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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS AND ADJUSTMENT TO DEPOSIT AGENCY FEE RATES FOR AGENCY RENMINBI PERSONAL DEPOSIT TAKING BUSINESS

BACKGROUND

Reference is made to the section headed “Connected Transactions” in the Prospectus, in relation to, among others, the Agency Banking Businesses Framework Agreement entered into between the Bank and China Post Group regarding the Bank’s entrustment of China Post Group to conduct part of the Bank’s commercial banking businesses through agency outlets (the “**Agency Banking Businesses**”). References are also made to the announcement of the Bank dated September 29, 2022 and the circular of the Bank dated October 14, 2022, in relation to, among others, the 2022 Supplemental Agreement entered into between the Bank and China Post Group to adjust the scaled fee rates for deposit agency fees for the agency renminbi personal deposit taking business (the “**2022 Deposit Agency Fee Rate Adjustment**”) and reset the trigger conditions for the passive adjustment, and the announcement of the Bank dated September 30, 2024 and the circular of the Bank dated October 9, 2024, in relation to, among others, the 2024 Supplemental Agreement entered into between the Bank and China Post Group to adjust the deposit agency fee pricing for the agency deposit taking business (the “**2024 Deposit Agency Fee Pricing Adjustment**”) and reset the trigger conditions for the passive adjustment.

OVERVIEW OF TRANSACTION

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

As disclosed in the Prospectus, the Agency Banking Businesses Framework Agreement shall have an indefinite term, and there shall be no annual caps expressed in monetary terms on the Agency Deposit Taking Business and Agency Banking Intermediary Businesses. For this reason, upon the listing of H Shares, the Bank has applied for, and the Hong Kong Stock Exchange has granted the Bank, in respect of the Agency Banking Businesses Framework Agreement, a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Hong Kong Listing Rules; and in respect of Agency Deposit Taking Business and Agency Banking Intermediary Businesses, a waiver from strict compliance with the requirements to set annual monetary caps under Rule 14A.53(1) of the Hong Kong Listing Rules.

ADJUSTMENT TO DEPOSIT AGENCY FEE RATES FOR AGENCY RENMINBI PERSONAL DEPOSIT TAKING BUSINESS

(I) Pricing mechanism

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

In respect of the Agency Renminbi Deposit Taking Business, the Bank currently calculates the deposit agency fees for the Agency Renminbi Deposit Taking Business according to the principle of “Fixed Rate, Scaled Fees Based on Deposit Type”.

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

After the 2024 Deposit Agency Fee Pricing Adjustment, the current Scaled Fee Rates for all types of deposits are set out in the table below:

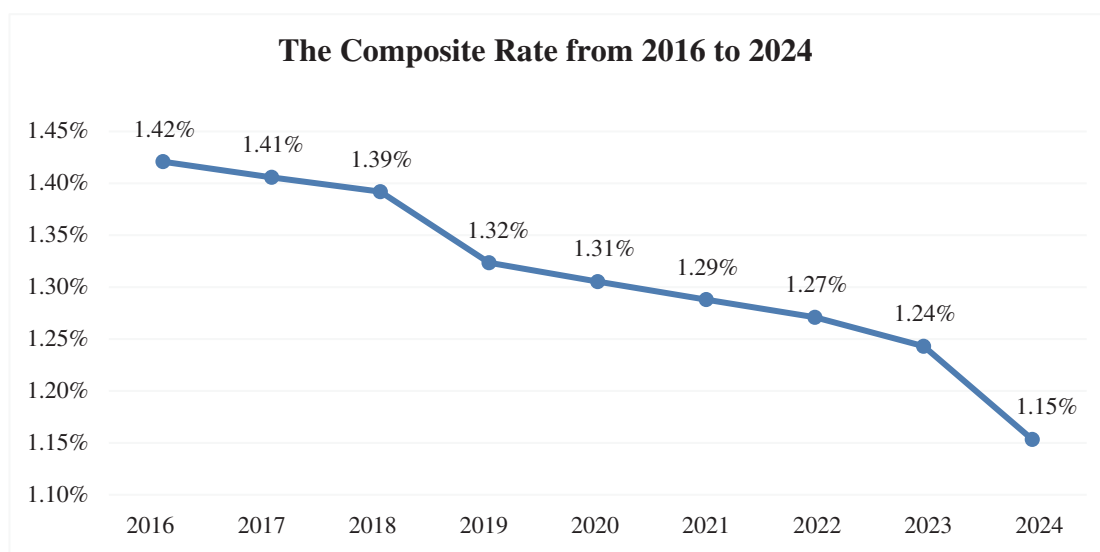
Type	Scaled Fee Rate
Demand deposits	1.992%
Time-demand optional deposits	1.302%
Call deposits	1.475%
3-month time deposits	1.085%
6-month time deposits	1.001%
1-year time deposits	0.999%
2-year time deposits	0.149%
3-year time deposits	0.020%
5-year time deposits	0.000%
Daily aggregate cash (including cash in transit)	-1.500%

Deposit agency fee is calculated according to the Scaled Fee Rates and the aggregate amount of deposit for each type of deposit. The formula is as follows: Monthly deposit agency fee at the relevant outlet = Σ (aggregate amount of deposit for each type of deposit at the outlet for the month \times the respective deposit agency fee rate¹ of the relevant type of deposit/365) – aggregate cash (including cash in transit) for the month at the relevant outlet \times 1.50%/365.

Deposit agency fee is only payable for the agency deposits received by the Bank, deducting the deposit agency fee corresponding to the “cash at the relevant outlet” (comprising the reserves held by agency outlets and the agency deposits in transit). 1.50% (being the initial Composite Rate in 2011) instead of the actual Composite Rate for any relevant year is applied for calculating the fee corresponding to the “cash at the relevant outlet” which is to be deducted from the total deposit agency fee payable.

Overview of the actual Composite Rate

The Composite Rate for each year is calculated from the Scaled Fee Rates and the daily average balance of deposits with different maturities during the year, and the Composite Rate derived varies with the Bank’s agency deposit structure. Since the listing of H Shares of the Bank in 2016, the Composite Rate decreased from 1.42% by 27 BPs to 1.15% in 2024, representing a decrease of 18.84%, as shown in the following chart:



Note: Passive adjustments to the deposit agency fee rates were made in both 2022 and 2024, and the Composite Rate was calculated based on the daily average balance of agency deposits with different maturities and the Scaled Fee Rates that should be implemented before and after the adjustments.

