中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

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 PRICING FOR AGENCY 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.

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 HONG KONG 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.

ADJUSTING DEPOSIT AGENCY FEE RATES OF AGENCY RENMINBI 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", i.e. different deposit agency fee rates are applicable to deposits with different maturities (the "**Scaled Fee Rates**").

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

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

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

According to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", the formula for the deposit agency fee corresponding to each type of deposit based on the Scaled Fee Rates is as follows: Monthly deposit agency fee at the relevant outlet = Σ (aggregate amount of deposit for each type of deposit at the outlet for the month × the respective deposit agency fee rate[1] of the relevant type of deposit/365) – aggregate cash (including cash in transit) for the month at the relevant outlet × 1.50%/365.

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

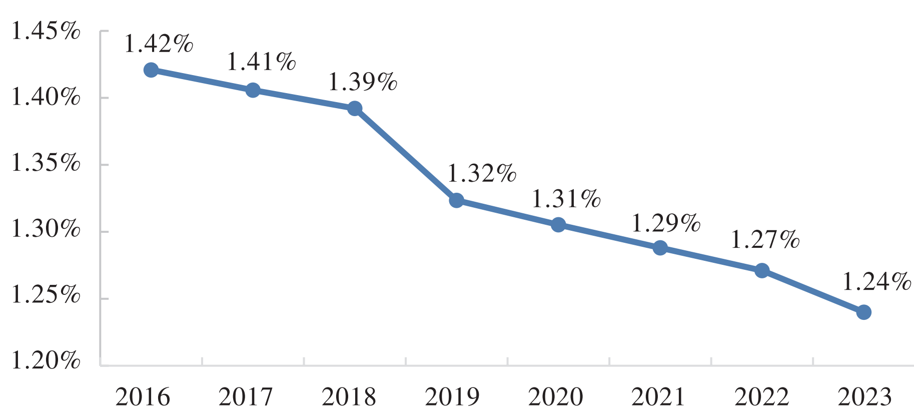
Deposit agency fee is only payable for the agency deposits received by the Bank (i.e. excluding the reserves held by agency outlets and the agency deposits in transit). Accordingly, the formula above deducts the deposit agency fee corresponding to the "cash at the relevant outlet" (comprising the reserves held by agency outlets and the agency deposits in transit) to reach the actual amount of deposit agency fee payable by the Bank. 1.50% (being the 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 agency deposits with different maturities during the year, and the Composite Rate derived varies with the Bank's agency deposit structure.

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

The Composite Rate from 2016 to 2023



(II) Adjustment to deposit agency fee rates and background

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

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

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

(III) Adjustment plan for the deposit agency fee rates

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

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

Adjustment to the Scaled Fee Rates

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

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

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

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

The specific adjustment plan is as follows:

Type	**Before the Adjustment**	**After the Adjustment**	**Change**
Demand deposits	2.33%	1.992%	Decreased by 33.8 BPs
Time-demand optional deposits	1.50%	1.302%	Decreased by 19.8 BPs
Call deposits	1.70%	1.475%	Decreased by 22.5 BPs
3-month time deposits	1.25%	1.085%	Decreased by 16.5 BPs
6-month time deposits	1.15%	1.001%	Decreased by 14.9 BPs
1-year time deposits	1.10%	0.999%	Decreased by 10.1 BPs
2-year time deposits	0.35%	0.149%	Decreased by 20.1 BPs
3-year time deposits	0.10%	0.020%	Decreased by 8.0 BPs
5-year time deposits	0.00%	0.000%	–
Daily aggregate cash (including cash in transit)	-1.50%	-1.500%	–

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

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

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

OPTIMIZING THE TRIGGER CONDITIONS OF THE PASSIVE ADJUSTMENT MECHANISM

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

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

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

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

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

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

UPDATING DEPOSIT AGENCY FEE PRICING OF AGENCY FOREIGN CURRENCY DEPOSIT TAKING BUSINESS

(I) Pricing mechanism and background of updating

According to the Agency Banking Businesses Framework Agreement, the deposit agency fee rates for Agency Foreign Currency Deposit Taking Business vary with the maturity of the deposits, (i) for short term foreign currency deposits (i.e. with a term of less than 12 months), the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the PRC interbank foreign currency market quoted on Bloomberg, deducting the composite rate of interests payable to customers on the foreign currency deposit with corresponding term; and (ii) for long term foreign currency deposits (i.e. with a term of 12 months or more), the deposit agency fee rate shall be calculated based on the composite interest rate of foreign currency deposit with corresponding term in the global interest rate swap market quoted on Bloomberg (adjusted by the differences between overnight interest rate in the PRC interbank foreign currency market and London Interbank Offered Rate (LIBOR)), and deducting the composite rate of interest payable to customers on the foreign currency deposits with corresponding term. From 2021 to 2023, the deposit agency fees paid by the Bank to China Post Group for the Agency Foreign Currency Deposit Taking Business performed by the agency business organizations were RMB3 million, RMB11 million and RMB21 million, respectively, representing relatively small amounts, which had minimal impact on the Agency Deposit Taking Business and the financial condition of the Bank.

