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

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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)

**2016 WORK REPORT OF THE BOARD OF DIRECTORS
2016 WORK REPORT OF THE BOARD OF SUPERVISORS
FINAL FINANCIAL ACCOUNTS FOR 2016
PROFIT DISTRIBUTION PLAN FOR 2016
APPOINTMENT OF ACCOUNTING FIRMS FOR 2017
ELECTION OF NON-EXECUTIVE DIRECTORS
ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR
PROPOSED REMUNERATION PLAN FOR NEW DIRECTORS
PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES OF
SHAREHOLDERS' GENERAL MEETINGS
REPORT ON THE 2016 REPORT ON RELATED PARTY TRANSACTIONS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD.
REPORT ON THE IMPLEMENTATION OF PLAN ON AUTHORIZATION
OF THE SHAREHOLDERS' GENERAL MEETING TO THE BOARD OF DIRECTORS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD. IN 2016
NOTICE OF THE ANNUAL GENERAL MEETING
AND
NOTICE OF 2017 FIRST H SHAREHOLDERS' CLASS MEETING**

Postal Savings Bank of China Co., Ltd. will convene the AGM, the 2017 First Domestic Shareholders' Class Meeting and the 2017 First H Shareholders' Class Meeting in turn from 9:30 a.m. on June 8, 2017 (Thursday) at Xi'an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC). The notices of the AGM and the 2017 First H Shareholders' Class Meeting are set out on pages 15 to 21 of this circular.

Whether or not you are able to attend the AGM and/or the 2017 First H Shareholders' Class Meeting, you are advised to read the notice of the AGM and the 2017 First H Shareholders' Class Meeting and to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible. If you intend to appoint a proxy to attend the AGM and/or the 2017 First H Shareholders' Class Meeting, you are required to complete and return the enclosed proxy form in accordance with the instructions printed thereon. The proxy forms should be returned to Computershare Hong Kong Investor Services Limited (17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong) for H Shareholders, or to the Bank's Registered Office (No. 3 Financial Street, Xicheng District, Beijing, PRC) for Domestic Shareholders, in any event served by hand or by post not less than 24 hours before the time designated for holding the AGM and the 2017 First H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the AGM and/or the 2017 First H Shareholders' Class Meeting or any adjournment thereof.

If you intend to attend the AGM and/or the 2017 First H Shareholders' Class Meeting in person or by proxy, you are required to complete and return the enclosed reply slips to Computershare Hong Kong Investor Services Limited (for H Shareholders) or the Bank's Registered Office (for Domestic Shareholders) on or before May 19, 2017 (Friday).

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

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

April 24, 2017

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DEFINITIONS

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

“2017 First Domestic Shareholders’ Class Meeting”	the 2017 First Domestic Shareholders’ Class Meeting to be convened by the Bank after the conclusion of the AGM at Xi’an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC) on June 8, 2017 (Thursday)
“2017 First H Shareholders’ Class Meeting”	the 2017 First H Shareholders’ Class Meeting to be convened after the conclusion of the 2017 First Domestic Shareholders’ Class Meeting at Xi’an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC) on June 8, 2017 (Thursday)
“Additional Tier 1 Capital”	has the meaning given to it in the Capital Management Rules
“Administrative Measures on Preference Shares”	Trial Administrative Measures on Preference Shares issued by the CSRC on March 21, 2014
“AGM”	the 2016 annual general meeting to be convened by the Bank at 9:30 a.m. on June 8, 2017 (Thursday) at Xi’an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC)
“Articles of Association”	the Articles of Association of Postal Savings Bank of China Co., Ltd., approved by the CBRC on June 24, 2016
“Bank”	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, and, where the context so requires, includes 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 subsidiary, and the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1658)
“Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Capital Management Rules”	the Administrative Measures for the Capital of Commercial Banks (Provisional) promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013
“CBRC”	China Banking Regulatory Commission of the PRC
“CSRC”	China Securities Regulatory Commission of the PRC
“Director(s)”	the director(s) of the Bank

DEFINITIONS

“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Guiding Opinions on Capital Instruments”	the Guiding Opinions of the CBRC on Capital Instruments Innovation of Commercial Banks issued on November 29, 2012 by the CBRC
“H Share(s)”	issued ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which 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
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Bank
“Joint Guidance Opinion”	the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Replenishing Tier 1 Capital jointly issued by the CBRC and the CSRC on April 3, 2014
“Latest Practicable Date”	April 19, 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Non-executive Director(s)”	the non-executive Director(s) of the Bank
“Offshore Issuance Plan”	the Plan for Non-public Issuance of Offshore Preference Shares by Postal Savings Bank of China Co., Ltd. as set out in Appendix IV to this circular
“Offshore Preference Shares(s)”	the offshore preference share(s) of an aggregate number of not more than 500 million (inclusive) to raise total proceeds not exceeding RMB50 billion or its equivalent (inclusive), proposed to be issued non-publicly by the Bank in the offshore market pursuant to the Offshore Issuance Plan as set out in Appendix IV to this circular

DEFINITIONS

“Offshore Preference Shareholder(s)”	holder(s) of Offshore Preference Shares
“PRC”	the People’s Republic of China, for the purpose of this circular only and unless otherwise indicated, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rules of Procedures of Shareholders’ General Meetings”	Rules of Procedures of Shareholders’ General Meetings of Postal Savings Bank of China Co., Ltd.
“Share(s)” or “ordinary share(s)”	the Domestic Share(s) and H Share(s) of the Bank
“Shareholder(s)” or “ordinary shareholder(s)”	holder(s) of Shares
“State Council Guidance Opinion”	the Guidance Opinion on the Launch of Preference Shares Pilot Scheme issued by the State Council on November 30, 2013
“Supervisor(s)”	supervisor(s) of the Bank

LETTER FROM THE BOARD



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:

Chairman and Non-executive Director:

Mr. Li Guohua

Executive Directors:

Mr. Lyu Jiajin

Mr. Zhang Xuewen

Ms. Yao Hong

Non-executive Directors:

Mr. Tang Jian

Mr. Chin Hung I David

Independent Non-executive Directors:

Mr. Ma Weihua

Ms. Bi Zhonghua

Mr. Fu Tingmei

Mr. Gan Peizhong

Registered Office and

Head Office in the PRC:

No. 3 Financial Street,

Xicheng District,

Beijing, PRC

Principal Place of Business in

Hong Kong:

18/F, Tesbury Center,

28 Queen's Road East

Wanchai, Hong Kong

To the Shareholders,

I. Introduction

On behalf of the Board, I invite you to attend the AGM to be convened at 9:30 a.m. on June 8, 2017 (Thursday) at Xi'an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC) and the 2017 First H Shareholders' Class Meeting afterwards.

The purpose of this circular is to provide you with the notices of the AGM and the 2017 First H Shareholders' Class Meeting and all reasonably necessary information, to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM and the 2017 First H Shareholders' Class Meeting.

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II. Business to be considered at the AGM and the 2017 First H Shareholders' Class Meeting

Ordinary resolutions which will be proposed at the AGM to approve include (1) 2016 Work Report of the Board of Directors; (2) 2016 Work Report of the Board of Supervisors; (3) Final Financial Accounts for 2016; (4) Profit Distribution Plan for 2016; (5) Appointment of Accounting Firms for 2017; (6) Election of Non-executive Directors; (7) Election of Independent Non-executive Director; (8) Proposed Remuneration Plan for New Directors; and (9) Proposed Amendments to the Rules of Procedures of Shareholders' General Meetings.

Special resolutions which will be proposed at the AGM to approve include (10) Proposed Non-public Issuance of Offshore Preference Shares; and (11) Proposed Amendments to the Articles of Association.

Pursuant to the relevant regulatory requirements, the Articles of Association and the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd., Report on the 2016 Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd. and the Report on the Implementation of Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2016 are matters to be reported to the Annual General Meeting but not for shareholders' approval. For details of the Report on the 2016 Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd. and the Report on the Implementation of Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2016, please refer to "Appendix VII — Report on the 2016 Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd." and "Appendix VIII — Report on the Implementation of Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2016", respectively.

Special resolution will be proposed at the 2017 First H Shareholders' Class Meeting to approve is (10) Proposed Non-public Issuance of Offshore Preference Shares.

Ordinary Resolutions:

1. 2016 Work Report of the Board of Directors

2016 Work Report of the Board of Directors was considered and approved by the Board of Directors on March 24, 2017 and is hereby proposed to the AGM for Shareholders' consideration and approval. For details of the Work Report of the Board of Directors, please refer to "Appendix I — 2016 Work Report of the Board of Directors".

2. 2016 Work Report of the Board of Supervisors

2016 Work Report of the Board of Supervisors was considered and approved by the Board of Supervisors on March 24, 2017 and is hereby proposed to the AGM for Shareholders' consideration and approval. For details of the Work Report of the Board of Supervisors, please refer to "Appendix II — 2016 Work Report of the Board of Supervisors".

3. Final Financial Accounts for 2016

For details of the Final Financial Accounts for 2016, please refer to the Annual Results Announcement published by the Bank on March 24, 2017.

LETTER FROM THE BOARD

4. Profit Distribution Plan for 2016

Pursuant to relevant laws and regulatory requirements, the Bank formulated the following profit distribution plan for 2016:

- 1) RMB3,984 million will be appropriated to the statutory surplus reserve pursuant to the Company Law of the PRC.
- 2) RMB9,049 million will be appropriated to the general risk reserve pursuant to relevant requirements, including the Administrative Measures for Provision of Reserves of Financial Enterprises issued by the Ministry of Finance of the PRC.
- 3) Distribution of cash dividends for 2016:
 - (1) An aggregate amount of approximately RMB5,972 million (tax inclusive) will be distributed to all the ordinary shareholders whose names appear on the register of members of the Bank on the shareholding registration day, based on 81,030,574,000 Ordinary Shares and a cash dividend of RMB0.737 per ten shares (tax inclusive).
 - (2) The 2016 dividends of the Bank is expected to be paid on July 28, 2017 (Friday), subject to the consideration and approval by the AGM of the profit distribution plan of the Bank for 2016. Dividends payable on Domestic Shares will be paid in RMB; dividends payable on H Shares will be paid in Hong Kong Dollars, converted at the central parity exchange rate of RMB against Hong Kong Dollars published by the People's Bank of China on the date of the AGM.
 - (3) To determine the name list of H Shareholders entitled to receive 2016 dividends, the Bank will suspend registration of transfer of H Shares from June 15, 2017 (Thursday) to June 20, 2017 (Tuesday) (both days inclusive). Shareholders whose names appear on the register of members of H Shares of the Bank on June 20, 2016 (Tuesday) are entitled to receive 2016 dividends. Unregistered H Shareholders who wish to qualify for the entitlement to the cash dividends proposed to distribute for 2016 are required to submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on June 14, 2017 (Wednesday).
 - (4) The Bank has appointed Computershare Hong Kong Trustees Limited as the receiving agent (the “**Receiving Agent**”) in Hong Kong which will receive the 2016 dividends declared by the Bank on behalf of the H Shareholders. The 2016 dividends of the H Shareholders will be paid by the Receiving Agent and the dividend warrants will be posted by the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, by ordinary mail to all the H Shareholders at their own risk on or before 28 July, 2017 (Friday).

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- (5) For investors of Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Bank listed on the Hong Kong Stock Exchange (the “**Southbound Trading Investors**”), their dividends will be distributed in RMB. The Bank will entrust China Securities Depository and Clearing Corporation Limited to distribute the dividends to the relevant Southbound Trading Shareholders through its depository and clearing systems. The time arrangement of distribution of cash dividends for the Southbound Trading Shareholders will be the same as those for the H Shareholders.

(6) Related Taxes

- (i) Withholding and Payment of Enterprise Income Tax for Overseas Non-Resident Enterprise Shareholders

In accordance with the Enterprise Income Tax Law of the People’s Republic of China and its implementation regulations and the Notice of the State Administration of Taxation on the Issues concerning Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises and other relevant requirements, the Bank shall withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members of H Shares on the record date when distributing the dividends for 2016 to such Shareholders. As any Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise Shareholders, the dividends received shall be subject to the withholding of enterprise income tax. Upon receipt of such dividends, non-resident enterprise Shareholders, who are entitled to preferable tax rate pursuant to applicable treaties or arrangement, may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent.

- (ii) Withholding and Payment of Individual Income Tax for Overseas Individual Shareholders

In accordance with the relevant laws, regulations and other regulatory documents, including the Individual Income Tax Law of the People’s Republic of China and the Implementation Regulations for the Individual Income Tax Law of the People’s Republic of China, the Notice of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Non-Residential Entitlement of the Treatment in the Taxation Agreement (Trial) (Guo Shui Fa [2009] No. 124, the “**Tax Treaties Notices**”), the Notice of the State Administration of Taxation on the Issue of Collection and Administration of Individual Income Tax after the Abolition of Document [1993] No. 045 of the State Administration of Taxation (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay the individual income tax in respect of the 2016 dividends received by individual H Shareholders. The individual H Shareholders may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (or regions) in which the individual H Shareholders are domiciled and the tax arrangements between Mainland China and

LETTER FROM THE BOARD

Hong Kong (Macau). As such, we will withhold and pay the individual income tax for individual H Shareholders in accordance with the following arrangements:

- for individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of 2016 dividends.
- for individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of 2016 dividends.
- for individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of 2016 dividends.
- for individual H shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of 2016 dividends.

(iii) Withholding of Income Tax for H Shareholders via the Shanghai-Hong Kong Stock Connect

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) effective from November 17, 2014, for dividends received by domestic individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the Bank shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid withhold tax overseas can apply for tax deduction at the tax authority of China Securities Depository and Clearing Corporation Limited with their valid tax deductible certificates. For dividends received by domestic securities investment funds from investing in the H Shares through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. For the dividends received by domestic enterprise investors from investing in the H Shares through the Shanghai-Hong Kong Stock Connect, the Bank will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

(iv) If the individual H Shareholders consider that the tax rate adopted by the Bank for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, please notify and submit on or before June 14, 2017 (Wednesday) to the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, a letter of entrustment and all application materials

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showing that they are residents of a country (region) which has entered into a tax treaty with the PRC. The Bank will then submit the above documents to competent tax authorities which will proceed with the subsequent tax related arrangements. Alternatively, individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they fail to provide the relevant supporting documents within the time period stated above.

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

5. Appointment of Accounting Firms for 2017

The Board of Directors proposed to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank for the year 2017, to be responsible for providing auditing and relevant services in accordance with PRC and international auditing standards, respectively, and the term of the appointment will expire at the end of the next annual general meeting. The audit fees shall be RMB34.70 million.

6. Election of Non-executive Directors

Reference is made to the Bank's announcement on the nomination of Directors on March 24, 2017. The Board of Directors nominated Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors, which is subject to the consideration and approval at the AGM. The qualifications of Mr. Liu Yue and Mr. Ding Xiangming are subject to the approval by CBRC. The term of appointment for Mr. Liu Yue and Mr. Ding Xiangming will be three years, commencing from the approval of their qualifications by the CBRC.

For profiles of Mr. Liu Yue and Mr. Ding Xiangming, please refer to "Appendix III — Profiles of Proposed Directors".

7. Election of Independent Non-executive Director

Reference is made to the Bank's announcement on the nomination of Directors on March 24, 2017. The Board of Directors nominated Mr. Hu Xiang as an Independent Non-executive Director, which is subject to consideration and approval at the AGM. The qualification of Mr. Hu Xiang is subject to the approval by CBRC. The term of appointment for Mr. Hu Xiang will be three years, commencing from the approval of his qualification by the CBRC.

For profile of Mr. Hu Xiang, please refer to "Appendix III — Profiles of Proposed Directors".

8. Proposed Remuneration Plan for New Directors

Reference is made to the Bank's announcement on the nomination of Directors on March 24, 2017. The arrangements of remuneration for Mr. Liu Yue, Mr. Ding Xiangming and Mr. Hu Xiang are as follows: Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors shall not receive remuneration from the Bank, and the emoluments of Mr. Hu Xiang as an Independent Non-executive Director shall be RMB300,000 per annum (tax inclusive).

The payment of emoluments of Mr. Hu Xiang as an Independent Non-executive Director shall commence upon the approval of his qualification by the CBRC in the form of monthly pre-payment and annual settlement. The monthly payment shall be RMB25,000.

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9. Proposed Amendments to the Rules of Procedures of Shareholders' General Meetings

In order to satisfy the relevant corporate governance and operational requirements following the issuance and listing of the Offshore Preference Shares, the Bank has proposed certain amendments to the Rules of Procedures of Shareholders' General Meetings, in accordance with the relevant requirements of laws, regulations and other regulatory documents and taking into account the actual situation of the Bank and the Articles of Association amended for the issuance and listing of the Offshore Preference Shares.

For details of the proposed amendments to the Rules of Procedures of Shareholders' General Meetings, please refer to "Appendix VI — Proposed Amendments to the Rules of Procedures of Shareholders' General Meetings".

The proposal on the amendments to the Rules of Procedures of Shareholders' General Meetings is hereby submitted as an ordinary resolution to the AGM for consideration and approval, and it is also submitted to delegate authority to the Board of Directors, which will sub-delegate the authority to the Chairman and the President, to individually or jointly, for the purpose of the issuance and listing of the Offshore Preference Shares, make appropriate adjustments and amendments to relevant articles of the Rules of Procedures of Shareholders' General Meetings, including the effective time, based on the changes in domestic and foreign laws, regulations and other regulatory documents, the requirements and advices of the domestic and foreign regulatory authorities and stock exchange, the adjustments and amendments to the Articles of Association and the actual condition of the issuance and listing of the Offshore Preference Shares.

The amended Rules of Procedures of Shareholders' General Meetings shall take effect from the date when the Articles of Association is approved by CBRC.