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

(II) Adjustment to deposit agency fee rates and background

According to the Agency Banking Businesses Framework Agreement, the adjustment to deposit agency fee rates for Agency Renminbi Deposit Taking Business is divided into proactive adjustment and passive adjustment. Proactive adjustment refers to the adjustment to the Scaled Fee Rates according to factors such as actual business demands by both parties. Where the Composite Rate derived from the adjusted Scaled Fee Rates and the daily average balance of each type of deposits for the preceding accounting year does not exceed the Cap on Composite Rate (1.50%):

- (1) if the Composite Rate will remain the same as the actual Composite Rate for the preceding accounting year, such adjustment will be determined by negotiations between China Post Group and the Bank and a supplemental agreement shall be entered into;
- (2) if the Composite Rate will be different from the actual Composite Rate for the preceding accounting year, the decision-making procedure below shall be followed for such adjustment and a supplemental agreement shall be entered into: the Related Party Transactions Control Committee under the Board shall conduct a review and issue its written opinion to the Board for consideration; all independent non-executive Directors shall also express their written opinion after considering the advice of an independent financial advisor; the Board shall then make a resolution.

(III) Adjustment plan for the deposit agency fee rates

To achieve its sustainable and healthy development, the Bank, along with China Post Group, based on principles of fairness, impartiality, commercial sustainability, protection of Shareholders' interests, market orientation, co-ordination of the growth rate of deposit agency fees with the revenue growth rate of the Bank, and smooth transition, strictly adhering to the relevant requirements of laws and regulations such as the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision) and the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, as well as regulatory rules of places where the Bank' shares are listed, in accordance with the Agency Banking Businesses Framework Agreement, intends to adjust the deposit agency fee rates proactively and enter into the 2025 Supplemental Agreement.

Adjustment to the Scaled Fee Rates

Having taken into account the historical changes in the market interest rates represented by the net interest spread of the Big Four² in recent years, the Bank's actual operating needs, the connection between the growth of deposit agency fees and the revenue growth of the Bank, etc., in consultation with China Post Group and based on the principles of being well-guided to optimize the liability structure of the Bank and being conducive to reducing interest payment costs, the Bank proposes to adjust downward the Scaled Fee Rates for agency deposits with a maturity of three years and below. Details as shown in the table below:

² i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank.

Type	Before the Adjustment	After the Adjustment	Adjustment Ratio	Change
Demand deposits	1.992%	1.943%	-2.46%	Decreased by 4.9 BPs
Time-demand optional deposits	1.302%	1.242%	-4.61%	Decreased by 6.0 BPs
Call deposits	1.475%	1.407%	-4.61%	Decreased by 6.8 BPs
3-month time deposits	1.085%	1.060%	-2.30%	Decreased by 2.5 BPs
6-month time deposits	1.001%	0.985%	-1.60%	Decreased by 1.6 BPs
1-year time deposits	0.999%	0.963%	-3.60%	Decreased by 3.6 BPs
2-year time deposits	0.149%	0.142%	-4.70%	Decreased by 0.7 BPs
3-year time deposits	0.020%	0.019%	-5.00%	Decreased by 0.1 BPs
5-year time deposits	0.000%	0.000%	—	—
Daily aggregate cash (including cash in transit)	-1.500%	-1.500%	—	—

As a result of the above adjustments, the Scaled Fee Rates for agency deposits with a maturity of three years and below are adjusted downward as follows:

- (1) For demand deposits, 3-month time deposits and 6-month time deposits, in consideration of their relatively low costs and in order to guide the grassroots to promote demand deposits and short-term deposits, the Scaled Fee Rates for the above deposits were adjusted downward by 4.9 BPs, 2.5 BPs and 1.6 BPs, respectively, with the percentage of downward adjustment lower than that of deposits of other maturities.
- (2) For 1-year time deposits, the Scaled Fee Rates were adjusted downward by 3.6 BPs in order to consolidate the position of core deposits, maintain stability of customers and prevent liquidity risks.

The adjusted Scaled Fee Rates shall become effective from the date of approval by the Board of Directors. Considering that nearly 3 months have passed from the beginning of the year to this proactive adjustment, and in order to better reflect the changes in the interest rate environment and to protect the interests of minority Shareholders, upon negotiation between the Bank and China Post Group, it is proposed that the deposit agency fees incurred for the period from January 1, 2025 to the date of approval by the Board shall be settled in accordance with the adjusted Scaled Fee Rates.

2025 SUPPLEMENTAL AGREEMENT

The details of the Supplemental Agreement are set out below:

- Date of Signing** : March 27, 2025
- Contracting Parties** : The Bank and China Post Group
- Adjustment to the Scaled Fee Rates** : The deposit agency fees for the Agency Renminbi Deposit Taking Business continue to follow the current principle of “Fixed Rate, Scaled Fees Based on Deposit Types”, i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. The existing Scaled Fee Rates shall be subject to adjustment, please refer to the above “Adjustment to Deposit Agency Fee Rates for Agency Renminbi Personal Deposit Taking Business – Adjustment plan for the deposit agency fee rates” for specific adjustment method.
- Conditions Precedent** : The 2025 Supplemental Agreement shall not take effect until all of the following conditions are satisfied:
1. The 2025 Supplemental Agreement shall be affixed with the signature and official seal of the legal representatives/persons-in-charge of both parties or their authorized representatives;
 2. The relevant contents of the 2025 Supplemental Agreement shall be approved by the Board of the Bank.

The 2025 Supplemental Agreement is an alteration of the Agency Banking Businesses Framework Agreement and has the same legal effect as the Agency Banking Businesses Framework Agreement. To the extent of any inconsistency between the 2025 Supplemental Agreement and the Agency Banking Businesses Framework Agreement, the 2025 Supplemental Agreement shall prevail. Upon the entry into force of the 2025 Supplemental Agreement, the provisions regarding Adjustment to the Scaled Fee Rates under the 2024 Supplemental Agreement will be repealed.

REASONS FOR AND BENEFITS OF THE ADJUSTMENT AND THE ENTERING INTO THE 2025 SUPPLEMENTAL AGREEMENT

For a long time, agency deposits have played a vital role in the development of the Bank. Agency deposits of more than RMB10 trillion provide the Bank with a long-term, stable and relatively low-cost source of funding, provide strong support to the development of the Bank’s credit business, provide solid guarantee for asset layout and funds utilization, and enhance the Bank’s ability to continuously serve the real economy and promote inclusive finance.

Based on the agency deposits in 2024 and calculated according to the adjusted Scaled Fee Rates, the Composite Rate for agency fees of the Bank in 2024 was adjusted downward by 4 BPs from 1.08% to 1.04%, and deposit agency fees decreased from RMB112.144 billion by RMB3.503 billion to RMB108.641 billion. Despite the year-to-year increase in agency deposits of RMB1.11 trillion in 2024, deposit agency fee still decreased by RMB6.982 billion or 6.04% as compared with the deposit agency fee in 2023.

