agreement;
- (b) the 2024 Supplemental Agreement; and
- (c) the written consent issued by Altus Capital as referred to in this appendix.