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

(II) Updating plan

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

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

1. "foreign currency interbank market rate and other rates" refers to a group of market reference rates used for determining short-term composite interest rate, including the U.S. Secured Overnight Financing Rate (SOFR), China onshore US dollar offered rate, the Euro Interbank Offered Rate (EURIBOR), and the Hong Kong Interbank Offered Rate (HIBOR).

2. The adjustment based on interest rate in the PRC interbank foreign currency market and the relevant foreign currency interbank offered rate recognized by the banking industry is to align the credit level of the composite interest rate with that of the Bank. In terms of the specific adjustment methods, there are differences between different foreign currencies. Taking U.S. dollar as an example, China onshore US dollar offered rate will be used as the reference rate, with a difference adjustment against the Secured Overnight Financing Rate (SOFR).

2024 SUPPLEMENTAL AGREEMENT

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

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

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

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

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

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

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

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

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

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

(4) Managed as unified transaction agreement

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

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

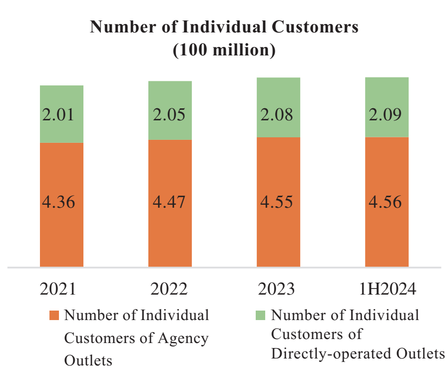
1. The 2024 Supplemental Agreement shall be affixed with the signature and official seal of the legal representatives/persons-in-charge of both parties or their authorized representatives;

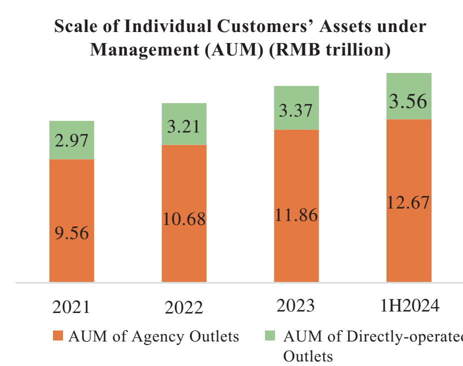
2. The relevant contents of the 2024 Supplemental Agreement shall be approved by the Shareholders' general meeting of the Bank.

The 2024 Supplemental Agreement is an alteration of the Agency Banking Businesses Framework Agreement and has the same legal effect as the Agency Banking Businesses Framework Agreement. To the extent of any inconsistency between the 2024 Supplemental Agreement and the Agency Banking Businesses Framework Agreement, the 2024 Supplemental Agreement shall prevail. Upon the entry into force of the 2024 Supplemental Agreement, Article 44 of the Agency Banking Businesses Framework Agreement (for details, please refer to "Deposit agency fee pricing of Agency Foreign Currency Deposit Taking Business – (II) Adjustment plan" above) and the 2022 Supplemental Agreement will be repealed. Please refer to the section headed "Connected Transactions" in the Prospectus for other major provisions of the Agency Banking Businesses Framework Agreement.

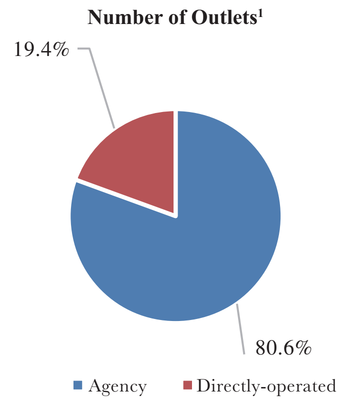
REASONS FOR AND BENEFITS OF THE ADJUSTMENT AND THE ENTERING INTO THE 2024 SUPPLEMENTAL AGREEMENT

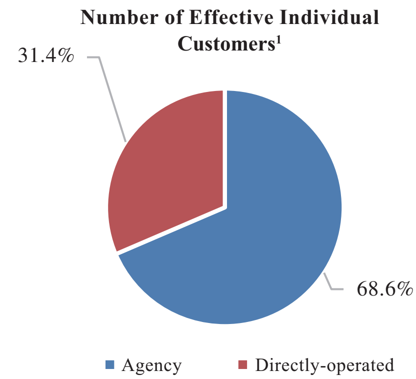
For a long time, agency deposits have played a vital role in the development of the Bank, laying a solid foundation for the growth of the Bank's assets and liabilities as well as the improvement of its profitability. Agency deposits of more than RMB10 trillion provide the Bank with a long-term, stable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

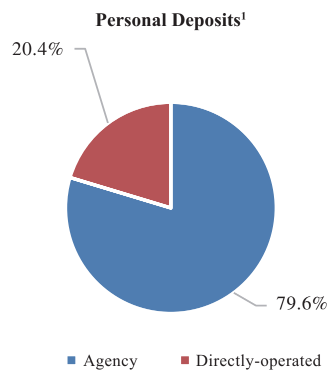


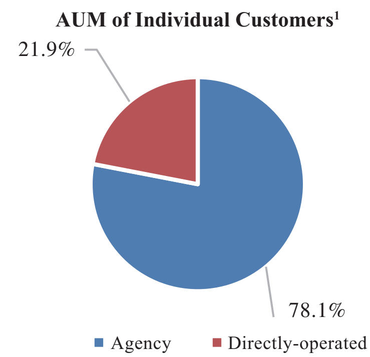


1. "effective individual customers" refers to individual customers whose average daily assets are greater than zero for the year.