INTERNAL CONTROL MEASURES

To ensure that the terms of the Agency Banking Businesses Framework Agreement (as amended by the 2025 Supplemental Agreement) are fair and reasonable and that the transactions contemplated thereunder are conducted on normal commercial terms, the Bank has adopted the following internal control measures:

- the Bank shall re-comply with the announcement and Independent Shareholders' approval requirements before any proposed substantial amendment to the terms of the Agency Banking Businesses Framework Agreement pursuant to Rule 14A.54 of the Hong Kong Listing Rules;
- the Bank's Independent Non-executive Directors shall review the transactions under the Agency Banking Businesses Framework Agreement every year pursuant to Rule 14A.55 of the Hong Kong Listing Rules and confirm in the annual report whether such transactions are: (1) entered into in the Bank's ordinary and usual course of business; (2) conducted on normal commercial terms or better; and (3) carried out in accordance with the Agency Banking Businesses Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- in the event that the Composite Rate for a certain year is expected to exceed the Cap on Composite Rate (namely 1.50%), it will be regarded as a material change to the Agency Banking Businesses Framework Agreement and will require compliance with the circular, independent financial adviser's opinion and Independent Shareholders' approval requirements under the Hong Kong Listing Rules. The adjustment of Scaled Fee Rates in other scenarios will also be subject to the supervision by the Related Party Transactions Control Committee under the Board, Independent Non-executive Directors, the Board and/or the Independent Shareholders to varying degrees, and will be disclosed by way of announcement;
- the Board shall report annually to the Shareholders' general meeting on the implementation of related party transaction management systems, operation of the Related Party Transactions Control Committee under the Board as well as the related party transactions, mainly covering the Composite Rate of Renminbi deposit agency fee, market interest rate and other matters as specified by laws and regulations;
- the Bank will disclose in the annual reports the information in respect of the Agency Deposit Taking Business (in respect of Agency Renminbi Deposit Taking Business, the Composite Rates, the Scaled Fee Rates, the daily average balance of deposits with different maturities and the corresponding deposit agency fee for the relevant year; in respect of Agency Foreign Currency Deposit Taking Business, the pricing principle of the deposit agency fee for short-term and long-term agency deposits for the relevant year) and Agency Banking Intermediary Businesses (including the fees and commissions paid in the relevant year); and
- the transactions under the Agency Banking Businesses Framework Agreement shall be reviewed by accountants engaged by the Bank on an annual basis pursuant to Rule 14A.56 of the Hong Kong Listing Rules.

HONG KONG LISTING RULES IMPLICATIONS

China Post Group, as the controlling Shareholder of the Bank, holds approximately 62.78% of the total issued ordinary share capital of the Bank as at the date of this announcement. Therefore, China Post Group constitutes a connected person of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the Agency Banking Businesses Framework Agreement, the 2025 Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(2) of the Hong Kong Listing Rules, if the Bank proposes to effect a material change to the terms of the continuing connected transaction agreement, the Bank will be required to re-comply with the relevant provisions of Chapter 14A of the Hong Kong Listing Rules in respect of the relevant continuing connected transactions. The Adjustment does not involve any material change to the terms of the continuing connected transaction agreement by the Bank.

As the Composite Rate (1.05%) derived from the adjusted Scaled Fee Rates and the average daily balance of each type of deposits for the preceding accounting year (2024) is different from the actual Composite Rate (1.08%) for the preceding accounting year but does not exceed the Cap on Composite Rate (1.50%), according to the terms under the Agency Banking Businesses Framework Agreement, the Adjustment is subject to consideration by the Board and the signing of a supplemental agreement, and is not required to be submitted to the Shareholders' meeting of the Bank for consideration.

BOARD CONFIRMATION

The Directors (including the Independent Non-executive Directors) believe that the 2025 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms. The Adjustment and the entering into the 2025 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

For the Adjustment and the entering into of the 2025 Supplemental Agreement, except for Mr. Liu Jianjun, Ms. Yao Hong, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Liu Xin'an and Mr. Zhang Xuanbo, none of the Directors has a material interest in the above matters and is required to abstain from voting on the board resolution approving the above matters. The above Directors have abstained from voting on the resolution.

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all Independent Non-executive Directors has been established to advise on the Adjustment and the entering into of the 2025 Supplemental Agreement. Please refer to Appendix I of this announcement for details.

An Independent Financial Adviser, Altus Capital, has been appointed by the Bank to advise the Independent Board Committee on the Adjustment and the entering into of the 2025 Supplemental Agreement. Please refer to Appendix II of this announcement for details.

The Independent Board Committee and the Independent Financial Adviser are of the opinion that the Adjustment and the entering into of the 2025 Supplemental Agreement is in the interests of the Bank and the Shareholders as a whole.

GENERAL INFORMATION OF THE BANK AND CHINA POST GROUP

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

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

DEFINITIONS

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

“2022 Supplemental Agreement”	supplemental agreement to the Agency Banking Businesses Framework Agreement (2022) dated September 29, 2022 between the Bank and China Post Group with conditions precedent
“2024 Supplemental Agreement”	supplemental agreement to the Agency Banking Businesses Framework Agreement (2024) dated September 30, 2024 between the Bank and China Post Group with conditions precedent
“2025 Supplemental Agreement”	supplemental agreement to the Agency Banking Businesses Framework Agreement (2025) dated March 27, 2025 between the Bank and China Post Group with conditions precedent
“Adjustment to Deposit Agency Fee Rates” or “Adjustment”	the Bank and China Post Group’s proposed proactive adjustment of deposit agency fee rates of agency Renminbi personal deposit taking business under the Agency Banking Businesses Framework Agreement, details of which are set out in this announcement
“Agency Banking Businesses Framework Agreement”	the agency banking businesses framework agreement dated September 7, 2016 between the Bank and China Post Group
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

“Bank”	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company incorporated in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets’ operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
“Board” or “Board of Directors”	the board of Directors of the Bank
“China Post Group”	China Post Group Corporation Limited, a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People’s Republic of China, is the controlling Shareholder of the Bank
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Bank
“H Share(s)”	Ordinary Share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Independent Board Committee”	the independent board committee comprising Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Ms. Pan Yingli, Mr. Tang Zhihong and Mr. Hong Xiaoyuan, the Independent Non-executive Directors
“Independent Financial Adviser”	Altus Capital limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Adjustment to Deposit Agency Fee Rates and entering into of the 2025 Supplemental Agreement
“Independent Shareholder(s)”	the Shareholder(s) of the Bank except for China Post Group and its associates

“Prospectus”	prospectus of the Bank dated September 14, 2016
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares of the Bank
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Beijing, the PRC
March 27, 2025

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



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)

CONTINUING CONNECTED TRANSACTION: ADJUSTMENT TO DEPOSIT AGENCY FEE PRICING AND THE ENTERING INTO OF THE 2025 SUPPLEMENTAL AGREEMENT

We refer to the announcement of the Bank dated March 27, 2025 (the “**Announcement**”), in relation to, among others, the Bank and China Post Group propose to make a proactive adjustment to deposit agency fee rates for the agency Renminbi personal deposit taking business under the Agency Banking Businesses Framework Agreement. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Announcement.