Special Resolutions:

10. Proposed Non-public Issuance of Offshore Preference Shares

In order to enhance the overall competitiveness of the Bank, improve the capital structure and to achieve sustainable development of the Bank, the Bank plans to conduct a non-public issuance of not more than 500 million Offshore Preference Shares (inclusive) to raise total proceeds not exceeding RMB50 billion or its equivalent (inclusive) to replenish the Bank's Additional Tier 1 Capital.

In accordance with the relevant requirements of the Company Law of the PRC, the Securities Law of the PRC, the State Council Guidance Opinion, the Capital Administrative Measures, the Joint Guidance Opinion, the Guiding Opinions on Capital Instruments, the Listing Rules and other laws, regulations and regulatory documents, and with reference to the Administrative Measures on Preference Shares, the Bank has formulated the Offshore Issuance Plan.

The issuance of the Offshore Preference Shares will be conducted by way of a non-public issuance in accordance with the relevant rules on issuance, and the Offshore Preference Shares will be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities and will only be issued six months after the date of listing of the Bank on the Hong Kong Stock Exchange. To the best of the Bank's knowledge, information and belief, each of the placees for the Offshore Preference Shares (and its respective ultimate beneficial owners) are not expected to be connected persons (as defined in the Listing Rules) of the Bank. If the Offshore Preference Shares will be issued to any connected persons of the Bank, the Bank will comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The listing/

LETTER FROM THE BOARD

trading arrangements for the Offshore Preference Shares will be set out in the issuance documents. The dividend rate will not be higher than the average of the weighted average return on equity of the Bank for the last two financial years before issuance¹, i.e., 15.20%. There will be no lock-up period for the Offshore Preference Shares. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares of the Bank on the occurrence of certain trigger events as prescribed in the Offshore Issuance Plan. In the case of a partial conversion, the Offshore Preference Shares then issued and outstanding will be converted into a corresponding number of H Shares on a pro-rata basis. As of December 31, 2016, the Core Tier 1 Capital adequacy ratio of the Bank was 8.63%.

The initial mandatory conversion price of the Offshore Preference Shares will be equal to the average trading price of H Shares of the Bank for the 20 trading days preceding the date of the announcement of the Board resolution approving the Offshore Issuance Plan. Average trading price of H Shares of the Bank for the 20 preceding trading days = the total trading amount of H Shares of the Bank for the 20 preceding trading days/the total trading volume of H Shares of the Bank in such 20 trading days, which equals to HK\$4.83 per share. On the trading day preceding the date of the announcement of the Board resolution approving the Offshore Issuance Plan (i.e. March 23, 2017), the closing price of H Shares is HK\$4.81 and the initial mandatory conversion price represents a premium of 0.42% to such price. The average closing price of H Shares in the five consecutive trading days immediately prior to the trading day preceding the date of the announcement of the Board resolution approving the Offshore Issuance Plan (i.e. March 23, 2017) is HK\$4.83, which is the same as the initial mandatory conversion price. The closing price of H Shares on the Latest Practicable Date is HK\$4.85 and the initial mandatory conversion price represents a discount of 0.41% to such price.

As at the Latest Practicable Date, there were 19,856,167,000 H Shares in issue. Assuming that the number of issued H Shares remains unchanged on the proposed date of the passing of the special resolution regarding the Offshore Issuance Plan at the AGM and an issue size equivalent to RMB50 billion of Offshore Preference Shares were issued and all the Offshore Preference Shares were subject to a mandatory conversion, on the basis of the above initial mandatory conversion price, the number of H Shares issued upon the conversion of the Offshore Preference Shares would not exceed 11,677,345,599 H Shares (inclusive), and the maximum number of H Shares to be issued represents (i) 58.81% of the total number of H Shares in issue of the Bank; (ii) 37.03% of the enlarged H share capital of the Bank; and (iii) 14.41% of the current total issued share capital of the Bank.

¹ As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the ordinary shareholders of the Bank.

LETTER FROM THE BOARD

For illustrative purposes only, the table below sets forth the impact on the Bank's ordinary share capital structure if all the Offshore Preference Shares under the proposed issuance were converted into H Shares pursuant to the conversion:

Share capital	As at the Latest Practicable Date		After issuance of Offshore Preference Shares ²		After conversion of all Offshore Preference Shares	
	Number of Shares	Percentage in the Ordinary Share Capital	Number of Shares	Percentage in the Ordinary Share Capital	Number of Shares	Percentage in the Ordinary Share Capital
		(%)		(%)		(%)
Domestic Shares	61,174,407,000	75.50	61,174,407,000	75.50	61,174,407,000	65.99
H Shares	19,856,167,000	24.50	19,856,167,000	24.50	31,533,512,599	34.01
DBS Bank Ltd.	398,460,000	0.49	398,460,000	0.49	398,460,000	0.43
Public H Shareholders	19,457,707,000	24.01	19,457,707,000	24.01	31,135,052,599	33.58
Total	<u>81,030,574,000</u>	<u>100.00</u>	<u>81,030,574,000</u>	<u>100.00</u>	<u>92,707,919,599</u>	<u>100.00</u>

Based on the public information available to the Bank and on the basis that all the Offshore Preference Shares will be held by persons independent from the Bank and persons independent from connected persons of the Bank, the percentage of share capital held by the public is (i) 24.01% as at the Latest Practicable Date; (ii) 24.01% after the issuance of the Offshore Preference Shares; and (iii) 33.58% after the conversion of all the Offshore Preference Shares into H Shares (subject to other changes in the Shares, the Shareholders or the capital of the Bank).

For details of the Offshore Issuance Plan, please refer to “Appendix IV — Offshore Issuance Plan”.

On March 24, 2017, the Board of Directors considered and approved the Offshore Issuance Plan. The proposed Offshore Issuance Plan will be subject to the approval of the Shareholders at the AGM, the approval of the Domestic Shareholders at the 2017 First Domestic Shareholders' Class Meeting and the approval of the H Shareholders at the 2017 First H Shareholders' Class Meeting, in each case, as a special resolution. At the same time, the Board of Directors will propose to the shareholders' general meeting to delegate authority to the Board of Directors, which will sub-delegate authority to the Chairman and the President, to exercise full power jointly or individually to deal with the matters in connection with the issuance of the Offshore Preference Shares within the validity period of the authorization for the issuance of the Offshore Preference Shares under the framework and principles as considered and resolved at the shareholders' general meeting. Upon approval at the AGM, the 2017 First Domestic Shareholders' Class Meeting and the 2017 First H Shareholders' Class Meeting, the proposed issuance of Offshore Preference Shares is also subject to approval by or filing with relevant regulatory authorities (including but not limited to the approval of CBRC, the approval of the CSRC and the filing and registration with the National Development and Reform Commission) and compliance with the Listing Rules.

The validity period of the Offshore Issuance Plan will be 36 months from the date at which it is approved at the shareholders' general meetings. The authorization in respect of the issuance of Offshore Preference Shares will remain valid during the 12 months following the passing of the resolution on authorization in the Offshore Issuance Plan at the shareholders' general meetings. If the proposed issuance

2 If there is no trigger event for mandatory conversion, the issuance of the Offshore Preference Shares will not affect the ordinary share capital of the Bank.

LETTER FROM THE BOARD

of Offshore Preference Shares as described above is not completed before the expiration of the validity period of such authorization, then such authorization will lapse, but the Board of Directors has the right to seek approval at the shareholders' general meetings to extend or renew the validity period of such authorization.

Shareholders and potential investors should be aware that the proposed issuance of the Offshore Preference Shares is still subject to all necessary approvals being obtained and various other factors including market conditions, and consequently the proposed issuance of the Offshore Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

11. Proposed Amendments to the Articles of Association

Reference is made to the Bank's announcement on the proposed amendments to the Articles of Association on March 24, 2017. The Board of Directors considered and approved the amendments to the Articles of Association ("**Proposed Amendments to the Articles of Association**") at the meeting of the Board of Directors held on March 24, 2017.

In order to satisfy the relevant corporate governance and operational requirements following the issuance and listing of the Offshore Preference Shares, the Bank has proposed certain amendments to the relevant provisions of the Articles of Association, in accordance with the requirements of the State Council Guidance Opinion, the Joint Guidance Opinion, the Guiding Opinions on Capital Instruments, the Listing Rules and other relevant laws, regulations and regulatory documents, with reference to the Administrative Measures on Preference Shares, and taking into account the actual situation of the Bank. The Proposed Amendments to the Articles of Association mainly specify, among others things, the rights and obligations of the preference shareholders, restrictions and restoration of voting rights, conversion and redemption of preference shares and distribution of profits and residual assets.

For details of the Proposed Amendments to the Articles of Association, please refer to "Appendix V — Proposed Amendments to the Articles of Association".

The proposal on the amendments to the Articles of Association is hereby submitted as a special resolution to the AGM for consideration and approval, and it is also submitted to delegate authority the Board of Directors, which will sub-delegate authority to the Chairman and the President, to individually or jointly, for the purpose of the issuance and listing of the Offshore Preference Shares, make appropriate adjustments and amendments to relevant articles of the Articles of Association, including the effective time, based on the changes in domestic and foreign laws, regulations and other regulatory documents, the requirements and advices of the domestic and foreign regulatory authorities and stock exchange and the actual condition of the issuance and listing of the Offshore Preference Shares, and handle the formalities in relation to the approval, and filing and registration of such Proposed Amendments to the Articles of Association.

The amended Articles of Association, upon the consideration and approval at the AGM, is subject to approval by CBRC and will take effect from the date of approval by CBRC.

LETTER FROM THE BOARD

III. AGM and the 2017 First H Shareholders' Class Meeting

Attached are the proxy forms and reply slips for the AGM and the 2017 First H Shareholders' Class Meeting.

If you intend to appoint a proxy to attend the AGM and/or the 2017 First H Shareholders' Class Meeting, you are required to complete and return the enclosed proxy form in accordance with the instructions printed thereon. The proxy forms should be returned to Computershare Hong Kong Investor Services Limited (17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong) for H Shareholders, or to the Bank's Registered Office (No. 3 Financial Street, Xicheng District, Beijing, PRC) for Domestic Shareholders, in any event served by hand or by post not less than 24 hours before the time designated for holding the AGM and/or the 2017 First H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the AGM and/or the 2017 First H Shareholders' Class Meeting or any adjournment thereof.

If you intend to attend the AGM and/or the 2017 First H Shareholders' Class Meeting in person or by proxy, you are required to complete and return the enclosed reply slips to Computershare Hong Kong Investor Services Limited (for H Shareholders) or the Bank's Registered Office (for Domestic Shareholders) on or before May 19, 2017 (Friday).

To determine the name list of H Shareholders entitled to attend the AGM and the 2017 First H Shareholders' Class Meeting, the Bank will suspend registration of transfer of H Shares from May 9, 2017 (Tuesday) to June 8, 2017 (Thursday) (both days inclusive). To attend the AGM and/or the 2017 First H Shareholders' Class Meeting, H Shareholders shall, before 4:30 p.m. on May 8, 2017 (Monday), submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.

IV. Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the AGM and the 2017 First H Shareholders' Class Meeting will be voted by poll.

V. Recommendations

The Board considers that all resolutions proposed at the AGM and the 2017 First H Shareholders' Class Meeting are in the interests of the Bank and its Shareholders as a whole. As such, the Board recommends you to vote in favour of all resolutions proposed at the AGM and the 2017 First H Shareholders' Class Meeting.

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

April 24, 2017

NOTICE OF THE ANNUAL GENERAL MEETING



Postal Savings Bank of China Co., Ltd.

中國郵政儲蓄銀行股份有限公司

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

(Stock Code: 1658)

NOTICE OF THE ANNUAL GENERAL MEETING

This is to announce that Postal Savings Bank of China Co., Ltd. (the “**Bank**”) decided to hold the Annual General Meeting (the “**AGM**”) at 9:30 a.m. on June 8, 2017 (Thursday) at Xi'an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC) to deal with the following matters:

Ordinary Resolutions

1. To consider and approve the 2016 Work Report of the Board of Directors;
2. To consider and approve the 2016 Work Report of the Board of Supervisors;
3. To consider and approve the Final Financial Accounts for 2016;
4. To consider and approve the profit distribution plan for 2016;
5. To consider and approve the appointment of accounting firms for 2017;
6. To consider and approve the election of non-executive directors:
 - (1) To elect Mr. Liu Yue as a non-executive director
 - (2) To elect Mr. Ding Xiangming as a non-executive director
7. To consider and approve the election of independent non-executive director;
8. To consider and approve the proposed remuneration plan for new directors; and
9. To consider and approve the proposed amendments to the Rules of Procedures of Shareholders' General Meetings.

NOTICE OF THE ANNUAL GENERAL MEETING

Special Resolutions

10. To consider and individually approve each of the following items of the proposed non-public issuance of offshore preference shares:
 - (1) Type of preference shares to be issued
 - (2) Number of preference shares to be issued and issue size
 - (3) Par value and issue price
 - (4) Maturity
 - (5) Method of issuance and target investors
 - (6) Lock-up period
 - (7) Dividend distribution terms
 - (8) Terms of mandatory conversion
 - (9) Terms of conditional redemption
 - (10) Restrictions on voting rights and terms of restoration of voting rights
 - (11) Order of distribution on liquidation and procedures for liquidation
 - (12) Rating arrangements
 - (13) Security
 - (14) Use of proceeds
 - (15) Listing/trading arrangements
 - (16) Validity period of the resolution for the issuance of offshore preference shares
 - (17) Matters relating to authorization: authorization to the board of directors of the Bank and its authorized persons to handle all matters relating to the issuance of offshore preference shares, which will remain valid during the 12 months following the passing of the resolution on authorization at the shareholders' general meeting
11. To consider and approve the proposed amendments to the articles of association of the Bank.

NOTICE OF THE ANNUAL GENERAL MEETING

Matters to be Reported

12. Report on the 2016 Report on Related Party Transactions of Postal Savings Bank of China Co., Ltd.; and
13. Report on the Implementation of Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. in 2016

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

Beijing, PRC
April 24, 2017

As at the date of this announcement, the Board comprises Mr. Li Guohua as Chairman and Non-executive Director; Mr. Lyu Jiajin, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Tang Jian and Mr. Chin Hung I David as Non-executive Directors; Mr. Ma Weihua, Ms. Bi Zhonghua, Mr. Fu Tingmei and Mr. Gan Peizhong as Independent Non-executive Directors.

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

Notes:

1. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the AGM will be voted by poll. After the AGM, relevant voting results will be published on the website of the Bank (www.psbc.com) as well as the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).
2. A shareholder entitled to attend and vote at the AGM announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a shareholder of the Bank.
3. The proxy forms together with notarized authorization letters of signatories or other authorization documents (if any) shall be invalid unless they are filled out and returned to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) or the Registered Office of the Bank (for Domestic Shareholders) not less than 24 hours before the time designated for holding the AGM or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy forms will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.
4. To determine the name list of H Shareholders entitled to attend the AGM, the Bank will suspend registration of transfer of H Shares from May 9, 2017 (Tuesday) to June 8, 2017 (Thursday) (both days inclusive). To attend the AGM, H Shareholders shall, before 4:30 pm on May 8, 2017 (Monday), submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.

NOTICE OF THE ANNUAL GENERAL MEETING

5. For joint holders, only the one whose name stands first in the Register shall be entitled to attend the AGM and vote in respect thereof.
6. Shareholders who intend to attend the AGM in person or by proxy shall submit the reply slip for AGM in person or by mail to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) or the Registered Office of the Bank (for Domestic Shareholders) on or before May 19, 2017 (Friday).
7. Shareholders or their proxies shall present their identity documents when attending the AGM:
 - (1) Legal representatives of legal person shareholders who attend the meeting shall provide their own effective identification, effective proof of their capacity as legal representatives and proof of identity as a shareholder; where the legal representatives delegate others to attend the meeting, proxies of the shareholder shall provide, in addition to the documents above, their own effective identification and written form of proxy provided by the legal representatives (including those signed by an authorized person) according to laws. Where the other persons are authorized to attend the meeting by the legal person shareholders, they shall provide their own effective identification, resolution of the authorization by the board of directors or other decision making institution and proof of identity as a shareholder.
 - (2) Individual shareholders who attend the meeting in person shall provide their own effective identification and proof of identity as a shareholder; where others are delegated to attend the meeting, proxies of shareholders shall provide their own effective identification, form of proxy of the shareholder and proof of identity as a shareholder.
8. If the AGM considers and approves the profit distribution plan for 2016, the Bank is expected to distribute 2016 dividends to Domestic Shareholders and H Shareholders on July 28, 2017 (Friday). To determine the name list of H Shareholders entitled to receive 2016 dividends, the Bank will suspend registration of transfer of H Shares from June 15, 2017 (Thursday) to June 20, 2017 (Tuesday) (both days inclusive). Shareholders whose names appear on the register of members of H Shares of the Bank on June 20, 2017 (Tuesday) are entitled to the 2016 dividends. Unregistered H Shareholders who wish to qualify for the entitlement to the cash dividends proposed to distribute for 2016 are required to submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on June 14, 2017 (Wednesday).
9. The AGM is expected to last for not more than half a day. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.
10. The address of Computershare Hong Kong Investor Services Limited are 17M/F and Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
11. 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
12. Unless otherwise specified, the dates and time contained in this notice are in Hong Kong time.

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING



Postal Savings Bank of China Co., Ltd.