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

Changes in Composite Rate

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

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

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

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

INTERNAL CONTROL MEASURES

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

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

- the Bank's Independent Non-executive Directors shall review the transactions under the Agency Banking Businesses Framework Agreement every year pursuant to Rule 14A.55 of the Hong Kong Listing Rules and confirm in the annual report whether such transactions are: (1) entered into in the Bank's ordinary and usual course of business; (2) conducted on normal commercial terms or better; and (3) carried out in accordance with the Agency Banking Businesses Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

- in the event that the Composite Rate for a certain year is expected to exceed the Cap on Composite Rate (namely 1.50%), it will be regarded as a material change to the Agency Banking Businesses Framework Agreement and will require compliance with the circular, independent financial adviser's opinion and independent shareholders' approval requirements under the Hong Kong Listing Rules. The adjustment of Scaled Fee Rates in other scenarios will also be subject to the supervision by the Related Party Transactions Control Committee under the Board, Independent Non-executive Directors, the Board and/or the Independent Shareholders to varying degrees, and will be disclosed by way of announcement;

- the Board shall report annually to the Shareholders' general meeting on the implementation of related party transaction management systems, operation of the Related Party Transactions Control Committee under the Board as well as the conduction of related party transactions, mainly covering the Composite Rate of Renminbi Deposit Agency Fee, level of market interest rate and other matters as specified by laws and regulations;

- the Bank will disclose in the annual reports the information in respect of the Agency Deposit Taking Business (in respect of Agency Renminbi Deposit Taking Business, the Composite Rates, the Scaled Fee Rates, the daily average balance of deposits with different maturities and the corresponding deposit agency fee for the relevant year; in respect of Agency Foreign Currency Deposit Taking Business, the pricing principle of the deposit agency fee for short-term and long-term agency deposits for the relevant year) and Agency Banking Intermediary Businesses (including the fees and commissions paid in the relevant year); and

- the transactions under the Agency Banking Businesses Framework Agreement shall be reviewed by accountants engaged by the Bank on an annual basis pursuant to Rule 14A.56 of the Hong Kong Listing Rules.

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 2024 Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

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

BOARD CONFIRMATION

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

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

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

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

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

The Independent Board Committee and the Independent Financial Adviser are of the opinion that the resolution is in the interests of the Bank and the Shareholders as a whole and would recommend the Shareholders to vote in favor of the resolution at the General Meeting.

THE EGM

The Bank will hold an Extraordinary General Meeting to consider and approve the Adjustment and the entering into the 2024 Supplemental Agreement.

China Post Group and its associates will abstain from voting on the resolution in relation to the Adjustment and the entering into the 2024 Supplemental Agreement at the EGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, save as disclosed herein, there is no other Shareholder who is required to abstain from voting on the resolution at the EGM by reason of any material interest in the said resolution.

A circular containing, among other things, details of the aforesaid resolution, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser, together with a notice of convening the EGM, will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank's websites (www.psbcltd.cn, www.psbc.com) on or about October 9, 2024) and will be sent to the H Shareholders of the Bank in the manner which the H Shareholders of the Bank have chosen to receive corporate communications.

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
"A Share(s)"	Ordinary Share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
"Adjustment to Deposit Agency Fee Pricing" or "Adjustment"	the Bank and China Post Group's proposed optimization and adjustment of the pricing for deposit agency fee of Agency Deposit Taking Business under the Agency Banking Businesses Framework Agreement to be considered and approved at the EGM, details of which are set out in this announcement
"Agency Banking Businesses Framework Agreement"	the agency banking businesses framework agreement dated September 7, 2016 between the Bank and China Post Group
"Altus Capital" or "Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Adjustment to Deposit Agency Fee Pricing and entering into the 2024 Supplemental Agreement
"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
"Group"	the Bank and its subsidiaries
"H Share(s)"	Ordinary Share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Shares
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent board committee comprising Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong, the Independent Non-executive Directors
"Independent Shareholder(s)"	the Shareholder(s) of the Bank except for China Post Group and its associates
"Prospectus"	prospectus of the Bank dated September 14, 2016
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	the A Share(s) and/or H Share(s) of the Bank
"Shareholder(s)"	holder(s) of Shares of the Bank

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

Beijing, the PRC
September 30, 2024

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

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