We have formed the Independent Board Committee to provide opinions on as to whether, in our opinion, the 2025 Supplemental Agreement has been entered into in the ordinary and usual course of business of the Bank on normal commercial terms, on whether the Adjustment to Deposit Agency Fee Pricing and the entering into of the 2025 Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Bank and the Shareholders as a whole.

Altus Capital has been appointed as the Independent Financial Adviser to advise us in this regard. The details of the recommendations, together with the major considerations and reasons for reaching the recommendations, are set out in the Letter from Altus Capital on pages 13 to 29 of the Announcement.

After considering the information contained in the Announcement, the interests of Independent Shareholders and the opinions and suggestions of Altus Capital, we are of the opinion that the 2025 Supplemental Agreement is entered into in the ordinary and usual course of business of the Bank on normal commercial terms, the Adjustment to Deposit Agency Fee Pricing and the entering into of the 2025 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Independent Board Committee

Wen Tiejun <i>Independent Non-executive Director</i>	Chung Shui Ming Timpson <i>Independent Non-executive Director</i>	Pan Yingli <i>Independent Non-executive Director</i>	Tang Zhihong <i>Independent Non-executive Director</i>	Hong Xiaoyuan <i>Independent Non-executive Director</i>
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The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Adjustment to Deposit Agency Fee Rates and the entering into of the 2025 Supplemental Agreement, which has been prepared for the purpose of incorporation in this announcement.

ALTUS
Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

March 27, 2025

To the Independent Board Committee

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS AND
ADJUSTMENT TO DEPOSIT AGENCY FEE RATES FOR AGENCY
RENMINBI PERSONAL DEPOSIT-TAKING BUSINESS**

OVERVIEW

The proactive adjustment mechanism for the deposit agency fee rates for the agency Renminbi deposit-taking business is clearly prescribed under the Agency Banking Businesses Framework Agreement signed between Postal Savings Bank of China Co., Ltd. (the “**Bank**”) and China Post Group Corporation Limited (“**China Post Group**”) on September 7, 2016. Considering the current continuous downward trend in the market interest rates and the actual operational conditions of the Bank, in order to achieve a sustainable and healthy development of the “self-operated + agency” model, the Bank and China Post Group negotiated in accordance with the Agency Banking Businesses Framework Agreement and the 2024 Supplemental Agreement, and propose to proactively adjust the Renminbi deposit agency fee rates, and enter into the 2025 Supplemental Agreement.

Altus Capital Limited (“**Altus Capital**”) has been engaged to issue an independent financial adviser’s written opinion (the “**Report**”) in relation to the Adjustment to Deposit Agency Fee Rates, which has been prepared for the purposes of incorporation into the announcement of the Bank dated March 27, 2025 (the “**Announcement**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE ADJUSTMENT

1. Basic information on the connected transaction

1.1. General information of the Bank and China Post Group

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

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

1.2. Basic information relating to the agency deposit business

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

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

The Bank and China Post Group entered into the 2022 Supplemental Agreement on September 29, 2022 to adjust the scaled fee rates for deposit agency fees for the Agency Renminbi Deposit-Taking Business and reset the trigger conditions of the passive adjustment, details of which were set out in the Bank’s circular dated October 14, 2022. In addition, the Bank and China Post Group entered into the 2024 Supplemental Agreement on September 30, 2024 to adjust the scaled fee rates for deposit agency fees for the Agency Renminbi Deposit-Taking Business and reset the trigger conditions of the passive adjustment, details of which were set out in the Bank’s circular dated October 9, 2024.

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

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

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

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

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

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

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

Secondly, the agency outlets provide an important source of deposits. According to the information provided by the Bank, the deposits taken through agency outlets accounted for approximately 80% of the Bank’s personal deposits.

1.4. Pricing mechanism for deposit agency fee

1.4.1. Agency Renminbi Deposit-Taking Business

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

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

Monthly deposit agency fee at the relevant outlet = Σ (aggregate amount of deposit for each type of deposit at the outlet for the month \times the respective deposit agency fee rate¹ of the relevant type of deposit/365) – aggregate cash (including that in transit) for the month at the relevant outlet \times 1.50%/365

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

¹ Namely, the Scaled Fee Rate.

Fixed Rate, Scaled Fees Based on Deposit Type

The fixed rate for each type of deposit varies with the maturity of the deposit, with Scaled Fee Rates ranging from 0.000% to 1.992%. The daily average balance and Scaled Fee Rates of each type of agency deposit of the Bank and the deposit agency fees of the relevant type of deposit paid to China Post Group in 2022, 2023 and 2024 are set out below:

Table 1

In RMB million, except for percentages

Type	2024			2023			2022		
	Daily average balance	Scaled Fee Rate		Daily average balance	Scaled Fee Rate		Daily average balance	Scaled Fee Rate	
		Fee Rate (%)	after adjustment (%)		Fee Rate (%)	after adjustment (%)		Fee Rate (%)	after adjustment (%)
		(Note 2)	(Note 2)			(Note 2)		(Note 1)	(Note 1)
Demand deposits	2,131,125	2.330	1.992	2,080,719	2.330	48,481	2,024,231	2.300	2.330
Time-demand optional deposits	13,565	1.500	1.302	14,853	1.500	223	14,416	1.500	1.500
Call deposits	20,467	1.700	1.475	42,286	1.700	719	46,824	1.700	1.700
3-month time deposits	171,583	1.250	1.085	166,080	1.250	2,076	153,143	1.250	1.250
6-month time deposits	257,800	1.150	1.001	252,535	1.150	2,904	225,714	1.150	1.150
1-year time deposits	6,412,608	1.100	0.999	5,318,262	1.100	58,501	4,428,043	1.080	1.100
2-year time deposits	507,639	0.350	0.149	611,376	0.350	2,140	596,398	0.500	0.350
3-year time deposits	893,786	0.100	0.020	810,787	0.100	811	750,399	0.300	0.100
5-year time deposits	6,989	0.000	0.000	4,655	0.000	0	4,456	0.200	0.000
Daily aggregate cash (including cash in transit)	15,048	-1.500	-1.500	15,467	-1.500	-232	15,022	-1.500	-1.500
Total	10,415,562	1.15	(Note 3)	9,301,553	1.24	115,623	8,243,624	1.27	104,770
					(Note 3)			(Note 3)	

Notes:

1. The Scaled Fee Rates were adjusted during 2022 pursuant to the 2022 Supplemental Agreement.
2. The Scaled Fee Rates were adjusted during 2024 pursuant to the 2024 Supplemental Agreement.
3. i.e. the Composite Rate of the relevant year.