中國郵政儲蓄銀行股份有限公司

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

(Stock code: 1658)

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

This is to announce that Postal Savings Bank of China Co., Ltd. (the “**Bank**”) decided to hold the annual general meeting, the 2017 first domestic shareholders' class meeting and the 2017 first H shareholders' class meeting (the “**2017 First H Shareholders' Class Meeting**”) in turn from 9:30 a.m. on June 8, 2017 (Thursday) at Xi'an Ballroom, 5/F, InterContinental Beijing Financial Street (No. 11 Financial Street, Xicheng District, Beijing, the PRC). The 2017 First H Shareholders' Class Meeting will deal with the following matters:

Special Resolutions

To consider and individually approve each of the following items of the proposed non-public issuance of offshore preference shares:

- (1) Type of preference shares to be issued
- (2) Number of preference shares to be issued and issue size
- (3) Par value and issue price
- (4) Maturity
- (5) Method of issuance and target investors
- (6) Lock-up period
- (7) Dividend distribution terms
- (8) Terms of mandatory conversion
- (9) Terms of conditional redemption
- (10) Restrictions on voting rights and terms of restoration of voting rights
- (11) Order of distribution on liquidation and procedures for liquidation
- (12) Rating arrangements
- (13) Security

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

- (14) Use of proceeds
- (15) Listing/trading arrangements
- (16) Validity period of the resolution for the issuance of offshore preference shares
- (17) Matters relating to authorization: authorization to the board of directors of the Bank and its authorized persons to handle all matters relating to the issuance of offshore preference shares, which will remain valid during the 12 months following the passing of the resolution on authorization at the shareholders' general meeting

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

Beijing, PRC
April 24, 2017

As at the date of this announcement, the Board comprises Mr. Li Guohua as Chairman and Non-executive Director; Mr. Lyu Jiajin, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Tang Jian and Mr. Chin Hung I David as Non-executive Directors; Mr. Ma Weihua, Ms. Bi Zhonghua, Mr. Fu Tingmei and Mr. Gan Peizhong as Independent Non-executive Directors.

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

Notes:

1. According to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the 2017 First H Shareholders' Class Meeting will be voted by poll. After the 2017 First H Shareholders' Class Meeting, relevant voting results will be published on the website of the Bank (www.psbc.com) as well as the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).
2. A shareholder entitled to attend and vote at the 2017 First H Shareholders' Class Meeting announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a shareholder of the Bank.
3. The proxy forms together with notarized authorization letters of signatories or other authorization documents (if any) shall be invalid unless they are filled out and returned to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time designated for holding the 2017 First H Shareholders' Class Meeting or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy forms will not preclude you from attending and voting in person at the 2017 First H Shareholders' Class Meeting or any adjournment thereof if you so wish.

NOTICE OF THE 2017 FIRST H SHAREHOLDERS' CLASS MEETING

4. To determine the name list of H Shareholders entitled to attend the 2017 First H Shareholders' Class Meeting, the Bank will suspend registration of transfer of H Shares from May 9, 2017 (Tuesday) to June 8, 2017 (Thursday) (both days inclusive). To attend the 2017 First H Shareholders' Class Meeting, H Shareholders shall, before 4:30 p.m. on May 8, 2017 (Monday), submit the shares and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
5. For joint holders, only the one whose name stands first in the Register shall be entitled to attend the 2017 First H Shareholders' Class Meeting and vote in respect thereof.
6. H Shareholders who intend to attend the 2017 First H Shareholders' Class Meeting in person or by proxy shall submit the reply slip for the 2017 First H Shareholders' Class Meeting in person or by mail to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited on or before May 19, 2017 (Friday).
7. Shareholders or their proxies shall present their identity documents when attending the 2017 First H Shareholders' Class Meeting:
 - (1) Legal representatives of legal person shareholders who attend the meeting shall provide their own effective identification, effective proof of their capacity as legal representatives and proof of identity as a shareholder; where the legal representatives delegate others to attend the meeting, proxies of the shareholder shall provide, in addition to the documents above, their own effective identification and written form of proxy provided by the legal representatives (including those signed by an authorized person) according to laws. Where the other persons are authorized to attend the meeting by the legal person shareholders, they shall provide their own effective identification, resolution of the authorization by the board of directors or other decision making institution and proof of identity as a shareholder.
 - (2) Individual shareholders who attend the meeting in person shall provide their own effective identification and proof of identity as a shareholder; where others are delegated to attend the meeting, proxies of shareholders shall provide their own effective identification, form of proxy of the shareholder and proof of identity as a shareholder.
8. The 2017 First H Shareholders' Class Meeting is expected to last for not more than half a day. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.
9. The address of Computershare Hong Kong Investor Services Limited are 17M/F and Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
10. The address of the Bank's Registered Office is No. 3 Financial Street, Xicheng District, Beijing, PRC.

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

2016 WORK REPORT OF BOARD OF DIRECTORS

In 2016, in light of the complex and fluctuating economic and financial conditions and the challenging reform and development, the Board of Directors diligently implemented various guidelines and policies of the Central Committee of the Party and the State Council. Under the guidance of the regulatory departments and supervision of the Board of Supervisors, and with the support of China Post Group Corporation and other shareholders, the Board of Directors, focusing on the strategic vision of “endeavoring to become the most trusted and valuable first-tier large retail bank”, adhered to the strategic positioning of providing financial services to communities, SMEs and “Sannong” customers, diligently performed the duties vested by the Articles of Association, kept improving corporate governance standards, achieved significant results in continuous deepening of reform and outstanding results in accelerating the pace of transformation and development, met the various targets formulated at the beginning of the year and realized sustainable growth in shareholder values.

Based on the audited results, as at the end of 2016, the Bank recorded total assets of RMB8.27 trillion, an annual revenue of RMB189,602 million, net profit of RMB39,776 million, representing an increase of 14.11% compared with last year, a return on average total assets of 0.51%, non-performing loan ratio of 0.87%, provision coverage ratio of 271.69%, capital adequacy ratio of 11.13% and Core Tier 1 Capital adequacy ratio of 8.63%.

The Board of Directors diligently performed its duties according to laws and regulations. During the year, the Board of Directors convened five shareholders’ general meetings, considered and approved 35 proposals and listened to one report; convened 10 meetings of the Board of Directors, considered and approved 74 proposals and listened to five reports; convened 22 meetings of special committees of the Board of Directors, considered 49 proposals and listened to seven special reports. The key tasks of the Board of Directors of the Bank in 2016 are as follows:

1. Steered by strategies and initiated new stage of development

(1) Worked out an outline of “13th Five-Year” period and drew a blueprint for the medium and long term development

The Board of Directors conducted thorough analysis of the internal and external situations of the banking industry during the “13th Five-Year” period, solicited opinions and suggestions from all sides, conducted intensive thematic studies, prepared the “13th Five-Year” development strategy of the Bank, put forward the strategic vision of “endeavoring to become the most trusted and valuable first-tier large retail bank”, formulated “Six Key Strategies”, “Five Business Strategies” and “10 Supportive Measures” and formulated the blueprint for the development of the Bank in the coming five years.

(2) Set the direction of development and promoted sustainable growth in cost effectiveness

In 2016, the Board of Directors paid close attention to the changes in the domestic and international economic and financial conditions, precisely grasped the direction of laws and regulations as well as regulatory policies, diligently implemented the state’s guidelines, policies and financial regulatory requirements, diligently studied the annual business plan, budget for fixed-asset investments, financial accounts, asset and liability business management plans and capital allocation plans based on the actual development of the Bank and market competition, and supervised and guided the management to implement the plans. The Board of Directors accomplished all the objectives and tasks of the year and achieved sustainable growth in operating efficiency.

(3) *Adhered to innovation and achieved a good momentum in transformation and development*

In 2016, the Board of Directors proactively adapted to the new normal economy and promoted rapid and sound business development through innovation-driven transformation. Retail finance business progressed steadily. The personal deposits increased by RMB823,536 million or 15.29% as compared to the end of the previous year. The Bank promoted the cooperation platform among government, banks and guarantors, serving contemporary agriculture and increase the scale of loans to new agriculture operating entities; developed small and micro finance businesses of “Innovation and Entrepreneurship” related to the areas of people’s livelihood and government-bank cooperation and accelerated transformation of traditional financial businesses; formed the “Family One” enterprises alliance in the consumer industry and launched “Cheer up for Your Happiness” thematic marketing campaign, increasing personal consumer loan by RMB364,723 million, representing an increase of 49.49% as compared to the end of the previous year, with a balance over RMB1 trillion. With the rapid expansion of corporate financial services, corporate deposits increased by RMB157,417 million, representing an increase of 17.16% as compared to the end of the previous year. The Bank prioritized the credit support to national strategic industries and emerging industries, promoted interaction of investment, loans and debts to meet the diverse fundraising needs of clients and increased by RMB98,412 million, representing an increase of 10.03% as compared to the end of the previous year. Financial market business created the “financing + intelligence” business model in line with the supply-side structural reform, and actively served to stabilize growth, adjust structure, benefit the people and prevent risks. The Bank widely initiated the internet finance development plan and emphasized the establishment of “PSBC e-loan” product series, with doubled trading volume of e-payment.

(4) *Accelerated the implementation of the IT plan*

In 2016, the “13th Five-Year” IT plan of the Bank entered into the full implementation phase and the Bank set the IT goal of “six programs, six platforms and double bus”, with a view to promoting the Bank’s reform and development through information construction. The Company made breakthrough and commenced the building of uniform counter management platform, process integration platform, enterprise service bus (ESB), portfolio transaction platform, credit business platform, product management platform and internal rating platform. The Bank conducted the entire life-cycle management of business needs, enhanced the structure design of key systems and implemented the control of enterprise-level requirements and structure. Focusing on projects planning, the Bank promoted data standardization and initially established the data map, in order to gradually regulate the management of the Bank’s data assets. In 2016, focusing on the development strategy and reform goal of the Bank and with a view to promote the implementation of the “13th Five-Year” IT plan, the Bank kept improving the management system and program management, demand management, structure control and data governance, and played a positive role in actively responding to internal and external challenges and promoting the Bank’s strategic transformation.

2. Firmly progressed with the reform with remarkable results

(1) Completed the issuance and listing of H Shares and the issuance of Tier 2 Capital bonds and turned a new page for corporate governance

Under the guidance of the State Council and with the support of the Ministry of Finance, PBOC, CBRC and other departments, the Board of Directors accomplished the offer of H Shares within seven months and raised HK\$59.15 billion in total, achieving the largest IPO worldwide for the past two years and the largest H Share IPO for the past six years. The Bank's IPO was well supported by domestic and overseas investors. Offering in Hong Kong was over-subscribed by 2.6 times and international offering was also well over-subscribed.

Meanwhile, in order to replenish its capital, the Board of Directors formulated a Tier 2 Capital bonds issuance plan and submitted it to the shareholders' general meeting for approval. On October 28, 2016 the Bank completed the 2016 first phase issuance of the Tier 2 Capital bonds and raised RMB30 billion, which effectively replenished its capital and further optimized the capital structure of the Bank.

(2) Pushed forward the reform of Sannong Finance Services Department

Following the rationales underlying documents including the "Opinions of the Central Committee of the Party and the State Council on Implementing the New Concept of Speeding up Agricultural Modernization to Build an All-round Well-off Society (Zhong Fa No. 1 [2016])" and "Notice of the General Office of the China Banking Regulatory Commission on Promoting Financial Services in Rural Areas in 2016 (Yin Jian Ban Fa No. 26 [2016])", and to strengthen the strategic positioning of serving "Sannong", build a professional service system for agriculture, farmers and rural areas, improve "Sannong" related financial service capabilities and market competitiveness, and better implement the concept of "Inclusive Finance", after careful consideration, the Board of Directors formulated the Overall Plan of Reform of Sannong Finance Services Department of Postal Savings Bank of China Co., Ltd. to promote the reform of Sannong Finance Services Department, and set up the Sannong Finance Services Department and conducted pilot reform in five provincial branches in Inner Mongolia, Jilin, Anhui, Henan and Guangdong, laying a solid foundation for providing quality and expert "Sannong" financial services.

(3) Took a new page for integrated operation

PSBC Consumer Finance Co., Ltd. achieved rapid development and issued loans of RMB6.4 billion in total, serving nearly 400,000 customers, with assets of good quality. According to the rationales underlying documents including the "Guidelines of the General Office of the State Council on Promoting the Healthy Development of Financial Leasing Industry (Guo Ban Fa No. 69 [2015])" and to actively follow major national strategies such as "One Belt, One Road", Beijing-Tianjin-Hebei coordinated development, Yangtze River Economic Zone and "Made in China 2025", promote all-people entrepreneurship and innovation leveraging on convenient, flexible and optimized leasing financing services, after careful consideration, the Board of Directors formulated the Proposal on Establishment of PSBC Financial Lease Co., Ltd. and submitted it to the shareholders' general meeting for approval, and the Bank is now proactively applying for the establishment of PSBC Financial Lease Co., Ltd (中郵金融租賃有限公司(籌)).

3. Established a sound system to further improve corporate governance

(1) Strengthened system formulation and improved the corporate governance mechanism

In order to satisfy the corporate governance requirements following the listing of H Shares and to further regulate the operation of the shareholders' general meeting, the Board of Directors and its special committees, to improve the efficiency in decision-making and optimize the corporate governance and operation mechanism, the Board of Directors, in accordance with domestic and foreign laws and regulations and with reference to industry experience taking the Bank's condition into account, revised the Articles of Association, the Rules of Procedure for Shareholders' General Meetings, the Rules of Procedure for Board Meetings, the terms of reference for respective special committees of the Board of Directors, the working rules for independent directors and the working rules for the secretary to the Board of Directors, and formulated terms of reference for the Social Responsibility Committee of the Board of Directors, the code for securities transactions by directors, supervisors and senior management, the policies for shareholder communication and Board diversity, forming a set of scientific and comprehensive corporate governance system. The Board of Directors also studied and formulated the plan of authorization from the shareholders' general meeting to the Board of Directors, the plan of authorization from Board of Directors to the president and the plan of authorization from the Board of Directors to the special committees of the Board of Directors, respectively, further delineating the duties and authorities of the Bank's decision-making bodies and increasing decision-making efficiency.

(2) Optimized the composition of the Board of Directors and its special committees

In 2016, to strengthen the capability of the Board of Directors in compliance with the listing requirements, the Board of Directors nominated a new executive director, a new non-executive director and two new independent directors, all of whom are legal or financial experts. Such addition further enriched the knowledge and experience of the Board of Directors and enhanced the scientific decision-making capability of the Board of Directors.

On this basis, the Board of Directors also adjusted the composition of its special committees. After the adjustment, respective special committees comprise at least three members; independent directors formed the majority of Nomination and Remuneration Committee, Audit Committee and Related Party Transactions Control Committee and such committees are also chaired by independent directors; all the members of the Audit Committee are non-executive directors; and members of the Risk Management Committee include one independent director. Such composition highlighted the role of independent directors and non-executive directors in the special committees of the Board of Directors, complied with the regulatory requirements and further enhanced the scientific decision-making capability of the special committees.

(3) Formulated work plans to ensure regulated operation of the Board of Directors and its special committees

The Board of Directors diligently considered and formulated the annual work plans to make sure the work of the Board of Directors and its special committees is well planned and regulated. Meanwhile, with active expression of views with thorough analysis and logical decision-making, the meetings of the Board of Directors were productive.

(4) Established Social Responsibility Committee to steering the Bank to perform social responsibilities

With the increasingly globalized and market-oriented economy, business ethics and social responsibility have played an important part in the competitiveness of commercial banks. In recent years, the government and regulatory authorities have strengthened the requirements and supervision on the performance of social responsibilities by financial institutions, urging banks to attach importance to and earnestly fulfil their social responsibilities. To better fulfil its social responsibilities, establish a long-term mechanism and raise the Bank's profile, the Board of Directors established the Social Responsibility Committee to steer the Bank to fulfil its social responsibilities.

4. Reinforced the basic management capability and improved operational management standards

(1) Focused on capital management and kept enhancing capital strength

In response to the changes in domestic and international economic and financial conditions and to meet the capital regulatory requirements and to further strengthen and regulate internal capital management and maintain a high capital quality and a high capital adequacy level, the Board of Directors considered and approved the 2016–2018 capital management plan, taking into account the Bank's current capital adequacy ratio, future capital demands, capital regulatory requirements and capital availability. Maintaining a reasonable buffer, the Board of Directors also set the 2016–2018 capital planning goals in order to fully meet the regulatory requirements, give full play to the restraining and guiding functions of capital in the Bank's business development, develop a business philosophy of balancing capital, profit and risk, promote sustainable, healthy and rapid development of the Bank with adequate capital and achieve risk-adjusted maximum return on capital.

(2) Enhanced risk management and improved risk control capabilities

The Board of Directors listened to the comprehensive risk management report of senior management in a timely manner, paid close attention to the rising of various risks under the new circumstances, evaluated the risk appetite of 2016 and urged the Bank to keep promoting the formulation of an overall risk management system. Specifically, the Board of Directors considered and approved the compliance policies to effectively identify and control compliance risks and ensure the compliant operation of the Bank; the Board of Directors considered and approved the Administrative Measures on Liquidity Risk Management of Postal Savings Bank of China (Trial, 2016) to strengthen the liquidity risk management of the Bank, effectively prevent liquidity risks and achieve the balance of security, liquidity and efficiency; the Board of Directors considered and approved the stress test management policy to articulate the purpose, principle, scope and basic elements of stress testing; the Board of Directors considered and approved the basic rules for anti-money laundering to impose more stringent control over anti-money laundering and anti-terrorist financing in the Bank and effectively prevent and control anti-money laundering related risks.

(3) *Enhanced audit supervision*

To facilitate the listing, in 2016 the Board of Directors considered and approved the Proposal on Amending the Terms of Reference of the Audit Committee of the Board of Directors of Postal Savings Bank of China Co., Ltd., incorporating the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules of Procedure for Board Meetings as the basis for formulating the terms of reference and specifying the means and notice of convening meetings. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers remained to be the external auditors of the Bank auditing the financial reports and preparing the audit reports, which contributed substantially to the sustained and steady development of the Bank in 2016. The Audit Committee of the Board of Directors considered the 2015 Internal Control Evaluation Report of Postal Savings Bank of China, the Administrative Measures for Audit of the Protection of Consumer Rights and Interests of Postal Savings Bank of China (Trial, 2016), and the Plan for Audit of 2016 Annual Financial Statements of Postal Savings Bank of China Co., Ltd. and studied the relevant measures to strengthen the Bank's internal control and internal audit work; strengthened communication with external auditors, listened to external auditors' report on the new accounting standards and strengthened the supervision and evaluation of external audit services to further improve the quality of external audit work. Meanwhile, the Board of Directors urged the management to leverage on the results of audit work and management recommendations to resolve existing issues in operation management.