Composite Rate

The Composite Rate for each year is calculated based on the Scaled Fee Rate and daily average balance of each type of deposit during the year, which varies with the composition of agency deposits of the Bank from year to year. The Cap on Composite Rate is set at 1.50% as prescribed in the Agency Banking Businesses Framework Agreement. From 2016 to 2024, the Composite Rate of the deposit agency fee for RMB personal deposits was 1.42%, 1.41%, 1.39%, 1.32%, 1.31%, 1.29%, 1.27%, 1.24% and 1.15% respectively.

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

1.5.1. Agency Renminbi Deposit-Taking Business

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

Proactive adjustment mechanism and decision-making procedures

According to the Agency Banking Businesses Framework Agreement, the Bank and China Post Group adjust the deposit agency fee rates based on factors including the actual operational needs. Where the Composite Rate derived from the adjusted Scaled Fee Rates and the daily average balance of each type of deposits for the preceding accounting year does not exceed the Cap on Composite Rate (1.50%):

- (1) if the Composite Rate will remain the same as the actual Composite Rate for the preceding accounting year, such adjustment will be determined by negotiations between China Post Group and the Bank and a supplemental agreement shall be entered into;
- (2) if the Composite Rate will be different from the actual Composite Rate for the preceding accounting year, the decision-making procedure below shall be followed for such adjustment and a supplemental agreement shall be entered into: the Related Party Transactions Control Committee shall conduct a review and issue its written opinion to the Board for consideration; all independent Directors shall also express their written opinion after considering the advice of an independent financial advisor; the Board shall then make a resolution.

Since entering into the Agency Banking Businesses Framework Agreement, the Bank and China Post Group have not exercised the proactive adjustment mechanism to adjust the deposit agency fee rates.

In accordance with the Agency Banking Businesses Framework Agreement, as shown in Table 3 below, as the simulated Composite Rate (1.04%²) calculated based on the adjusted Scaled Fee Rates and the average daily balance of each type of deposits for 2024 is different from the actual Composite Rate (1.08%) for the preceding accounting year but does not exceed the Cap on Composite Rate (1.50%), the Adjustment is subject to consideration by the Board and the signing of the Supplemental Agreement.

The Independent Board Committee has been formed to advise the Board as to whether, in its opinion, the 2025 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms, whether the Adjustment to Deposit Agency Fee Rates and the entering into of the 2025 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

2. Hong Kong Listing Rules implications

China Post Group, as the controlling Shareholder of the Bank, holds approximately 62.78% of the total issued ordinary share capital of the Bank as at the Latest Practicable Date. Therefore, China Post Group constitutes a connected person of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the 2025 Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(2) of the Hong Kong Listing Rules, if the Bank proposes to effect a material change to the terms of the continuing connected transaction agreement, the Bank will be required to re-comply with the relevant provisions of Chapter 14A of the Hong Kong Listing Rules in respect of the relevant continuing connected transactions. The Adjustment does not involve any material change to the terms of the continuing connected transaction agreement by the Bank. At the same time, as disclosed in the Prospectus, in the event that the Composite Rate for a certain year is expected to exceed the Cap on Composite Rate (1.50%), it will be regarded as a material change to the terms of the Agency Banking Businesses Framework Agreement and will require compliance with the circular, independent financial advice and Independent Shareholders' approval requirements under the Hong Kong Listing Rules. Given the adjusted Composite Rate does not exceed the Cap on Composite Rate, the adjustment to the Scaled Fee Rates under such circumstances will only be subject to scrutiny by the Related Party Transactions Control Committee, independent non-executive Directors, and the Board.

3. Independent Financial Adviser

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

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

² Please refer to Table 3 for the results of the simulated calculations.

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee as to: (i) whether the 2025 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (ii) whether the adjustment to deposit agency fee rates of Agency Renminbi Deposit-Taking Business and the entering into and the terms of the 2025 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Altus Capital had acted as the independent financial adviser of the Bank for: (i) the discloseable and connected transaction in relation to the transfer of the beneficial interest of the trusts and the beneficial interest of the asset management plan; and (ii) the adjustment to the deposit agency fee pricing of the Agency Deposit-Taking Business, details of which were set out in the Bank's circulars dated June 7, 2024 and October 9, 2024. Except for the above transactions, Altus Capital has not acted as an independent financial adviser or financial adviser in respect of any transactions of the Bank in the last two years from the date of the Report. In accordance with Rule 13.84 of the Hong Kong Listing Rules, and given that the remuneration of Altus Capital for its engagement to opine on the Adjustment to Deposit Agency Fee Rates is at market level and not conditional upon the successful passing of the resolution, and that the engagement of Altus Capital is on normal commercial terms, Altus Capital is independent of and not associated with the Bank, its controlling Shareholder(s) or connected person(s).

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

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

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

4. Background of the Adjustment to Deposit Agency Fee Rates

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

In addition to considering the factors that lead to the proactive adjustment mechanism, we have also taken into account the following market conditions.

4.1. Downward movement of net interest spread

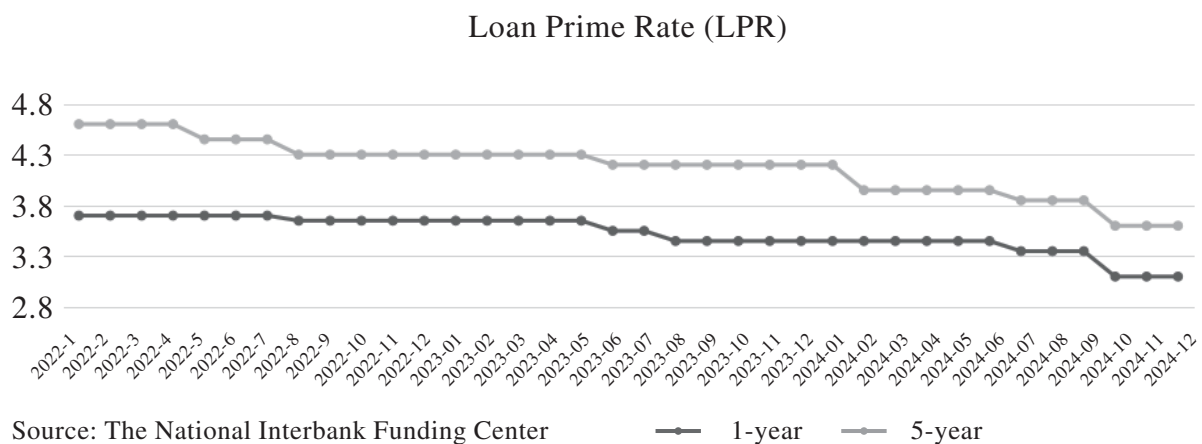
Facing the downward trend of the market interest rates and the further decrease of the net interest spread of the commercial banks, we believe that the Bank's proactive adjustment to the Renminbi deposit agency fee rates to control the overall cost of absorbing RMB deposits is in the interests of the Bank and the Shareholders as a whole.