5. Strengthened information disclosure and actively fulfilled social responsibility to establish a good corporate image

The Board of Directors of the Bank diligently fulfilled the duties of information disclosure and disclosed information in a true, accurate, complete, timely and fair manner pursuant to regulatory requirements; actively fulfilled social responsibility to establish an image of a responsible state-owned enterprise.

(1) *Strengthened the management of information disclosure*

In 2016, the Board of Directors continued to strengthen the management of information disclosure and proactively disclose information in compliance with the regulations. In accordance with regulatory requirements, the Board of Directors disclosed the 2016 Interim Report and 2015 Social Responsibility Report, and commenced the preparation of 2016 Annual Report, the 2016 Social Responsibility Report and the Environmental, Social and Governance Report in December 2016. The Board of Directors focused on improving the information disclosure-related systems, formulated administrative measures for information disclosure, administrative measures for the preparation of periodic reports of information disclosure, administrative measures for the accountability regarding major errors in the information disclosure of annual reports, administrative measures for the internal report of material information, administrative measures for the preparation of social responsibility reports and streamlined information disclosure-related workflows.

(2) *Actively fulfilled the social responsibility*

In 2016, the Board of Directors adhered to the strategic positioning of providing financial services to communities, SMEs and "Sannong" customers, deepened the reform and transformation and upgrading and gradually established a social responsibility management system comprising strategic planning, system formulation, information disclosure, education and training and international communications, aiming to become a promoter and leader of "Inclusive Finance"

business. Under the leadership of the Board of Directors, the Bank, in line with government policies, supported college students' entrepreneurship and facilitated the public to enhance innovation and entrepreneurial capabilities, to establish a responsible public image. The Bank vigorously advocated and implemented the concept of green finance, in order to promote ecological civilization. The Bank actively participated in the development of public welfare undertakings, carried out poverty alleviation, funded education, carried out volunteer services and other activities to strengthen employees' social awareness and sense of responsibility and dedication.

6. Maximized the functions and roles of special committees of the Board of Directors, and supported the scientific and efficient decision-making of the Board of Directors

Within the scope of authorization of the Board of Directors and in accordance with the Articles of Association and the relevant rules of procedures of the Bank, the special committees of the Board of Director demonstrated their expertise and diligently performed their duties in 2016. Focusing on the Bank's development strategies, key targets, risk management, internal control and case prevention, the special committees convened 22 meetings, considered 49 proposals, listened to seven thematic reports and expressing opinions and suggestions to the Board of Directors, which provided strong support for scientific and efficient decision-making of the Board of Directors.

The Strategic Planning Committee of the Board of Directors convened four meetings and studied in depth the major issues related to strategic development, including business plan and financial accounts, budget for fixed-asset investments, asset and liability business plan, issue of eligible Tier 2 Capital instruments of up to RMB50 billion with write-down features, initial public offering of overseas listed shares (H Shares) and the listing plan, reform of the Sannong Finance Services Department, and the "13th Five-Year" plan.

The Related Party Transactions Control Committee of the Board of Directors convened two meetings and considered and approved the draft related transactions agreements to be entered into between the Bank and China Post Group Corporation, the list of related parties of the Bank, the 2015 Report on Related Party Transactions, administrative measures for related party transactions and other key issues relating to related party transactions.

The Audit Committee of the Board of Directors convened seven meetings and ascertained the truthfulness, completeness and accuracy of the financial statements and audit reports for 2015; studied relevant measures to strengthen the Bank's internal control, reviewed 2015 internal control evaluation report, supervised and evaluated the work of the internal audit department, communicated with the external auditors, emphasized the importance of the planning of audit work and listened to the regular reports of the preparation of 2016 audit report to ensure the independence of the work of accounting firms. The Audit Committee strengthened the formulation of audit systems, considered and formulated the administrative measures for special audit of anti-money laundering, the administrative measures for audit of the protection of consumer rights and interests and amended the terms of reference of the Audit Committee of the Board of Directors.

The Nomination and Remuneration Committee of Board of Directors convened four meetings and considered the adjustment of the remuneration system, the optimization of the composition of the special committees of the Board of Directors and the qualifications of new and re-elected directors; considered and approved the remuneration plan of directors, supervisors, senior management and head of internal audit department; reviewed the proposal on qualifications of eight directors including Mr. Lyu Jiajin and Mr. Zhang Xuwen; and expressed opinions and suggestions to the Board of Directors on issues relating to the optimization of composition of the special committees of the Board of Directors, executive remuneration and other major human resources related issues.

The Risk Management Committee of the Board of Directors convened three meetings and studied the comprehensive risk management report, risk appetite proposal, the capital adequacy ratio management plan, the 2016–2018 capital planning, the compliance policies and other major issues; put forward opinions and suggestions to the Board of Directors on major issues relating to bank-wide risk management; listened to the work summary and work plan for case prevention and reports on bank-wide risk management and internal control compliance management to ensure that the Risk Management Committee of the Board of Directors has in-depth understanding of the bank-wide risk management; considered and formulated the basic administrative measures including the administrative measures for liquidity risk management (trial), stress test management policy, anti-money laundering to improve the system.

The Social Responsibility Committee of the Board of Directors convened two meetings: one was convened to enhance the formulating of system, at which the administrative measures of preparation of social responsibility reports was considered and formulated; the other was to focus on the Bank's fulfilment of social responsibility. In 2016, the Bank focused on the protection of consumer rights and interests and considered and approved the relevant work reports to guide the Bank to strengthen the protection of consumer rights and interests.

7. Promoted the formulation of the Board of Directors to continuously improve its capability

(1) Strengthened training and exchanges to enhance directors' capability

The Directors actively participated in internal and external trainings or seminars on macro-economic condition, Internet finance, internal control, and corporate governance, etc., to enhance their capability. The Directors actively participated in various forms of prior communications for proposals, listened to thematic reports of departments, participated in meetings of directors, supervisors and senior management and meetings of business analysis, etc., invited members of the Board of Supervisors to attend meetings of the Board of Directors and its special committees, established the mechanism of communication with the management and the mechanism of supervision and balance and established the mechanism for exchange with the Board of Supervisors, which not only strengthened the supervision over corporate governance of the Bank but also helped the Board of Directors focus on the key points of the reform and development and operation management of the Bank and understand the overall condition of operation management, in order to make scientific and efficient decisions.

(2) Conducted thorough analysis and effectively performed the duties of the Board of Directors

When the Board of Directors was not in session, the Directors of the Bank, in accordance with the work needs of the Board of Directors, conducted 26 researches in representative peers and branches of the Bank on key issues of the Board of Directors' concern, focusing on transformation and development of urban services and formulation of internal control systems, and expressed opinions and suggestions on improving the operation management.

2017 is the first year after the listing of the Bank, as well as a crucial year for the Bank to firmly initiate the "13th Five Year" Plan. In light of new opportunities, new challenges and new targets ahead, the Board of Directors of the Bank will take a pragmatic approach to unswervingly implement the Bank's development strategy, continue to improve corporate governance, enable the Board of Directors and its special committees to better perform their roles, develop driven by reform and innovation, strive to implement the strategies, adjust the philosophy of business development, strengthen capital control, promote business transformation and development, strengthen the overall risk management, enhance internal control and enhance the foundation of operation management, with an aim to develop the Bank into a first-class large retail bank.

2016 WORK REPORT OF THE BOARD OF SUPERVISORS

In 2016, according to the national laws and regulations, regulatory requirements and the Articles of Association of the Bank, the Board of Supervisors, focusing on the core work of the Bank, fulfilled various supervisory duties, continuously innovated means of supervision, extended the coverage and roles of supervision. The Board of Supervisors significantly contributed to the continuous improvement of corporate governance and stable development of the Bank, effectively safeguards the interests of the shareholders, the Bank, creditors and other stakeholders. The work is hereby reported as follows:

1. Meetings of the Board of Supervisors

In 2016, ten Board of Supervisors meetings were held with 30 resolutions reviewed and 10 reports heard. The meetings mainly considered the resolutions regarding the adjustment to composition of the special committees under the Board of Supervisors, the amendment to Rules of Procedure of the Board of Supervisors, the Terms of Reference of the Nomination Committee, the amendment to the Terms of Reference of the Duty Performance Supervision Committee, the Terms of Reference of the Finance and Internal Control and Risk Monitoring Committee of the Board of Supervisors, the 2015 Performance Appraisal Report of the Board of Directors, Senior Management and Their Members by the Board of Supervisors, the 2015 Annual Report, etc. and completed the meeting plans formulated at the beginning of the year.

In 2016, four meetings were held by Duty Performance Supervision Committee, eight meetings were held by the Finance and Internal Control and Risk Monitoring Committee, and two meetings were held by the Nomination Committee. The convening and deliberation procedures of the Board of Supervisors and special committees thereunder complied with laws and regulations, the Articles of Associations and the Rules of Procedure for Meetings of the Board of Supervisors.

2. Supervision of the Board of Supervisors

(1) Duty Evaluation

In 2016, the supervision of duty performance by the Board of Supervisors encompassed risk, financial and internal control supervision, focusing on the Bank's implementation of the national macro policies, ongoing attention to the formulation and implementation of the Bank's mid to long-term strategies, and put emphasis on enhancing supervision of material issues affecting the operation and development of the Bank.

First, the Board of Supervisors grasped the gist of supervision of duty performance and strengthened daily supervision. It put emphasis on enhancing supervision of the compliance and effectiveness of performance of the decision-making duty of the Board of Directors and its special committees, attached great importance to the senior management's implementation of the decisions made by the Board of Directors; conducted strategic evaluation and conducted survey on remuneration management and decision implementation, and made recommendations on improvement of supervision. Second, the Board of Supervisors conducted annual evaluation of duty performance according to regulatory requirements. It improved the plan for annual evaluation on duty performance, further standardized the scope and forms of evaluation, thoroughly collected information about duty performance of the Board of Directors, senior management and members thereof, and produced references for duty performance evaluation to ensure the evaluation is with adequate basis, stringent

process and impartial results. Following self-evaluation, research and discussion, supervision and evaluation, interview and feedback, the Board of Supervisors prepared a report on evaluation of the Board of Directors and senior management as well as opinions of evaluation on duty performance of directors and senior management, and reported the evaluation on duty performance to the shareholders' general meeting and regulatory authorities according to the relevant requirements.

The results of evaluation made by the Board of Supervisors on duty performance of the Board of Directors and members thereof in 2016 are: In 2016, the Board of Directors strictly adhered to the laws, regulations and other regulatory documents, the Articles of Association of the Bank, Rules of Procedure of Shareholders' General Meetings and Rules of Procedure of Board Meetings, convened Board meetings according to laws, earnestly performed its decision-making duty, continuously improving the Bank's corporate governance, development strategies, values, management philosophy, capital management, remuneration management and information disclosure, proactively safeguarded the interests of depositors and other stakeholders, strengthened self-building, satisfactorily completed various tasks in the year, and played an important role in the Bank's stable and sustainable development. Upon duty performance evaluation, the eight directors, namely Li Guohua, Lyu Jiajin, Zhang Xuewen, Tang Jian, Ma Weihua, Bi Zhonghua, Yang Songtang and Lai Weiwen, were considered competent.

The results of evaluation made by the Board of Supervisors on duty performance of the senior management and members thereof in 2016 are: In 2016, the senior management strictly implemented the national economic and financial policies and regulatory requirements, complied with the Articles of Association and authorization of the Board of Directors, implemented the resolutions of the shareholders' general meeting, the Board of Directors and Board of Supervisors, truthfully reported the Bank's operation and management, financial position, risks and important cases (incidents) to the Board of Directors and its special committees, the Board of Supervisors and its special committees, effectively performed their duties in operation and management, satisfactorily completed various tasks in the year, and achieved satisfactory operating results. Upon duty performance evaluation, the six senior management members, namely Lyu Jiajin, Zhang Xuewen, Yao Hong, Qu Jiawen, Xu Xueming and Shao Zhibao, were considered competent.

(2) *Financial supervision*

In 2016, the Board of Supervisors paid special attention to the Bank's key financial decisions, revenue and expenditure and risk control, organized and conducted specific researches and studies and listened to report on relevant information, in order to promote continuous improvement of the financial management of the Bank.

First, the Board of Supervisors proactively performed the duty of financial supervision and focused on supervising key financial decisions and implementation thereof. It considered regular financial reports, annual financial accounting and profit distribution plan, and expressed independent opinions; organized hearing to report on the preparation of regular reports for several times; kept sufficient communication with external auditors in respect of the auditing during the year, findings in the course of auditing and management recommendations. Second, the Board of Supervisors monitored the Bank's financial indicators and strengthened routine financial supervision. It regularly monitored the Bank's core financial indicators, supervised and analyzed changes in indicators in a timely manner, expressed relevant supervision opinions; paid attention to the impact of changes in policies (including "transition from business tax to value-added tax" and changes in International Accounting Standards) on the Bank's financial operation. Third, the Board of Supervisors conducted researches and project studies in respect of information disclosure and financial compliance management, in order to continuously improve the financial management standard of the Bank.

(3) *Supervision on risk management*

In 2016, the Board of Supervisors paid close attention to the overall business development and change in risks of the Bank, enhanced supervision on major areas and major products, kept monitoring the changes in core supervision indicators, monitored the potential risks in non-credit field in midst of the economic downturn, and continuously improved the pertinence and effectiveness of supervision on risk management.

First, the Board of Supervisors proactively supervised the Bank's credit business. Given macro-economic downturn and accelerated interest rate liberalization, the Board of Supervisors conducted integrated researches and studies on the investment area of the new credit and credit business and made recommendations on supervision improvement, in order to ensure sound development of the Bank's credit business. Second, the Board of Supervisors strengthened risk supervision of the entire bank on credit products such as housing loans, personal business loans, family farm loans and wholesale loans, enhanced regional risk prevention and control, and further improved product management and optimized credit policies to balance risk prevention and business development. Third, the Board of Supervisors focused on the operation of non-credit assets such as bonds, made a prospective analysis on potential risks, carried out research on non-financial credit bonds, and listened to reports about industry fund business development. Fourth, the Board of Supervisors strengthened ongoing of capital adequacy ratio, liquidity and other regulatory indicators to timely spot potential risks.

(4) *Supervision on internal control*

In 2016, the Board of Supervisors accords high priority to the establishment of internal control system, enhancing supervision over the effectiveness of internal control and internal supervision system, operations in compliance, reputational risk and system support, etc.

First, the Board of Supervisors reviewed the Annual Internal Control and Assessment Report of the Bank, which addressed the effectiveness, compliance and coverage of internal control evaluation, coordinated and led relevant departments to establish the Bank's internal control system, and timely followed up incident prevention and control of cases and incidents and promoted the establishment of a comprehensive mechanism of prevention of cases. Second, the Board of Supervisors streamlined the internal control supervision with reference to the current condition of the Bank to improve the Bank's internal control and compliance management. Third, the Board of Supervisors made supervisory recommendations on the risks associated with the widely used social networking platforms. Fourth, the Board of Supervisors paid attention to the operation of the Bank's management system, promoted expansion of the application scope and enhancement of the efficiency of the management system, and continuously expands means of internal control management to enhance the Bank's decision-making capacity.

3. Duty Performance of the Board of Supervisors and supervisors***(1) Kept enhancing system building***

In accordance with the Articles of Association, the Board of Supervisors amended the Rules of Procedure of the Board of Supervisors Meetings and the terms of reference of its special committees, considered and adopted measures for evaluation of duty performance of supervisors, and kept optimizing the system of the Board of Supervisors. The system of the Board of Supervisors forms part of the corporate governance system to further solidify the basis of the corporate governance system of the Bank.

(2) Actively participated in internal and external researches

Apart from convening meetings and reviewing relevant documents, the supervisors visited various branches to have a thorough and accurate understanding of the current situation of the Bank's operation and management and set the focuses of supervision, which ensured targeted, precise and efficient supervision and enhanced the overall duty performance capability of the Board of Supervisors.

(3) Kept improving professional competence

The Board of Supervisors, leveraging on the internal and external resources, organized and actively participated in multi-level and multi-dimensional training programs and exchanges regarding regulatory policies, corporate governance, industry trends and supervision practice to keep improving its overall duty performance capability and professional competence.

4. Independent Opinions Issued by the Board of Supervisors on Relevant Matters***(1) Compliant Operations***

During the reporting period, the Bank's corporate governance regime complies with the provisions of laws, regulations and the Articles of Association. The Directors, Supervisors and senior management performed their duties conscientiously, complied with the rules of procedure, as well as convened meetings, made resolutions, disclosed information and executed documents in accordance with laws and regulations.

(2) Performance Report

The preparation and review procedures of the performance report of the Bank comply with laws, administrative regulations and regulatory provisions. The said report duly reflects the Bank's financial condition and operating results.

(3) Use of Proceeds

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

(4) Acquisition and Sale of Assets

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

(5) Related Party Transactions

During the reporting period, there were no activities which jeopardized the interests of the Bank in related party transactions.

(6) Performance Appraisal Results of Directors and Senior Management

Current Directors and senior management are considered as competent in 2016 performance appraisal.

Save as disclosed above, the Board of Supervisors raised no objection to other matters under supervision during the reporting period.

The profiles of the Non-executive Director candidates to be elected at the AGM are set out as follows:

Mr. Liu Yue, aged 55, currently serves as the chief economist of China Shipbuilding Industry Corporation and the chairman of China Shipbuilding Capital Limited. Mr. Liu has successively served as an engineer and a deputy director of Comprehensive Planning Bureau of China State Shipbuilding Corporation, a deputy director of Department Science, Technology and Quality Control of China National Space Administration, an assistant director, a deputy director and the director of Planning and Development Department of China Shipbuilding Industry Corporation, and the board secretary, a director and an executive director of CSIC SCIE-TECH Investment & Development CO., LTD.

Mr. Liu obtained his Ph.D. degree in engineering from Harbin Engineering University in June 2004 and has the qualification as a researcher.

Mr. Ding Xiangming, aged 49, currently serves as the vice president and secretary to the board of Shanghai International Port (Group) Co., Ltd. (“SIPG”, a company listed on the Shanghai Stock Exchange, Stock Code: 600018). Mr. Ding joined SIPG in July 1990, and has successively served as the manager of Project Management Section, the deputy manager and the general manager of Investment and Development Department, and the vice president of SIPG.

Mr. Ding obtained a master’s degree in business administration from Shanghai Maritime University in April 2003 and has been granted a senior economist title and an engineer title.

The profile of the Independent Non-executive Director candidate to be elected at the AGM is set out as follows:

Mr. Hu Xiang, aged 42, currently serves as the president of Zhejiang Dajun Assets Management Company Ltd. He has successively served as a deputy director (presiding over the work) of the Investment Department/Overseas Investment Department of National Council for Social Security Fund, and a vice president of Penghua Fund Management Co., Ltd.

Mr. Hu obtained his master’s degree in economics from the Graduate School of People’s Bank of China in January 2001.

Save as disclosed above, none of Mr. Liu Yue, Mr. Ding Xiangming and Mr. Hu Xiang holds any directorship in any listed companies other than the Bank in the past three years or takes up any position in any affiliated companies of the Bank, nor has any relationship with any other director, supervisor, senior management, controlling shareholder or substantial shareholder of the Bank. Furthermore, as at the date of this circular and to the knowledge and belief of the directors of the Bank, none of Mr. Liu Yue, Mr. Ding Xiangming and Mr. Hu Xiang holds any interest in the Bank within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong. Save as aforesaid, there is no other information relating to the appointment of Mr. Liu Yue, Mr. Ding Xiangming and Mr. Hu Xiang that shall be disclosed pursuant to Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited nor any other matters which need to be brought to the attention of the shareholders of the Bank.

The Offshore Issuance Plan is written in Chinese, with no official English translation. The English translation is provided for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail. The full version of the Offshore Issuance Plan is as follows:

PLAN FOR NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES BY POSTAL SAVINGS BANK OF CHINA CO., LTD.

1 Type of preference shares to be issued

The type of Offshore Preference Shares to be issued will be preference shares (hereinafter referred to as “**Offshore Preference Shares**”) that comply with the requirements of the laws, regulations and regulatory documents of the PRC and overseas.

2 Number of preference shares to be issued and issue size

The aggregate number of Offshore Preference Shares to be issued will be not more than 500 million (inclusive), with an aggregate amount to be issued not exceeding RMB50 billion or its equivalent (inclusive). The actual issue size and amount are to be determined by the Board within the abovementioned limit, in accordance with the authorization given by the shareholders’ general meeting.

3 Par value and issue price

The par value of the Offshore Preference Shares will be RMB100 per Offshore Preference Share. The Offshore Preference Shares will be issued at or above the par value. The actual currency and issue price will be determined by the Board prior to issuance with reference to market conditions and in accordance with relevant laws, regulations and market practice and the authorization given by the shareholders’ general meeting.

4 Maturity

The Offshore Preference Shares will not have any maturity date.

5 Method of issuance and target investors

The issuance of Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance and the Offshore Preference Shares shall, after being approved by regulatory authorities, be issued in a single or multiple series in accordance with the relevant procedures. If the Offshore Preference Shares are to be issued in multiple series, no separate approval shall be required to be obtained from existing preference shareholders of the Bank for each such issuance.

Each series of Offshore Preference Shares will be offered to no more than 200 qualified offshore investors who comply with the requirements under relevant regulatory rules and other laws and regulations. All target investors shall subscribe the Offshore Preference Shares in cash.

6 Lock-up period

There will be no lock-up period for the Offshore Preference Shares.

7 Dividend distribution terms

(1) Principles for determining the dividend rate

The proposed dividend rate for the Offshore Preference Shares (such dividend rate will be calculated by reference to the issue price of the Offshore Preference Shares, similarly construed hereinafter) may be adjusted at different intervals. The dividend rate at the time of issuance shall be determined by the Board by way of market pricing, in accordance with the authorization given by the shareholders' general meeting with reference to other factors including relevant laws and regulations, market conditions at the time of issuance, Investors' needs and the actual circumstances of the Bank. In any dividend rate adjustment period, dividends on the Offshore Preference Shares will be paid at the same prescribed dividend rate and will be reset at specified intervals thereafter.

The dividend rate consists of the benchmark interest rate and the fixed spread. The fixed spread will be determined by deducting the benchmark interest rate at the time of pricing for issuance from the dividend rate at the time of issuance and will remain unchanged once determined. On each of the reset date of dividends, the new dividend rate for the next dividend rate adjustment period will be determined, and will equal to the sum of the benchmark interest rate as at such reset date of dividends and the fixed spread as determined at the time of pricing for issuance.

The dividend rate will not be higher than the average of the weighted average return on equity of the Bank for the last two financial years before issuance¹, i.e., 15.20%.

(2) Conditions to distribution of dividends

If the Bank has distributable after-tax profit² after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the Offshore Preference Shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets the regulatory requirements. The Offshore Preference Shareholders shall rank in priority to the ordinary shares in terms of dividend distribution. Distribution of dividends will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.

In order to meet the regulatory requirements for the eligibility criteria for Additional Tier 1 Capital instruments, the Bank shall have the right to cancel dividend payments on the Offshore Preference Shares in whole or in part at its discretion and this will not constitute an event of default. The Bank, at its discretion, may use any dividend so cancelled to repay other debts that are due. The cancellation of any dividend payment on the Offshore Preference Shares will only constitute a restriction on the payment of dividend to the ordinary shareholders and will not constitute any other restrictions on the Bank. Any declaration and payment of all of the dividends on the Offshore Preference Shares by the Bank will be determined by the Board in accordance with the authorization

1 As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the ordinary shareholders of the Bank.

2 Distributable after-tax profit is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.

given by the shareholders' general meeting. Any cancellation of all or part of the dividends on the Offshore Preference Shares shall be subject to the consideration and approval by the shareholders' general meeting. Any cancellation by the Bank of any dividends on the Offshore Preference Shares shall be notified to Offshore Preference Shareholders at least ten working days prior to the dividend payment date.

If the Bank cancels all or part of the distribution of dividends on the Offshore Preference Shares, the Bank shall not distribute any profits to the ordinary shareholders from the next day following the resolution being approved at the shareholders' general meeting until the resumption of payment of dividends in full³.

(3) *Method of dividend payment*

Dividends on the Offshore Preference Shares shall be payable in cash. The dividend bearing principal amount of the Offshore Preference Shares shall be the aggregate value of the relevant series of Offshore Preference Shares then issued and outstanding (namely, the product of the issue price of the relevant series of the Offshore Preference Shares and the number of shares under the relevant series of Offshore Preference Shares then issued and outstanding, similarly construed hereinafter). Dividends on the Offshore Preference Shares shall be paid annually, and will accrue from the due date for payment for the issuance of the relevant series of Offshore Preference Shares.

(4) *Dividend accumulation*

The dividends on the Offshore Preference Shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the Offshore Preference Shares, any amount of dividends not paid to the Offshore Preference Shareholders in full in the current period will not be accumulated to the following dividend years).

(5) *Distribution of residual profits*

After receiving the dividends at the prescribed dividend rate, the Offshore Preference Shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

8 Terms of mandatory conversion

(1) *Mandatory conversion trigger events*

- (i) Upon the occurrence of an Additional Tier 1 Capital Trigger Event (namely, the Core Tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all or part of the Offshore Preference Shares then issued and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares in order to restore the Core Tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted ratably and on the same conditions. Upon

³ Resumption of payment of dividends in full means that the Bank decides to resume payment of dividends in full to the Offshore Preference Shareholders. However, as the Offshore Preference Shares have adopted a non-cumulative dividend approach, the Bank will not pay any dividends which have been cancelled in previous years.

conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

- (ii) Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all of the Offshore Preference Shares then issued and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares. Upon conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A Tier 2 Capital Trigger Event means the earlier of the following events: (1) the China Banking Regulatory Commission having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion trigger events, the Bank shall report to the China Banking Regulatory Commission for review and determination and shall fulfil its relevant information disclosure obligations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

(2) *Mandatory conversion period*

The mandatory conversion period of the Offshore Preference Shares commences on the first trading day immediately following the completion date of issuance of the Offshore Preference Shares and ends on the date of redemption or conversion of all the Offshore Preference Shares.

(3) *Mandatory conversion price and method of adjustments of the mandatory conversion price*

The initial mandatory conversion price of the Offshore Preference Shares will be equal to the average trading price of H Shares of the Bank for the 20 trading days preceding the announcement date of the Board resolution approving the proposed issuance of the Offshore Preference Shares.

Average trading price of H Shares of the Bank for the 20 preceding trading days = the total trading amount of H Shares of the Bank in such 20 trading days / the total trading volume of H Shares of the Bank in such 20 trading days, which equals to HK\$4.83 per share.

From the date of approval of the Offshore Preference Share issuance plan by the Board, in the event that the Bank, among other things, distributes bonus shares with respect to its H Shares, makes capitalization issues with respect to its H Shares, issues new H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into ordinary shares) or makes any rights issues with respect to its H Shares, the Bank will adjust the mandatory conversion price to reflect the above events on a cumulative basis and in the order of the occurrence of such events. The distribution of cash dividends to the ordinary shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus share issuance or capitalisation issue: $P1 = P0 \times N / (N + n)$;

Issuance of new H Shares below the market price of the H Shares or by way of a rights issue:
 $P1 = P0 \times (N + k) / (N + n)$; $k = n \times A / M$;

Where, “P0” denotes the effective mandatory conversion price before adjustment; “P1” denotes the effective mandatory conversion price after adjustment; “N” denotes the aggregate number of H Shares before such bonus share issuance, capitalization issue, issuance of new H Shares below the market price of the H Shares or rights issue; “n” denotes the number of new H Shares issued as a result of such bonus share issuance, capitalisation issue, issuance of new H Shares below the market price of the H Shares or rights issue; “A” denotes the price for such issuance of new H Shares below the market price of the H Shares or rights issue; and “M” denotes the closing price of H Shares on the trading day preceding the date of announcement of such issuance of new H Shares below the market price of the H Shares or rights issue (namely, announcement containing the effective and irrevocable terms of such issuance or rights issue).

In the event that the rights and interests of the Offshore Preference Shareholders may be affected by any redemption of the ordinary shares by, or merger or division of, the Bank or any other circumstance which causes changes in the Bank’s share class, number of shares and/or shareholders’ equity, the Bank shall have the right to adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice and equity as well as to fully protect the rights and interests of the Offshore Preference Shareholders and the ordinary shareholders. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in accordance with the relevant regulations.

(4) Principles for determining the ratio and number for mandatory conversion

Upon the occurrence of a trigger event, the Board will, in accordance with the approval of the China Banking Regulatory Commission and the authorization given by the shareholders’ general meeting, confirm the aggregate amount of the Offshore Preference Shares for mandatory conversion and implement mandatory conversion of the Offshore Preference Shares then issued and outstanding in whole or in part, and the formula for determining the number of shares to be converted shall be: $Q = V/P \times \text{conversion exchange rate}$. Any fractional share will be dealt with by the Bank in accordance with relevant regulatory requirements. Where it is not specified in the regulatory requirements, any fractional share will be rounded down to the nearest integral multiple of one share. Where: “Q” denotes the number of H Shares that shall be converted from the Offshore Preference Shares held by each Offshore Preference Shareholder; “V” denotes the amount equal to the number of the Offshore Preference Shares held by each Offshore Preference Shareholder that is subject to mandatory conversion multiplied by its issue price; “P” denotes the effective mandatory conversion price for the Offshore Preference Shares; and the “conversion exchange rate” refers to the cross rate between Hong Kong dollars and the currency in which the Offshore Preference Shares of the relevant series are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading day preceding the date of announcement of the Board resolution approving the Offshore Preference Share issuance plan.

Upon the occurrence of a trigger event, the Offshore Preference Shares then issued and outstanding will be converted into corresponding number of H Shares of the Bank based on the above formula in whole or in part on a ratable basis.

(5) *Entitlement to dividends on ordinary shares in the year of mandatory conversion*

The H Shares to be issued as a result of the mandatory conversion of the Offshore Preference Shares will rank pari passu with the existing issued H Shares, and all ordinary shareholders whose names appear on the register of members of the Bank on the record date for dividend entitlement (including the holders of H Shares as a result of the mandatory conversion of the Offshore Preference Shares) shall be entitled to receive the dividend for the current dividend period and enjoy the same rights.

9 Terms of conditional redemption

(1) *Redemption right*

The Bank shall have the right to redeem the Offshore Preference Shares subject to obtaining the approval of the China Banking Regulatory Commission. The Offshore Preference Shareholders do not have the right to require the Bank to redeem the Offshore Preference Shares and should not expect that the Offshore Preference Shares will be redeemed. The Offshore Preference Shares will not contain any term allowing investors to put back the Offshore Preference Shares to the Bank and the Offshore Preference Shareholders shall not have any right to require the Bank to repurchase the Offshore Preference Shares held by them.

(2) *Redemption conditions and period*

From the fifth year following the completion date of issuance of the Offshore Preference Shares, and subject to obtaining the approval of the China Banking Regulatory Commission and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the Offshore Preference Shares. The specific commencement date of redemption period shall be finally determined by the Board (as authorized by the shareholders' general meeting) in accordance with market conditions. The redemption period starts from the date of redemption and ends on the date of the completion of redemption or conversion of all the Offshore Preference Shares.

The exercise by the Bank of its right to redeem the Offshore Preference Shares shall be subject to the fulfilment of the following conditions:

- (i) the Bank shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability; or
- (ii) the capital position of the Bank immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the China Banking Regulatory Commission.

(3) *Redemption price and basis for determining the redemption price*

The redemption price of the Offshore Preference Shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

10 Restrictions on voting rights and terms of restoration of voting rights***(1) Restrictions on voting rights***

Under normal circumstances, the Offshore Preference Shareholders are not entitled to convene or attend any shareholders' general meetings of the Bank nor do the Offshore Preference Shares carry voting rights in any shareholders' general meeting. If any of the following matters occurs, the Offshore Preference Shareholders will be entitled to attend shareholders' general meetings and vote as a separate class. Under such circumstance, each Offshore Preference Share will be entitled to one vote, but the Offshore Preference Shares held by the Bank do not entitle the Bank to vote:

- (i) amendments to the articles of association of the Bank that relate to preference shares;
- (ii) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis;
- (iii) merger, division, dissolution or change of corporate form of the Bank;
- (iv) issuance of preference shares by the Bank; or
- (v) other events specified in the laws, administrative rules and departmental regulations and the Articles.

Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by the ordinary shareholders present at the meeting (including preference shareholders with restored voting rights) and by more than two thirds of the votes held by the preference shareholders present at the meeting (excluding preference shareholders with restored voting rights).

(2) Terms of restoration of voting rights

Following the issuance of the Offshore Preference Shares by the Bank and so long as such Offshore Preference Shares remain outstanding, if the Bank fails to pay the prescribed dividend to the Offshore Preference Shareholders for three financial years in aggregate or two consecutive financial years, the Offshore Preference Shareholders will have the right to attend and vote at the shareholders' general meetings together with ordinary shareholders from the day immediately after the shareholders' general meeting resolves that the Bank will not pay the prescribed dividend for the current dividend period, and each preference share will be entitled to the voting rights as provided in the articles of association of the Bank. The formula for calculating the voting rights of the Offshore Preference Shares with restored voting rights is as follows: $Q = V/P \times \text{conversion exchange rate}$, with any fractional restored voting right rounded down to the nearest integral multiple of one share.

Where: "Q" denotes the H Share voting rights restored from the Offshore Preference Shares held by each Offshore Preference Shareholder; "V" denotes the aggregate value of the Offshore Preference Shares with restored voting rights held by each Offshore Preference Shareholder; "P" denotes the conversion price, where the initial conversion price is equal to the initial mandatory conversion price; and the "conversion exchange rate" refers to the cross rate between Hong Kong dollar and the currency in which the Offshore Preference Shares of the relevant series are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading date preceding the date of announcement of the Board resolution approving the Offshore Preference Share issuance plan.

From the date of the Board approving the Offshore Preference Share issuance plan, in the event that the Bank, among other things, distributes bonus shares with respect to its H Shares, make capitalisation issues with respect to its H Shares, issues new H Shares below the market price of the H Shares (excluding any increase of share capital due to conversion of financial instruments convertible to ordinary shares issued by the Bank), or makes any rights issue with respect to its H Shares, the Bank will adjust the conversion price “P” to reflect each of such events on a cumulative basis in the order of the occurrence of such events. The detailed adjustment method shall be consistent with the adjustment method applicable to the mandatory conversion price as specified in “(3) Mandatory conversion price and method of adjustments of the mandatory conversion price” under “8. Terms of mandatory conversion”.

(3) *Cancellation of restoration of voting rights*

After such restoration of the voting rights of the Offshore Preference Shares, such restored voting rights shall be cancelled from the date of full payment of the dividend on the Offshore Preference Shares for the current dividend period. After the cancellation of the restored voting rights, if the Bank fails to make any scheduled dividend payment, then “(2) Terms of restoration of voting rights” above shall apply again.