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

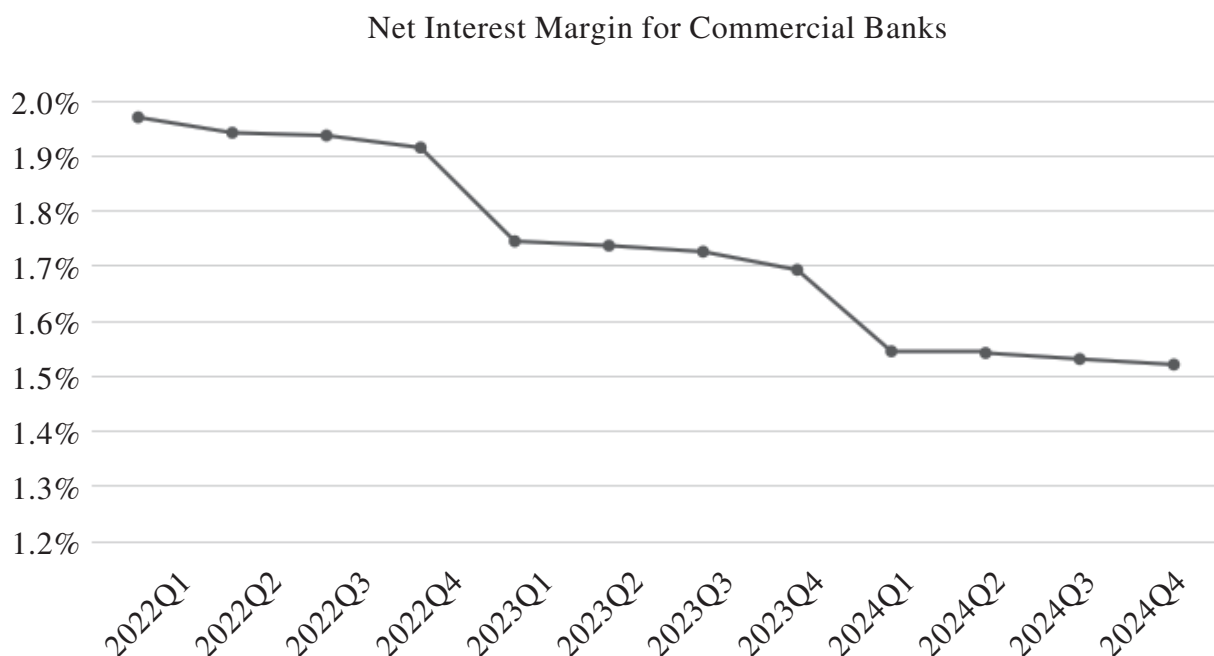
With the further development of interest rate liberalization reforms in China, the overall interest rate environment has shown the following changes since 2022:

(1) The continuous decline in loan interest rates.

The following table outlines the historical trends of the Loan Prime Rate (LPR) for both one-year and five-year terms since January 2022.



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



Source: National Financial Regulatory Administration

Since the adjustment to the Scaled Fee Rates pursuant to the 2022 Supplemental Agreement effective from November 1, 2022 and the adjustment to the Scaled Fee Rates pursuant to the 2024 Supplemental Agreement effective from July 1, 2024, loan interest rates and net interest margins for commercial banks have continued to decline. Against the backdrop of changes in the overall interest rate environment, given that deposits are the primary source of loan funding and deposit agency fee is part of the Bank's comprehensive cost of Renminbi deposit-taking, we believe that the Bank's proactive adjustment to the Renminbi deposit agency fee rates to control the overall cost of absorbing RMB deposits is in the interests of the Bank and the Shareholders as a whole.

4.3. Section conclusion

Considering that the continuous downward trends in the net interest margins and net interest spreads for commercial banks in recent years, and considering the current and future interest rate environment as well as the trend of net interest margins in the commercial banking sector, we believe that the Bank's proactive adjustment to the deposit agency fee rates of Agency Renminbi Deposit-Taking Business to control the overall cost of absorbing RMB deposits is a positive and proactive measure. We also believe that by more actively responding to market conditions, enhancing its active liability management capabilities, and promoting the long-term healthy development of its Agency Deposit-Taking Business, the Bank will not only benefit itself but is also in the interest of the Shareholders as a whole.

5. Adjustment plan of the agency fee rates of Agency Renminbi Deposit-Taking Business

To achieve its sustainable and healthy development, the Bank, along with China Post Group, based on principles of fairness, justice, commercial sustainability, protection of Shareholders' interests, market orientation, co-ordination of the growth rate of deposit agency fees with the revenue growth rate of the Bank, and smooth transition, strictly adhere to the relevant requirements of laws and regulations such as the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision) and the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, as well as regulatory rules of places where the Bank's shares are listed. In accordance with the Agency Banking Businesses Framework Agreement and the 2024 Supplemental Agreement, and based on its negotiations with China Post Group, the Bank proposes to adjust the deposit agency fees rates.

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

5.1.1. Adjustment to the Scaled Fee Rates

Taking into account the historical changes in market interest rates represented by the net interest margin of the Big Four in recent years, the actual operating needs of the Bank, the relationship between the growth of deposit agency fee and the growth of the Bank's revenue, and in accordance with the principle of reasonably guiding and optimizing the debt structure of the Bank and reducing the cost of interest payments, the Bank, in consultation the China Post Group, proposes to adjust downward the Scaled Fee Rates for agency deposits with a maturity of three years and below.

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

Table 2

Type	Before the Adjustment	After the Adjustment	Adjustment Ratio	Change
Demand deposits	1.992%	1.943%	-2.46%	Decreased by 4.9 BPs
Time-demand optional deposits	1.302%	1.242%	-4.61%	Decreased by 6.0 BPs
Call deposits	1.475%	1.407%	-4.61%	Decreased by 6.8 BPs
3-month time deposits	1.085%	1.060%	-2.30%	Decreased by 2.5 BPs
6-month time deposits	1.001%	0.985%	-1.60%	Decreased by 1.6 BPs
1-year time deposits	0.999%	0.963%	-3.60%	Decreased by 3.6 BPs
2-year time deposits	0.149%	0.142%	-4.70%	Decreased by 0.7 BPs
3-year time deposits	0.020%	0.019%	-5.00%	Decreased by 0.1 BPs
5-year time deposits	0.000%	0.000%	—	—
Daily aggregate cash (including cash in transit)	-1.500%	-1.500%	—	—

According to the table above, the Scaled Fee Rates for agency deposits with a maturity of three years and below are adjusted downward as follows:

- (i) for demand deposits, 3-month time deposits and 6-month time deposits, in consideration of their relatively low costs and in order to guide the grassroots to promote demand deposits and short-term deposits, the Scaled Fee Rates for the above deposits were adjusted downward by 4.9 BPs, 2.5 BPs and 1.6 BPs, respectively, with the percentage of downward adjustment lower than that of deposits of other maturities.