11 Order of distribution on liquidation and procedures for liquidation

In accordance with the articles of association of the Bank, when the Bank is undergoing liquidation, the residual assets of the Bank will be distributed in the following order of priority:

- (1) to pay the liquidation costs;
- (2) to pay employees’ salaries, social insurance and statutory compensation;
- (3) to pay the principal and interest of personal savings deposits;
- (4) to pay taxes in arrears; and
- (5) to settle other debts of the Bank.

The assets of the Bank shall not be distributed to the shareholders before the abovementioned payments; the residual assets of the Bank after the settlement of debts in accordance with the provisions of the preceding paragraph shall be distributed to shareholders according to the type of shares and in proportion to their shareholdings.

In case of liquidation of the Bank due to reasons including dissolution and bankruptcy, the Offshore Preference Shareholders shall rank *pari passu* with the holders of other preference shares that may be issued by the Bank in the future, and shall take precedence over holders of ordinary shares but subsequent to all creditors of debts (including Tier 2 Capital instrument) of the Bank, in distribution of the residual property of the Bank. The Offshore Preference Shareholders will be entitled to an amount on liquidation equal to the aggregate value of the Offshore Preference Shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient residual assets, the distribution will be made ratably according to the aggregate value of the Offshore Preference Shares held by each Offshore Preference Shareholder as a proportion of the aggregate value of all preference shares.

The remaining assets of the Bank after settlement in accordance with the provisions aforesaid shall be distributed to the ordinary shareholders of the Bank in proportion to the shareholding of ordinary shares held by them.

12 Rating arrangements

The detailed rating arrangements for the Offshore Preference Shares will be determined according to relevant laws and regulations and relevant offshore market conditions for issuance.

13 Security

The Offshore Preference Shares will not have any security arrangements.

14 Use of proceeds

The proceeds from the issuance of the Offshore Preference Shares, after deduction of the expenses relating to the issuance, will be used to replenish the Bank's Additional Tier 1 Capital.

15 Listing/trading arrangements

The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents.

16 Validity period of the resolution for the issuance of Offshore Preference Shares

The Offshore Preference Share issuance plan will be valid for 36 months from the date on which the resolution is approved at the shareholders' general meeting.

17 Matters relating to authorization

(1) Matters authorized in connection with the issuance of Offshore Preference Shares

To ensure the successful implementation of the issuance of Offshore Preference Shares, it is proposed that the shareholders' general meeting delegate authority to the Board which will sub-delegate authority to the Chairman and the President to exercise full power jointly or individually to deal with the matters in connection with the issuance of the Offshore Preference Shares within the validity period of the authorization for the issuance of the Offshore Preference Shares under the framework and principles as considered and resolved at the shareholders' general meeting, including but not limited to those set out below:

- (i) to formulate and implement the final Offshore Preference Share issuance plan, including but not limited to:
 - (a) to determine the number of series and the respective issue number and issue amount of each series of the Offshore Preference Shares within the approved total issue number and issue amount;
 - (b) to determine the method for determining the dividend rate and the specific dividend rate and adjusted dividend rate period of the Offshore Preference Shares;

- (c) to determine whether the Offshore Preference Shares will be issued at or above par value, the issue price of the Offshore Preference Shares, the denomination currency, and the specific commencement date of the redemption period, redemption conditions and the issuance method of the Offshore Preference Shares, with reference to market conditions before issuance;
 - (d) to determine the timing of issuance (including suspension and termination etc.) and target investors of the Offshore Preference Shares with reference to market conditions and subject to approval from regulatory authorities; and
 - (e) to determine other matters in relation to the issuance plan (including but not limited to rating arrangements, arrangements for the account for the proceeds, the tax arrangements in relation to any dividend payment, and the listing of the Offshore Preference Shares).
- (ii) if there are any new laws, regulations, regulatory rules or policies by relevant regulatory authorities on preference shares or any changes to market conditions occurring prior to the issuance of the Offshore Preference Shares, to amend the issuance plan accordingly to reflect such changes, except for amendments that must be approved in the shareholders' general meeting by voting according to relevant laws, regulations and the articles of association of the Bank;
 - (iii) to produce, amend, execute, implement and file the application materials relating to the issuance/listing of the Offshore Preference Shares, and the documents relating to the issuance/listing of the Offshore Preference Shares and to deal with related matters, such as approval, registration, filing, authorization and consent by relevant regulatory authorities (including stock exchange) according to the requirements of such relevant regulatory authorities;
 - (iv) to amend, execute, implement, submit and publish all contracts, agreements and documents (including but not limited to the agreements signed by intermediaries in relation to the issuance of the Offshore Preference Shares, agreements relating to the issuance proceeds, subscription agreements entered into with investors, announcements, circulars and other disclosure documents) in relation to the issuance of the Offshore Preference Shares;
 - (v) to make appropriate amendments, adjustments and supplements to the issuance terms of the Offshore Preference Shares (including but not limited to the relevant settings of the terms of mandatory conversion) in accordance with the opinions of the relevant regulatory authorities and the actual circumstances of the Bank to the extent permitted by laws and regulations;
 - (vi) to deal with other matters relating to the issuance of the Offshore Preference Shares.

The authorization for the issuance of the Offshore Preference Shares shall remain valid during the 12 months following the passing of the resolution at the shareholders' general meeting. If the issuance of the Offshore Preference Shares is not completed before the expiration of the validity period of such authorization, then such authorization will lapse, but the Board has the right to seek approval at a shareholders' general meeting to extend or renew the validity period of such authorization.

(2) Matters authorized in connection with the Offshore Preference Shares that remain outstanding

So long as the Offshore Preference Shares remain outstanding, it is proposed that the shareholders' general meeting authorizes the Board, which could be delegated, to exercise full power to deal with matters under laws and regulations, articles of association of the Bank, relevant regulatory rules and the framework and principles as considered and approved at the shareholders' general meeting in relation to the following matters:

- (i) to deal with all matters relating to conversion of the Offshore Preference Shares with full power during the conversion period upon occurrence of any trigger event for mandatory conversion of the Offshore Preference Shares, including but not limited to, determining the timing of conversion, conversion ratio and implementing the procedures for conversion, amending the relevant provisions in the articles of association of the Bank, dealing with regulatory approvals and registering with the administration for industry and commerce and other relevant government authorities for the change in registration of the Bank as well as other matters;
- (ii) to decide on matters relating to redemption of the Offshore Preference Shares during the redemption period with reference to market conditions and other factors, and to deal with all matters relating to redemption as approved by the China Banking Regulatory Commission and other regulatory authorities; and
- (iii) to determine and deal with matters in relation to dividend payment to Offshore Preference Shareholders in accordance with the requirements of the issuance terms. However, cancellation of preference share dividends in whole or in part shall still require the approval of the shareholders' general meeting.

**COMPARATIVE TABLE OF THE PROPOSED AMENDMENTS
TO THE ARTICLES OF ASSOCIATION**

No.	Existing Articles	Proposed Amendments
1.	<p>Article 8 All capital of the Bank shall be divided into shares with equal par value per share. The shareholders' liability shall be limited to the extent of their respective shareholdings in the Bank, and the Bank shall assume liability for all the liabilities of the Bank of the extent of all its assets.</p>	<p>Article 8 All capital of the Bank shall be divided into shares with equal par value per share. The shareholders' liability shall be limited to the extent of their respective shareholdings in the Bank, and the Bank shall assume liability for all the liabilities of the Bank of the extent of all its assets.</p>
2.	<p>Article 16 The Bank shall have ordinary shares. Based on actual needs, the Bank may have preference shares or other classes of shares upon approval by the approval authorities authorized by the State Council.</p> <p>The Bank shall issue shares in accordance with the principles of equality and fairness, and each share of the same class shall rank pari passu in all respects.</p> <p>Each share of the same class shall be issued under the same conditions and at the same price in each issuance. The same price shall be paid for each share subscribed for by any entity or individual.</p>	<p>Article 16 The Bank shall have ordinary shares. Based on actual needs, the Bank may have preference shares or other classes of shares upon approval by the approval authorities authorized by the State Council.</p> <p><u>Preference shares in the Articles refer to the other classes of shares governed separately under the Company Law as compared to the ordinary shares governed by the general provisions. Preference share shareholders shall participate in the distribution of profits and residual assets of the Bank in priority to ordinary shareholders, but their rights in respect of participating in decision making and management of the Bank (such as voting rights) are restricted.</u></p> <p><u>Unless otherwise specified, references to share(s) and share certificate(s) in Chapters 3 to 19 and Chapter 21 of the Articles shall refer to ordinary share(s) and ordinary share certificate(s) and references to shareholders in Chapter 3 to Chapter 19 and Chapter 21 of the Articles shall refer to ordinary shareholders.</u></p> <p>The Bank shall issue shares in accordance with the principles of equality and fairness, and each share of the same class shall rank pari passu in all respects.</p> <p>Each share of the same class shall be issued under the same conditions and at the same price in each issuance. The same price shall be paid for each share subscribed for by any entity or individual.</p>

No.	Existing Articles	Proposed Amendments
3.	<p>Article 21 Paragraph 2 The shareholding structure of the Bank after the initial public offering and listing of the Bank's shares is as follows: 81,030,574,000 ordinary shares, of which 55,847,933,782 shares in total are held by its promoter, China Post Group Corporation, and 5,326,473,218 shares in aggregate are held by other holders of domestic shares, hence a total of 61,174,407,000 shares are held by holders of domestic shares, representing 75.50% of the total number of ordinary shares that the Bank may issue; 19,856,167,000 shares are overseas-listed shares, representing 24.50% of the total number of ordinary shares that the Bank may issue.</p>	<p>Article 21 Paragraph 2 The shareholding structure <u>of the ordinary shares</u> of the Bank after the initial public offering and listing of the Bank's shares is as follows: 81,030,574,000 ordinary shares, of which 55,847,933,782 shares in total are held by its promoter, China Post Group Corporation, and 5,326,473,218 shares in aggregate are held by other holders of domestic shares, hence a total of 61,174,407,000 shares are held by holders of domestic shares, representing 75.50% of the total number of ordinary shares that the Bank may issue; 19,856,167,000 shares are overseas-listed shares, representing 24.50% of the total number of ordinary shares that the Bank may issue.</p>
4.	<p>Article 31 Paragraph 2 To transfer the overseas-listed shares listed in Hong Kong, the transferor shall register with the Hong Kong share registrar appointed by the Bank.</p>	<p>Article 31 Paragraph 2 To transfer the overseas-listed shares listed in Hong Kong <u>(for ordinary shares only)</u>, the transferor shall register with the Hong Kong share registrar appointed by the Bank.</p>
5.	<p>Article 42 Paragraph 1 The Bank may deposit its register of shareholders of the overseas-listed shares abroad and entrust an overseas agency to manage it in accordance with the memorandum of understanding or agreements reached between the securities regulatory authorities under the State Council and the overseas securities regulatory authorities. The original register of shareholders of the overseas-listed shares listed in Hong Kong shall be maintained in Hong Kong.</p>	<p>Article 42 Paragraph 1 The Bank may deposit its register of shareholders of the overseas-listed shares abroad and entrust an overseas agency to manage it in accordance with the memorandum of understanding or agreements reached between the securities regulatory authorities under the State Council and the overseas securities regulatory authorities. The original register of shareholders of the overseas-listed shares listed in Hong Kong <u>(for ordinary shares only)</u> shall be maintained in Hong Kong.</p>

No.	Existing Articles	Proposed Amendments
6.	<p>Article 43 The Bank shall maintain a complete register of shareholders.</p> <p>The register of shareholders shall include the following parts:</p> <p>(1) the register of shareholders, other than those as provided for under items (2) and (3) of this Article, shall be kept at the Bank's domicile;</p> <p>(2) the register of shareholders of the overseas-listed shares of the Bank kept at the place(s) of the overseas stock exchange(s) on which the shares are listed;</p> <p>(3) the register of shareholders kept at such other places as the Board may deem necessary for the purpose of listing the shares of the Bank.</p>	<p>Article 43 The Bank shall maintain a complete register of shareholders.</p> <p>The register of shareholders shall include the following parts:</p> <p>(1) the register of shareholders, other than those as provided for under items (2) and₂ (3) <u>and (4)</u> of the Articles, shall be kept at the Bank's domicile;</p> <p>(2) the register of shareholders of the overseas-listed shares of the Bank <u>(for ordinary shares only)</u> kept at the place(s) of the overseas stock exchange(s) on which the shares are listed;</p> <p>(3) <u>the register of preference share shareholders maintained in other places as the Board may consider necessary for the purpose of the listing of the Bank's preference shares;</u></p> <p>(4) the register of shareholders kept at such other places as the Board may deem necessary for the purpose of listing the shares of the Bank.</p>
7.	<p>Article 65 Paragraph 1 The shareholders' general meeting is the authoritative body of the Bank and has the following duties and powers in accordance with the laws:</p> <p>.....</p> <p>(19) to consider other issues that shall be decided by the shareholders' general meeting as required by the laws, administrative regulations, departmental rules, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed as well as the Articles.</p>	<p>Article 65 Paragraph 1 The shareholders' general meeting is the authoritative body of the Bank and has the following duties and powers in accordance with the laws:</p> <p>.....</p> <p>(19) <u>to determine the issuance of preference shares; to determine or authorize the Board to determine matters relating to preference shares issued by the Bank, including but not limited to redemption, conversion and distribution of dividends;</u></p> <p>(20) to consider other issues that shall be decided by the shareholders' general meeting as required by the laws, administrative regulations, departmental rules, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed as well as the Articles.</p>

No.	Existing Articles	Proposed Amendments
8.	<p>Article 73 The secretary to the Board shall be responsible for minutes of the shareholders' general meeting of the Bank. The minutes shall contain the following items:</p> <p>.....</p> <p>(3) number of shareholders or their proxies present at the meeting, the total number of voting shares held by them and its proportion relative to the total shares of the Bank;</p> <p>.....</p>	<p>Article 73 The secretary to the Board shall be responsible for minutes of the shareholders' general meeting of the Bank. The minutes shall contain the following items:</p> <p>.....</p> <p>(3) number of shareholders or their proxies present at the meeting, the total number of voting shares held by them and its proportion relative to the total <u>voting</u> shares of the Bank;</p> <p>.....</p>
9.	<p>Article 85 When the Bank is to convene a shareholders' general meeting, it shall issue a written notice to all Shareholders, forty-five (45) days prior to the date of the meeting. Shareholders who intend to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank twenty (20) days before the meeting is convened.</p>	<p>Article 85 When the Bank is to convene a shareholders' general meeting, it shall issue a written notice to all <u>the shareholders who are entitled to attend the shareholders' general meeting</u>, forty-five (45) days prior to the date of the meeting. Shareholders who intend to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank twenty (20) days before the meeting is convened.</p>
10.	<p>Article 86 Paragraph 1 The Bank shall calculate the proportion of voting shares held by shareholders who intend to attend the meeting based on the written replies received twenty (20) days before the shareholders' general meeting convened by the Bank. Where the proportion of voting shares held by shareholders who intend to attend the meeting fails to reach half or more of the total voting shares of the Bank, the Bank shall inform the shareholders within five (5) days via an announcement stipulating the matters to be considered, the venue, date and time of the meeting. The Bank may then proceed to convene the shareholders' general meeting once such announcement is made.</p>	<p>Article 86 Paragraph 1 The Bank shall calculate the proportion of voting shares held by shareholders who intend to attend the meeting based on the written replies received twenty (20) days before the shareholders' general meeting convened by the Bank. Where the proportion of voting shares held by shareholders who intend to attend the meeting fails to reach half or more of the total voting shares of the Bank, the Bank shall inform the shareholders <u>who are entitled to attend the shareholders' general meeting</u> within five (5) days via an announcement stipulating the matters to be considered, the venue, date and time of the meeting. The Bank may then proceed to convene the shareholders' general meeting once such announcement is made.</p>

No.	Existing Articles	Proposed Amendments
11.	<p>Article 89 Unless otherwise required by relevant laws, administrative regulations, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed and the Articles, notice of shareholders' general meeting shall be served to shareholders (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses. The address of the recipient shall be the address registered in the register of shareholders. For holders of domestic shares, notice of shareholders' general meeting may be issued in the form of an announcement.</p> <p>.....</p> <p>For holders of overseas-listed shares, subject to the compliance with laws, administrative regulations, normative documents and relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed, the notice of a shareholders' general meeting may be published on the websites of the Bank and the Hong Kong Stock Exchange instead of delivery by hand or by prepaid mail to the holders of overseas-listed shares.</p> <p>.....</p>	<p>Article 89 Unless otherwise required by relevant laws, administrative regulations, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed and the Articles, notice of shareholders' general meeting shall be served to <u>the shareholders who are entitled to attend the shareholders' general meeting</u> (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses. The address of the recipient shall be the address registered in the register of shareholders. For holders of domestic shares, notice of shareholders' general meeting may be issued in the form of an announcement.</p> <p>.....</p> <p>For holders of overseas-listed shares, subject to the compliance with laws, administrative regulations, normative documents and relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed, the notice of a shareholders' general meeting may be published on the websites of the Bank and the Hong Kong Stock Exchange instead of delivery by hand or by prepaid mail to the holders of overseas-listed shares <u>who are entitled to attend the shareholders' general meeting</u>.</p> <p>.....</p>
12.	<p>Article 123 Paragraph 2 For the purpose of the preceding paragraph, interested shareholder(s) shall have the following meaning:</p> <p>(1) if the Bank has made a share repurchase offer to all shareholders on a pro rata basis or by means of public trading at a stock exchange in accordance with Article 27 of the Articles, "interested shareholders" shall refer to the controlling shareholder(s) as defined in Article 301 of the Articles;</p> <p>.....</p>	<p>Article 123 Paragraph 2 For the purpose of the preceding paragraph, interested shareholder(s) shall have the following meaning:</p> <p>(1) if the Bank has made a share repurchase offer to all shareholders on a pro rata basis or by means of public trading at a stock exchange in accordance with Article 27 of the Articles, "interested shareholders" shall refer to the controlling shareholder(s) as defined in Article 301<u>311</u> of the Articles;</p> <p>.....</p>