- (ii) for 1-year time deposits, the Scaled Fee Rates were adjusted downward by 3.6 BPs in order to consolidate the position of core deposits, maintain stability of customers and prevent liquidity risks.

We have reviewed the composition of agency deposits of the Bank for the recent three years (2022-2024), taking into account the costs data provided by the Bank, and noted that:

- (i) Deposits with a maturity of less than one year (excluding one-year): The overall interest payment rate are low, but its portion over total daily average balance of agency deposits (i.e. the proportion of the daily average balance of the relevant type of deposits over total daily average balance of agency deposits) decreased from approximately 29.9% in 2022 to approximately 24.9% in 2024, representing a cumulative drop of approximately 5.0 percentage points.
- (ii) One-year time deposits: The interest payment rate is lower than that of longer-term time deposits, but its portion over total daily average balance of agency deposits has continued to increase, rising from approximately 53.7% in 2022 to approximately 61.6% in 2024, representing a cumulative increase of approximately 7.9 percentage points, making it the largest portion of Renminbi agency deposits.
- (iii) Time deposits with a maturity of over one year (excluding one-year): The interest payment rate of both 2-year time deposits and 3-year time deposits are higher than that of 1-year time deposits, and their portion over total daily average balance of agency deposits decreased from approximately 16.3% in 2022 to approximately 13.5% in 2024, representing a cumulative drop of approximately 2.9 percentage points. For the five-year time deposits, there was no significant change in the portion over total daily average balance of agency deposits.

We noted that the Scaled Fee Rates for agency deposits with a maturity of three years and below are adjusted downwards. The adjusted Scaled Fee Rates maintained the characteristic of lower Scaled Fee Rates for longer deposit terms, aligning with the overall feature of interest payment rates across different type of deposits. Based on the analysis above, we believe that the adjustment to the Scaled Fee Rates for agency deposits of different maturities under the adjustment plan is conducive to the growth of shorter-term deposits with lower interest payment rates, reflecting the value guidance for agency deposits of different maturities, enhancing the Bank's proactive liability management capability, and optimising the composition of deposits.

The adjusted Scaled Fee Rates shall become effective from the date of approval by the Board of Directors. Considering that nearly 3 months have passed from the beginning of the year to this proactive adjustment, and in order to better reflect the changes in the interest rate environment and to protect the interests of minority Shareholders, upon negotiation between the Bank and China Post Group, it is proposed that the deposit agency fees incurred for the period from January 1, 2025 to the date of approval by the Board shall be settled in accordance with the adjusted Scaled Fee Rates.

5.1.2. Possible effect of the adjustment plan on the Bank: using the composition of agency deposits of 2024 (for illustrative purposes only)

Taking into account the uniqueness of the “self-operated + agency” operation model of the Bank in the banking industry in China, it is unlikely to find any comparable transactions in the market to assess its pricing, especially the fairness of the specific Scaled Fee Rate. Composite Rate is a reflection of the combined effect of the composition of agency deposits and Scaled Fee Rate. The effect of the adjusted Scaled Fee Rate on the overall deposit agency fees is therefore reflected in changes in the Composite Rate. Therefore, if we calculate and compare the historical Composite Rate based on the adjusted Scaled Fee Rate, the result will be able to reflect the effect of the adjustment plan (if implemented) on deposit agency fees.

For illustrative purposes only, based on the composition of agency deposits in 2024 and calculated according to the adjusted Scaled Fee Rates, the Composite Rate was adjusted downward by 4 BPs from 1.08% to 1.04%, and the deposit agency fee decreased from RMB112.144 billion to RMB108.641 billion. Despite the increase in agency deposits of RMB1.11 trillion for the year, deposit agency fee still decreased by RMB6.982 billion or 6.04% as compared with the deposit agency fee in 2023. Details are as follows.

Table 3

In RMB million, except for percentages

Type	Daily average balance	Before the Adjustment		After the Adjustment		Change in level of deposit agency fee
		Scaled Fee Rate (%)	Deposit agency fee	Scaled Fee Rate (%)	Deposit agency fee	
Demand deposits	2,131,125	1.992	42,452	1.943	41,408	Decreased by 1,044
Time-demand optional deposits	13,565	1.302	177	1.242	168	Decreased by 8
Call deposits	20,467	1.475	302	1.407	288	Decreased by 14
3-month time deposits	171,583	1.085	1,862	1.060	1,819	Decreased by 43
6-month time deposits	257,800	1.001	2,581	0.985	2,539	Decreased by 41
1-year time deposits	6,412,608	0.999	64,062	0.963	61,753	Decreased by 2,309
2-year time deposits	507,639	0.149	756	0.142	721	Decreased by 36
3-year time deposits	893,786	0.020	179	0.019	170	Decreased by 9
5-year time deposits	6,989	0	0	0	0	Unchanged
Daily aggregate cash (including cash in transit)	15,048	-1.500	-226	-1.500	-226	Unchanged
Total	10,415,562	1.08	112,144	1.04	108,641	Decreased by 3,503

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

The table below shows the average net interest spread of the Big Four from 2019 to 1H2024. As the annual reports of the Big Four for 2024 have not yet been released, the table below also sets out the net interest spread for the first half of 2024 for reference.

Table 4

Year	2019	2020	2021	2022	2023	1H2024
Average net interest spread (%)	2.03	1.94	1.86	1.72	1.44	1.29
Average of the previous 3 years (%)					1.67	1.48
Average of the previous 5 years (%)					1.80	1.65

Data source: Compiled based on the A Share annual reports/interim reports of the Big Four from 2019 to 2024

In order to ensure the stability of the data, as well as to reduce the impact of contingent factors, the percentage change (-11.46%) in the average net interest spread of the Big Four in the most recent three years (2022-1H2024) (1.48%) compared with the average net interest spread of the Big Four in the three years before the last adjustment (2021-2023) (1.67%) can be used as a reference for the extent of the deposit agency fee rate adjustment. Therefore, the current adjusted agency fee rate is calculated on the basis of the agency fee rate in 2023 to reflect the changes in the market environment in recent years. On the basis of the agency fee rate of 1.24% in 2023, the Composite Rate for agency fee is calculated to be 1.10% ($1.24\% \times (1-11.46\%)$). We are of the view that the Composite Rate of 1.04% after the Adjustment is reasonable.

If the three-year interval is expanded to a five-year interval, i.e. the percentage change (-8.29%) in the average net interest spread of the Big Four in the most recent five-year period (2020-1H2024) (1.65%) compared with the average net interest spread of the Big Four in the five years before the last adjustment (2019-2023) (1.80%) can be used as a reference for the extent of the deposit agency fee rate adjustment. Based on the agency fee rate of 1.24% in 2023, the Composite Rate for agency fee is calculated to be 1.14% ($1.24\% \times (1-8.29\%)$). We further believe the Composite Rate of 1.04% after the Adjustment is reasonable.

Based on the analysis set out in this section, we are of the view that the Composite Rate of 1.04% after the Adjustment is fair, reasonable and in the interests of the Bank and the Shareholders as a whole.

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

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

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

Regarding the “(i) change in composition of agency deposits”, we use the average annual change in the proportion of the daily average balance of each type of agency deposit over total daily average balance of agency deposit for the recent years to adjust the composition of agency deposits (the “**Composition Adjustment**”). Considering that the more recent changes in composition of deposits better reflect the changes in the current market environment and the depositors’ choices in this context, we use the average annual change in composition of deposits over the past three years (2022-2024) as the basis for the Composition Adjustment. The table below shows the proportion of daily average balance of each type of agency deposit to the total daily average balance for the most recent three years (2022-2024).

Table 5

Type				Approximate average annual change (2022-2024) (Note)
	2022 (%)	2023 (%)	2024 (%)	
Demand deposits	24.6	22.4	20.5	Decreased by 205BPs
Time-demand optional deposits	0.2	0.2	0.1	Generally unchanged
Call deposits	0.6	0.5	0.2	Decreased by 19BPs
3-month time deposits	1.9	1.8	1.6	Decreased by 11BPs
6-month time deposits	2.7	2.7	2.5	Decreased by 13BPs
1-year time deposits	53.7	57.2	61.6	Increased by 393BPs
2-year time deposits	7.2	6.6	4.9	Decreased by 118BPs
3-year time deposits	9.1	8.7	8.6	Decreased by 26BPs
5-year time deposits	0.1	0.1	0.1	Generally unchanged
	100	100	100	

Note: The average change between the current year and the previous year from 2022 to 2024.

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

Table 6

In RMB million, except for percentages

Daily average balance of agency deposit				Approximate average annual change (2022-2024) (Note)
	2022	2023	2024	
Total	8,243,624	9,301,553	10,415,562	12.4%

Note: Mean of the percentage change between the current year and the previous year from 2022 to 2024.

As set out in the above table, the average annual growth rate of the total daily average balance for the last three years (2022-2024) is approximately 12.4%. After calculation, if we conduct Total Balance Adjustment based on the total daily average balance of agency deposits for 2024 (approximately RMB10,415,562 million), the total daily average will be approximately RMB11,707,092 million.

Assuming that a Total Balance Adjustment is conducted on the total daily average balance of agency deposits in 2024, serving as the comparison benchmark. Based on the same adjusted total daily average balance, we conducted a Composition Adjustment on the composition of agency deposits based on the average annual change for the last three years (2022-2024). With the application of the adjusted Scaled Fee Rates, we set out below the impact to the deposit agency fee and the Composite Rate.

Table 7

In RMB million, except for percentages

Type	Before the Adjustment			After the Adjustment			Change in level of deposit agency fee
	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	
Demand deposits	2,395,385	1.992	47,716	2,395,385	1.943	46,542	Decreased by 1,174
Time-demand optional deposits	15,247	1.302	199	15,247	1.242	189	Decreased by 9
Call deposits	23,005	1.475	339	23,005	1.407	324	Decreased by 16
3-month time deposits	192,859	1.085	2,093	192,859	1.060	2,044	Decreased by 48
6-month time deposits	289,767	1.001	2,901	289,767	0.985	2,854	Decreased by 46
1-year time deposits	7,207,771	0.999	72,006	7,207,771	0.963	69,411	Decreased by 2,595
2-year time deposits	570,586	0.149	850	570,586	0.142	810	Decreased by 40
3-year time deposits	1,004,615	0.020	201	1,004,615	0.019	191	Decreased by 10
5-year time deposits	7,856	0.000	0	7,856	0.000	0	Unchanged
Daily aggregate cash (including cash in transit)	16,914	-1.500	-254	16,914	-1.500	-254	Unchanged
Total	11,707,092	1.08	126,050	11,707,092	1.04	122,112	Decreased by 3,938

After calculation, the Composite Rate decreased from 1.08% to 1.04%, representing a decrease of 4 BPs, and corresponding deposit agency fee decreased by RMB3,938 million.

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

Agency deposits generally exhibit the characteristics that the longer the term, the higher the interest payment rate and the lowered the Scaled Fee Rate. Taking the two-year and three-year time agency deposits in 2024 as an example, and based on the information provided by the Bank, the interest payment rate for three-year time deposits was higher than that for two-year and one-year time deposits, while the interest payment rate for two-year time deposits was also higher than that for one-year time deposits. In the context of declining interest rates, the targeted differential reduction of Scaled Fee Rates for different types of agency deposits, based on the cost of deposits with different terms and the trends in changes in composition of deposits, is conducive to reflecting the value guidance for agency deposits of different maturities, optimising the composition of deposits.

5.2. Analysis on the reasonableness of the adjustment plan

Considering that:

- (i) as illustrated in section 4 above, considering that the trends in the interest rate environment and net interest margins for commercial banks in recent years, we believe that the Bank's proactive adjustment to the Renminbi deposit agency fee rates to control the overall cost of absorbing RMB deposits is in the interests of the Bank and the Shareholders as a whole.
- (ii) as illustrated in paragraphs 5.1.1. and 5.1.4. above, the adjustment plan sets different adjustment ranges to the respective Scaled Fee Rate, which is conducive to optimising the composition of deposits taken by agency outlets; and
- (iii) as illustrated in paragraphs 5.1.2. and 5.1.3. above, under certain assumptions, the adjustment plan could lower the Composite Rate and the level of deposit agency fee, which is in the interest of the Bank,

we are of the view that the adjustment to deposit agency fee rates of Agency Renminbi Deposit-Taking Business is fair and reasonable. The Adjustment is conducive to optimising the composition of deposits, lowering the interest payment rates, promoting the long-term healthy development of the Agency Deposit-Taking Business. In light of the aforesaid, we are of the view that (i) the 2025 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (ii) the adjustment to deposit agency fee rates of Agency Renminbi Deposit-Taking Business and the entering into and the terms relating to the adjustment to deposit agency fee rates of Agency Renminbi Deposit-Taking Business under the 2025 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

CONCLUSION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (1) the 2025 Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (2) the adjustment to deposit agency fee rates of Agency Renminbi Deposit-Taking Business and the entering into and the terms of the 2025 Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Yours faithfully,
For and behalf of
Altus Capital Limited

Leung Churk Yin Jeanny
Responsible Officer

Chang Sean Pey
Responsible Officer

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

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