No.	Existing Articles	Proposed Amendments
13.	<p>Article 142 Independent directors shall express objective, impartial and independent opinions on the matters discussed at the shareholders' general meeting or Board meeting of the Bank, and shall in particular, express their opinions at the shareholders' general meeting or Board meeting on the following matters:</p> <p>(1) major related party transactions;</p> <p>(2) profit distribution plans;</p> <p>(3) appointment and dismissal of members of the senior management;</p> <p>(4) matters that may impair the lawful interests of the depositors, small and medium shareholders and other persons who have interests in the Bank;</p> <p>(5) matters that may cause material loss to the Bank;</p> <p>(6) appointment of external auditors;</p> <p>(7) other matters stipulated by the laws, administrative regulations, departmental rules and the Articles.</p>	<p>Article 142 Independent directors shall express objective, impartial and independent opinions on the matters discussed at the shareholders' general meeting or Board meeting of the Bank, and shall in particular, express their opinions at the shareholders' general meeting or Board meeting on the following matters:</p> <p>(1) major related party transactions;</p> <p>(2) profit distribution plans;</p> <p>(3) appointment and dismissal of members of the senior management;</p> <p>(4) matters that may impair the lawful interests of the depositors, small and medium shareholders and other persons who have interests in the Bank;</p> <p>(5) matters that may cause material loss to the Bank;</p> <p>(6) appointment of external auditors;</p> <p>(7) <u>provision of independent opinion on the effect of the issuance of preference shares on the rights and interests of each class of shareholders;</u></p> <p>(78) other matters stipulated by the laws, administrative regulations, departmental rules and the Articles.</p>

No.	Existing Articles	Proposed Amendments
14.	<p>Article 257 The after-tax profits of the Bank for the year shall be distributed in the following order:</p> <ul style="list-style-type: none"> (1) to make up for the losses of the previous year; (2) to allocate 10% to the statutory reserve fund; (3) to allocate to the general reserve; (4) to allocate to the discretionary reserve fund; (5) to distribute profits in proportion to shareholders' shareholdings. <p>Where the accumulated amount of the statutory reserve fund of the Bank amounts to 50% or more of the registered capital of the Bank, allocation is no longer necessary. After allocation to the statutory reserve fund and general reserve, whether allocation shall be made to the discretionary reserve fund shall be determined by the shareholders' general meeting. The Bank shall not distribute its profits to shareholders before making up losses and making allocations to the statutory reserve fund and general reserve.</p> <p>Where the shareholders' general meeting distributes its profits to the shareholders in breach of provisions of the preceding paragraph, the shareholders must refund to the Bank the profits distributed in violation of the provisions.</p> <p>The Bank's shares held by the Bank shall not participate in profit distribution.</p>	<p>Article 257 The after-tax profits of the Bank for the year shall be distributed in the following order:</p> <ul style="list-style-type: none"> (1) to make up for the losses of the previous year; (2) to allocate 10% to the statutory reserve fund; (3) to allocate to the general reserve; (4) to allocate to the discretionary reserve fund; (5) to distribute profits in proportion to shareholders' shareholdings. <p>Where the accumulated amount of the statutory reserve fund of the Bank amounts to 50% or more of the registered capital of the Bank, allocation is no longer necessary. After allocation to the statutory reserve fund and general reserve, whether allocation shall be made to the discretionary reserve fund shall be determined by the shareholders' general meeting. The Bank shall not distribute its profits to shareholders before making up losses and making allocations to the statutory reserve fund and general reserve.</p> <p>Where the shareholders' general meeting distributes its profits to the shareholders in breach of provisions of the preceding paragraph, the shareholders must refund to the Bank the profits distributed in violation of the provisions.</p> <p>The Bank's shares held by the Bank shall not participate in profit distribution.</p> <p><u>The payment of dividends on preference shares shall be proceeded in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authorities of the place where the Bank's shares are listed and where the preference shares are issued or listed, and the Articles.</u></p>

No.	Existing Articles	Proposed Amendments
15.	<p>Article 294 After the liquidation team has sorted out the property of the Bank and prepared a balance sheet and an inventory of assets, it shall formulate a liquidation scheme and report it to the shareholders' general meeting, the People's court or the relevant competent authorities for confirmation.</p> <p>The Bank's assets for repayment of the Bank's debts shall be distributed in the following order:</p> <p>(1) to pay the liquidation costs;</p> <p>(2) to pay the wages of the Bank's employees, social insurance fees and statutory compensation;</p> <p>(3) to pay the principal and interests of personal savings deposits;</p> <p>(4) to pay all outstanding taxes;</p> <p>(5) to settle other debts of the Bank.</p> <p>The Bank's assets shall not be distributed to the shareholders before they are used for settlement in accordance with the foregoing provisions. The remaining assets of the Bank subsequent to the settlement of its debts in accordance with the foregoing provisions shall be distributed to the shareholders in accordance with the proportion of shares each shareholder holds. During liquidation, the Bank shall not commence any operating activity which does not relate to the liquidation.</p>	<p>Article 294 After the liquidation team has sorted out the property of the Bank and prepared a balance sheet and an inventory of assets, it shall formulate a liquidation scheme and report it to the shareholders' general meeting, the People's court or the relevant competent authorities for confirmation.</p> <p>The Bank's assets for repayment of the Bank's debts shall be distributed in the following order:</p> <p>(1) to pay the liquidation costs;</p> <p>(2) to pay the wages of the Bank's employees, social insurance fees and statutory compensation;</p> <p>(3) to pay the principal and interests of personal savings deposits;</p> <p>(4) to pay all outstanding taxes;</p> <p>(5) to settle other debts of the Bank.</p> <p>The Bank's assets shall not be distributed to the shareholders before they are used for settlement in accordance with the foregoing provisions. The remaining assets of the Bank subsequent to the settlement of its debts in accordance with the foregoing provisions shall be distributed to the shareholders in accordance with the <u>class and</u> proportion of shares each shareholder holds. During liquidation, the Bank shall not commence any operating activity which does not relate to the liquidation.</p>

No.	Existing Articles	Proposed Amendments
	CHAPTER XX SUPPLEMENTAL PROVISIONS	CHAPTER XX SUPPLEMENTAL <u>SPECIAL PROVISIONS ON PREFERENCE SHARES</u>
16.		<u>Article 301 Unless otherwise specified in laws, administrative regulations, departmental rules, regulations of the securities regulatory authorities in the place where the shares of the Bank are listed and this Chapter, the rights and obligations of preference share shareholders and management of preference shares shall be governed by the provisions relating to ordinary shares in the Articles.</u>
17.		<u>Article 302 The number of preference shares issued by the Bank shall not exceed 50% of the total number of ordinary shares of the Bank, and the capital raised from the issuance of preference shares shall not exceed 50% of the net assets value of the Bank preceding the relevant issuance (excluding the preference shares that have been redeemed or converted).</u>
18.		<u>Article 303 In accordance with relevant rules on regulatory capital for commercial banks, the Bank formulates terms governing the mandatory conversion of preference shares into ordinary shares, namely, upon the occurrence of certain trigger events, the Bank shall convert the preference shares into ordinary shares in accordance with the conversion price and conversion amount as determined at the time of issuance of the preference shares. In the circumstances where the preference shares are mandatorily converted into ordinary shares, the Bank shall report to the China Banking Regulatory Commission for examination and approval.</u>

No.	Existing Articles	Proposed Amendments
19.		<p>Article 304 <u>The preference shares issued by the Bank shall not have any put option. Subject to the approval of the China Banking Regulatory Commission and upon compliance with relevant requirements, the Bank shall have the right to redeem all or part of the preference shares after the fifth year following the completion date of the relevant issuance of the preference shares. The redemption period of the preference shares commences on such date as agreed upon at the time of issuance of the preference shares and ends on the date of redemption or conversion of all the preference shares. The total number of outstanding preference shares shall be written down accordingly upon redemption of preference shares.</u></p> <p><u>The exercise by the Bank of its right to redeem the preference shares shall be subject to the fulfilment of the following conditions:</u></p> <p>(1) <u>the Bank shall use capital instruments of equivalent or superior quality to replace the preference shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability; or</u></p> <p>(2) <u>the capital position of the Bank immediately after redemption of the preference shares will remain significantly higher than the regulatory capital requirements prescribed by the China Banking Regulatory Commission.</u></p> <p><u>The redemption price of the preference shares shall be the amount of issue price plus the amount of dividend declared but unpaid for the current period.</u></p>

No.	Existing Articles	Proposed Amendments
20.		<p><u>Article 305 Preference share shareholders of the Bank shall be entitled to the following rights:</u></p> <p>(1) <u>to receive distribution of dividends in priority to ordinary shareholders;</u></p> <p>(2) <u>to receive distribution of residual assets of the Bank on liquidation in priority to ordinary shareholders;</u></p> <p>(3) <u>upon the occurrence of the circumstances provided in Article 307, to attend and vote at shareholders' general meetings;</u></p> <p>(4) <u>upon the occurrence of the circumstances provided in Article 307, to have its voting rights restored in accordance with the requirements of that article;</u></p> <p>(5) <u>to make proposals or inquiries in relation to the business operations and activities of the Bank;</u></p> <p>(6) <u>to inspect the Articles, register of members, record of bondholders, minutes of shareholders' general meetings, resolutions of meetings of the Board, resolutions of meetings of the board of supervisors and financial reports; and</u></p> <p>(7) <u>other rights conferred to preference share shareholders by laws, administrative regulations, departmental rules and the Articles.</u></p>

No.	Existing Articles	Proposed Amendments
21.		<p data-bbox="842 251 1402 385"><u>Article 306</u> Only votes of ordinary shares and votes of preference shares with voting rights restored shall be counted when the following event occurs in computation of shareholdings:</p> <p data-bbox="842 421 1402 491">(1) requesting to convene an extraordinary general meeting;</p> <p data-bbox="842 527 1402 597">(2) convening and presiding over a shareholders' general meeting;</p> <p data-bbox="842 634 1402 704">(3) tabling proposals or interim proposals to the shareholders' general meeting;</p> <p data-bbox="842 740 1402 838">(4) nomination of directors and the supervisors who are not the employees representatives of the Bank;</p> <p data-bbox="842 874 1402 972">(5) identifying controlling shareholder(s) in accordance with relevant articles of the Articles;</p> <p data-bbox="842 1008 1402 1149">(6) identifying person(s) who are restricted from serving as independent directors of the Bank in accordance with relevant articles of the Articles;</p> <p data-bbox="842 1185 1402 1427">(7) identifying the top ten largest shareholders of the Bank and their numbers of shares held and the shareholder(s) holding 5% or more of the shares of the Bank, in accordance with relevant provisions including the Securities Law of the People's Republic of China; and</p> <p data-bbox="842 1464 1402 1561">(8) any other circumstances stipulated by laws, administrative regulations, departmental rules and the Articles.</p>

No.	Existing Articles	Proposed Amendments
22.		<p>Article 307 <u>The preference share shareholders are not entitled to attend any shareholders' general meeting of the Bank nor do the preference shares carry any voting rights in any shareholders' general meeting other than in the following circumstances:</u></p> <ul style="list-style-type: none"> <u>(1) amendment to the contents of the Articles that relate to preference shares;</u> <u>(2) reduction of the registered capital of the Bank by more than 10% either on single or aggregate basis;</u> <u>(3) merger, division, dissolution or change of corporate form of the Bank;</u> <u>(4) issuance of preference shares by the Bank; and</u> <u>(5) any other circumstances stipulated by laws, administrative regulations, departmental rules and the Articles.</u> <p><u>Upon the occurrence of any of the above circumstances, the Bank shall notify preference share shareholders of the shareholders' general meeting following the notice procedures to ordinary shareholders as provided under the Articles. The preference share shareholders are entitled to vote as a separate class with respect to the above matters and each preference share shall have one vote, however, preference shares held by the Bank do not entitle the Bank to vote.</u></p> <p><u>Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by ordinary shareholders present at the meeting (including preference share shareholders with restored voting rights) and by more than two-thirds of the votes held by preference share shareholders present at the meeting (excluding preference share shareholders with restored voting rights).</u></p>

No.	Existing Articles	Proposed Amendments
23.		<p>Article 308 In the event that the Bank fails to pay the prescribed dividend to the preference share shareholders for three financial years in aggregate or two consecutive financial years, the preference share shareholders shall have the right to attend and vote at the shareholders' general meetings together with ordinary shareholders from the day immediately after the shareholders' general meeting resolves that the Bank will not pay the prescribed dividend for the current dividend period. The voting rights of the preference share shareholders will remain restored until the Bank pays the current period dividend in full.</p> <p>The formula for calculating the voting rights of the preference shares with restored voting rights is as follows: $Q = V/P \times \text{conversion exchange rate}$, with any fractional restored voting right rounded down to the nearest whole number. Where: "Q" denotes the H share voting rights restored from the offshore preference shares held by each offshore preference shareholder; "V" denotes the aggregate value of the offshore preference shares with restored voting rights held by each offshore preference shareholder; "P" denotes the conversion price, and the initial conversion price equals to the initial mandatory conversion price of the offshore preference share. The "conversion exchange rate" refers to the cross rate between Hong Kong dollars and the currency in which the preference shares are denominated based on the RMB Central Parity Rate published by the China Foreign Exchange Trading System on the trading date preceding the date of the announcement of the Board' resolution in respect of the issuance plan for the offshore preference shares.</p> <p>The other provisions of the Articles concerning the restrictions on the shareholders' voting rights shall prevail, if any.</p>

No.	Existing Articles	Proposed Amendments
24.		<p><u>Article 309 The dividend rate for the issued and outstanding preference shares of the Bank shall be adjusted at different intervals and consists of the benchmark interest rate and the fixed spread. Such dividend rate will remain unchanged as agreed for an adjustment period following the issuance of the preference shares, after which the dividend rate will be reset once every certain period. The dividend rate shall remain the same during each adjusted period.</u></p> <p><u>Preference share shareholders shall rank in priority to the ordinary shareholders in terms of distribution of the Bank's profits and the preference shares shall be entitled to the dividend rate and distribution of profits in accordance with the agreed terms. The Bank shall pay dividends to preference share shareholders in cash. Before the agreed dividends to preference shares are distributed and the discretionary reserves fund is withdrawn as determined by the shareholders' general meeting, no profit may be distributed to the ordinary shareholders in accordance with Article 257 hereof.</u></p> <p><u>Upon distribution of dividends based on the agreed dividend rate, preference share shareholders are not entitled to any further distribution of the remaining profits of the Bank (which are entitled to ordinary shareholders). The Bank is entitled to cancel the dividend payments on such preference shares in whole or in part and this shall not constitute an event of default. The dividends not distributed to preference share shareholders will not be accrued to the next interest-bearing year.</u></p>

No.	Existing Articles	Proposed Amendments
25.		Article 310 In the event of liquidation due to dissolution, bankruptcy or any other reasons, <u>all preference share shareholders shall be pari passu and have priority of compensation over the ordinary shareholders but shall be inferior to all debtors (including owners of any tier 2 capital instrument) of the Bank in respect of the remaining assets of the Bank. The liquidation compensation of the preference share shareholders shall be the amount equal to the total value of the issued outstanding preference shares plus declared but unpaid dividends for the current period. Where insufficiency of repayment occurs, the distribution shall be made on pro rata basis based on the proportion between respective total value of the preference shares held by each preference share shareholder and the total value of all preference shares.</u>

**COMPARATIVE TABLE OF THE PROPOSED AMENDMENTS
TO THE RULES OF PROCEDURE OF SHAREHOLDERS'
GENERAL MEETING OF POSTAL SAVINGS BANK OF CHINA CO., LTD.**

No.	Existing Articles	Proposed Amendments
1.	Article 3 Paragraph 1 Shareholders who hold the shares of the Bank are entitled to attend or authorize a shareholder proxy to attend the general meeting, and have the all rights of a shareholder including the right of knowledge, right of speech, right of query and voting right pursuant to the laws, administrative regulations, departmental rules, the Articles of Association and the Rules.	Article 3 Paragraph 1 <u>Unless otherwise stipulated in the Rules, Shareholders</u> shareholders who hold the shares of the Bank are entitled to attend or authorize a shareholder proxy to attend the general meeting, and have the all rights of a shareholder including the right of knowledge, right of speech, right of query and voting right pursuant to the laws, administrative regulations, departmental rules, the Articles of Association and the Rules.
2.	<p>Article 6 Paragraph 1 The shareholders' general meeting is the authoritative body of the Bank and shall perform that following terms of reference pursuant to the law:</p> <p>.....</p> <p>(19) to consider other issues that shall be decided by the shareholders' general meeting as required by the laws, administrative regulations, departmental rules, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed as well as the Articles.</p>	<p>Article 6 Paragraph 1 The shareholders' general meeting is the authoritative body of the Bank and shall perform that following terms of reference pursuant to the law:</p> <p>.....</p> <p>(19) <u>to determine the issuance of preference shares; to determine or authorize the Board to determine matters relating to preference shares issued by the Bank, including but not limited to redemption, conversion and distribution of dividends;</u></p> <p>(20) to consider other issues that shall be decided by the shareholders' general meeting as required by the laws, administrative regulations, departmental rules, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed as well as the Articles.</p>

No.	Existing Articles	Proposed Amendments
3.	<p>Article 21 When the Bank is to convene a shareholders' general meeting, it shall issue a written notice to all shareholders, forty-five (45) days prior to the date of the meeting.</p> <p>Shareholders who intend to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank twenty (20) days before the meeting is convened. The Bank shall calculate the proportion of voting shares held by shareholders who intend to attend the meeting based on the written replies received twenty (20) days before the shareholders' general meeting convened by the Bank. Where the proportion of voting shares held by shareholders who intend to attend the meeting fails to reach half or more of the total voting shares of the Bank, the Bank shall inform the shareholders within five (5) days via an announcement stipulating the matters to be considered, the venue, date and time of the meeting. The Bank may then proceed to convene the shareholders' general meeting once such announcement is made.</p> <p>.....</p>	<p>Article 21 When the Bank is to convene a shareholders' general meeting, it shall issue a written notice to all <u>the shareholders who are entitled to attend the shareholders' general meeting</u> forty-five (45) days prior to the date of the meeting.</p> <p>Shareholders who intend to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank twenty (20) days before the meeting is convened. The Bank shall calculate the proportion of voting shares held by shareholders who intend to attend the meeting based on the written replies received twenty (20) days before the shareholders' general meeting convened by the Bank. Where the proportion of voting shares held by shareholders who intend to attend the meeting fails to reach half or more of the total voting shares of the Bank, the Bank shall inform the shareholders <u>who are entitled to attend the shareholders' general meeting</u> within five (5) days via an announcement stipulating the matters to be considered, the venue, date and time of the meeting. The Bank may then proceed to convene the shareholders' general meeting once such announcement is made.</p> <p>.....</p>

No.	Existing Articles	Proposed Amendments
4.	<p>Article 22 Unless otherwise required by relevant laws, administrative regulations, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed and the Articles of Association of the Bank, notice of shareholders' general meeting shall be served to shareholders (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses. The address of the recipient shall be the address registered in the register of shareholders. For holders of domestic shares, notice of shareholders' general meeting may be issued in the form of an announcement.</p> <p>.....</p> <p>For holders of overseas-listed shares, subject to the compliance with laws, administrative regulations, normative documents and relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed, the notice of a shareholders' general meeting may be published on the websites of the Bank and The Stock Exchange of Hong Kong Limited instead of delivery by hand or by prepaid mail to the holders of overseas-listed shares.</p>	<p>Article 22 Unless otherwise required by relevant laws, administrative regulations, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed and the Articles of Association of the Bank, notice of shareholders' general meeting shall be served to shareholders <u>who are entitled to attend the shareholders' general meeting</u> (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses. The address of the recipient shall be the address registered in the register of shareholders. For holders of domestic shares, notice of shareholders' general meeting may be issued in the form of an announcement.</p> <p>.....</p> <p>For holders of overseas-listed shares, subject to the compliance with laws, administrative regulations, normative documents and relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed, the notice of a shareholders' general meeting may be published on the websites of the Bank and The Stock Exchange of Hong Kong Limited instead of delivery by hand or by prepaid mail to the holders of overseas-listed shares <u>who are entitled to attend the shareholders' general meeting</u>.</p>
5.	<p>Article 60 The secretary to the Board shall be responsible for minutes of the shareholders' general meeting of the Bank. The minutes shall contain the following items:</p> <p>.....</p> <p>(3) number of shareholders or their proxies present at the meeting, the total number of voting shares held by them and its proportion relative to the total shares of the Bank;</p> <p>.....</p>	<p>Article 60 The secretary to the Board shall be responsible for minutes of the shareholders' general meeting of the Bank. The minutes shall contain the following items:</p> <p>.....</p> <p>(3) number of shareholders or their proxies present at the meeting, the total number of voting shares held by them and its proportion relative to the total <u>voting</u> shares of the Bank;</p> <p>.....</p>

No.	Existing Articles	Proposed Amendments
	CHAPTER VIII SUPPLEMENTAL PROVISIONS	CHAPTER VIII SUPPLEMENTAL PROVISIONS <u>SPECIAL PROVISIONS ON PREFERENCE SHARES</u>
6.		<p><u>Article 78 Except restoration of voting rights, preference share shareholders are entitled to attend the general meeting and vote separately from ordinary shareholders on preference shareholders' class resolutions only under the circumstances prescribed under Article 307 of the Articles of Association.</u></p> <p><u>Preference shareholders' class resolutions shall be approved by more than two thirds of the votes held by preference share shareholders present at the meeting (excluding preference share shareholders with restored voting rights).</u></p>
7.		<p><u>Article 79 In the event that the Bank fails to pay the prescribed dividend to the preference share shareholders for three financial years in aggregate or two consecutive financial years, the preference share shareholders shall have the right to attend and vote at the shareholders' general meetings together with ordinary shareholders from the day immediately after the shareholders' general meeting resolves that the Bank will not pay the prescribed dividend for the current dividend period. The voting rights of the preference share shareholders will remain restored until the Bank pays the current period dividend in full.</u></p> <p><u>The calculation method for the voting rights of the preference share shareholders with resumed voting rights shall be specifically determined by the Board of Directors pursuant to the prevailing laws, administrative regulations, department rules, the Articles of Association and agreement at the time of issuance of the preference shares.</u></p> <p><u>The laws, administrative regulations, department rules, the Articles of Association and the rules which are equivalent to rules of procedure for ordinary shareholders shall apply to preference share shareholders with restored voting rights regarding their attendance in the general meeting.</u></p>

No.	Existing Articles	Proposed Amendments
8.		<u>Article 80</u> Preference shareholders' class meetings should be held in procedure equivalent to the general meeting to the extent possible. The provisions regarding the procedures of the shareholders' general meeting in the Rules shall apply to preference shareholders' class meetings and resolutions.
9.		<u>Article 81</u> Only the ordinary shares and preference shares with restored voting rights shall be calculated for the calculation of shareholding proportions regarding request for convening the extraordinary general meeting, convening and presiding general meeting, tabling proposals or interim proposals to the shareholders' general meeting.
	CHAPTER VIII SUPPLEMENTAL PROVISIONS	CHAPTER VIII<u>IX</u> SUPPLEMENTAL PROVISIONS
10.	Article 78 Except otherwise specifically stated, all terminologies used in the Rules shall bear the same meanings with those in the Articles of Association.	Article 78 <u>Article 82</u> Except otherwise specifically stated, all terminologies used in the Rules shall bear the same meanings with those in the Articles of Association. <u>Unless otherwise specified, references to share(s) and share certificate(s) in Chapter 2 to Chapter 7 of the Rules shall refer to ordinary share(s) and ordinary share certificate(s) and references to shareholders in Chapter 2 to Chapter 7 of the Rules shall refer to ordinary shareholders.</u>
11.	Article 80 Matters not covered in the Rules shall be dealt with pursuant to relevant provisions of the laws, administrative regulations and the securities supervisory and regulatory authorities of the place where the shares of Bank are listed in accordance with actual situation of the Bank. In the case of conflicts between the Rules and the laws, administrative regulations or the securities supervisory and regulatory authorities of the place where the shares of Bank are listed which are enacted and implemented after the Rules took effect, the laws, administrative regulations or the securities supervisory and regulatory authorities of the place where the shares of Bank are listed which are enacted and implemented after the Rules took effect shall prevail.	Article 80 <u>Article 84</u> Matters not covered in the Rules shall be dealt with pursuant to relevant provisions of the laws, administrative regulations and the securities supervisory and regulatory authorities of the place where the shares of Bank are listed in accordance with actual situation of the Bank. In the case of conflicts between the Rules and the laws, administrative regulations or ₂ the securities supervisory and regulatory authorities of the place where the shares of Bank are listed which are enacted and implemented after the Rules took effect <u>or the articles in the Articles of Association</u> , the laws, administrative regulations or ₂ the securities supervisory and regulatory authorities of the place where the shares of Bank are listed which are enacted and implemented after the Rules took effect <u>or the articles in the Articles of Association</u> shall prevail.

**2016 REPORT ON RELATED PARTY TRANSACTIONS OF
POSTAL SAVINGS BANK OF CHINA CO., LTD.**

In 2016, the Bank further improved the procedures for approval and filing of related party transactions with an aim to establish a sound related party transactions management system and enhance the management of related party transactions in compliance with the laws and regulations of the CBRC and the Hong Kong Stock Exchange and the Administrative Measures of Related Party Transactions of Postal Savings Bank of China (Amended in 2016). Related party transactions of the Bank conducted in 2016 are as follows:

1. Management of related party transactions***(1) The Related Party Transactions Control Committee of the Board of Directors proactively promoted the establishment of the related party transactions management system of the Bank.***

The Related Party Transactions Control Committee of the Board of Directors convened a physical meeting on May 30, 2016 to consider the proposals in relation to the Four Draft Related Party Transactions Agreement to be entered into between the Bank and China Post Group, Report on List of Related Parties, Administrative Measures of Related Party Transactions of Postal Savings Bank of China (Amended in 2016) and 2015 Report on Related Party Transactions. In late December, the Related Party Transactions Control Committee considered and confirmed the updated list of related parties.

During the reporting period, the Related Party Transactions Control Committee of the Board of Directors operated in a professional and independent manner, and the members earnestly fulfilled their duties and proactively promoted the establishment of the related party transactions management system of the Bank to ensure the legal compliance of related party transactions and safeguard the interests of the Bank and shareholders.

(2) Effective management system for related party transactions between China Post Group ensured successful listing

In 2016, the steering group of the management for related party transactions between China Post Group and the Bank effectively guide and coordinate the establishment of pricing mechanism of related party transactions between China Post Group and the Bank, delineation of competing businesses, collation of the list of related parties and signing of a series of related party transaction agreements between China Post Group and the Bank which ensured the successful listing.

(3) The Administrative Measures of Related Party Transactions were revised and updated promptly and strictly implemented

To meet the increasingly stringent requirements of the regulatory authorities and effectively prevent risks in connection with related party transactions, the Bank took the opportunity of listing to revise the Administrative Measures of Related Party Transactions of Postal Savings Bank of China following thorough analysis, which clearly defined the management structure and division of responsibilities of the Bank regarding related party transactions, expanded scope of related party transactions, established additional related party transactions management measures and standardized the related party transactions management procedure, and further improved the related party transactions management system and promoted its implementation.

(4) The Bank gradually achieved the timely management of the list of related parties which formed the cornerstone to ensure compliance of related party transactions

According to the Administrative Measures for the Related Party Transactions between Commercial Banks and Their Insiders or Shareholders issued by CBRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other domestic and foreign laws and regulations, the Bank carefully analyzed various regulatory rules, ascertained different scopes of related parties under different regulations, supplemented, verified and updated the information of related natural persons and related legal persons based on the information collected during the introduction of strategic investors, and compiled the List of Related Natural Persons and List of Related Legal Persons which met the standard of listing. Subsequently, the Bank supplemented and updated the aforesaid lists and formed the List of Related Parties (Edition in the Fourth Quarter of 2016) incorporating information of new directors and supervisors, which was considered and confirmed by the Related Party Transactions Control Committee of the Board of Directors.

(5) The Bank enhanced daily monitoring and management of related party transactions to effectively mitigate risks in connection with related party transactions

According to the revised Administrative Measures, the Bank further standardized the procedures of consideration, approval and filing of related party transactions to ensure procedural regularity and effectively mitigated risks in connection with related party transactions. Besides, the Bank strengthened the communication mechanism among persons in charge of related party transactions of different departments of the Head Office, and enhanced daily monitoring and management of related party transactions at the level of business departments. Meanwhile, the Office of the Related Party Transactions Control Committee of the Board of Directors collected information of the Bank's internal related party transactions through multiple channels to monitor the condition and trend of related party transactions.

(6) The Bank proactively conducted training on related party transactions in the Bank to strengthen compliance awareness relating to related party transactions

The Bank organized onsite specific trainings for relevant staff from the business departments of the Head Office and tier-1 branches and invited professional parties to interpret regulatory requirements for related party transactions, introduce scope of related parties and related party transactions and highlight key issues for daily examination and approval of related party transactions, which promoted bank-wide related party transactions management and proper interpretation.

(7) The Bank promoted the development of the related party transactions management system in an orderly manner to refine and digitalize the management

To achieve more refined and digitalized management of related party transactions, by referring to the experience of peers collected through thorough study and based on our actual condition, the Bank prepared the letter of business requirements for the establishment of related party transactions management system and promoted the establishment of the related party transactions management system by leveraging on the consulting projects of the establishment of the related party transactions management system, to improve the related party transactions management across the Bank.

2. Related parties and related party transactions

(1) Overview of related parties

In preparation for the listing, the Bank collected information of related parties and made subsequent supplements and updates, which focused on the Head Office and China Post Group and categorized into related natural persons and related legal persons. Related natural persons mainly comprised directors, supervisors, senior management, chairman and vice chairman of the Credit Censoring Committee of the Head Office and their close relatives, presidents of tier-1 branches and vice presidents in charge of credit extension and their close relatives; and senior management (general managers, deputy general managers and other members of the General Manager Office) of the China Post Group and its subsidiaries (excluding Postal Savings Bank) and their close relatives. Related legal persons mainly comprised enterprises under the control and influence of the Head Office and legal persons or other entities under the control and influence of related natural persons; and China Post Group and its subsidiaries.

During the reporting period, the Bank established and updated the list of related parties based on the aforesaid parameters. The list comprises a total of 3,306 related parties, including 2,889 related natural persons and 417 related legal persons.

(2) Overview of related party transactions

During the reporting period, related party transactions were conducted in compliance with laws, without jeopardizing the interests of the Bank and shareholders. Based on the audited financial statements, related party transactions conducted in 2016 are as follows:

1) Agency banking businesses services provided by China Post Group

The Bank entrusted China Post Group and its provincial subsidiaries by leveraging their outlets with financial licenses as agency business establishments for certain commercial banking businesses of the Bank, which mainly included taking of Renminbi and foreign currency personal deposits, bank card (debit card), credit card repayment, issuance and settlement of government bonds as an agent, provision of personal deposit record services, agency sales of funds and personal wealth management. The deposit agency fee payable by the Bank to China Post Group and its provincial subsidiaries amounted to RMB61,446 million, the fee payable for financial settlement services amounted to RMB4,177 million and the fee payable for financial agency services amounted to RMB3,105 million.

In respect of deposit agency fee, the Bank conducted pro forma analysis of the market funding costs, in order to ascertain whether the cap on composite rate of 1.5% was fair and reasonable. Considering our funding cost was comparable to the weighted coupon rate of financial bonds issued by policy banks, the Bank took the view that the weighted coupon rate of financial bonds issued by policy banks deducting the weighted average interest rate of personal deposits of the Bank provides a reference point for the cap on composite rate. The Bank selected policy banks mainly because they have no liability based businesses and raised capital mainly from issue of bonds. Meanwhile, their credit ratings were comparable to that of the Bank, which enables the Bank to calculate the cost for obtaining capital from the market in substitution of agency deposits, i.e. market funding cost. The Bank calculated its pro forma market funding cost based on the term structure of its agency deposits of the relevant year and the weighted coupon

rate of financial bonds with different terms issued by policy banks. The weighted coupon rate for financial bonds as calculated above deducting the annual weighted average interest rate of the agency personal deposits of the Bank can be regarded as the cap on the rate of deposit agency fee under normal commercial terms. Based on the calculation, the Bank's cap on composite rate for deposit agency fee of 1.5% and composite rate of deposit agency fee from 2011 to 2016 (between 1.42% and 1.49%) were both below the cap on composite rate under normal commercial terms deriving from the calculation of market funding cost set out above.

2) *Leases between the related parties*

The Bank and its related parties leased properties, ancillary equipment and other assets to each other in the form of operating lease as part of the daily operations. The Bank received RMB137 million for the leases provided to its related parties; and paid RMB1,090 million for the lease provided by its related parties.

3) *Other transactions with related parties*

- (i) Comprehensive services between the Bank and related parties. The Bank received a service fee of RMB43 million for the labor rendered to its related parties, including cash escort, equipment maintenance and other services, while the Bank paid a service fee of RMB681 million and marketing fee of RMB857 million for the labor provided by its related parties, including equipment maintenance, advertising, mail and other services (including the one-off service from China Post Group for personal deposit promotion activities provided by China Post Group to the Bank which occurred during the period from January 2016 to May 2016).
- (ii) Purchase and sale of goods between the Bank and related parties. The Bank received RMB3 million for sale of general office materials to its related parties and paid RMB50 million for purchase of general office materials from its related parties.
- (iii) Credit facilities granted to related parties. As at December 31, 2016, no loans and advance, performance guarantee or acceptance credit was provided by the Bank to related parties.
- (iv) Deposits from related parties. The deposits of China Post Group, China Postal Express & Logistics Co., Ltd. and subsidiaries thereof as well as other related parties with the Bank amounted to RMB15,234 million.
- (v) Income from agency services provided to related parties. The Bank received RMB60 million for the insurance agency sales for China Post Life Insurance Co., Ltd. and RMB24 million for the fund agency sales for China Post & Capital Fund Management Co., Ltd.
- (vi) Balances of accounts receivable and accounts payable between the Bank and its related parties. Accounts receivable of the Bank from China Post Group amounted to RMB295 million and accounts payable of the Bank to China Post Group amounted to RMB1,711 million.

- (vii) Commitments. As at the balance sheet date, related-party commitments were mainly operating lease commitments, which amounted to RMB1,172 million.
- (viii) Remunerations of key personnel. The remuneration of the directors, supervisors and senior management of the Bank amounted to RMB12 million.

**REPORT ON THE IMPLEMENTATION OF PLAN ON AUTHORIZATION
OF THE SHAREHOLDERS' GENERAL MEETING TO THE BOARD OF
DIRECTORS OF POSTAL SAVINGS BANK OF CHINA CO., LTD. IN 2016**

According to the relevant provisions of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of Postal Savings Bank of China Co., Ltd. (hereinafter referred to as **"Plan on Authorization"**), we analyzed and summarized the implementation of the Plan on Authorization from January 1, 2016 to December 31, 2016.

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